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## **THE 43-YEAR ECONOMIC CYCLE: IMPLICATIONS OF NEO-MERCANTILISM AND PROTECTIONISM FOR URBAN PLANNING**

### ***Summary***

*This article explores the significance of 43-year economic cycles and their impact on modern economic policies and urban planning. It introduces a diamond-type multivector index designed to help urban planners anticipate and adapt to the current phase of the cycle, emphasizing the resurgence of neo-mercantilism and protectionism. This research also investigates the phases within a 43-year economic cycle and their implications for urban planning. By analyzing historical patterns of growth, conflict, and restructuring, the study highlights the cyclical nature of economic dynamics. Key indicators such as the proximity of conflict, rising protectionism, declining savings, and shifts in fashion trends suggest an imminent transition from growth to crisis. The research emphasizes the relevance of neomercantilism in contemporary economic policies, particularly in the context of urban planning. As global financial systems evolve, cities must adapt their strategies to ensure resilience and sustainability. Understanding these cyclical patterns allows urban planners to anticipate economic shifts, safeguard local economies, and navigate the complexities of modern economic environments, ultimately fostering sustainable growth and stability.*

**Problem Statement.** The recurring nature of economic cycles, particularly the 43-year cycle, has profound implications for economic policies and urban planning. In the current phase, characterized by rising protectionism and neo-mercantilist tendencies, there is a pressing need for tools that help urban planners anticipate economic shifts and develop resilient strategies. This article addresses the gap in practical frameworks for understanding and navigating these cycles.

**Review of Previous Studies.** The concept of economic cycles lasting approximately 40 years has been discussed in various studies across economics and social sciences. These cycles are sometimes referred to as "long waves" or "Kondratiev waves," named after the Russian economist Nikolai Kondratiev,

who first proposed the theory in the 1920s. The following notable researchers and works contributed to this concept:

**Nikolai Kondratiev** is best known for his theory of long waves in economic life, which he proposed in his work "The Long Waves in Economic Life" (1925). He suggested that capitalist economies experience cycles of boom and bust approximately every 40-60 years, driven by technological innovation and capital investment.

**Joseph Schumpeter** expanded on Kondratiev's ideas in his book "Business Cycles" (1939). He integrated the concept of long waves into his broader theory of economic development, emphasizing the role of "creative destruction" and technological innovation in driving these cycles.

**Christopher Freeman and Francisco Louçã**, in their work named "As Time Goes By: From the Industrial Revolutions to the Information Revolution" (2001), explored the historical context and evolution of long waves, examining how technological advancements and institutional changes shape economic cycles.

Milton Friedman's analysis of monetary history provides valuable insights into the cyclical nature of economic trends, particularly as it relates to the 43-year economic cycle discussed in this research. In his work "Monetary Mischief: Episodes in Monetary History", an exploration of various episodes of monetary mismanagement offers a historical backdrop for understanding how financial systems influence broader economic cycles. Friedman's work underscores the importance of monetary policy in triggering or mitigating economic crises, which aligns with the study's examination of how changes in financial systems, such as shifts towards cryptocurrencies, signal impending transitions in economic phases.

Charles Kindleberger's seminal work on the Great Depression named "The world in depression, 1929-1939" serves as a critical reference for understanding the conflict and crisis phases within the 43-year economic cycle. His analysis of the global economic collapse during the 1930s provides a clear example of how geopolitical tensions and economic policies can lead to widespread financial turmoil. Kindleberger's exploration of the breakdown of international cooperation and the rise of protectionism during this period parallels the resurgence of neomercantilist strategies identified in the current research.

Angus Maddison's comprehensive analysis of the world economy over the past millennium named "The World Economy: A Millennial Perspective", offers a long-term view of economic cycles, providing context for the 43-year cycle framework. His work illustrates the ebb and flow of economic growth, conflict, and restructuring across centuries, which aligns with the phases identified in the current research. Maddison's emphasis on the historical patterns of economic development and the role of institutional change

complements the study's focus on understanding these cycles for better urban planning.

Douglass North's exploration of the role of institutions in shaping economic performance in a work named "Institutions, Institutional Change and Economic Performance" is integral to understanding the socio-economic dynamics within the 43-year cycle. His analysis of how institutions evolve and adapt to changing economic conditions provides a theoretical framework for the study's discussion on the rise of protectionism and the decline in savings. North's work highlights the importance of institutional stability and adaptability in maintaining economic growth, particularly during periods of conflict and restructuring.

