

Microeconomics, Module 22: "Wages and Discrimination"

Micro module 22: Readings for the eighth edition

(The attached PDF file has better formatting.)

Updated: October 21, 2010

{The Landsburg textbook is excellent. We say to read certain sections and to skip others. This does not mean that certain sections are better; it means that the homework assignments and exam problems are based on the sections that you must read for this course. Some of the skipped sections are fascinating, but they are not tested.}

Read section 16.3, "Difference in wages," on pages 514-517. Actuaries are higher paid than most professions (teachers, underwriters, most business managers) but not as highly paid as some other professions (doctors, lawyers). Actuarial examinations raise salaries, but the effects are complex. It is hard to separate the *signaling effect* from the *knowledge effect*.

Read section 16.4, "Discrimination," on pages 517-519. *Question: Are male actuaries paid more than female actuaries?* Many women say yes; most men say no. This section will probably not change your view, but it explains some of the reasons for possible discrimination. Landsburg does not believe that irrational discrimination can maintain itself for long in a competitive market; not all persons agree with this perspective.

By the way, the male/female percentages of students has changed from predominantly male 50 years ago to predominantly female now. Actuaries disagree on the reasons for this and the probable effects on male vs female salaries. It is a worthwhile exercise to use Landsburg's ideas to explain this change and post your perspective on this discussion forum to see if other candidates agree.

Focus on human capital. Actuarial examinations provide skills, increasing human capital, and signal to employers that successful candidates are dedicated workers. Landsburg's analysis of college applies to actuarial exams as well.

Read the last two paragraphs of the summary on page 520-521.

Review question R8 on page 521. For actuarial jobs, consider differences between men and women, which is a more debated issue in white collar jobs.