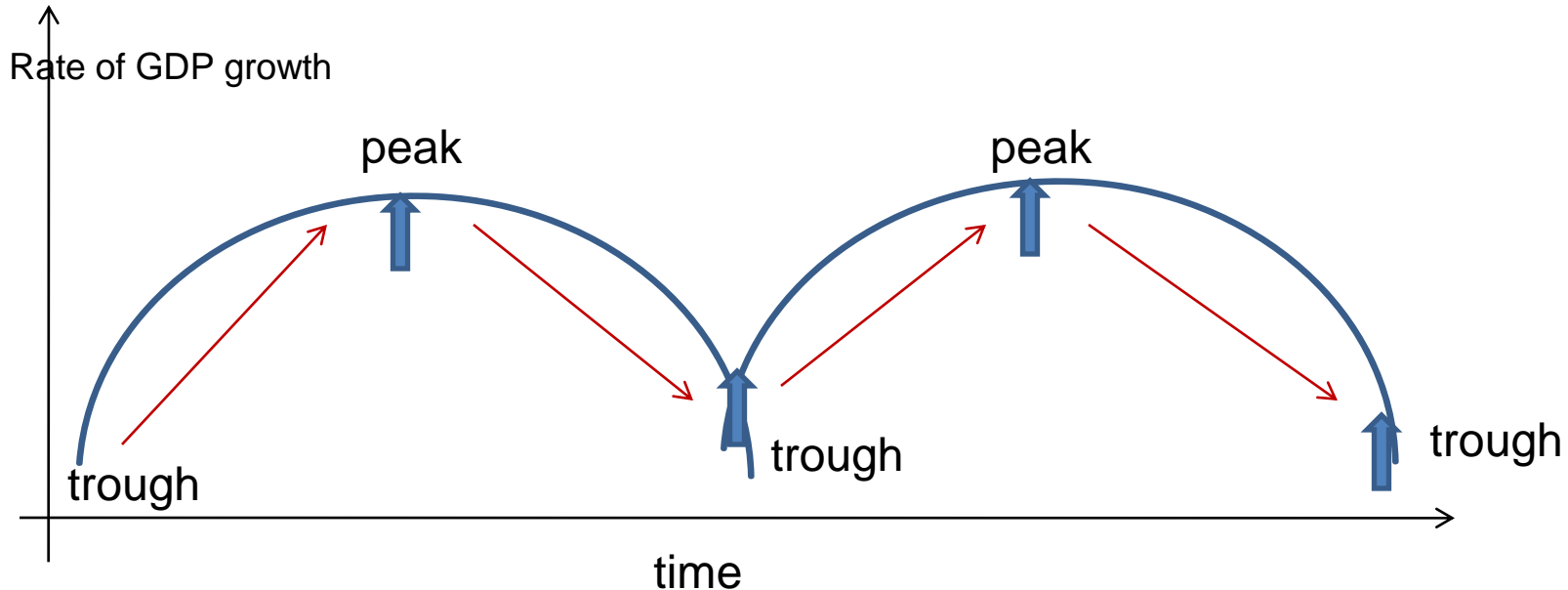


On business cycles, financial and economic crises and globalisation.



From trough to peak: boom – here demand is larger than supply

From peak to trough: recession – here supply is larger than demand

Schumpeter conceptualised business cycles as “creative destruction”: destruction of capital and employment, and creation of more advanced capital making possible technological progress

Joseph A. Schumpeter, *Capitalism, Socialism and Democracy* (New York: Harper, 1975) [orig. pub. 1942]

On business cycles, financial and economic crises and globalisation.

Business cycles show two phases: boom (positive) and bust (negative)

when DEMAND is larger than SUPPLY there is a BOOM

a) sales increase,

b) profits increase,

c) investments increase,

d) employment increases,

e) production increases,

until a point where there is TOO MUCH production, and businesses do not sell all the stock they have.

Now the second phase begin: SUPPLY is larger than DEMAND

On business cycles, financial and economic crises and globalisation.

When SUPPLY is larger than DEMAND there is a BUST:

- a) sales decrease,
- b) profits decrease, and even losses occur
- c) investments decrease,
- d) employment decrease (unemployment increase)
- e) production decrease,
- f) less profitable business disappear, only efficient businesses survive

until reaching a situation in which production is TOO LITTLE, and therefore demand becomes larger than supply ...the whole cycle starts all over again.

On business cycles, financial and economic crises and globalisation.

There are also business cycles produced by excess of speculative financial capital engaged in dangerous games of betting on future prices of shares, national currencies, commodities, loans, etcetera.

The last business cycle starting in 2008 was of the type of speculative financial capital, whose effects almost destroyed the monetary system of the European Union, even when it was created by criminal financial games by the banking system of United States and United Kingdom.

On business cycles, financial and economic crises and globalisation.

Many notable economists, such as K. Marx in the XIX Century, and J. Schumpeter in the XX Century agreed on that “crises” (for Marx) or “business cycles” (for Schumpeter et al) are THE DRIVING FORCE OF THE CAPITALIST SYSTEM.

It is assumed that in every crises only the less efficient capitals are destroyed (lower prices bankrupt them, etc.), and the most efficient capitals survive. Therefore, the crisis improves the overall quality of capital. Innovations appear. Productivity grows.

Economic growth and efficiency, in the capitalist system is achieved through the chaotic behaviour of the market, the destruction/creation of capital/jobs, and increasing rates of unemployment which ensure relative low level of wages.

Therefore, MAXIMISATION of profits is ensured. Capitalist “progress” occurs.

Unemployment rates, selected economies, 1956-2008

(average, per cent)

Source: UNCTAD, "Trade and Development Report 2010", page 138, table 5.1

	1956-1973	1974-1985	1986-2000	2000-2008	2008-2010*
Developed economies	2.9	5.9	7.2	6.6	9.0
United States	5.0	7.5	5.7	5.1	9.7
Japan	1.4	2.2	3.1	4.6	5.2
EU-15	2.5	6.8	9.7	7.7	10.0
Germany	1.3	4.9	7.5	9.1	7.6
France	1.7	6.0	9.8	8.3	11.6
United Kingdom	1.8	7.2	8.3	5.1	7.8
Developing economies	2.6**	5.2	6.0	6.7	8.8

*Column added by Róbinson Rojas, with data from OECD Database

** From World Bank Database. Added by Róbinson Rojas.

the dynamics of inequality with economic growth – the case of U.S.A.

