



## Reorganization of the management system of the economy as a factor of economic growth of the state

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**ABSTRACT.** At present time the world economy is in a very difficult position - on the one hand, the economic indicators in many leading countries of the world proceed to fall; on the other hand, scientists cannot find an explanation for this and bring the countries out of a prolonged recession. All these cause the search for new mechanisms of economy functioning. And it does not require to invent something new, rather "to take a dive" into the economic history of individual states and to identify mechanisms of their successful development. The presented study is an attempt to analyze the reasons of the growth of the Soviet economy (USSR), throughout its development, in the context of organizational changes in the management system.

**Indexing terms/Keywords.** The theory of management, the system of management, industry, the USSR

### Academic Discipline And Sub-Disciplines

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### SUBJECT CLASSIFICATION

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### TYPE (METHOD/APPROACH)

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At present time the world economy is in a very difficult position - on the one hand, the economic indicators in many leading countries of the world proceed to fall; on the other hand, scientists cannot find an explanation for this and bring the countries out of a prolonged recession. All these cause the search for new mechanisms of economy functioning. And it does not require to invent something new, rather "to take a dive" into the economic history of individual states and to identify mechanisms of their successful development.

The presented study is an attempt to analyze the reasons of the growth of the Soviet economy (USSR), throughout its development, in the context of organizational changes in the management system.

First of all, let's establish the definition of "economic growth". There are a lot of terms, among which, according to our opinion, the interesting is the following: economic growth is a long-term increase in the production capacity of the country, based on the technical progress, on the institutional and ideological adaptability, able to provide the population with a growing variety of material goods [1]. The long-term increase in the production capacity of the country is based on changes of such indicators like gross national product (GNP), Net National Product (NNP), and some others.

Economic growth is based on the factors. Today there are different classifications of them. The main classifications can be considered by J. Klark, J.Keynes, R.Harrod and E.Domar, R.Solou and others. One can distinguish the following factors as the essential: natural resources, labor, capital, investment, and others. At the same time, there is one more factor, which has not been almost analyzed, in our opinion, in the scientific literature till the present time. There can be considered the reorganization in the system of economic management.

In our studies, we proceed from the fact that institutional arrangements in the economic management system of the USSR contributed to the growth of the economy and, conversely, in cases when the reforms were not carried out the economy began to stagnate. All these confirm that the qualitative (and even quantitative) changes in the management system released additional forces for the growth of the economy. In order to prove our arguments, let's make a brief overview of the most significant reforms in the management system of the USSR economy throughout its existence and the impact they had on the gross figures.

The country reforming in 1930s is taken as a basis (the earlier period is omitted due to the fact that, there were only the processes of the economy building since 1917, and it is very difficult to determine the effectiveness of institutional arrangements conducted at the time). The mentioned years were bound up with huge reshuffles in the management system, which were the creation of sectoral structure. The organizational structure of the industry was carried out in the direction of the industry sector differentiation through specialized commissariats and lower central boards. These events were caused by the creation of a rigid vertical hierarchy, both in the political sphere, and the economy, which was supposed to contribute to more effective management. Indeed, over the years of the first two Five-Year Plans (1929s - 1937s) the economy made a really powerful spurt, the growth rates were tremendous. According to the most conservative estimates about six thousand large enterprises started working within the five-year plans (approximately 600-700 per year); the growth rates of heavy industry were two-three times higher than during the period of 13 years of Russia development before the First World War. In terms of the absolute volume of industrial production in 1937 the USSR came out on the second place behind the USA (in 1913 it was on the fifth place). In terms of absolute volume of industrial production in the USSR in 1937, came in second place behind the United States (in 1913 and fifth place). The importation of more than 100 kinds of industrial products, including non-ferrous metals, blooming, rail mills, excavators, turbines, locomotives, tractors, agricultural machinery, automobiles and airplanes was stopped. In overall, by 1937 the import ratio in the consuming capacity of the country decreased by 1% [2].

The second equally successful reform became the changes in the of management system of the economy of the country (mostly in the industry) in the period of the leadership by N.S. Khrushchev. The restructuring of the industry management on the territorial principle was supposed to eliminate the shortcomings of the departmental system of the leadership, make the management closer to the sources of raw materials and production, as well as to optimize the workflow of the structural units locally. There was put an idea of administrative decentralization which meant the transfer of operational management functions to a level of management superstructures specially formed for their realization represented by Council of National Economy. As an outcome of the conducted reforms during the seven-year period (1956s -1965s) the USSR increased its oil production more than two times thanks to the deposits exploitation in the Uralo-Povolzhye region, and in Western Siberia (the beginning of 1960s). One and a half dozen large regional power stations and combined hit and power plants were built in the country such as Zainskaya, Troizkaya, Novocherkasskaya, Konakovskaya and Kirishskaya, a giant Bratsk hydroelectric power station. The first commercial Beloyarsk Atomic Power Station was launched as well. The Soviet leadership paid great attention to the metallurgy industry development, so a number of new enterprises appeared in the country in the years of Khrushchev's industrialization [3].

Totally, only thanks to these two reforms the country reached global leading positions in many economic sectors, almost on equal ground, competing with the USA. In this study, we have not touched upon the reorganizations of the 1920s, the middle of 1960s, which led also to the positive solutions in the economy. At the same time, it should be noted when the state refused from wide-ranging reforms it caused the serious negatives consequences. So the lack of wide-ranging reforms in the economic management system in 1970s and the beginning of 1980s became one of the factors of economic stagnation and its imminent collapse.

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