

CATEGORIES OF DECISION-MAKING PROBLEM IN THE ECONOMIC POLICY**Revaz GVELESIANI,***Ivane Javakhishvili Tbilisi State University, Georgia
revaz.gvelesiani@tsu.ge***Abstract**

In economic policy, the preparation of sound decisions depends on: How well the capabilities of the action and their consequences are secured empirically, i.e. how rational is the existing and acceptable knowledge of management; To what extent the decision-making problem is subject to analytical explanation (based on the logic of the decision).

Usually, a practical knowledge of management is the more limited; the less the recommended actions involve or abstain from previous activities (i.e. the far they are from theoretical-economic experience). Analytical access to the decision-making problem is hampered by the complexity of well-thought-out actions. In the economic policy, the assessment of the status and range of the decision-making problems depends on how implicitly the actions, changes and development aimed at the state of society are perceived.

Keywords: *Economic policy; economic order; decision-making; policy of consistent and gradual reforms; social technique*

JEL Classification: *E60, E61, E65, E69*

I. INTRODUCTION

As a matter of fact, the problems of economic policy in terms of decision-making theory are not easy to resolve. Therefore, it seems to be advisable to formulate the categories expressing the decision-making problems according to the following: To what extent can they be explained empirically and analytically? How wide is a range of decision-making variability in the economic policy?

This creates a spectrum of “routines” of the economic policy that leads to the systemic changes in the regulated market economy. Based on this spectrum, it can be explained that it is possible to prepare sound decisions based on the economic policy. In the context of the regulated market economy, the model of rational economic policy is the policy of consistent reforms.

Given the practical experience of preparing the changes-related decisions, it is possible to classify the economic policy problems (Braybrooke, Lindblom, 1963; Jochimsen, 1967): By ability to provide a well-thought-out analytical and empirical explanation of changes; and according to the range of implicit changes in economic policy decisions.

II. METHODOLOGY

Both general and specific research methods were used in this article, namely – the methods of analysis, synthesis, historical, logical, induction, deduction, scientific abstraction, comparative analysis, statistics (selection, grouping, observation, dynamics, etc.), static, as well as the methods of experimental evaluation.

III. RESULTS

Since determining the range of changes is an evaluation problem, it is impossible to reach a full agreement on the changes from the outset. An analytical and empirical explanation of well-thought-out changes is the rule of continuum (integrity). In most cases, there are changes on one side of the field of opportunity, about which:

- We do not have assessments;
- We do not have theoretical knowledge about the relationship between them;
- We also lack empirical information.

While on the other side of the field of opportunities, we definitely have reasonable and evaluable changes, which are especially important in terms of decision-making.

With regard to knowledge, it is necessary to make difference between the problems which are within the limits

of the decision-making theory and the ones which are not within such limits. The first category of problems dominates the daily "routine" of regulated market economic policy. However, the level of knowledge of experts is not uniform. It is also possible to make perceived changes as a result of errors in estimates. As for changes on a global scale, they are relatively rare. An example of such changes is the change in the international economic order. In general, both such changes and the role that economic policy plays in a regulated market economy are assessed differently. It is understood that the economy as a social subsystem is a set of opportunities focused on the development goals of society.

In case of changing the economic order, we should make a difference between:

- A skeptical assessment of the goal-oriented capabilities of the formation of evolutionary systems, which implies society in terms of the individual perspective of critical rationalism; and
- An optimistic assessment of the formation of such opportunities, from the position of constructive rationalism, when it relates to a collective view of society.

The solution of local problems is mainly focused on the previous experience of functioning of public systems. It implies experimental or sequential changes. With this in mind, it is best to consider the problems that allow us to apply a quantitative model of analysis analytically and empirically. It is also useful to check what results and what level of credibility we should expect from macroeconomic stabilization actions based on decision models.

Knowledge of the field of decisions is based on an empirical-scientific model that envisages quantifiable experience of stabilization. Predictions based on this model are based on existing experience with possible outcomes. More precisely, such variations of the variables are limited because they are focused on past observations. Coefficient estimates (support area) are also based on such observations. The scale of the comprehensible changes will become clear if we include the parameters in the animators that we have in the simplified model. The case concerns the marginal multiplier effect of the variability of the major variables, which is best expressed in the experimental probability. On the other hand, we are talking only about the effect of the first period. However, based on the model, it is possible to derive long-term results (so-called dynamic multipliers). In terms of formulating the results of the action, it should be noted that new experiences are accumulated over time. The rational procedure requires that we also use new estimates when checking the structure of the model. At this time, it becomes noticeable how difficult it is to analytically evaluate economic policy strategies and formulate them. Complicating matters is the fact that in the process of trying to solve a problem, it is possible to change both the rules of conduct (e.g., in the case of limited rational expectations) and its assessments.

Given the above, how should the attempt to solve the problem to be evaluated? In the favorable case it allows us to estimate only slight variability. It may also consist of multiple simultaneous actions (instrument variability). The number of action options depends on how well the decision field and the accompanying decision are analyzed.

Since the decision-making problem is only partially quantifiable, it is unlikely that any attempt to solve it would meet the criterion of rationality (according to which the decision-making problem should be the subject of the most substantiated analysis). In addition, the model should include information on past relationships established in economic policy practice. Boundaries of experience change as a result of innovations such as increasing the number of tools or changing competencies. It is necessary to evaluate them as well. Denying such a possibility is a conservative approach that only applies to earlier practices of economic policy. A decision based on such a model would be superficial. We are dealing with an irrational assessment of the ability to solve the problem of economic policy only when the boundaries of decision-making are ignored. We must also keep in mind that we must use existing knowledge to solve a problem, which also implies knowledge of the limits of such knowledge (Popper, 1957).