Value of minimum wages: US\$ 2007

1970s	US\$ 7.12
1980s	US\$ 6.38
1990s	US\$ 6.18
2000s (through 2009)	US\$ 5.95

Source: “[The state of working America 2008-2009](#)”, Economy Policy Institute, Washington, D.C.

the dynamics of inequality with economic growth – the case of U.S.A.

Weekly earnings of private production and nonsupervisory workers: US\$ 2007

1973	US\$ 622.81
1979	US\$ 600.81
1995	US\$ 540.53
2007	US\$ 589.72

Source: "[The state of working America 2008-2009](#)", Economy Policy Institute, Washington, D.C.

Employment status of the civilian noninstitutional population, 1940 to 2009

Source: US National Bureau of Economic Research

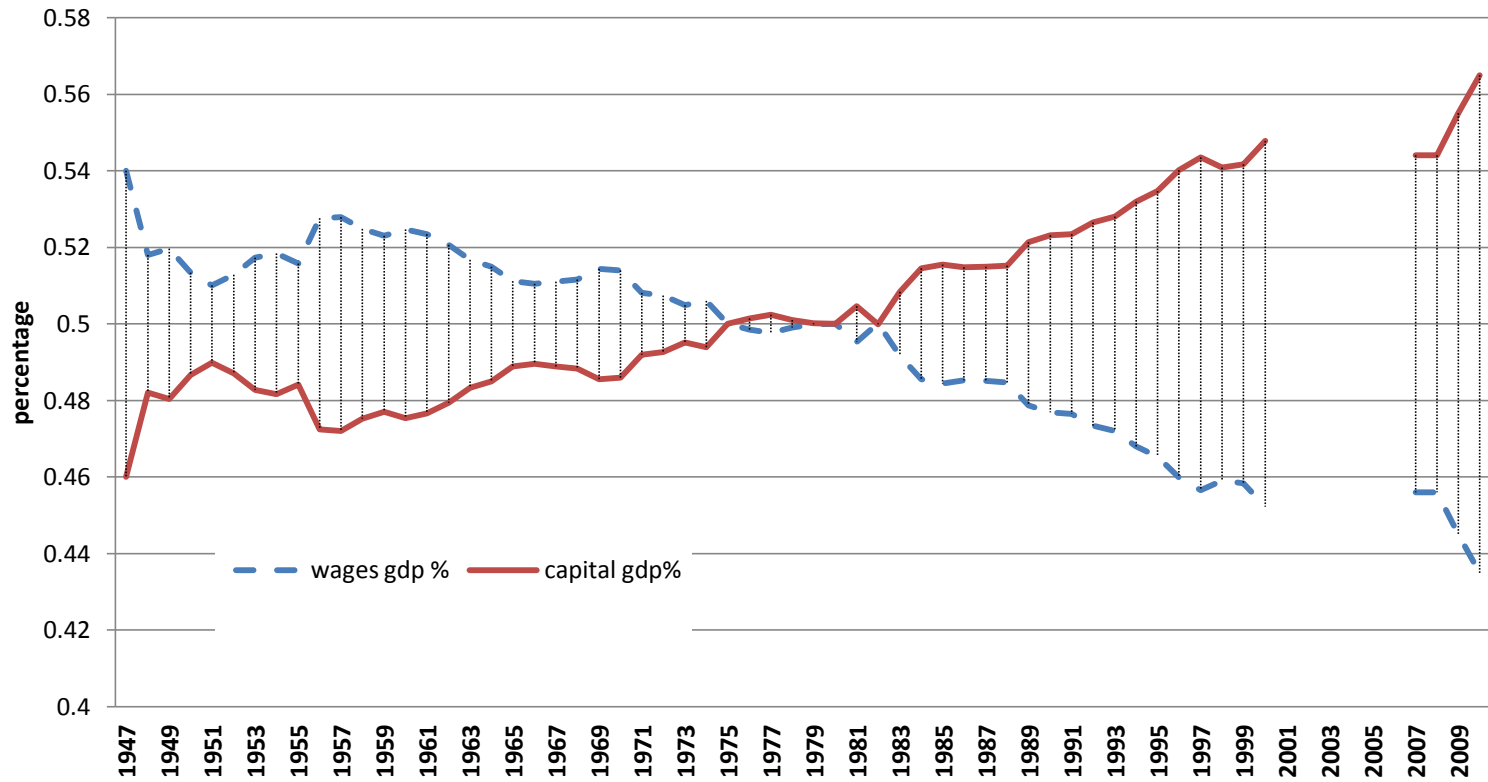
US business cycles: from peak to peak (11 cycles)

Numbers in thousands	1948	1980	Avg. growth
Civilian labour force	60,621	106,940	1.7897
Employed	58,343	99,302	1.6758
Unemployed	2,276	7637	3.8555
Not in labour force	42,447	60,806	1.1296

Numbers in thousands	1980	2012	Avg. growth
Civilian labour force	106,940	166,013	1.3839
Employed	99,302	142,220	1.1289
Unemployed	7637	12,794	1.6255
Not in labour force	60,806	88,340	1.1740

