

# ECONOMIC DEVELOPMENT BETWEEN CRISIS AND CHANGES IN ATTITUDE

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## **Abstract:**

*Over time, all the countries of the world have faced crises, at least on a minor level. Under the new economic circumstances, lot of facts and situations are far from normal compared to traditional conditions. Value of work has deteriorated, its place taken by vice and counterfeited items, transforming the natural to the unnatural, the normal to the abnormal, a state of health to a pathological condition. Crisis is everywhere. It is not connected to only one field; it is a plague generating a chaotic perturbation of the entire system.*

*The conventional system cannot remain the same, and new understandings are required at all levels especially at the institutional and societal one – generating new approaches and behaviors that can lead to another paradigm of development.*

*Therefore, regardless the viability of measures and decisions adopted so far by EU governments in order to overcome the economic recession, each of us, employer, employee, politician, minister, president, or private citizen, may contribute to the smooth running of his life.*

*This paper presents a complex and empiric view concerning the crises, its usefulness and validity. The paper is accompanied by examples of complex crises from the period 1960-2010 at a global level.*

*In order to emphasize that the antidote is in us and not in them, we conclude that the change of attitude that overcome the limits of fear and indifference, really can make a difference when it comes to a crisis situation.*

**Keywords:** *crisis, innovative conception, model, economic development, Kondratieff waves.*

## **1. Introduction**

History can be seen more as a deposit of facts and events, rather than a chronological sequence of events that could produce a decisive transformation in science. This new view of science was analyzed from classics until today, and every time inevitably the old became the new when another convincing concept makes its way into the canons of science.

It is becoming increasingly clear that the twenty-first century is not a mere continuation of the twentieth century, but is something entirely new. We live in interesting times - times of rapid change and constantly accelerating. Changes occur so rapidly that it is difficult to keep up with them, much less to assume control. Everything seems to change suddenly - political map, world economy, institutions, human society, company structures, business practices and individual life styles. And all the changes appear to be strongly linked, the change triggering change (Tampu D., Costea C., 2013).

## **2. Appearance of crises, Kondratieff cycles and paradigm shift**

The research made so far provides a historical analysis of the periods of economic development, likening them to the four main types of economic cycles: Kitchin cycles, Juglar cycles, Kuznets cycles, and Kondratieff cycles. From the 4 main types of cycles, the first three refer to short periods of 40 months to 15-25 years, while the latter - Kondratieff cycles have duration of approximately 50 years. In this research we stopped out on the latter because they have the longest duration and are composed of a succession of economic cycles with a shorter duration on the one hand and because are determined by major technological innovations unlike cycles Kitchen whose cause is the need to rebuild the stock, Juglar cycles - caused by industrial developments or Kuznets cycles associated with demographic processes.

In his work from 1925 about major economic cycles, Nikolai Kondratieff postulated a new model viable in the long term, which runs along the western economic history of different countries at about 50, 60 years. Kondratieff's plan has analyzed European and even global models of economic development, according to which democratic capitalism can have the tools to save themselves from inevitable self-destruction anticipated by Marx and many of his disciples. Kondratieff's original plan (Korotayev, Tsirel, 2010) foresees information for the periods of rise, decline and transition periods, which Joseph Schumpeter in 1939 considered it important for economic development (Schumpeter, 2006). The model was found by Kondratieff analyzing indicators such as prices, interest rates, foreign trade, coal and iron production (and other indicators of production) for some major Western economies (primarily England, France and USA). Regarding production indices during the downturn, we rather deal with a slowdown in production, than with an increase of production with declines that rarely lasts more than 1-2 years, whereas during the ascent phase, there is a general acceleration of production growth rates compared to previous period of slowdown (Korotayev A. V, 2012). Kondratieff himself has identified the following values and phases of these, presented in Table 1.

