**Introduction to Social Policy Concepts**

**Syllabus**

Fall 2012

**Instructor:**

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**Aims:**

The purpose of the course is to provide a basic understanding of the economics of the welfare state and of individual social policies. In order to do this, the course introduces the concepts, the mainstream theories of society and traces the origins, developments and current troubles of modern welfare states. A thorough overview of the relevant microeconomic theory follows, framing the basic toolkit to understand the dilemmas in designing individual welfare policies. These are in turn enumerated, explained and illustrated by real-world examples, employing the classical division of policies providing either cash benefits or benefits in kind.

**Lecture 1: Introduction - The Welfare State: Concepts, Theory and Formation**

1. Welfare state definition
	* Aims, methods and definitions
	* Cash and kind
	* Objectives
2. Theories of society
	* Libertarianism
	* Liberalism
	* Collectivism
3. Formation of the welfare state
	* Origins
	* Beveridge and Bismarck
	* The service economy

**Lecture 2: Economic Theory I: The Limits of Efficiency**

1. Structure of the problem
2. Micro fundamentals
	* Utility functions
	* Consumer, producer and social surplus
3. The concept of efficiency
	* Pareto efficiency and optimality
	* Paretian, Rawlsian and socialist improvements
4. Market failures
	* Public goods, natural monopolies, asymmetric information
5. More limitations to the competitive model
	* Uncertainty and risk misperception

**Lecture 3: Economic Theory II: Social Justice, Insurance and Measurement**

1. Social justice and substantive values beyond efficiency
	* Redistribution (cash or kind)
	* Horizontal and vertical equity
	* Markets or government?
2. Insurance
	* Demand and supply
	* Asymmetric information (adverse selection and moral hazard)
	* Private and social insurance
3. Measuring welfare
	* Poverty
	* Inequality

**Lecture 4: Cash Benefits: Unemployment, Pensions and Poverty Alleviation**

1. Unemployment, sickness and disability
	* State intervention (efficiency)
	* Public provision of insurance
	* Policy options and incentive structures
2. Old-age pensions
	* Organization and functioning
	* Incomplete insurance, information and behavioural problems
	* Privatization: pros and cons
	* Incentive structures and main solutions
3. Poverty relief
	* State intervention, targeting, coverage
	* Poverty and unemployment traps

**Lecture 5: Benefits in Kind: Healthcare, School and Higher Education**

1. Health and healthcare
	* Efficiency and distribution
	* State intervention: information and behavioural problems, incomplete contracts and insurance, equity
	* Institutional arrangements
2. School education
	* Efficiency and distribution
	* State intervention: information and behavioural problems, incomplete markets, equity
	* Types of intervention
3. Tertiary education
	* State intervention: efficiency in higher education and finance
	* Types of intervention, strategies
	* The roles of the state

**Readings:**

Most of the material for this introductory course will be presented in class. The students will receive well in advance the relevant PowerPoint presentations, which can be used as stand-alone study material.

For a better understanding of the topics and issues involved, the following texts may be consulted:

\*\*\*Barr, Nicholas. 2012. *Economics of the Welfare State, 5th Edition*. Oxford: Oxford University Press.

Iversen, Torben, and Anne Wren. 1998. Equality, Employment and Budgetary Restraint: The Trilemma of the Service Economy. *World Politics* 50 (4): 507-546.

Weimer, David L., and Aidan R. Vining. 2005. *Policy Analysis: Concepts and Practices, 4th Edition.* Upper Saddle River, NJ: Pearson Prentice Hall.

\*\*\*Fundamental text.