ECONOMICS 325.101
ECONOMICS OF POVERTY AND DISCRIMINATION
UNIVERSITY OF MICHIGAN-DEARBORN
SPRING 2001     HALF TERM SESSION I

CLASS MEETS:       MWF 8:40 – 10:30, Room 1095 U Mall
INSTRUCTOR:        B. Crowell
OFFICE:            2118 CASL Annex
PHONE:             436-9183 or messages at 593-5096
OFFICE HOURS:      MWF 8:00-8:30 and by appointment
FINAL EXAMINATION: Wednesday, June 27, 2001  --  8:00-11:00 a.m.

IMPORTANT DATES TO REMEMBER:

    May 11:   Last day to add a course or drop course without record.
COURSE DESCRIPTION

Poverty and discrimination are popular and controversial topics. Most everyone is interested in these two subjects and has a decided opinion (not always the same) as to their causes and solutions. Unfortunately, popular discussions and public policy proposals often are based on superficial views of what poverty and discrimination are why they occur and persist, and what policies might eliminate these problems. This course offers a more comprehensive economic analysis of the causes of and alternate solutions to poverty and discrimination.

This course provides an understanding of the economic aspects of poverty and discrimination. Emphasis is placed on the theoretical economic causes of poverty and the economic bases for discriminatory treatment, the impact of poverty and discrimination on individuals and society, and the effect of reform policies on the two problems. The course includes approaches to defining and measuring poverty; types of income distribution and measures of income inequality; measurement and documentation of discrimination.

COURSE OBJECTIVES

It is expected that, over the course of the semester, the student will develop:

1. An understanding of the nature and scope of poverty in this country, including the various ways of defining and measuring poverty.

2. An understanding of the nature of income distribution and the various measurement techniques used by economists.

3. An understanding of the economic causes of poverty, with emphasis on institutional, labor market, and demographic aspects of the problem;

4. An understanding of the meaning and forms of discrimination, focusing primarily on discrimination of an economic nature;

5. An understanding of the economic causes and explanations for discriminatory treatment;

6. The conceptual and theoretical bases for the economic analysis of discrimination;
7. The methodological frameworks for ascertaining and evaluating:
   a. The existence of poverty,
   b. The extent of economic discrimination, and
   c. The impact of such discrimination on the minority groups affected;

8. A knowledge of past, existing, and proposed policies to eliminate poverty and discrimination;

9. The ability to evaluate the impact of current and proposed anti-poverty and nondiscrimination programs; and,

10. An understanding of the specific problems of individual minority groups -- e.g., blacks, women, aged, handicapped, Hispanic, and American Indian.

GRADING CRITERIA
The University Announcement requires grades, the form and meaning of which are given on pp. 22-23 of the 1995-97 edition. Persons in the course determine their grades by demonstrating on written examinations and homework 1) an understanding of the assigned readings, 2) a grasp of the material covered in class, and 3) an ability to question, analyze, and discuss issues in the economics of poverty, discrimination and income distribution. Each student will have ample opportunity to display his/her progress in the course through performances on three unit exams, each counting 100 points, and a number of homework assignments and projects, counting at least 200 points. The third hour exam will be given on the day scheduled for the final examination. PLEASE NOTE: no comprehensive final exam is scheduled for this course. Each unit exam represents approximately one-third of the material. Therefore, it is important for the student to take each exam very seriously. The final letter grade range will be based on the following scale:

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The grades of “plus” and “minus” are given at the discretion of the instructor. These figures are approximate; the instructor has been known to scale grades when to do otherwise would mean excessive chaos. NONETHELESS:

1. If the grades are scaled downward, it will occur during the determination/calculation of the final course grade, not after each exam.
2. A passing grade will not be given to a score of less than 50% of the total points possible.
3. The average grade given in this class is a C. To earn an A or B, a student must demonstrate consistently excellent or good work, respectively.

Students may earn up to 25 points extra credit by submitting a position paper on welfare reform or critiquing a book relating to some topic in this course. The book must be approved in advance by the instructor. The instructor is willing to discuss alternative projects that might satisfy this option.
IMPORTANT NOTES

1. There will be no makeup of missed exams except in highly unusual and extenuating circumstances (as determined by this instructor).

