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**Basic principles of economic policy and public decision
in the 21st century**

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Abstract:

In the midst of the new contributions to economic theory and the new challenges that represent globality as a means of integrating markets through the economic policy of the neoliberal order, versus the consolidation of a neo-institutional system through the defense of the Sovereignty as a nationalism of attention to the conditions of political life, it is necessary to conduct a respectful analysis of the new scenario of international life through current economic theory. The objective of this paper is to carry out an analysis of the known economic policy models through the theoretical contribution of classical economists. It is a theoretical exercise and bases its result on the concretion of the complexity of the economic model currently known.

Key words:

economic policy, politics, development, complexity and decision

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I. INTRODUCTION

The principle of organization by which the development of the economy is explained and concentrated is especially known as economic policy, and is used as the term by which both actions and strategies and decisions that the government through its own structure are understood takes within the scope of the economy. This generally allows you to control the level of development and growth of the system you are in to ensure stability. And for this, it will generally establish mechanisms of interference between the various economic sectors and tools.

Among the objectives of economic policy are those of stability (short term) and expansion (long term), however, the development of the economic life of an environment is determined by organizational conditions and promotion of market life. That is to say, of the conditions of administration of scarce resources, being this condition the one that deprives the social and official discourse of the State.

According to the writing of "History of economic thought: a line in time Volume I" of Ma. Eugenia Romero Sotelo, the thought of political economy and subsequently economic policy arises with Adam Smith and the classical school, reaching the Keynesian school of the macroeconomics, founded by John Maynard Keynes, so, in the following section, these models or schools that are the basis of modern economics, as well as economic policies will be defined.

To establish the basis of comparative research, the views of some pressers on what is and is understood from Economic Policy will be presented, as the first thinker of the theory is Jan Tinbergen, who according to "Approaches and categories of economic policy" He described economic policy as the "deliberate manipulation of certain means in order to achieve certain economic ends" (Tinbergen, 1961). Jan Tinbergen describes economic policy as a way of managing the means to achieve the goals proposed by economic policy, the definition could also be complemented by the contribution made by Fernández, Parejo, and Rodríguez, in his book of "Economic Policy", in which they comment that Tinbergen's theory aims to establish how economic authorities should act and make their decisions. Because of this belief, he describes three steps that he considers crucial for the formulation of efficient economic policies:

1. The authorities must specify the goals or objectives of the economic policy, usually in terms of a social welfare function that the authority is trying to maximize.
2. The authorities must specify the economic policy instruments available to achieve the objectives.

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3. The authorities must have a model of the economy that connects the instruments with the objectives, in order to choose the optimal value of the economic policy instruments. (Fernández, Parejo, and Rodríguez, p. 33-34)

Another approach to this issue is Federico J Herschel, who, in his book "Economic Policy", mentions that the theory of economic policy is a theory that "[...] includes the analysis of the fundamental elements that are common to the instruments Partial actions of governments - fiscal and monetary policy, balance of payments policy, development policy - and whose knowledge is essential to properly interpret the interrelationship between the different tools of economic policy and the unitary nature of the objectives end of it." [Herschel, 1973; p.9]

As the next speaker of this thought is the German economist Hans-Jürgen Seraphim, who according to the book of Economic Policy of Fernández, Parejo and Rodríguez, Seraphim mentions the following about PE, "a systematic investigation of the elements and factors that determine and they represent the political-economic procedure: agents, ends and means of economic policy ". Likewise, the authors comment that what happens in economic theory, according to Seraphim's thinking, is "[...] part of something determined, but that it is about achieving an end... and the causes are not investigated in which is based on what is determined, but the means that must be used to obtain the proposed purposes. Such an approach is called teleological." (2006; p.44)

Another economic thinker who defined economic policy was Gustavo Del Vecchio, who, according to Fernández, Parejo and Rodríguez, made a contribution that can be considered as one of the most serious and important attempts to give theoretical basis to economic policy. The authors also mention that, for Del Vecchio, economic policy is, above all, "the necessary ring to move from economic theory to practical action ... means and bridge to move from theory to practice." (2006; p.44)