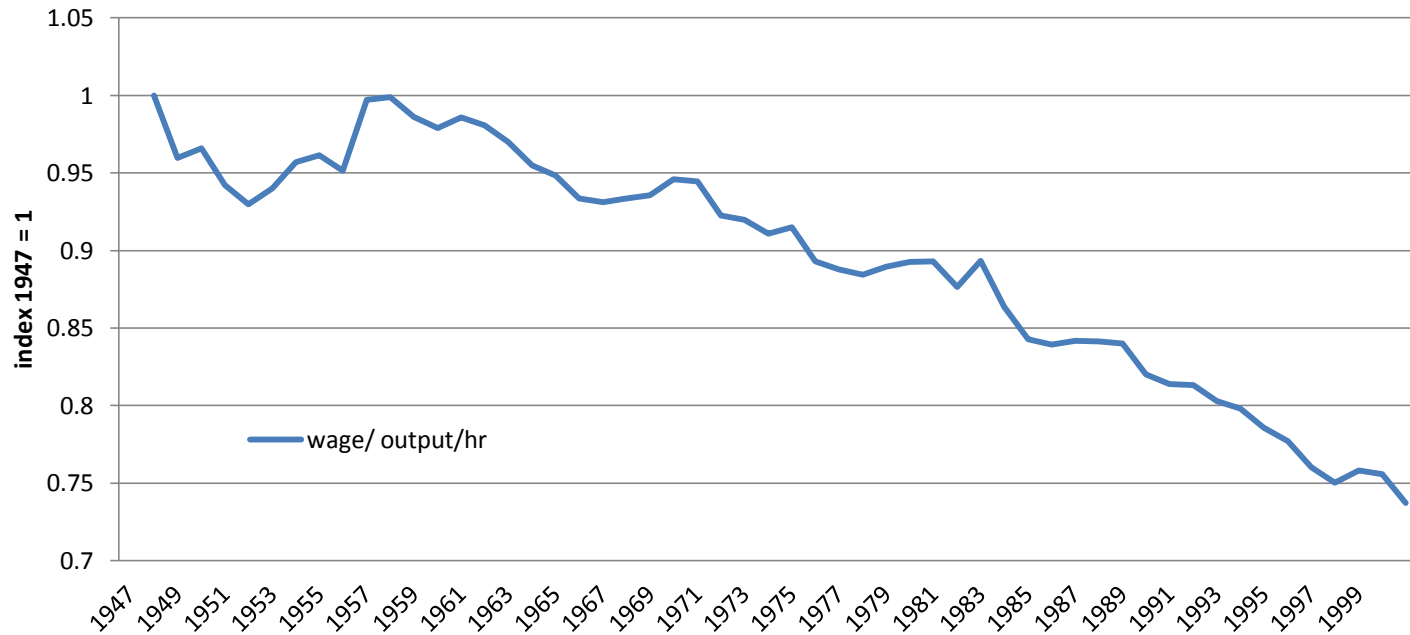
[back](#)

Labour and capital share of GDP. 1947-2010 in the U.S.



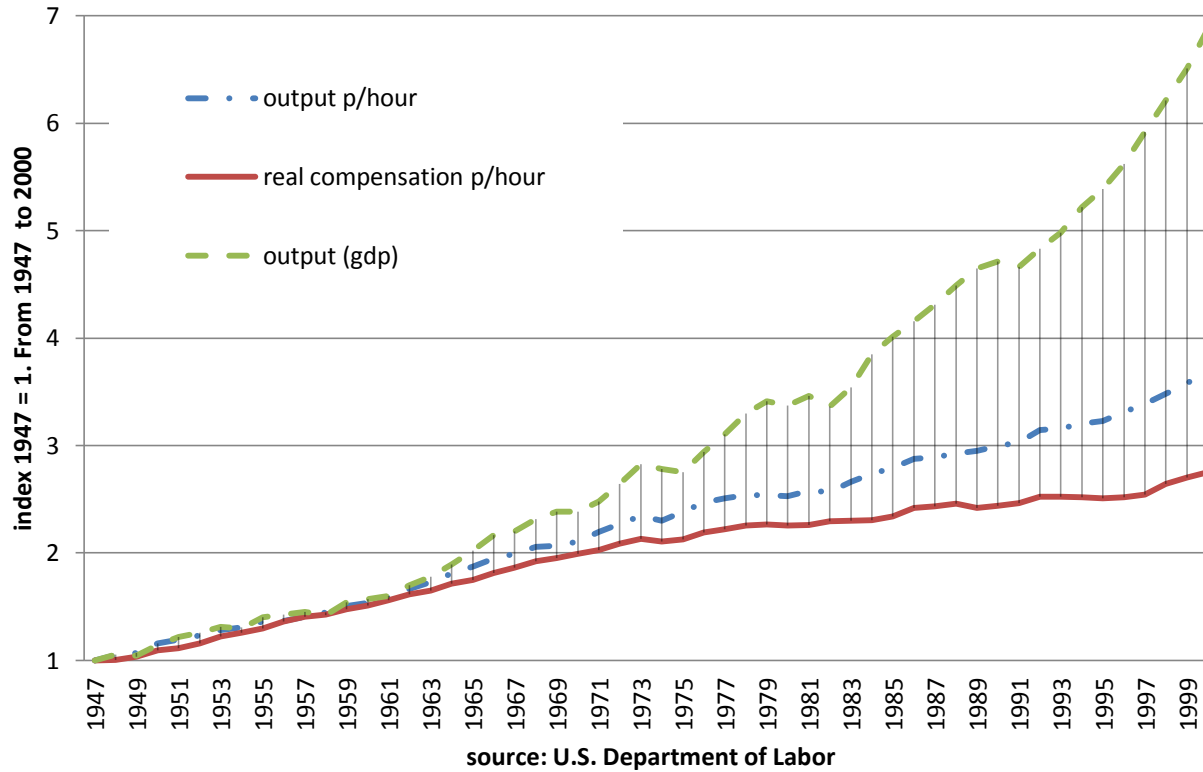
source: U.S. Department of Labor statistics

wage per hour as % of output per hour in the U.S.