2. Attendance is not required in this course. Any student that can pass this course by merely taking the exams may do so. However, before jumping from the top of the Ren Cen in glee, it must be pointed out that statistics overwhelmingly have indicated a high correlation between the number of absences and low grades (and this instructor routinely takes attendance in order to keep these statistics updated). Experience has demonstrated that class attendance and participation are beneficial to one's understanding of the material. Exams are comprehensive, covering both class notes and reading assignments; the two are not always synonymous but instead are intended to complement one another.

NOTE WELL: Moreover, although a student's grade will not be lowered deliberately for excessive unexcused absences, there are certain things that he/she must know. This instructor will give such students:

1. No extra help,
2. No consideration concerning early exams or makeups,
3. No letters of recommendation, and
4. NO BENEFIT OF THE DOUBT IN MARGINAL CASES.

3. With respect to incompletes ("I" or "whatever happened to the semester" or "where have all the gut courses gone"), this instructor is of an unsympathetic mind. An incomplete will only be given in extremely extenuating circumstances (again, as determined by this instructor). An "I" grade is never given for unsatisfactory work.

4. Exam dates are announced at least a week ahead of time.

5. This instructor takes a dim view of cheating, plagiarism, and any other violation of the Code of Academic Conduct (pg. 58-59, UM-D 1995-97 Announcement). The opportunity cost of violating the Code is high; the penalty is failure in the course.

6. "Watch out for flying chalk." The instructor is known for throwing chalk when she has been out-joked.

7. Grades are not posted. Students wishing to know their final exam and course grades may submit a stamped, self-addressed envelope.

8. If the office hours don't fit one's schedule, just make an appointment or stop by the office to see if I'm in.
SPECIAL NEEDS

Any student with special needs requiring extra assistance should report those needs to the instructor the first day of class. The University will make reasonable accommodations for persons with documented disabilities. Students should register with the Disability Resource Services Office located in Counseling and Support Services, 1060 UMall. Eligible students who are not registered with the DRSO should do so within the first few days of the term.

REQUIRED TEXTS

1. Wolff. ECONOMICS OF POVERTY, INEQUALITY & DISCRIMINATION
2. E. Crowell. COURSEPACK: EC 325
3. ADDITIONAL READINGS in the library or class handouts.
4. A QUALITY newspaper every day or a good weekly news magazine. This instructor considers questions on current news items relating to poverty and discrimination as fair game.

COURSE OUTLINE

1. Some reading assignments will be passed out in class. The numbers in the outline refer to chapters in Wolff. TBA refers to additional readings to be announced.
2. The instructor will keep students informed as to where they should be in the readings.
3. The exams scheduled on the reading list are only tentative. Students will be given more than one week's notice prior to an examination.

I. Introduction and overview 1-2

II. Nature and scope of poverty and inequality 3-4, 9
   A. Definition and measurement
   B. Characteristics of the poor
   C. Trends

III. Causes of poverty 5, 9, 10, 8
   A. Multiplicity of causes
   B. Labor market forces

EXAM
   C. Demographic forces 6-7
   D. Discrimination 12, 14, 8
1. Definition and types
2. Specific problems of individual minority groups
3. Measurement and documentation

EXAM

IV. Solutions: past, present, proposed 15, 16, 11

A. Theoretical framework of social welfare policy
B. Equal opportunity
C. Income maintenance
D. Employment policies
E. Health, housing, and others,
F. Economic development programs
G. Effectiveness of and impact on specific minority groups

EXAM

V. Perspectives on poverty and discrimination

SAMPLE QUESTIONS

1. Define 3 of the following terms. Briefly explain the relevance to an economics of poverty and discrimination class. Do not answer more than 3. I will grade only the first 3.
   a. statistical discrimination  c. exploitation
   b. poverty gap    d. structural unemployment

2. Identify the difficulties involved in measuring the following concepts. Include in your discussion the current official (governmental) definition of each and the problems (if any) that definition generates.
   a. unemployment  b. poverty  c. poverty line

