METHODS OF ASSESSING ECONOMIC SITUATION AND DEVELOPMENT

Abstract. The starting point for economic policy analysis is the difference between what exists and what should exist. Therefore, opinions (views) about what should be, can be used to assess the observed economic situation and development. Therefore, it is possible to come up with recommendations on how to avoid differences between what exists and what should exist. In reality, we find factual events that any person can check. There are also desirable events that go beyond such a check. It is on the basis of their comparison that the content of both evaluations and recommendations is formed. Normative views express subjective desires, so the result of the evaluation can not be considered “right” or “wrong”. It is possible that the entity (or economic interest group) will consider them acceptable or even reject them.

In the context of shaping economic policy, in the process of determining the long-term socio-economic development prospects of the country, it is very important to ensure the Targeted orientation of macroeconomic parameters. In addition, the level of economy and social sphere of a particular country, the state of entrepreneurial activity, and the business environment in general, the peculiarities of cultural characteristics should be taken into account. The systematic representation of the goal complex and its reflection in the process of economic policymaking becomes especially relevant in development emergencies and in conditions of increased uncertainty. Knowledge economics and digital technologies allow the development of a long-term socio-economic strategy with more adequate and better goal orientation.

Keywords: Economic Policy, Assessment Process’ Assessment Methods, Empirical Denial, Empirical Freedom

JEL classification: E6, E65, E69, O11
ეკონომიკო-მექანიზაციის და განვითარების შეფასების მეთოდები

ახასიათებელია, რომ ეკონომიკო-მექანიზაციის ანალიზის საფუძვლად მიიჩნევენ, რომ ის ქალაქთათა სივრცეში, რომელშიც განმავლობა ადგილური ადგილის განვითარებას, შეფასებას და საქმის მოქმედებას შორის გამორტყმულია. აქამდე არსებული ფინანსური ქსოვილები, რომლებიც ქრონიკული მოვლენებით წარმოებენ. ამიტომ, ეკონომიკო-მექანიზაციის ანალიზს საჭირო იქნავს ქმნის ფოთლებს შორის განსხვავება.

რეზანდები გველესიანი, რომ ამით განვითარების შეფასების მეთოდური მხრივ ქრონიკული მოვლენების საფუძველზე მიგვწვდომ. ამის შემდეგ, მისი საქმის მოქმედების შემდეგ გველესიანი ვიპოვებთ ტექნიკურ შედეგებს. აქამდე, მისი შემდგომი პერიოდის შემდეგ, შეფასება დარგავდება ადგილის განვითარების შემადგენლობით.

რეზანდები გველესიანი, რომ ამის შემდეგ, საქმის მოქმედების შემდეგ, შეფასება დარგავდება ადგილის განვითარების შემადგენლობით. ამიერთ, შეფასება დარგავდება ადგილის განვითარების შემადგენლობით. ამიერთ, შეფასება დარგავდება ადგილის განვითარების შემადგენლობით. ამიერთ, შეფასება დარგავდება ადგილის განვითარების შემადგენლობით. ამიერთ, შეფასება დარგავდება ადგილის განვითარების შემადგენლობით.
Introduction

Theoretical economic considerations are always formed on the basis of the difference (what is and what should be) that exists between the apparent knowledge of economic processes based on assumptions and factual processes. Both hypothetical knowledge based on assumptions and factual (real) processes are transmitted through subjective views (but in the form of justifications) about what exists, so we are dealing with positive views. If there are real events and processes for which an appropriate field of observation is formed, then it is possible to verify the views about them. To do this, it is necessary to determine between which events and processes there is a cause-and-effect relationship (which corresponds to the knowledge based on the existing assumption about cause-effect relationships or an attempt at a theoretical explanation). This happens when we make a conclusion about the events that would have existed if the above-mentioned cause-effect relationship would have had the force of law on the basis of the presumptive causal dependence of the observed events as a cause (hypothesis). Beliefs formed in this way, in the structure of which the logic of change of events is "if… then ...", can be contradicted with factual events (reality) during empirical verification.

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.

Review of Literature, Theoretical Generalizations, and Results

Explaining views about events requires that the process be consistent and meaningful. That is, it must necessarily include substantiations of beliefs about events in reality. The wider their empirical content and the better it is to verify, the greater the number of observable events and processes. Here we are talking about situations and situations, the occurrence of which is often (but not always) ruled out, although their existence due to a cause-and-effect sequence should have been logical. As for unsubstantiated views, which cannot be empirically verified, they are more achievable and realistic, the more logically possible the outcome if an observable event will be allowed. Based on the exclusion of logically possible, observable circumstances, views on regularity are formed, which form a certain space in which actual economic events take place (Albert, 1963 b / 76, p.177).

