

# Business Cycles in Juglar and Schumpeter\*

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## Abstract :

Clément Juglar (1819-1905) was credited by Joseph Schumpeter as the founder of modern business-cycle theory. Schumpeter praised Juglar for identifying the cyclical character of economic fluctuations and for having been seminal in the combination of theoretical, statistical and historical analysis, and also named the classical business cycle after the French economist. Strikingly, the latter's pioneering work is hardly known today. The paper reexamines Juglar's explanation of cyclical fluctuations and compares it with Schumpeter's one. One important difference is that for Schumpeter the classical business cycle is driven by technological innovations of medium size, whereas for Juglar the cause for an overheated boom is speculation fuelled by easy credit.

JEL classification numbers : B 1, B 31, E 32.

## I Introduction

Clément Juglar (1819-1905)<sup>1)</sup> was ranked by Joseph Schumpeter in his *History of Economic Analysis* “as to talent and command of scientific method, among the greatest economists of all times” (1954, 1123). It is surprising to notice that despite the numerous honors Juglar received,<sup>2)</sup> one cannot recognize that he had many followers among his academic contemporaries<sup>3)</sup> nor could he be considered as the founder of a “school of thought”<sup>4)</sup> before Schumpeter acknowledged him as an outstanding economist. Nowadays Juglar's name is famous mainly because of

the so-called *Juglar cycles*, but his contribution should deserve more attention.

The theory developed by Juglar is highly original and more complete than often supposed. Particularly his analysis of speculative behavior, its emergence, diffusion and impact make his analysis very modern. Concerning the core of his business-cycles approach, the decisive factor for Schumpeter's assessment is Juglar's diagnosis of the nature of depression, *i.e.* that “the only cause of depression is prosperity” (Schumpeter 1954, 1124). Schumpeter credited Juglar for identifying the cyclical character of economic fluctuations and for having been seminal in the combination of

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