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Abstracts

Anibal de Almeida, **Sobre a Racionalidade do “Estado” ou “Governo” como Operador Económico (On the Rationality of the “State” or “Government” as an Economic Operator)**

1. As a consequence of the *liberal* faith professed by the most influent members of the *British Classical School*, and in the face of the «minimal» character of the rather modest *agenda* of “*liberal state*” (*Justice, Police and Arms*, after Adam Smith), “*government*” was then *ignored* in both senses (the *active* and the *passive*) of the verb “*ignore*”, which the members of that school happily flexioned in all its modes of flexion.
2. With the emergence and triumph of the *marginal paradigm*, whose numerous promoters and managers shared the same liberal faith professed by their predecessors, in relation to whom almost all of them viewed themselves as mere *up-to-date followers* (as so so called «*Neoclassics*»); see, for instance, § 13 of my essay ALMEIDA 1989), all remains basically the same, however with the irreducible difference between the *liberty* on the part of the first, in contrast with the *necessity* of the last ones, as far as the new paradigm, in the essential and technical *microcosm* peculiar to its kind of analysis, must be «free from» any social *consistency*, any social *connections* or any social «*scenario*». Within the new paradigm, as Sraffa could say, one could not find government in marginal treatments because government simply was not there to be found. Under both schools, “government” as an economic operator is necessarily rejected and thrown away to the theoretical limbo of tendentially normative «public finance».
3. With the emergence and triumph of the so called «*Neoclassical synthesis*», which soon took the place apparently to be reserved to the «*Keynesian revolution*», if the dominant conception of the “*state or government*” tends, at the one hand, to conceive of it as an insubstantial giant, a supposedly *non egotist* promoter of its new *agenda* as a “*social state*” (namely, “resource allocation” of «public goods», “*redistribution*” of national income, and “*stabilisation*” of the system), it also tends, at the other hand, to conceive of it as a clumsy and obnoxious giant, exerting its *force* of coercion over private “trading bodies” when «intruding» in the *liberty hemisphere* of particular production and consumption. As a result of such a biased conventional view, the new “*public sector economics*” could only develop «*at the margin*» of «*mainstream economics*».
4. Within such a «scientific» and «professional» framework, only in an eccentric and gradual way it became possible a progressive mutation of perspectives on this problem to be attained as a consequence of the isolated work by some exceptional and rare economists such as Sraffa, Hotelling, Zeuthen, Kalecki, Joan Robinson and Schumpeter (especially the first and the last ones), so being possible to such a non conformist, young economist as Downs to provoke the explosion of a «mainstream» vision so coriaceously “*perseverant in its own being*” and to obtain a realistic view on the rationality of a political mechanism such as those that we can find in representative democracies of our time.
5. Finally, the author asserts the necessity of a dialogue between economists and political scientists in order to obtain an unified theory of social science on that matters, which are not to be dealt with by means of formal treatments of a «decision theory» kind, that are unable to include the mass of «innumerable individuals» that suffer the results of such a kind of games in a representative (not direct) democracy as those which are to be found (and to be studied) *in this world*.

Keywords:

Names: Johan Henrik ÅKERMAN; ARISTOTLE; Bertolt BRECHT; Charles DARWIN; Anthony DOWNS; Bento de ESPINOSA (Baruch SPINOZA); Thommas HOBBS; Harold HOTELLING; Michal KALECKI; John Maynard KEYNES; Alfred

MARSHALL; Karl MARX; Vilfredo PARETO; François QUESNAY; David RICARDO; José SARAMAGO; Joseph A. SCHUMPETER; Adam SMITH; Piero SRAFFA; P. H. WICKSTEED; Frederik ZEUTHEN

Ideas: government '*agenda*'; economic cycles (trade cycles; business cycles); "economic-political cycles", or "political-economic cycles"; "struggle for life"; "class struggle"; "struggle for power and office"; ('*Klassenkampf*'); economic theory; political theory; liberal state; social state; maximization of votes; '*perseverare in se esse*'; representative democracy; "*state or government*"; state or governmental functions

Maria Isabel Namorado Clímaco, **Novas Perspectivas da Política Fiscal Anti-Tabágica e Anti-Alcoólica (New Perspectives on Anti-Alcoholic and Anti-Tobacco Tax Policy)**

It is widely recognised that smoking and excessive drinking of alcoholic beverages constitute dangerous consumption activities, with high health risks. The alcohol and nicotine content of tobacco and alcoholic beverages, on the other hand, can create addiction.

The aim of this paper is to analyse the fundamentals of the increasing public intervention on tobacco and alcohol consumption that has been taking place, particularly in the last decades.

Under an economic perspective, the author shows how and why consumers' habits are formed and under what circumstances they evolve into addiction. The so-called theory of rational addiction, which is confirmed by some empirical evidence, shows, contrary to conventional wisdom, that the demand of those goods can be sensitive to price changes, especially concerning young consumers. The role of tax policy, which seemed doomed by the belief on a reduced elasticity of demand of tobacco and alcohol products, is consequently rehabilitated, opening new possibilities for taxation as an instrument of consumer's behaviour control.

