

Is Discrimination due to a Coordination Failure ?

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Abstract

This article presents a simple model of statistical discrimination that nests two types of discriminatory equilibria where groups with equal productive potential get different average wages. One equilibrium is generated assuming that groups face different market conditions and the other drops this assumption. Some of the fundamental parameters of the model are estimated and they allow us to discharge the possibility that earnings differences had been exacerbated by a coordination failure over some of the years analyzed, for four different age cohorts. We then estimate an upper bound of the loss that could have taken place had there been a coordination failure for the years it could have happened. Such magnitudes can reach important values, increasing initial payoff of blacks by over 50% in some cases, and also in some cases, they would allow them to get larger payoffs than whites.

JEL Codes: J71, J24, J15

<http://www.aea.fed-eco.org/fr/archives/2002Bruxelles/programme.asp>