Proceedings of the 3rd International Conference on Management Research and Economic Development
DOI: 10.54254/2754-1169/2025.31280

A Historical Perspective on the Economic Crisis

Hongbin Xu

Zibo Middle School, Zibo, China
13280687600@163.com

Abstract. Economic crisis often has a huge destructive power to the economy and affects the development of the whole society, so it needs to be prevented to stabilize social development. The Great Depression of the 1930s and the "stagflation" of the 1970s had a huge impact on the world economy at that time. This paper first analyzes the different coping strategies and the results after the emergence of two economic crises. The two are respectively: 20 Western major capitalist countries use trade wars, financial wars and other vicious competition means to compete for the limited world market to cope with the crisis, and eventually evolve into confrontation between groups, becoming the prelude to world war. After the economic crisis in the 1970s, in the context of the globalization of the world economy, the major capitalist countries in the West adopted a positive cooperative attitude to deal with the economic crisis, conducted effective coordination and cooperation, and tried their best to ease the contradictions among capitalist countries and promote the stable development of the world economy. At the end of the article, we need to be vigilant about the related risks and make suggestions for dealing with the economic crisis in the future.

Keywords: Economic crisis, Economic war, Cooperation.

1. Introduction

Since 2024, although the global economy has maintained a certain growth trend, there are still many problems, such as economic inflation, political tensions affecting global economic and trade relations, falling prices, widespread wage decline and unemployment, rising necessities of life make people's wallets thin and further hinder the circulation of money. The macroeconomic environment is complex, which is bound to affect economic development. In the 1930s, the economic crisis was widespread, long-lasting and harmful. It first broke out in the United States and quickly spread to major capitalist countries such as Britain, France, Germany and Japan, all of which had economic recession or depression one after another. The crisis began in the United Kingdom in the 1970s and quickly spread to the United States, Japan, and Western Europe. During the Great Crisis, prices continued to rise, industrial production in Western countries fell sharply, businesses went bankrupt, and unemployment increased. This economic crisis disintegrated the capitalist currency system centered on the US dollar, coupled with the blow of the Middle East oil war, making the economic crisis in the 1970s more serious. By comparing the strategies of the major western capitalist countries to cope with the two economic crises, this paper reveals the historical laws of capitalist development, and adopts the lessons learned to cope with various challenges in future development.

© 2026 The Authors. This is an open access article distributed under the terms of the Creative Commons Attribution License 4.0 (https://creativecommons.org/licenses/by/4.0/).

DOI: 10.54254/2754-1169/2025.31280

2. Historical review

Marx studied the theory of economic crisis in his work Capital, and analyzed the causes of economic crisis [1]. The main cause of the economic crisis is overproduction, the unscrupulous accumulation of productive resources by capitalists, the loss of jobs by workers, and the threat of poverty. Capitalists chasing greater surplus value in the name of "personal capital" make labor productivity continue to increase, promote industrial upgrading and expansion of reproduction. However, this led to the continuous exploitation of the working class, the reduction of the share of surplus value, and the lack of purchasing power. With the expansion of production scale, workers need to produce excess materials, which does not meet the actual needs of individuals, and the phenomenon of overproduction occurs in society, in this case, there is a serious oversupply and workers' purchasing power is limited.

2.1. Research on the great depression of the 1930s

Since 1929, the capitalist countries have entered the great economic crisis, which first broke out in the United States, the most powerful capitalist country, and then quickly spread to the entire capitalist world. The crash of the New York stock market on October 24, 1929, is regarded as the beginning of the Great Depression [2]. The crisis lasted for nearly five years, the United States took the lead in raising tariffs, causing other countries to introduce retaliatory trade tariff policies, and then launched a series of policies to resist the economic crisis, such as trade wars, economic wars, import quota systems, commodity dumping, etc [3]. Industrial production in capitalist countries declined sharply, enterprises in various countries went bankrupt in large numbers, and international trade shrank seriously. The profound currency and credit crisis occurred in various countries one after another, the currency depreciated one after another, the gold standard was abolished one after another, the capitalist international finance fell into chaos, resulting in the total collapse of international trade. As the first global economic crisis in the true sense, the Great Depression resulted in a sharp contraction of trade and a recession of the global economy.

