

Preface

Although the global economy has more or less recovered from the most severe manifestations of the global financial and economic crisis, it is obvious that the economy of many Western and non-Western countries continues to be influenced by depression. Indeed, we are dealing with such symptoms of economic depression as a very slow pace of economic growth; ongoing high unemployment; low inflation (or even deflation); lack of investment growth; increasing public debt; strong volatility of stock markets; decreasing prices of raw materials; slow rates of global trade growth; and many other negative phenomena. Even China has started to be heavily influenced by these factors after for a long time it appeared immune to global economic perturbations. Further, it appears that such a phase of weak growth and economic stagnancy will continue for a relatively long time.

These phenomena can be more or less explained by a number of theories, but one of the most important for us is the theory of medium-term cycles, bearing the name of the French economist Clement Juglar. In 2008–2009, we have seen a classic cyclic Juglar crisis that gained huge and destructive dimensions due to the rapid growth of unregulated global capital. According to the theory of medium-term cycles, the acute phase of the crisis gives way to socio-economic depression. However, the medium-term cycle usually lasts 7 to 11 years. Does this mean that soon a new cyclical upturn will begin? In fact, one can hardly expect a strong recovery. Actually, we have sufficient grounds to expect sluggish and short economic recoveries and prolonged depressions for the next 10–15 years. A depressive period of this kind is well explained by the theory of long cycles, according to which a sufficiently long period of strong economic growth with a small number of crisis-depression years (for about 20–25 years) is followed by a period of lower growth, in which the number of years of depression increases dramatically. The World System experienced a period of relatively rapid growth in the 1990s and 2000s. Now we are confronting a downswing phase.

Economic development is for many reasons cyclical whereas many cycles¹ end with economic crises and depressions and then it becomes necessary to work hard to prepare for a new economic rise. This book is dedicated to the analysis of

¹First of all, the Juglar cycles.

different cycles and crises including signs of a systemic crisis, which is in some respects increasingly affecting Western economies.

The background for this study is the current stagnation on the European continent and in several other regions of the world economy since the 2007–2009 crisis. What does our scientific knowledge tell us about the regularity of such crises? What conclusions does this knowledge suggest as regards the relationship between center and periphery on a global scale and also for the probable future continuing decline of peripheral regions in Europe?

Within Europe, the spirit of the day uniformly maintains that there is no alternative for the European periphery but to continue to be members of the Eurozone and to be subjected to the *phlebotomy* (bloodletting) by austerity packages under the auspices of the European Commission and “the institutions”, while in reality new organizing principles for rationalizing the complexities of stagnation and recession are needed.

Our analysis is influenced by a most unusual source: the path-breaking advances in cancer research described by Hanahan and Weinberg (2000, 2011). It is from cancer research, then, that we have taken the above ideas—however, instead of “hallmarks of cancer”, we use the insights gained from cancer research to diagnose the “hallmarks of economic crisis.” In the future, these insights may include, like in medicine, sustaining future crisis signaling, coming to terms with and controlling the spread of economic growth suppressors, resisting the death of economic and social networks and agendas, especially in the most peripheral regions of the European periphery. Underlying the economic hallmarks of stagnation and decline are potentially long-run political, social and economic instabilities, which might generate the loss of economic and social diversity, and the “inflammation” of social, economic and political processes by corruption and organized crime, which more likely than not foster multiple hallmark functions of crisis. Already today Europe faces very strong political and social problems connected with a number of challenges (among them the migrant crisis is the sharpest one). Even this one is able to shake the very foundations of European integration. This is demonstrated by the recent “Brexit” referendum in the United Kingdom and the rise of nationalist parties in France and some other EU countries suggest that the future of united Europe may be even more gloomy if it has such a future altogether.

In addition to economic “cancer cells”, we might discover that “economic” tumours exhibit another dimension of complexity: they might contain a repertoire of ostensibly normal “cells” that contribute to the acquisition of hallmark traits by creating the “tumour microenvironment”. Recognition of the widespread applicability of these concepts will, like in medicine, increasingly affect the development of new means to treat the “economic cancer” of peripheral stagnation.

