On the spectrum of oscillations in economics

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Abstract – Article 1) researches the spectrum of different time dependent oscillations of economic variables in the economics, 2) introduces the notion of the Ledenyov discrete time signals in the economics for the first time, 3) proposes the Ledenyov discrete time signals theory in the nonlinear dynamic economic system for the first time, 4) describes the developed software program to forecast the business cycles, going from the spectral analysis of the discrete time signals and the continuous time signals in the nonlinear dynamic economic system over the selected time period. Authors show that 1) the discrete time signals and 2) the continuous time signals may be present in the spectrum of the different oscillations of the economic variables in the economies of scale and scope. We assume that 1) the discrete time signals, and 2) the continuous time signals may have the information money fields in agreement with the Ledenyov theory on the information money fields of the cyclic oscillations of the economic variables in the nonlinear dynamic economic system. We developed the MicroSA software program 1) to analyze the spectrum analysis of the cyclic oscillations of the economic variables in the nonlinear dynamic economic system, including the discrete time signals and the continuous time signals; 2) to make the computer modeling and to forecast the business cycles, going from the spectral analysis of the discrete time signals and the continuous time signals in the nonlinear dynamic economic system, for applications by a) the central banks with the purpose to make the strategic decisions on the monetary policies, financial stability policies, and b) the commercial/investment banks with the aim to make the business decisions on the minimum capital allocation, countercyclical capital buffer creation, and capital investments.

JEL: E32, E43, E44, E53, E58, E61, G18, G21, G28

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Keywords: spectrum analysis of economic oscillations, discrete-time signals, continuous-time (continuous wave) signals, information money field of cyclic oscillation, generation of discrete- and continuous- time signals, amplitude of cyclic oscillation, frequency of cyclic oscillation, wavelength of cyclic oscillation, period of cyclic oscillation, phase of cyclic oscillation, mixing of cyclic oscillations, harmonics of cyclic oscillation, nonlinearities of cyclic oscillation, Juglar fixed investment cycle, Kitchin inventory cycle, Kondratieff long wave cycle, Kuznets infrastructural investment cycle, econophysics, econometrics, nonlinear dynamic economic system, economy of scale and scope, macroeconomics.
Introduction

The economics science evolves within the time due to the new scientific discoveries in the macroeconomics, microeconomics and nanoeconomics in Joseph Penso de la Vega (1668, 1996), Mortimer (1765), Smith (1776, 2008), Menger (1871), Bagehot (1873, 1897), von Böhm-Bawerk (1884, 1889, 1921), Hirsch (1896), Bachelier (1900), Schumpeter (1906, 1911, 1933, 1939, 1961, 1939, 1947), Slutsky (1910, 1915, 1923), von Mises (1912), Hayek (1931, 1935, 2008; 1948, 1980), Keynes (1936, 1992), Ellis, Metzler (1949), Friedman (1953), Baumol (1957), Debreu (1959), Krugman, Wells (2005), Stiglitz (2005), Dodd (2014).

In the macroeconomics, the spectral analysis (the detection, filtering and parameters measurements) of the cyclic oscillations of the economic variables with the different amplitudes, frequencies and phases over the time led to the discovery of the following periodic continuous-time oscillations in the nonlinear dynamic economic system over the selected time frame in Ledenyov D O, Ledenyov V O (2013c, 2015d):

1) 3 – 7 years Kitchin inventory cycle in Kitchin (1923);
2) 7–11 years Juglar fixed investment cycle in Juglar (1862);
3) 15 – 25 years Kuznets infrastructural investment cycle in Kuznets (1973a, b);
4) 45 – 60 years Kondratieff long wave cycle in Kondratieff, Stolper (1935); and
5) 70+ Grand super-cycle.