Carmen Reinhart's and Kenneth Rogoff's examination of financial crises across centuries in their work titled "This Time is Different: Eight Centuries of Financial Folly" offers a compelling argument for the cyclical nature of economic crises, echoing the 43-year cycle discussed in this research. Their work demonstrates how financial folly, often fueled by overconfidence in economic stability, leads to recurring crises. This analysis supports the study's focus on the importance of recognizing early warning signs, such as declining savings and rising inflation, to anticipate economic downturns.

**Carlota Perez**, in a book "Technological Revolutions and Financial Capital: The Dynamics of Bubbles and Golden Ages" (2002), provides an in-depth analysis of long-term economic cycles. She examines the interplay between technological revolutions and financial markets, arguing that each cycle consists of a period of installation and a period of deployment of new technologies.

**Ernest Mandel**, in his book "Late Capitalism" (1972), discussed the long waves in the context of Marxist economic theory. He analyzed how these cycles relate to the broader dynamics of capitalist development and crises.

Karl Polanyi's book "The Great Transformation" is a seminal work that explores the socio-economic shifts leading to the development of modern market economies, providing a critical lens through which to view the 43-year economic cycle. Polanyi's analysis of the transition from pre-industrial societies to market-based economies aligns with the study's emphasis on cyclical economic phases, particularly the rise of protectionism and the decline in savings observed in the current research.

Joseph Stiglitz's critique of globalization and its impact on economic stability offers a critical perspective on the external factors influencing the 43-year cycle in his work named "Globalization and its Discontents". His work highlights the tensions between global economic integration and national economic policies, which are relevant to the study's discussion on the rise of protectionism and the challenges of maintaining economic stability in an interconnected world. Stiglitz's analysis of the socio-economic

disparities exacerbated by globalization aligns with the study's focus on the decline in savings and the socio-economic pressures facing the lower middle class.

These researchers and their works have contributed significantly to our understanding of long-term economic cycles, often referred to as Kondratiev waves, and their impact on economic and social developments. These and other previous studies have extensively documented economic cycles, including Kondratiev waves and shorter business cycles. However, there is limited research on the practical application of these cycles in urban planning. The resurgence of neo-mercantilism and its impact on global trade dynamics has been analyzed in historical contexts, such as the 1930s and 1970s, but contemporary analyses remain sparse. This article builds on foundational works by Schumpeter, Polanyi, and more recent economic theorists to provide a contemporary perspective.

**Methods.** This study employs a historical-comparative analysis of past 43-year cycles, identifying key economic indicators and policy shifts. It introduces a diamond-type multivector index to assess the current phase of the cycle. Indicators include the proximity of conflicts, protectionism levels, savings dynamics, fashion trends, inflation rates, and anticipated changes in the global financial system. Data is drawn from historical records, economic reports, and current geopolitical analyses.

**Goal of the Article.** The primary goal of this article is to provide urban planners with a practical framework for understanding and responding to the phases of the 43-year economic cycle. By identifying key indicators and trends, the article aims to equip planners with the tools needed to develop strategies that enhance economic resilience and sustainability in the face of cyclical economic shifts.

### **Cultural Manifestations of the 43-Year Cycle**

The 43-year economic cycle is not only characterized by economic and political shifts but also by distinct cultural manifestations, particularly evident in architectural styles and societal behaviors. One of the key indicators of these cultural shifts is the preference for specific architectural styles that reflect the socio-economic conditions of the time. During the constructivist periods of the 1930s, 1970s, and the 2020s, there is a notable trend towards housing designed for the lower middle class. This demographic, having expanded over the decades, has the purchasing power to acquire homes but often avoids extravagance, preferring essential comforts. The housing style of these periods is functional and minimalistic, incorporating a few restrained luxury elements, often as imitations of more expensive materials. This approach provides the lower middle class with a sense of achievement and reward for their economic

contributions, reflecting a broader cultural ethos of practicality and modest prosperity.

The economic acceleration observed in the 2015-2020s mirrors the demands of the 1930s, where efficiency and productivity were paramount. Individuals are increasingly incentivized with monetary rewards, yet they also face the encroachment of economic demands on their personal time. This dynamic is not unique to this era; a similar trend was noted from 1968 to approximately 1978, where the growing lower middle class, characterized by practical needs, embraced new technologies. This group replaced an earlier generation that had been more idealistic, aspiring towards ambitious, utopian goals, such as the colonization of Mars.

