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# Business Cycles (in Hindi)

**LESSON 8 OF 8**



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# Business Cycles

By Shraddha Ratra

# About me

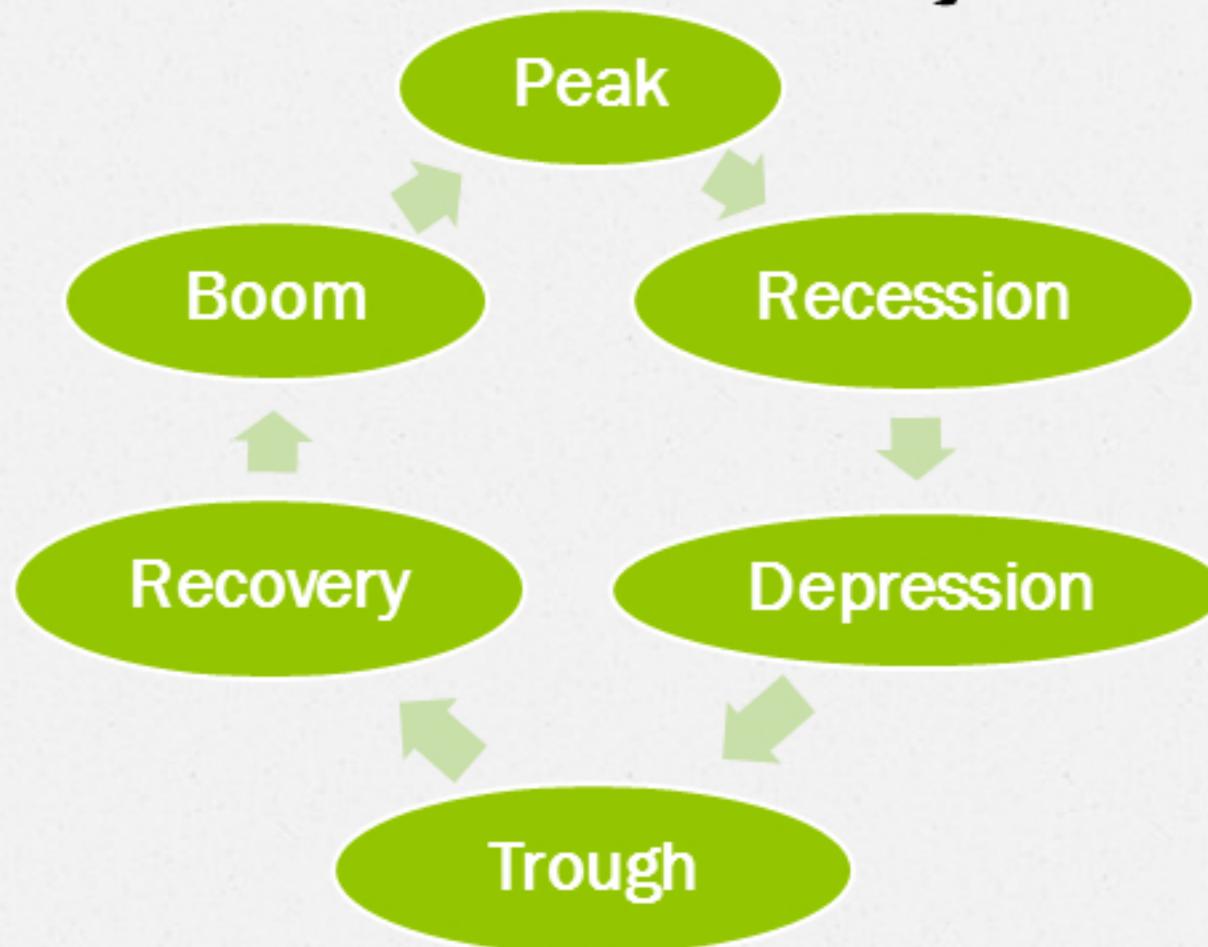
- o Graduate in Business Economics from University of Delhi.
- o MA Economics – MJP Rohilkhand University
- o UGC NET- 2015
- o Published two Research Papers.
