

Economics/Management
1st Cycle, 3rd Year, 2nd Semester

Economic Policy and Business Activity (EPBA)
2016/2017

OBJECTIVES

EPBA in the courses: This curricular unit aims at providing frameworks to the analysis of economic policies at the national, EU (especially among EA member states), and global levels, allowing a realist view of the firm environment. Although considering the acquired knowledge of the student, the course also presents concepts and methods under various approaches to economic and policy analyses, among others, classical, Keynesian, monetarist, and Austrian, and some of their main developments on the subject to date. So, the business activity, particularly entrepreneurial, is analyzed in light of its relationship with the ideas that influence the preferences of policymakers in several and often-opposed ways. Within this context, particularly in the practical classes, we will mostly focus on “hot” and updated economic policy issues and their discussion (like postwar “waves” or “fashions” in the field, the Euro and its economic implications, debt problems and bailouts, management of economic and financial imbalances, regulatory bodies and laws, global governance versus local realities, and the proper role of the state and central banks). The new policy arrangements after the financial crisis of 2007-2008 will be particularly targeted.

Main content and issues: In its great lines, EPBA follows the work by Agnès Bénassy-Quéré, Benoit Cœuré, Pierre Jacquet and Jean Pisisani-Ferry, published under the title of *Economic Policy: Theory and Practice* (Oxford University Press, 2010). The authors are academics of recognized competence in the realm of economic policy as well as they are imbedded in the practice (for example, B. Cœuré belongs to the Executive Board of the European Central Bank). Also, the book received large acclaim throughout the world, from Olivier Blanchard (MIT and IMF) and Alan Blinder (Princeton University) to Raghuram Rajan (Chicago’s Booth School of Business and Central Bank of India), and Hans-Werner Sinn (University of Munich).

Economic Policy (EP) is an area where economics offers the theoretical underpinnings for the initiatives and actions of the government in the economy aiming to reach previously defined objectives. As stressed in the beginning there is however quite different approaches to EP, what turns the subject and its main conclusions, co-substantiate in decisions, very much debated and controversial.

In order to have a clear notion of the main Economic Policy developments, among others, we have to note the following points:

1. It is necessary to understand, in theoretical as well as practical terms, the **importance and meaning of the sustainability of an economy**;
2. It is necessary an understanding of **long term effects** of problems like public deficits and debts;
3. It is necessary to understand the **short-term effects** of deficits and, simultaneously, how countercyclical fiscal policies may contribute to overcome the problems of an economy within this time horizon;
4. It is necessary an understanding of the **macroeconomic costs of the relative loss of flexibility** in some economic policies;
5. It is necessary to think about how the **rules of the economic policy** are in practice defined. If, for example, these rules are defined in terms of public deficit and debt, which are then the **rigorous definitions** for these two concepts, in view of the effective resolution of related macroeconomic problems;
6. It is necessary to think of **political economy issues**. Why rules are needed in the first place: to protect the people of its governments, or to protect governments? In what extent a set of rules can be manipulated or distorted by a government?

To answer to all these questions, we need many conceptual instruments. In EPBA, we look for the identification of such concepts and the instruments that are essential for the operation of economic policy decision-making. Also, we will pay a particular attention to the interaction between the economic policy framework and firms insofar the former provides and environment that strongly influences the business activity.

The textbook, that we use in this discipline, train-in the ones to be good economists. When dealing with this kind of issues, and it stimulates, letting us to have a correct attitude and offers an appropriate methodology for the choices in the field of economic policy.

These contents of EPBA by no means intend to deepen all economic policy issues. There are a lot of questions that will not be introduced. The notions about the behaviors of individuals, restrictions and economic incentives are only briefly referred in order to have a more complete understanding of the macroeconomic problems. Also, in spite of their high and sometimes growing economic importance, some economic policy areas will not be not developed, such as competition policy, procurement rules, forms of auctions, taxonomy of companies ownership, health and social security policies as well as the mechanisms of economic incentives. Hence, we will concentrate our attention in the concepts and instruments deriving from fiscal, monetary and growth policies, as well as in the necessity of adoption of ethical behaviors in their design, particularly focusing on the monetary policy case.

Prof. Doctor Joaquim Ramos Silva
Responsible for EPBA