The aesthetic and cultural elements of the 2015–2024 period bear striking similarities to the high-end styles of the 1970s, suggesting a cyclical nature in cultural preferences. This era also sees the re-emergence of social phenomena that parallel past movements, such as the hipsters of the 2010s, who echo the countercultural ethos of the hippies from the late 1960s to mid-1970s. This pattern of cultural resurgence and reinterpretation is indicative of the cyclical nature of cultural expression within these broader economic cycles. For example, men's hairstyles at the beginning of the 1990s, which resembled those of the early 1950s, further illustrate this recurring cultural motif, demonstrating a roughly 40-year gap between similar trends.

### **Historical Manifestations of the 43-Year Cycle**

The events of the 1930s serve as a historical parallel to contemporary developments, highlighting the cyclical nature of economic and social crises. The prolonged economic depression in the United States during this period led to widespread hunger and the expropriation of farmers' properties, a situation mirrored by significant events in the Soviet Union. In Europe, the 1930s were characterized by a combination of rising taxes and economic growth, while the USSR shifted decisively towards a military-oriented economy. This shift involved the mobilization of inexpensive and mass labor resources, aiming to support the state's economic and strategic goals. The average standard of living in Europe generally improved during this period, contrasting with the more contentious economic situation in the United States, where the Great Depression had severe socio-economic impacts.

The 1930s also marked a period where Europe became an increasingly attractive target for global conflict players. The continent's geopolitical landscape was shaped by local conflicts that served as testing grounds for future global adversaries. This period of geopolitical tension foreshadowed the broader conflicts that would engulf the world in the subsequent decades.

## **Socio-Economic Factors Defining the 43-Year Cycle**

### *Cultural Movements and Social Protest*

The 43-year cycle is also characterized by distinct cultural movements and social protests, often emerging among the youth. The hipsters of the 2010s can trace their cultural lineage back to the hipsters of the 1930s, with the hippie movement of the late 1960s to mid-1970s serving as an intermediary cultural phenomenon. These movements are often expressions of social protest or a desire to stand out in society, reflecting broader socio-economic and cultural shifts. The recurring emergence of such movements suggests a cyclical pattern in cultural responses to economic and political conditions.

### *Threat of Global Conflict*

A recurring feature near the end of each 43-year cycle is the realistic threat of global conflict. In the early 1930s, there was a palpable sense of an impending large-scale conflict, which eventually culminated in World War II. Similarly, the citizens of the participating countries in the arms race during the 1970s were acutely aware of the potential for a nuclear apocalypse. In the mid-2020s, there is a growing perception that the world is on the brink of chaos, with geopolitical tensions rising. The end of these cycles is often marked by bloody local wars, where future global conflict participants train and test new developments. The war in the 1930s cycle emerged within 5–10 years, leading to the dismantling of political orders in Europe and Japan. While the anticipated conflict in the 1970s cycle did not materialize into a world war, the subsequent collapse of the Soviet bloc 10–15 years later reshaped the political landscape of Europe. The current conflicts in the Middle East and Ukraine during the mid-2020s are similarly poised to transform the political order of Europe and potentially China. The 12-year periods from 1925–1937, 1968–1980, and 2014–2024 thus represent the last phase of relative stability in each cycle, with an undesirable future already on the horizon.

## **Phases and Duration of the 43-Year Cycle**

The 43-year cycle can be divided into distinct phases, each characterized by unique socio-economic and cultural dynamics. The intervals between these cycles range from 32 to 44 years, with each phase lasting approximately 12 years. The cycle can be broken down into the following phases:

**12 years of stability:** This phase is marked by relative economic and political stability, allowing for steady growth and development.

**9–10 years of conflict:** This phase often involves significant geopolitical tensions and local conflicts, which can lead to broader global ramifications.

**10–12 years of reconstruction and development:** Following periods of conflict, this phase focuses on rebuilding and developing economies and societies, often characterized by innovation and progress.

**9–10 years of accumulation and simplification:** In this phase, economies and societies consolidate gains, streamline processes, and prepare for the next cycle.

These phases highlight the cyclical nature of economic, political, and cultural dynamics, offering a framework for understanding historical patterns and anticipating future trends.

