

## VIEWPOINT

### The credit crunch and education: an historical perspective from the Kondratiev Cycle

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The current recession invites us to revisit the past and to reflect on the historical relationship between education and economic prosperity as well as economic downturn. My aim here is to discuss the potential contribution of history to a better understanding of the current economic crisis and its impact on education within the British and French contexts.

#### Looking back at the economic crisis: the Kondratiev cycle

There is a tendency in a good economic climate for research to focus on the sources of economic growth. Reactions to what is commonly called the credit crunch are worth having a look at. At first, analysts believed this crisis would be short-lived and that some adjustments would correct external turbulences. Then, the idea emerged that these exogenous factors were in fact revealing internal dysfunctions at the heart of the economic system. In other words, most economies are facing a systemic crisis and the mechanisms which drove the growth could be the same as those which had provoked the crisis. This idea, which until recently used to be considered as nonsense or radical, has today become mainstream or at least debatable. In this respect, the current recession marks a return of a political economy encompassing the combined analysis of political and economic processes, a will to reengage with the past and a careful ambition to inform the present and the future.

First of all, economic history shows us that crises like this one have happened before and that we have been warned. In his fascinating book on the depression of the 1930s, Galbraith concludes that:

... the wonder, indeed, is that since 1929 we have been spared so long. One reason, without doubt, is that the experience of 1929 burned itself so deeply into the national consciousness. It is worth hoping that a history such as this will keep bright that immunizing memory for a little longer. (1954, 29)

Unfortunately, the world economy has been shaken by several crashes and has faced major structural crises since Galbraith's warning. The book is apparently a bestseller again. It is regrettable that it has taken this crisis to spark a revived interest in Galbraith's analysis of the tensions between the financial and economic spheres.

The depression of the interwar years perfectly illustrates these tensions and as a result has become the point of reference for making historical parallels with the current crisis. However, it is worth noting that recurrent phases of crisis since the industrial revolution of the late eighteenth century have also been observed and interpreted by major works on economic cycles. This paper will focus on the Kondratiev cycle (or long wave) named after the Russian economist Nikolai Kondratiev (1892–1938). In the 1920s, Kondratiev analysed historical economic and

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financial statistics in major industrialized countries and identified a succession of 20- to 25-year-long phases of prosperity and depression. The cycle outlived its discoverer and in general, four long waves of approximately 50 years have been identified, each of them showing expansion and depression phases: (1790–1820/1820–1848); (1848–1870/1870–1897); (1897–1913/1913–1945); (1945–1973/1973–?). Kondratiev cycles remain highly contentious and there are ongoing debates among economists and historians about their existence, their interpretation (the economy, gold discovery, wars, technology) as well as reservations about the deterministic view of history they tend to represent (Louçã and Reijnders, 1999). These are valid and important criticisms. However, a cautious interpretation of Kondratiev cycles may contribute to productive debate, not least in responding to Hobsbawm's call for collaboration between historians and economists to understand socio-economic transformations (1997), especially in such hard times.

### **Economic crises and education**

One of the many interpretations of the Kondratiev cycle considers it as the expression of the articulations between economic and human development (Fontvieille 1990). The cyclical economic upturns and downturns would be the results of the long-term interactions (sometimes positive, sometimes negative) between the development of social activities contributing to human development (and indirectly to economic performance) and the economic structure. The following will focus on education but similar trends have been observed with other social spending like health and pensions. The lens of the Kondratiev cycle offers a useful periodization of economic history of education and a way to identify and explore previous economic downturns in order to reflect on the current one.

Previous studies conducted in the UK and France concluded that in both countries the overall emergence and development of the educational system since the mid-nineteenth century was marked by substantial fluctuations in public expenditure on education connected to Kondratiev cycles (Carpentier 2003; Fontvieille and Michel 2002). Moreover, for the countries mentioned here trends in public expenditures were countercyclical before 1945 but not after. This suggests a reversal of the historical relationship between long economic cycles and public expenditure on education around the Second World War.

Before 1945, increased levels of public investment in education took place during long economic downturns (1830s–1850s, 1870–1890 and 1920s–1940s). In periods of economic, financial and social instability, such investments were needed (and mediated by the state) to overcome a situation of over-accumulation of capital (capital, though it may be abundant, is not invested efficiently) and revive productivity levels by developing the workforce in conjunction with new innovations (Freeman and Louçã 2001). They offered an escape route out of socio-economic crisis.

After 1945, a shift occurred as public funding of educational development became not only a way out of the crisis but a driver of economic growth. The funding of public education systems became a conscious instrument of the post-war economic growth before being particularly hurt by the shifts to a period of constraints on public finances in the 1970s downturn. It should be noted that, despite a renewed public effort to fund education from 1997, UK investment as a share of GDP remains below pre 1970s levels. In France, the effort to fund education in the mid 1990s has been weakened by strict budgets from governments in place since 2002 and, as a result, public expenditure as a share of GDP remains similar to its 1970s levels.

This historical analysis tends to designate the economic crisis of the mid 1970s as unique. For the first time a long economic downturn was accompanied by a slowdown in the growth of public funding in education. During previous crises, the dynamic of the economy was revived by

the development of a social infrastructure whose logic was not characterized by profit but by the use of an excess of capital in order to develop new sources of productivity. In the 1970s, there were some tensions between these two forms of regulation. In the context of stagflation (slow economic growth and inflation), the neoliberal policies represented new strategies to overcome this kind of crisis by reducing taxation and switching back the social infrastructure of human development to a form of capitalist regulation. However, the rise of private resources seems to act as a substitute for public funding rather than an additional resource for education and thus may be interpreted as interrupting social transformations (Carpentier 2006). But the economy has not really recovered from the downturn of the early 1970s. Instead the over-accumulation of capital was directed towards the financial sphere with catastrophic results.

### The current downturn and education

This framework suggests alternative interpretations of the current crisis and its links with education. Is the current crisis the beginning of a new depression (ending the prosperity of the 1990s) or the end of a longer one started in the mid 1970s?

Many in the UK would rightly see the era from the 1990s to the current crisis as years of prosperity characterized by low unemployment, high rates of growth and low inflation. This interpretation leads some people to say that we should therefore cut public spending until confidence and growth return (with a risk of accentuation of the fall of overall resources especially so if the crisis hits private sources of funding – donations/fees/private funding for research...).

A longer-term view could also lead to an interpretation of the 1990s as years of dynamic growth but still as an integral part of the depressive phase started in the 1970s. The current events throw new light on the fragile basis of growth (stagnating GDP per employment, toxic financial products and consumption sustained by private debt and cheap products from China). While undeniably different due to the level of globalisation, this crisis therefore may be considered as the end of the 1970s downturn where the necessary structural transformations are about to take place as they did during the previous downturns in the 1830s, 1870s and 1930s. In that sense, countercyclical public spending may be used to revive social cohesion (by reducing inequalities) and productivity through public expenditure on education and other areas related to human development and the environment (instead of creating another financial bubble).

This is not unrealistic or utopian as it has happened before. Past crises were turning points when the links between inequalities, economic performance and taxation were reassessed (Atkinson and Piketty 2007). This crisis may be an opportunity to produce a shift of attitude favouring the prospect of more egalitarian taxation rather than a systematic distrust of public spending. In the UK, the budget for public education today is around £71 billions. This represents 13% of all public expenditure and 5.6% of GDP. The various estimates of the bailout amount to one to two years of public education budget. It would be paradoxical if the bailout which brought public debt to an unprecedented level since the Second World War was to lead to cuts in funding of social sectors like education which have contributed to solutions to previous economic crises.

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