ECONOMIC POLICY

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To Janet, Joanna, Nicola and Robert

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Introduction

This book is primarily intended for use on second-year undergraduate courses at universities, polytechnics and technical colleges. Each chapter contains the necessary background material for it to be read by students lacking prior formal education in economic concepts, but the depth of content goes well beyond what is customarily taught in introductory courses. We consider, largely as a result of personal teaching experience, that this book is particularly suitable for adoption as a textbook on several polytechnic courses, for example those leading to degrees in economics, business studies and public administration, and those leading to higher national diplomas and certificates in business studies. We also consider that second-year university undergraduates will find this book a useful supplement to their more specialised reading material.

The main emphasis of this book is placed upon the relationship between economic theory and economic policy. To this end the book attempts to demonstrate that policy measures are justified by reference to theoretical ideas, and attempts further to spell out the ways in which the development of ideas has altered the direction of policy. Most existing textbooks on economic policy attempt to concentrate either upon the description of events in retrospect, for example the history of demand management since 1945, or upon a very detailed theoretical analysis of selected aspects of policy, for example that of pricing in the public sector. This book, however, seeks to strike much more of a balance between theory and practice, and is organised such that the theoretical ideas are set out in the early sections of each chapter followed by an analysis of descriptive and empirical material.

In view of the wide scope of the subject-matter of economic policy it proved necessary for us to exercise our personal judgement as to the topics for inclusion in this book. After much discussion we finally settled upon the six areas of economic policy which we considered were most likely to form an integral part of any course in economic policy, bearing in mind the need to achieve a reasonable balance between the micro-economic and macro-economic aspects of policy.

We have set out to minimise the use of footnotes for the imparting of information not contained in the main text as we feel that it is important not to constantly interrupt the flow of the narrative. On the other hand there are

extensive references to source material by way of notes because we believe that, in a book of this kind which seeks to distil the ideas of a wide range of commentators, the reader should be advised as to where he may find the detailed exposition of ideas summarised in the text.

We would like to take this opportunity to express our thanks for the helpful assistance of our colleagues Nick Foster, David Holmes, Frank Neal, Liz Rick and Dave Wickett, as well as that of Eamonn Judge, David Pearce and various anonymous referees. Any faults remaining are of course the responsibility of the authors alone.

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