Similarly, Fernández, Parejo and Rodríguez, explain that Del Vecchio began by delimiting a series of basic principles to arrive at his conception of economic policy theory. Thus, for example, Del Vecchio considers the phenomena of economic policy to be essentially dynamic, his problems being interdependent and interdependent with all political problems. ("Economic Policy 4th edition" p.40)

As the last thinker of Economic Policy, is the definition presented by Borisov, Zhamin, and Makarova, in his "Dictionary of Political Economy", who in his book mention the following definition of the EP, "System of economic measures that the State Applies in the interest of the ruling classes. Economic policy influences many aspects of the development of society and, above all, its productive forces.

The character, the social orientation and the extension of the influence exerted by the economic policy are totally determined by the political-social regime, by the objective laws of its development ... This economic policy, as a whole, opposes the fundamental interests of the working masses and for this reason leads to a sharpening of class contradictions. Private property and the spontaneous nature of the development of the capitalist economy limit the action on the life of society by the economic policy of the bourgeois state. ”

Although the previous thinkers do not present a definition as such about what economic policy is, it can be noted that they all have to use equal or similar terms to define economic policy, some of these terms are:

- Media or tools
- Economic or proposed purposes
- Fundamental elements, factors
- Practical action of governments
- Proceed politico-economic
- Society development
- Political-social regime

Considering the contributions used by the different authors, it is that economic policy can be defined as a very important basis used by the government to have stability in the country, while trying to generate economic growth. In the same way with the economic policy, the government will be able to provide the inhabitants with a better quality of life, in order to satisfy the collective needs, as well as make an efficient distribution of the country's wealth.

II. CLASSIFICATION OF ECONOMIC POLICY

In the text made by the Institute of Economic Research (IIEc) of the UNAM, and the Universidad Veracruzana (UV) "Approaches and categories of economic policy" it is mentioned that "The object attributed to the EP depends substantially on the kind of relationships that are established between four broad categories that account for its content: a] the power of decision (State, government, central power, authorities or responsible public agents, Congress, etc.) b] the practices or mechanisms of decision (referring to instruments, means, actions, instrumental variables, measures, etc.); c] the purposes of the decisions (objectives, goals, goals, behaviors, etc.), and d] the addressees of the decisions (sectors, social groups, activities, etc.). "(2008; p.11)

Although the classification is very empirical, it can be noted that from this moment the economic policy is already divided in terms of its level of application, that is, it already begins to take into account the level of scope it has, without However, the following classification, mentioned in the book by Fernández, Parejo and Rodríguez, comments the following:

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“A classification that is already traditional is that of Kirschen et al., Who establish a first distinction between objectives, (mainly) in the short term, or short-term and objectives, (mainly) in the long term, or structural...”, (2006, p .28)

As Fernández, Parejo and Rodríguez comment on page 28 of their writing, the classification is considered arbitrary, because “[...] does not imply an order of priority among the objectives, which will be different in each space-time circumstance and in accordance with the preferences of the society that the politician represents”, due to which, the Kirschen classification can be interpreted in the way that is best suited, either to temporality or to the president, as they well mention.

“[...] Is based on the distinction between different types of policies depending on the different nature of the aims pursued. Jané distinguishes between: management policies, finalist policies and specific policies, which he puts in relation to the objectives or ends”. (2006; p.29)

Regarding the differentiation that he makes with the three policies, Jané Sola mentions that the management policies are “those economic policies aimed at establishing and maintaining the economic order, the operating rules; so to speak, the economic constitution.” Similarly, they mention that “The objectives pursued directly by these policies are Freedom and Justice. (2006; p.29)”With the above description it can be understood that management policies are, in a way, a type of policy that seeks economic order among other types of policies.

In the case of finalist policies, these are according to Jane Sola “those that pursue more purely economic purposes or that are articulated by more economic-instrumental formulations than ethical-political ones. These finalist policies are basically defined according to the objective pursued: full employment policy, economic development policy, etc. (2006; p.29) ”As Jane Sola mentions, the objective of these policies is the pursuit of economic ends without excluding ordinance policies.