Empirical denial (falsification) is used as a criterion for demarcation (Popper, 1976/2002, p. 39), on the basis of which it is possible to distinguish the science of reality (or experimental science) from non-empirical sciences such as mathematics. Economic theory is presented as an experimental science. But if we compare it with other natural sciences, it turns out that the subject of cognition of economic theory - public economics - is characterized by many features that force us to reject the demand for empirical negation (falsification). It is true that there is a lack of empirical content in economic theory, but that does not mean that we reject many scientific studies on reality.
Such a limitation of the possibility of falsification is inevitable since the subject of cognition of economic theory includes:

- Impacts that many purposefully acting individuals have on each other. A small part of the basics of their understanding is available to the observer. It is difficult to explain individual actions (decisions) based on choice not only by the processes of knowledge acquisition and application by the subject but also by the fact that many things in our consciousness are interconnected by intuition.
- Complicating the case is the need to admit many unknown factors that the individual is not aware of. It is also difficult to take an individual action that involves counting a number of regularities. The point is that the observer cannot fully control the peripheral, albeit conscious, factors of impact, let alone peripheral and at the same time unconscious factors.
- The subject of cognition of economic science is extremely difficult. It should be understood as an evolutionary, open system driven by innovation. Therefore, it is impossible to predict how the complexity of the system will change. This means that in economic theory we should not expect the existence of laws that are historically "timeless" and rich in empirical content.
- Due to the listed reasons, the subject of cognition of economic theory makes it practically impossible to use controlled experiments or scientific methods of cognition. In economic theory, the observer and the subject of observation interact more with each other than in the natural sciences.

Institutions such as laws, treaties, and regulations are involved in determining economic events. They somewhat limit and balance individual actions and thus also allow us to anticipate some of their consequences. Institutions restricting freedom of action often also indicate which action is not accountable. Even within the existing limits of freedom of action, there are many unexpected possibilities, some of which are known to us and some of which are unknown.

Economic-theoretical cognition, and hence knowledge of economic-political management, is characterized by: (1) an individual's conscious motives for his behavior, (2) a highly variable complex of interactions between subjects in the economic process, and (3) a variety of partially cognitive possibilities. In terms of attempting to falsify the explanation (empirical denial), this means that:

- We must take into account the lack of regularities.
- Defined forms of regulation (order) are less reliable. That is, the possibility of predicting their consequences is very low and therefore they should (at best) be considered quasi-laws (Albert, 1957, p. 68);
- It is necessary to constantly check the defined regulation forms. This is done to determine how well the forms of regulation retain their purpose.
- We must be particularly careful to distinguish between verified, verifiable and absolutely unverifiable views if we are to avoid dogmatic and authoritarian approaches to economic-political decisions.

In addition, we must bear in mind that stabilizing institutions and their impact are of greater importance than has previously been accepted in traditional economic theories. The connection to the politics of order is even stronger in this respect.

In addition to contentless views, an attempt at an economic-theoretical explanation is empirically unverifiable, which is characterized by inviolability for any verification. The basis of such an attitude is that there is a claim to the "important" test only for hypotheses. Everything else remains unchanged (Ceteris-paribus-Klausel). The point is that at this point (when we formulate the hypothesis) events are disconnected from all cause-and-effect relationships. However, the events that affect “everyone else” are
not fully or partially named and may be the cause. In such circumstances, the claim of “significant views”
that we have made on the basis of the assumed knowledge and the discrepancy between factual events is
of a limited nature.

