Economic growth and business cycle

9-1. Definition of Economic growth: It is the increase in value of the goods and services produced by an economy. It is usually measured as the percent rate of increase in real gross domestic product, or GDP.

9-2. Business cycle: The main theory in economic growth is business cycle which means the changes in economic growth.

One business cycle is defined as a period of economic decline or a contraction followed by a longer expansionary period.

The business cycle or economic cycle refers to the fluctuations of economic activity about its long term growth trend.

9-3. Traditional business cycle models

The main types of business cycles enumerated by Joseph Schumpeter and others in this field have been named after their discoverers:

- the Kitchin inventory cycle (3-5 years) - after Joseph Kitchin.
- the Juglar fixed investment cycle (7-11 years) -- after Clement Juglar.
- the Kuznets infrastructural investment cycle (15-25 years) -- after Simon Kuznets, Nobel Laureate.
- the Kondratieff wave or cycle (45-60 years) -- after Nikolai Kondratieff.

9-4. Periods of the businesscycle: The two periods of the businesscycle are expansion and contraction.

9-4.1.Contraction: A phase of the business cycle in which the economy as a whole is in decline.

9-4.1.1. Recession: A significant decline in economic activities, lasting longer than a few months. It is visible in industrial production, employment, real income and trade.

9-4.1.2. Depression: A severe and prolonged recession characterized by inefficient economic productivity, high unemployment and falling price levels.