CONTENTS

I. Definition of Economic Policy; Quantitative vs Qualitative Policy; Preference Indicator; the Theory of Economic Policy ........................................... 1

II. Variables: Data, Targets, Instruments (or Political Parameters) and Irrelevant Variables; Conditional and Unconditional Targets; Static and Dynamic Processes. 6

III. Relations: Structural Relations and Boundary conditions, Examples of Models; Alternative Setups ........ 13

IV. Logical Structure of Simplest Quantitative Policy Problem (Targets and Instruments in Equal Numbers); Directives 27

V. Inequality between Number of Targets and Number of Instruments: Incompatible Targets or Alternative Instruments ................................................. 37

VI. Complications Created by Boundary Conditions ........ 43

VII. Effectiveness of Political Instruments; Reliability of Results ................................................................. 53

VIII. Treatment of complicated Problems by Splitting up in Stages .............................................................. 64

IX. A Systematic Survey of the Characteristics of Economic Policy ................................................................. 68

X. The Reality of Economic Policy ........................................ 74