Benjamin [4] recorded the Great Depression of the United States with his personal experience, introducing the United States during the Great Depression, business closures, rising unemployment, social unrest, government policy failures, and economic recession. The book analyzes the causes of the economic crisis, the government's response and the changes in society from a macro perspective. Galbraith [5] provides a detailed analysis of the stock market crash of 1929 and the subsequent economic crisis. By analyzing the causes, course, and effects of the Great Depression, he reveals the fragility of the capitalist economy, summarizes the main lessons of the Great Depression, and calls for stronger government regulation and intervention to prevent the recurrence of similar crises. Xu Guolin [5] studied the strategies adopted by Western countries after the Great Depression, analyzed a series of consequences caused by competitive means such as trade war and financial war, which changed from vicious competition to political and military wars, and came to the conclusion that trade war and financial war would lead to further deterioration of the economy and were not the primary way to solve the economic crisis.

2.2. Research on "stagflation" in the 1970s

Stagflation is an economic phenomenon in which the economy grows slowly or stagnates in the face of inflation. This phenomenon generally occurs when macroeconomic policies are unbalanced, usually due to improper monetary policy implementation, rapid price increases, or slow economic

DOI: 10.54254/2754-1169/2025.31280

activity. The "stagflation" crisis of the 1970s began in the United Kingdom and quickly spread to the United States, Japan, and Western Europe. During the Great Crisis, prices continued to rise, industrial production in Western countries fell sharply, businesses went bankrupt, and unemployment increased. The increase in the cost of living, the obstruction of economic growth, currency depreciation and financial instability, social instability, this economic crisis disintegrated the capitalist monetary system centered on the US dollar, coupled with the blow of the Middle East oil war, made the economic crisis in the 1970s more serious.

Alan S. Blinder summarizes what economists do and do not know about the inflation and recession that affected the U.S. economy during the years of the Great Stagflation in the mid-1970s. The topics discussed include the basic concepts of stagflation, turbulent economic history of 1971-1976, anatomy of the great recession and inflation, and legacy of the Great Stagflation. The relation of wage-price controls, fiscal policy, and monetary policy to the Great Stagflation is also elaborated. In Boom and Bust, Greenspan [6]analyzes the causes, effects, and policies that responded to the 1970s stagflation, revealing the complexity of the economic phenomenon and providing lessons for policymakers. Liu Yu [3]compared different ways of dealing with the Great Depression and stagflation in Western countries, and concluded that economic war and trade war are not the strategy to solve the crisis, but coordination and cooperation among countries are the right way to deal with the crisis, in order to conform to the development trend of the world economy.

3. Analysis of two economic crises

3.1. Coping strategies in the 1930s

In 1929, at the beginning of the Great Depression, the US stock market bubble burst and fell into an economic crisis. In order to protect its economy and employment, the US began to raise tariffs substantially, triggering a global trade war. Countries competed to increase tariffs and imposed restrictions on imports and investments. Eventually, the financial crisis continued to spread to economic, social, and political fields, resulting in the outbreak of World War II.

3.1.1. Tariff barriers

In 1929, the US stock market crashed, which caused the Great Depression, and then the US and even the world economy fell into a long-term recession, and the economic and even political situation was unstable. In response to the crisis, in 1929, starting from the United States, thousands of products began to raise or collect tariffs [7], which triggered Canada, Italy, Spain, France and other countries have introduced retaliatory trade tariff policies, beginning a sweeping global trade war. As shown in Figure 1, it illustrates the tariffs of the United States, Canada and other countries increased by more than 15% from 1928 to 1932, while the tariffs of Britain, France, Germany and Italy increased by more than 50%. The average tariff increase in these countries is 10 points, which has worsened the global economy [3].