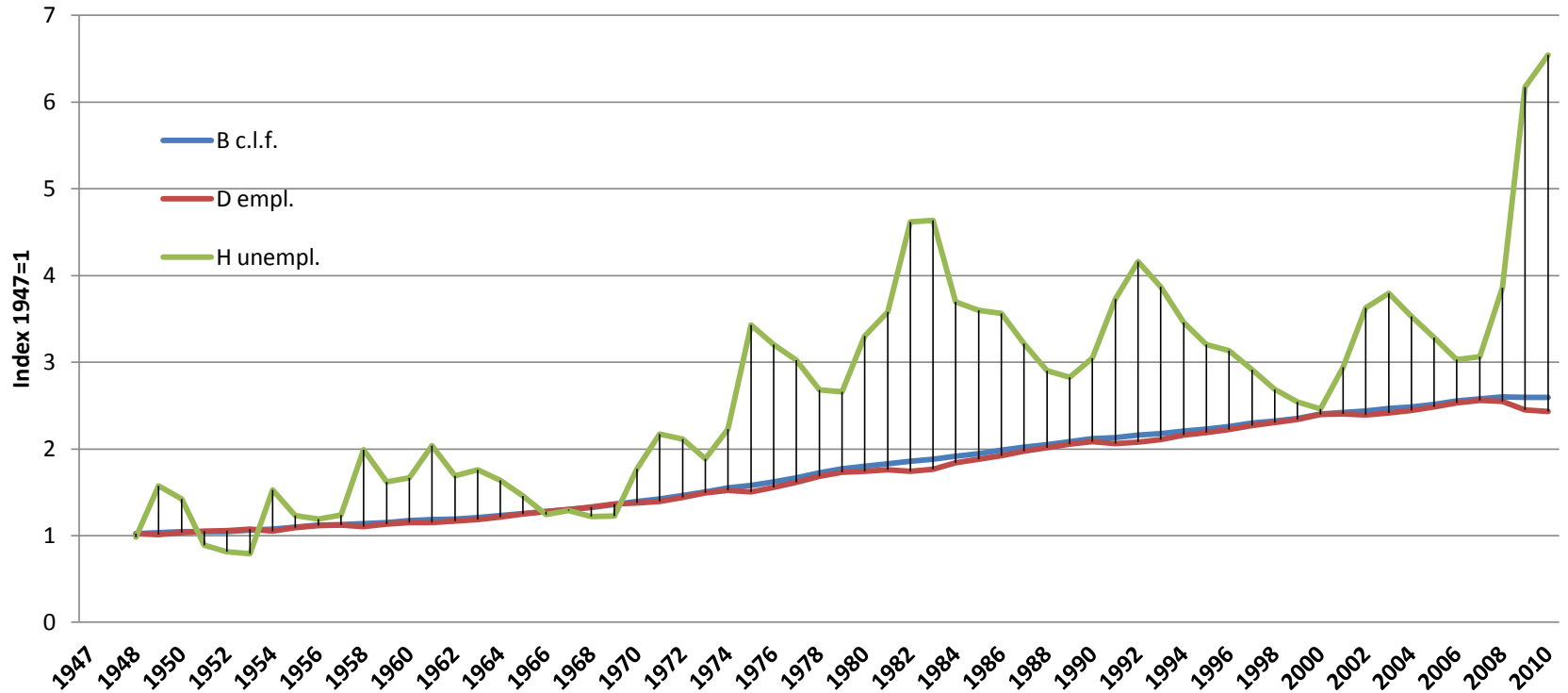


source: U.S. Department of Labor

Mechanism of economic inequality in a capitalist market. The case of the United States.

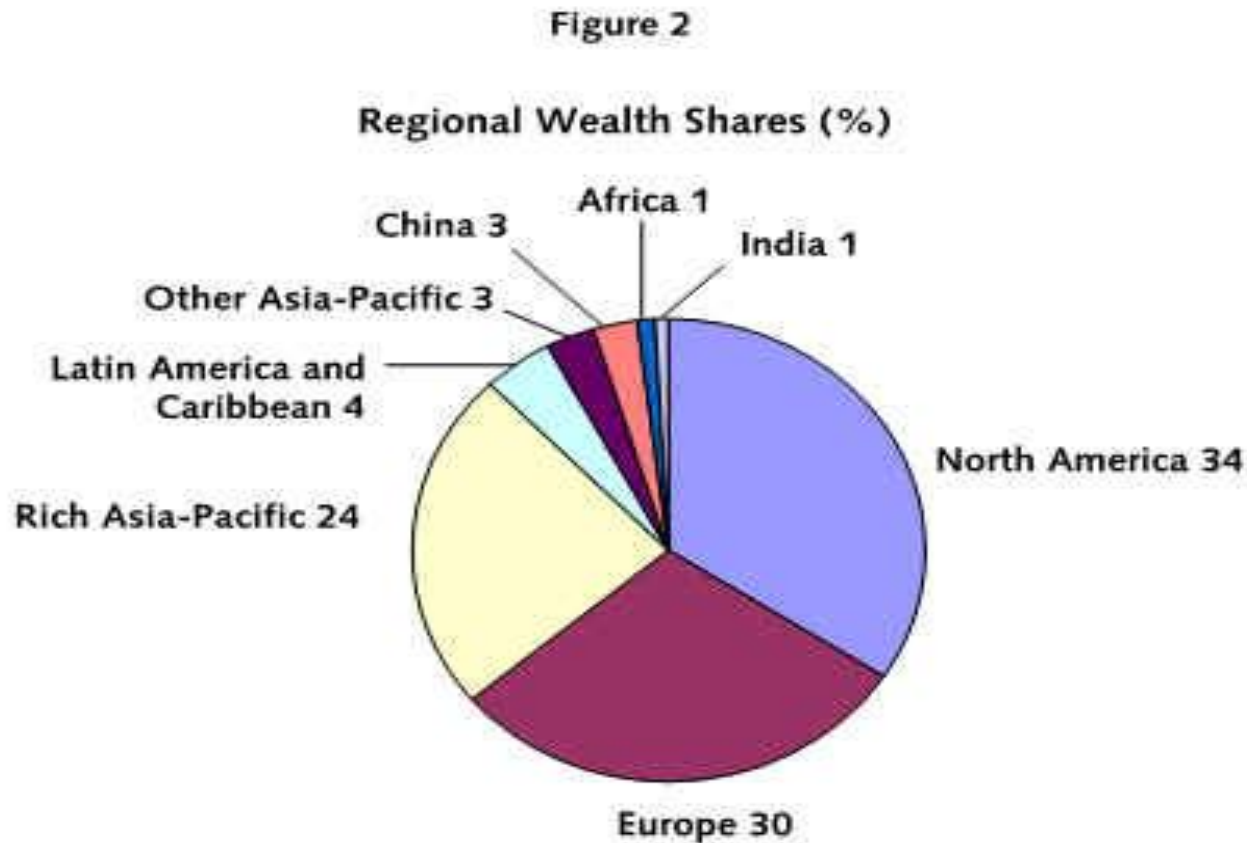


Index 1947-2010 for B:civilian labour force, D: employment, and H: unemployment in the U.S.