- o Worked as a teacher in SGRM, Bareilly.
- o Assistant professor at Teerthankar Mahaveer University.
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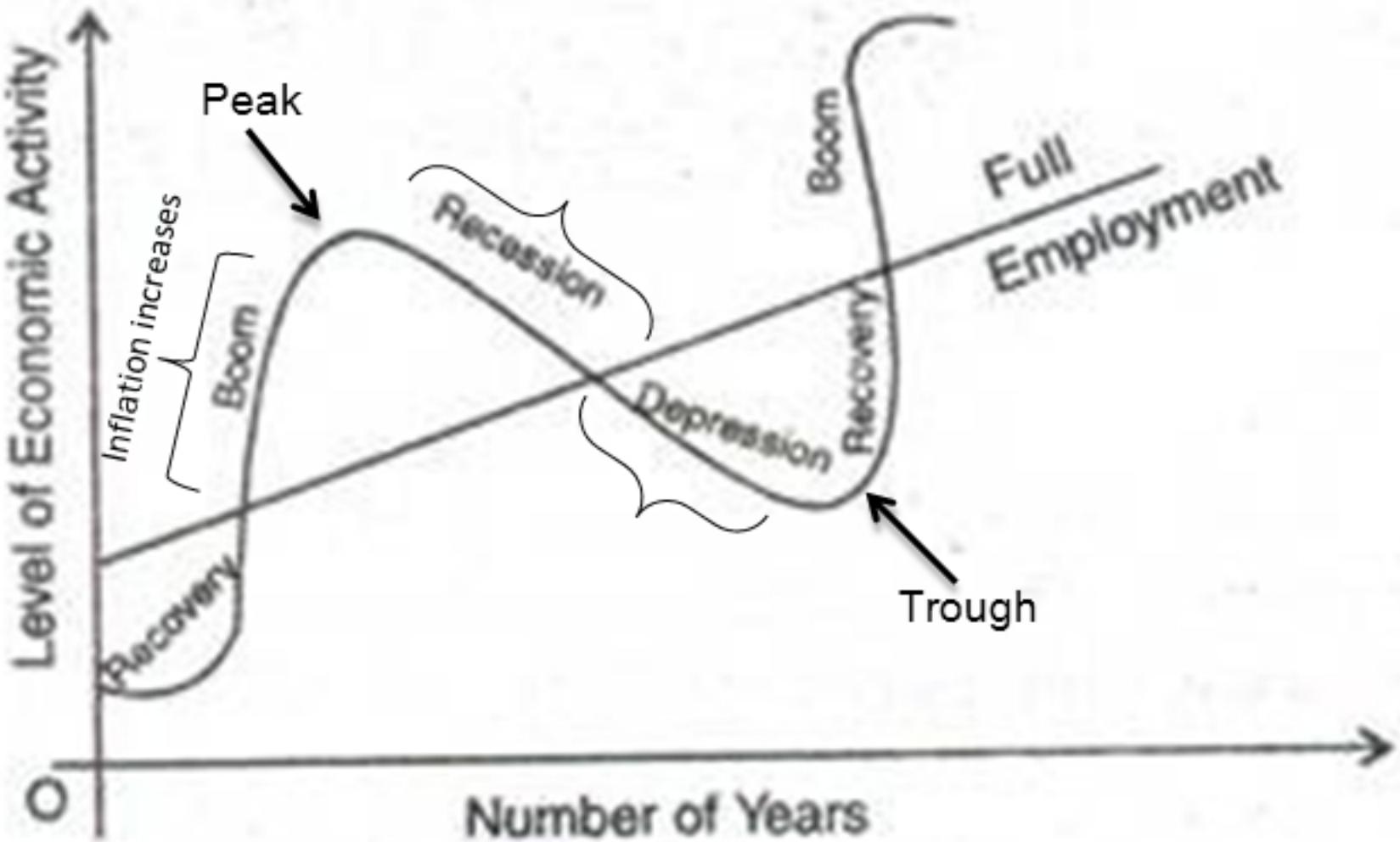
# Meaning

- The business cycle is the periodic but irregular up-and-down movement in economic activity, measured by fluctuations in real gross domestic product (GDP) and other macroeconomic variables.

