

Growth and business cycles



Growth and Business Cycles In discussing the future of business cycles in the United s, I am personally rather an optimist. This is primly due to the fact that I believe in today's world people for the most part are sort of helpless spenders. More money is being made by more people in various different fashions, and that figure does not seem to be slowing down in any way. I think that recessions which be much shorter and fewer of them at that, and this is mainly again due to the spending habits of the public. High priced luxury items seem to be the craze of even the average person, seemingly regardless of their income.

In regards to which major trend I think will have the biggest impact on the business cycle, I believe this will be largely associated with inventory control and growth of services. With inventory control, we are speaking about the promising factor that inventories do propagate and amplify other fluctuations. On the other hand, on the discussion of growth of services, we are instead speaking in regards to the significant fact that the decline of manufacturing and the rise of services should be helping to reduce volatility, this being mainly because the demand for services is usually more stable than demand for manufacturers.

The factor of better governments is highly relevant to this positive point of view as well, in that most central banks have learned to manage the economy so well that " it is sometimes argued, that they have more or less abolished the cycle." (The Economist, London, Oct 23, 1999, Anonymous). Globalization is another crucial factor, and at least at first sense seems to make perfect sense and fit properly into the optimist's point of view. This is because increasing integration with the global economy reduces the dependence of the American economy on certain domestic demand, and " it

also opens new channels of supply, reducing inflationary pressures on costs and wages." (The Economist, London, Oct 23, 1999, Anonymous).

However, even with an optimistic point of view, the contrary must be discussed. Each positive factor also comes with its own negative side, such as in regards to the topic of better governments; one problem for example being that by their own account, Alan Greenspan and the Fed are mystified by what is going on in the economy, and another point being that quite simply, we have heard it all before. " The popularity of 'now we know better' as an explanation for growth ranks high among the most reliable leading indicators of recession." (The Economist, London, Oct 23, 1999, Anonymous).

In dealing with the topic of globalization, it is without question that over the past couple of years global conditions have helped to greatly sustain America and its expansion. However, recessions in the third world and sluggish growth in Europe " have kept the dollar up and American import prices down." (The Economist, London, Oct 23, 1999, Anonymous).

In my opinion, I believe that after taking a close look at each and every one of the built-in forces that drive the business cycle, which includes: the sub-cycles of profits, inventories, investment and credit; although there are certainly many factors that can be taken negatively, I do think that the future of business cycles in the United States will be more positive than negative. After reviewing the pros and cons, and available future prospects, I believe my objective to be fully supportable and attainable.

Works Cited

The Economist. " Economics focus: Beyond the business cycle". The Economist. Oct 23, 1999.

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