

Intertemporal Structural Change for the convenient Economic Policy variables through the MM approach

Topic: Structural change and dynamics III

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Economic policies against fluctuation have required great care in the last decade. In particular, the selection of economic policy objectives are becoming more complex and the use of economic policy instruments must be consistent with more composite economic policy target. These two different aspects, on which the economic policy design is based, are crucial in determining effective economic policy but alike it is of a great importance that studies focus on how economic policy design may be affected by endogenous forces of modern economy. Indeed both the amount of the funds devoted to the economic policy and its distribution between the policy tools strongly depend on the interconnection the production activities as among industries process and Institutional Sectors.

The relevance and the intensity of these relations, that emerge in the creation of the income, drives the research to improve and specify the economic policy program until to elaborate fine tuning policies characterized by small modifications that are endogenously suggested by the behavioural patterns of the economy. Such maneuvers require the economic policy control to be twice verified with respect to: i) the stability of the production rules along with the absence of economic structural break; ii) the convenient composition of the economic policy instrument used to achieve the economic policy objectives. In this paper an effort is made to verify, for the US economy, the production system stability that contributes to achieve the medium term economic policy target. What is more the paper aims to observe the difference of the economic control variable composition from its convenient structure that is endogenously suggested by the economic system. The convenient structures for the economic policy control are identified through the Macro Multiplier (MM) approach and the elaboration is based on the series of the U.S. I-O tables for the years 2000-2011. In the first part the paper presents a quantitative analysis closely related to the U.S. economy that focuses on the trend of the leontevian multipliers with the aim to investigate the stability of multipliers and consequently the stability of technical coefficients in order to support the relevance of the economic policy instruments and their possible maneuverability. In particular, it is crucial to understand how economic policies modelled over the years deviate from the composition that at the same time could be considered convenient for the economy. In the second part the paper investigates the problem of a crucial importance regarding the instruments of the economic policy and the possibility to use a fixed rule to determine the tools (within dynamic) or by mean of a flexibility process that might generates, in some cases, some problems of inconsistency. Moreover, an effort is made to determine the composition of the convenient tool of the economic policy, its convenient path and how its observed performance can be separated from a path dependent.

keywords: Intertemporal Macro Multiplier analysis, Fine tuning policy, I-O analysis.

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