Name :- Sagar Gupta
Roll No. :- SGMC 21107

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Ques-3 What do you understand by term buisiness cycle ? Discuss about the stabilisation by the government.

Ans-3 A business cycle, sometimes called a "trade cycle" or "economic cycle", refers to a series of stages in the economy as it expands and contracts. Constantly repeating, it is primarily measured by the rise and fall of gross domestic product (GDP) in a country.

Business cycle are universal to all nations that have capitalistic economies. All such economies will experience these natural periods of growth and declines, though not all at the same time. However, given the increased globlization, business cycles tends to happen at similiar times across countries more often then they did before.

Understanding the different phases of a business cycle can help individuals make lifestyle decisions, investors make financial decisions, and governments make appropriate policy decisions.

* Stabilization by government:-

Stabilization policy is a Strategy enacted by a government or It's Central bank that is aimed at mainting a healthy level of economic growth and minimal price Changes. Sustaining a Stabilization policy requiring monitoring the business cycle and adjusting fiscal policy and monetary policy as needed to Control abrupt changes in demand or Supply.

In the language of business news, a Stabilization policy is designed to prevent the economy from excessive "overheating" or "Slowing down".

- Stabilization policy Seeks to keep an economy on an even keel by increasing or decreasing interest rates as needed.

- Interest rates are raised to discourage borrowing to Spend and lowered to boost borrowing to Spend.

- fiscal policy can also be used by increasing or decreasing government Spending and taxes to affect aggregate demand.

- The intended result is an economy that is cushioned from the effects of wild swings in demand.