

ANALYSIS OF THE ECONOMIC CRISIS EVOLUTION

***Аннотація.** The author analyzes the issues of the economic crisis evolution. This is proved to be an inevitable phenomenon in the progressive development of economic systems, bearing in itself the temporary unstable functioning of economic elements.*

Crises have been accompanying the society for nearly two centuries, shaking world system and bringing devastating consequences; crises are the companions of human history, evolving from small shortage of agricultural products up to the collapse of the global financial system. And each time a crisis involves more and more participants [1], threatening the well-being of countries, the balance of economic systems, national security, political situation, etc. They interrupt the stable economic growth, upset the balance, thus preventing the normal development of market relations. Despite its long history there has not yet been found an effective method for dealing with crises.

And since most of these effects are negative, more and more experts are trying to determine the ways to identify the causes of their occurrence, to overcome the crises with minimal losses, and to develop a model that would help fix the approaching of the crisis at the early stages. There are many opinions on the causes of crisis; many of them are absolutely contradictory. The objective nature refers to the reasons based on the cyclical nature of this phenomenon, causing periodic need for modernization, economic restructuring, exploring [2] the stages of growth and recession as successive elements of economic crises. The subjective character refers to the improper administration, natural disasters, political events, etc. The threat is worsened by an open type economy, integrating the country in the world economic relations, opening the borders to goods

and penetration of other countries capitals. The collection of different points of view formulates different directions for the study of the causes of such large-scale shocks. It is a tool for analyzing the nature of the phenomenon and its weaknesses with subsequent creation of “weapon” for the substantial struggle. In accordance with the fact that it is currently impossible to avoid crisis situations, the main goal of the research and forecasting of the crises is to overcome their potential consequences. Despite the fact that the negative effect of crises is very considerable, showing a decline in investment, increasing unemployment, incomplete use of production capacity, bankruptcy of organizations, reduction of income and many others, they also come with creative effects (U.V. Yakovets) by opening the space for innovation, by clearing from obsolete elements. In particular, the elements of the system that have become obsolete are replaced by more progressive elements keeping up with the present conjuncture. The process of renovation takes place. One must remember that a crisis is a temporary phenomenon in the way of progressive development [3].

However, the ability to evaluate the outcome of the impending events and try to get ready to some of them and to eliminate others can be a unique opportunity to overcome the painful nature of an economic crisis. In the dynamics of the crisis there have been identified several stages, the first of which is latent or hidden, when its background only matures (N.W. Dmitrieva). This period is optimal for the initial prediction, but there are a number of facts requiring outmost attention. Firstly, the accuracy of this information, since any distortion of the original data leads to errors in prediction, especially when using mathematical models. Secondly, time lag of statistical information. Thirdly, the selection of the most important factors of the research, the definition of their relationships and their impact on the process. Fourthly, a clear understanding of how the system works, what its objective function is. Fifthly, it is necessary to call things and phenomena with their names, to understand how the system actually works. Disregarding the primary information the experts strongly recommend not taking up the research and forecasting. (S.N. Grinyaev, A.N. Fomin, S.A. Kryukov, G.A. Makarenko).

Currently, the crisis prediction is an open possibility for the research under the availability of resources, the need and timeliness of the obtained results, as well as entities that will be able to competently manage this information and not to postpone it. Inherent to human nature is that we do not believe in fate tips up to the last moment, and return to them only when it is not possible to prevent something. However, for productive work, we must start with the origins, i.e. the concept of crisis.

The term crisis originates from Greek, meaning a turning point, the end result – dramatic, drastic change, a difficult transition state [4]. This word is now on everyone's lips, and different interpretations have deployed description of the initial concept. Thus, A.B. Borisov defines crisis as a sharp deterioration in the economic situation in a country, manifested in a significant decline in production, abuse industrial relations, bankruptcy of enterprises, rising unemployment, and ultimately – reducing of the standard of living, welfare of the population [5].

According to A.G. Hraznova, an economic crisis is a phase of the business cycle, the lowest point of economic development. It is characterized by a sharp drop in market conditions, destabilization of the national economy, increasing disparities in social reproduction [6].

According to M.S. Gusev and A.A. Shirov, it is under economic crisis that you can understand the transition of the economic system from one equilibrium state to another state different from the first one by a marked decline in total income. [7] Another interpretation is suggested V.F. Dergachov who says: “An economic crisis is a serious

transient state on the way to a particular purpose, but under its absence it is more appropriate to classify the event as trends of the steady decline of an economy”. Not standard definition is offered by A.P. Butenko, A.V. Mironov who compared the economic crisis with social and economic impasse. They say that an economic crisis is not an organic defect, but functional disorder or temporary disruption of internal relations, the emergence of disparities and gaps in a more workable system, although it leads to the disruption of its functioning, to the decline in production, it, however, requires not breaking but changeover upset of the yet viable system. We have outlined the economic crisis as an inevitable phenomenon in the way of progressive development of economic systems bearing temporary unstable operation economic elements. It is a required phenomenon, which should not scare, but be able to be controlled in order to avoid serious damage to the equilibrium of systems.

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