



A NEW OUTLOOK ON THE THEORY OF ECONOMIC CRISES

GIORGI MALASHKHIA - Professor GTU
georgemalashkhia@yahoo.com

ეკონომიკური კრიზისების თეორიის ახალი ხედვები

გიორგი მალაშხია - სტუ პროფესორი
georgemalashkhia@yahoo.com

რეზიუმე

ეკონომიკური კრიზისების ჭეშმარიტი და სრულოვლი ახსნა შესაძლებელია ფუნდამენტური მიდგომის, საზოგადოებისა და ეკონომიკის განვითარების სიღრისეულად, კანონზომიერებათა და კანონთა შემეცნების საფუძველზე.

ამ თვალსაზრისით ისინი წარმოგვიდგება საზოგადოებისა და ეკონომიკის განვითარების გარკვეული საფეხურის თანამგზავრად.

კრიზისები, ერთი მხრივ, გვევლინება ეკონომიკისა და საზოგადოების ფუნქციონირების წინააღმდეგობათა და მანკიერებათა დაგროვების პროდუქტად, რაც დიდი დანაკარგებს წარმოქმნის და წინსვლას აფერხებს.

მეორე მხრივ, კი ისინი წარმოგვიდგება ცხოვრების წესის მოძველებული, ჩამორჩენილი ფორმების, დაბრკოლებათა დაძლევის პირობად.

მათში ძვეს საზოგადოებაში არსებული სოციალური ენერგიის ამოქმედებისა და განვითარების ახალ საფეხურზე გადასვლის მუხტი. კრიზისი და მისი დაძლევა, განვითარების

ახალ საფეხურზე გადასვლა უნდა განვიხილოთ ერთი მდგომარეობიდან მეორეზე დიალექტიკურ გადასვლად, განვითარების ლოგიკად.

ყოველივე ამის, როგორც კრიზისა და მისი დანაკარგების, ასევე კრიზისიდან გამოსვლისა და შემდგომი პროგრესის ამოსავალ ფაქტორად გვევლინება ადამიანი.

კერძოდ, ესაა მისი როგორც ხარვეზები, სისუსტე დაძლიოს დაბრკოლებები, ისე პოზიტიური თვისებები, ინტელექტუალური რესურსი, რაც საფუძველად უდევს სოციალური ყველა მოვლენასა და პროცესს.

საკვანძო სიტყვები: ეკონომიკური კრიზისი; ციკლური კრიზისები; არაციკლური კრიზისები; კრიზისების უშუალო მიზეზები; ტრანზიტული (გადამცემი, შუალედური) მიზეზები; მაპროვოცირებელი მიზეზები; საბაზო (ძირეული, ამოსავალი) მიზეზები; საბაზრო თავისუფლება; ეკონომიკური მექანიზმი; ეკონომიკური წონასწორობა; დიალექტიკური გასვლა; კრიზისის დაძლევის ფაქტორები.

Introductions

Crisis in general is the complex phenomenon of existence, functioning and development of a particular system. Lack of comprehension of systems characteristics, causes and effects requires deepening of research nowadays. In this particular case we examine the basic cyclical economic crisis or in other words – crises that are caused by immanent economic reasons (crisis caused by non-cyclical, transeconomic reasons such as – natural conditions, political instability, social conflicts¹ and so forth, which is the subjects of a different discussion). Establishment of

philosophical approach regarding theories of crisis (which still seems a distant perspective) is of a great importance as such kind of approach would allow examining particular crisis and developing fundamental comprehension of phenomena which are related to crisis. Philosophical explanation of crisis allows its full understanding instead of having a superficial and insufficient idea. By this, it would be possible for society to act in a productive manner in order to overcome its negative results. In our case, we will concern some issues of cyclical economic crisis characteristics, features and its influence over social life.

What we mean here is examining crisis according to general objective rules and universal research methods which would allow us to draw important conclusions regarding theories of crisis and anti-crisis economic policies.

¹ See G. Malashkhia regarding the issue. Theory and reality of Anti-cyclical economic fluctuations. Works on economic and social problems. Vol. 5, Tbilisi. 2002. Also: About the anatomy of chronic economic crises. „Social Economics“, N 3 2009.



X X X

Generally, crisis appears as such a condition of a particular object (system) when its vital and functional forces are decreased or in constraint and is being damaged during a concrete time period or is under threat of collapse. Firstly, it is necessary to comprehend deeply those reasons (factors) which cause crisis, constitutes the flow of its characteristics and results. Steaming from this, firstly we have to examine cyclical crisis as a condition, caused by **constant inner changes** and inner processes within an object. Static object cannot be the one possessing vital capacity, it is dead. Changes are the feature of a viability but they can be of a different directions from the point of view of development – positive or negative and thus, being contradictory. They can cause results which can be both, positive and negative – progress of a system, improvement or regression, worsening. At the same time such kind of effect is being short-term or long term, dimension of change – more or less – important or fundamental. According to such kind of changes, the depth and scope of cyclic economic crisis is different. Mainly, following types of crisis can be defined: relatively easy, of a medium difficulty and deep, as well as local (of a particular branch, regional), general macroeconomic (all encompassing), international and global ones. Each of them is stipulated by corresponding reasons.

