SS201 Issue Analysis Essay

SITUATION. We are in unprecedented times. Social unrest related to racial injustice, continuing gaps in the pay of men and women, and rising income inequality in the United States have the potential to galvanize our population but are instead proving divisive. Reinforced by social media echo chambers, people have retreated to their own corners, leaving a society unable to understand and analyze these critical contemporary issues through a critical lens without bias. Under-researched, partisan, misleading, and even articles written by foreign adversaries with the intent to divide the populace abound.

MISSION. Given a prescribed topic and readings, or by exception a topic of personal choice, present a clear overview of a contemporary social issue using an economic lens in **no more than 1200 words**.

EXECUTION. *You will choose from a prompt below or ask your instructor for permission to choose a topic of intense personal interest.* Each topic is one where reasonable people disagree about the best response and where nuanced public policy is necessary to find the best outcome. Within each prompt, you will find a series of questions meant to assist you in forming a coherent discussion and learning about the way that Economists seek to understand and solve problems. Relevant readings from reputable sources with well-informed authors are an important facet of informed discourse and are included in the prompt. The complexity of the issue and depth of analysis requested will test your concise writing ability.

Choose one prompt from the below list and execute that prompt:
1. Discrimination in Real World Markets
2. Intergenerational Economic Mobility: Do All Poor Children Have the Same Opportunities
3. Gender Differences in Major Choice
4. The Consequences of Free Trade
5. The Minimum Wage

SUSTAINMENT. The explicit intent of this essay is to examine a contemporary social issue with a critical, unbiased, and analytical mind. In the process, you will also get a glimpse of how current research in economics helps inform social policy. Considering the departure from the course text, additional readings are required and provided in the prompts. These expose you to *contrasting* viewpoints and require you to think beyond the confines of the course. Readings were selected for brevity, clarity, and understandability. You may also use reputable sources that are well researched and documented.

COMMAND AND CONTROL.
1. The IAE is due **NLT 02 2359 November 2022.**
2. Word Count: 800-1200 words.
   a. Include the word count in the lower right-hand corner of the final page.
3. Format and Document in the Chicago style (footnotes).
4. Submit with a standard cover page on Teams. Do not include a coversheet on Blackboard.

Grading: Your grade will be based on three fundamental aspects:
1. Addresses each of the prompt's requirements. (20%)
2. Quality of your analysis. (65%)
3. Quality of your writing. (15%)

Tips:
1. If you run into a pay wall on an article: 1) You can get free access as a student. 2) You can access them in the Library.
2. Critically read the articles presented. What assumptions did the author make? Are they valid? What is the author missing? What did the author get right?
3. Answer ALL OF THE QUESTIONS provided in the prompt
4. A well written analysis will consider both sides of an issue
5. Include your own analysis in your answer. Do not tell me what you think I want to hear. Tell me what you think!

Discrimination in Real World Markets

Economists define discrimination as a circumstance where a market participant, such as an employer, treats two otherwise identical individuals differently according to attributes like race, gender, or religion. Using both theory and empirical methods (e.g. data analysis), economists study racial disparities in the labor market and beyond, and seek to understand the degree to which this type of discrimination contributes to the racial wage gap and other differences. The news articles below summarize recent empirical work by economists seeking to measure the presence of discrimination in a *causal* way.

After considering the articles below, under what circumstances do you think discrimination is most likely to occur? What if anything should we do about this? If you think lack of intervention is the right choice, explain way. If you favor some intervention, suggest two policies that the government or employers should consider implementing to help.

You should produce a well-thought-out essay, complete with a thesis which addresses the question above and articulates your argument. In the essay, you should cite all the provided sources at least once, and be sure to consider both sides of the argument. **You should read all provided references and consider the points below before forming your thesis.**

At a minimum, address *all* of the following points in your argument:

i)   Suppose a hypothetical firm hires 30% of its white applicants but only 10% of its Black applicants. Explain why this fact alone is far from sufficient to demonstrate racial bias in hiring.

ii)   Considering your answer to part (i), explain how the Air BnB study, the resume studies, and the Army study provide more credible evidence of discrimination.

iii)   Why might an employer, even absent any racial prejudice, treat an identical resume with a different name on it differently? Under what circumstances would this be not only inequitable but also inefficient?