3. Answer either a, b, or c. Answer only one. I will grade only the first one.
   a. In what ways are the problems of poverty in the U.S. likely to be different from those in an underdeveloped, poor country such as Bangladesh? In what ways are they easier to solve in one place than in the other?
   OR
   b. Explain the distinction between the production and nonproductive poor. Discuss the import of these distinctions for policies designed to eliminate poverty.
   OR
   c. Distinguish between a sociologist's definition of the culture of poverty and an economists (e.g., Fusfeld). Be complete and specific.
4. Answer either a or b. (Answer only one).

a. "Since the percentage of families below the poverty line has decreased greatly since 1965, the U.S. must be winning the ‘war on poverty’." True, false, or half & half? Critically evaluate this statement and justify your answer.

OR

b. H. Gans argues that the existence of a poverty class serves a number (15) of economic and social functions in this country. Identify the major economic functions. Would H. Wachtel and D. Fusfeld agree or disagree with Gans? On what issues/bases would each agree or disagree? Be specific.

5. Answer only one. Again, outline form is fine. Identify which part you are answering in your bluebook.

a. How would a perfectly competitive labor market work to reconcile the differences between area A where high wages exist and area B where low wages exist? INCLUDE A DIAGRAM IN YOUR ANSWER.

b. We know market imperfections may prevent the market from operating perfectly. SELECT EITHER a) a monopsonistic situation or b) deliberate racial discrimination on the part of an employer. Explain and diagram the situation. Indicate the impact on the workers and the economy of such a situation.

c. How does the labor market of the primary labor sector (in the Dual Labor Market Hypothesis) operate differently from a competitive labor market -- or does it?

d. Identify and explain the various barriers and institutions that prevent the intersectoral mobility of workers between the primary and secondary sectors of the labor market and perpetuate the existence of a secondary labor market work force.

NOTE: Comprehensive review questions can be found in the course pack.
ECON 325

□ = FIRST, LAST DAY OF CLASS
? = HOLIDAY
≥ = TENTATIVELY SCHEDULED EXAMS: 5/25, 6/12, and 6/27

= PAPERS: 5/18, 6/15 (EXTRA CREDIT)

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POVERTY LINE FOOD BUDGETS

The Department of Agriculture, the Social Security Administration, the Council of Eco Advisers, and the author of your textbook all indicate that a nutritionally sound diet can be purchased for $3.58 per person per day or $1.19 per meal. This figure generates a weekly food budget of $100.24 for a family of four. With adjustments for family size, the weekly budgets for an individual, a couple, and a family of six is $31.07, $55.13 and $135.32.

The assignment is to draw up a nutritious, interesting, and tasty (?) menu for two weeks of meals for a family of four (two adults, a 12 year old boy and an 8 year old girl), staying within the guidelines. The menu or food plan must be costed out in the real world (as in grocery store). Both a meal plan and a budget/food cost list are needed. The family must be fed.

RULES OF THE GAME

1. Assignments should reflect individual (not group) effort and planning. Independent effort will be recognized. Grading of essays and papers always involves comparisons with both an acceptable norm and the quality of assignments turned in.

2. Students are free to change the family size upwards-- it can be realistic reflecting their present situation, or perhaps future situation. Students need only check with the instructor for the appropriate budget figure for a family size not listed here.

3. A “good faith” effort is expected. This means no “off the wall” and blanket assumptions such as “I go to a soup kitchen seven nights a week.”

4. Students should be resourceful, creative and imaginative in tracking down information. Students aren’t limited to library materials. Mothers, spouses, cookbooks, etc., are fair game-- just as long as properly identified and documented.

5. Documentation is required though formal footnotes are not necessary. Please see the notes for assignment #2 for more details on documentation.

6. Organization and clarity of presentation will be important considerations in grading. Proper spelling, grammar, and punctuation are expected.

7. Limited bugging of librarians and others is acceptable, but students should be able to carry out this assignment given ordinary library holdings and other resources available in the community.
8. The instructor is a **firm** believer in the Code of Academic Conduct (having served more than eight years on the Academic Judiciary). Violations of the Code will result in failure in the course; the opportunity cost of a violation is high.

