

Practice and Innovation of Macroeconomic Expectation Management in China

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Abstract

In recent years, with the increasing urgency of stabilizing economic growth and deepening supply side structural reform, the central government's emphasis on macroeconomic expectation management has become more prominent. This article analyzes the practical exploration of macroeconomic expectation management with Chinese characteristics, and explores how to adopt more precise and effective policy measures to strengthen and improve macroeconomic expectation management in the new stage of development, in order to promote high-quality economic development. The primary task is to strengthen macroeconomic expectation management and ensure the stability and sustainability of economic operations. At the same time, we should also focus on using long-term and sustainable policy tools to stabilize market expectations and guide the economy towards healthier and more sustainable development. In addition, accelerating the improvement of the system and mechanism for macroeconomic expectation management, continuously enhancing its effectiveness and influence, is also an important task for the current and future period.

Keywords

Expectation management; Macroeconomics; Market expectations.

1. Introduction

Since the 18th National Congress of the Communist Party of China, the Chinese government has increased and strengthened its attention to expected management issues. Compared with Western countries, China's research is not limited to the traditional fields of economic crisis and monetary policy, but has conducted more extensive and innovative explorations on this basis. Especially in terms of fiscal policy and real estate policy, China's research has made significant progress. The current Chinese economy is in a state of triple pressure intertwined with demand contraction, supply shock, and weakened expectations. The term 'weakened expectations' not only reflects the market's lack of confidence in the prospects of economic development, but also further highlights the importance of stabilizing market expectations and boosting development confidence in China's macroeconomic regulation strategy at the current stage of development[1].

In terms of research on expected management of economic crises, domestic scholars have indeed paid extensive attention to expected management in the Asian financial crisis and the US subprime mortgage crisis, and deeply explored its importance and implementation strategies. Wei Jianing explored the close relationship between economic crisis and human subjective initiative, in which psychological expectations were given a crucial role; In terms of policy commitment research, domestic scholars have extensively explored the advantages and disadvantages of camera choice strategies and policy commitments. Due to differences in various economic theoretical frameworks, practical environments, and analytical perspectives,

the conclusions drawn from these studies are not consistent; In terms of research on inflation expectation management, domestic scholars have conducted extensive empirical studies on the importance of inflation expectations and further emphasized the key role played by the central bank in inflation expectation management; In terms of research on central bank communication, domestic scholars mainly focus on empirically testing the actual effectiveness of central bank communication and comprehensively exploring corresponding communication strategies; In terms of forward-looking guidance research, domestic scholars have paid close attention to the Federal Reserve's forward-looking guidance strategy and conducted in-depth international comparisons to explore the implementation effect of the People's Bank of China's forward-looking guidance, in order to evaluate its role in the transmission mechanism of monetary policy. In recent years, some scholars have focused on the management of fiscal policy expectations. Evaluated the current practice status of China's fiscal policy expectation management, analyzed the challenges and difficulties faced by China's fiscal policy expectation management, and verified the effectiveness of expectation management tools such as fiscal policy communication and rules in practical operation.

In summary, with the deepening of China's macroeconomic regulation practice, it continues to evolve [2]. The development of Chinese expectation management theory is not only a reference to Western theories, but also a reflection of a profound understanding and flexible application of Chinese economic practices.

2. Initial Exploration of Macroeconomic Expectation Management Practice in China

The Chinese government has fully recognized the core position of expectation management theory in its introduction, development, and application, and has taken corresponding measures to strengthen its application. In the 2007 policy guidelines, Zhou Xiaochuan emphasized the need to pay attention to preventing and controlling inflation while implementing fiscal and monetary policies. He believes that maintaining inflation expectations and currency stability are necessary to ensure healthy economic development. At the State Council executive meeting on October 21, 2009, Wen Jiabao clearly pointed out that the focus of China's macroeconomic regulation and control work is to solve the problem of inflation. At the Central Economic Work Conference held on December 10, 2010, regarding the basic direction of macroeconomic policies, the conference clearly pointed out the guiding principle of "active and steady, prudent and flexible". The meeting emphasized that the current focus of work is to handle the relationship between maintaining economic stability, rapid development, optimizing economic structure, and effectively controlling inflation expectations with a more proactive and stable attitude. At the symposium of non party members of the Central Committee of the Communist Party of China on July 26, 2012, Hu Jintao conducted an in-depth analysis of the complexity of the current international and domestic economic environment. He emphasized the need for effective coordination between economic growth and structural adjustment, while also controlling inflation expectations appropriately to ensure sustained, stable, and healthy economic development.

