

STOCKHOLM UNIVERSITY
Department of Economics

Course name: The Economics of Discrimination
Course code: EC2107
Examiner: Mahmood Arai
Number of credits: 7,5 credits
Date of exam: Saturday 23 August
Examination time: 3 hours

Write your identification number on each paper and cover sheet (the number stated in the upper right hand corner on your exam cover).

Use one cover sheet per question. Explain notions/concepts and symbols. If you think that a question is vaguely formulated, specify the conditions used for solving it. Only legible exams will be marked. No aids are allowed. You are allowed to answer in Swedish.

The exam consists of 7 questions. 100 points in total. For the grade E 45 points are required, for D 50 points, C 60 points, B 75 points and A 90 points.

Your results will be made available on your "My Studies" account (www.mitt.su.se) on 12 September at the latest.

Good luck!

Please write your answer in 1-2 pages per question based on the reading list. Try to be concise. Try to be clear about the purpose of the studies you mention and what can be said and not be said based on the research you refer to.

PART 1: 1- Give an overview of the Becker theory of Discrimination, Statistical Discrimination and Implicit discrimination. Discuss the decision making problem, the employer's objective function, the information structure and the behavioral assumptions.

15 points

PART II: The following studies (mentioned in questions 3-7) aim at testing discrimination, and aim at identifying the effects of perceived gender, ethnicity etc on some outcomes. Discuss the methods used and the limitations that exist in the study that the authors try to deal with. Be clear about the method and the variation in the data that are used to examine these effects. Please do not repeat what is in the abstract.

2- Neumark, D; Bank R J. and Van Nort Kyle D. Sex Discrimination in Restaurant Hiring: An Audit Study *The Quarterly Journal of Economics*, Vol. 111, No. 3 (Aug., 1996), pp. 915-941.

Abstract: In an audit study of sex discrimination in hiring, comparably matched pairs of men and women applied for jobs as waiters and waitresses at restaurants in Philadelphia. In high-price restaurants (where earnings are higher), job applications from women had an estimated probability of receiving a job offer that was lower by about 0.4, and an estimated probability of receiving an interview that was lower by about 0.35. Both estimated differentials are statistically significant. Additional evidence suggests that customer discrimination partly underlies the hiring discrimination.

15 points

3- Bertrand M. and Mullainathan, S. Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor, *The American Economic Review*, Vol. 94, No. 4 (Sep., 2004), pp. 991-1013.

We study race in the labor market by sending fictitious resumes to help-wanted ads in Boston and Chicago newspapers. To manipulate perceived race, resumes are randomly assigned African-American- or White-sounding names. White names receive 50 percent more callbacks for interviews. Callbacks are also more responsive to resume quality for White names than for African-American names. The racial gap is uniform across occupation, industry, and employer size. We also find little evidence that employers are inferring social class from the names. Differential treatment by race still appears to still be prominent in the U.S. labor market.

15 points

4- Arai, M. and Thoursie, P. S. Renouncing Personal Names: An Empirical Examination of Surname Change and Earnings, *Journal of Labor Economics*, Vol. 27, No. 1, January 2009.

Abstract:

We study the effects of surname change to Swedish-sounding or neutral names on earnings for immigrants from Asian/African/Slavic countries. To estimate this effect, we exploit the variation resulting from different timing of name changes across individuals during the 1990s. The results imply that there is a substantial increase in annual earnings after a name change, no effects on earnings prior to a name change, and no positive general effects of a new name for other groups that renounced a foreign name. Based on these findings, we argue that these effects are due to name change as a response to discrimination.

15 points

5- Goldin, C. and Rouse, C. Orchestrating Impartiality: The Impact of "Blind" Auditions on Female Musicians, *American Economic Association, The American Economic Review*, Vol. 90, No. 4 (Sep., 2000), pp. 715-741.

Abstract: A change in the audition procedures of symphony orchestras-adoption of "blind" auditions with a "screen" to conceal the candidate's identity from the jury-provides a test for sex-biased hiring. Using data from actual auditions, in an individual fixed-effects framework, we find that the screen increases the probability a woman will be advanced and hired. Although some of our estimates have large standard errors and there is one persistent effect in the opposite direction, the weight of the evidence suggests that the blind audition procedure fostered impartiality in hiring and increased the proportion women in symphony orchestras.

15 points

6- Hanna, R. and Linden L, *Measuring discrimination in education NBER, Working Paper 15057*

Abstract: In this paper, we illustrate a methodology to measure discrimination in educational contexts. In India, we ran an exam competition through which children compete for a large financial prize. We recruited teachers to grade the exams. We then randomly assigned child "characteristics" (age, gender, and caste) to the cover sheets of the exams to ensure that there is no systematic relationship between the characteristics observed by the teachers and the quality of the exams. We find that teachers give exams that are assigned to be lower caste scores that are about 0.03 to 0.09 standard deviations lower than exams that are assigned to be high caste. The effect is small relative to the real differences in scores between the high and lower caste children. Low-performing, low caste children and top-performing females tend to lose out the most due to discrimination. Interestingly, we find that the discrimination against low caste students is driven by low caste teachers, while teachers who belong to higher caste groups do not appear to discriminate at all. This result runs counter to the previous literature, which tends to find that individuals discriminate in favor of members of their own groups.

15 points

7- Tyrefors Hinnerich, B. Hoglin, E. and Johannesson, M., Ethnic Discrimination in High School Grading: Evidence from a Field Experiment.

We rigorously test for ethnic discrimination in high school grading in Sweden. A random sample of the national tests in the Swedish language is graded both non-blind by the student's own teacher and blind without any identifying information. The increase in the test score due to non-blind grading is significantly higher for students with Swedish background compared to students with foreign background. This discrimination effect is sizeable, about 10% of the mean or 20% of a standard deviation of the blind test score.

10 points