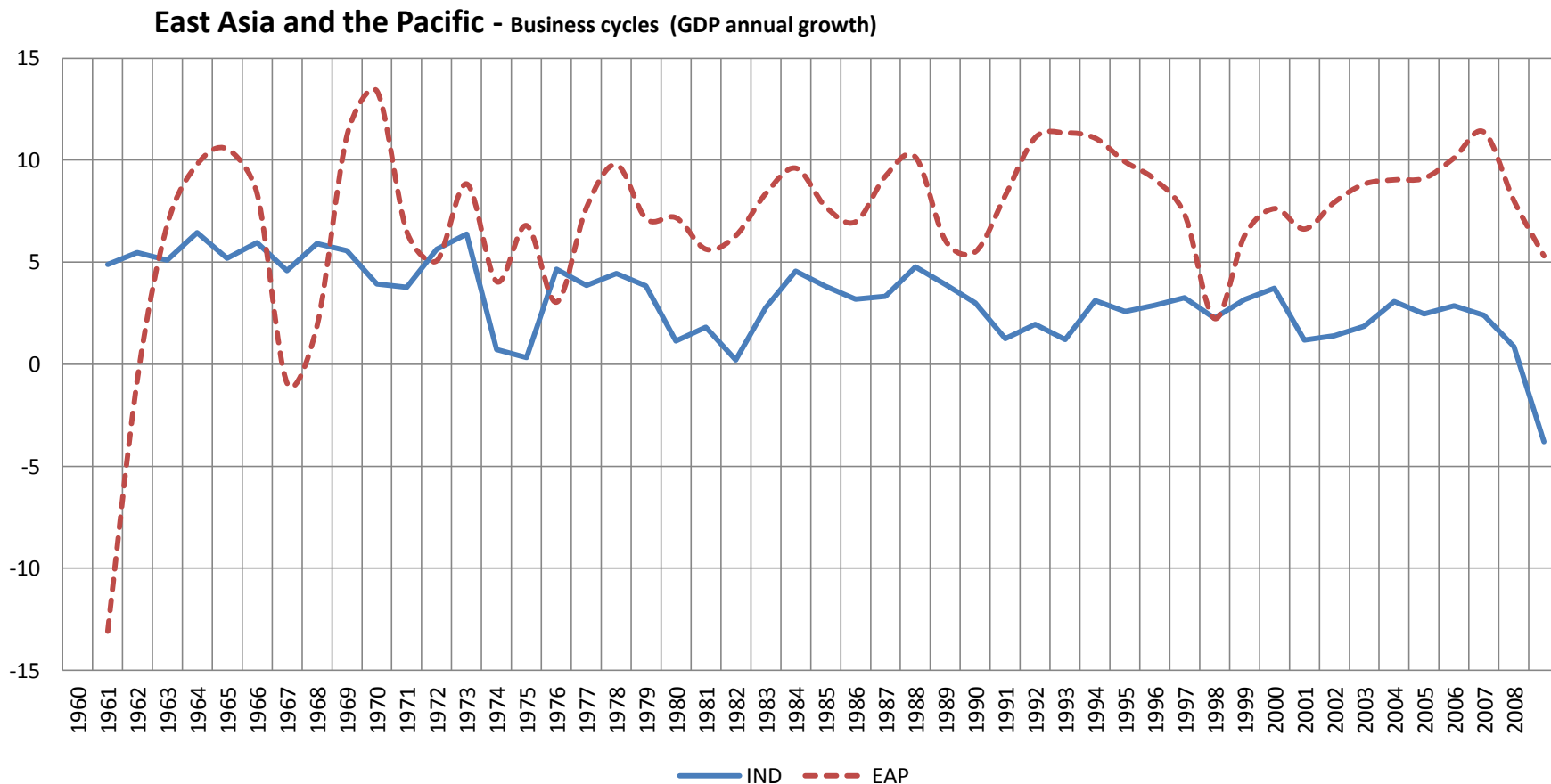
source: U.S. Department of Labor

The World Distribution of Household Wealth, UNU, 2006,
By James B. Davies, Susanna Sandstrom, Anthony Shorrocks, and Edward N. Wolff