Finally, according to Jane Sola, the specific policies are aimed at “a set of intermediate, complex and different goals that, in turn, are means for achieving the goals of the finalist policies. (2006; p.29) ”As Jane says, these tend to be the means used by finalist policies to fulfill their objective. Since they do not have a fixed objective, this changes according to the objective of the finalist policies.

As the last author of the subject and mentioned in the same book, it is Donald S. Watson, who tried to reach an operational solution; Similarly, he tried to separate a manageable set of economic policy ends, which he called "primary ends," on the other hand, Watson also generated another set of ends, which I

call "secondary," which were, according to Watson. [...] Means to achieve the primary and proper means that are applied in the attainment of primary and secondary purposes." (2006; p.28)

Likewise, he comments that, without losing sight of the problem of mutual relations and possible incompatibilities between ends, and of these with the means, Watson came to the formulation of a simplistic structure in which he tries to describe the process of finite relations. means in economic policy, each intermediate end constituting a means to achieve a higher order. This is how he manages to generate the following scheme, which seeks to exemplify the way in which Watson's structure worked. Extracted from the book "Economic policy 4th edition", "Relationship ends-means". (p.28)

According to the authors of "Economic Policy 4th edition" the Watson scheme, presents the objectives, which are "commonly accepted" purposes of an economic nature, these are achieved through the finalist policies, which are defined as "those that pursue goals more purely economic or that are articulated by more economic-instrumental formulations than ethical-political." Likewise, they comment that "These finalist policies are basically defined according to the objective pursued: full employment policy, economic development policy, etc." (2006; p.29)

III. PRINCIPLES OF ECONOMIC POLICY

Economic policy, has its beginnings in political economy, this is the theoretical part that is responsible for formulating the hypotheses and assumptions about how it could work, which can then be applied when economic policy enters as the practical part.

The first economist who used the term was Adam Smith, considered the father of modern economics, who mentions Political Economy, which is the basis for economic policy, this term is mentioned in his book "The wealth of nations", In book IV, published in 1776, he mentions that "The political economy considered as one of the branches of the sciences of the statesman or the legislator, proposes two different objectives: the first, to provide people with abundant income or means of subsistence, or rather, enable them to provide themselves with such income or means of subsistence; and the second, provide the state or community with sufficient income for public services."(p.314)

Dr. Eduardo Escartín González, in his writing "History of economic thought" makes a study, in which he mentions the following with respect to what Stuart Mill thought: "The economist, therefore, must have extensive interdisciplinary training (2004 ; p.18)", since Mill believed that economists should know about

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other sciences in order to make economic assumptions closer to the reality of the society that surrounded them at that time, in the same way Escartín González mentions that according to the thought of Mill, "the economist, who has only studied political economy, will surely fail when he tries to apply his science to practice". (2004; p.18)

However, in the book by Fernández, Parejo and Rodríguez, they mention that John Stuart Mill did not abandon the whole world of the real and the practical approach in the economy, since, in this sense, he affirmed that: "To become science, political economy cannot be limited to being a collection of indications and guidelines for practice; but, to avoid being a science without utility, it must be prepared to serve as a basis for these indications for practice". (2006; p.40)

Another thinker of the beginnings of economic policy is Thomas Malthus, who, according to the book "Economic policy 4th edition", established a clear background on the analysis of the cycle, as well as the importance of monetary events and inflationary and deflationary trends and its influence on the level of production. Likewise, his idea of "effective demand" is anticipated in more than a century (116 years) to the transcendental contribution of Keynes. Due to its methodological tendency, Malthus, like Smith, is closer to the analysis and recommendations of economic policy. ("Policy ... p.40)

As last exhibitors of the Political Economy, there are Borisov, Zhamin, and Makarova and Others, who, in their book, called "Dictionary of Political Economy", make the following definition of the EP, "[...] science that deals with development of the social relations of production... Study the economic laws that govern the production, distribution, change and consumption of material goods in human society, in the various stages of their development... Political economy is a historical science... It reveals the conditions and causes of the origin, evolution and change of some social forms of production for others, more progressive."(2009; pp. 79-82)

According to Borisov, Zhamin, and Makarova and Others, political economy emerged at the time of the slave regime as a science that deals with the administration of domestic finance. According to them, the name of science is derived from the initial meaning, derived from the Greek words "polytheia, which means social organization, and" oïkonomia ", which is formed by two words,"oïkos": house, hacienda; and "nomos": law. As he comments in his book "Dictionary ...", political economy began to develop as an independent science at the birth of the capitalist mode of production, and later in the sixteenth and eighteenth centuries, the flow of economic thought and political economy emerged and developed. Known by the name of mercantilism. (2009).