In the reports of 2012 and 2013, the government proposed the idea of enhancing policy foresight to strengthen expectation management. The 2012 report proposed that policy-making should focus more on enhancing its pertinence, flexibility, and foresight to adapt to the constantly changing economic situation. In 2013, the government further emphasized the core position of "foresight" in policy-making. Overall, before 2013, the scope of macroeconomic expectation management in China had certain limitations. Although it covered the aspect of stabilizing economic development expectations, its core focus mainly focused on regulating inflation expectations[3]. In terms of expected management strategies, they are mainly

implemented and promoted through public speeches by national leaders and clear explanations in the Government Work Report.

3. Deepening and Innovating the Management of Macroeconomic Expectations in China

Since the 18th National Congress of the Communist Party of China, the emphasis on expectation management has been increasing. In the continuous exploration process, China's macroeconomic expectation management has made certain breakthroughs and innovations, mainly manifested in the following aspects:

3.1. A series of strategic ideas such as "New Economic Normal", "New Development Concept", and "Supply side Structural Reform" have been successively proposed

President Xi Jinping comprehensively and profoundly explained the "new normal of economy". He clearly pointed out that China's economy is currently in a critical period of transformation, namely towards a higher development form, more refined industrial division of labor, and a more reasonable economic structure, marking the official entry of China's economy into a new normal. In the context of the new normal economy, economic growth is gradually transforming, with a greater emphasis on improving quality and efficiency, reflecting the new situation of China's economic system reform, transformation, and development mode enhancement. In response to the contradictions and challenges faced by China's development, the new development concept of innovation, coordination, green, openness, and sharing has emerged. Its goal is to lead and promote a profound and comprehensive transformation, involving the transformation and upgrading of development concepts and models [4]. These concepts have answered numerous questions about the operation and growth process of the Chinese economy, and fundamentally guided market expectations and stabilized economic trends.

The new normal of the economy is a question of "how to look at it", and its core lies in pursuing the balance and optimization of the economic structure to achieve sustainable and stable economic growth. The new development concept is a question about "how to think", which guides us to think about how to promote the transformation and upgrading of economic development, and achieve more comprehensive, coordinated, green, open, and shared development. These two complement each other and together constitute the new strategy and new ideas for the current development of the Chinese economy. After having a clear understanding of "how to see" and "how to think", the next key is "how to do" to ensure the stability and growth of the Chinese economy. Should we continue traditional Keynesianism and rely on the old path of demand stimulation, or open up new paths and choose more forward-looking strategies? Under new historical conditions, China has put forward the major strategic idea of "supply side structural reform".

3.2. Strengthen the interpretation of important policies, stabilize and guide market expectations

From the complex situation brought about by the "three phase superposition", to the profound understanding and adaptation to the new normal, and then to the active promotion of supply side structural reform, this process reflects the continuous deepening of theoretical understanding and the continuous innovation of policy practice, reflecting the actual situation of economic operation and providing clear guidance and direction for the market.

In recent years, the Party and the government have significantly enhanced communication and interaction with market entities, actively responded to social concerns, effectively stabilized market expectations, and provided clear guidance. Through authoritative media platforms such

as the People's Daily, the government has repeatedly provided detailed and in-depth interpretations of core issues such as "slowdown in economic growth rate", "differentiation of economic operation trends", "increased downward pressure on the economy", "prevention and control of economic operation risks", and "key points of macroeconomic regulation and control". These interpretations answer the public's questions about "why there is a speed change", "why there is structure", and "why there is a dynamic shift" from the perspective of "new direction, new normal". Through the active response to this series of hot, difficult, and key issues, the Party and the government have demonstrated a profound understanding and precise grasp of economic operation, while also highlighting the important role of expectation management in promoting stable economic operation and sustained growth. This timely, transparent, and effective communication method has enhanced market confidence.

