**CLASS 13**

| TOPIC | *Structural and Growth Policies* |
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| **LEARNING CONTENT - DETAILED CHARACTERISTICS** | We present structural and growth policies which are long-run economic policies that aim to improve market functioning and promote market efficiency by correcting market failures and externalities. People benefit from economic growth directly through higher incomes and indirectly through wider access to public goods such as health, education, safety, and infrastructures. Their capacity to reap these benefits depends on income distribution. Rising concerns about inequalities have made inclusive growth a priority goal. Degrowth or post-growth economics is an academic and social movement critical of the concept of growth in GDP as a measure of human and economic development. It argues that the unitary focus of modern capitalism on growth, in terms of monetary value of aggregate goods and services, causes widespread ecological damage and is not necessary for the further increase of human living standards. Having these concerns in mind, we present growth theories roadmap consists of three stages: 1) in the short run, governments can stimulate labour supply through policies that favour participation in the labour force (regulations on the retirement age and changes to tax and benefits rules); 2) in the medium run, governments can stimulate capital accumulation through tax incentives, competition, and reforms of financial markets; 3) in the long run, public policies affect the quality of the labour force through education, training, funding of research, investments in infrastructure, and improvements to institutions. |
| **KEY WORDS** | Institutions, education, research, innovation, market structure, demographics, social benefits, taxation, professional training, competition, degrowth or post-growth economics, GDP, human development index. |
| **SUGGESTED TOOLS** | Power-point presentation<br>Critical thinking and analysis<br>Real-world personal observation<br>Interactive and group discussions<br>A personal study plan |
| **TIPS / METHODOLOGICAL REMARKS (if applicable)** | Learning-by-doing and case studies activities. The focus is on the structural and growth policies considering their short, medium, and long-run effects. |

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| **IMPLEMENTATION OF THE CLASSES** | **STEP 1** | Students know that conventional GDP does not consider the depletion of natural resources and externalities. Therefore, according to the degrowth economists, it is misleading and misguiding to reduce the various dimensions of human development to a single measure and the human development indicator to provide a more comprehensive measure of well-being was introduced. The Human Development Index is a statistical composite index of life expectancy, education (mean years of schooling completed and expected years of schooling upon entering the education system), and per capita income indicators, which is used to rank countries into four tiers of human development. See work card 1. |
| | **STEP 2** | We present the short-run measures to stimulate labour supply through policies that favour participation in the labour force. The corresponding measures can be regulations (e.g., on the retirement age) and changes to tax and benefits rules (e.g. with the introduction of in-work benefits). |
| | **STEP 3** | In the medium run, the students are aware the governments can stimulate capital accumulation through tax incentives (such as accelerated depreciation or cuts to the corporate income tax), competition, and reforms of financial markets. The governments can also invest in public capital. |
| | **STEP 4** | We present the measures in the long run public policies to affect the quality of the labour force through education, training, funding of research, investments in infrastructure, and improvements to institutions. |
| | **STEP 5** | We consider that successful growth strategies require the identification of priorities. The process of choosing priorities is discussed. See work card 2. |

**ADITIONAL MATERIAL 1 (WORK CARD, PICTURE, RECORDING, QUIZZ, PRESENTATION, ASSIGNEMENTS)**

**WORK CARD 1 – STRUCTURAL AND GROWTH POLICIES**

According to the degrowth theorists economic policy should focus on economic and social metrics such as life expectancy, health, education, housing, and ecologically sustainable work as indicators of both eco-systems and human well-being. The GDP is misleading and misguiding to reflect the various dimensions of human development and the Human Development Indicator (HDI) was introduced. On the figure below you can see its components.
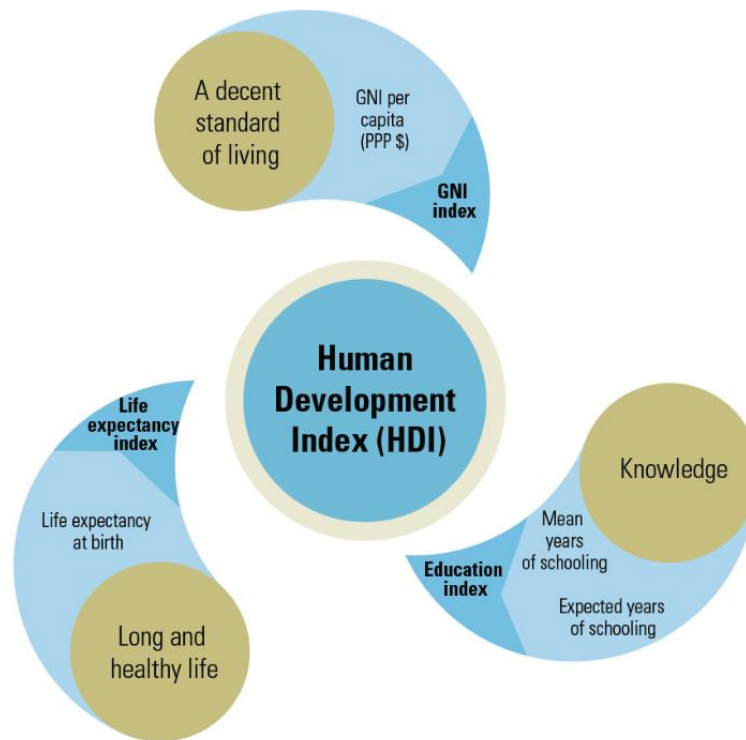


In your opinion, can the HDI better reflect aspects of economic development than GDP? What are advantages but also disadvantages of the HDI compared to the GDP? Find data on both indicators for your country and compare them. What does the data show?

**ADITIONAL MATERIAL 2 (WORK CARD, PICTURE, RECORDING, QUIZZ, PRESENTATION, ASSIGNEMENTS)**

**WORK CARD 2 – STRUCTURAL AND GROWTH POLICIES**

Watch the two videos:

1) *How Governments Can Support Economic Growth*
https://www.youtube.com/watch?v=PNrh9Fv5rWE



How Governments Can Support Economic Growth

2) *How Governments Can Harm Economic Growth*
https://www.youtube.com/watch?v=-q-Gk8MbwR4

# 1. Overtaxation

Let's look at two distinct ways taxes can end up harming economic growth.

How Governments Can Harm Economic Growth

Comment on what policies can stimulate and de-stimulate economic growth. Which of them are more likely to manifest in the short run and which in the long run? How would you rate your government's performance – it stimulates or disincentivizes economic growth? What should change in your government strategy in your opinion?