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THE CAUSES OF ECONOMIC CYCLES AND FLUCTUATIONS

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Abstract. This article explores the complex nature of economic cycles and fluctuations, defining them as inherent and recurring phases of growth and decline in any economy. The authors delineate the four primary phases of an economic cycle: expansion, peak, recession, and trough, detailing the key economic indicators—such as employment, production, and investment—characteristic of each stage. The article further categorizes economic fluctuations by duration into short-term (3-4 years), medium-term (7-11 years), and long-term (45-60 years) cycles, and identifies their primary causes, distinguishing between internal factors (like investment, inflation, and government policy) and external factors (such as pandemics, wars, and technological innovations). Using the economy of Uzbekistan as a case study, the conclusion emphasizes that these cycles are a natural process and highlights the importance of analyzing and managing them to ensure long-term economic stability and growth.

Keywords: Economic Cycles, Economic Fluctuations, Economic Phases (Expansion, Peak, Recession, Trough), Business Cycle, Internal and External Factors, Investment, Uzbekistan Economy

Introduction. Economic cycles and fluctuations are complex economic phenomena. Over time, they experience periods of development, growth, and decline. Essentially, an economic fluctuation refers to the intensity and speed of these changes. This means that an economy does not develop along a straight line; instead, it constantly rises and falls due to fluctuations. These periods, which include economic growth and decline, arise from various influences. Such influences are caused by both internal and external economic phenomena.

An economic cycle is a sequence of recurring phases of growth and decline in an economy over time. An economic cycle can be compared to the ups and downs of a person's career or the changes in their physical condition throughout their life. A person is born, grows and develops until a certain age, then growth stops, they enter a period of stagnation, and as they age, they gradually weaken and eventually pass away. Similarly, an economy grows, rises, and develops for a certain period, after which its growth halts. This stagnation can then lead to economic decline or even collapse. Based on this, we can divide economic cycles into four phases.

1. The Expansion (Growth) Phase: In this phase, economic activity increases. The volume of production and services grows, new jobs are created in the labor market, employment rises as much as possible, and wages increase. Consumer spending also grows. Foreign investment increases because entrepreneurs, believing in the economy's



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growth and having hope for the future, create new businesses. Inflation also tends to rise in this phase, as demand exceeds supply.

2. The Peak Phase: This phase is the highest point of the expansion phase. By this stage, unemployment in the economy reaches its lowest level. Available resources are fully utilized. The production and services sector shows its highest performance. Similar to the expansion phase, inflation may also be high because the economy is operating at maximum capacity. All of these factors combined begin to lay the groundwork for the transition to the next phase.

3. The Recession (Contraction) Phase: In this phase, after the economy records its highest results, it begins to slowly decline, marking the beginning of the recession. The previous growth trends now reverse. Naturally, production and the services sector begin to decline. Existing companies and businesses reduce their operations, which in turn leads to job losses. As a result, unemployment rises. Consequently, consumer spending also decreases. Therefore, in contrast to the expansion phase, supply increases while demand decreases. Investments also fall because businesspeople, analyzing the economy and sensing a downturn, lose confidence in it. If this economic decline persists for a long time, it can cause an economic crisis. If the decline continues unabated, the economy faces a depression.

4. The Trough Phase: This phase is the lowest point of the recession phase. Economic activity reaches its lowest level. Essentially, the economy is barely functioning. Consumer spending is very low. Unemployment occurs in almost all sectors. Deflation may arise in the economy. Production and employment hit their lowest points. Eventually, the remaining phases begin to alternate in a continuous cycle.

The emergence of these economic cycles occurs, of course, due to economic fluctuations. The causes of economic fluctuations can vary. Furthermore, economic fluctuations are also divided into several types, primarily based on their duration:

1. Short-term fluctuations: These are economic fluctuations that typically last for 3 to 4 years. Economic fluctuations of this type do not have a major impact on the economy and are relatively mild. These fluctuations occur frequently in the economy.

2. Medium-term fluctuations: This type lasts for 7 to 11 years. Technological changes, investment cycles, and credit cycles create the basis for these fluctuations. These fluctuations can have a significant impact on the economy. For example, if investments increase, the economy may grow, but if the volume of investment falls, the economy may also decline.

3. Long-term fluctuations: This type of fluctuation can create economic waves in the economy lasting 45 to 60 years. The main causes of this type of fluctuation can include demographic situations, changes in economic structures, and even wars. This fluctuation can lead to long-term economic growth or decline.

Table 1. Causes of Economic Fluctuations. The factors that cause economic fluctuations arise for various reasons, as mentioned above.

External Factors	Internal Factors
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External Factors	Internal Factors
Natural disasters, technological innovations, wars, changes in international trade conditions, pandemics	Changes in investment, changes in consumer spending, government expenditures, taxes, inflation, monetary policy, deflation, changes in the unemployment rate

Type of Fluctuation	Duration
Short-term fluctuations	3 to 4 years
Medium-term fluctuations	7 to 11 years
Long-term fluctuations	45 to 60 years

Conclusion. In conclusion, economic cycles and fluctuations are a natural process in the economic life of any country. The economy of Uzbekistan, being an integral part of the global economy, also experiences these stages of fluctuations to varying degrees. The ongoing economic reforms in the country, changes in the investment climate, fluctuations in demand and prices in foreign markets, and global processes all contribute to the alternating periods of economic growth and decline. Short-term fluctuations also occur frequently in Uzbekistan, but they do not cause significant harm to the economy. They mainly result from seasonal factors, short-term changes in demand in the consumer market, or temporary disruptions in certain sectors.

Medium-term fluctuations are observed as 7–11 year economic cycles. In particular, technological modernization, an increase or decrease in investment flows, and changes in credit policy have a significant impact on these processes. Uzbekistan's recent strategy to develop new sectors of the economy is directly linked to these medium-term fluctuations. Long-term fluctuations, on the other hand, are major economic changes lasting 45–60 years, closely related to demographic processes, major structural reforms in the economy, global changes in the energy market, and geopolitical factors. In Uzbekistan, the rapid population growth, accelerating urbanization, the policy of economic diversification, and reforms in the energy system are serving as the main drivers of these long-term fluctuations.

Both external and internal factors, as the main sources of economic fluctuations, also affect Uzbekistan's economy. For example, along with external events such as sharp changes in raw material prices in the global market, pandemics, and disruptions in transport and logistics chains, internal factors—such as changes in investment policy, monetary and fiscal policies, inflation levels, unemployment indicators, and reforms in the banking system—also contribute to the formation of economic cycles. Therefore, in



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conducting economic policy in Uzbekistan, it is crucial to deeply analyze the dynamics of economic cycles and fluctuations of different durations, assess risks in advance, and ensure economic stability. Correctly forecasting and managing these processes is essential for ensuring stable economic growth, public welfare, and the successful implementation of a long-term development strategy.

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