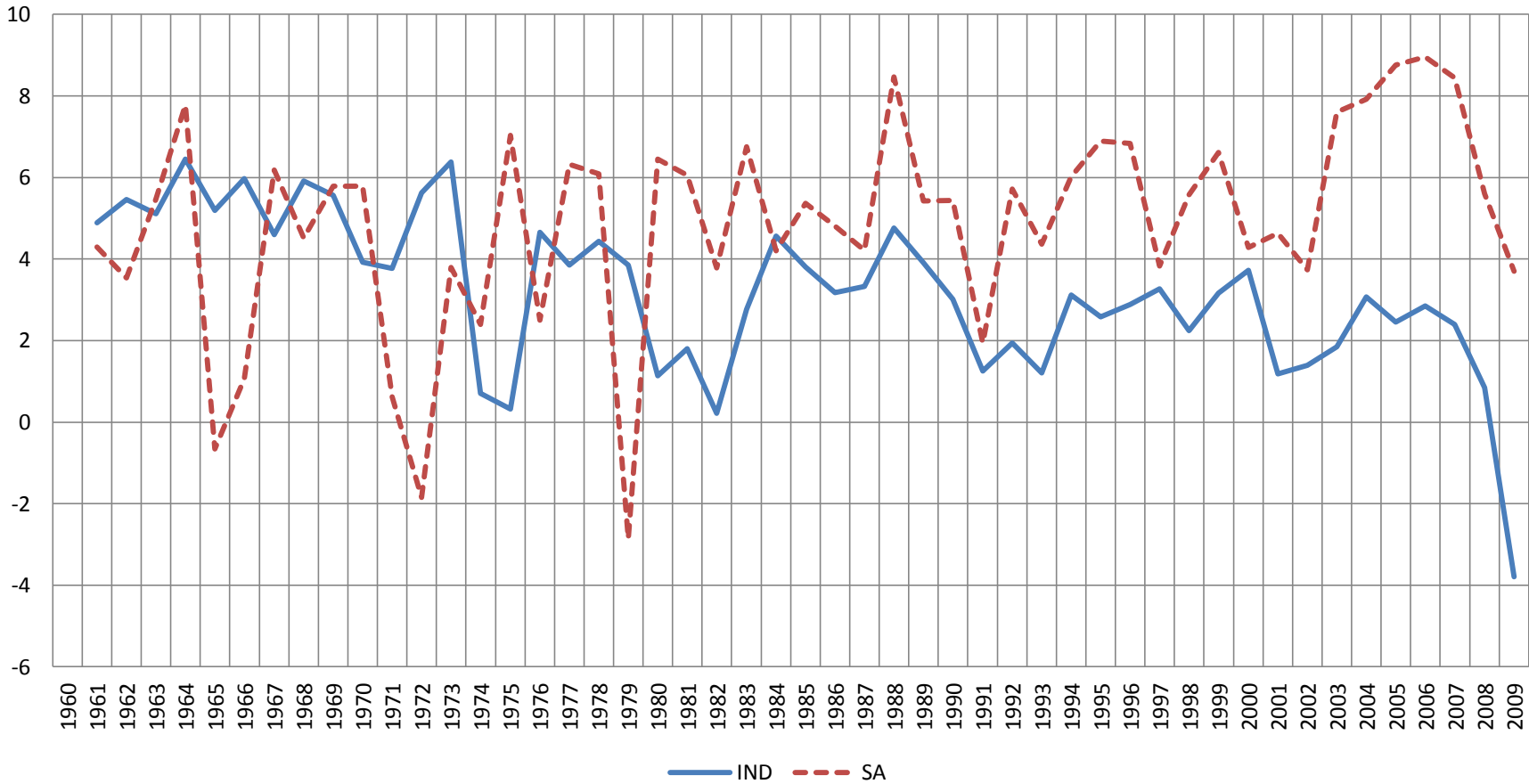
Here more on financial crisis and the dynamic of business

On business cycles – EAP (Source: World Development Indicators Database)



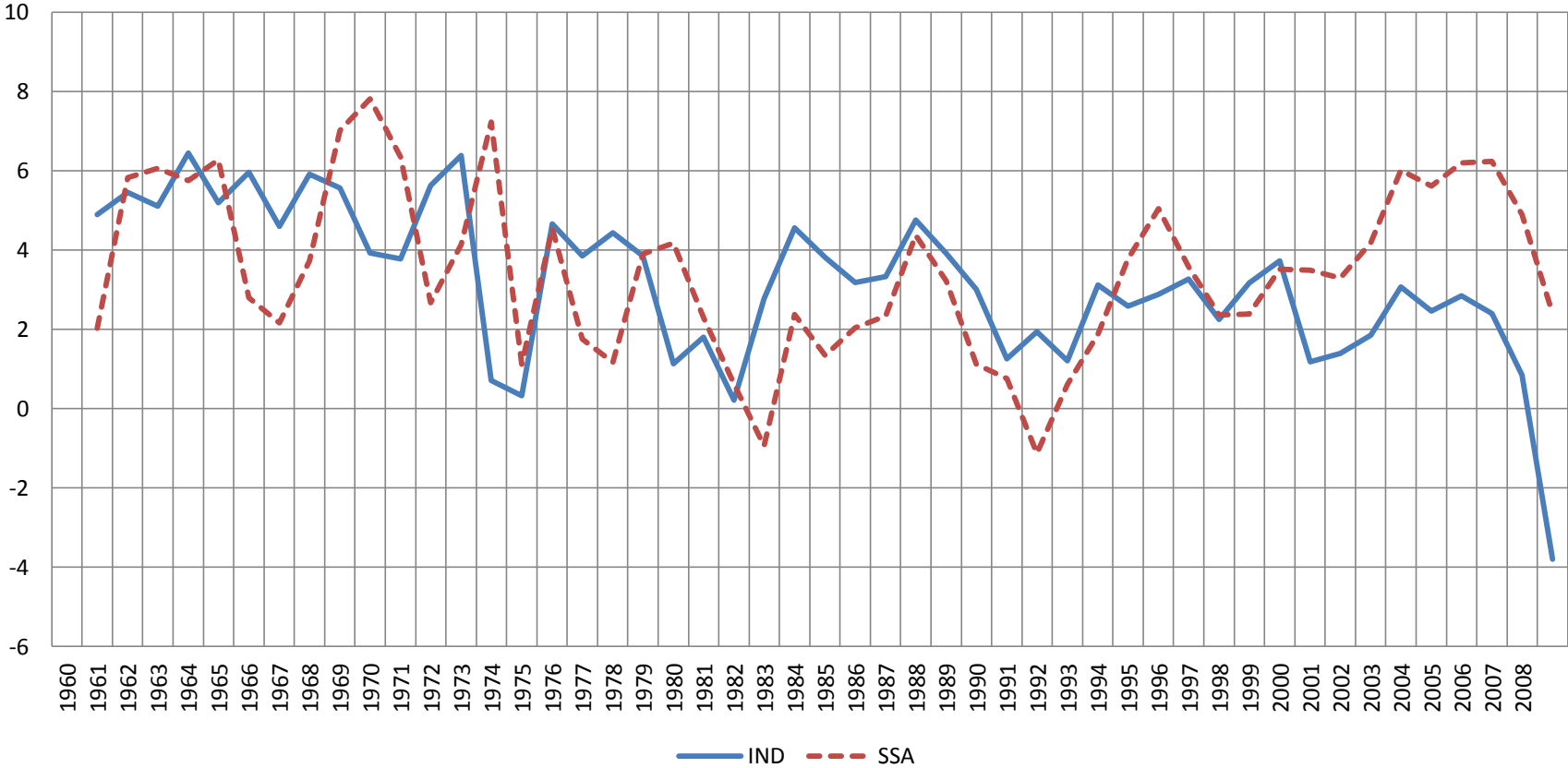
On business cycles – SA (Source: World Development Indicators Database)

