

The Business Cycle Notes

Essential Question: What is the business cycle and what does it tell us about the health of our economy?

Warm Up Activity: Spending Money!

	Scenario 1	Scenario 2	Scenario 3
How you will spend your money			

Warm Up

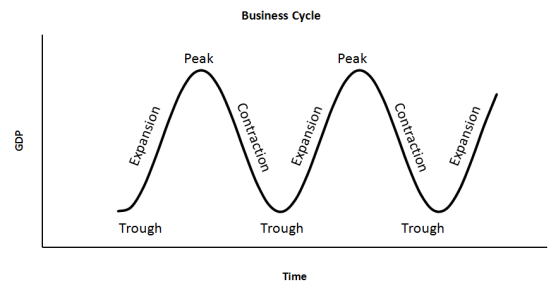
1. Based on prior knowledge and the warm up activity, how do people tend to spend their money when the economy is doing well?
2. What do people tend to do with their money when the economy is in a recession? How would this behavior affect the economy?
3. Why do you think the economy tends to perform well and then go into a recession?

The Business Cycle

- What is the business cycle?
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 - All market and mixed economies experience the business cycle; it is an inevitable pattern

Phases of the Business Cycle

- What are the four phases of the business cycle?
 - **Expansion:**
 - ✦ Usually lasts 3-5 years
 - **Peak:**
 - ✦ Economists look back at the data later and designate one month as the “peak”
 - **Contraction:**
 - ✦ Measured by decreasing real GDP and increasing unemployment
 - ✦ Usually lasts 10-12 months
 - **Trough:**
 - ✦ Economists look back at the data later and designate one month as the “trough”



Think-Pair-Share

Jot down your thoughts under the prompts for 2 minutes and then share your answers with a partner.

1. Why does consumer confidence matter for the economy?

2. When was the last time the US experienced a period of contraction? Do you remember anything about this period of time?

- What's the difference between a recession and an economic depression?
 - **Recession:**
 - ✦ Example: Great Recession of 2008-2009
 - **Depression:**
 - ✦ Example: Great Depression of the 1930s

Think About It

- Why do you think recessions occur?

Recessions

- What helps create a recession?
 - **Negative Economic Shock:**
 - **Land (raw material) shortages:**
 - **High Interest Rates:**
- How does consumer behavior affect recessions?
 - **Saving:**

Economic Indicators

- How do economists figure out which phase of the business cycle we're in?
 - Economists look at the following indicators:

Indicator	Rising	Falling
Real GDP		
Unemployment Rate		
Disposable Income		
Interest Rates		

- Economists also want to see a healthy, steady inflation rate of about 2%