9. The assignment need not be typed (although that is preferred). If it is handwritten, it should be **printed in ink on every other line**. Needless to say, all assignments should be neat and legible. **Two copies must be submitted.**

10. The due date is **no later than class time (8:40 a.m.), Friday May 18, 2001.** There will be a 10-point late deduction penalty. **No late papers accepted after class time, Monday, May 21, 2001.**

**EC 325 ECONOMICS OF POVERTY & DISCRIMINATION**

**ASSIGNMENT #2**

**PROFESSOR CROWELL**

**UMD SPRING ‘01**

**100 POINTS**

**RULES OF THE GAME**

1. Assignments should reflect individual (not group) effort and planning. Independent effort will be recognized. The grading of essays and papers always involves comparisons with both an acceptable norm and the quality of the other assignments/papers turned in.

2. A "good faith" effort is expected. This means no "off the wall" and blanket statements such as: "she reconciles with her husband," "her husband discovers oil on the family farm," "her best friend takes care of her children daily at no charge" or "she wins the lottery." This doesn’t mean one should be extravagant, but one shouldn’t be overly miserly either.

3. Students should be resourceful, creative and imaginative in tracking down information. Students aren’t limited to library materials (but they should consult them.) Agencies, companies, newspapers, etc. are fair game-- as long as properly identified and documented. Arguments and assumptions must be identified, explained clearly and justified.

4. Documentation is required though formal footnotes are not necessary. However, citing three sources at the end of a paper and not indicating which material in the text corresponds to the appropriate source is not acceptable documentation. Students should check a style manual; consistent documentation is expected.

5. Limited bugging of librarians is acceptable, but students should be able to carry out this assignment given ordinary library holdings and other resources available in the community. On the same level, students should not ask other economics/management/sociology faculty for help on this assignment for the following reasons: 1) the assignment is the student’s responsibility; 2) other instructors may feel that the EC325 instructor wants them to do her job; and 3) it’s just bad form. If you need help, check with your friendly neighborhood EC325 instructor.
6. Organization and clarity of presentation are important considerations in grading. Proper spelling, grammar and punctuation are expected. Proper composition skills cannot be sacrificed for substantive detail. Both are important.

7. This instructor is a firm believer in the Academic Code of Conduct (having served some nine years on the CASL Academic Judiciary.) Violations of the Code will result in failure in the course. Hence, the opportunity cost of violating the Code is high.

8. The assignment need not be typed (although that is preferred.) If typed, please double space. If it is handwritten, it should be printed in ink on every other line. Needless to say, all assignments should be neat and legible. Two copies must be submitted.

9. The due date is no later than class time (8:40 a.m.), Friday June 15, 2001. There will be a 10-point late deduction penalty. No late papers accepted after class time, Monday, June 18, 2001.

ASSIGNMENT #2: STAYING OFF WELFARE

Acknowledgment: Dr. James Gruber, Dept. of Behavioral Sciences at UMD, developed a large part of this assignment. It is used with permission.

J.D. is a single parent with two children, ages 2 & 4. Her ex-husband, who only works intermittently at minimum wage jobs has done a disappearing act and contributes no child support. J.D. has limited work experience. After graduating from high school, she worked for two years in fast food restaurants. She then married and had her first child. She has stayed home full-time and raised the kids. She has no relatives living in the area.
Today, she will start looking for a job to support herself and her two children, T.J. and Suzie. Before she starts her job search, she must estimate her living expenses. Once she knows what she needs to make ends meet, she will begin looking for a job that will provide for those needs. She will not accept any kind of welfare assistance (a number of politicians/ex-politicians would be proud of her); she will be paying her own way. What will her expectations be? What kind of job can she find; what kind of pay and benefits can she expect? For every item below, determine the monthly cost or the average monthly cost. Somewhere in your analysis, a year’s expenses should be costed out also. If any significant expenses have been omitted from this list, identify and approximate those costs, too.

1. **RENT**
   A safe neighborhood in which to raise two kids is essential. How much is the rent in a low-rent, safe neighborhood? Assume J.D. has all the basic furnishings except a stove and a refrigerator.

2. **UTILITIES**
   She needs gas, electricity, water and phone (remember, no off the wall assumptions.) A monthly average for these should be calculated.

