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# THE IMPACT OF CHANGES IN ECONOMIC CYCLES IN THE DEVELOPMENT OF SOCIO-ECONOMIC SOCIETY, ESPECIALLY DURING A PANDEMIC

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## ABSTRACT

Cyclical fluctuations in the market economy have been the focus of attention of researchers for many years. Today, the process of reproduction is becoming cyclical, which is a problem of interest of all economic agents. The purpose of the article is to reveal the main causes of economic cycles, their nature and to show the effect of cyclical fluctuations on the production process and employment, as well as in the development of a new socio-economic society as a whole. The article shows the essence of each stage, their disadvantages and advantages, influence on the formation of a creatively developed person.

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**Introduction.** Many scientists were interested in eliminating sharp cyclical fluctuations before they begin and thus ensure the development of the economy. However, they succeeded. To date, none of the economists disputes the existence of cyclical fluctuations. As far as changes in economic cycles are a disaster for the economy, it requires careful analysis, as well as the disclosure of their objective reasons for existence, to show the effect of cyclical fluctuations on the low level of national production and employment. It is known that the causes of regular fluctuations in the levels of production, employment and income, which usually last from 2 to 10 years, are depletion of autonomous investments, weakening of the multiplier effect, fluctuations in the money supply, as well as renewal of the main capital [1].

**Materials and methods.** The main causes of instability are inflation (an increase in the general price level, as well as a decrease in the price of the national currency) and a reduction in employment (low production) [7]. In this case, the shift in cycles is influenced by the aggregate supply. The oil shock of 1970, when prices rose 10 times, was unfavorable; the favorable shock of supply was in the USA in 1992-1993. as a result of the widespread use of information technology, the process of unbundling enterprises was stimulated. Thus, the cycles can be divided into two periods. The first period is the decline in production; the second is the increase in production [6]. The growth phase begins with the active commissioning of new enterprises and the modernization of old ones. In this case, the increase in employment due to the introduction of investment. Personal income is growing, demand and prices are rising. The boom is accompanied by a process of vigorous use of all

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production capacities, their overload and ultrahigh employment. In consequence of which there is an increase in the level of prices, wages and interest rates. The inevitable consequence of the boom, when production growth is replaced by its decline, naturally develops further. There comes a phase of crisis. Increased stocks of goods lead to a reduction in production. Production investment is reduced; hence employment decreases, that is, the demand for labor.

Profit falls, the demand for credit is reduced, the interest rate is reduced, and growth of prices for goods and services is slowing down. Further, there is a stagnation of the economy, when the volume of production approaches zero. Trade weakens; there is a large mass of free money capital. After some time, the economic system overcomes the lowest point of the cycle, the revitalization cycle begins. This stage is characterized by the fact that the economy is gaining momentum, a new technical process is being introduced at a high rate in the production process, innovations are being actively applied, reducing production costs. The use of alternative sources of costs in production is increasing, where the cost is much cheaper than it was before. Economic growth acquires an innovative nature of development. Phases of crisis and depression can be viewed as a catalyst for economic growth in the innovative nature of development. At the same time, the movement of all economic indicators changes direction, increases income and employment [2]. New technologies and technologies appear, scientific and technical achievements are applied in the production process, completely new professions appear, thus providing employment for the active part of the population. Re-qualification is the benchmark for the development of a new, creatively developed person. The achieved new economic growth shows not only a quantitative expression of progress, but also a qualitative transformation of society, their thinking, as well as new values for society are being achieved.

