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CRITICAL ANALYSES OF ECONOMIC CYCLES THEORIES

This paper provides analyses of economic cycles theories. It examines into economic cycles according to their periodicity, explores the theoretical background and formulates the basics of the mechanism of the Kitchin inventory cycles of 3-5 years, the Juglar fixed investment cycles of 7-11 years, the Kuznets infrastructural investment cycles of 15-25 years), the Kondratiev long technological cycles of 45-60 years. It studies different classifications of economic cycles and covers main causes, which drive periodical fluctuations in business activity.

The increasing frequency and severity of financial and economic crises over the past three decades have raised important questions about background of such emergencies. Explanation the externalities of upturns and downturns in world economy could be provided with understanding the nature of cyclic economic transformations. Representation the mechanism of cyclic fluctuation of economy is important tool for effective economic policy, which enables government to forecast possible scenarios for economic development and work out efficient managerial strategy.

Due to significant variability of display areas, scope and duration of economic cycles there is consistent approach to understanding the nature periodical economic fluctuations. In addition, there is no single concept of views on the problems of the interaction between dynamic fluctuations in economic activity with the innovative development of the world economic system, which explains the need for further study of the issue.

Severe economic fluctuations which had recently hit the entire world economy after relatively prosperous decades despite numerous institutional efforts to control them have recalled an interest to the theory of economic cycles. Historical data on main economic indexes and academic evidence show that recurrent fluctuations in the pace of economic growth are consistent over time. Technological revolutions and worldwide implementation of basic inventions are necessarily accompanied by the processes of creative destruction or – sanitation of the economy, which cause long term economic cycles which appear to be predictable but practically unavoidable.

There are three groups of causes that drive economic cycles: directly unmanageable causes (natural non-renewable recourses scarcity – oil, coil etc.), slow manageable causes (knowledge) and manageable causes (taxes, money supply, interest, government spending, subsides, wages, prices and import regulation, etc.). The – manageability of economy is limited; hence either – overdrive or – poor drive causes unwanted economic fluctuations.

Economic cycles are basically driven by complex of natural, technological, economical, financial and political causes and it is very difficult to mark out separate, specific reasons which cause periodic economy-wide fluctuations in production or economic activity. The crucial economical problem is so complicated and complex itself, that it pools out an adequate multifaceted explication. All and every schools possess and deliver a true judgment, but not a comprehensive or final one. A permanent evolution is an attributive characteristic of an economic system, therefore the mentioned economics theories, by influencing each other, are hopefully moving to some kind of positive diffusion and convergence.