# Different Phases of Business Cycle

- Expansion
  - Recovery
  - Boom
  - Peak
- Contraction
  - Recession
  - Depression
  - Trough





# Expansion

- Increased consumer confidence, which translates into higher levels of business activity

The three small stages :

- ❖ Recovery
- ❖ Boom
- ❖ Peak

# 1. Recovery

- o The turning point from depression to expansion is termed as Recovery or Revival Phase.
- o Consumer's confidence starts to increase.
- o Rise in economic activities.

## 2. Boom

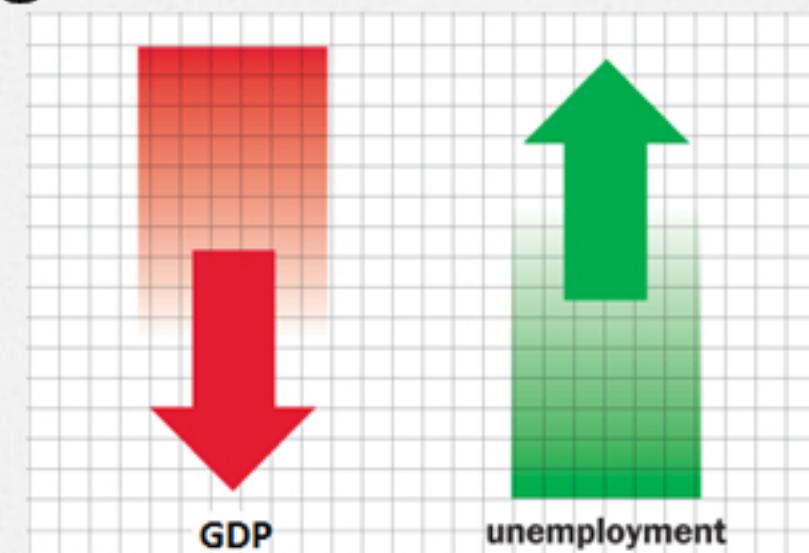
- Consumer's confidence starts to increase at a faster pace.
- Unemployment levels fall.
- Business starts increase their construction levels.
- Rise in National Income.
- Rapid increase in economy.
- Inflation increase at very high rates.

### 3. Peak

- The economy has reached its peak.
- Output starts to standstill and level off.
- Consumer's confidence starts to decline.
- People start to stop their buying.
- GDP begins to decline(bust).

# Contraction

- It is a period of decrease in consumer confidence and economic activity.
- It consists of three smaller stages:
  - Recessions
  - Depression
  - Trough



# 1. Recession

- Is a period of reduced economic activity in which levels of buying, selling, production, and employment typically diminish.
- Consumer's confidence starts to decrease a little.
- Unemployment is increasing while inflation is dropping.

## 2. Depression

- Depression is the most fearful stage of a trade cycle.
- The phase of depression (also called slump) is characterized by low economic activities.
- Rapid decline in general output and employment.

### 3. Trough

- Contraction reaches a minimum, or
- Economy hits bottom.
- Output starts to standstill and level off.
- Consumer's confidence starts to level off.
- End of recession, growth resumes.

# Factors affecting

- o Consumption : When consumer spending increases, businesses will increase production- causing them to hire more workers and purchase more materials and capital goods. When consumer spending decreases, the opposite will occur.
- o Business investment : The purchasing of capital goods increases the number of jobs in the economy because people have to make those goods. If investments increases, the economy will grow, if investment decreases, the economy will contract.
- o Government activity : The government can influence the business cycle through fiscal policy (its tax and spend policies) and monetary policy (its control of the money supply, largely through the federal reserve).
- o Inventions and innovation : Major changes in technology can influence the business cycle. Usually technological changes move the economy in a positive direction, but this is not always so.
- o Wars and political events : The impact of such events on the economy are very fact specific- in other words, difficult to generalize about.

Thank You!  
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