

# **Introduction to Moffitt and Zahn (2022)**

## **Applied Microeconomics**

Hans-Martin von Gaudecker & Florian Zimmermann

# **Welfare: Insurance-Incentives trade-off**

- Raising transfers increases insurance
- Raising transfers reduces incentives to work

Programmes need to find a balance!

# Importance of heterogeneity

Two margins:

- Labour supply preference
- Fixed participation cost

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