**Results.** Human history is entering a new stage of socio-economic development. Thus, the crisis has in itself the possibility of overcoming it. It eliminates its immediate nature of the emergence of capital accumulation. The economy gets rid of the accumulated part of the share capital through its depreciation and destruction. This is the beginning the crisis is forcing everyone to replace many elements of fixed capital. As a result, there is a completely new demand. The massive use of new investments expands the process of reproduction, an increase in the multiplicative effect enhances the accelerator process. The innovative nature of socio-economic development generates a new effect on supply and demand. Thus, observation of the course of cycles shows that in modern conditions the nature of economic cycles is completely modified. The configuration of the cycle itself, the duration, its reproductive functions, which distinguishes the modern cycle from the cycles, observed in the previous century, change. The previous cycles have undergone quantitative changes; there were massive updates of capital. The modern cycle is characterized by qualitative changes. There are a number of factors that influence the current economic cycle: government regulation, scientific and technological progress, the process of globalization. An important tool for counter-cyclical, economic regulation of the state is the credit policy by reducing the interest rate charged by the Central bank when granting loans by a Commercial bank. Reducing the discount rate leads to a decrease in the interest rate on all types of loans, and thus contributes to increased investment and increased sales, which increases production growth [6].

**Discussion.** The nature of economic cycles is influenced by scientific and technical progress. It updates the fixed capital, which is observed in all phases of the cycle. The Encourages of active innovation, reducing production costs. Develop alternative sources of use in the production of resources. The new products and services offer at lower prices in the best quality. The economy is being modernized and diversified on a full scale. In the context of globalization of production under the influence of the international division of labor and the internationalization of economic relations, the cycle began to be of a global nature. A crisis in one country entails crisis phenomena in other countries; as a result, the world economy is being drawn into cyclical fluctuations. For example, the financial crisis of 2008 or the crisis of 1974-1975. The world crisis of 1957-1958 initiated the global structural crisis of overproduction of commodities on the world market. This was facilitated by technological changes in production; the replacement of natural raw materials with synthetic ones, that is, innovations of 1963 gave rise to a commodity crisis. Commodity prices fell 2 times [4]. Thus, the market economy itself is subject to cyclical fluctuations. The innovation and a new exploration give rise to crises that are inevitable, but at the same time the main cause of the revitalization stage. The market economy will become internally more stable when macroeconomic mechanisms are more widely and deeply understood, which make it possible to take economic measures that, like monetary

and fiscal policy, will not allow recessions to be in a long process. The economic cycle is inherent in all countries with a market economy and shows the process of oscillatory movement of the level of production, investment, employment and income, as a result of which either expansion or contraction of business activity of the economic sectors occurs. Cyclic fluctuations occur for various reasons. This may be due to seasonal fluctuations, demographic fluctuations, life expectancy of fixed capital. Despite the differences in the duration and intensity of economic cycles, they all have the same phases. With the development of macroeconomics and the correct application of macroeconomic tools, the concept of depression has fallen into disuse in developed countries and this term is already used in a historical context, and the crisis phase lasting more than six months should be called the recession phase. Each phase performs its function. But in each phase are the possibilities of exit. In the crisis phase, where production, employment, and income fall, it ultimately leads to cheaper means to stimulating of the investment in new enterprises, technologies and equipment that the economy begins to revive again on the basis of innovation [5]. Here it would be worth not forgetting about those things that delay economic growth, which contributes to the slow growth of the economy and the transformation of the form and life of the population. It is during such negative socio-economic events that corruption takes resources away from priority needs such as public health, social protection, distance learning and other essential services. Distorted spending priorities will weaken economic recovery and long-term performance to achieve sustainable, inclusive growth or improve productivity and living standards. Our message to governments is clear: do whatever you can, but be sure to "keep your receipts." The principles of accountability and transparency should not be relegated to the background. In practice, this means supporting countries to take various measures in the areas of public financial management, anti-corruption and anti-money laundering.

By virtue of this, an active fiscal policy should come into play again. No matter how old it is, during a crisis, a pandemic, Keynesian doctrine is becoming more and more acute. In turn, a robust fiscal expansion aimed at tackling the pandemic will further boost public debt, lowering the national saving rate and possibly putting upward pressure on real interest rates.

In net terms, we expect the period of low real interest rates to be prolonged. In this case, low real rates should provide governments with the fiscal space they need to actively mitigate the impact of the pandemic [16].

At the same time, one should very carefully approach the issue of planning state orders, which are far from always calculating the final results of using budget funds. For this reason, huge material, labor and financial resources are usually spent in the state budget ineffectively. In order to increase the efficiency of the use of financial resources in the field of placing government orders, preventing corruption and other abuses, world practice has developed a set of levers and tools, from planning the need for procurement to making special decisions to stimulate government customers and product suppliers. And in this case, the Pandemic will play a positive role forcing the governments of the state to improve the legislative framework for public procurement. [16].

