

ECONOMIC INSTABILITY AS AN INEVITABLE PATTERN

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Abstract

The article examines the regular recurrence of economic downturns and upswings as a fundamental element in the functioning of a market-based system. It analyzes the key characteristics of macroeconomic dynamics, including the typology of cycles and their duration. Special attention is given to the interconnection between the phases of economic development and the mechanisms of state regulation aimed at reducing volatility. The article presents major theoretical approaches to explaining the nature of economic cyclicalities and proposes practical measures to enhance economic resilience under conditions of instability.

Keywords: Macroeconomic fluctuations, development cyclicalities, business cycle phases, crisis phenomena, stabilization policy.

Introduction

Economic dynamics under market conditions do not follow a linear trajectory. In the course of reproduction, economic imbalances inevitably arise due to the operation of objective laws, leading to alternating phases of economic growth and decline in business activity. These recurring phenomena in macroeconomics are referred to as economic cycles. An economic cycle represents a regular sequence of phases through which the economy passes—from initial expansion through overheating, recession, and depression, followed by a new round of development. Despite differences in scale, duration, and underlying causes, the recurring nature of these cycles is a fundamental characteristic of any market-based system. Analyzing the nature of these fluctuations, their phase structure, and determining factors is critically important for the development of effective macroeconomic stabilization policies. Economic science has developed a rich tradition of studying the cyclical nature of economic development. Scholars distinguish a variety of cycles that differ in duration, depth, and origin. These fluctuations have accompanied the economy throughout its history and reflect inherent patterns of economic activity over different time horizons.

The shortest of these are the Kitchin cycles, lasting approximately two to four years. They are primarily associated with changes in the volume of goods inventories held by firms. When demand begins to rise, companies increase inventory levels, which temporarily stimulates production. However, saturation inevitably follows, leading to a decline in business activity. Such fluctuations are particularly pronounced in industries with pronounced seasonality and significantly affect employment levels, inflation, and production volumes.

Next in duration are the Juglar investment cycles, which span approximately seven to twelve years. Their origin lies in the wave-like dynamics of capital investment in fixed assets. During periods of economic growth, businesses actively invest in modernizing equipment, introducing technologies, and expanding production. However, as capacities grow and the market becomes saturated, profitability declines, and accumulated surplus resources lead to overproduction crises



and subsequent economic downturns. These cycles often underpin industrial and financial crises in the modern economy.

The Kuznets cycles, lasting from sixteen to twenty-five years, reflect longer-term demographic shifts and infrastructure developments. Population and income growth stimulate large-scale housing construction and the development of transportation and social infrastructure. However, once a certain saturation point is reached, demand slows, leading to reduced activity in construction and related industries.

Among the most profound and long-lasting are the Kondratiev long waves, which last approximately forty to sixty years. These cycles are linked to major technological revolutions that fundamentally transform the economic system. Each new cycle begins with the emergence of basic innovations—such as the steam engine, electricity, or the internet—which drive accelerated growth. Over time, as these technologies become widespread, growth slows, and the system requires structural transformation. These long waves shape the strategic trends of global economic development.

In addition to the aforementioned, there are broader civilizational cycles of longer duration. For example, the 200-year Forrester cycles are associated with transitions between dominant energy and resource paradigms (e.g., from wood to coal, from coal to oil), while the 1,000–2,000-year Toffler cycles reflect shifts in socio-economic formations, encompassing technological, social, and cultural changes in civilization. It is important to emphasize that these cycles do not occur in isolation. They overlap and interact, forming a complex, multi-layered structure of economic fluctuations. For instance, several Juglar investment cycles and numerous short-term Kitchin waves may unfold within a single Kondratiev long wave. Understanding this interconnection and cross-impact of different levels of cyclicity allows for deeper interpretation of ongoing economic processes and more accurate forecasting of potential turning points in the development of both national and global economies.

Traditionally, the **economic cycle consists of four main phases**, each with its distinct features:

- **The recession stage (crisis)** is characterized by a sharp decline in economic activity, rising unemployment, reduced investment, and deteriorating financial results for enterprises.
- **The depression phase (stagnation)** represents the period of lowest business activity, marked by stagnation and persistently high unemployment levels.
- **The recovery stage** sees a gradual increase in demand, revival of production, and a decrease in unemployment.
- **The expansion phase (boom)** is a period of maximum capacity utilization and high employment. However, it is during this phase that new imbalances begin to accumulate, which may lead to another recessionary spiral.

Economic instability is not an exception but rather a natural part of how market economies function. Expansions and contractions, no matter how much one might wish to avoid them, have accompanied every economic system throughout history. They arise from a wide range of factors—from fluctuations in demand and investment to technological revolutions and demographic changes. Understanding the nature of these cycles, their causes, and their logic not only allows for observation but also enables active and timely responses.

To conclude, economic policy instruments—fiscal measures, monetary regulation, and structural reforms—are essential. They help to mitigate the adverse effects of downturns and support



economies during times of uncertainty. Today, as the global economy becomes increasingly interconnected and sensitive to external shocks, it is especially important not only to respond quickly to crises but also to create conditions for sustainable and balanced growth. In this sense, economic cycles are not merely challenges, but also reference points. They serve as reminders that each downturn is also a preparation for the next rise, and timely, appropriate action can transform volatility into opportunities for renewal and advancement.

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