

# **The Medium-Term Approach to Economic Crises: a Framework**

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## *Abstract*

Economic crises are mismatches between components of the economic system resulting from self-reinforcing disequilibria. This workshop takes stock of two previous workshops held at the Centro Linceo Interdisciplinare ‘Beniamino Segre’ (*Structural Theories of Economic Fluctuations. The New Edition of Albert Aftalion’s ‘Les crises périodiques de surproduction’*, 3 April 2014; *The First Crisis Economists*, 27-28 November 2014) and explores the analytical building blocks of the medium-term approach to the theory and policy of economic crises. This approach focuses on a disaggregated (structural) representation of the economic system and overcomes the conventional micro-macro dichotomy. It eschews both the explanation of crises in terms of cumulative processes triggered by long-term factors, and that in terms of purely contingent mismatches and ruptures. The workshop will explore features such as lack of synchronization between sectors, different time horizons across socio-economic groups, and dissimilar speeds of change across production and consumption units. A central aim of the workshop is to discuss foundations and prospects of a coherent medium-term political economy of crises. The introductory paper outlines a conceptual framework discussing the coordinates of the economic theory of the medium-term, its foundations in classical and modern contributions to economic dynamics, and the mutual implications of workshop presentations in view of the construction of a political economy of the medium term. Both classical and modern approaches to economic crises emphasize the emergence of disproportionalities within a relatively persistent configuration of interdependencies. Crisis theories presuppose a mechanism whose working takes place at the interface between persistence and contingency. This paper discusses the causal mechanism of medium-term dynamics and calls attention to the relevance of different levels of aggregation as identifiers of different causal processes influencing system dynamics. In particular, the resilience of certain structures (such as certain elements of the production process, or of socio-economic interdependencies) is seen as central to the explanation of the direction, intensity and duration of particular instances of change. The medium-term approach has important implications for the political economy of crises and emphasizes the need of policy measures rooted in the understanding of the specific contexts in which the working of general mechanisms takes place.