**Tabel 1. Kondratieff Waves (Korotayev A.V, 2012)**

Number of the wave	Phase of the wave	Date of onset	Date of conclusion
1	A: ascension	End of 1780s, Beginning of 1790s	1810–1817
	B: decline	1810–1817	1844–1851
2	A: ascension	1844–1851	1870–1875
	B: decline	1870–1875	1890–1896
3	A: ascension	1890–1896	1914–1920
	B: decline	1914–1920	-

According to the theory of innovation, these waves occur during periods of boom technologic and innovations, creating new industries or commercial sector. Kondratieff's ideas were taken up by Joseph Schumpeter during the 1930s. It was hypothesized the existence of very long macroeconomic cycles. Kondratieff\_ theorists have identified after 1920, when he stopped investigation, a new set of waves for postwar period until today (table 2).

**Table 2 "Post-Kondratieff" waves and their phases (Korotayev A. V, 2012)**

Number of the wave	Phase of the wave	Date of onset	Date of conclusion
3	A: ascension	1890–1896	1914–1920
	B: decline	1914 – 1928/1929	1939–1950
4	A: ascension	1939–1950	1968–1977
	B: decline	1968–1977	1984–1991
5	A: ascension	1984–1991	2008–2010?
	B: decline	2008–2010?	?

It is observed thus that the decline of the last wave - of the wave at number 5 - starting in 2008-2010. Our analysis went beyond of Kondratieff waves: I overlapped over Kondratieff wave's times of economic crisis to see if there is any connection between them.

### 3. Research Methodology

**Research hypotheses:** We assume that Kondratieff cycles consisting of periods of 50-60 years, are actually composed of smaller periods of economic growth, which end up in various parts of the world with crisis. Such analysis will be extended to the majority of scientists who have limited to investigate the applicability of Kondratieff cycles on a single country. Possible wavelengths will be assessed by examining GDP per year intervals that make up the cycle itself.

We have created intervals of 07/10/15 or 20 years in which we have analyzed the gross domestic product:

- Initial the analysis had to be from 1800 until 2010, but since there are no data recorded by the organizations for GDP until 1960 the period which the data analysis was limited was 1961-2010;
- Of the 213 countries for final analysis we stayed with a number of 107 countries for which gross domestic product was calculated between 1961 and 2010;
- We calculate GDP relying on figures of those 107 countries. The overall increase was at a maximum of 4% (1970 to 1969), while the minimum -1.21% (in 2009 compared to 2008).
- We divided countries by level of development as follows: BRIC countries, developing countries, Europe and other rich countries, USA.

### 4. Summary focused on the research results

We found that at regular periods of time (less than 50-60 years) economic increases and decreases occur, which is why we consider useful the creation of micro Kondratieff cycles of 4-6 years (1961-1947 = 5 years 1967 - 1971 = 4 years, from 1971 to 1975 = 4 years, from 1975 to 1981 = 6, 1981-1987 = 6, 1987-1991 = 4 years 7 years from 1991 to 1998, 2002-1998 = 4 years, 2002 to 2008 = 6 years), similar to the original Kondratieff cycles, visible in the figure 5 and table 3.

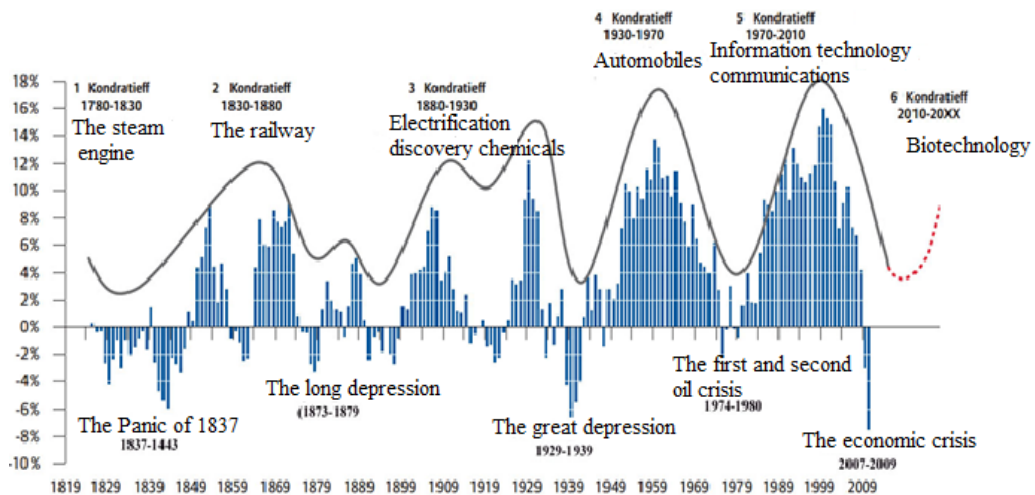
**Tabel 3. Kondratieff microwaves (original conception of the author)**