### **Comparison of 43-Year Cycles and Kondratiev Waves**

We also present here a comparative analysis of the 43-year economic cycles and Kondratiev waves, two distinct long-term economic patterns characterized by recurring phases. The 43-year cycle, identified by its unique socio-economic and cultural dynamics, can be divided into four phases: approximately 12 years of stability, marked by steady growth and development; 9–10 years of conflict, often involving significant geopolitical tensions and local conflicts; 10–12 years of reconstruction and development, focusing on rebuilding economies and societies with innovation; and 9–10 years of accumulation and simplification, where economies consolidate gains and streamline processes. These phases highlight the cyclical nature of historical patterns and provide insights into future trends.

Kondratiev waves, with a characteristic period of 50 years, and a possible deviation of 10 years (ranging from 40 to 60 years), also exhibit phases of relatively high and low economic growth. Kondratiev identified four empirical patterns in the development of these long cycles: (1) significant changes in societal economic conditions, such as technological inventions and the emergence of new economic powers, typically precede or coincide with the upward wave of each cycle; (2) upward phases are often associated with significant social upheavals and revolutions; (3) downward phases are marked by prolonged agricultural depressions; and (4) these long economic cycles are linked with medium-term Juglar cycles, with the nature of surrounding medium-term cycles influencing the phases of Kondratiev waves.

This comparison reveals that both 43-year cycles and Kondratiev waves are influenced by similar socio-economic factors, such as technological advancements and geopolitical shifts. However, they differ in their duration and specific manifestations, offering distinct frameworks for understanding economic and social transformations, thus providing a deeper understanding of the cyclical nature of economic growth and decline, and navigating future economic trends.

### **The 12-Year Phase of "Stability" within the 43-Year Cycle**

#### *Energy Crises*

The 12-year phase of "stability" within the 43-year economic cycle is often marked by significant energy crises. Historically, these crises have played a

pivotal role in shaping economic and political landscapes. Notable examples include the OPEC oil crises of 1973 and 1979-80, which caused widespread economic disruptions and shifts in global energy policies. In contemporary times, there is an artificial increase in energy prices, driven partly by the development of renewable energy sources and geopolitical factors. These crises highlight the ongoing struggle for energy security and the challenges associated with expanding energy consumption in a context of limited resources and geopolitical tensions.

During the industrialization of the former USSR, efforts such as the construction of the giant hydroelectric power plants were emblematic of the drive for increased energy production. Similarly, in the United States, projects like the Hoover Dam represented significant investments in energy infrastructure aimed at supporting industrial growth and expansion. These historical examples illustrate how states and economies have sought to expand energy consumption to support economic development, often encountering artificial constraints that limit this growth. Although not all energy crises align perfectly with the phases of the 43-year cycle, they often emerge from the broader struggle for increased energy consumption and the challenges of managing finite resources.

#### *Historical Context and Industrial Economy*

Our analysis focuses on the 43-year cycles primarily applicable to deeply industrialized economies, reflecting the mass production and consumption patterns characteristic of such systems. Earlier periods are not considered, as the cycles in question emerged within the context of industrialization, where European civilization had already established a global presence. These cycles are indicative of economies experiencing frequent debt crises, overproduction, and the phenomenon of "excess" human resources, where the workforce exceeds the demands of the economy. In these industrialized economies, centralized state control and the presence of global spheres of influence play significant roles. Additionally, the existence of super-wealthy financial elites shapes economic and political dynamics, influencing policy decisions and economic strategies. The cycles are thus intertwined with the broader context of industrial capitalism, characterized by rapid technological advancements, resource exploitation, and the centralization of economic power.

#### *Avoidance of Global Conflicts*

The cyclical nature of these 43-year phases suggests that global wars and major conflicts might have been avoided under different circumstances. For instance, if there had been undeveloped colonies or unexplored, resource-rich territories available to absorb excess populations, the pressures leading to global conflicts might have been mitigated. The absence of centralized state control and the overwhelming influence of financial elites might have also played a role in preventing conflicts such as World War II.



In the mid-1970s, prudent decision-making by leaders from key countries helped avert a global nuclear war, which could have had catastrophic consequences for humanity. This period of relative stability was marked by diplomatic efforts and a cautious approach to international relations, reflecting an understanding of the devastating potential of nuclear conflict. The avoidance of global conflicts during these critical junctures underscores the importance of effective leadership and international cooperation in maintaining global stability.

#### *Role of the COVID-19 Pandemic*

The COVID-19 pandemic, which resulted in the deaths of over 7 million people globally, can be viewed as a contemporary event with significant implications for the 43-year cycle. In some respects, the pandemic acted as a deterrent to the outbreak of a larger, global military conflict, which might have been motivated by similar pressures to those observed in previous cycles. A hypothetical global conflict reflects historical patterns of using conflict as a means to address demographic and economic pressures.