The cyclic oscillations of the economic variables in the nonlinear dynamic economic system in the time domain may have the multiple origins in the macroeconomics in Krugman, Wells (2005), Stiglitz (2005), Ledenyov D O, Ledenyov V O (2013c, 2015d):

1) fluctuations in the aggregate demand in agreement with the Keynes theory in Keynes (1936, 1992);
2) fluctuations in the credit in accordance with the Minsky theory in Minsky (1974, 1992);
3) fluctuations in the central bank’s financial stability and monetary policies creation and implementation;
4) fluctuations in the technological innovations as explained in the real business cycle theory;
5) fluctuations in the supply and demand in the goods markets in Ikeda, Aoyama, Fujiwara, Iyetomi, Ogimoto, Souma, Yoshikawa (2012);
6) fluctuations in the land price in agreement with the George theory in George (1881, 2009);
7) fluctuations in the politics.
Let us note that the general dynamic macroeconomic system is increasingly nonlinear, in which the certain macroeconomic/microeconomic/nanoeconomic processes can be weakly/strongly influenced or make the active economic influences on the other macroeconomic/microeconomic/nanoeconomic processes due to:

1) the linear interactions, and
2) the nonlinear interactions,

in an analogy with the scientific considerations in the physics in Bogolyubov (1946), Terletsky (1950), Ledenyov D O, Ledenyov V O (2013c, 2015d). Therefore, we would like to emphasize an important research finding that the new time-dependent oscillations of the changing economic variables in the macroeconomics in the time domain can only be generated in the nonlinear dynamic economic system in Bogolyubov (1946), Terletsky (1950), Ledenyov D O, Ledenyov V O (2013c, 2015d).


Discrete-time signals and continuous-time signals in spectrum of oscillations of economic variables in nonlinear dynamic economic system over finite time

It is a well known fact that the physical/chemical/economic/financial phenomena can be accurately characterized by the signals, which can be represented as the functions of various variables, that transmit the information about the unique physical/chemical/economic/financial properties and behaviors of the researched


1) A **continuous-time real (complex) signal** is any real-valued (complex-valued) function of the time variable, which is defined continuously over a range of signal values at every time \( t \) in a selected interval (an infinite interval) in Wikipedia (2015e, f). The mathematical expression for a continuous-time real (complex) signal is in Wanhammar (1999)

\[
y = f(t), y \in C, t \in C
\]

The Juglar periodic oscillation in Juglar (1862), Kitchin periodic oscillation in Kitchin (1923), Kondratieff periodic oscillation in Kondratieff (1922, 1925, 1926, 1928, 1935, 1984, 2002), Kuznets periodic oscillation in Kuznets (1973) are considered to be the **continuous-time periodic signals (continuous wave (CW))**, which can be used to characterize the macroeconomic processes in the economics.

In XX – XXI centuries, the economists created the visual representations and tended to believe that the GNP cyclical fluctuations can be approximated by the sinus / cosines periodic waves and described in agreement with both the theory of trigonometric functions in the mathematics and the theory of analog signal processing in the physics and in the electronics engineering in Schumpeter (1939), Burns, Mitchell (1946). Considering the continuous-time signals in the economics, it is necessary to say that : “the **amplitude, frequency and phase parameters are normally used to characterize the cyclic oscillations of economic variables in the space-time domain** in agreement with the theoretical representations in the physics,” as explained in Ledenyov D O, Ledenyov V O (2015d). All the scientific discussions on the signals in the economics are conducted in terms of the frequency or the wavelength of the continuous time signals, going from the scientists’ personal preferences, as noted in Ledenyov D O, Ledenyov V O (2015d). It is also necessary to emphasis that the mathematical techniques on the
interpolation and approximation of the continuous, analytic, or harmonic functions are well developed presently in Karatzas, Shreve (1995), Rogers, Talay (editors) (1997). For example, the GNP cyclical changes in the form of sinus/cosines waves, using the filtering and smoothing techniques are plotted in Hodrick, Prescott (1997). The main objective was to obtain the signal wave form similar to the analog signal wave form, aiming to demonstrate the GNP cyclical fluctuations over the selected time periods in Hodrick, Prescott (1997).

