

# ***The Macroeconomic Management and its Prevision Function***

**Elvira NICA, Lecturer, Ph.D**  
*Bucharest Academy of Economic Studies*  
**Gheorghe H. POPESCU, Lecturer, Ph.D**  
*Christian University Dimitrie Cantemir, Bucharest*

## **A. The enumeration of the macroeconomic management functions**

The macroeconomic management fulfills a series of functions, among them we mention: the prevision or anticipation function, the organizing function, the coordinating function, the motivation and training function and the valuation and control function. According to certain appraisals one can mention also the information function, but with the clarification that this is not mentioned as such, i.e. as a distinct function of the management; in a series of works in the economic literature it is said that is difficult or even impossible to ignore the role played by the informatics, by the information system, especially in a society based on information as a new powerful resource, in grounding and taking decisions.

## **B. The significance of the macroeconomic management prevision function**

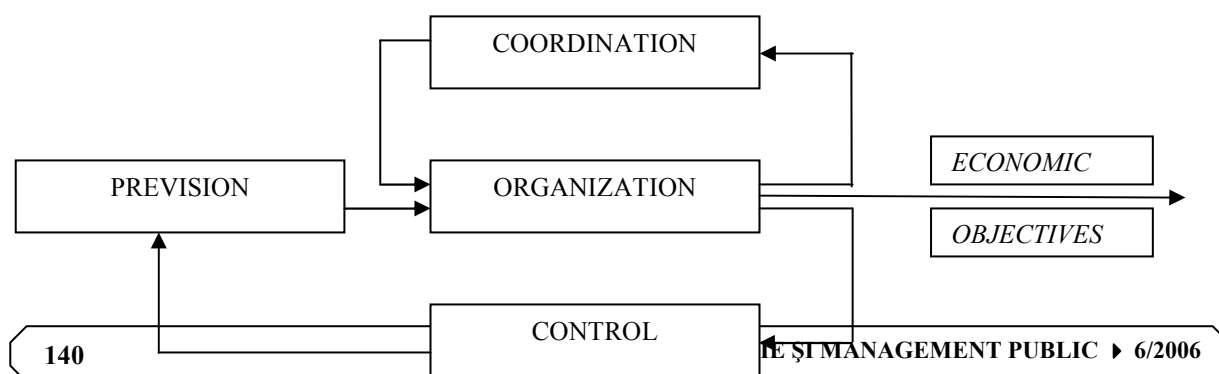
From this point of view, are commanding attention the followings:

- a) The human activity, as prevision generator. The prevision, as mode of behavior, resides generally in the human activity; it is known the fact that the man represents himself with anticipation, at least mentally, the activity he is going to carry on. The man has separated from the unconditional dependence on the environment and his own instincts and has consciously created a way of living and action oriented towards the fulfillment of aspirations in accordance with the values and the specific social targets for any human organized collectivities and various phases of the society evolution. Therefore, the prevision, in its broadest acceptance, has accompanied permanently the man's initiatives and actions, as an expression of his natural way of behavior as a rational being.
  
- b) The necessity of economic activities anticipation. The management of the human activities, those economic included, acts with help of some existing means in order to give to the economic-social life a certain dynamics, according to the future targets. In these conditions, in order to provide a scientific management, based on realist basis, for the economic activities, it is necessary the prevision, i.e. the anticipation of the future actions and results, at various terms, by means of a process of retrospective and prospective analysis, of knowledge and decision. Through prevision are explored the main tendencies of the evolution and their consequences, there are adopted measures aiming the restructuration of certain components belonging to the economic systems. This involves measures of quantification, regulating of influencing various processes and dynamics in accordance with rationality criteria;

