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 Econ 321

**HW#5** (Please type all answers)

Answer problems #1, #2, #12, AND your choice of 7 other questions.

- I. Provide an explanation *other than* pure discrimination that could account for the following group differences. (You do not need to **agree** with your explanation; just try to make it plausible).
- A. Blacks with college degrees earn less than whites with college degrees.
  - B. Married men without children earn more than single men.
  - C. People with criminal records earn less than other people with identical education and intelligence.
  - D. There are so few Asians in professional basketball.
  - E. Japanese-Americans earn more than white Americans.
  - F. Teachers earn less than equally-educated non-teachers.

- II. In chapter 16 of Landsburg's *Fair Play*, he works through two arithmetic examples on discrimination, and shows that a non-discriminating employers can increase stockholders' returns by 150%. Using the numbers from his first example, recalculate the percentage increase in stockholders' returns if:

- A. **(Sample problem)** All of Landsburg's numbers stay the same, except that blacks earn 90% as much as equally productive whites.

9 white workers @ \$100,000	\$900,000	10 black workers @ \$90,000	\$900,000
1 black worker @ \$90,000	\$90,000	Bondholders	\$240,000
Bondholders	\$240,000	<b>Stockholders</b>	<b>\$300,000</b>
<b>Stockholders</b>	<b>\$210,000</b>	Total	\$1,440,000
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The profits from hiring an all-black workforce are thus  $(\$300,000/\$210,000)=1.43$  as large as those of a regular workforce; switching to an all-black workforce raises stockholder returns by 43%.

- B. All of Landsburg's numbers stay the same, except that bondholders and stockholders each receive **half** as much as the workers.
  - C. All of Landsburg's numbers stay the same, except that bondholders receive 40% as much as workers, and stockholders receive 10% as much.
  - D. All of Landsburg's numbers stay the same, except that the firm initially employs 9.9 white workers and only .1 black workers.
- III. Briefly (1-2 sentences each) explain what the preceding four examples show about the costliness of discrimination.

- IV. Discrimination is less costly when wages exceed market-clearing levels. Is there *any* incentive for employers to avoid discrimination when wages are too high? (2-3 sentences)
- V. Sowell (*Race and Culture*) discusses segregation of Jewish and Gentile workplaces.
- What efficiency rationale for this form of segregation does Sowell offer?
  - What happened to this labor market in fields with small Jewish populations?
- VI.
- Briefly, carefully, and neutrally state one stereotype that you are familiar with (but not necessarily in agreement with).
  - Would you expect this stereotype to be "self-fulfilling"? Why or why not?
  - Search the world-wide web or consult another reference source to check the accuracy of your stereotype. How close to the truth was your stereotype?
- VII. Suppose male and female employees are equally productive when employed, being worth \$15/hr, and work 2000 hours/year. But 10% of female employees (and 0% of males) under the age of 30 plan on leaving work to have children, costing their employers \$15,000 in re-training expenses.
- Diagram the market for male and female labor if employers statistically discriminate. How does the equilibrium female wage compare to the equilibrium male wage?
  - How much are women who don't leave work *underpaid* relative to their productivity? How much are women who do leave work *overpaid* relative to their productivity?
  - What would happen to the male-female average wage gap if female employees could give their employer a "money-back guarantee"?
- VIII. Suppose that workers who speak fluent English are more productive than workers who don't speak fluent English. Using S&D curves for both types of labor, show the effect of banning wage differences as "discriminatory."
- IX. Thinking in terms of the "market for mates," try to explain why men generally marry later than women. (2-3 sentences)
- X. Discuss the impact of technological change since 1900 on BOTH supply AND demand for female labor. (2-3 sentences)
- XI. Give an example of statistical discrimination in the dating market and discuss its effects. (2-3 sentences)
- XII. Find an opinion piece in a newspaper or magazine that relies on **either** "the standard history of discrimination" **or** "the standard history of gender." What aspects of the opinion piece would Caplan agree with? What precisely would he disagree with? (1 paragraph)