The idea that the continuous-time signals in the economics may have the information money field belongs to Ledenyov D O, Ledenyov V O (2015d): “The authors would like to highlight an interesting observation that the notion of the field is not used in application to the cyclic oscillations of economic variables in the time-space domains in the economics. It is necessary to explain that the notion of the abstract mathematical field has been introduced by the Euclid in the mathematics for the first time in Ledenyov D O, Ledenyov V O (2015a). For example, in the mathematics, it is a well known fact that we can scientifically treat the field as the geometrical characteristics of the abstract mathematical space-time domains in Ledenyov D O, Ledenyov V O (2015a). Using the knowledge base on the nature and physical properties of the electromagnetic field, gravitation field, calibrating field, information field in the physics, we would like to assume that the cyclic oscillations in the nonlinear dynamic economic system, including the Juglar fixed investment cycle, Kitchin inventory cycle, Kondratieff long wave cycle, Kuznets infrastructural investment cycle, may have the information money fields in an analogy with the electromagnetic periodic oscillations, which can be characterized by the electric and magnetic fields in the theory of electrodynamics in the physics in Ledenyov D O, Ledenyov V O (2015a). In our opinion, the information money fields of the cyclic oscillations of economic variables in the nonlinear dynamic economic system play an important role of the information transmission about the state of the source of the information money field in the nonlinear dynamic economic system.

The Ledenyov theory on the information money fields of the cyclic oscillations of economic variables in the nonlinear dynamic economic system postulates that the economic continuous waves (the cyclic oscillations) have the information money fields, which transmit the economic/financial information in the nonlinear dynamic economic system.

The authors think that the mathematical description of the structure of the information money fields can be done in parallel with the Maxwell electromagnetism theory and with the application of the Maxwell equations in the electrodynamics in the physics in Maxwell (1890), Ledenyov D O, Ledenyov V O (2015a) . . . .”
2) A **discrete-time real (or complex) signal** is a function from (a subset of) a set of the integers numbers (the index labeling time instants) to a set of the real (complex) numbers (the function values at those instants) in Wikipedia (2015g). Matlab (R2012) provides the following definition of the discrete-time signal: “The discrete-time signal is a sequence of values that correspond to particular instants in time. The time instants at which the signal is defined are the signal’s sample times, and the associated signal values are the signal’s samples. Traditionally, a discrete-time signal is considered to be undefined at points in time between the sample times. For a periodically sampled signal, the equal interval between any pair of consecutive sample times is the signal’s sample period, $T_s$. The sample rate, $F_s$, is the reciprocal of the sample period, or $1/T_s$. The sample rate is the number of samples in the signal per second.”

Figs. 1 and 2 demonstrate the discrete-time signal in MatlabR2012, Wikipedia (2015g).

**Fig. 1.** Discrete-time signal (after MatlabR2012).

**Fig. 2.** Discrete-time signal (Wikipedia (2015g)).
The mathematical expression for a discrete-time real (or complex) signal is given in Wanhammar (1999)

\[ y = f(nT), y \in \mathbb{C}, n \in \mathbb{Z}, T > 0. \]

Tab. 1 presents the parameters, which are normally used to accurately characterize the discrete-time signal in MatlabR2012.

