ISSN 3060-4567

ECONOMIC CYCLE AND MACROECONOMIC INSTABILITY

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Abstract: *This article fully explains the cyclicality of the economy and macroeconomic instability. There was also talk about the economic cycle, the main types of cycles and the crisis.*

Key words: *Economic cycle, economic cycle phases, economic cycle theories, crisis.*

Аннотация: *Данная статья полностью объясняет цикличность экономики и макроэкономическую нестабильность. Также речь шла об экономическом цикле, основных типах циклов и кризисе.*

Ключевые слова: *Экономический цикл, фазы экономического цикла, теории экономического цикла, кризис.*

Introduction: It is known that any economic processes do not develop in the same way. That is, economic growth always leads to recession.

Usually, the economic cycle is the period starting from one state of economic development, going through certain phases and returning to its initial state. This situation will continue without stopping.

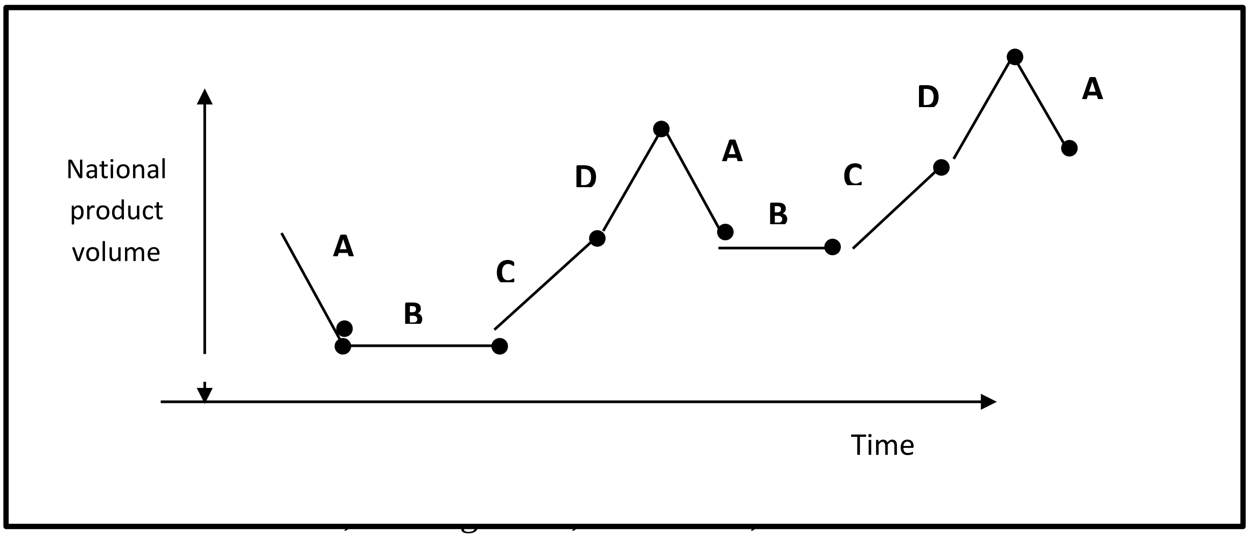
The economic cycle takes place through special phases. Each phase represents a certain stage in economic development and has its own characteristics. Usually, there are four phases of the economic cycle, which are crisis, stagnation, revival and growth phases.

The initial appearance of these phases is a crisis. A crisis is understood as a setback in development, a decline, and it is usually embodied in a decline in production. Any object goes through the stages of emergence, growth, decline and destruction during its development. The process of transition of any system from a relatively high-level state to a low-level state is called a crisis period.

After the crisis, the stagnation phase begins and lasts relatively longer. Although the stability of the level of production is ensured in this phase, it is much lower than the level before the beginning of the crisis. The fall in prices will stop, interest rates on loans will decrease, and commodity reserves will stabilize. However, unemployment remains high.

During the recovery phase, the unemployment rate will decrease slightly and the production level will gradually increase. Prices will also gradually rise, and the loan percentage will begin to increase. An increase in the level of employment and a rapid increase in the size of profits of the economy creates an opportunity for the transition of the recovery phase to the growth phase.

The last of the phases is the rising phase. In this phase, the expansion of the demand for labor force leads to a slight decrease in unemployment and an increase in wages, as a result of which the demand for consumer goods and payments expands.



