

STOCKHOLM UNIVERSITY  
Department of Economics

**Course name:**            **The Economics of Discrimination**  
**Course code:**           **EC2107**  
**Examiner:**               **Gisela Waisman**  
**Number of credits:**    **7,5 credits**  
**Date of exam:**         **Friday, 20 March, 2009**  
**Examination time:**    **3 hours**

Write your name, Swedish personal number and the number of the question on every cover sheet. Do not write answers to more than one question in the same cover sheet. Explain notions/concepts and symbols. Only legible exams will be marked. No aids are allowed.

-----

The exam consists of 4 questions. Question 1 is worth 10 points, question 2 is worth 30 points, question 3 is worth 40 points and question 4 is worth 20 points, 100 points in total. For the grade E 40 points are required, for D 50 points, C 60 points, B 75 points and A 90 points.

-----

If you think that a question is vaguely formulated: specify the conditions used for solving it.

-----

Results will be posted on the notice board, House A, floor 3, Thursday, 8 April at the latest

-----

**Good luck!**

Question 1 (10 points)

Explain the following two concepts and give examples:

- 1) Indirect discrimination
- 2) Affirmative action

Question 2 (30 points)

Determine if these two statements are true, false or uncertain and explain why. The points you obtain will depend on the clarity and completeness of the explanation.

- 1) "Taste discrimination by employers implies that employers who have the smallest discrimination coefficients run immigrant firms (firms with only immigrants in their labour force)".
- 2) "The Oaxaca Decomposition decomposes the raw wage differential into a portion that arises because men and women work in different sectors and a portion attributable to labour market discrimination"

Question 3 (40 points)

In the context of statistical discrimination, explain how negative stereotypes constitute a "self-fulfilling prophecy". Describe the model used by Coate and Loury (1993) in your answer. Can affirmative action eliminate stereotypes?

Question 4 (20 points)

Describe the purpose, methodology and general results of **only one** of the following articles:

Bertrand, Marianne, and Sendhil Mullainathan. "Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination." *The American Economic Review* 94, no. 4 (September 2004)

Card, David and Jesse Rothstein "Racial segregation and the black–white test score gap" *Journal of public economics* (2007) vol:91.