Ceteris-paribus-Klausel is a useful methodological tool for scientific modeling in economics
since it is impossible to reflect all economic relationships. What matters is how Ceteris-paribus-Klausel
is used. Its purpose is to limit the number of more or less meaningful views on economic phenomena.
Moreover, where an exogenous variable is introduced, any explanation will be discontinued. By doing
so we avoid the endless search for reasons. With the help of Ceteris-paribus-Klausel it is possible to
reject models of exogenous variables and relationships. Using it, a predetermined system of views is
formed, such as a homogeneous market model. It allows us to examine the action of a determinant
variable - such as state demand variability - in isolation. Such a model can be used as a tool for
researching economic interactions. As for the direct economic-political conclusions, this model allows
us to formulate them only in limited quantities. Empirical verification of such models is impossible. The
views they hold, for example, on the consequences of economic policy action, allow us to draw more or
less convincing conclusions. At the same time, persuasiveness cannot be replaced by falsification. From
the point of view of theoretical research, it is impossible, even by abstaining from a limited number of
events, to achieve empirical (verification) ability. However, it is not necessary for every view given in
the model to be non-falsifiable. Rather, the model as a system of beliefs must be content that is at odds
with experience. We are often dealing with a long process of scientific research (thinking) that rejects
experiments and is related to the development of any economic theory. In such a case we must agree on
the existence of a controversial issue in science about reality. It manifests itself in the existence of
completely irrelevant "idealism" in scientific research and modeling (Albert, 1963a / 67). The necessity
of abstraction characteristic of thought neither guarantees us an empirical possibility nor can it replace
it.

Creating an empirically verifiable economic model is possible only when the number of explicitly
observable impacts, factors, and relationships is limited. However, in the case of the economic model,
such artificial isolation is based on one completely falsifiable assumption. This assumption is that the
combined impact of explicitly observable factors on the economic variable to be explained - e.g.,
household expenditures on food - results in random changes in the value of the same variable (food). On
the other hand, it is even suggested that an explicitly observable magnitude of the impact - e.g., an
increase or decrease in household income - leads to systemic changes in the value of food. Systemic
changes include increased demand for luxury items and/or gift products. Based on these events,
probabilistic views are formed based on observations of the behavior of numerous individuals. In fact,
probabilistic views are not even derived from the behavior of each individual but are based on the average
rate of such cases. It is an economic-statistical method by which the behavioral parameters of individuals
are evaluated. At best, it provides information about how likely a reaction to an expected event is at a
given time interval (e.g., the magnitude of a change in demand is explained by the elasticity with respect
to a change in income). This means that the difference between the actual events and the events given on
the basis of the developed forecast does not necessarily lead to the rejection of such a forecast. At the
same time, it is necessary to agree on what size difference (scrolling) is allowed, in case of violation of
which it will be necessary to reject the developed forecast.

The purpose of the above distinction is often to provide empirical verification of hypotheses. As
for the subject of cognition (meaning society and economics, where it is very difficult and dangerous to
experiment in a particular situation) it is an abstraction and nothing else. Abstraction is necessary in order
to reduce and regulate the diversity of views on certain cause-and-effect relationships. Therefore, the
 provision of empirical testing of hypotheses should be judged by whether it is adequate for the intended
purpose. The set goal of cognition is evaluated according to the properties of the events and processes to be explained (the meaning of the goal is evaluated). Assuming a closed structure of the model may be consistent with short-term microeconomic analysis. In such a case, it is necessary to take into account certain preconditions for all models of equilibrium. The opposite is true, for example, if we put the equilibrium model within the limits of the hypothesis that market participants have the same expectations about price-determining events (of course this is unrealistic). When it comes to pricing in the foreign exchange and securities markets, participants view the results of speculation differently. If we assume that everyone has the same price expectations, then we are faced with a situation where there is no difference in expectations between competing parties. In this case, profit-oriented, professional competition would have no chance in the long run without additional assumptions. This raised the question: Why do speculators trade at all? (See Streit, 1983b). In some cases, empirical testing of this type of equilibrium model does not give us an excuse to reject homogeneous expectations. At the same time, there is still reasonable doubt about the boundaries of the research event and economic analysis, that we are dealing with an imaginary explanation, which is substantiated by abstraction from influencing factors.

Economic theories sometimes fail not only in the laws of logic, but also empirically when it comes to substantiating their scientific "claims" (views) in reality. On the other hand, it is specified that the purpose of empirical verification is nothing more than an attempt to deny the use of the falsification method. Because of this, empirical testing focuses on events that are unlikely to occur from the possible sequence of assumed cause-and-effect relationships. This at the same time means that mistakes will be transformed into critical thinking. The existence of errors as a result of the use of the falsification method does not mean that the relevant hypothesis has not been proven, but that it cannot yet be refuted.

It is also possible to assume that the empirical test focuses on events and processes that are likely to produce results that are expected to be lawful. It is also easy to ignore the possibilities of empirical falsification and draw erroneous conclusions by the logic of such action (when verifying). This will help to establish a dogmatic position. On the other hand, if we assume that the probable cause-and-effect relationships are wrong, we will achieve scientific progress sooner than if we try to change the method of explanation. For some purposes, it is more appropriate not to search for empirical evidence but to use the principle of falsification (empirical denial).

