



CRISES ARE ONLY ECONOMY'S NAT: CHIEF EDITOR'S REMARKS

At the time of transition from planned to market economy, the society cannot conceive of its existence as an immanent being in state of crisis. Seemingly a crisis is finally over and management of the country can quietly prosper for the welfare of the people, collecting in return the people's growing love and loyalty. But it never happens as it seems. At the very bosom of the rise, a new crisis is already born and, if left unnoticed, the new shocks will come, which can become even more destructive. No less important problem is finding an effective solution, which sometimes has to be the only correct one. The mistakes at the stage of exit from a crisis can be even more disastrous than staying in crisis.

Recall the end of the XIXth century, when the crisis events gave rise to numerous conceptions of failure of capitalism and anti-market theories. Then, the Ukrainian economist Tugan-Baranovskyi warned that «the capitalistic economy cannot be ruined even under huge absolute reduction of consumption. The inevitability of the failure of capitalistic production in result of market insufficiency/inadequacy – this symbol of faith of not only «orthodox», but obviously also some «revisionists» – turns out to be pure fantasy». The great social experiment with building the planning economy as distinct from capitalist market economy in Eastern Europe ended in failure of the entire socialist system of state management and collapse of the Soviet Union.

The inability to provide under conditions of planned economy a sufficient level of competitiveness of the country has lead us at the end of XXth century to turn to market economy. Unfortunately, the idea behind the philosophy of the impossibility to enter twice the same river could not be fully realized. However, we attempt to enter in it, though as the poet said, «*Ne toi teper Myrhorod, Khorol-richka ne ta*»¹.

Unfortunately (or not), it is not possible to construct the market a la XIX or XX century. The Chinese have shown that we need to search for new ways into the contemporaneity (the present). They have to be our own/self-made and start from the place and level of their disposition – not from Europe, America or China

¹ «Myrhorod is not the same today, Khorol-river is different» – from the poem «*Pisnia traktorystky*» by Pavlo Tychyna, 1933 (Ed.)

and not from thievish initial accumulation. The way into the world begins from our own inner essence. Only he will win who will preserve his best gains and create new mechanisms of economic growth that will not oppose to the existing ones, but will work organically in one system with them producing a synergetic effect. At the present, we need to search for new possibilities of transition of the national economy to the knowledge economy, but not to catch at a straw in order to save the production created during the industrialization era.

Modern thinking has to be based on the fact that economic development is accompanied by continuous obsolescence of everything: capital, labour, land, knowledge, economic mechanisms, etc. This leads to emergence/rise of crisis situations. Crisis and development are twin-brothers/prime pair. This means that the state and business need a system of crisis analysis and management, which functions not sporadically, when the crisis has already unfolded, but systematically. Management of crises has to operate more as an early-warning system. For that, respective specialists need to be prepared, as it is done in most countries. Such specialists have to be able to determine the origins of crises and their potential consequences, threats of losing solvency for enterprises or failure of the country as a whole, carry out diagnostics of the existing state and work on the recovery of failing organizations or managers, realize the procedures or re-adjustment and bankruptcy, reform enterprises and the economy of the state.

The more general tasks of crisis management at the macroeconomic level are the reformation of the economy, creation of the mechanisms of its functioning as the knowledge economy, energy diversification, administrative reform, liquidation of the whole group of branch ministries and authorities, simplification of the system of administration and transition to competitive forms and methods of taxation. At the same time it is necessary to learn to avoid external threats, especially against the background of forecasted by all leading financial and expert organizations slowdown of global GDP growth by major macroeconomic regions (the USA, Eurozone, Asia).

In view of the external risks for Ukraine, we primarily need to analyze the dependence on the economy of the USA in view of its double deficit – deficit of balance of payments and federal budget, which is a category of the risk for global economy. Under conditions of the high level of dollarization and export orientation of the Ukrainian economy, these tendencies can significantly change the internal economic situation. Moreover, the European Central Bank is realizing the policy of increasing the interest rates lately, which triggers inflationary expectations.

In the Asian region, Ukraine should monitor the risks related to record amounts of currency reserves, which reach almost \$3 trillion, of which nearly \$2 trillion are the currency reserves of China and Japan. At that, Japan has the highest among developed countries sovereign debt – 160% of the country's GDP. We can stay calm about Japan considering the low level of development of its foreign economic relations with Ukraine. However, this circumstance in-

dulges to look for possibilities of expanding the cooperation, and exactly under such a policy increase risks.

The interests of Ukraine toward China are less threatened by the appearance of crisis events in the economy in general, and in monetary policy in particular. The Central Bank of China in contrast to many countries carries a soft monetary policy, which is reflected in the large surplus of the current account of the balance of payments of the bank of China. After all, the slowdown of world economic growth in 2006 was brought in by the simultaneous reinforcement of the monetary policy by the leading central banks in May–June 2006.

According to expert evaluations, Ukraine's economic development is currently entering the crisis phase of its economic cycle. For the system of crisis analysis and management this means an urgent need to confirm the decisions that ensure the correctness of choosing and applying the methods of further economic transformation and recovery of the economic potential lost after the severe crisis of 1990s. At that, the innovation policy and economic structure must go through fundamental changes and transaction costs decrease.



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