<table>
<thead>
<tr>
<th>Term</th>
<th>Symbol</th>
<th>Units</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample period</td>
<td>( f_s )</td>
<td>( \text{seconds} )</td>
<td>Time interval between consecutive samples in a sequence, as the input to a block ((f_s)) or the output from a block ((f_s))</td>
</tr>
<tr>
<td>Frame period</td>
<td>( f_f )</td>
<td>( \text{seconds} )</td>
<td>Time interval between consecutive frames in a sequence, as the input to a block ((f_f)) or the output from a block ((f_f))</td>
</tr>
<tr>
<td>Signal period</td>
<td>( f )</td>
<td>( \text{seconds} )</td>
<td>The time elapsed during a single repetition of a periodic signal</td>
</tr>
<tr>
<td>Sample frequency</td>
<td>( f_s )</td>
<td>( \text{Hz (samples per second)} )</td>
<td>The number of samples per unit time, ( F_s = 1/T_s )</td>
</tr>
<tr>
<td>Frequency</td>
<td>( f )</td>
<td>( \text{Hz (cycles per second)} )</td>
<td>The number of repetitions per unit time of a periodic signal or signal component, ( f = v/T )</td>
</tr>
<tr>
<td>Nyquist rate</td>
<td>( f_N )</td>
<td>( \text{Hz (cycles per second)} )</td>
<td>The minimum sample rate that avoids aliasing, usually twice the highest frequency in the signal being sampled</td>
</tr>
<tr>
<td>Nyquist frequency</td>
<td>( f_{ny} )</td>
<td>( \text{Hz (cycles per second)} )</td>
<td>Half the Nyquist rate</td>
</tr>
<tr>
<td>Normalized frequency</td>
<td>( f_n )</td>
<td>( \text{cycles per sample} )</td>
<td>Frequency linear of a periodic signal normalized to half the sample rate, ( f_n = w_m / 2T_s )</td>
</tr>
<tr>
<td>Angular frequency</td>
<td>( \Omega )</td>
<td>( \text{Radians per second} )</td>
<td>Frequency of a periodic signal in angular units, ( \Omega = 2 \pi f )</td>
</tr>
<tr>
<td>Digital (normalized</td>
<td>( w )</td>
<td>( \text{Radians per sample} )</td>
<td>Frequency angular of a periodic signal normalized to the sample rate, ( w = 2 \pi f_s = 2 \pi f_n )</td>
</tr>
</tbody>
</table>

**Tab. 1. Parameters to accurately characterize discrete-time signal (after MatlabR2012).**

Researching the discrete-time signals in the economics, it makes sense to explain that the authors’ opinion is that the innovation breakthrough processes originate the creative innovative disruptions during the capitalism evolution in agreement with Schumpeter (1911, 1939, 1947). The examples of the innovation breakthrough processes are the technological innovations, financial innovations, social innovation. All the known research papers on the creative disruptive innovation have been mainly focused on the numerous examples reporting on the creative disruptive innovation presence in the various industries as far as the different sectors of the European, US and Asian economies is concerned. The possible influences by the creative disruptive innovations on the industrial transformations in the different sectors of the European, US and Asian economies have also been investigated comprehensively. Let us refer to the remarkable research contributions on the various aspects of the creative disruptive innovations in the economics in Christensen (June 16, 1977; Fall, 1992a, b; 1997; 1998; December, 1998; April, 1999a, b, c; 1999a, b; Summer, 2001; June, 2002; 2003; March, April, 2003; January, 2006), Bower, Christensen (January, February, 1995; 1997; 1999), Christensen, Armstrong (Spring, 1998), Christensen, Cape (December, 1998), Christensen, Dann (June, 1999), Christensen, Tedlow (January, February, 2000), Christensen, Donovan (March, 2000; May, 2010), Christensen, Overdorf (March, April, 2000), Christensen, Bohmer, Kenagy (September,
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Now, let us discuss the nature, origins and spectrum of signals, appearing in the economies of the scales and scopes. The authors think that the creative disruptive innovation is a discrete-time process, because it occurs discretely as a result of the innovation introduction in the economy of scale and scope at the certain time moment in the time domain. Therefore, the authors believe that the creative disruptive innovations can generate the discrete-time signals rather than the continuous-time signals in the economies. These discrete-time signals can have the different amplitudes, frequencies and phases. Therefore, it is logically to assume that the spectrum of economic oscillations such as the General National Product on the time dependence spectrum GNP (t) can be characterized as the discrete-time signals spectrum.

Let us formulate the Ledenyov theorem on the spectrum of oscillations in the economies of scales and scopes, which postulates that the discrete-time signals with the different amplitudes, frequencies, phases can be generated by the creative disruptive innovations in the economies of the scales and scopes.

Going to the next point, let us analyse the dependences of the GDP over the time in the academic literature, aiming to determine their waveforms and spectral parameters.

Fig. 3 shows the dynamics of World GDP annual growth rates (%), 1871 – 2007 in Korotayev, Tsirel (2010).