3.3. Boost the morale of the Chinese economy and boosting market investment confidence

At the critical stage of deepening transformation and comprehensive reform in China's economic development, various economic and social contradictions are intertwined and emerging, and market expectations appear fragile and volatile. This undoubtedly poses great challenges to macroeconomic regulation. Faced with such a situation, the Party and the government attach great importance to the use of expectation management, actively engage in dialogue with market entities, and inject confidence into the Chinese economy in public. Xi Jinping has repeatedly stressed that "China's economy still has significant potential, broad development space and profound internal resilience, which provide a strong guarantee for China's economy; "The long-term prospects of the Chinese economy are promising, showing a distinct growth momentum. Currently, the Chinese economy is undergoing a transformation from a traditional high-speed growth model to a high-quality development model. In this transformation process, the economic structure has undergone optimization and adjustment, laying a solid foundation for sustained economic growth by improving production efficiency, strengthening innovation driven development, and promoting green development. The Chinese economy has demonstrated sustained stability and a long-term positive trend, which has not changed and will not change.

3.4. Introduce the idea and method of expectation management in the process of improving and innovating macroeconomic regulation and control

When comparing early policy frameworks, the "interval regulation" strategy clearly grasps and implements the core idea of expected management more accurately. Specifically reflected in the following aspects: firstly, using interval regulation to stabilize expectations. The interval regulation strategy sets a reasonable economic fluctuation range, which neither excessively pursues high growth at the expense of structural adjustment and transformation and upgrading, nor allows excessive economic decline to affect social stability and employment. The second is that the government has proposed strategies of targeted regulation and camera regulation. Targeted regulation targets specific areas or issues in the economy, such as overcapacity, real estate market, financial market, etc., and is implemented through targeted policy tools for precise regulation [5]. The camera regulation strategy emphasizes the flexible adjustment of policy intensity and direction based on the dynamic changes in the economic situation, to ensure that policies can quickly and accurately respond to market fluctuations and demand. The third is to emphasize precise regulation and deepen expected management methods. In recent years, the government has further emphasized the importance of precise regulation. Precise regulation not only requires policies to be targeted, but also scientific and forward-looking. It requires the government to implement targeted policy measures based on the unique nature of the regulated objects, ensuring that policies can accurately target the target areas and avoid unnecessary impacts on the overall economy. In both the 2018 and 2021 Government

Work Reports, the government explicitly proposed the concept of "precision regulation", further strengthening the efforts of targeted regulation, camera regulation, and precision regulation. It is required that the government fully consider the impact of market expectations when formulating policies, and guide market expectations towards a positive direction through reasonable policy design and implementation.

3.5. Promote the in-depth development of expectation management practices and continuously enhance the transparency of macroeconomic policies

Since the 18th National Congress of the Communist Party of China, the Party and the government have increased the frequency of interaction with the public when formulating key policies, actively listening to and absorbing the expectations and demands of the people, ensuring that these voices can be effectively reflected in the decisions of the Party and the government. This transformation has increased the transparency of China's policies in the new era, which is more in line with the interests of the people and the needs of social development. This mainly reflects the following aspects: firstly, the news spokesperson system of government departments has been optimized. The maturity of this system not only reflects the improvement of government transparency, but also becomes a key institutional layout for promoting information disclosure. In order to better respond to social concerns, various government departments have increased the frequency of releasing hot information such as macroeconomic dynamics based on a deep understanding of public opinion and sentiment. Secondly, the government is committed to strengthening in-depth communication and interaction with the general public. Intended to enable the public to have a more comprehensive understanding of the government's economic and social development strategies and various reform and opening-up measures. This measure has promoted public understanding and support for government work. The third is to continuously improve the communication channels between the government and the public. In order to improve the efficiency of government information dissemination and public participation, government departments at all levels actively build diversified information platforms, including government official websites, WeChat official account, etc. Through these channels, government departments can quickly, comprehensively, and accurately transmit government information, while also engaging in necessary communication and exchange with the public.