In our opinion, while examining the reasons of a crisis it would be useful to refer to the philosophical statement regarding the transition of quantitative alternations into qualitative ones and the contrary. Cyclical economic crisis appears during such kinds of inner quantitative alternations (during accumulation of unfavorable conditions for normal functioning), when economy enters the phase of rapid decrease in a short or a long run. Only new changes can rescue it from the existing condition. As a result of this, economy renews itself qualitatively. Such kind of qualitative alternation can be of a different dimension, towards progress, improvement or possible towards regression as well.

It would be appropriate to examine the formation, course, effects addend of cyclical crisis from the point of view interrelation and inter-conditionality between elements. The deep understanding of causes of crisis convinces us that it is not the result of a one particular cause, but of an inter-related circle of factors, as a phenomena conditioned by hierarchy of various causes. The proper understanding of these factors is the starting point in explanation of crisis and societies influence on it in a useful way. Such kind of goal cannot be achieved when in ordinary economic science only the direct and actual causes of crisis and the ways of influence over them are being examined. This kind of approach does not provide

the opportunity for adoption of effective measures. According to us, it is useful and corresponding to real states of affairs to represent the causes of crisis in the following hierarchic manner:

Actual causes



Transitional (transmissive, medium) causes



Provocative causes

Basic (fundamental, primary) causes

Scheme1. Cause hierarchy of cyclical economic crisis

The actual causes can be regarded the macroeconomic imbalance between the total demand and total supply on the commodity and financial markets and the related events.

Transitional (transmissive, medium) causes can be deemed the changes in correlation between incomes (wages) and prices, changes in needs of society and so forth.

Provocative causes is the imperfection of economic relations – contradictions of private property, economic freedom, blanks of distribution, fallaciousness of mechanisms of market relations and so forth.

Market related (fundamental, primary) causes can be found in human consciousness, inclinations, nature, mentality, behavior, which refer to their genetic characteristics, insufficient level of intellectual-cultural development, unhealthy value orientations.

In a concrete case the reasons mentioned above function with a different strength and cause different forms and intensities of crisis.

Cyclical economic crisis, its beginning, course and overcoming is related to the inner, as well as to the external contradictions which is the correlation between new, progressive and old, underdeveloped elements. On this basis, economy appears as the unity of oppositeness, specific type of struggle which reveals itself on the various levels of crisis course (phases).

For understanding of these contradictions, let us firstly imagine the process of economic renewal in such a manner:

MR P W 1 M, 1

Here: M is the amount of money involved in the production process of a particular country, R – production resources in terms of commodities and services, P – production process, W1 – commodities attained in the process of production and services, M 1 – income, gained through sales.

In all rings of renewal prices contradictions take



place (inequalities, irrelevances), and especially on the transition stage of the first and second levels. We may have:

$M = R$; $M < R$; $M > R$; $W1 = M1$; $W1 < M1$ da $W1 > M1$

Inequalities given above create contradictions which can be small, unnoticed and smooth from the start but later on they start to accumulate and grow causing qualitatively new phenomenon – formation of unstable and crisis economy. In the economics related literature the content of these contradictions is being examined quite clearly although, they are understood differently.

Here we mention that the first group of contradictions examined reflects the inconsistencies of qualitative correlations as of negative results, mainly: decrease of general demand on commodities and services in comparison with supply; relative excess of their quantity; cut of production or the dropping it on a following level; excess of jobs or the unemployment; changes in wages and prices; decrease of population incomes and consumption and so forth.

The second group of contradictions is related to the qualitative part, mainly, to the nature and feature of economy and human characteristics, steaming from this, to the behavioral patterns of individuals and functioning of an economic system, its consequences.

The system based on market economy mechanism and private property, along with the possibilities to success, because of the factors shown above, contains preconditions for creation of crisis as well, which is commonly acknowledged². Mainly, private property and economic freedom, on which the sovereignty of producers and consumers is based on, causes the disintegration of economic unity during the process of intensive economic activity and exchange of big masses of people involved, when the factors of independent, decentralized decision making are being applied without taking into account the common will or needs. This is revealed in **contradiction between private and common, whole and part, appropriation of outcomes of activities, between individuals (producers, consumers, employers and employees) itself**. This, in turn, can cause the creation of elements of chaos and spontaneity and their growth, eventually maturing the crisis. Spontaneous, uncontrolled course of economic processes will turn into unfair distribution of incomes and wealth, extreme inequality, in various kinds of disintegration of social integrity and harmony.

