

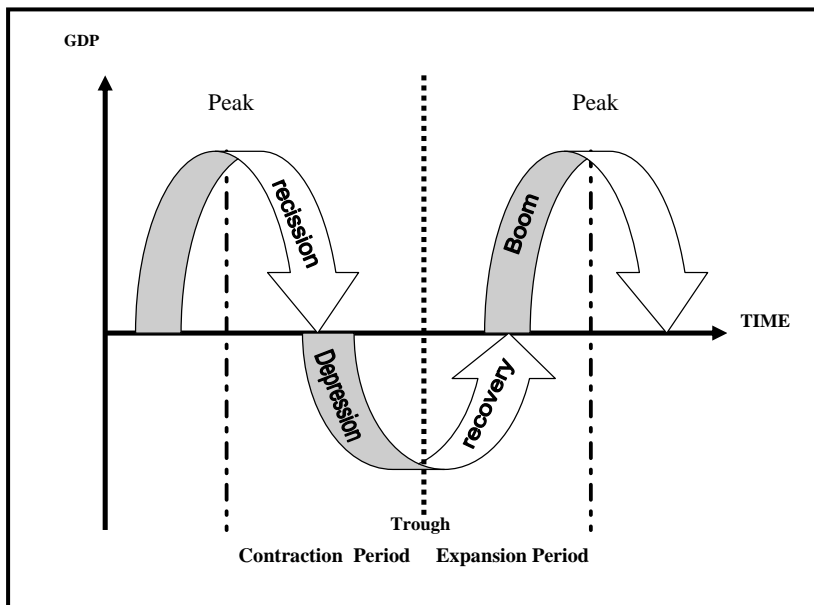
Chapter 9: Economic growth and business cycle

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.

business cycle phases



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 [business](#) cycle: The two periods of the [business](#) cycle 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.

9-4.2. Expansion: The phase of the [business](#) cycle when the economy moves from a trough to a peak.

9-4.2.1. Boom :A period of time during which sales or [business](#) activity increases rapidly.

9-4.2.2. Recovery: The phase of the [business](#) cycle when the economy moves from a trough to a peak. It is a period when business activity rises and gross domestic product expands until it reaches a peak.