- c) The significance of the economic activities prevision. Therefore, the prevision or anticipation function of the macroeconomic management calls for the exploration in time aiming the elaboration of the prospective works, process that anticipates or establishes in a first stage, with specific methods and means, the object, the structure, the dynamics and the efficiency of an action or system of future actions. This means a conscious solution for the ever complex problems generated by the economic and social life. In this sense, it is relevant the following remark: „The man survives through his capacity to act at the present time, on the basis of a lived experience, within the terms of the future consequences. By taking upon himself the future, the man makes his present bearable and the past significant. The past, the present and the futures alternatives are interwoven in the anticipation and prediction of the future actions”. The future depends on the necessity, but also on event; this means that, during the action, the predictable elements, with deterministic character, conditioned by laws, through precise knowledge with the help of decisional factors concerning the relations of causality, are interwoven with unpredictable, accidental elements, that are not generated by the causes taken into consideration. This leads to adopting with anticipation also measure against the possible risk generated by the accidental factors. The size of disasters diminishes accordingly when the men think they are possible and prepare the prevention or, at least, the minimization of their effects.

**C. The interaction of the prevision function with the other functions of the macroeconomic management**

The simultaneous fulfilling by the macroeconomic management of more functions means that these form an interconnected system, in the sense that they are not separated one of another, but are mutually inter-conditioned; the achieving of each of them is done with the help of the others and is conditioning, in its turn, the normal performing of each of them and of their as a whole. In the center of the functions system concerning the macroeconomic management is the prevision function, which is in a close connection with other phases of the managerial cycle. This does not mean that the prevision function subordinates the others, but that all give him a favorable field to manifest and, at the same time, are based on it in achieving the proposed objectives. Consequently, the organization, the coordination and the control can not be conceived without prevision, neither the prevision without these. The organization provides the necessary framework for achieving a systematic activity of anticipating or predicting the future. The prevision, in its turn, allows the permanent perfection of the corresponding framework concerning the economic activities. The coordination allows the synchronisation of all the activities for achieving the anticipated objectives, but, for this, the corresponding activities must follow, in their turn, trajectories that correspond to the aimed target, trajectories outlined also by means of the prevision. The control allows to point out the deviations from the established parameters estimated with the help of the prediction and to adopt the adequate measures, providing therefore information for setting up studies of prevision as realistic as possible. The organization, the coordination and the control are in a close connection not only with the prevision but between themselves too. Schematically, these interconnections can be represented as follows in Figure 1:



**Figure 1. Representation of the interconnections  
between the functions of the macroeconomic management**

The normal carrying on of the relations between the functions of the macroeconomic management is conditioned by a correct, sufficient, useful and operative information, even if the information function of the management is not mentioned as such. Actually, the all managerial cycle or process is induced in a decisive manner by the level of development and by the functioning way of the economic information system.

**D. The increase of the prevision function role in the macroeconomic management  
during the present phase**

The role and the place of the functions belonging to the macroeconomic management are changed in time, in accordance with the evolution of the economic development level, the way of managing the national economy and the concept about the management. The most sensitive mutation aim the prevision function and the increase of its weight. The prevision function involves essential changes especially in the countries being in a transition process towards the competitive, liberalized economy. This is due to the fact that all the mechanism is structured on new coordinates; within this mechanism dominant become the self-regulating points of support, stimulating the initiative of the economic agents, in the prejudice of those of administrative command. In these conditions, the role of the prevision function is in a permanent increase. The transition towards the liberalized economy generates changes concerning the relationships between organizational links of the economy, this fact implying also the reorientation of the information flows, and in a lesser proportion on vertical, i.e. between the hierarchic levels. All these leave stamp on the prevision function, especially when one passes from a normative, compulsory, imperative planning to a predominant orientating, indicative planning. The manifesting of the prevision function comes therefore in a consensus with the increase of the decisional power of the economic agents.

**1. The science of the macroeconomic prevision**

An attribute of the macroeconomic management in the conditions of the technical-scientific revolution is that to coordinate the technical-scientific research activity and to promote in the social-economic practice the latest achievements of the modern science. Within this context, in the field of the scientific research the macroeconomic prevision has transformed itself in an autonomous way, this leading to the creation of the prevision science.