In general, both methods - empirical denial (falsification) and the empirical freedom inherent in assessment - have a normative content, as they include recommendations on whether:

- How to achieve scientific knowledge about reality (empirical denial);
- Which arguments should not be considered in the interests of intersubjective scrutiny (Streit, 2005).

Clearly, it does not follow that the empirical method does not allow us to acquire scientific knowledge about reality. It is simply assumed that it (scientific knowledge) is achieved on the basis of both methodological principles. Neutralizing subjective evaluation does not mean that it is possible to do scientific analysis independent of evaluation.

Freedom of assessment is often misunderstood in the economic sciences in general and in economic policy in particular. Such misunderstandings are directly related to the attempt at explanation. The point is that any attempt to establish patterns by observing socio-economic realities is determined by subjective choice and interest based on the evaluation. Is it possible for the functioning of the economy to be free from the valuation? This question probably gives a satisfactory answer to G. Myrdal (G. Myrdal / 1969/1971:13): „Facts do not instantly become concepts and theories. Without them, chaos would prevail instead of scientific views. Every scientific paper necessarily contains an a priori element. Questions must be asked first, and then we must try to answer them. Each question is an expression of our interest.
in the world. They are essentially nothing more than assessments". On the other hand, the evaluative choice of the research problem does not in itself preclude the possibility of scientific, subjectively verified analysis. Nevertheless, there should be a critical discussion of the results obtained and not the personal position of the scientist, which may have an impact on the choice of the problem.

The second misunderstanding arises when one does not take into account the difference that exists between evaluative findings and views based on public values. Failure to do so gives rise to considerations that preclude the possibility of scientific evaluation of estimates and economic objectives. In fact, it only deals with evaluative findings as a form of scientific research. Views on public values should be absolutely free from evaluative consideration. Therefore, the economic program of economic policy in relation to the existing assessments in this field can be specified as follows (It is dedicated to the research of theoretical and methodological issues of economic policy, for example, Bedianashvili, 1979; Gaprindashvili, 2017; Gvelesiani, 2012, 2013, 2014, 2015, 2016a, 2016b, 2017a, 2017b, 2017c, 2017d, 2019a, 2019b, 2020; Gvelesiani & Bedianashvili, 2021, 2022; Gvelesiani & Gogorishvili, 2014, 2018):

- It is possible to explain the evaluations (1), check their interdependence (2), and compare the combinations (3) that are formed by different groups and communities at different times;
- Evaluations are the result of an in-depth analysis of views (critique of ideology), however, it is possible that these views and actions are formed for an extraordinary purpose. In this case, it is about the purpose of influencing the addressee.
- It is possible to describe, explain and predict what or how the evaluative behavior of an individual or group will be and how they will interact.

**Targeted Orientation and Culture as Factor of Macroeconomic Parameters of Long-term Development**

In the context of shaping economic policy, in the process of determining the long-term socio-economic development prospects of the country, it is very important to ensure the Targeted orientation of macroeconomic parameters. In addition, the level of economy and social sphere of a particular country, the state of entrepreneurial activity, and the business environment in general, the peculiarities of cultural characteristics should be taken into account. (Bedianashvili, 2020).

Based on the long-term development positions, the country's goals are convenient to present as a goal complex consisting of four interconnected levels (Bedianashvili, 1984).

The functional goals of the socio-economic system of the country are given on the first level. This level of goals will be formed based on the characteristics of the socio-economic system and is a structured set of general formulations of goals and their specific sub-goals (see, for example, Bedianashvili, 2020). The general goal will be defined as "complex economic and social development of the country", which will include the following sub-objectives at the upper level: "Promoting the needs of the population", "Development and improvement of socio-economic relations" (structural goals), "External goals" (goals of the country based on the requirements of effective relations with the global and local environment, taking into account security aspects), "Creating potential for the future" (goals Which imply providing the existence of the necessary potential for future generations and beyond the long-term time horizon to be considered for the development of the country). Further detailing the functional goals can be accomplished through systematic structuring methods (see, for example, Bedianashvili, 1979; 1984).

In order to further use the above-mentioned functional system of goals, it is necessary to determine the assessments of the values of realization of a separate goal of socio-economic development (expert assessment methods are used to determine them). It is clear that they are reflected in the levels of
satisfaction of the relevant needs, natural-climatic conditions, the existing mechanism of socio-economic relations (institutions) formed in the country and the peculiarities of the value orientations of society - the existing specifics of certain cultural parameters.

