

ECONOMICS

for South African students

Macroeconomics

Economic growth and business cycles

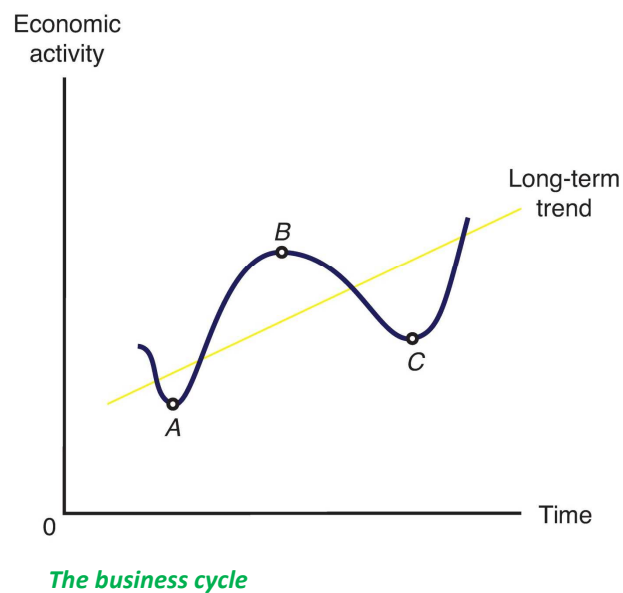
Economic growth

- Annual rate of increase in total production or income
- Usually measured by rate of growth in real GDP or real GDP per capita
- GDP not a perfect measure
 - non-market production (valuation problem)
 - unrecorded activity (informal sector)
 - data revisions (data initially provisional)
 - imperfect measure of welfare (“bads”, externalities)
 - does not reflect distribution of income

Business cycles

- Pattern of expansion and contraction in economic activity
- **Stages**
 - upswing (boom)
 - peak
 - downswing (recession)
 - trough

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- **Causes**

- exogenous factors (classical view)
- endogenous factors (Keynesian view)
- random factors (structuralist or institutionalist view)

[Figure: Different views on business cycles](#)

- **Indicators**

- leading indicators
- reach turning point before economy at large

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Sources of economic growth

- **Supply factors**

- quantity and quality (productivity) of factors of production
- natural resources (mixed blessing)
- labour (quantity and quality, human capital)
- capital (quantity and quality, technology)
- entrepreneurship (the driving force)

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- ***Demand factors***
 - domestic demand (C, I, G)
 - exports
 - import substitution

- ***Fundamental causes (inter alia)***
 - institutions
 - geography
 - culture