DOI: 10.54254/2754-1169/2025.31280

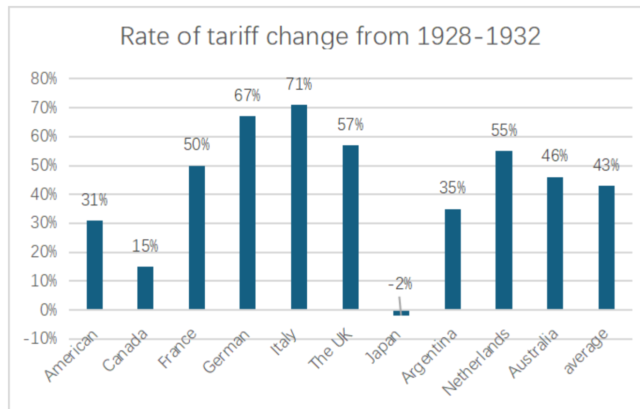

Figure 1. Rate of tariff change from 1928-1932

3.1.2. Vicious competition

Due to the imposition of tariffs by various countries, the import and export of various countries are affected. As can be seen from the Figure 2, the value of US imports fell by nearly 40% (1933), and exports fell by 30% [8]. The import and export of Western countries also declined sharply, among which the import and export of Western countries such as Britain, Germany, France and Italy fell by an average of 26.2% and 21.7% respectively between 1930 and 1931 [8]. In terms of GDP, the United States fell by about 30 percent during the Great Depression, and the United Kingdom, Germany, France, Italy, and Canada fell by about 5%, 20 percent, 15%, 15%, and 30% respectively [3].

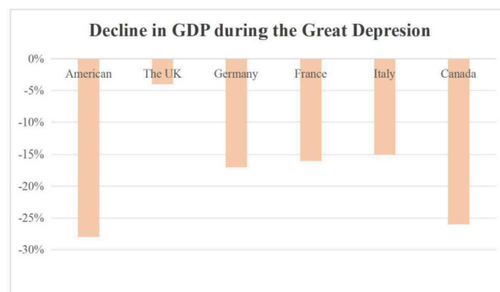

Figure 2. Decline in GDP during the great depression

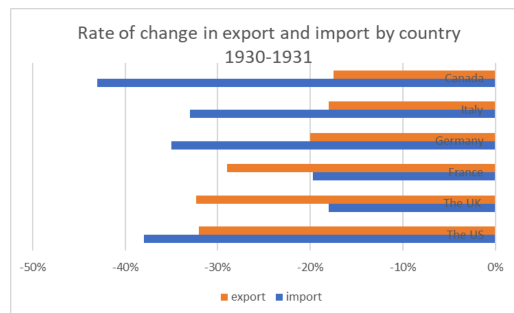

Figure 3. Rate of change in export and import by country 1930-1931

DOI: 10.54254/2754-1169/2025.31280

3.2. Strategies for dealing with the economic crisis in the 1970s

In the West in the early 1970s, stagflation and the heavy burden of the welfare state embarrassed the macroeconomic policies that governments had used so well. Therefore, the Summit of France, the United States, the United Kingdom, Italy, Japan, Germany and the West adopted the Rambouillet Declaration. The declaration proposes to strengthen cooperation and constructive dialogue among all countries, promote free trade among all countries, prevent trade protectionism, and all countries should reduce tariff and non-tariff barriers.

In the years following the Rambouillet Summit, the global landscape started to undergo significant transformations. Notably, Margaret Thatcher in the United Kingdom and Ronald Reagan in the United States initiated assertive market-oriented reforms [9].

3.2.1. Strategies of the United States

In response to the stagflation that lasted for a decade, the Reagan administration launched an economic recovery plan based on supply-side and monetarist policy propositions after coming to power. While firmly supporting the Federal Reserve to strictly control the money supply, it vigorously promoted economic policies and reform measures to reduce taxes, expenditures and government intervention, and readjust the relationship between the government and the market and between the government and the people. The measures taken by the government are mainly tax reform, market deregulation, supply-side reform, and tight monetary policy [10]. Reagan's tax cuts were achieved through two related acts: the Economic Recovery Act of 1981 and the Tax Reform Act of 1986, which reduced the top individual income tax rate from 70% to 50% in 1981 and the capital gains tax rate from 28% to 20%. In 1986, the personal income tax was reduced to 28% and the corporate income tax to 34% [6]. The remaining policy details are in the Appendix (Table 1). Through these measures, both unemployment and inflation began to fall. The economic misery index, which combines unemployment and inflation, is also falling. From 1982 to 1999, the U.S. economy continued to grow for 65 months, which has been called "the most sustained prosperity phase of the 20th century [11]."