South Asia - Business cycles (GDP annual growth)



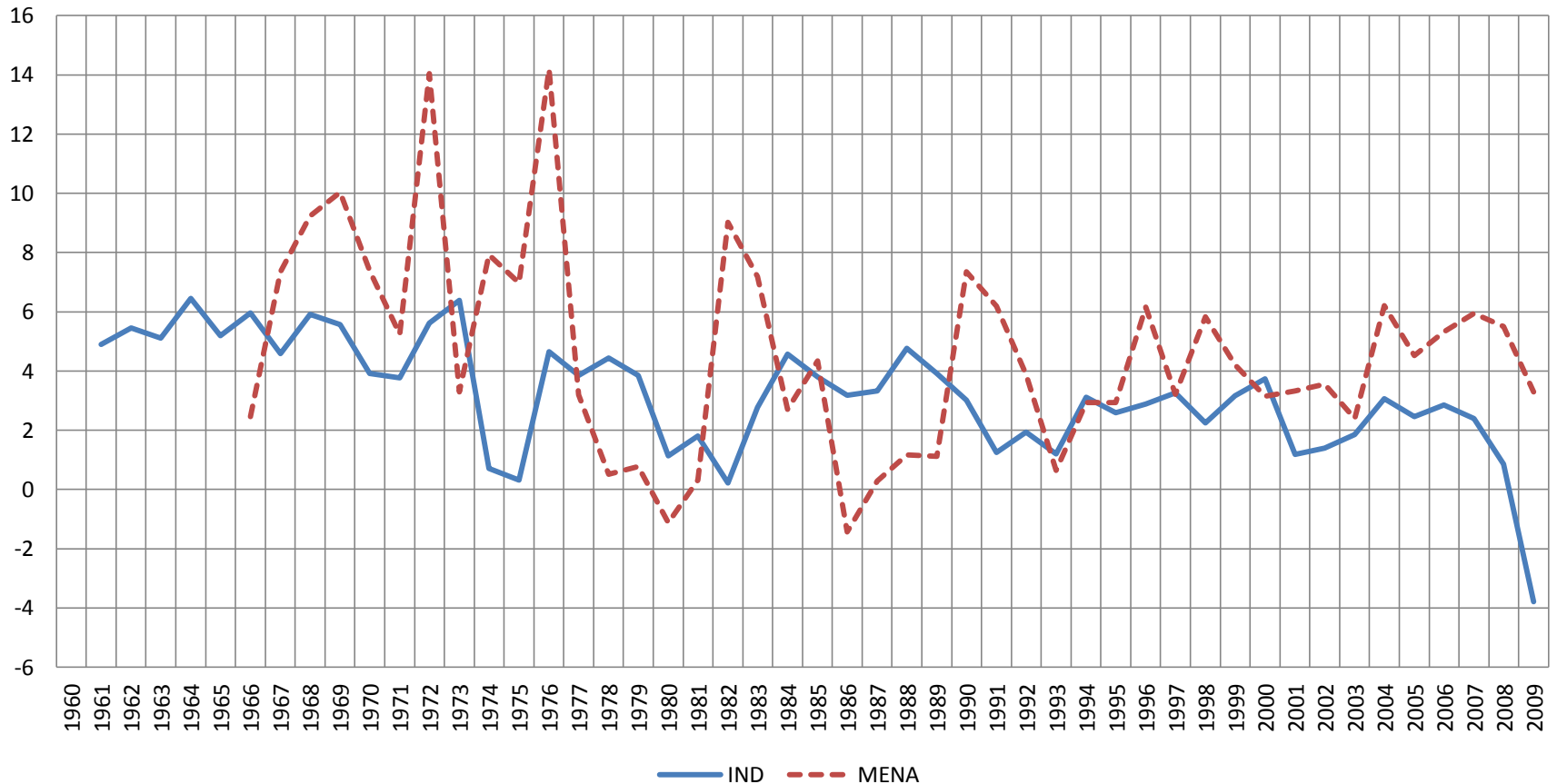
On business cycles – SSA (Source: World Development Indicators Database)

Sub-Saharan Africa- Business cycles (GDP annual growth)



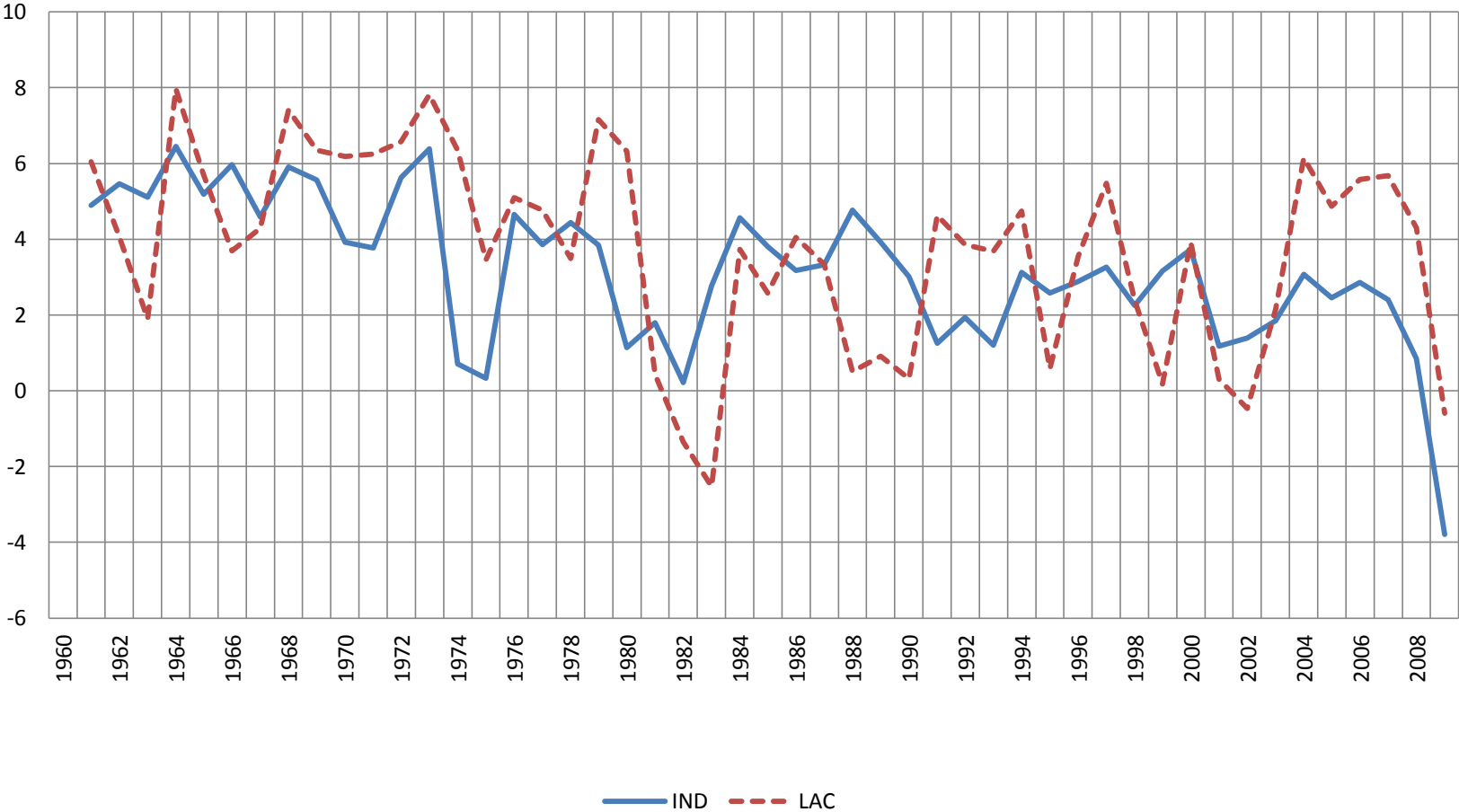
On business cycles – MENA (Source: World Development Indicators Database)