Throughout, you may use other references, but we expect you to reference each of the below at least once.

https://pubs.aeaweb.org/doi/pdf/10.1257/jep.34.2.68 (pages 68-71)

https://www.nber.org/digest/sep03/employers-replies-racial-names
https://www.nytimes.com/2021/07/29/business/economy/hiring-racial-discrimination.html

https://www.npr.org/2016/04/26/475773261/when-personalization-leads-to-discrimination-on-airbnb
(based on the article:
https://www.hbs.edu/ris/Publication%20Files/Racial%20Discrimination%20in%20the%20Sharing%20Economy%20-%2016sep2016_a28935c7-38db-4566-8d95-f5d4c2a58d73.pdf)

https://www.armytimes.com/news/your-army/2020/06/25/army-ditches-promotion-photos-as-part-of-an-effort-to-eliminate-unconcious-bias/

Do Poor Black Children Have the Same Economic Opportunity As Poor White Children?

Rates of upward economic mobility vary starkly by location and race. The articles below summarize recent research on how economic opportunity varies across neighborhoods and race and how factors such as education potentially influence upward mobility.

After considering the research summarized in the articles below, characterize the extent to which there is inequality of opportunity by race in the United States. What, if any, policies should a government or other entities take to try and mitigate this?

You should produce a well-thought-out essay, complete with a thesis which addresses the question above and articulates your argument. In the essay, you should cite all the provided sources at least once, and be sure to consider both sides of the argument. **You should read all provided references and consider the points below before forming your thesis.**

At a minimum, address *all* of the following points in your argument:

i)   Discuss the main takeaway from the figure at the bottom of page 2 of "Race and Economic Opportunity in the United States".

ii)   Summarize the figure on page 3 of the article on the Opportunity Atlas study. How does this relate to the key finding of the Moving to Opportunity (MTO) study? How could policy makers use this information to develop policies that improve upward mobility for children in neighborhoods with limited mobility?

iii)   How do college enrollment decisions contribute to differences in economic mobility between children from poor and wealthy households?

iv)   Considering the evidence provided in all four articles below, discuss a policy or a group of policies that could potentially reverse the trend you described in your response to part (i) of this question.

Throughout, you may use other references, but we expect you to reference each of the below at least once.

https://opportunityinsights.org/wp-content/uploads/2018/04/race_summary.pdf

https://opportunityinsights.org/wp-content/uploads/2018/10/atlas_summary.pdf

https://opportunityinsights.org/wp-content/uploads/2018/03/mto_exec_summary.pdf

https://opportunityinsights.org/wp-content/uploads/2020/02/coll_undermatch_exec_summary.pdf

Differences in gender in college majors

The major and career an individual chooses affects their work experience and future earnings. Many majors exhibit a gender gap, with male undergraduates disproportionately choosing fields in math, computer science, engineering, and the physical sciences relative to female undergraduates. Even though economics is a social science, enrollment in business and economics majors follows gender patterns quite similar to these fields (see Figure 3a in https://pubmed.ncbi.nlm.nih.gov/26172066/).

After considering the arguments presented in the articles below, do you think US colleges or universities should actively engage in efforts to increase women's representation in the economics major? A complete thesis will address whether this goal should be prioritized AND whether potential solutions are likely to be effective.

You should produce a well-thought-out essay, complete with a thesis which addresses the question above and articulates your argument. In the essay, you should cite all the provided sources at least once, and be sure to consider both sides of the argument. **You should read all provided references and consider the points below before forming your thesis.**

At a minimum, address *all* of the following points in your argument:

i) Discuss the main take-away from Figure 8 of Corbett and Hill. Why are college major choices important for understanding the broader gender wage gap? (Note that economics most closely corresponds to "business/management" on most of the figures in this study.) The Forbes article by Preston Cooper might also be helpful here.

ii) What implications might the gender composition of a field (e.g. physics or economics) among undergraduates have for productivity and scientific innovation? [hint: at least one of the articles addresses this question directly.]

iii) In the market for economics majors, undergraduate students are the "supply", and universities and later employers are the demand. Discuss at least one "supply-side" and one "demand-side" reason for gender differences in enrollment in economics majors.

iv) Discuss at least two potential policies universities could implement to increase women's enrollment in Economics. Explain whether or not you think such policies are likely to be effective and why.

Throughout, you may use other references, but we expect you to reference each of the below at least once.

https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.30.4.221 (221-233)

https://review.chicagobooth.edu/economics/2019/article/why-are-there-so-few-women-economists

https://www.nber.org/papers/w24189.pdf (pages 1-5, including Figure 2)

https://files.eric.ed.gov/fulltext/ED536572.pdf (pages 9-22)

https://www.forbes.com/sites/prestoncooper2/2020/10/20/study-majoring-in-economics-raises-earnings-by-22000/?ss=education&sh=36e0bb385a8e

The Consequences of Free Trade

In 2001, China officially joined the World Trade Organization, formalizing its rapid integration into the world economy and increasing its share of the world production of manufactured goods. The economic theory of comparative advantage predicts that as trade barriers are reduced, *both* countries involved are made better off by the transaction, regardless of whether they are an importer or an exporter. Despite broad agreement by economists on this implication (https://www.igmchicago.org/surveys/china-us-trade/), free trade remains a contentious political issue in the United States – though not one that falls cleanly along political lines. Presidents from *both* parties have tended to impose tariffs early in their tenure as a politically popular move (see the first paragraph here https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.33.4.187). Developing informed policy on this issue requires understanding both the aggregate and the distributional effects of trade on the domestic economy.