Companies that have survived the crisis are facing a new business climate. Even before that, companies had experienced major crises. [16]. Unlike other crises, the pandemic has swept the entire macro economy of all countries of the world.

Each can be unique, and every time entrepreneurs, firms are known to adapt to it. Given that countries producing more than 50% of world GDP are in lockdown, the current business crisis is more serious than ever before:

The crisis and the measures taken against it will accelerate 3 trends:

First of all,

- Introduction of new technologies;
- The retreat in the outdated global supply chain, a market structure dominated by an oligopoly (i.e. a small number of sellers), in which the entry of new firms into the network is limited by high barriers.
- Many large companies are aware of social responsibility. Large companies such as Alibaba and General Motors have launched the production of masks.

Secondly, global supply chains will be reviewed.

In third, there is a growing focus on highly automated plants. Cross-border investment may fall by 30-40% this year. The revenue of global firm's decreases, but their resilience increases.

Political economy combines political and economic factors in analyzing modern society. Since almost everyone will agree that politics and economics are intricate and irreversible intertwined with

each other - politics effects on the economy, and the economy affects politics, this approach seems natural. He has proven to be useful in understanding government and society. It can also prove to be a useful tool for those interested in changing the state management and society. Policymakers should remember these important lessons today as they struggle with the COVID-19 pandemic.

**Conclusions.** Thus, despite the fact that crises bring economic costs, the market economy as a whole from cycle to cycle goes to higher and higher levels of development, improving not only the material basis, but also distribution, exchange and consumption. A new organizational form of production requests a completely new approach to the production process, to personnel, that retraining, retraining leads to the formation of a creative person. A creatively active person is the basis to build of a new developed society as a whole. The impact of the pandemic on the socio-economic development of the country is a prime example of the fact that humanity in the digital economy will experience great changes. Both values and lifestyle and activities of people will definitely change. Pandemic will force humanity to save resources, move to a new stage of development. A new era of development will come, people will save time, learn more in the field of information technology, all their activities contribute to the development of the digital economy worldwide. The fourth industrial revolution will affect the growth of the world economy. What should be done?

I. Protect the liberal order from anarchism. Transnational corporations and international banks of the world depend on open flow goods and capital. This is especially true these days, when many of the world's largest companies rely on into complex global supply chains. A typical multinational corporation today produces parts

and components in dozens of countries, carries out the assembly process in dozens of other countries and sells finished products all over the world. Trade barriers prevent this supply chains, which is why most of the world's largest companies are also among the most ardent supporters of further liberalization trade.

II. Build a post-viral world belt.

III. World leaders must lead world order or create a world order.

IV. Single national goal:

-Establish infection monitoring everywhere,

-To put the health system, medical science and technology into proper condition,

- Maintain security, order, economic prosperity, lend a hand of cooperation to each other through joint efforts to mitigate the impact of the approaching chaos.

-No country alone is able to overcome the crisis

-Global cooperation program like “Marshall Plan”

Otherwise, decay will result in the present and in the future.

- Close cooperation of centers of power, forgetting about the geopolitical battle. This refers to the unification scheme.

V. Maintain the principles of a liberal world order based on the opening of borders, free trade in everything that can only be sold.

The lifting of economic sanctions in the relations of any country in the world. These postulates should be extended to all UN members and enshrined in the UN Charter, providing for a response mechanism in case of violation of these customs by UN member states. COVID-19 will force companies, states and societies to strengthen their own economic potential, which will allow them to withstand prolonged self-isolation. However, this will require tremendous self-discipline, especially from developing countries. That by doing so, people will stop thinking as before. This will force them to change. Both the behavior of the consumer and the producer will change. Therefore, the world order will have to be considered. The leaders of the superpowers will also obey the terms of the world order. This pandemic, in contrast to the previous crises, has embraced the entire process of rebuilding the world economic order.

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