Fig. 4 displays the GNP (t) dependence in the USA in 1950 – 1980 in Federal Reserve Bank of St Louis (2012), Matlab (R2012).

Fig 5 shows the dependence of $\Delta G(i) = GDP(i) - GDP(i - 1)$ on the time, which is calculated from the GDP per capita (constant 1995 US dollar) in Japan in Taniguchi, Bando, Nakayama (2008)).
Fig. 3. Dynamics of World GDP annual growth rates (%), 1871 – 2007 (after Korotayev, Tsirel (2010)).

Fig. 4. GNP (t) dependence in the USA in 1950 – 1980 represents discrete-time signal with changing amplitude, frequency, phase, which is generated by creative disruptive innovations in the economy of scale and scope (after Federal Reserve Bank of St Louis (2012), Matlab (2012)).
Fig. 5. Observed data of $\Delta G(i) = GDP(i) - GPD(i-1)$ over the time, which is calculated from the GDP per capita (constant 1995 US dollar) in Japan (after Taniguchi, Bando, Nakayama (2008)).

As it can be seen the World GDP(t), USA GNP(t) and Japan $\Delta G(t)$ dependences represent the slightly distorted discrete-time signals with the changing amplitude, frequency, and phase parameters over the time, which are generated by the creative disruptive innovations and other above listed discrete-time fluctuations in the considered economies of scale and scope in Korotayev, Tsirel (2010), Federal Reserve Bank of St Louis (2012), Matlab (R2012), Taniguchi, Bando, Nakayama (2008).


$$y = f(nT), y \in \mathbb{Z}, n \in \mathbb{Z}, t > 0.$$  

The only difference is that the researched discrete-time signals (the business cycles) in the economics are slightly distorted, because of some reasons. The authors suggest a hypothesis that the visible distortions and slightly tilted fronts of the discrete-time signal waveform may be
connected with the time delay and the possible practical difficulties toward the creative disruptive innovation introduction into the economy of scale and scope. In addition, the possible influences by other economic factors have to be taken to the account.

Let us comment that the similar types of distortions can be observed during the digital signal propagation in the nonlinear environment in the case of the digitally modulated and Walsh coded spread spectrum signals in the wireless communications in Walsh (1923a, b), Bose, Shrikhande (1959), Yuen (1972), Matlab (R2012), Wikipedia (2015d, h), which can be analyzed with the use of the spectrum analyzers, network analyzers and oscilloscopes measurements equipment in Ledenyov D O, Ledenyov V O (2015a).


However, going from the presently developed understanding, we know that the nature of the fluctuations of economic variables in the macroeconomics is discrete, because they are caused by the by the discrete-time economical events, for example: the creative disruptive innovation origination, the unexpected changes in the supply and demand on various markets, the instant change of the financial stability and monetary policies by the central bank, the sharp change of governmental politics, etc. Therefore, the authors think that the appropriate models to generate the discrete-time digital signals, which are originated by the discrete-time economical events, in the economies of the scales and scopes have to be created and studied comprehensively.

Let us add that, in general, the properties of the continuous-time periodic signals can be further researched with the application of the Fourier Transform (FT), Inverse Fourier
Transform (IFT), Fast Fourier Transform (FFT), Cosine Transform (CT), Laplace Transform (LT), Wavelet Transform (WT), and the properties of the discrete-time periodic signals can be studied with the application of the z-Transform mathematical techniques in Wanhammar (1999), Matlab (R2012). During the mathematical modeling processes in the economics, the same signal/spectrum processing mathematical techniques can be applied in Matlab (R2012).

**MicroSA software program to accurate characterize spectrum of oscillations of economic variables in nonlinear dynamic economic system over time**

We developed the *MicroSA software program* with the purposes:

1) to analyze the spectrum analysis of the cyclic oscillations of the economic variables in the nonlinear dynamic economic system, including the discrete time signals and the continuous time signals;

2) to make the computer modeling and to forecast the business cycles, going from the spectral analysis of the discrete time signals and the continuous time signals in the nonlinear dynamic economic system, for applications by

   a) the central banks with the purpose to make the strategic decisions on the monetary policies, financial stability policies, and

   b) the commercial/investment banks with the aim to make the business decisions on the minimum capital allocation, countercyclical capital buffer creation, and capital investments.