At the second level of the goal complex, the quantitative and qualitative characteristics of the graduating sub-objectives of the first-level functional objectives are given, such as functional goal norms (FGN), goal requirements, and goal indicators (in terms of the respective graduation objectives). The peculiarity of FGN for each goal is that it is a set of indicators that are substantively relevant to the various essential aspects of goal achievement, and quantitatively - to its desired level. Goal requirements are a verbal specification of the desired level of achievement of objectives if it is impossible to define unambiguous quantitative indicators for the relevant purpose. And the goal indicators are the indicators that indirectly reflect the level of achievement of the relevant goal for processes that are not directly influenced by governance.

An essential feature of the functional objectives under consideration is their long-term nature, which is achieved by formulating a separate objective and requirement of the corresponding objects in the language of the functions. The functions are known to be relatively stable over time, in contrast to subject requirements.

The problems of the socio-economic system of the country (so-called goals-problems) are given at the third level of the goal complex. Objectives-Problems are separated according to the sign of difficulty in achieving the respective objectives and their realization is related to special measures. The third level goals are the basis of developing programs to solve specific problems of socio-economic development. It is clear that at the problematic level of the set of goals, the specifics of the cultural indicators of the society significantly influence the given stage of the socio-economic development of the country.

The fourth level presents the Subjective Goal Standards (SGN), which are substantially different from the FGN and represent the desired level of goal achievement in the language of specific subjects and services. They allow macroeconomic indicators to be determined by the sector of the country's economy, including external links. The current (for the moment) goal achievement level can be characterized by functional (FGL) and objective (SGL) goals, respectively.

Based on the goal complex, a goal function can be constructed, which ensures the maximum approximation of the realization of the socio-economic development goals of the country to its desired level:

$$\sum_{i=1}^{n} \sum_{t=1}^{T} \alpha_i \left\| G_{it}^{(t)} \right\|^2 + \sum_{i=1}^{n} \sum_{t=1}^{T} \alpha_i \left\| Y_{it}^{(t)} \right\|^2 \rightarrow \min$$

Where: $\alpha_i$ – are estimates of the significance of the realization of the objectives; $G_{it}^{(t)}$ - is the relative differences vector $(1 - g_{i_1}^{(t)} / g_{i_2}^{(t)})$ with respect to FGL and FGN, respectively; $Y_{it}^{(t)}$ – is the vector $(1 - y_{i_1}^{(t)} / y_{i_2}^{(t)})$ of relative inconsistencies with respect to SGL and SGN, respectively; $\left\| G_{it}^{(t)} \right\|, \left\| Y_{it}^{(t)} \right\|$ - is the norm for vectors $G_{it}^{(t)}$, and $Y_{it}^{(t)}$; $I_f$ - is a set of functional goals; $I_n$ - is - a set of goals that have only subject characteristics; $T$ - is a long-term period under consideration.

Interaction between objectives can be expressed as an econometric model, however, Structural Equation Modeling (SEM) modeling technology can be used (for SEM modeling, see, for example, Byrne, 2009; Keith, 2019).

The systematic representation of the above-mentioned goal complex and its reflection in the process of economic policymaking becomes especially relevant in development emergencies and in

**Conclusion**

Thus, we can scientifically establish and analyze evaluations as well as check their interrelationships. But it is inadmissible to consider them as “right” or „wrong“ estimates. This certainly does not exclude the possibility that the scientist may personally support a certain normative position. Scientific evaluative reasoning or arguing about open and public facts is also not out of the question. If we accept as a norm that it is necessary to avoid intersubjectively verifiable evaluative reasoning (ideologies), then we should have a clearly understood evaluative part of the view (evaluation transparency postulate). But fulfilling this requirement is very difficult because we often use speech elements for evaluation purposes. In any case, the conclusions are not of a scientific nature at all because they may be used by someone who is engaged in scientific work. But it is not excluded that the scientist, based on his research, attaches more importance to the evidence in comparison with other similar views. They have always tried to justify science scientifically. But in the absence of an intersubjectively verifiable scientific criterion, such an attempt ultimately failed. One of the attempts to justify is that direct access to values (intuitionism) is considered a source of cognition. We have the same result when we try to understand the eternally unchanging „essence“ of social reality (events and processes) by observing it and forming assessments based on it (naturalism).

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