Minor Economics 2017-2018
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Applications in Economic Policy: Policy Analysis, Formulation and Evaluation

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<td>Coördinator</td>
<td>dr. W. Zant</td>
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<td>Examinator</td>
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<td>Lesmethode(n)</td>
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**Doel vak**

The objective of this course is to develop your capability to independently analyse a policy issue, design a policy response, or evaluate a policy intervention from an economic point of view. Specific learning outcomes upon completion of this course are:

- you are able to identify a relevant (economic) policy issue, to motivate the urgency of the issue, and to formulate an appropriate research question;
- you are able to locate relevant economic theory in the literature and to apply it correctly in order to analyse the policy issue and to identify the economic rationale of potential or actual policy responses;
- you are able to identify, interpret and compare empirical findings from the economic literature to describe the policy issue, and/or the behavioural response of the market and government actors, and/or the impact of these responses;
- you have developed a critical attitude to the relevance and shortcomings of empirical data compared to theoretical requirements, and have become aware of limitations in insights that can be gained from theoretical reasoning alone when addressing real-life issues;
- you are able to present your findings clearly to academic expert and non-expert audiences;
- you are able to work independently, while incorporating relevant feedback into their work;
- you are able to give constructive feedback to peers.

**Inhoud vak**

In this intensive period course, you work in a policy area of your choice (e.g. international financial systems and banking regulation, macro policy, development and growth, environment, urban/transport, health, human capital, competition policy, industrial policy). You write an economic policy-oriented research paper focusing on policy analysis, design and/or evaluation.

**Onderwijsvorm**

One introductory lecture followed by weekly working groups (compulsory attendance)

**Toetsvorm**

Paper, presentation and working group participation

**Literatuur**
Various theoretical and empirical academic papers (dependent on the topic)

**Vereiste voorkennis**
Foundations of Microeconomics and Development of Macroeconomic Thought

**Aanbevolen voorkennis**
Business Cycles and Stabilization Policy and Structural Policy

**Business Cycles and Stabilization Policy**

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**Doel vak**
The objective of the course is to introduce you to the theory and practice of macroeconomic and monetary policy, including regulation of the financial system. This course is complementary to the parallel course of Structural Policy. It is highly recommended to take both courses.

Specific learning outcomes upon completion of this course are:
- Ability to apply macroeconomic concepts and theories to analyze problems of employment and inflation;
- Capability to analyze the role macroeconomic policymakers in managing business cycles;
- An understanding of the policy problems facing central banks;
- Ability to interpret recent macroeconomic empirical work on economic crises and the effects of fiscal and monetary policy.

**Inhoud vak**
The course starts with discussing the historical development of macroeconomic theories explaining the origin of business cycles:
- Say’s law versus Malthus’ gluts;
- The Great Depression and the Keynesian revolution: Keynes, Hicks, Modigliani, Samuelson;
- Business cycle theory: Schumpeter, Austrians, Kuznets;
- Recent financial crises.

Next, the course continues with discussing the roles of different authorities in conducting macroeconomic policies. This part of the course includes the following topics:
- Money: creation, control of the money supply, interest rates, bank reserves, securitization;
- Central banking: Fed, ECB, independence, different targets;
- Stabilizing role of Fiscal policy: automatic stabilizers, crowding out, budget deficits, effectiveness;
- Stabilizing role of Monetary policy: Taylor rules, quantitative
The objective of this course is to introduce core concepts and theories of modern macroeconomic analysis including their development within the economic and social context of the past centuries.

Specific learning outcomes upon completion of this curricular item are:
- understanding of macroeconomic theories about growth, inequality and unemployment within their historical contexts;
- a basic knowledge of core macroeconomic concepts.
familiarity with recent empirical macroeconomic work on growth, inequality and unemployment.

**Inhoud vak**
The course starts with discussing the historical development of macroeconomic theories about growth, inequality and unemployment.

Next the course proceeds with the introduction of core macroeconomic concepts and theories including illustrations from recent empirical macroeconomic work on growth, inequality and unemployment:
- Circular flows and national accounts;
- Aggregate incomes and inequality;
- Growth accounting: labor productivity, technological progress, human capital, Solow model;
- Institutions and economic development;
- Unemployment: measurement, types, costs of unemployment, wage rigidity.

**Onderwijsvorm**
Lectures and tutorials

**Toetsvorm**
Grade is average of problem sets (30 %) and written examination (70%), with written exam grade of at least 5.0.

