

CYCLICALITY INFLUENCE ON THE GLOBAL TREND OF TURBULENCE FOR BUSINESS

VASYLYNA PODLIESNA

National Academy of Sciences of Ukraine, Institute for Economics and Forecasting,
Kyiv, Ukraine
podlesnw2019@gmail.com

The purpose of this article is to investigate, in the context of global military-economic cyclicity, the impact of cyclical processes of societal development on the global trend of turbulence that determines the current business environment. The study is based on the combination of logical and historical methods, as well as on the dialectical ascent from the abstract to the concrete. The main results of the study: the essence of military-economic cycles is defined, the role of their crisis-militaristic phases in the formation of business conditions, in particular in the resolution of contradictions of competing societal organisms, and thus - reducing turbulence is substantiated; the actualization of militarization of the economy, industrialization of war and economic policy of military Keynesianism in the conditions of local-global conflict in Ukraine is shown. The value of the study lies in the forecast of the modern world-system approaching the beginning of crisis-militaristic phases in the deployment of global military-economic cycles. This process lays the foundation for the reduction of global turbulence, and thus for the transition to an upward economic environment and more favorable conditions for business.

DOI
[https://doi.org/
10.18690/um.epf.5.2024.24](https://doi.org/10.18690/um.epf.5.2024.24)

ISBN
978-961-286-867-3

Keywords:
turbulence,
military-economic cycles,
crisis-militaristic phases,
business,
military Keynesianism

JEL:
O100

1 Introduction

Nowadays, business is developing in the trend of global turbulence, which is formed under the influence of a variety of socio-economic cycles - industrial, Kondratiev, hegemony cycles, long cycles of world politics, systemic cycles of capital accumulation, etc. In the modern capitalist world-system deep contradictions (inter-class, inter-country, inter-civilizational) have become more acute, which require an early resolution, which will reduce geopolitical, and hence geo-economic turbulence and move to an upward wave of the 6th Kondratiev cycle. The sustainability of the macro-environment for doing business in the context of globalization is largely determined by the cyclical dynamics of geopolitical processes. In turn, the sustainability of development at the micro-level (business) directly depends on the sustainability of the macro-level (national economy). In general, the sustainability of the modern world-system is determined by the effectiveness of overcoming its cyclical crises. Today, the world-system is experiencing increasing turbulence of cyclical geopolitical and geo-economic processes, in the development of which crisis-militaristic phases are coming, which actualizes this study. The necessity of this study is due to the fact that it forms a theoretical basis that expands the possibilities of assessing the prospects of business activities and making appropriate decisions based on the objective conditions of cyclicity of the capitalist economy, primarily military-economic cyclicity.

The methodological basis of the study consists mainly of general scientific methods. To study the influence of cyclicity on the global trend of business turbulence, first of all, logical and historical methods were used, as well as a dialectical ascent from the abstract to the concrete, including general scientific methods of analysis and synthesis, induction and deduction.

2 Literature review

The study of the influence of cyclicity on the global trend of turbulence, which determines the conditions for conducting business activities, is carried out in this article through the prism of theories of cyclicity of global political-economic and military-economic processes. This study is based on the theory of long cycles of world politics by G. Modelski and W. Thompson (Modelski, 1995), the theoretical provisions of G. Friedman (Friedman, 2021) on the influence of US institutional

cycles on the rest of the world. The increasing role of the militarization of the economy, the industrialization of war and the economic policy of Keynesianism is justified based on the scientific publications of G. Arrighi (Arrighi, 2007), P. Custers (Custers, 2010), W. McNeill (McNeill, 1982), J. Toporowski (Toporowski, 2023).

The justification of the role of crisis-militarist phases of military-economic cycles in the cyclical dynamics of the world-system and, consequently, in the changing conditions for business activities, as well as the forecast regarding their deployment in the coming years are based on the theory of long cycles of world politics by J. Modelski and W. Thompson (Modelski, 1995) and the world-system analysis by I. Wallerstein (Wallerstein, 1983; 2004).

The special role of internal cyclical processes of the modern leader of the world-system in its cyclical dynamics is characterised based mainly on the theoretical provisions of J. Friedman (Friedman, 2021) on the influence of US institutional cycles on the rest of the world.

3 Results

The specific phenomenon of geopolitical and geo-economic cyclicity, and thus turbulent conditions for business, is formed by the unity of the diversity of global socio-economic cycles. One of the most relevant forms of socio-economic cycles for all historical epochs are military-economic cycles, since it is wars (an integral component of civilizational development) - a way of redistribution of resources necessary for the process of societal reproduction. Military-economic cycles should be understood as a form of socio-economic cyclicity, which is generated by the struggle for resources that allow societal units or complex societal organisms - winners in the struggle for economic and military-political leadership - to dominate in the long term and develop successfully for some time. Each historical form of political-economic system of domination, which was established as a result of war, contained in itself the preconditions of the next war - deep socio-economic, political, civilizational contradictions. At each of the already passed stages of the historical process and today the most important phase of military-economic cycles, which performs a cycle-forming function, is the crisis-militarist phase.