Knowledge of the boundaries of cognitive information (knowledge) puts us in front of the following requirement:

- Any local change in the interests of public progress should be considered as systematically as possible; and
- The organization of the decision-making process, as well as all the efforts focused on it, should be based on the analysis of the factual situation and the possibilities of obtaining information about it.

The implicit procedure in the first part of this requirement was most convincingly (by formulating the social technique of consistent reform) (Popper, 1945, 1957). The second part deals with the practical use of the above-mentioned social techniques. The same attempt should be made by the method proposed by Lindblom (Braybrooke, Lindblom, 1963), which involves the implementation of isolated, gradual changes.

Social technology for consistent reforms builds on existing capabilities. The policy of "unplanned action" does not use all the opportunities that, despite its limitations, the rational procedure gives us. The realization of the limitations of the knowledge available to people raises deep doubts about the social technique that (Popper, (1945/95) refers to as a utopian social technique. It is a constructivist position that was still known to Plato, according to which the realization of the social ideal is possible only through a global plan. Doubts about this

position do not depend on the perceptions of the followers of such social techniques about an ideal society.

From Popper's point of view, it is essential that:

- Ideas about the ideal are difficult to understand and evaluate compared to the prevailing shortcomings;
- It is unclear whether there is a society that is considered ideal not only by the present generation but also by future generations, and in this respect their fate is predetermined;
- The public decision-making field is so complex that it is impossible to assess how feasible its global and multilateral change plan is;
- To what extent can the situation be improved, what we should expect from the implementation of this plan and what are the costs associated with it.

In contrast, the social technique of consistent reform implies that:

- It is easier to identify social shortcomings than to determine its ideal state. This is because there are members of society who are in a difficult situation because of these shortcomings and there are those who practically prove that they are not able to replace those in need;
- It is easier to organize to eliminate specific shortcomings than to determine what the future society should look like and unite to realize it;
- In case of partial changes, it is easier to assess the side effects and acquire knowledge about the appropriate technology;
- It is easier to assess their mood, which was positively or negatively affected by specific limited changes;
- The decentralized and democratic process of forming political ideas gives us more chances to reach a compromise between multiple assessments. Consistent recognition of the importance of growing change is also essential;
- If we find that the effects of limited changes are misjudged, losses on them will be reduced;
- It is easier to understand the reasons for the possible failure of a limited change and to mobilize appropriate support tools to address it than is possible in the event of a failure of the Global Action Plan;
- Implementing limited changes for the last two reasons is much less risky;
- The decisions made are less contradictory, neither the democratic methods are violated.

The use of such social techniques in economic policy means a partial but substantial improvement of the intended initial situation. Significant targets include reducing inflation, reducing agricultural fertilizers, facilitating the transition from dependent employment to self-employment, eliminating non-tariff trade restrictions, and reducing health care costs, and so on. Targets related to practical measures do not exclude long-term goals set by the program, such as price stability, environmental improvement, or reducing social security costs. With regard to the procedure of practical action, it is a matter of planning changes that aim to get out of an unsatisfactory situation and not to bring it to the "final goals".

The social technique of consistent reforms is also a model of rational economic policy. It is true that this technique was developed by Popper against the utopian position, but this does not mean that global and complex changes are absolutely undesirable. On the contrary, their comparison (controversy) in terms of the use of knowledge-related opportunities shows that such changes can only be predicted in fragments, and the costs associated with them are infinitely high. At the same time, we simply cannot ignore them. In this case, only the direction of the purpose can be determined. Focusing on the desired state for society has been replaced by an orientation towards core values and giving wide scope to free development.

In case of the gradual reforms, they do not try to assess the current situation and the possible changes that should create public welfare. Instead, it is replaced by "social fragmentation of analysis and evaluation" (Braybrooke, Lindblom, 1963). This means that both obtaining and processing the information about the decision field and preparing the decision are decentralized procedures in the economic policy. All this implies the use of the whole decision-making process in the economic policy.

In terms of analysis and evaluation, decentralization means that, for example, ministries, parliamentary committees, research institutes, associations, companies and private individuals try to solve the same problem. It is implied that they consider this problem according to their experience and interests and seek appropriate solutions. Therefore, their efforts are different from each other. At the same time they try to check the analysis conducted by others and the suggestions developed in order for them to be downloaded or rejected. When appropriate, government agencies and entities exercise mutual control over the individuals involved in the problem-solving process (Lindblom, 1958). They draw appropriate conclusions about the benefits and harms of change in their own interests. It must be said that the information obtained on the basis of such actions is always better than that collected and evaluated by a single planning authority.

IV. CONCLUSION

Participants of a democratic procedure who evaluate the problem according to their own interests, have the opportunity to use their own methods and assessments to solve it effectively. They are motivated to do complex analysis and evaluation. The advantage of this procedure is just in such potential of information. Decentralized analysis and evaluation provide the basis for relatively successful action, if we do not take into account the fact that each participant neglects some moments or does not report.

The main difficulty in the decision-making is that the possibilities of solving the problem should be considered on the basis of autonomy of a certain decision. A search for a global rule of decision would be futile in this case. On the contrary, everyone is trying to gain the support of the majority for a specific change based on their own interests. Organizing the majority is the task of policy makers. Commonly known disadvantages of such a procedure are the following:

- Attempting to realize an ambitious reformist idea with short-term intervention;
- Those affected by the change either are left either without a due attention or their views are not shared

In favor of democracy as a methodological norm, we must say that there is no better method today that allows us to implement the reforms absolutely without conflict (if necessary, by substituting a person who makes the political decision) and make changes.

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