**A) The objective conditions concerning the emergence of the macroeconomic  
prevision science**

The emergence of the prevision science has been conditioned by two categories of factors, namely: on one side, the requirements of the social practice, the prevision science being its reflection in the theoretical plan, an act of knowing the economic reality and influencing it in the desired direction, and , on the other side, by the internal movement, own to the science, that pushes the human thinking and knowledge towards new fields of investigation, gradually being accumulated a series of pertinent observations and conclusions, legitimated as autonomous ones, forming a system of knowledge with its own object of research. Therefore, the prevision, under its various forms and ways

of fulfilling, is a product of the human thinking and experience. It represents an expression of the rationality, a form of manifesting the society capacity to prevent with scientific methods the economic-social problems it is confronted with. Today is generally admitted that the social future must be the object of a collective reflections, concerning a long period of time. This is a big novelty, from which results necessarily that those that practising people, irrespective of their personal value...discover progressively the method problems generated by their intention. What is this intention as a matter of fact? I think that one must identify two, closely related between them: one concerning the knowledge level, and another concerning the counseling, the technical approval. The first represents the anticipated description of a future situation that seems at the present time possible – and this is the prevision itself, the other is the search of means to optimize the future situation, this being names here „strategy”.

### **B) The definition of the science of macroeconomic prevision**

As any other science, the macroeconomic prevision is a systematic series of knowledge and notions, having as object of study the laws governing the necessity of the previsional works, the principles of achieving them according to the general and specific conditions within which they are fulfilled the prevision methods that can be used. One can talk about a science of the macroeconomic prevision only as far as they are based on the objective realities, on the knowledge and taking into account the laws or the general principles of the economic-social evolution, i.e. as far as they are made objective. The macroeconomic prevision is validated as science so much so as its conclusions coincide with the duration tendencies of the social practice, of the society as a whole. In this case, the social interests are practically identified with the objective necessities.

### **C) The components of the theoretical system of the macroeconomic prevision science**

These can be formulated as follows: the fact material subjected to the observations, i.e. the significant information concerning the dynamics of the economic-social phenomena and processes and the results obtained following their study; the hypothesis formulated concerning the future evolution of the economic-social life and the expected level of probability as well, taking into consideration the objective conditions and the target function; the conclusions of the retrospective and prospective analysis, presented as notions, laws and theories confirmed by the practice and the used methods.

### **D) The conditions to be fulfilled in order that the science of the macroeconomic prevision achieves the theoretical-practical finality**

The science of the macroeconomic prevision has a theoretical-practical finality, for which achievement one must provide: the solid investigation not only of the economic phenomena and process, but also of those scientific, technical, technological, social, ecological etc. where the prevision follows to be done; the knowledge of the contradictions concerning the economic reality, the causes that generate them, their way of emergence and movement, and of the measures required for their elimination as well; the knowledge of the objective laws and principles concerning the social development in general, of economic phenomena and processes emergence especially and the use of high performance modern methods for analysis and quantification, able to show the essence of the researched phenomena and processes, to valuate realistically their dimensions, the tendencies of their progress in the future, because they are influenced by many factors, factors that are inter-conditioned between them.

## **2. The interaction of the prevision activity with the market key factors**

### **A. The role of the prevision activity in a liberalized economy**

The relation between the prevision activity and the market key factors is a fundamental concern of the economic agents. In a liberalized economy, the prevision represents an important way to valuate the possible evolution and, on this basis, to conceive economic-social strategies that have practical solutions to be put in practice by the autonomous economic agents. The previsions are done in order that each consumer can know any moment the offer, and each produces to know and to use the totality of production and sales techniques; these studies offer real information concerning the evolution and the prospect of the offer, the size and the structure of the demand on domestic and foreign market.