The pandemic's impact on global populations and economies has been profound, highlighting the vulnerabilities and interdependencies of modern societies. It also serves as a reminder of the potential for unforeseen events to disrupt and reshape economic and political dynamics. The cycles discussed may be temporary phenomena, potentially disappearing as social orders transform and new paradigms emerge. The COVID-19 pandemic, as a significant global event, underscores the complex interplay between health, economy, and geopolitical stability, illustrating the multifaceted challenges facing contemporary societies.

In other words, the 12-year phase of "stability" within the 43-year cycle is characterized by significant events and trends that shape the course of global economic and political history. From energy crises to the avoidance of global conflicts, and the impacts of the COVID-19 pandemic, these phases reflect the cyclical nature of economic and social dynamics. Understanding these cycles and their implications is crucial for policymakers and scholars seeking to navigate the complexities of modern economies and societies.

### **Inflation and Economic Imbalance as Indicators of the 43-Year Cycle**

1. *Inflation and Economic Exhaustion.* Two other critical factors indicating the presence of a 43-year cycle are inflation and economic exhaustion or severe imbalances in the country issuing the world's primary international reserve currency, coupled with the anticipated shift in the global monetary system. In the 1930s cycle, this shift occurred at the end of World War II (1944-Bretton Woods). In the 1970s cycle, it happened instead of a global armed conflict, amidst regional wars and high inflation in the issuing country of the world's payment equivalent (1974-Jamaican currency system). In our current cycle, we

anticipate this change (potentially replacing the US Dollar with a cryptocurrency-based UNIT), and it is already "on the near horizon." The inflation of the US Dollar, although moderated for American consumers, effectively spreads across global economies, particularly in developing countries. The mercantilism we observe is a partial defensive response by countries and national producers to the global imposition of "global" inflation.

2. *Preparation for Conflict and Economic Growth.* It is notable that towards the end of each 43-year cycle, states, political forces, and global financial elites begin preparing for either open or hybrid war, which over the next 10–12 years will radically alter the European political landscape. However, following the conclusion of such wars, Europe typically experiences a period of rapid economic growth, often accompanied by a changed monetary system.

3. *The Role of Europe as a "Heartland".* Why do we emphasize Europe in our assessments? Europe serves as a kind of "heartland," having endured numerous micro-civilizations, and global players periodically contend for it, particularly during the extreme phases of cycles, recognizing it as a valuable stage for rapid cyclical development. In contrast, North America has not experienced recurrent changes in micro-civilizations, and South America has regularly been set back in social development by such changes. Regarding China's internal Asia, there is historical stagnation and a lack of rapid progress with each cycle growth. Nonetheless, it has demonstrated survival regardless of historical epoch, making it a potential second candidate for the role of "heartland."

### **The reason for a linkage of 43-year cycles and mercantilism**

Our study explores the recurring 43-year economic cycles characterized by phases of growth, conflict, and restructuring. These cycles, deeply rooted in historical patterns, reveal a consistent ebb and flow in economic activity and policy responses. In recent decades, we have observed a resurgence of neomercantilism, particularly pronounced at the end of these cycles. This resurgence highlights the cyclical nature of economic and political strategies, where nations increasingly turn to protectionist measures and state intervention as a response to economic uncertainties and geopolitical tensions. Such protective measures mirror historical patterns, reflecting a strategic preparation for anticipated periods of instability. By examining these cycles and the corresponding policy shifts, the study underscores the importance of cyclical analysis in understanding contemporary economic policies and their broader implications for global trade and national economies. The interplay between long-term economic cycles and neomercantilist strategies provides crucial insights for policymakers, enabling them to navigate the complexities of the modern global economy and to anticipate the impacts of these cyclical shifts on economic and political landscapes.

## **The Problematics of Mercantilism in its Modern Manifestation**

### *Limitations of Heckscher-Ohlin Theorems*

The Heckscher-Ohlin theorems, central to classical trade theory, posit that countries will export goods that utilize their abundant factors of production and import goods that require factors in relative scarcity. However, in the contemporary global economy, several logistical challenges significantly restrict the applicability of these theorems.

First, the monopolization of large-scale procurement has skewed market dynamics, limiting the extent to which comparative advantages can manifest. Multinational corporations with substantial market power can influence prices and supply chains, thereby disrupting the natural flow of goods predicted by the Heckscher-Ohlin model.

