Book Review

"Management of Economy -
Introduction to the Theory of Crises and Growth"

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The book is published in Moscow, Russia. Written in Russian it contains the author’s foreword in English given below and represents the original scientific work devoted to the actual problem of macroeconomic management.

There are two opposite points of view on the problem of economy management: neo-liberal (neo-classical) and gradualistic or dirigistic (institutional). The first approach says that there is a design in a society which distributes resources effectively, providing development in the necessary direction for agents. It is a market. The second approach explains that management in itself centralizes any subsystem, whether it is a firm or national economy and it is an integral element of social system functioning. Contrasting of these two approaches in economic science, in my opinion, was the result of misunderstanding of problems and tasks and frequently the essence of management and the processes of economy organization by the majority of theorists-economists. Not taking into account the factor of management was always a large methodological problem of economic science. A. Marshall in “Principles of Economics” made the defining account of the "management" factor.

With such dichotomy, there is also a dichotomy in economics concerning the importance of the state and economic policy instruments, etc as well. The liberal part of economists in Russia, for example, considers that the years of reforms were rather successful, having solved the primary goal. However, the numerical data does not confirm this fact and makes gradualists come to the conclusion that liberals lie after they have destroyed industrial system of the country, lost home market and sharply lowered economy controllability. “The Washington consensus” is associated with liberals, and gradualists are associated with other principles, the so-called “Moscow consensus”, in particular.

This monograph is devoted to questions and motives of management which is closely connected with economics, executing functions of nervous system of economy, like the nervous system of the person. Naturally, not management of separate systems, including technical systems, plants, factories, cars, equipment, but management of social and economic system, macro-management, arising problems and possibilities of their solution in modern economy and theories describing it.

The monograph includes five chapters, introduction, conclusion and appendices.

In chapter 1 the relations between economic theory and management are considered.

In chapter 2 the problem of labour and capital as two central factors of economic development - crisis and growth is investigated. The models of crisis and growth are offered and conditions of crisis situation with the appearance of new combinations are defined.
In the third chapter the author studies the problem of knowledge economy and the influence of new factor of “knowledge” development on economic system movement. The role of financial markets and financial system is especially accented. The author pays attention to reports which were prepared at different times by competent organizations over the similar issues (Hunt’s report, Macmillan’s report, etc.).

In the fourth chapter the description of efficient control principles is given.

In the fifth chapter the analysis of growth, globalization problem is given. The author suggests the development models of world system and its elements, singling out the main variants. He investigates the problem of financial system functioning and its prospects.

The conclusion is an independent part devoted to the problem of priorities choice of the state and economy development. Actually the principles of management of governmental economy development programs and conditions and criteria of strategic priorities choice of economic development and, even wider, of social development are defined in this part.

It is necessary to notice, that the author’s main scientific contribution is in the following propositions:

1. The working out of the modern crises theory bases on the assumption of defining the conditions of crisis situation expansion on the basis of the real factors analysis of (the theory of technological development);
2. The hypothesis concerning the appearance of new combination as a condition of crisis or growth emergence is checked up with the help of the developed analytical model;
3. The combinatory principle is developed as the expansion of creative destruction principle, and it is shown, that in modern system, it can occupy the main positions.

At the same time, it should be noted, that the author should include financial sector factor in his mathematical models to which much consideration is given in the work but which should be considered in the calculations made by the author for working out of models of upsurge and recession (growth and depression). Certainly, this problem is not so simple, and the author pays attention to the real factors of crisis though it would have been possible to implement his own idea of “a monetary range” of economic systems functioning.

However, the work makes essential contribution to the theory of macroeconomic management and to the theory of economic policy (founders Jan Tinbergen and G.Teil). The analysis of crisis aspects and the nature of modern capitalism is paid a significant attention. It is capitalism nature that is the basis of crises repeated, but not copying each other. The monograph demonstrates a successful attempt of mathematization of modern capitalist system crisis conditions on the basis of the theory of technological development suggested and developed by the author who goes beyond the scope of the concept of J.Schumpeter and C.Perez.

The work is read with interest and poses a considerable number of intermediate problems including the problem having methodological character, for example, the one concerning the interrelation of economic theory and management, the author giving own vision of this problem. He asserts that actually there is no chasm between management and the economic theory. The economic theories which do not consider the management factor and which do not include it in the models will not simply be adequate, and the managers who do not possess the knowledge of economic interrelations will not make effective decisions as well.

Though the monograph’s title is ambitious and wide, the structure of the text is focused on specific and modern segments of economy management. They form a combination of useful inserts of one bigger story, I would say, a huge oasis in which it is not often possible to find the unique formula of success. Is it because of the policy domination over the economy, or because of interests of the large capital domination, or because of economic freedom decrease, competition and institutionalization? The monograph would have been even richer, if it had contained the criticism of neoliberal economic management methods, with all its paradoxes and delusions. Of course, it does not detract its importance and appreciated value.

Each new qualitative economic book serves as a beacon, or, at least as a good sign in the travel to economic knowledge. Prof. O. S. Sukharev’s monograph has high educational and scientific qualities that guarantee its everlasting value.

In conclusion it is necessary to recommend the monograph of Sukharev O. S. for publication as a scientific and highly significant work. It will be useful for researchers, managers who are responsible for working out of state’s economic policy, students, post-graduate students, and doctoral candidates.

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