There is a big contradiction between human behavior and harmonic development of economy which shows us the external relation between economy and human consciousness, mentality that plays the core role in economy as of a domain of human activity. Genetic features,

level of intellectual- cultural development, morals, mentality, value orientations, which in particular caes refer to avidity, egoism, loss of moderation, may turn private property into the means of inequality, domination, economic power as a basics of violence.

All these factors do not correspond to the functioning conditions of civilized, humane and stable economy. It is impossible for these factors not to lead to the dissolution of economies functioning and to the crisis eventually. Internal characteristic which are typical for crisis, creates basis for technologic conservatism, hindering of innovational processes, obsolescence of organizing of production process, their irrelevance to the new reality.

Eventually, in the moment of crisis, appears the necessity of rejecting f old forms dialectically which means the necessity of changing the old system with new forms and their renewal is being realized already. In this term, crisis becomes the pre-condition for new way of development. This type of transition is as important as deep is the crisis and is being caused by sharp contradictions between modern time requirements and existing states of affairs, i.e. the more the drop from requirements is from one side, and the resources for modernizing the existing state of affairs from the other.

Series of crises is related to the deepening and broadening of changes within existing system which eventually turns into deep qualitative changes by its logic. We have to assume that gradual changes of market economy to which the economic crises give rise, will lead to its fundamental reorganization, its liberation from fallaciousness and its humanization, socialization of economy. Generally, this will be reflected in more fairness, in overcoming the extreme equality between individuals, in growing levels of freedom, higher levels of democracy, in a high level of well-being for an entire society. In this will be reflected the transition to the new level – Post-modernist epoch³, by the gradual progression and which will bring well-being to all humanity, to each individual and not only to the particular nations or groups of individual. Eventually, transition to the Post-Market dimension corresponds to the objective historical conditions, requirements of progress, signs of which can be already be seen nowadays.

² A. Okun mentions: „the danger of recession has not disappeared yet. The forces which cause the repetition of recession processes are still there.“ Artur Okun. The Political Economy of Prosperity. N.Y. 1970. p.33.

³ On the World Sammit of Rio De Janeiro in 1992 the folloeing has been mentioned: “The way, which took nowadays developed countries to their well-being is unacceptable for the rest of the humanity“ Ж. „Экономика Украины.“ №6. 1993. С. 127.



Conclusion

Systemic crisis taking place in today's Georgian reality (political, social, economic i. e. intersected factors) is caused by internal economic and external, trans-economic factors. Overcoming of crisis passes in conditions of struggling the fallaciousness which follow „wild” capitalism, difficulties existing in different spheres of life. It is of a crucial importance for a coun-

try to overcome the results of economic recession rapidly. Another important aspect is that the transformation and post-crisis process attained progressive feature in terms of social equality, orientation of society and its members towards higher human values. Without such type of transition to the post-crisis condition the social value of ongoing reforms in the country will be low.

LITERATURE

- Bell D. The coming of post-industrial society: A venture of social forecasting. — N.Y.: Basic Books, 1973.
- Buchanan P. The death of the West/N>Y> 2002.
- Keynes J. M. . General Theory of Employment, Interest and Money. 1936.
- Malashkhia. G. Theory of acyclic fluctuations and nealnost. Works of Institute of economic and social researches. Volume 5. Tbilisi.2002. (In Georgian).
- Malashkhia G.. About chronic crises in a konomi-ka. Zhurn. Social economy. “No. 3. 2009. (In Georgian).
- Malashkhia G. Tendencies of a humanization and dehumanization of economy of Sb. philosophical article St. Petersburg 2001. (in Russian)
- Mendelssohn . Theory and history of economic crises and cycles T of 1 - 2 M ., 1955 - 1964
- Parsons T. Structura of social action. N.Y. 1937.
- Soros G. The Crisis of global Capitalisv. N.Y. 1998.
- Thurow L. Future of Capitalism. Penging Dooks. 1997.
- Toffler A. The third Wale . N,Y. 1980.

A NEW OUTLOOK ON THE THEORY OF ECONOMIC CRISES

GIORGI MALASKHIA - Professor GTU
georgemalashkhia@yahoo.com

Summary

Comprehensive and truthful assessment of economic crises is possible only on the basis of profound understanding of laws of development of society and economy.

Therefore, the crises can be considered as a companion of the certain development stages of the society and economy.

At one hand, the crises are byproducts accumulated due to contradictions and fallaciousness of economy and society, causing significant losses and hindering development.

They contain the vigor that can set off the social energy existing in society and push society to the next stage of development.

Overcoming the crisis and transition to the next stage

of development can be understood as a dialectic transition and as logic of development

The primary cause of the crisis and occurring losses, as well the main reason for overcoming the crisis and for the progress is the Man.

In particular, these are his deficiencies and weaknesses, as well as his positive features, and intellectual resources, which underpin all events and processes undergoing in society.

Keywords: cyclic crises; acyclic crises; reasons of crises; market freedom; economic mechanism; economic equilibrium; dialectic transition; crisis overcoming faktra.