Journal of Marketing

Impact Factor: **11.5**
5-Year Impact Factor:

Contents

More

HENRY O. PRUDEN

# THE KONDRATIEFF WAVE

## Has the United States economy entered a long-term downtrend?

THERE IS NO DENYING the fact that the past several years in the American marketplace have been confusing and frustrating. Marketers have had to cope with rapid expansion and equally rapid contractions of business activity, while the Federal Reserve Board and U.S. Government have employed stop-go monetary and fiscal policies. Consumers are left with declining real incomes as inflation remains high and unemployment refuses to go down, undercutting their credit worthiness and further dampening their already sagging confidence, which in turn is translated into anemic sales for autos, new homes, home furnishings, leisure products, steel, aluminum, textiles, etc.

Yet in the face of underutilization of manpower and capital, the consumer, industrial, and commodity price indices continue to inflate. On top of these contradictory events, marketers are treated to conflicting advice: one year they are advised to demarket in a period of shortages (hyper-expansion); the next year they are told about how to market during a recession (hyper-contraction).[1] If the market watchers and advisors are not as confused as the businessmen, they nevertheless do appear to contradict themselves with alarming speed and alacrity.

Marketers, and the rest of us, seem to be in need of some handle, some "scheme of things," to help them sort out the permanent trends from the transitory events—something that may help make sense out of where we are and where we may be going. This something need not be the "master scheme," but to be useful it should provide us with a fairly comprehensive understanding of basic trends and at least make reasonable sense out of where we stand and what we may expect: this is a cyclic theory, the 54-year Kondratieff Wave.[2]

The gist of the Kondratieff thesis is succinct: the U.S. economy is in a secular decline. We recently passed the crest of the 54-year wave, and we are now going downward and will continue to go downward for two to three decades.

During this epoch we can expect downtrending markets, falling prices, and underutilization of capital and manpower, interrupted by brief periods of prosperity. The downtrend typically starts with a peak period of prosperity and inflation, followed by crises and panic, and settling into rapid contraction, monetary deflation, falling prices, high and steady unemployment, declining real income and, at the extreme, bankruptcy, disillusionment, and social disorganization. This is the prognosis based on the history of the Kondratieff Wave. This is a verdict

**About the Author**
HENRY PRUDEN is a business consultant and a Lecturer at Golden Gate University, San Francisco, CA.