After considering the findings presented in the articles below, should the Federal Government enact any policies to respond to import competition from China and other countries in the manufacturing sector? If so, what type of policy would you suggest?

You should produce a well-thought-out essay, complete with a thesis which addresses the question above and articulates your argument. In the essay, you should cite all the provided sources at least once, and be sure to consider all sides of the argument. **You should read all provided references and consider the points below before forming your thesis.**

At a minimum, address *all* of the following points in your argument:

 i) Using the model presented in Chapter 9 of your textbook, predict what should happen in the US market for manufactured goods when China's share of world manufacturing increased dramatically beginning in the 1990s? [Hint: it will surely help to include a figure.]
    a. What would you predict happened to the world and domestic price for manufactured goods? Who gained in the US according to this model? Who lost?
 ii) *If the labor market were perfectly competitive*, what would you expect to happen to domestic workers who lose their jobs because of increased imports from China (hint, think about Chapter 28 in your textbook)? In practice, what does economist David Autor say happened to those affected by the China Shock?
 iii) Why is free trade sometimes unpopular even if it increases the "total pie"? How many people gain, and how much do they each gain? How much does each loser lose?
 iv) Discuss at least one potential policy *besides tariffs and quotas* that the government might consider as a response to import competition.

Throughout, you may use other references, but we expect you to reference each of the below at least once.

Textbook Chapter 9
https://chinashock.info/wp-content/uploads/2018/02/Lessons-from-Chinas-Rise-IZA.pdf
https://www.wsj.com/articles/how-the-china-shock-deep-and-swift-spurred-the-rise-of-trump-1470929543
https://blogs.imf.org/2019/05/23/the-impact-of-us-china-trade-tensions/
https://www.brookings.edu/policy2020/votervital/did-trumps-tariffs-benefit-american-workers-and-national-security/

The Minimum Wage

The question of whether or not raising the minimum wage is a desirably policy continues to divide economists (see http://www.igmchicago.org/surveys/minimum-wage/ and http://www.igmchicago.org/surveys/15-minimum-wage/) and policy-makers.

At its core, this debate revolves around both equity and efficiency arguments. Absent changes in economic efficiency, a minimum wage acts as a transfer from firms (which in turn comes from either higher prices, lower profits, or other cost savings) to employed workers. This transfer may be palatable on equity grounds, if say it helps the poor or minorities or other disadvantaged groups at the cost of wealthier individuals. But economists have long also been concerned about the efficiency implications of minimum wages, particularly reductions in employment.

After considering the arguments presented in the articles below, do you think that the Federal Government should raise the minimum wage?

You should produce a well-thought-out essay, complete with a thesis which addresses the question above and articulates your argument. In the essay, you should cite all the provided sources at least once, and be sure to consider both sides of the argument. **You should read all provided references and consider the points below before forming your thesis.**

At a minimum, address *all* of the following points in your argument:

i) Side A: using a model from class (the relevant part of your textbook will help) and some of the material in these sources, to make the argument for why a minimum wage might result in a reduction in employment (i.e. be inefficient). You should include and reference a figure (which you should leave as an appendix).
ii) Side B: using the below sources, identify at least one <u>theoretical</u> argument for why the standard model might be a bit misleading, and why a higher minimum wage might not result in (much or any) job loss. *This is really the core of the argument between sides.*
iii) Side A and B are theoretical. What does the real-world data tell us? Using the below articles, bolster the theoretical arguments using the real-world empirical evidence that both shows minimum wages might lead to job loss and that they might not.

Throughout, you may use other references, but we expect you to reference each of the below at least once.

Theoretical arguments:
Textbook pages 110-118
https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.35.1.3 (pages 18-22 only)

Real-world evidence:
https://www.washingtonpost.com/outlook/2021/02/24/minimum-wage-economic-research-job-loss/
https://equitablegrowth.org/minimum-wages-and-the-distribution-of-family-incomes-in-the-us/
https://wol.iza.org/articles/employment-effects-of-minimum-wages/long