**Literatuur**

**Vereiste voorkennis**
Basic knowledge of math and statistics, as provided in the academic core of any academic program at the Vrije Universiteit Amsterdam or equivalent.

**Doelgroep**
Remarks: this course is an integral part of the University Minor Economics; participants gain strongly from attending the entire minor program.

**Foundations of Microeconomics**

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**Doel vak**
This course introduces you to modern microeconomics. At the end of the course you:
(1) can abstract from irrelevant details.
(2) can apply economic concepts and theory to analyze concrete problems;
(3) are able to interpret economic news.

Inhoud vak
Topics to be discussed are:
• Consumers, sellers and Incentives;
• Perfect competition, Trade;
• Externalities and public goods;
• Labor market/ human capital/unemployment;
• Economics of Information;
• Game theory/ Auctions;
• Socio/behavior economics.

Onderwijsvorm
Lectures and working groups

Toetsvorm
Grade is average of problem sets (30 %) and written examination (70%),
with written exam grade of at least 5.0.

Literatuur
Acemoglu, Daron, David Laibson and John A. List, 2016, Economics,
access code MYECONLAB.

Vereiste voorkennis
Basic knowledge of math and statistics, as provided in the academic core
of any academic program at the Vrije Universiteit Amsterdam or
equivalent.

Structural Policy

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Doel vak
The objective of this course is to identify, justify, analyze and
evaluate policy options to various current economic problems, including
issues in
the fields of labor markets, social insurance, pensions, development,
trade,
environment and product market competition. Using problem sets and
exercises, along with work on economic data will increase and deepen
understanding and help broaching a large number of microeconomic policy
fields.
Specific learning outcomes upon completion of this curricular item are:
• ability to formulate the economic rationale for policy
intervention in various current economic problems;
• ability to develop policy options from economic theories;
• ability to evaluate existing and potential policy options, both in theory and in practice;
• critical attitude to existing theoretical and empirical policy analysis of current economic problems;
• ability to apply tools of economic modeling;
• ability to interpret economic data.

Inhoud vak
Structural policy is on top of the agenda when it comes to keeping individual countries on the path to stability and growth. Microeconomic structural reforms (say, in labor and product markets, social security and welfare systems) are often seen as long-run policy measures complementary to short-term macroeconomic stabilization policies.

This course discusses the role of economic policy in the context of both market failures and government objectives to adjust market outcomes. Each problem is analyzed along four different dimensions: (1) statement of the problem, (2) discussion of the rationale for government intervention, (3) policy options, and (4) evaluation of the economic outcomes of the policy in theory and practice.

Current structural economic problems arising in the following fields are prime candidates to be discussed:
• environment: externalities, property rights, tragedy of the commons, taxation, climate policy;
• competition policy and regulation: imperfect competition, market power, cartels, price-discrimination, regulation and de-regulation;
• labor market: unemployment incidence, active labor market policy, taxes and labor supply;
• social insurance and social security: disability insurance, moral hazard, welfare payments, pensions (social security), adverse selection;
• development and trade: analysis of living standards, provision of legal and political frameworks, trade protection, WTO.

During the course, both theoretical and empirical economic work in policy context is discussed.

Onderwijsvorm
Lectures; tutorials

Toetsvorm
Grade is average of problem sets (30 %) and written examination (70%), with written exam grade of at least 5.0.

Literatuur
We further use J. Anthony Cookson, 2010, Intromediate Economics. (20 US$, ca. 18 EUR), downloadable from www.lulu.com/cookson as well as various academic papers and ancillary textbook chapters, and/or to be announced on Canvas.

Vereiste voorkennis
Basic knowledge of math and statistics, as provided in the academic core of any academic program at Vrije Universiteit Amsterdam or equivalent.

**Aanbevolen voorkennis**
The course builds on a previous course in the Minor Economics program, in particular, Foundations of Microeconomics. Familiarity with contents of that course is assumed. Familiarity includes a working knowledge of how to apply economic models in context and how to select and use appropriate graphical tools of analysis.

**Doelgroep**
Third-year bachelor students of any major.

**Overige informatie**
This course is an integral part of the University Minor Economics; participants gain strongly from attending the entire minor program. This course prepares for Applications in Economic Policy, and has intersections with the course Business Cycles and Stabilization Policy.