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(3)

MOPs and PAILS

PRIORITY TOPICS

The policy agenda is crowded. Deregulation of transportation, communications, financial institutions, energy, and other areas is a major thrust. A bilateral enhanced trading arrangement with the United States (BETA) is actively being negotiated. Major tax reform of the corporate, personal, and indirect tax systems is underway.

All of these policies are, or will be, altering the structure of the Canadian economy towards greater reliance on market signals for the allocation of capital, activity, and, presumably, incomes. These policies can be grouped under the rubric of MOPs or market-oriented policies.

At the same time as MOPs are being adopted, there is a downplaying of direct interventions by governments to assist or help adjustment in particular regions, industries, or components of the labour market. Such policies might be thought of as PAILS, or Programs to Assist Industries and Labour.

Do we know what we are doing? Will MOPs improve the economy more than PAILS? Are MOPs and PAILS necessarily at odds, or are both necessary in the modern world? Is the swing towards MOPs temporary, to be reversed after they inevitably disappoint us? What is the role of government in a modern society? The answers to these questions and others will depend on the understanding by the general public, the politicians, and others about certain common elements in MOPs, and their relationship to other objectives that are pursued more often through direct government actions.

A clear understanding of MOPs and PAILS should be a priority of economic education. With the scarce resources of teaching and learning time does it not make more sense for participants to understand the underlying reasons for and against MOPs, rather than to focus on the details of the current policy thrust? To illustrate the increased emphasis on markets, current examples such as the trade talks or deregulation can be used.

Common Elements of MOPs

The most common terms that arise in the descriptions of MOPs are words like efficiency, neutrality or "level playing field", decentralized, competition and flexible. The basic belief is that markets and private decisions will better allocate resources in the economy than at present, and by so doing lead to an increase in output per unit of factor input. This productivity increase in turn is assumed to translate into increased income per person in society.

Common Elements of PAILS

Words like market failure, social interests, externalities, public goods, income redistribution, monopoly power, and institutional constraints will be common to discussions of the need for a pro-active government in economic decisions. The assumptions of full information, competition in the market place, and others required for perfect competition are not

believed to exist; hence the need for government intervention to "better" the outcomes. As well, the distributional consequences of the market are not considered desirable by society; again this requires government action.

In the education process, certain topics might fit together for purposes of contrast or for understanding both tradeoffs and complementarities that might exist. A partial list would include:

- o Efficiency and Equity
- o Private and Public interests
- o Individual and Collective
- o Microeconomics and Macroeconomics
- o Structure and Performance

Why bother? Students in high schools may not have further opportunities in university or elsewhere to gain an understanding of the issues underlying MOPs versus PAILs, or more broadly, **political economics**. Yet this is one area in which there is substantial difference of opinion among political parties at all levels of government. As a voter, there is a responsibility to be informed about such issues.

An additional benefit to the student should be a greater awareness of the limits of economics and politics alone. Basic assumptions should be questioned. A discussion of possible goals for society and the process for their determination should form part of the curriculum. Perhaps with this education, these students will be less likely to jump on economic fads, or be mesmerized by easy solutions than our leaders of today.

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Suggested Readings

- o James E. Alt and K. Alec Chrystal, **Political Economics**, (University of California Press: Berkeley) 1983.
- o Albert O. Hirschman, **Shifting Involvements**, (Princeton University Press: New Jersey) 1982.
- o David Laidler, "Economic Ideas and Social Issues: An Overview", **Approaches to Economic Well-Being**, Research Study No.26, Royal Commission on the Economic Union and Development Prospects for Canada, (University of Toronto Press: Toronto) 1985.
- o Arthur Okun, **Equality and Efficiency: The Big Tradeoff**, (Brookings Institution: Washington,D.C.) 1975.
- o Charles L. Schultz, **The Public Use of Private Interest**, (Brookings Institution: Washington,D.C.) 1977.