

Contents

<i>List of Figures</i>	<i>page</i> xi
<i>List of Tables</i>	xv
<i>List of Boxes</i>	xviii
<i>Acknowledgments</i>	xix
1 Introduction	1
1.1 Intensity and Determinants of Contractive Episodes	2
1.2 Events and Shocks Leading to Slumps	4
1.3 Organization of the Book	8
2 Recession and Depression: An Overview of Theories and Empirics	10
2.1 Introduction	10
2.2 Business Cycles, Recessions, Depressions, and Recoveries	10
2.3 Causes and Context of Recessions and Depressions	15
2.4 International Dimensions	20
2.5 Policy Responses to a Slump	21
2.6 Constraints for Countercyclical Demand Policies	23
2.7 Secular Stagnation and the Complex Recovery after a Slump	24
3 World War I, Hyperinflation in the 1920s, and World War II	25
3.1 Introduction	25
3.2 Empire, Globalization, and the Run-Up to World War I	27
3.3 World War I	29
3.4 The Consequences of World War I on Economic Activity	32
3.5 The Role of Military Spending	37
3.6 The Aftermath of World War I	39
3.7 Hyperinflation in Central Europe	41
3.8 Hyperinflation in Austria, Poland, and Hungary	45

3.9	World War II	50
3.10	The Aftermath of World War II	57
3.11	Concluding Remarks	59
4	The Great Depression of the 1930s	61
4.1	Introduction	61
4.2	Magnitude and Incidence of the Great Depression	66
4.3	Price Deflation and Terms of Trade Effects	70
4.4	Terms of Trade Effects, Primary Goods-Producing Countries, and the Periphery	72
4.5	The Complex Transition from Depression to Recovery in the United States	73
4.6	Depression in Europe and the Role of Exiting the Gold Standard in Bolstering Recovery	78
4.7	The Great Depression in Latin America and Southern Europe	82
4.8	Concluding Remarks	86
5	Stagflation in the 1970s, Globalization, and the Financial Crisis of 2008–2009	88
5.1	Introduction	88
5.2	American Hegemony: The Post-World War II Settlement	89
5.3	Golden Age, Stagflation, and Globalization	91
5.4	Core Economies: The United States, the United Kingdom, France, and Germany	91
5.5	The Southern European Periphery	95
5.6	The Onset of the Free-market Policies and Economic Turbulence	95
5.7	The Fall of Communism and the Rise of the Market Economy	98
5.8	The Global Financial Crisis of 2008–2009	100
5.9	Growth and Investment Cycles in Core Economies	102
5.10	Recession and Investment Adjustment in Southern Europe and Ireland	107
5.11	Conclusion	112
6	Two Depressions in the Early Twenty-First Century: The Cases of Latvia and Greece	114
6.1	Introduction	114
6.2	Latvia	115
6.3	Greece	123
6.4	Boom, Crisis, and Austerity	124

Contents

ix

6.5	The Program with the International Monetary Fund (IMF)	127
6.6	The IMF Underestimates Gross Domestic Product (GDP) Contraction, Neglects Distributive Impacts of Austerity, but Flags the Need for Debt Reduction	128
6.7	Credibility of Economic Statistics and the Size of the Fiscal Deficit	129
6.8	Adjustment Within and Outside a Monetary Union	130
6.9	Rising Public and Private Debt Ratios in Spite of Austerity	131
6.10	Some Political Economy Considerations	132
6.11	Conclusion	133
7	Soviet-Type Socialism and the Postsocialist Transition	135
7.1	Introduction	135
7.2	Brief Historical Overview	136
7.3	The Russian and Soviet Economies	136
7.4	Central and Eastern Europe	139
7.5	Recessions and Debt Cycles in Socialist Countries	144
7.6	The Postsocialist Shock and Depression in the 1990s	149
7.7	Causes of the Postsocialist Contraction	155
7.8	Debt-led Growth and the Recessionary Cycle of 2008–2009	156
7.9	Conclusion	159
8	Economic Crises in Latin America and East Asia	160
8.1	Introduction	160
8.2	A Half-Century of Crises and Output Volatility in Latin America	161
8.3	Causes and Types of Crisis	166
8.4	High Frequency of Crisis and Contractions: Argentina and Venezuela	167
8.5	Chile: Transition to Fewer and Milder Recessions	176
8.6	Mexico: The “Tequila Crisis” and Other Recessions	179
8.7	The Asian Crisis of 1997–1998	182
8.8	Conclusion	192
9	Synthesis and Interpretation	193
9.1	Introduction	193
9.2	U, V, and W Cycles of Contraction and Recovery	193
9.3	Are Wars Economically Contractionary or Expansionary?	194
9.4	The Great Depression, Stagflation, and the Global Financial Crisis of 2008–2009	194

x	<i>Contents</i>	
9.5	Developing Countries and Emerging Economies Crises	195
9.6	Crashes of Exchange-Rate Regimes	195
9.7	Does Economic Contraction Come with Deflation, Inflation, or Hyperinflation?	196
9.8	Postsocialist Transitions	197
9.9	Countercyclical Policies and Macroeconomic Theory	198
	<i>Appendix</i>	200
	<i>References</i>	207
	<i>Index</i>	215