The crisis-militaristic phase of the military-economic cycle should be understood as a phase of manifestation of extreme aggravation of contradictions in the system of interactions of certain competing societal organisms (states, their associations, military-political blocs, civilizations). The aggravation of such contradictions leads to a military-political conflict, the outcome of which determines the balance of power in a particular regional or global geopolitical system and creates the grounds for overcoming the systemic crisis.

During the crisis-militaristic phases of global military-economic cycles, the geopolitical system of global capitalism is plunged into the strongest instability, at the same time it is tested for strength. The unfolding of the crisis-militaristic phases of global military-economic cycles leads to the transformation of the global geopolitical system. As a result of this transformation, either a new leader of the global geopolitical system emerges, or the geopolitical strategy of the old leader, who has retained its dominance, changes. In any case, the leader of the global geopolitical system further determines the technical-technological, socio-economic, military-political, environmental and cultural guidelines of development for the whole world. In the global capitalist system, it is the sustainability of development of the hegemon state, its value orientations that determines the sustainability of all other states, in other words, the sustainability of national economies, and thus the successful development of business at the macro- and micro-level.

The unfolding of such forms of military-economic cycles as long cycles of world politics, substantiated by G. Modelski and W. Thompson, cycles of hegemony, proved by I. Wallerstein, are cyclical processes of struggle of the leading actors of geopolitics for the status of hegemon. The unfolding of the crisis-militaristic phases of the mentioned military-economic cycles culminates in the establishment of hegemony of a certain world power. In the historical retrospective of capitalism development, these were the United Provinces (Holland), the United Kingdom (Great Britain) and the United States of America.

In each case, hegemony was achieved through the Thirty Years of World War, a land war that involved (not necessarily constantly) almost all the major military powers of the era in large-scale conflicts that were extremely devastating to the land and population. These were the Thirty Years' War of 1618-1648; cycle of the Napoleonic wars 1792-1815; Euro-Asian Wars 1914-1945 (Wallerstein, 1983).

A hegemon country sets the rules of the game for the entire interstate system, dominates the world economy, it is a leader in production, trade and finance, achieves political decisions that are convenient for it, minimizes the use of military force while being militarily strong, and forms the cultural vocabulary used by the whole world (Wallerstein, 2004). In historical retrospect, it was the countries that achieved hegemonic status during their period of dominance that determined the socio-economic conditions and institutional norms of doing business internationally for the long term. This ensured a relatively stable business environment on a global scale, and hence on the macro and micro levels. Although the conditions were unequal.

Thirty-year world wars play the role of crisis-militaristic phases in the unfolding of global military-economic cycles. After the end of the next Thirty Years' World War 1914-1945, the resolution of global geopolitical contradictions was redirected to local armed conflicts. The US nuclear strike on Hiroshima and Nagasaki in 1945 and the arms race became the basis for the introduction of this approach.

4 Discussion

The latest characteristic examples of localization of geopolitical confrontation and concentration of turbulence in a certain region are the local-global conflict in Ukraine that started in February 2022 and the Israeli-Palestinian conflict that resumed in October 2023, which had a shock effect on business in Europe and other regions of the world.

In the cyclical development of global military-economic processes, according to the theory of long cycles of world politics, in 2026 will come the phase of "macro decision", which in the previous few cycles unfolded as a 30-year period of global confrontation that led to world wars (Modelska, 1995). The local-global conflict in Ukraine and the renewed Israeli-Palestinian conflict set the stage for crisis-militaristic phases of global military-economic cycles, namely: "intermediate war" that stimulates the economy at the beginning of the upswing phase of the 6th Kondratiev cycle; the "macro decision" phase of the modern long cycle of world politics; the "Thirty Years World War" phase of the modern hegemony cycle, and the territorialism (material expansion) phase of the systemic capital accumulation cycle.

The onset of crisis-militaristic phases in the unfolding of global cycles increases the instability of the business environment, which negatively affects business activity during the crisis. To achieve their geopolitical goals, the leading actors of geopolitics carry out controlled chaos of the world-system, thus destabilizing the political and economic systems of their competitors. That is, they create artificial entropy, generating contradictions that unbalance the world-system and disrupt the established global value chains, which has an extremely negative impact on doing business at the global, macro- and micro-levels. However, it is during the unfolding of crisis-military phases that the ways of resolving the contradictions of the world-system are determined, which lays the foundation for upward trends in the economy. In addition, the military-industrial complex becomes a growth driver, and military Keynesianism is applied to overcome the socio-economic crisis.

The industrialization of war was largely responsible for the successful development of capitalism in Europe and the United States. W. McNeil (1982), referring to the century and a half before the Industrial Revolution, believed that Europe entered a self-evolving cycle, when its military structures supported economic and political expansion at the expense of other peoples and states, and the military structures themselves were supported by this expansion. It was the industrialization of war that gave a powerful new impetus to the self-evolving cycle (Arrighi, 2007). In the first half of the twentieth century, as a result of two world wars, which caused significant damage to the European economy, Western Europe lost its leading role in the geopolitical system, the unfolding of the above-mentioned self-evolving cycle was slowed down and took a hybrid form.