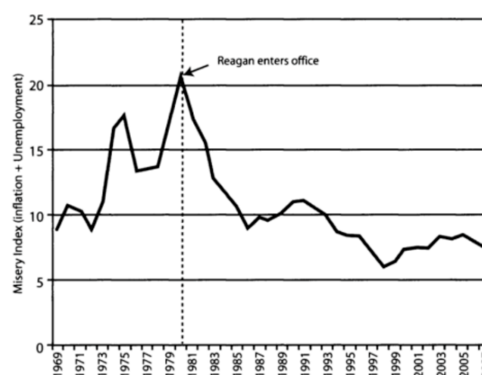

Figure 4. Misery index

3.2.2. Strategies of the UK

In the 1970s, the United Kingdom was Mired in stagflation after its long-held Keynesian demand-side stimulus failed. In order to control high inflation, the British government adopted tight monetary policy, vigorously compressed the scope of state-owned capital operation, released the

DOI: 10.54254/2754-1169/2025.31280

vitality of private capital, and cut government welfare expenditure to improve production efficiency (Figure 5. Government expenditure), so that the British economy gradually walked out of the stagflation quagmire. First of all, the British government changed its macroeconomic policy thinking from demand management to supply management, the main goal from the previous full employment to control inflation, strictly implemented monetary tightening policy, and vigorously compressed public expenditure. At the same time, reducing the role of government and strengthening personal and corporate responsibility. We will vigorously reduce the fiscal power of local governments and introduce some public services to the market. More details are illustrated in Appendix (Table 2). In 1983, the British economy began to recover, labor productivity increased, corporate profits increased, unemployment decreased, social stability, and low inflation [12].

Figure 5. Government expenditure

4. Solution

4.1. Pursue win-win cooperation

Firstly, all countries should adhere to the concept of win-win cooperation. With the deepening globalization of economy, science, technology and finance, countries around the world have formed a community of shared future. In the face of the economic crisis in the 1930s, the major capitalist countries engaged in economic wars in order to seek their own interests, which eventually made the international economic order increasingly chaotic, and led to the complicated and changeable international relations, and finally resorted to war. In the context of economic globalization, in response to the economic crisis in the 1970s, major capitalist countries abandoned the zero-sum game mentality, adhered to the concept of win-win cooperation, and conducted economic coordination and cooperation in the form of summit meetings and implemented them into the economic policy practices of various countries, which produced good results [13]. It even left the reputation of "Thatcherite economics" and "Reaganomics" and played an important role in promoting the stability and development of the world economy. Therefore, the transition from zero-sum game to win-win cooperation is the inevitable choice to solve the economic crisis and other world problems.

4.2. Advance supply reform

Countries urgently need deep macroeconomic policy reforms to address supply-demand imbalances effectively. Governments should enhance macroeconomic regulation by advancing supply-side structural reforms, optimizing industrial layouts, and improving resource allocation efficiency. This requires curbing inefficient, high-cost capacity expansion while fostering high-value-added, technology-driven industries to strengthen economic resilience and innovation. In financial policy,

DOI: 10.54254/2754-1169/2025.31280

flexible adjustments to monetary policy and credit structures are essential to prevent excessive leverage from disrupting funding chains and triggering corporate bankruptcies. Targeted measures such as low-interest loans and debt restructuring can support viable enterprises, while strengthened financial regulation ensures capital flows into the real economy rather than speculative markets. To resolve overcapacity, a multi-pronged approach is necessary, including tax incentives, subsidies, and inventory buybacks to lower the cost of stock clearance. Encouraging enterprises to upgrade technology and diversify products can enhance market competitiveness, while optimized export policies can help absorb excess capacity through international markets [14]. To sum up, a coordinated and precise policy approach is key to alleviating supply-demand saturation, promoting sustainable economic growth, and fostering long-term market stability.

4.3. Strengthen financial supervision

Finally, the government needs to strengthen the regulation of financial capital to ensure its role in economic development while managing risks associated with excessive expansion. Financial capital contributes to resource allocation and industrial development, but insufficient regulation may lead to asset bubbles, increased financial speculation, and potential financial instability [15]. Therefore, fiscal and monetary policies should be adjusted to control capital supply and direct financial resources toward the real economy, limiting excessive speculation and disorderly expansion. At the same time, the financial regulatory framework should be improved to monitor high-leverage financing and shadow banking activities, increasing financial transparency and stability. Financial institutions should also be encouraged to adjust credit structures, support technological development and sustainable industries, and apply financial technology to enhance risk management and capital allocation. Additionally, improving the capital market system by expanding direct financing channels and reducing corporate reliance on bank loans can help improve resource allocation and financial resilience. Strengthening regulation while maintaining efficient capital flow can support financial stability and long-term economic development.