Number of the microwave	The phase of the microwave	Date of onset	Date of conclusion
1	A: ascension	1961–1961	1963-1965
	B: decline	1965	1967
2	A: ascension	1967	1969
	B: decline	1969	1971
3	A: ascension	1971	1973
	B: decline	1973	1975

4	A: ascension	1975	1979
	B: decline	1979	1981
5	A: ascension	1981	1985
	B: decline	1985	1987
6	A: ascension	1987	1990
	B: decline	1990	1993
7	A: ascension	1993	1995
	B: decline	1995	1999
8	A: ascension	1999	2001
	B: decline	2001	2003
9	A: ascension	2003	2008
	B: decline	2008	2009
10	A: ascension	2009	2019
	B: decline	2019	2020

According to the Kondratieff cycles in the period between 1800 and 2007 would have been six cycles presented in Figure 5, triggered by major moments in history or major innovation moments that affected the global economy.

**Figure 5 Kondratieff waves (Allianz Global Investors Capital Market Analysis)**

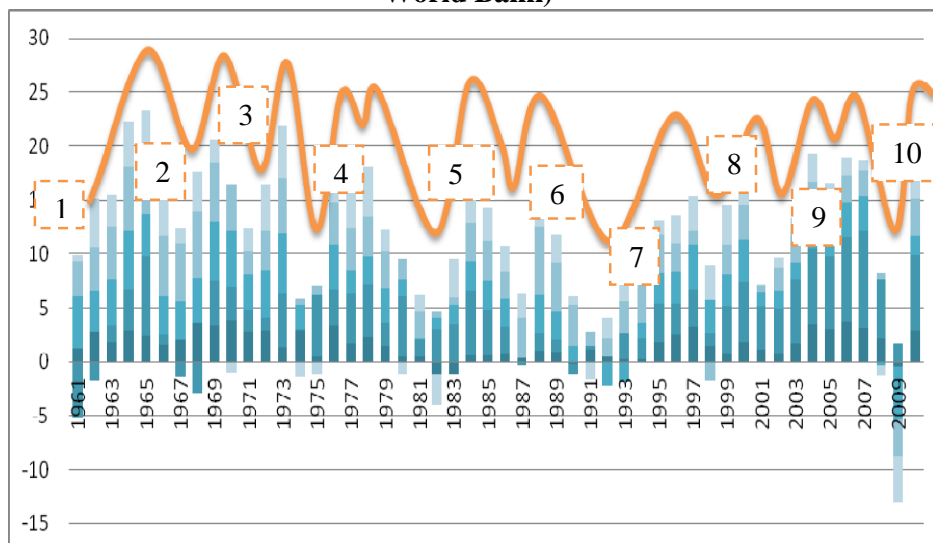


The period between 1960 and 2010 ranges between end-the cycle 4 and the beginning of a new cycle 6. At the beginning of a new Kondratieff cycle, entrepreneurs usually require a considerable amount of capital to buy the new engine of the economy. Higher interest rates are not an obstacle this

time as entrepreneurs increase their earnings through implementation of more productive systems. Certainly, after a period of time, as history shows, new technological networks will begin to offer reduced investment returns. As a result, loan demand will grow more slowly and real interest rates will go to zero eventually. This was the case for the The Panic of 1837, Long Depression of 1873 the Great Depression triggered in 1929 and, the oil crisis of 1974 and 1980 and this is certainly one of the causes of the financial crisis of 2008-2009.