### **B. The instrument being at market disposal for informing the economic agents**

These are: economic-financial points of support for influencing the economy behavior (differentiated taxes and fees, preferential or restrictive customs fees, etc.); an adequate legislative framework, that influences positively the complying of the national economy interests concerning the promotion of the foreign capital investments, the setting up and the operation of the joint ventures, the limitation of some imports, the provision of the export licenses; indicative provisions, that orient the economic agent about the fields and products becoming attractive and profitable ones and firm, compulsory provisions, related especially with the execution of the State orders. The market is, in a liberalized economy, the main controller of the production, repartition, exchange and consumption. Under the influence of the market factors are established the prices, the interests, the wages, the exchanges ratios, etc.

### **C. The necessary condition in order that the competitive market fulfills its role**

The competitive market can fulfill its role only if the exchanges are free, i.e. no producer and no consumer is so strong to eliminate the competition. At the present time, this thing is achieved with a large difficulty; the market is not absolutely free nowhere in the world so that its key factors can not act freely and in their full power; it is not a question that the State must take decisions concerning the way of organizing the competition on the market, but only that the State institutions are concentrated on some rules of functioning concerning the economic agents in accordance with the society interests. The State intervention is done only in an indirect way, by means of the economic-financial factors.

### **D. The necessity to combine the factors of the competitive market with the prevision activity**

The key factors of the competitive market fulfill their role by satisfying daily the necessities imposed by the variation of the demand and supply on various segments of market. A necessary condition for providing the market transparency, for an active orientation of the economic agent is the operative collecting and distribution of the information concerning the demand and the supply. The provision of a balance between the demand and the supply by daily adjustments is referring only to the past and the present, no matter how well this is done; therefore, the information provided only by the action of the market key factors are not sufficient for orienting the economic agents in the future, for avoiding the risks as much as possible. The market, with its specific key factors, does not give indications concerning the needs, the future demand and supply, the prospective evolution of prices; for grounding the decisions of the economic agents and for diminishing the incertitudes are necessary the valuation and the knowledge of the demand and supply in the future; only so one can project and prepare the required changes concerning the level and the structure of the production and one can adapt adequately the resources allocation. So, the competitive market alone does not provide a clear and real image about the future demand and supply. The pertinent information about these are offered

only by the previsions, reason for which one considers that they replace the market limits. Without a realistic plan one can not avoid or reduce at minimum the risk and one can not maximize the effect. The competitive market alone can not solve a series of problems on long term, such as, for example: the perfection of the telecommunication network, the infrastructure of the road and rail road transportations, etc., problems having a special importance for the economic development of any country. Actually, in some States with a liberalized economy, the macroeconomic plans are considered as market studies. The competitive market does not exclude, therefore, the conscious action, the carrying on of a large and complex prevision activity, this leading to the conclusion that between the market and the prevision activity there are relations of inter-conditioning, that it is necessary to use simultaneously the information provided both by the competitive market and by the prevision activity.

#### **E. The rethinking and reconsideration of the prevision activity in Romania at the present stage**

In Romania, at the present stage, the prevision is in a full process of rethinking and reconsideration. The tendency is one of aligning at the prevision systems used by the economically developed countries. One must nevertheless take into account at least two peculiarities represented by our country: on one side, it is the weight still large of the State property, fact that obstructs the full manifesting of the free market mechanisms, and, on another side, the fact that unconditioned rejection of the macroeconomic dirigisme, with imperative character, leads many times to an unjustified denial of any form of prevision activity.

#### **F. The interaction of the planning with the key factors of the competitive market**

It is necessary to make a special remark concerning the interaction of the planning with the key factors of the competitive market. In a liberalized economy, the planning and the plan, thanks to their inciting character, represent a complement of the economic policy. By means of plan there are presented clearly the options, the priorities and the evolutions resulted from the market relations. The French economist François Perroux (1903-1987) says that the plan is presented as a series of State macro-decisions aiming to provide concrete and dynamic balances intentionally different from those that can be generated, from its spontaneous functioning, by the economy with an imperfect market. The market and the planning are regulating sub-systems of the modern economy. The competitive market and the plan have a complementary role in the present economy although they have different objective determinations and there are different conceptions related with their place and role. Nor the competitive market either the planning can provide each alone the regulation of the extremely complex contemporary economic system. Each of them is as such a controller with an imperfect functioning. The concrete combination of those two sub-mechanisms, the efficiency of each of them and of both of them taken together depend on the real economic system and other factors depending on other systems (social, technological, international environment, etc.).