III.1 Economic Policy Theorems

The Economic Policy theorems are also known as the two fundamental theorems of Welfare Economics, since the EP uses them to make the normative economy as neutral, objective and scientific as possible, as mentioned by the authors of "Economic Policy 4th edition". Likewise, they comment that the most prominent attempt to overcome the positive-normative controversy that has taken place within the mainstream of the economy is that represented by the Welfare Economy. This current has its origin in the contributions of the neoclassical economists Marshall and Pigou. (p.47)

As the first point of the theorems, the authors Fernández, Parejo and Rodríguez mention that the first of their objectives is the maximization of efficiency, since it does not present problems regarding its acceptance among economists. due to which, the Paretian welfare economy was available, as well as its derivations through the Kaldor-Hicks-Scitovski potential compensation criterion, which focuses exclusively on the achievement of economic efficiency, that is, seeks the economic optimum (p.48)

Although in this case the term of welfare economics, is a reference for economic policy that seeks an efficient distribution of resources, as well as a market that is perfectly competitive, the authors of "Politics ..." mention the following "The trial of assumed value as a definition of "efficient allocation" is that of Parental optimum, understood as that situation (or assignment) in which it is not possible to improve the utility or welfare of at least one individual without worsening that of any other. "(2006; p.48)

The authors of "Politics ..." comment that, in relation to competitive markets, as well as perfect competition, they have the property of generating, under certain circumstances and in a decentralized manner, efficient resource allocations, that is, optimal in the sense of Pareto. (2006)

Thus, when considering all these circumstances or requirements, the first theorem of welfare economics is formulated:

"In the absence of externalities, public goods, increasing returns and imperfections or information costs, the competitive pricing mechanism generates efficient resource allocations in the sense of Pareto." (2006; p.48)

In the same way the authors comment that the economic efficiency or optimality paretiana, will only be reached under very restrictive conditions. Which means that, in the presence of any of the phenomena, called market failures or, more specifically, allocation failures, will lead to a suboptimal allocation, in which, therefore, there will be possibilities to improve well-being. (p.48)

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Another author who interprets Pareto Efficiency is Peter J. Hammond, who in the article "Some assumptions of the theology of contemporary neoclassical economic theory *", published in the journal Economic Studies of Colmex, comments that "[...] generally requires a redistribution of purchasing power through global taxes or subsidies, so that the distribution of wealth allows such allocation to occur in equilibrium".

Although the book by Fernández, Parejo and Rodríguez, only makes a deeper analysis of the first theorem of welfare economics, this does not exclude the second theorem of which they mention:

"The second theorem of welfare economics establishes that any optimal allocation of resources in the sense of Pareto, which is feasible in the economy (which is situated on the "contract curve"), can be obtained through the competitive pricing mechanism, provided that the initial allocation of resources is redistributed appropriately among the agents."(Footer, p.48)

In the case of the second theorem, it presents that the market can be an excellent tool to achieve the allocation that can be considered more equitable. This mentions the "contract curve", which is a graphical and mathematical representation of the efficient points in Pareto's sense of the distribution between two individuals with two baskets of goods to consume. It is a tool present in the study of exchange relations between economic actors. (Economipedia, Javier Sánchez Galán).

However, although Vilfredo Pareto presented two "theorems" that until now are used by economists, there is another theorem, which could be considered fundamental, as well as the previous two. According to the article published on the Policonomics page, the invisible hand theorem states: "The main idea here is that markets lead to social optimum. Therefore, government intervention is not required, and it should only adopt laissez faire policies (let do). However, those who support government intervention say the assumptions necessary for the theorem to work weird.

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