

The Business Cycle

Entrepreneurship 12

The Business Cycle



Prosperity

- Good economic times (booms)
- Economy is doing well
- Levels of employment are high
- Workers are well paid
- As businesses grow and flourish, other companies that supply them also experience prosperity
- Businesses spend money on research, development and expansion
- Security and large purchases are made by consumers
- Demand for consumer goods

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Inflation

- Prices are increasing faster than the income of ordinary citizens
- The value of money (what people can buy with their money) decreases
- When the economy is booming prices tend to rise (demand rises, allowing companies to raise prices to ensure profit with increased expansion)
- Result is that people can buy less with the same amount of money
- As prices rise people demand increase in wages

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Recession

- Slowing down of the economy
- No longer produces as much money/spending
- Reduction in jobs
- Reduction in spending
- Less income
- Feeling of insecurity
- Drop in the standard of living

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Depression

- Economic activity is extremely low
- Unemployment is extremely high
- Few people are able to buy goods and services (other than for needs)
- Many businesses go out of business
- Demand for gov'n't assistance is high
- Gov'n't unable to fund the high demand for its services

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Recovery

- Eventually the business cycle must improve
- Fall in national income comes to a stop
- There comes a time when individuals must replace clothing and other personal goods
- Businesses must replace old equipment
- After doing without for so long, people are interested again in spending
- Businesses cautiously produce more services and goods and start to hire again
- New feeling of optimism