Second, tariffs and state-imposed trade regulations have increasingly shaped international trade, creating artificial barriers that the Heckscher-Ohlin theorems do not fully account for. These regulations often reflect national interests rather than purely economic considerations, further complicating the theoretical framework.

Third, the irreversible depletion of certain resources and production factors, such as rare earth minerals, affects global trade patterns. This depletion limits the availability of essential inputs for production, thereby constraining the potential for countries to specialize according to their comparative advantages.

Fourth, variations in workforce qualifications, which encompass disparities in education, skills, and productivity, introduce significant deviations from the Heckscher-Ohlin assumptions of factor homogeneity. Such differences mean that labor is not as interchangeable or adaptable as the theory suggests, leading to persistent inequalities in global trade.

Finally, tariff exemptions and special economic agreements create exceptions that undermine the general applicability of the Heckscher-Ohlin theorems. These exemptions often arise from political negotiations rather than economic efficiency, further complicating the theoretical landscape.

The resurgence of mercantilist thinking, which emphasizes state intervention and the accumulation of wealth through trade surpluses, appears increasingly relevant in addressing these contemporary challenges. The core ideas of mercantilism, conceptualized over 400 years ago, resonate with modern economic policies and practices.

### *The Idealistic Nature of Heckscher-Ohlin Theorems*

The Heckscher-Ohlin theorems, developed between 1919 and 1952, are grounded in idealistic assumptions that may no longer hold in the complex realities of today's global economy. These theorems assume a world with minimal constraints on trade, perfect competition, and the free movement of factors of production. However, the modern economic landscape is

characterized by numerous constraints and trade regulations that challenge these assumptions.

As a result, the emergence of comparative advantages in interregional trade is increasingly questioned. The simplistic view that countries can benefit from specializing in the production of certain goods does not account for the strategic interests, economic dependencies, and geopolitical considerations that shape international trade today. This growing disconnect suggests that the relevance of the Heckscher-Ohlin theorems is diminishing in the face of modern economic complexities.

#### *Resurgence of Mercantilism*

In light of the limitations of the Heckscher-Ohlin theorems, there has been a resurgence of interest in the old yet functional model of mercantilism within the context of international economic relations and private law. This model, which emphasizes the role of the state in regulating trade and accumulating wealth, offers a more pragmatic approach to navigating the challenges of global trade. The return to mercantilist principles reflects a broader trend towards protectionism and economic nationalism, particularly as countries seek to protect their industries and mitigate the impacts of global economic volatility.

#### *Comparative Advantage and International Trade*

The proponents of comparative advantage theories, along with advocates for aggressively expanding international trade, have often overlooked the evolving roles of former colonies and developing nations. As these countries have grown and developed, they have become increasingly significant players in regional and global politics. The simple narrative of metropolises exploiting comparative advantages has been complicated by issues such as technology transfer, intellectual property theft, and the rising standards of living in former colonies. As the economic and political power of these nations grows, the traditional models of international trade are challenged.

Furthermore, as metropolises face systemic socio-economic crises, the attractiveness of mercantilist strategies becomes more apparent. The emphasis on state intervention, protectionist measures, and the accumulation of wealth aligns with the need to address economic instability and secure national interests. Even in contemporary times, mercantilist policies continue to influence economic strategies, reflecting a pragmatic approach to international trade that prioritizes national economic security over theoretical ideals.

As we can suggest, the reemergence of mercantilism highlights the ongoing relevance of state-centric economic policies in a globalized world. This perspective provides a critical lens for understanding the limitations of classical economic theories and offers practical insights for navigating the complexities of modern economic relations.

## **The Connection between Neomercantilism and the 43-Year Cycle**

1. *Neomercantilism and Cyclical Phases.* The trend of aggressive protectionism and nationalism aligns closely with the concluding phase of the 43-year cycle we are examining. Trade liberalism, to some extent, contributes to the improved living standards of broad segments of the population, while protectionism redistributes the market, enriching primarily local producers and exporters. Countries often adopt protectionism, preparing for a period of closure and mobilizing domestic resources to achieve predominantly political rather than economic goals.

2. *Historical Patterns of Neomercantilism.* Neomercantilism was evident in mid-1930s Europe, resurfaced in the mid-1970s, and is becoming noticeable again in the early to mid-2020s. Typically, mercantilism in Europe gains state support through protectionist policies either immediately after or at the end of an economic crisis, as a means of developing national industries, production, and job creation.

