



Exchange programme Vrije Universiteit Amsterdam

Vrije Universiteit Amsterdam - Exchange programme Vrije Universiteit Amsterdam - 2024-2025

Exchange

Vrije Universiteit Amsterdam offers many English-taught courses in a variety of subjects, ranging from arts & culture and social sciences, neurosciences and computer science, to economics and business administration.

The International Office is responsible for course approval and course registration for exchange students. For details about course registration, requirements, credits, semesters and so on, please [visit the exchange programmes webpages](#).

Choices, Inequality and Welfare

Course Code	E_MUE_CIW
Credits	6
Period	P2
Course Level	300
Language Of Tuition	English
Faculty	School of Business and Economics
Course Coordinator	dr. S. Hochguertel
Examiner	dr. S. Hochguertel
Teaching Staff	dr. S. Hochguertel, T.D. Rozsos BA
Teaching method(s)	Lecture, Written partial exam, Study Group

Course Objective

This course focuses on the interaction between the market mechanism and government policy. Policy may aim to correct market failure and work towards maximization of social welfare, which embodies trading off interests of many groups in society, both with respect to efficient use of scarce resources, and (in)tolerance to inequality or poverty. Conversely, the market mechanism is a powerful tool that can set free innovative dynamics, with implications for growth and inequality. This course helps you understand individual and social choice, consequences for market outcomes, and the foundations of policy decisions at a deeper and analytical level. We cover a broad set of topics, reflecting pressing issues in present-day complex societies. We foster understanding of core concepts and applications in economic modeling and statistical data analysis, using a novel playful and intuitive approach that leverages interactive graphical visualization tools.

We pursue two types of learning outcomes:

ACADEMIC AND RESEARCH SKILLS

After successfully completing the course Choices, Inequality and Welfare, you are able:

- to understand microeconomic models, their predictions and sensitivity to policy parameters
- to formulate the economic rationale for policy intervention and to develop policy options from economic theories;
- to apply tools of theoretical and empirical economic modeling;
- to interpret economic data in light of policy evaluation methods.

BRIDGING THEORY AND PRACTICE

After successfully completing the course Choices, Inequality and Welfare, you are able:

- to discuss the role of economic policy in the context of both market failures and government objectives to adjust market outcomes;
- to evaluate existing and potential policy options, both in theory and in practice;
- to show a critical attitude to existing theoretical and empirical policy analyses of current economic problems.

Course Content

This course is geared at understanding the role of government policy from a predominantly microeconomic perspective. Not only will individual actors make choices that influence their own well-being, but government may pursue maximization of welfare for society as a whole, taking into account social inequalities between households.

We start with an analysis of individual choice and ask under what conditions a model society can achieve allocative efficiency. Competition is part of the answer. We then bring social choice considerations into play, and review the need for policy to address market failures and inequality, trading off efficiency and equity. Fighting poverty, or addressing the causes and consequences of climate change are among the core examples that we study. But government also needs to provide social insurance where private markets fail, and it needs to regulate monopolistic industries where competition cannot be introduced. In addition, we study empirical frameworks to evaluate policies, and apply them using economic data.

The following fields are prime candidates for discussion:

- taking into account the trade-off between efficiency and equity when formulating policy goals in an interconnected world;
- measuring inequality of incomes and the role of distributional policy;
- development and trade: analysis of living standards and poverty, provision of legal and political frameworks, trade protection and policy;
- environment: externalities from pollution, regulation and tax solutions; public goods and free rider behavior; climate policy challenges and trade effects;
- statistical methods of economic data analysis, such as linear regression, and policy evaluation methods
- social insurance and asymmetric information: health & disability insurance, adverse selection and moral hazard, welfare payments;
- competition policy and regulation: imperfect competition, market power, cartels, price-discrimination, regulation and de-regulation.

Additional Information Teaching Methods

2 Lectures and 1 tutorial per week.

Method of Assessment

Exams (midterm and final); weekly problem sets.

Entry Requirements

This course is on level 300 (advanced). It assumes a basic knowledge of mathematics at the high school level (differential calculus) and basic statistics skills as provided in the academic core of many Bachelor of Science programs at Vrije Universiteit Amsterdam or equivalent.

Literature

Main text: online lecture notes; various academic papers and ancillary textbook chapters, to be announced on Canvas or in the course manual.

Additional Information Target Audience

Third-year bachelor students of any major (except Economics and Business Economics; and Econometrics).

Additional Information

This course is an integral part of the University Minor Economics; participants gain strongly from attending the entire minor program. This course prepares for Applying Economics. We use tailor-made applications with computer-based tools and modern statistical software.

Recommended background knowledge

The course builds on previous courses in the Minor Economics program, in particular: An Introduction to Economics and Economic Challenges for Minor Students. Familiarity with contents of those courses is assumed. Please attend the brief Math Refresher half October to check your high school level maths and basic statistics skills. You can prepare for the Refresher using our computer-based online self-test.