5. Conclusion

As a major risk event that destroys social and economic development, economic crisis has a profound impact on the evolution of the global pattern [16]. By comparing and analyzing the differences in coping strategies of two major economic crises in the 20th century, this paper reveals the different historical consequences brought by international cooperation and vicious competition, and provides important references for contemporary crisis management.

During the Great Depression of the 1930s, Western powers adopted trade wars, financial wars and other beggar-thy-neighbor protectionist measures to deflect the crisis, which led to vicious competition in the global market [17]. This zero-sum game mentality not only failed to alleviate the crisis, but also intensified the contradictions between countries, which eventually evolved into military blocs and became an important incentive for the Second World War. History has shown that unilateralist strategies in crisis response can undermine international cooperation mechanisms and turn economic conflicts into political conflicts [18].

In contrast to the stagflation crisis in the 1970s, Western countries showed unprecedented awareness of policy coordination under the background of the emergence of economic globalization. Strengthening policy dialogue and adopting cooperative measures through multilateral platforms effectively prevented the crisis from getting out of control. This kind of collective action has not only eased the contradictions between countries, but also accumulated experience in the subsequent

DOI: 10.54254/2754-1169/2025.31280

establishment of an international economic governance system, proving that institutional cooperation is an effective way to manage crises [19,20].

Based on the lessons of history, this paper suggests that major powers play the role of stabilizer, emphasizing that crisis management should go beyond short-term interests and achieve win-win results through institutional cooperation, so as to maintain the stable development of the world economy in the era of globalization.

References

[1] Marx, K. (1975) Capital: Volume 3. People's Publishing House, Beijing.

[2] Kindleberger, C.P. (1986) The World Economic Depression 1929-1933. Translated by Song Chengxian and Hong Wenda. Shanghai Translation Publishing House, Shanghai.

[3] Mathias, P. and Pollard, S. (eds.) (2004) The Cambridge Economic History of Europe: Volume VIII. Translated by Wang Hongwei et al. Economic Science Press, Beijing.

[4] Blinder, A.S. (2013) Economic Policy and the Great Stagflation. Academic Press, New York.

[5] Xu, G.L. and Liu, Y. (2023) From Cutthroat Competition to Coordinated Cooperation: The Shift in Crisis Response Strategies of Capitalist Countries. Journal of Xuchang University, No. 3.

[6] Greenspan, A. and Wooldridge, A. (2019) Capitalism in America: An Economic History of the United States. Translated by Shu Yu. CITIC Press Group, Beijing.

[7] Faulkner, H.U. (1989) American Economic History: Volume II. Translated by Wang Kun. The Commercial Press, Beijing.

[8] Dumond, D.L. (1984) Modern America. Translated by Song Yueting. The Commercial Press, Beijing.

[9] James, H. (1999) Economic Globalization: The Rambouillet Conference of November 15, 1975. Translated by Zhu Zhangcai. China City Press, Beijing.

[10] Feldstein, M. (2000) American Economic Policy in the 1980s. Translated by Wu Liangjian. Economic Science Press, Beijing.

[11] Court, W.H.B. (1992) A Concise Economic History of Britain: From 1750 to 1939. Translated by Fang Tingyu et al. The Commercial Press, Beijing.

[12] Lowe, N. (1984) Mastering Modern British History. Macmillan, London.

[13] Liu, H. (2024) Exploring the Historical Evolution of Capitalist Economic Crises from a Globalization Perspective. Macro-Economic Strategy, 2, 51-54. DOI: 10.xxxx/xxxx-xxxx(2024)02-0051-04

[14] Roth, B. (2009) The Great Depression: A Diary. Public Affairs, New York.

[15] Galbraith, J.K. (2006) The Great Crash 1929. Shanghai University of Finance and Economics Press, Shanghai.

[16] Dallek, R. (1984) Franklin D. Roosevelt and American Foreign Policy, 1932-1945: Volume I. Translated by Yi Wei et al. The Commercial Press, Beijing.

[17] Viscusi, W.K., Vernon, J.M. and Harrington, J.E. Jr. (2004) Economics of Regulation and Antitrust. Translated by Chen Yongjun. China Machine Press, Beijing.

[18] Song, Z.X. and Fan, K. (1998) World Economic History: Volume II. Economic Science Press, Beijing.

[19] Eichengreen, B. (2009) Globalizing Capital. Shanghai People's Publishing House, Shanghai.

[20] Smith, A. (2015) The Wealth of Nations. Chongqing Publishing House, Chongqing.