3. *Protectionism and Economic Cycles.* One application of protectionism in Europe is the development of industries in former resource-based economies, which aim to increase the level of product refinement and thus boost their wealth by increasing the share of value-added in their exports. In such cases, the general population's living standards may suffer, while large domestic producers and the state benefit strategically. However, a positive aspect of protectionism is the creation of more manufacturing jobs.

4. *Strategic Implications.* Over 10–15 years, the state might prepare for confrontation with other players, aiming to secure advantageous positions when liberal trade becomes untenable. Regional or global crises also drive states towards protectionism, as they remain uncertain whether future trade liberalization will benefit them or create significant risks for their national economic systems.

## **The Relevance of Mercantilism in Understanding Cycles and Urban Development**

1. *Historical Context and Modern Implications of Mercantilism.* Mercantilists, when implementing their principles, believed that protectionism benefited the state and themselves. In the medieval period, the state was unequivocally identified with the monarch, and the lives of ordinary people were of little consideration. Trade liberalism, stemming from free trade principles, was advanced by officials of large trading companies. After World War II, it became a method to improve the living standards of the broader population, as the economy needed to ensure continuous GDP growth. This growth was feasible through an increase in productive population and

consumer-driven economic expansion. The conflict between liberalism and protectionism on a global scale can trigger serious crises and confrontations.

2. *Understanding Cycles for Urban Planning.* Why is understanding cycles essential for those planning urban development? Firstly, recognizing the current phase of a cycle and responding to the threat of wars is crucial. Secondly, understanding the nature of socio-economic processes and incorporating them into forecasts, including budgets, is vital. This includes considering unemployment rates, interest rates, the availability of consumer goods, logistics trends, and tourism patterns.

3. *Benefits of Mercantilist Knowledge for Urban Management.* Given significant autonomy in decision-making due to self-governance reforms, a city operates as an independent economic entity. Unlike the state, cities often lack extensive territories and natural or agricultural resources. The residents of a city are independent economic agents, with some acting as investors. Thus, the city is viewed by investors as a platform for development, production, innovation, and mediation. The concept of mercantilism can be more relevant for cities than modern theories of advantages in international/interregional trade.

4. *Strategic Urban Planning through Mercantilist Principles.* Incorporating mercantilist principles can help cities focus on building robust local economies. Protectionist measures can safeguard local industries from external competition, encourage investment in domestic enterprises, and enhance economic resilience. Urban planners can use this knowledge to prioritize infrastructure projects, foster local businesses, and attract investments that align with the city's strategic goals.

### **Practical Application of the Diamond-Type Multivector Index for Urban Planning**

Which Stage of the Cycle Are We In? For practical use by urban planning authorities, we propose a diamond-type multivector index that provides orientation within the current phase of the cycle and offers metrics that allow the development strategy of the settlement to be adapted to the expected reality.

Indicator 1: The Expected Proximity of a Major Regional or Global Armed Conflict

- Very High
- High
- Medium
- Low
- Very Low

Indicator 2: Degree of Protectionism in Regional Economies

- Very High
- High
- Medium
- Low
- Very Low

Indicator 3: Dynamics of the Decline in Real Savings of the Lower Middle Class

- Very High
- High
- Medium
- Low
- Very Low

Indicator 4: Current Trends in Fashion and Style for the Lower Middle Class:

- Space Age style (high-tech simplified) or analog
- Mid-century (international balanced standard) or analog
- Art Deco (heavy decorative) or analog
- Constructivism (high-tech utilitarian) or analog
- Art Nouveau (high-tech decorative), high-tech or analog

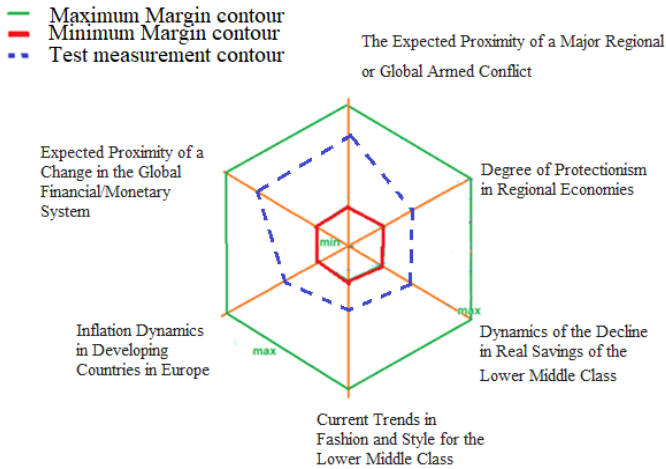
Indicator 5: Inflation Dynamics in Developing Countries in Europe:

