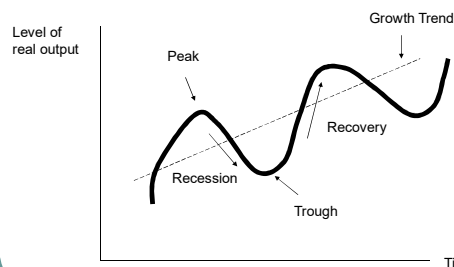


The Business Cycle

- The term business cycle refers to alternating rises and declines in the level of economic activity.
- Decline in real GDP leads to significant increases in unemployment.
- Rapid economic growth has been marred by rapid inflation.

The Business Cycle



Phases of the Business Cycle

- **Peak:**
 - at a peak business activity has reached a temporary maximum.
 - the economy is at full employment.
 - very close to full productivity.
- The price level is likely to rise during this phase.

Phases of the Business Cycle

- **Recession:**
 - a period of decline in total output, income, employment, and trade.
 - wide spread contraction of business activity.
- The price level is likely to fall.

Phases of the Business Cycle

- **Trough:**
 - output and employment bottom out at their lowest levels.
 - the trough phase may be either short lived or quite long.

Phases of the Business Cycle

- **Recovery:**
 - in the recovery phase, output and employment rise toward full employment.
- The price level may begin to rise before full employment and full capacity production return.