Middle East and North Africa - Business cycles (GDP annual growth)



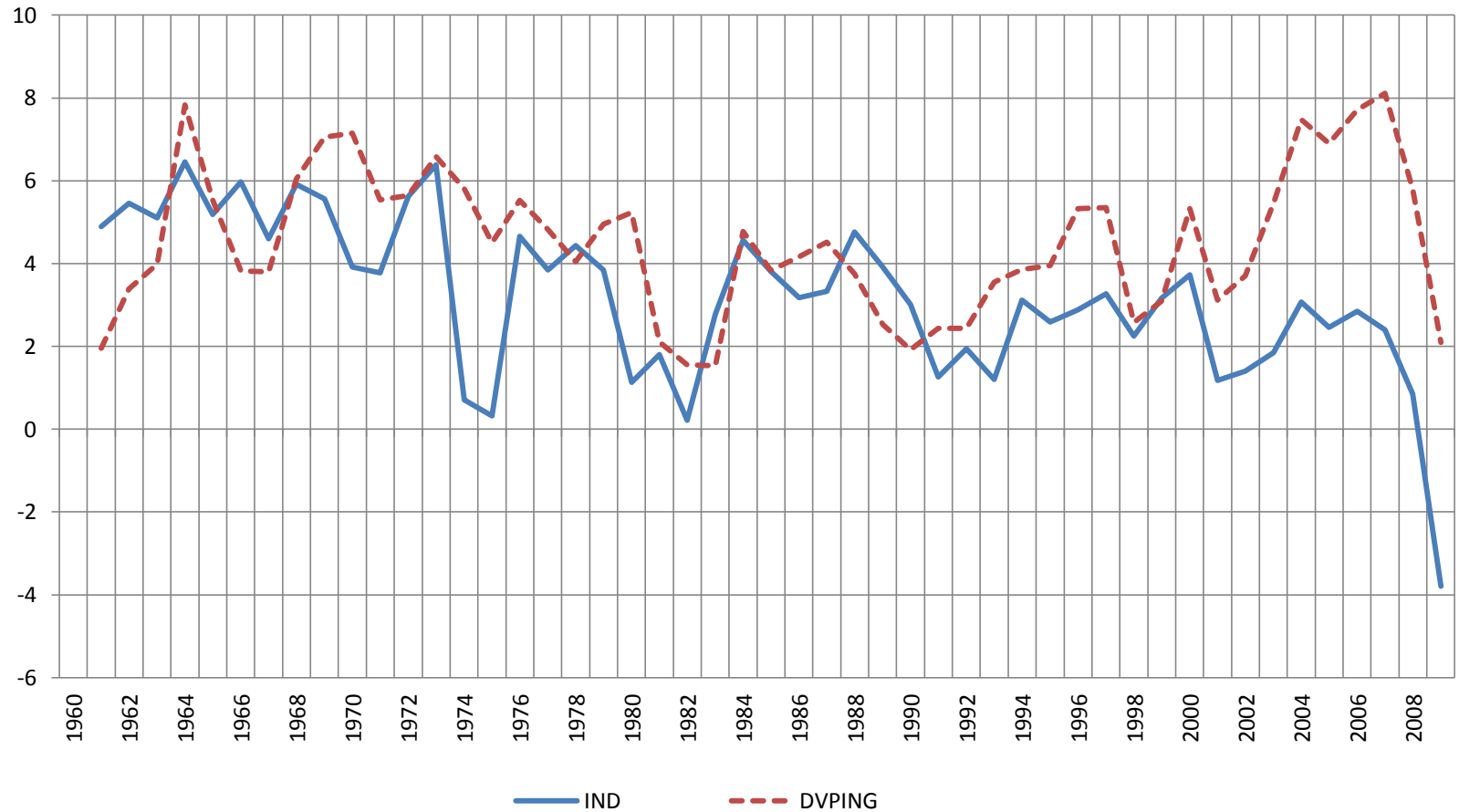
On business cycles – LAC (Source: World Development Indicators Database)

Latin America & the Caribbean - Business cycles (GDP annual growth)



On business cycles – Developing countries (Source: World Development Indicators Database)

Developing countries- Business cycles (GDP annual growth)



On business cycles – World economy (Source: World Development Indicators Database)

WORLD - Business cycles (GDP annual growth)

