

Microeconomics, Module 22: "Wages and Discrimination"

Micro module 22: Readings for the tenth edition

(The attached PDF file has better formatting.)

{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 skipped sections are fascinating, but are not tested.}

Read section 16.3, "Difference in wages." Actuaries are higher paid than teachers, underwriters, and most business managers but not as highly paid as doctors and 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." *Question:* Are men paid more than women? Many women say yes; most men say no. This text may not change your view, but it explains some 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.

The male/female ratio of actuarial students has changed from predominantly male 50 years ago to about equal 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 at the end of the chapter.

Review question R8. For actuarial jobs, consider differences between men and women, which is a less volatile issue than black vs white.