There are several reasons, other than the search for tax yield, which explain the high taxation of those goods. On efficiency grounds, the selective taxation is justified as a means of correcting eventual market failures: failures of information or external costs on third parties, which must be corrected or counteracted. The possibility of a government intervention with paternalistic objectives is also conceivable, when in the decision making process the State replaces the consumer, trying to discourage the consumption of those goods considered harmful.

Moderate consumption of alcoholic beverages not being generally considered harmful, the control of tobacco and alcohol consumption can ask for different policy measures. In this context, it is debatable whether the rates of tobacco and alcohol taxes are high enough for the purpose of consumption reduction or, on the other hand, they are too high from the point of view of equity.

The use of other non-tax policy instruments is also considered.

An important policy recommendation that emerges from the analysis is the high interest in targeting the information campaigns and other policy measures to risk groups, particularly teenagers, who, by their characteristics of immaturity and vulnerability, in Portugal and everywhere, are already being the main targets of prevention policies in this field.

Keywords: excise duties; tobacco taxes; alcohol taxes; tax policy; externalities

Patrícia Pereira da Silva, **Técnicas de Análise de Investimentos – do VAL às Opções Reais (Capital Budgeting Techniques – From NPV to Real Options –)**

Financiers and strategists are frequently involved in the evaluation of long range investments to be implemented by the firms, that include the development of new products, switches in production, mergers or acquisitions. In the past years, due to the development and dissemination of sophisticated analytical tools, the finance departments have been playing an influential role in management.

The work we present is developed considering the chronological evolution of the scientific knowledge of the subject, *Capital Budgeting*, beginning with pioneer tools, naturally less elaborated and successively being considered insufficient for supporting correct decisions, mentioning those which deal with discounted cash flow analysis and risk, to end with the discussion of tools that allow strategic issues.

Real options valuation techniques allow measuring management's flexibility to adapt its future actions in response to altered future market conditions and expand an investment opportunity's value by improving its upside potential while limiting downside losses relative to management's initial expectations under passive management.

Keywords: capital budgeting; risk; cost of capital; real options

Victor Calvete, – **Parte I: Sobre o que se disserta (About Customs Union Theory – Part I: What This Is All About)**

Going back to the classics of Customs Unions Theory, the A. shows that the celebrated vinerian dichotomy (trade creation//trade diversion) is neither a dichotomy, neither truly vinerian. The A. pins up a recension by James Meade as the origin of the vinerian *vulgata*, which explains both the sudden success of a framework Viner had presented before, without echoes, and its simplification compared to the original. Then he shows how the standard terminology conveys different meanings (literal, “geographic” and economic), sometimes incompatible, and sets the necessary conditions to isolate the analysis of the integration effects from those arising from the averaging of duties necessary to create a customs union. The first chapter ends with a hint: the ambiguities of efficiency comparison between firms subject to increasing costs may be behind the drift away from the economic meaning of the so-called vinerian effects.

The remainder is devoted to the presentation of the state of the art: Chapter 2 reviews the developments in the core of customs union theory (consumption effects, terms of trade effects and scale economies) and its accommodation (occasionally problematic) into the standard theory, and Chapter 3 deals with alternative taxonomies (much less successful although much more reliable). Apart other references, the proposals from Humphrey/Ferguson – whom anticipated the essence of the Cooper/Massell criticism (discussed in Chapter 4) – Meade, Lipsey, Dayal/Dayal and Collier are presented. The fourth and last chapter of this **Part I** takes on the discussion of the welfare superiority of unilateral tariff reductions over regional integration schemes.

At the end, 29 conclusions are distilled from the text.

Keywords: customs union theory; vineriana effects; trade creation; trade diversion; trade suppression; consumption effects; terms of trade effects; scale economies; unilateral tariff reduction

(The Theory of Public Choice: Purpose, Limits and Consequences)

After the analysis, in the first two parts of the paper, of the main elements of public choice approach and its critique of traditional welfare economics, public choice's nuclear model is developed. This consists of a peculiar approach to the justification of collective action and in the postulate that political participation does not have any sort of autonomy, political agents being merely self interested agents active in a particular sort of market. The difficulties and limits of establishing a parallel between the market for goods and services and the political "market" is then analysed. In this context, the methodological assumptions underlying the model of consumer behaviour are particularly relevant, namely because they limit the possibility of introducing ideological motives in the utility maximising political models. As a general critique, it is submitted that this model has the nature of an ideal type, and that, in this particular field, this drastically limits its ability to generate any predictive hypothesis. As the generation of this sort of hypotheses is one of the main features of utility maximising models of behaviour, the public choice approach is with scepticism appraised.

Keywords: collective action; origins; justification; model of behaviour; political decision; economical decision; consumers; political market; critique; ideal type; analogy; direct application; modelling; prevision; results; control; limits