4. Thoughts on Strengthening and Improving China's Macroeconomic Expectation Management in the New Development Stage

China is currently in a period of comprehensive deepening of reform, facing increasingly severe challenges. On the one hand, China's economy has entered a new normal, manifested in a steady adjustment of growth rate, accelerated transformation and upgrading of development mode, continuous optimization of economic structure, and profound changes in development momentum. On the other hand, the current main contradiction in society has become the contradiction between the people's growing demand for a better life and the unbalanced and inadequate development. In the face of these challenges, it is necessary to steadfastly deepen reforms and promote comprehensive economic and social progress. In this new era, macroeconomic expectation management policies have continuously made new breakthroughs and innovations in practice. However, due to various factors, current expectation management is still in the exploratory stage, and many policies still need further improvement and maturity. Therefore, on the basis of strengthening macroeconomic regulation, it is necessary to further leverage the role of expectation management to effectively respond to the complex and ever-changing economic situation^[6].

4.1. Enhance the concept that 'stabilizing policies can stabilize expectations'

In the new era, the primary prerequisite for stabilizing market expectations is stable policies. In order to safeguard the confidence and expectations of market entities, macroeconomic policies must adhere to the principles of coherence and stability, avoid unnecessary frequent fluctuations, and ensure that the confidence and expectations of market entities are not disturbed. Especially in the critical stage of economic transformation, policy instability not only damages government credibility, but also easily causes doubts and confusion among the public, exacerbating fluctuations in market expectations.

This fluctuation may lead to increased uncertainty in investment and consumption decisions, thereby hindering the smooth development of the economy. In addition, policy instability may also affect the long-term planning of market entities, making it difficult for them to formulate effective business strategies.

4.2. Improve the expected management awareness of government officials through training

The ideological concepts and behavioral intentions of policy implementers directly affect the effectiveness and quality of policy implementation. At present, some government officials have shown a lack of communication willingness and transparency in the process of policy implementation, which actually reflects that their ideological concepts have not yet matched the high requirements of policy implementation in the new era, and they have not fully recognized the importance and urgency of strengthening expected management in the new situation. Faced with the volatility of market expectations under the new normal of the economy, as well as profound changes in the environment and conditions, government departments should attach great importance to and focus on strengthening policy promotion and training, ensuring that public officials deeply understand and master the importance of expectation management, and cultivate a correct and forward-looking expectation management concept.

4.3. Strengthen the theoretical research on macroeconomic expectation management

The deviation of government departments in macroeconomic judgments or improper selection of expected management policies will inevitably weaken their credibility and affect the public's trust and expectations of policy implementation effectiveness. The credibility of the government, as the cornerstone of implementing expected management policies, once damaged, will directly affect the effectiveness of policy implementation [7]. When the public questions the government's economic judgment and expected management policies, market expectations may become unstable and even trigger severe fluctuations, forming a vicious cycle that may ultimately lead to the failure of expected management policies. As the core force of expectation management, government departments should fully leverage the supporting role of various think tanks and actively guide them to explore the theoretical research of macroeconomic expectation management, including in-depth study of domestic and international economic situations, analysis of the laws and trends of economic fluctuations, evaluation of the effectiveness and cost of different policy tools, etc [8]. Through these studies, government departments can more accurately grasp the context of economic operation and formulate more scientific and reasonable expected management policies. At the same time, government departments should continuously enhance their ability to adopt scientific expectation management methods, including using advanced economic analysis models, adopting modern information technology, and drawing on international advanced experience [9]. Through these means, government departments can more accurately predict economic trends, evaluate policy

effects, identify potential risks, etc., thereby improving the foresight and predictability of policies.

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