**Conclusion**

The authors think that the common approach to consider the oscillations of economic variables in the macroeconomics as the continuous-time signals similar to the analog signals in the electronics engineering can be complemented by the new research ideas and theories on the discrete-time signals. Therefore, the authors propose that the oscillations of economic variables in the macroeconomics can be represented as the discrete-time digital signals, which are generated by the discrete-time economical events, for example as the creative disruptive innovations in the economies of the scales and scopes.

The given article presented the research on the following scientific problems:

1) the spectrum of different time dependent oscillations of economic variables in the economics,
2) the notion of the Ledenyov discrete time signals in the macroeconomics for the first time, namely it is proposed that the oscillations in the macroeconomics have the waveforms, which are characteristic for the discrete-time digital signals.

3) the Ledenyov discrete time signals theory in the nonlinear dynamic economic system for the first time,

4) the developed software program to forecast the business cycles, going from the spectral analysis of the discrete time signals and the continuous time signals in the nonlinear dynamic economic system over the selected time period.

The authors show that
1) the discrete time signals, and
2) the continuous time signals

can be present in the spectrum of the different oscillations of the economic variables in the nonlinear dynamic economic system.

We assume that
1) the discrete time signals, and
2) the continuous time signals

may have the information money fields in agreement with the Ledenyov theory on the information money fields of the cyclic oscillations of the economic variables in the nonlinear dynamic economic system.

We developed the MicroSA software program:

1) to analyze the spectrum analysis of the cyclic oscillations of the economic variables in the nonlinear dynamic economic system, including the discrete-time signals and the continuous-time signals,

2) to make the computer modeling and to forecast the business cycles, going from the spectral analysis of the discrete-time signals and the continuous-time signals in the nonlinear dynamic economic system, for the practical applications by:

   a) the central banks with the purpose to make the strategic decisions on the monetary policies as well as the financial stability policies, and

   b) the commercial/investment banks with the aim to make the business decisions on the minimum capital allocation, countercyclical capital buffer creation, and capital investments.
Acknowledgement

The research on the analog and digital signals processing in the electronics and physics has been conducted by the first author under Prof. Janina E. Mazierska at James Cook University in Townsville in Australia in 2000 – 2015. The idea to perform the signals spectrum analysis in the macroeconomics attracted the first author’s research interest in 2014-2015.

The first author would like to tell an interesting story that he decided to fly from James Cook University in the City of Townsville in the State of Australia to University of Czernowitz in the City of Czernowitz in the State of Ukraine to pay his respect to Prof. Joseph Alois Schumpeter’s scientific achievements in March, 2015, because Prof. Joseph Alois Schumpeter started to think on the business cycles and economic development in the economics science at University of Czernowitz in the City of Czernowitz in the State of Ukraine in 1909 – 1911, completing the writing of his well known book on the business cycles in Schumpeter (1939).

It may be interesting to note that the first and second authors were graduated from V. N. Karazin Kharkiv National University in the City of Kharkiv in the State of Ukraine in 1999 and 1993, hence we would like to comment that our research interest in the economic cycles in the economics science is quite natural, because Prof. Simon Kuznets conducted his scientific work on the cyclical fluctuations in the economic systems in the City of Kharkiv in the State of Ukraine in 1915 - 1922, being influenced by the Prof. Joseph Alois Schumpeter research ideas and coming up with the remarkable research results in Kuznets (1930, 1973).

Let us repeat that this research uses the knowledge on the analogue and digital signals processing in the physics and the electronics engineering, which is described in our book on the nonlinearities in the microwave superconductivity in Ledenyov D O, Ledenyov V O (2015a).

The final writing, editing and reading of our research article have been made by the authors during our travel to the Prof. Viktor Yakovlevich Bunyakovsky motherland in the Town of Bar in Vinnytsia Region in the State of Ukraine in the beginning of May, 2015.

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