- Very High
- High
- Medium
- Low
- Very Low

Indicator 6: Expected Proximity of a Change in the Global Financial/Monetary System:

- Very High
- High
- Medium
- Low
- Very Low

Graphically, the index can be shown as a 6-arrow star:



**Figure 1. Sample graphic representation of a 43-year cycle multivector index**

*Source: author's own research*

### **Findings and Discussion**

This research aims to establish a comprehensive framework for understanding the phases within a 43-year economic cycle and to apply this understanding to urban planning. Historically, these cycles are characterized by distinct phases of growth, conflict, and restructuring, each with significant implications for economic policies and social trends.

#### *Proximity of Conflict*

Historically, the perceived proximity of major conflicts has been a reliable indicator of the end phase of these economic cycles. Presently, geopolitical tensions and regional conflicts suggest a heightened likelihood of significant armed conflict. This phase often marks the transition from economic growth to a period of crisis and restructuring.

#### *Rise of Protectionism*

In recent years, there has been a notable increase in protectionist measures globally, reflecting a shift from liberal trade policies to more nationalistic economic policies. This trend is evident in the increasing trade barriers and tariffs, mirroring the protectionist sentiments observed during the 1930s and 1970s. This shift suggests a growing emphasis on safeguarding domestic industries and reducing dependence on international trade.

#### *Decline in Savings*

The lower middle class is experiencing a significant decline in real savings, a metric that serves as a barometer of economic distress. This decline indicates



broader economic pressures facing this demographic, exacerbated by rising living costs and stagnant wages. The reduction in savings further signifies an approaching end to the growth phase within the cycle, as consumer spending, a key driver of economic activity, becomes constrained.

#### *Fashion and Style Trends*

Changes in fashion and style trends serve as cultural indicators of broader economic shifts. The transition from a constructivist to a luxury art-deco style, followed by a utilitarian military style, reflects societal shifts towards practicality and austerity in response to economic crises. After a military crisis or its equivalent, fashion trends typically recover to a traditional middle-class pre-war style before transitioning to a high-tech interior style, signaling a renewal of economic optimism and technological advancement. This cyclical pattern mirrors the broader economic cycle, with each stylistic shift preceding economic downturns and political changes.

#### *Inflation Dynamics*

Inflation dynamics in developing European countries show a rising trend, signaling economic instability often accompanying the end of a growth phase within the cycle. Rising inflation erodes purchasing power and can lead to increased social unrest, further exacerbating economic challenges.

#### *Changes in Financial Systems*

Anticipation of changes in the global financial system, such as a shift towards cryptocurrencies or other digital assets, indicates an impending transition reminiscent of past financial system shifts like the Bretton Woods and Jamaican systems. These changes often herald new economic paradigms, necessitating adjustments in both policy and market practices.

#### *Strategic Implications for Urban Planning*

Understanding these economic indicators allows urban planners to anticipate economic shifts and adapt their strategies accordingly. This includes preparing for potential conflicts, safeguarding local economies through protectionist measures, and addressing socio-economic disparities. By monitoring these indicators, urban planning authorities can align their strategies with the cyclical nature of economic phases, ensuring resilience and sustainability in their development plans.

#### *Neomercantilism and Urban Planning*

The persistence of these 43-year cycles may be a temporary phenomenon, potentially fading with transformations in social structures. However, the practical challenges of today's global economy highlight the continued relevance of mercantilist approaches in international economic policy. Neomercantilism, with its emphasis on state intervention and protectionist policies, aligns with the need for cities to accumulate wealth and create jobs through local production and innovation. Understanding the 43-year cycle

provides cities with insights into phases of economic stability and crisis, allowing for more strategic planning and development.

The resurgence of neomercantilism at the end of the 43-year cycle illustrates the cyclical nature of economic and political strategies. Protective measures taken during this phase reflect a historical pattern of preparing for periods of economic and geopolitical instability. This connection underscores the relevance of cyclical analysis in understanding contemporary economic policies and their implications for global trade and national economies.

By grasping the cyclical nature of economic trends and the historical patterns of mercantilism, urban planners and policymakers can better navigate the complexities of modern economic environments, ensuring sustainable growth and stability for their cities.

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