As part of the economic policy of military Keynesianism, the government has been spending heavily on the military to stimulate economic growth, as well as using a variety of measures to encourage other countries to buy weapons from domestic manufacturers (Custers, 2010). The war in Ukraine has been the reason for the increased supply of military equipment, ammunition and military related products to Ukraine by Western countries. Western governments committed themselves to increasing defense spending. It has become necessary to invest in new capacities of the military-industrial complex. Arms manufacturers are demanding that the government guarantee the profitability of their investments. It is the alliance between industry and the state that lies at the heart of military Keynesianism. At the same time, intensified sanctions policies disrupt international free trade, interfere with

international payments, and accelerate food and energy price inflation (Toporowski, 2023). In the current conditions of aggravation of confrontation between the leading actors of geopolitics and their allies, the capitalist world-system has become on the path of militarization. That is, a new cycle of militarization of the global economy is open, which means the intensification of the application of the economic policy of military Keynesianism.

The leader of the modern capitalist world-system is the USA. Therefore, the political cycles of this superpower, in particular the foreign policy cycles of F. Klingberg, as well as the institutional and socio-economic cycles identified by G. Friedman, affect the deployment of cyclical geopolitical and geo-economic processes, and thus the business environment.

Institutional cycles in the U.S. were triggered by wars: American War of Independence, the Civil War, and World War II. In total, three such cycles have unfolded. The fourth institutional cycle will begin around 2025. These cycles have inevitably affected and continue to affect the rest of the world (Friedman, 2021). Therefore, the nature of cyclical military-economic processes, and thus the global economic environment, in the near future largely depends on whether and what kind of institutional cycle will continue to exist in the United States. The current socio-political crisis in the U.S. is so large that it is quite capable of leading to an internal societal catastrophe with a military component, or to a world war in hybrid form, which will initiate the deployment of another 80-year institutional cycle. The turbulence of the political and economic system of the hegemon of the modern world-system causes unstable and high-risk conditions of doing business, leads to the redistribution of spheres of influence, and thus to the possibilities of surplus value production.

5 Conclusions

It has been established that under any of the possible variants of transformation of the global geopolitical system in the future, military-economic processes will proceed in cyclical form, as internal antagonistic contradictions of societal development exist as long as there is class, inter-country, inter-civilizational inequality. This means that cyclical processes will have an impact on business development, periodically plunging it into severe turbulence. The unfolding of crisis-militaristic phases of

modern military-economic cycles will probably result in a choice between two forms of global geopolitical system: (1) a world-system dominated by one hegemon country; or (2) a world-system led by a collective leader.

The transformation of the global geopolitical system into a system in which the antagonism between social classes, antagonism between the actors of geopolitics is smoothed, will significantly increase its sustainability, which will ensure sustainable development of individuals, organizations, business units and the entire global civilization. To mitigate antagonism at the global, national and micro levels, it is necessary to consolidate the efforts of the social class that possesses economic and political power sufficient to set the guidelines of socio-economic development, political life, ideology and manage societal development, not allowing it to deviate significantly from these guidelines. In the capitalist world-system such social class has an international character, its basis is formed by representatives of big business. Today, the contradictions between big business, oriented to use the opportunities provided by military Keynesianism, and big business in civilian sectors of the economy have become more acute. For the former, the period of turbulence generated by the crisis-militaristic phases of military-economic cycles provides growth opportunities, while for the latter, it disrupts the established global and local value chains and threatens ruin. Therefore, consensus within the backbone of the ruling class - big business - is inevitable, the only question is its form.

The theoretical provisions outlined in this article are particularly important in the context of making business decisions in the conditions of transition to the crisis-militaristic stage of societal development.

References

- Arrighi, G. (2007). *Adam Smith in Beijing. Lineages of the Twenty-First Century*. London. New York. Verso. ISBN 978-1-84467-104-5
- Custers, P. (2010). Military Keynesianism today: an innovative discourse. *Race & Class*, 51(4),79-94. <https://doi.org/10.1177/03063968103630>
- Friedman, G. (2021). *The Storm Before the Calm: America's Discord, the Coming Crisis of the 2020s, and the Triumph Beyond*. Anchor. ISBN10: 1101911786, ISBN13: 9781101911785
- McNeill, W. (1982). *The Pursuit of Power: Technology, Armed Force, and Society since A.D. 1000*. Chicago: The University of Chicago Press. ISBN 10: 0226561577
- Modelski, G. (1995). The Evolution of Global Politics. *Journal of World-Systems Research*, 1.(7),424-467. <https://doi.org/10.5195/jwsr.1995.38>

- Toporowski, J. (2023). The War in Ukraine and the Revival of Military Keynesianism.
<https://www.ineteconomics.org/perspectives/blog/the-war-in-ukraine-and-the-revival-of-military-keynesianism>
- Wallerstein, I. (1983). The Three Instances of Hegemony in the History of the Capitalist World-Economy. *International Journal of Comparative Sociology*, 24 (1-2), 100-108.
DOI:10.1177/002071528302400107
- Wallerstein, I. (2004). World-systems analysis: An Introduction. Duke University Press. Durham and London. ISBN: 0822334429

