

CONTRADICTION INTERDEPENDENCE BETWEEN THE GOALS OF ECONOMIC POLICY AND ASSESSMENT OF ITS RESULTS

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Abstract

Identification of the economic policy problems involves the possibility of operationalizing objectives. Once the operationalization of the objectives has been established, the levels of their achievement are also determined. It is this attitude that allows us to control the specific efforts for resolving the problems, as well as the achieved results. The goal has many dimensions, so it is possible to identify the problems which relate to the goal of the economic growth. We may set a specific goal in terms of its relationship with the fundamental public values, but it does not mean that it can be operationalized. It is essential that the characteristics of the goal be measurable and aggregate. On the other hand, it is necessary to determine the importance given to them by such aggregation.

Keywords: Objectives of economic policy; operationalization of goals; assessment of the interdependence of goals; identity of goals; compatibility of goals; conflict of goals.

JEL Classification: E60, E61, E65, E69

I. INTRODUCTION

Problem of operationalization of the goals of economic policy is related to the view an implementer of the economic and political decisions has with regards to the processes of formation and development of the economy and society (Kirsch, 1977): Developing the economic policy according to demand and knowledge, requires the active decision implementer to have operationalized goals (alloplastic policy), while a reactive compliance with current changes in the economy and society implies open and less operationalized goals (autoplastic policy) (Streit, 2005).

The rational economic policy, which occupies an intermediate position between alloplasty and autoplasty, depends on:

- What management skills does the economic policy implementer have, on the basis of which he / she will be able to assess opportunities (planning) of future actions?
- What does an implementer of decisions think about innovations? Whether he believes that innovations have at least no negative impact on the defined goals?
- What should an implementer of the economic policy take into account if the economic policy implementer should report if (a) his attempt to form a decision fails and (b) the possibility of reimbursing the costs associated with it, is excluded also.

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

It is advisable to define the problem of operationalization through the objectives of practical economic policy. In terms of content, the goal of a "fairer distribution of income and wealth" is typical. There are quite a large number of alternatives that imply the division of justice into two parts: Justice according to contribution (merit) and need. Therefore, views on income and wealth distribution are formed in the form of various targeted assessments. The practical goal - "fairer distribution" - is explained by the differences that already exist between economic agents in the form of the distribution of income and property. It is possible that none of the opinions formed on the basis of these observations can perfectly determine the form of justice that would be desired by all. In this case, we must assume that the less unequally distributed the income and property, the more equitable such distribution (Streit,

2005).

The multifaceted definition of a goal and the uncertainty associated with it, can be explained by the fact that, for example, a purpose of employment can be explained by the achievement of a "high level of employment". But, the point is that in order to determine the exact rate of employment (given its structural change) we need to know how the employment markets work and how saturated they are or will be. An experience related to these goals, can turn into be a source of error.

To achieve a compromise between the competing goals is difficult even in case of a phenomenon such as securing the "stable and balanced economic growth. A sustainable economic growth in a state depends on different goals, which are to determine the "quality" of growth. In this case, the costs of achieving other goals is an alternative to the costs of the economic growth. New compromises would be needed to set a new goal. The conflict of goals, which is always related to the conflict of economic interests, requires some accuracy in terms of the content of these goals.

In addition to the vertical interdependence between the goals of the economic policy, they may also be used as an instrument for achieving other goals. As for horizontal interdependences between the goals, they are characterized by a logical nature or are the results of side effects associated with the use of the means and demonstrate technological and empirical nature. The logical relationships of these goals are: identity; Compatibility and / or incompatibility (antinomy). Their technological characters cover complementarity (harmony); Independence (Neutrality) and Competition (Conflict) (Streit, 2005).

A logical analysis of interdependence of goals is given in the provisions by which the substantive characterization of the objectives is done. We are dealing with the possibility of identity when the analysis shows that two or more goals do not differ from each other by their contents. So, avoiding unemployment and a full employment can be considered as identical goals. They differ from each other only on the basis of different approaches. In terms of operationalization, there is no substantive difference between the goal of "raising the standard of living" and the goal of achieving a "high and ever-increasing level of real income". "Stability of the value of money" and "avoidance of inflation and deflation" are essentially identical goals. So the tactical differences associated with these terms are only the result of political discussions (Gvelesiani, Gogorishvili, 2018).

Compatibility shows how contradictory the provisions are that express goals. For example, price stability and employment are compatible. We are dealing with incompatibility (antinomy) when one goal is the opposite of the other goal and implies its rejection. A practical consequence of such resistance is that neither the one nor the other can be achieved. Avtarkia (lack of foreign economic relations) and the use of advantages of the international division of labor are logically incompatible. The precondition for the possibility of simultaneous implementation of several goals is their logical compatibility. However, such an attempt ends in failure as soon as we decide to realize them simultaneously with specific means. In this case, approaching to one goal leads to losses in relation to other goals (competition, goals conflict). The same is true about the level of price stability and the employment status. At the same time, we see that the conflict of goals is caused by the technological dependencies that exist in the macroeconomic aspect between the goals and tools of their implementation.