The present monograph was written by two Russian scholars and an Austrian scholar precisely to fill this gap. The idea of this book emerged at a time of world political tensions in many places around the world, after the start of the longest and most profound recession in the developed western democracies in the period after the Second World War.

When two of the three authors, Andrey V. Korotayev and Arno Tausch, met in person for the first time during an IIASA² seminar in 2006 in the idyllic castle of Laxenburg situated in the beautiful park with the same name near Vienna, both would not have imagined that only years after a chilly political “Kondratieff winter” would start; a few years after the onset of the 2008 depression it seems that world political and world economic cycles go in parallel.

Even without any official “IIASA umbrella” the two authors initiated a far-reaching and long-standing fruitful cooperation, soon also joined by Leonid E. Grinin. In times like these, which threaten to throw back “East-West” or “West-East” relations (as you prefer) to the times of the Cold War, it is worthwhile to remember the still valid words from IIASA’s official website:

“In October 1972 representatives of the Soviet Union, United States, and 10 other countries from the Eastern and Western blocs met in London to sign the charter establishing the International Institute for Applied Systems Analysis (IIASA). It was the culmination of 6 years’ effort by US President Lyndon Johnson and USSR Premier Alexey Kosygin, and marked the beginning of a remarkable project to use scientific cooperation to build bridges across the Cold War divide and to confront growing global problems on an international scale.

In the 1970s most research organizations focused on national issues. Few encouraged researchers from different countries or disciplines to work together for the greater good. To achieve its ambitious research vision, IIASA would have to break down the barriers between nations and disciplines. This it did, building international interdisciplinary teams that used advanced systems analysis to study innumerable global challenges, both long-standing and emerging. For example, a study on water pollution carried out by a team of IIASA chemists, biologists, and economists in the 1980s is still the basis of modern water policy design in Japan, the USA, and the former USSR.

The refurbished Schloss Laxenburg near Vienna was made available by the Austrian government shortly after the foundation of IIASA in 1972. The Schloss has been the Institute’s home for nearly four decades.

When the Cold War ended, IIASA’s sponsoring countries could have said ‘mission accomplished’ and disbanded the Institute. However, as well as helping foster mutual understanding among scientists from East and West, IIASA had shown the scientific benefits of different nationalities and disciplines working together toward common goals.”³

Global governance responsibility and the leadership styles of Lyndon Johnson and Alexey Kosygin are still needed on many fronts. The geographical setting of the place of residence of the authors is also not a coincidence and it points to the Schumpeterian subject of our investigation. About half-way between Moscow and Vienna—symbolic locus for our times of the most serious world political tension since the end of Communism in Europe—there is the Ukrainian town of Chernivtsi (by road, 1376 km from Moscow and 925 km from Vienna), where that great admirer of Nikolay Kondratieff, the Austrian economist Joseph Alois Schumpeter, was professor of economics from the winter semester 1909/1910 to the end of the summer semester 1911, when Schumpeter took up his position as professor of

²International Institute for Applied System Analysis (<http://www.iiasa.ac.at/>).

³http://www.iiasa.ac.at/web/home/about/whatisiiasa/history/history_of_iiasa.html.

economics in Graz. At that time, Chernivtsi was a border town of the Austro-Hungarian Empire and Russia.⁴

Since the time of Schumpeter economics has advanced considerably. But still its predictions remain largely close to fortune-telling. And the world is still developing in a largely chaotic way, from crisis to crisis, from cycle to cycle; so, despite the enormous difficulties in the way, one would like to look for more scientifically grounded methods of long-term forecasting to try to see a little further. This book is a humble attempt of the authors to contribute to this movement.

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This monograph consists of six chapters dealing with long economic cycles (or Kondratieff waves) as well as other types of economic cycles and crises, their interconnectedness and their connection with changes in the World System core and periphery. It covers a rather long period since the mid-eighteenth century (and for some aspects even since the end of the fifteenth century) up to the late twenty-first century.

Moscow, Russia
Moscow, Russia
Budapest, and Vienna, Austria

Leonid Grinin
Andrey Korotayev
Arno Tausch

⁴For the “consolidated” English language versions of Schumpeter’s main works which are of relevance here, see, among others: Schumpeter 1934, 1939, 1954, 2010.

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