

The Kondratieff Waves

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Recently, as I was reviewing the Russian economist Kondratieff's famous cycles and comparing them with the current international economic situation, my attention was drawn to the fact that the market economy has always been affected by evolution, constant change and new opportunities.

The motivation behind these changes has always been a search for economic prosperity, higher industrial productivity and competitive advantage, through research, innovations and new technologies. Since two centuries, this phenomenon has been accompanied by wars, revolutions, pressures, challenges in gaining new markets, accumulation of wealth as well as workforce mutations and migrations. This mode of life of humanity has created periods of crisis, prosperity and stability, during which time, the individual's economic behavior with respect to his needs has created relatively strong or weak demands of utilitarianism.

To the industrial revolution of 1780 – 1840, succeeded the expansion of the steam and metal industries in 1840 – 1890's, followed by the discovery of electricity, applied chemistry and machines in 1890 – 1950. As of 1950, due to the development of the electronics, we have witnessed the Computer Age with its digital business, internet and website, which enhanced communication systems that enabled us to create globalization. Today, mass communication and the mass media, have such an immediate and speedy impact on every rational individual's behavior, that the phenomenon of globalization as a means to bring nations together, has become totally unpopular. Instead of introducing harmony between nations and various cultures, it has been the main source of troubles, from Seattle to Genoa city in 2001 and until recent days. Times are tough.

The world economic situation, at the dawn of the 21st century is at a big crossroad, where we are confronted daily to make choices. Let me be precise that this unbalanced situation among nations, although transitory, has engendered a psychosis of uncertainty towards the future, and many people have been affected by the syndrome of worry about tomorrow's employment, unemployment, created by mergers and acquisitions, its source of income and the protection of its capital. This dramatic situation has affected people to become pessimistic, unstable, evasive and egocentric, hence consumer confidence vis-à-vis politicians and the business has dwindled. Abstentions in voting has been increasing worldwide. No more confidence in democratic values..

So far, we do not see anything unnatural in an individual's attitude or behavior for his daily worries; "After all, the individual is a social animal", had said Plato.

Nevertheless, as Nature runs in four seasons from Autumn to the following Summer, each one of us enjoys his share of prosperity as well as uncertainties mentioned.

Consequently, at this major crossroad, each one of us should take a break, to be able to look around, contemplate and reassess his capacities as well as the environment around him, to reevaluate his qualifications and ambitions and determine the realizable objectives.

The unprecedented terroristic act of September 11, 2001 in New York city is condemned universally. Its implications are negative consumer confidence on the international economic scene, rendering the latter more obscure, uncertain and insecure. Furthermore, the horizon for international investments is blurred, rendering decision-making complex. Investors are more cautious, conservative but alert.

In spite of what happened, history will resume its natural course. The economy of every country will prudently attempt to realize a certain level of industrial growth, monetary institutions will reduce, later raise interest rates and stock exchanges worldwide will pursue their daily hectic fluctuations; the FX markets will be as uncertain as sailing in uncharted waters – The US Dollar, the Euro and the CNY being the major players; and finally, Kondratieff's famous cycles will continue their historical courses. "Every Nation, no matter what its current position, faces challenges in moving to a higher level of competitive prowess and productivity". * China is one such nation today.

Was is not the same, after the wars in Korea and Vietnam? Or the war in Lebanon? Or the Iran-Iraq war? Or the "Desert Storm"? Yugoslavia, Africa and now the second Gulf war in Iraq where, it is intended to introduce democrazy, sorry democracy, shortly!

Our planet has become more dangerous for us all, compared to the past decades, as a consequence of the "decadence" in human value systems, or the latters' underestimation or neglect. The success or the well-being of any given society and economy in the world today, relies upon a revaluation of these human values and the development of the creative mind on the one hand, and the protection of our security and the security of our protection on the other.

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***Kondratieff Cycle:** A series of long waves of economic fluctuation. Named for N. D. Kondratieff, a Russian economist, Kondratieff cycles consist of waves in prices, production, and trade lasting from fifty to sixty years. According to Kondratieff, these cycles are due to processes inherent in the nature of capitalism, especially that of capital accumulation. He argued that changes in techniques of production, wars and revolutions, the opening of new markets, etc., are not random occurrences affecting the cycle, but rather are part of the rhythm of the long waves. For example, the expansion into new markets does not start a long-term upswing; instead, the upswing makes the expansion into new markets possible and necessary. Similarly, the declining phase of the long wave leads to important discoveries which are utilized on a large scale only at the beginning of the next major upswing. The upward phase of the wave, producing high tension in the expansion of economic forces, is a major factor in provoking wars and revolutions. Joseph A. Schumpeter, in adopting the Kondratieff cycle as part of his three-cycle analysis of business fluctuations, considered that the long cycle was closely linked to the waves of innovations, predominantly of a definite type, by which the long wave in question was characterized.*

* Michael E. Porter

The competitive advantage of nations – Macmillan Business – 1998, London