As for independence (neutrality), it is possible only on the basis of its separation from other goals. But it is opposed by the interdependence of economic events. The greater the number of cause-and-effect events and interrelated goals, the greater the likelihood of non-neutral attitudes. The existence of interrelated goals is the result of the side effects caused by the use of various means. In the event of a decrease in unemployment and an increase in the volume of production, employment and economic growth will be complementary. We can talk about complementarity only in terms of goals that are not used as a means to an end.

Competition (conflict) between goals is linked to the problem of evaluation, which makes it difficult to make decisions in the economic policy. In the context of the relationship between the two conflicting goals, it is a matter of reaching a maximum compromise between them. If we do not take into account the costs associated with the use of the economic policy instruments, then the combination would be optimal in terms of quality of achievement of the goals, in which approaching one of these goals would be more beneficial than the alternative costs associated with achieving any other goal.

Following the example of such a conflict of objectives, we have assumed that there is a correlation between the stability of process and a high level of employment if we take into account the conventional instruments of macroeconomic stabilization policy (Samuelson, Solow, 1960). Given the difference in targets, in terms of lowering the rise in price levels, we should have to take into account the rise in the unemployment rates. In the case of a fixed exchange rate, the relationship between high levels of employment, price stability, and external economic equilibrium is manifested in the "magic triangle," but at least two of these goals must be realizable.

The reason for such a competitive (conflicting) relationship between the goals of economic policy will be

known when we determine: 1. How many tools can be used to achieve the goal; 2. How to use the tools to achieve the goal set in terms of existing management skills; 3. Under what side effects is the goal being achieved (Gvelesian, Gogorishvili, 2018).

The first reason for the conflict of goals is the discrepancy between the goal and the means to achieve it. For example, when two goals and one means are given and the use of the latter towards one of them has a negative side effect for both purposes. In this case, the negative side effects are compensated by using another tool. But this does not necessarily mean that the right quantitative ratio is a prerequisite for the success of the economic policy between the goals and the tools. Failure is often facilitated by a limited number of tools, as well as uncertainty about the consequences of side effects.

The conflicts between goals (regarding the use of tools) also arise when a quantitative ratio between goals and tools is provided. The point is that while the decision-implementer in the economic policy suggests in advance what impact his or her use of instruments will have on the goal, it is initially impossible to see whether he or she will be able to actually control the level of realization of other goals. This problem can be seen on the example of the relationship between high levels of employment and price stability, when we try to achieve both goals with monetary and fiscal policy instruments. According to macroeconomic theory, both are used to manage common demand. From a theoretical point of view, here a very simple issue is implied: The demand and supply for labor productivity determine the level of wages. Wage costs affect pricing and revenue, and both together affect a formation of joint demand. The demand for labor productivity arises from the demand for goods and services. But the demand for goods and services through monetary and fiscal policy must be assessed in such a way that it must become clear to us: 1. What is the situation on the labor market; and 2. How is the wage growth based on it, which in turn must be consistent with price stability. At the same time, a dosed joint demand for goods and services should regulate (stabilize) a supplier's pricing policy (Gvelesiani, Gogorishvili, 2018).

The employment situation and the level of price stability allow us to explain why the possibility of competitive relations based on side conditions arises. As mentioned already, the expectation of conflict in this case stems from the fact that both instruments have an influence on the demand, while supply dispositions become a characteristic feature of private individuals. Suppliers of goods and services are not directly hampered by the need to take measures to increase prices and wages in the context of the distribution conflict, which is contrary to the interests of stabilization. On the contrary, they try to weaken the controversies inherent in market power by reducing demand to achieve price stability. This procedure can take such a form that even the side effects of free pricing and tariff autonomy can be met. Weakening competition between the goals or avoiding them without canceling the procedure, is only possible if a tool is used that will involve the supplier in the process. It does not mean anything else to give efficiency to revenue policy; It doesn't matter how it is done: based on the information policy or voluntary consent. Such efforts are based on the fact that suppliers themselves have the opportunity to analyze relevant economic and political data and cooperate with each other (Gvelesiani, Gogorishvili, 2018).

IV. CONCLUSION

Maximum operationalization requires that, in the case of measurable and multidimensional goals, the aggregate characteristics of the definition of the economic policy goal, to reflect as fully as possible the content of the goal. Therefore, the difference in measurement or difference between the content of the goal and the established standard of measurement should be minimized.

The reasons for the difference in measurement are: 1. The importance of the content of the goal and therefore the existence of different standards; 2. Difficulties in setting a standard that inevitably arise when determining the content characteristics of a goal 3. Combinations of both these causes are not only permissible, but we often encounter such combinations. Differences in measurement are also considered by those who have certain goals or act accordingly. Such is the situation when: goals are relied upon universal and long-term principles based on the concepts of the economic policy and meet the scopes within which the practical policy is implemented. A compromise between the competing goals is pre-constrained and it is impossible to fully unite the groups of economic interest in relation to the content of the goal.

A logical interrelationship between the objectives of the economic policy implies their identity, compatibility and/or incompatibility (antinomy). Complementarity, independence (neutrality), and competition (conflict) have a technological character.

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