

As We See It

"Vote for the man who promises the least; he'll be the least disappointing."

-Bernard Baruch

The last "As We See It" dealt with long-wave economic theory and the distinguishing *economic* characteristics of the four phases of the cycle: expansion, peak, decline, and trough. Remember, the wave under discussion is a very long one—40 to 60 years. What follows is a discussion of the distinguishing *political* characteristics of each phase of the cycle as reviewed by MIT Professor John D. Sterman¹ and corroborated by others.²

Each phase of the long wave is characterized by a different set of political values as illustrated in the following table from Professor Sterman's paper.

Political Value Shifts During the Long-Wave	
<u>Economy</u>	<u>Politics</u>
Expansion	Progressive
Peak	Cosmopolitan
Decline	Conservative
Trough	Parochial

During the expansion phase the economic pie is growing rapidly. There seem to be adequate opportunities, goods, and jobs to go around. This creates an atmosphere of good feeling and a willingness to share. Politics turn more liberal and progressive to reflect the mood of the voters. For example, the expansion phase of the 1950's and 1960's resulted in Civil Rights legislation and President Johnson's Great Society. Other examples from earlier expansion phases include the 1850's which experienced vigorous movements to reform education, advance women's rights, and end slavery as well as the progressive early 1900's which witnessed women suffrage and worker unionization movements.

The cosmopolitan phase occurs at the peak of the expansion. This is a time of international activism and conflict. As the expansion phase matures, countries find that their capacity has begun to outstrip demand. To keep their factories busy, new markets for goods must be found in the international arena. The flooding of the U.S. market with Japanese consumer electronics during the 1970's occurred during the last cosmopolitan phase. This attempt by countries to increase their sphere of influence has often lead to international conflicts during this phase.

As the long wave begins to decline, economic difficulties intensify. Corporations begin to shrink to adjust to competition and smaller markets. Job security becomes an issue. Politics of the populace become more conservative and attention turns away from the progressive issues of social welfare and toward economic growth and employment security. Increasingly, there is a feeling that society can no longer afford the social welfare programs adopted during the expansion phase. As Professor Sterman explains, "Conservatism, with its calls for smaller government, lower taxes, and support for the 'free market,' grows in popularity as people seek to preserve their incomes in the face of rising unemployment and stagnant real wages." Conservative governments tend to be elected. The elections of Reagan and Thatcher during the 1980's fit this pattern.

Regardless of the politics, the economy continues its movement through the decline phase and into the trough. Politically, this is the parochial phase where individuals and countries tend to focus on their own interests. There is a feeling that the only way to better one's self is at the expense of others. Locally this feeling has manifested in the "Buy the Big O" campaign. Internationally the danger is that parochialism results in protectionist policies which substantially reduce trade and the economic well being of all as was done in the 1930's.

The trough phase of the long wave is often characterized by a series of one-term presidents. The office generally has gone to the candidate who has done the best job of convincing the public that he can get the economy moving. The winner often fails to understand the longer-term nature of the economic problems and to recognize his limited ability to alter the course of the economy. An impatient populace is easily swayed to try someone new when promises are not met. President Bush was the first fatality of the present long-wave trough. It remains to be seen whether President Clinton's policies will sufficiently improve the economy to gain him reelection.

One of the best things about the study of history is that it promotes reflection and caution. It is quite obvious from the record that economics dictate the politics of a period rather than the other way around.

¹Sterman, John D. (1992) *Long Wave Decline and the Politics of Depression* a paper based on a presentation to the Bank Credit Analyst's Conference, New York, September 1992.

²Namenwirth, Z. (1973) "The Wheels of Time and the Interdependence of Value Change". *Journal of Interdisciplinary History* III: 649-683

²Weber, R. (1981) "Society and Economy in the Western World System." *Social Forces* 59(4): 1130-1148

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