- A crisis means a sharp decline in economic activity.
- Stagnation-Economic activity stagnates at its lowest level.

- Revival-Economic activity moves out of stagnation and begins to gradually grow.
- Upswing—Economic activity rises above pre-crisis levels.

External theory is a theory that explains economic cycles with the presence of external factors.

Internal theory believes that economic cycles are caused by factors internal to the economic system itself.

According to supporters of pure monetary theory, money and credit occupy the central place in the market economy. The cyclical change of the economy was seen as primarily due to changes in the flow of money supply.

Proponents of the non-monetary theory emphasize the importance of technological changes, innovations, inventions and show their role in the increase of money accumulation.

Accumulation theory deals with the economic cycle of production of means of production or capitalized capital goods. He explained that there is a big difference between the production of daily consumer goods and the production cycles of long-term goods and means of production.

The main types of cycles

Cycle types	Cycle duration	Main features
Kitchen cycle	2-4 years	Reserves amount - GDP, inflation, business cycles
Juglar cycle	7-12 years	Investment cycle - GDP, inflation, employment fluctuations
Kuznets cycle	16-25 years	Income - immigration, gross demand, housing construction
Kondratev cycle	40-60 years	Technical development, structural changes.
Forrester Cycle	200 years	Energy and Materials

Toffler cycle	1000-2000 years	Development of civilizations.

Kitchin cycle is also known as stock cycle. In doing so, Joseph Kitchin focuses on short-wave research over a 2- to 4-year period based on analysis of financial statements and selling prices during the movement of commodity stocks.

Juglar cycle is also called "business cycle". Due to the fact that economic science in earlier periods distinguished 7-12-year cycles, this cycle is named after Clement Juglar, who made a great contribution to the study of the nature of the industrial cycle based on the basic analysis of interest rates and price fluctuations in France, England and the United States.

Kuznes cycle, often referred to as the construction cycle, is characterized by economic fluctuations of up to 20 years. In his book National Income, Simon Kuznets finds that there are 20-year correlated swings in national income, consumer spending, capital goods, and gross investment in buildings and structures.

Kondratev cycle is sometimes called the "long wave" cycle. N.D. Kondratev's research covers the development of England, France and the USA for 100-150 years. In doing so, he distinguishes a number of large cycles as a result of summarizing the average level of macroeconomic indicators such as commodity prices, interest on capital, nominal wages, foreign trade turnover.

The first and main phase of cyclical development is a crisis. A crisis brings one cycle to an end and lays the foundation for the beginning of a new one, which inevitably ends with a crisis. In a crisis situation, excessive accumulation of fixed capital is manifested in all its functional forms.

Types of crisis

An economic crisis is defined as a sharp drop in the main macroeconomic indicators of the volume of production and services. The reason for the crisis is that the mass of goods produced in the society does not correspond to the demand for payment, that is, it exceeds or falls short. As a result, part of the production stops.

A monetary crisis is a breakdown of a country's monetary and credit system in which commercial and bank credit shrinks. As a result of falling stock and bond rates and bank interest rates, banks break down and go bankrupt.

In a currency crisis, the reputation of the national currency falls. The bank will run out of currency reserves and the national currency will fall.

In the case of a stock market crisis, the crisis is expressed in a rapid fall in the stock exchange rate, a reduction in their issuance, and a deep depression in the activity of stock exchanges.

Ecological crisis - It is expressed in the occurrence of a situation that leads to the loss of the environment, first of all, human health, shortening of life. It does not allow the industry to grow rapidly.

Network crisis covers any network of the national economy and occurs due to structural changes in production or disruption of normal economic relations.

Agrarian crisis Economic crises in agriculture are called agrarian crises. Since reproduction in agriculture has its own characteristics, agrarian crises acquire a specific description.

Periodic crises are repeated over a period of time.

Intermediate crises do not occur in a complete cycle. It is stopped at any phase of the cycle. They are not very deep and last for a short time.

During a shortage production crisis, the balance is disturbed and shortages result in distress. Thus, not only excess production, but also deficit production is the cause of economic distress.

The conclusion is that Economic cycle usually means the period that has passed starting from one state of economic development, going through several phases one after the other, and returning to its initial state. Each phase represents a certain stage in economic development and has its own characteristics. The movement of economic development does not stop with one cycle, but it continues as a continuous wave movement.

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