3. **FOOD**
   The cost of feeding three people without skipping meals must be estimated. A food variety that one could live on (with children) for a year or more is needed. A realistic appraisal is necessary.

4. **DAY CARE**
   Since J.D. will have a full time job, she will have to arrange child care. What will she have to pay for two children, 2 & 4? **Be specific:** Provide name of person(s) or organization(s) that is/are the sources of the care/information.

5. **CAR**
   She has a 1993 subcompact car that she will use for getting to work, taking the children to and from childcare, shopping, etc. The round-trip commuting distance to whatever work she finds will be approximately 12 mi./day. Estimations of the following are needed:
   a. Upkeep (monthly average): gas, oil, basic maintenance; and,
   b. Insurance: basic coverage.

6. **HEALTH CARE**
   J.D. needs health insurance. What can she expect to pay? Also, if the insurance carrier does not pay all costs (i.e., if there is a deductible or co-insurance or it does not cover certain services,) what should she expect to pay on average per month for medicine, office calls, etc.? Provide the name of insurance company and coverage.

7. **CLOTHING**
   She will need clothing during the year for herself and her growing children. What will she need to spend on the average per month just to get by?
8. **MISCELLANEOUS**
   This category includes catchall items such as laundry & household supplies. J.D. will use a Laundromat. Personal items (cosmetics, haircuts, entertainment, etc.) need to be calculated. Is there anything else that should be included here?

9. **TOTAL**
   
   $_________ per month. $____________ per year.

10. **EMPLOYMENT**
    Considering J.D.’s skill level and job experience, identify very specifically the opportunities available to her. Find a job for her (being both resourceful and realistic). Estimate how much her earnings and benefits would be on both yearly and monthly basis.

   $_________ per month $____________ per year.

11. **SUMMARY/COMMENTARY/EVALUATION**
    Will she be able to find a job that will cover her basic needs? What options, if any, does she have? What did you learn from this assignment? Address this thoughtfully and completely.

    **Note:** Students who want to change the specifics of the household (i.e., 3 children rather than two, etc.) may do so after clearing this with the instructor.
Note to students: I include this handout from a previous term in order that students may get an idea of what is expected from them, as University of Michigan students, on a paper/homework assignments.

EC 325 Economics of Poverty & Discrimination  
UMD W '92

Professor Crowell

NOTES ON ASSIGNMENT #2.

1. As on any term paper of homework assignment, especially for a junior/senior (300 level) course, a “good faith” effort at attempting a major economic analysis from a professional perspective was expected. This was spelled out in the “Rules of the Game” on the assignment sheet. In all but a few cases, this good faith effort was made. I was impressed by how much thought and time some of you put into this assignment.

2. The grades ranged from 85 to 45. These grades reflect grade reductions for two late papers. The average was 65.

3. The grades also reflect that the assignment was judged on at least two levels: a) the nature and the level of the analysis (including completion) and b) organization, clarity, grammar, manner of presentation and style. Very solid analytical papers lost points often for poor spelling, punctuation (or lack of it), typographical errors, and failure to document (which hurt a couple of papers severely). Some analyses were weakened by glaring errors in computation or failure to adequately research the topic. It is clear that none of you had read the handout on Carla that gave some remarkable hints.

4. Several analyses were weakened by unrealistic assumptions that, e.g., breakfast, lunch and snacks at daycare would replace all but one week day meal for the kids; after two years experience at minimum wage jobs and being out of the workforce for at least four years that she could walk into a substantially higher than minimum wage job with full benefits (including dental), or that she needs 40 new outfits a year for work as a waitress or secretary. Several analyses were weakened by including false information—and even with weak documentation, this instructor checked up on the information included in the papers.

On the other hand, at least three papers were documented extensively, as well as accurately.

5. For those students who are not graduating this term, I would recommend taking the course in Professional Communications offered within the Department of Humanities. It is a non-demanding (don’t quote me on that—I mean non-demanding in terms of rigorous economic analysis) but extremely practical and useful. Every student who has taken it upon my recommendation has come away saying that it’s one of the most worthwhile courses she or he has taken.