The report between the plan and the competitive market represents one of the most disputed problems of the present economic theory and practice. The most disputed aspect is that if the plan and the competitive market are or not compatible. The intensity of confrontations on these theme is due to the use of some arguments of ideological nature, i.e. this problem has been transferred in the plan of compatibility between the socialist economic system, identified with the planning, and the capitalist economic system, identified with the competitive market. The opinions are divided. It has been said, for example, that the socialism is compatible with the competitive market and by means of their combination can emerge a „socialist economic system of market”, but that, also, the capitalist system is compatible with the planning, and by the combination of the market and competition with the planning can result the „organized capitalism or the planned capitalism”. Such theoretical-methodological positions have led to the theory of the convergence of two economic systems, an unaccepted theory by those opposing the planning of the liberalized economy. According to the opinion expressed by some theoreticians, the fact that the plan is not compatible with the competitive market has found its confirmation in the political and economical transformations at the end of the

years 1980 and the begin of the years 1990, as a consequence of a comprehensive crisis of the socialist State monopoly economy and, therefore, of the hyper-centralized and bureaucratic, compulsory, imperative planning form. All or almost all the imperfections of the socialist system have been considered as due to the planning, being reached the conclusion of eliminating the concepts and notions of plan and planning from the economic vocabulary. Meantime the tone has been softened but the theoretical-methodological controversies concerning the compatibility or incompatibility of the competitive economy, of the market with the plan continues. The theories of the „socialism of market”, „organized capitalism” or „planned capitalism” are approached with counterarguments on theoretical-methodological and political-ideological plan.

According to the liberal logics, the economy with a competitive market and the macroeconomic planning exclude each other and, therefore, are incompatible. In this sense, A. Smith said: „ A State man trying to guide the individuals in which sense to use their capitals, not only is assuming an extremely useless task, but also, is assuming an authority that not only could not be given to only one person, not even a council or a Senate, and that could not be so dangerous in another place as in the hands of a man that could be so reckless to consider to be worthy of it. ” Indeed, if the prices show the tensions and the rarities concerning the quantities of goods demanded and offered, the free market play, „laissez faire, laissez passer” and the „invisible hand” are sufficient to orient efficiently the goods production and manufacturing. According to the same logics, the sole useful plan will be that providing the amelioration of the information, but in no case it must affect the market mechanism. Presenting the place reserved to the plan in a such logics, the National Commission for Planning of France mentioned, in January 1968 that „the plan in France can have an utility only if it responds to the following two requirements: does not affect the functioning of the market economy and facilitates the play allowing the development of the competition between the French enterprises”.

#### **Bibliography:**

1. C. CIURLĂU; I. TOMIȚĂ; GHEORGHE H. POPESCU, *Macroeconomic prevision*, University Publishing House, Craiova, 2003
2. JOHN NAISBITH, *Mega-tendencies*, Political Publishing House, Bucharest, 1989
3. ADAM SMITH, *Wealth of Nations*, vol. I, Romanian Academy Publishing House, Bucharest, 1962
4. JANINE BREMOND; ALAIN GELEDAN, *Dictionnaire des théories et mécanismes économiques*, Hatier, Paris, 1984
5. FRANÇOIS PERROUX, *Quantitative techniques of planning*, Romanian Academy Publishing House, Bucharest 1968
6. BERTRAND DE JOUVENEL, *The progress within man*, Political Publishing House, Bucharest, 1983