Scientific Forecasting on Economic Policy Development

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ABSTRACT

Economics is a social science concerned with the production, distribution, and consumption of goods and services. It studies how individuals, businesses, governments, and nations make choices about how to allocate resources. Macroeconomics and Microeconomics are the two main branches of economics. Macroeconomics Studies economy-wide phenomena such as; Inflation, Price levels, Rate of economic growth, National income, Goss domestic product (GDP), Unemployment whilst microeconomics studies the decisions of individuals and firms to allocate resources of production, exchange, and consumption. An economic policy is a course of action that is intended to influence or control the behavior of the economy. Economic policies are typically implemented and administered by the government. A country's economic policy consists of two components; Fiscal policy & Monetary policy. Fiscal policy is the means by which a government adjusts its spending levels and tax rates to monitor and influence a nation's economy. Monetary policy refers to the actions undertaken by a nation's central bank to control money supply and achieve macroeconomic goals that promote sustainable economic growth. It aimed at controlling; inflation, consumption, growth, and liquidity. Hence accurate and reliable forecast of economic variables are immensely important. It could be achieved by scientific forecasting. Scientific forecasting is based on "Mathematical Modeling". A mathematical model is a simplification of a real world situation into an equation or a set of equations. Among the types of mathematical models, "Stochastic Models" are more prominent in forecasting due to the capability of capturing the uncertainty in real life. Therefore conducting model base analysis on forecasting macroeconomic variables and developing new forecasting techniques would be light houses to economic policy developers.

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