This research has stressed on the period between 1960 and 2010, where can be identified a total of 10 microcycles Kondratieff, as can be seen in Figure 6.

**Figure 6 Evolution of global GDP and the emergence of Kondratieff micro cycles**  
**(Original concept of the author based on the data supplied by the World Bank)**



In Figure 6, the numbers represent the crises that were triggered periodically globally and significantly influenced the development of global gross domestic product.

1. Recovery after the first post-war world crisis of 1957 (US, UK, Belgium, Netherlands);
2. The crisis in the Middle East triggered as a result of the war;
3. The international monetary crisis;
4. The economic crisis that erupted in the United States from 1973; The first oil crisis;

5. Souk Al-Manakh stock market crisis from Kuwait, 1982;
6. Crisis in Japan; The collapse of the US stock market on Monday, December 19, 1987 - Black Monday;
7. Mexican economy crisis;
8. Asian financial crisis;
9. The crisis in Argentina;
10. The financial crisis in the United States.

## **5. Conclusions**

Starting from the premise of Robert Kiyosaki, nothing is more powerful than an idea whose time has come, and no one is more vulnerable than someone who still has old ideas, we conclude that is the mediator element that contributes to the onset of a period of growth every time an economic crisis occur crises being those that produce the boom that have triggered technological innovation, transformation and not the downturns (Tampu D., 2013). Change is the one that stimulates people to revaluation, learning new rules, but on different systems principles. The most frequent and lengthy assumption is that the learning process leads to change of attitude (Hovland, Janis, Kelley, 1953). In most researches regarding attitude change, the focus was on the influence of individuals on the change of attitude taking into account the influence of the environment and the messages sent from it. Before the crisis adoption by the citizens of a lifestyle called welfare on debt for several years, led to the belief that the sudden emergence of the economic crisis will be the main culprit for stopping creativity and innovation. The external environment has disoriented the agencies on the market in 2008, leading them to be afraid, to no longer take any risk.

As shown in this research, the antidote for progress lies in a time of crisis. Beyond the measures that governments have to identify for the economic development and the exit from the crisis, each of us, employer, employee, politician, minister, citizen, can contribute to the good of his country, by changing the mentality, by showing respect for self and our neighbors. The change in attitude, overcoming the limitations imposed by fear or indifference, can make a difference and lead that a decline to be just the basis of a big boom.

According to the above analysis, we see that the biggest declines on gross domestic product are accompanied by higher recovery period and also by extending the following period of the ascent of the Kondratieff microwave. Considering the fact in terms of GDP growth, the decline from 2008-2009 was the largest in history (considering only the analyzed period 1961 2010), we conclude that the next 7-8 years there will be no other global crisis. Another crisis breaks out within 10 years, letting

the gross domestic product this time to recover. To go into the analysis, the next crisis does not necessarily have to have effects in several countries, but to be strong enough so as to influence the evolution of world gross domestic product.

This approach is both practical and feasible and psychologically comforting. The learning theory supports the complexity perspective, adding that certain techniques commonly prescribed for crisis management may constrain the development both at individual and organizational level and prevent organizations to use a variety of techniques to increase. Centralizing the responsibilities for planning might not work for every emergency situation. For all these reasons, crises requires a complete approach to complete the uncertainty, and enforcement of control, on the one hand, ways of thinking based on complexity and theories of organizational learning, designed to help develop agile responses adapted fast to situations, on the other hand.

#### **Acknowledgment:**

This work was financially supported through the project "Routes of academic excellence in doctoral and post-doctoral research - READ" co-financed through the European Social Fund, by Sectoral Operational Programme Human Resources Development 2007-2013, contract no POSDRU/159/1.5/S/137926.

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