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(4) Miscellaneous Measures:

Following measures can be adopted to control trade cycle.

- (i) Price control system in the time of boom.
- (ii) The privatization policy should be adopted.
- (iii) To control population.
- (iv) To ensure that the better position of law and order. It will encourage private investment.

Date: _____

REVIEW

10 Public Borrowing

The government paper
that budget is depressing
and adopt the policy of deficit
financing. It means surplus means by
introducing a surplus budget.

11 International measures

Such type have characteristics of
international nature.

12 Control on Investment

The developed countries should invest
in developing countries to increase the
supply of goods and services.

13 Loans

The developing countries get loan
from developed countries and international
financial institutions for various
new projects.

14 End of trade sanctions

There should be end of trade
sanctions against developing countries
by developed countries and then
adverse balance of payments
can be corrected.

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between the market value of the security and its maximum loan value. Central bank increases margin requirement to control boom period.

2. Fiscal Policy:-

To control trade cycle, fiscal policy measures are as under

i) Public Expenditures:-

Govt. decreases its unnecessary and unproductive expenditure to control the boom period. & it also increases spending on various projects.

ii) Taxes:-

Govt. decreases the purchasing power of people to impose new taxes in the boom period. and it increases investment by providing tax concessions in the time of depression.

iii) Encouragement of savings:-

Govt. encourages savings to control purchasing power of people in boom.

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2. Monetary Policy:

The measures taken by central bank of country to control quantity of money is called monetary policy.

These measures are as under.

i. Bank Rates:

The central bank rediscount the bills of exchange of commercial banks. This rediscounting is also known as bank rate. In this way, volume of investment decreases.

ii. Open market operation:

The central bank often sells securities, bonds etc in open market to control money. Circulation of money also decreases.

iii. Reserve Ratio:

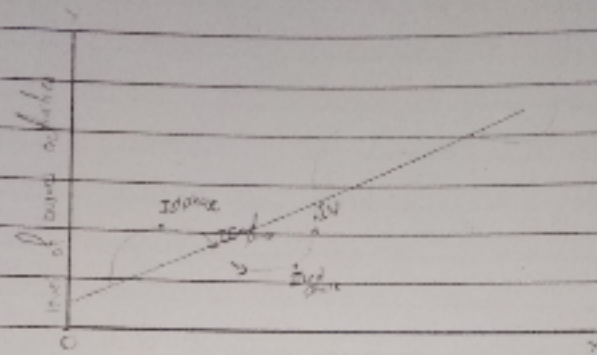
Central bank can also decrease money by increasing the ratio.

4. Margin Requirements

It is the difference b/w

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Characteristics of Trade Cycle:-

Some characteristics are

- i. International Nature
- ii. General Nature
- iii. Difference in Intensity
- iv. Difference in Speed
- v. " " " Period
- vi. Social Effect
- vii. Cause of End
- viii. High level of income

Measures to Control Business Cycle:-

The following are measures taken by to control business cycle.

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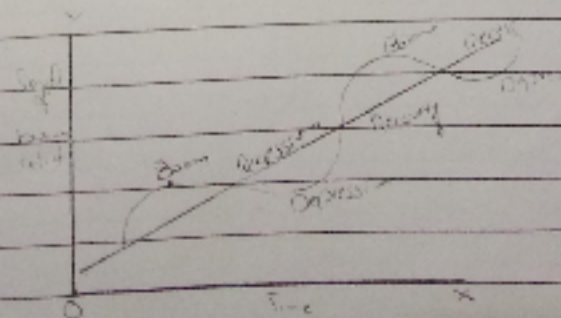
- Production of goods also decreases.
- Unemployment expands.
- Volume of investment decreases.

4. Recovery or Revival:

During depression government takes ^{all} different expansionary measures and incurs capital expenditures. It starts new projects made p.c. by adopting policy of deficit financing.

Some characteristics of this are as:-

- Demand of goods starts to increase due to low price.
- Producers increase their production.
- Prices start to increase.
- Investment also increases.
- New businesses also join.



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2. Recessions:

There is a ^{fall after every} rise. Repayments of loans issued in expansion tenure leads to decrease in profit rate. Volume of investment also starts to decrease. & economy starts moving toward recession.

Some conditions of this period are

- 1) Production price increases.
- 2) Decrease in investment.
- 3) People prefer saving to consumption due to increase in interest rate.
- 4) Demand of consumer decreases.
- 5) Production level decreases & unemployment starts.

3. Depression:

The economy is under crises in this phase of trade cycle & economy has to face difficulties.

Some conditions are as follow

- 1) Prices of goods and services decreases.
- 2) The economic activities are under crises.
- 3) Disappointment is found in businessmen.
- 4) Many organizations shut-down their firms.

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Trade Cycle

Definition:

"The up & down in the economic activities of a country are called trade cycle."

Phases:

- i) The 4 phases
- ii) Prosperity or Boom
- iii) Recession
- iv) Depression or contraction
- v) Recovery or revival
- vi) Boom or Prosperity

Prosperity or boom phase is also known as expansion phase. Some characteristics of it are:

- i) There is rapid increase in production.
- ii) Demand increases which results in increasing of production.
- iii) Unemployment falls and wages increases.
- iv) The prices of goods and services increase.
- v) The cost of production decreases.
- vi) Easy loans availability induce new business.