

Preface

The series of ten essays presented here is concerned with long-run macroeconomic diagnosis and with forecasting, with forecasts of global developments during the first and second decades of the 21st century. Erich W. Streissler first started in 2002 to warn in lectures and newspaper articles of an imminent global financial crash, and repeated those warnings again and again. His warnings – or rather an installment thereof – were presented to the Austrian Academy of Sciences in a lecture in January 2009 (“The Financial Market Crisis”) and have been finalized in this book, which contains altogether seven of his essays written over the two years consequent upon that first presentation. Between Streissler and Gunther Tichy, both already for many years full members of the Austrian Academy of Sciences, there exists a close affinity in thought. Appropriately, the essays by Streissler are therefore placed in a framework of Tichy’s meticulous analyses of the initial situation and the preconditions of forecasting the crisis.

The book starts out with three essays by Gunther Tichy on the difficulty of foreseeing crises. Tichy asks “Could We Have Foreseen the Financial Crisis?” and “Why Did Policy Ignore the Harbingers of Crisis?”. One of the main features of the recent crisis was the unusually irresponsible behaviour of banking institutions in large parts of the world. Therefore Tichy’s last essay considers the question of “Regulation of the Banking Sector”. The essays by Streissler on forecasting experiences follow.

“Saving and Investment in the Long Run” explains that above all saving and not so much investment is the root cause of the secular process of economic growth. “Using Economic Theory for Forecasting” reviews some of Streissler’s past forecasting successes, while the essay titled “i.i.d.” deals with basic misjudgements of macroeconomic developments in the most prominent American literature, i.e. with analyses some of which were crowned with Nobel Memorial Prizes in economics, but later proved to be faulty. The essays on “The Financial Market Crisis” and “Waiting for Financial Consolidation” are complementary, dealing with the financial crash of 2008 from slightly different viewpoints or, in other words, with different audiences in mind. The essay on “Rare Events” is a technical analysis of the most appropriate probability distribution for analysing times of occurrence and magnitudes of crises. With pertinent figures dating from April 2011, a summary forecasting exercise of future world economic development is presented in the last essay. It is the most daring endeavour of all.

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