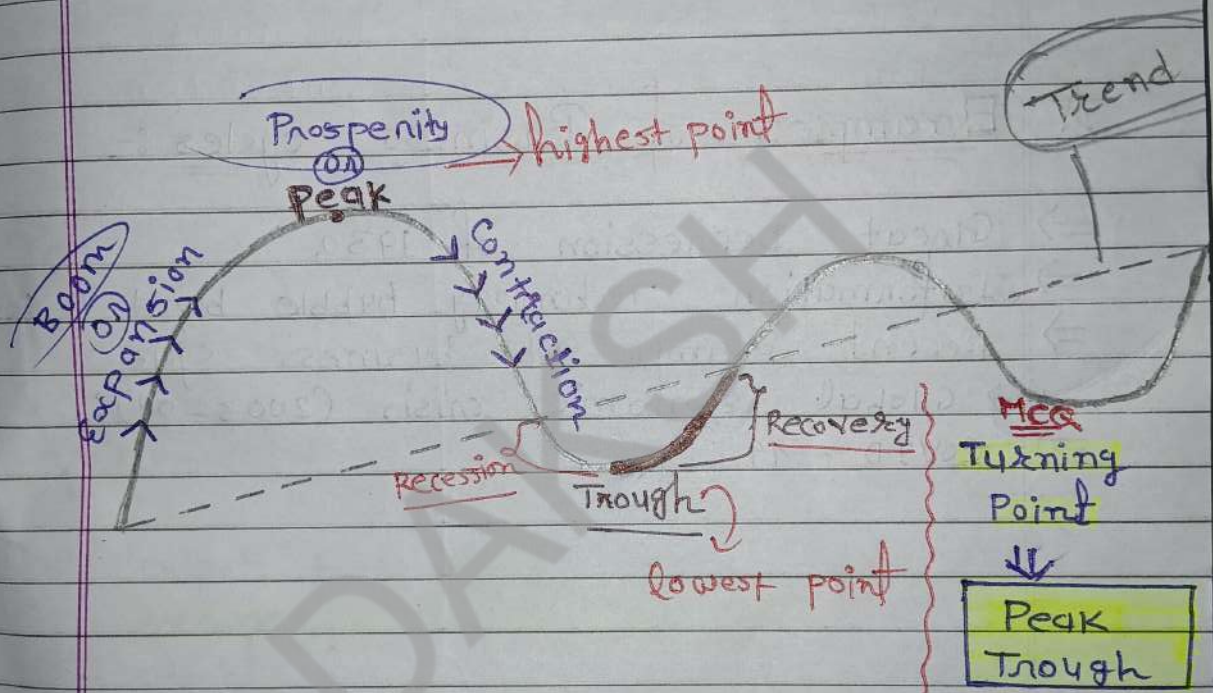


# Business Cycles

⇒ Inflation - continuous rise in overall price level.

⇒ Deflation - continuous fall in overall price level.



★ Periods of Trade :-

⇒ periods of Good Trade (Expansion)

↳ Rising price

↳ Low unemployment percentage

⇒ periods of Bad Trade (Contraction)

↳ falling price

↳ High unemployment percentage

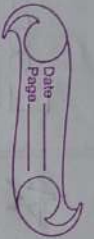
## ★ Phase of Business cycle :-

- (1) Expansion (Boom or upswing)
- (2) Peak or Prosperity
- (3) Contraction (Downswing or Recession)
- (4) Trough or Depression

## ★ Examples of Business cycles :-

- ⇒ Great Depression of 1930.
- ⇒ Information Technology bubble burst of 2000-
- ⇒ Recent example of business cycle  
↳ Global Economic crisis (2008-09):
- ⇒ COVID - 19

# Phases



Expansion / Boom / Upswing

Peak / Prosperity

Contraction / Recession / Downturning

Trough / Depression

\* Everything positive

\* Standards of living ↑

\* GDP & National output ↑

\* Employment ↑

\* consumption & capital exp<sup>n</sup>. ↑

\* sale & Profit ↑

\* Bank credit ↑

\* Involuntary unemployment is zero

\* Any unemployment that exist is frictional or structural

\* Highest point / top

which marks the end of expansion & status of contraction

\* Everything Negative / Significant Decline

\* Increasing Demand is halted → stag<sup>g</sup>

\* Demand starts decreasing (S > D)

\* Supply Exceeds Demand

\* ↓ (Fall) in Profits

\* ↓ (Fall) in Investments

\* ↓ (Fall) in Income

\* ↓ in investment confidence

\* ↓ in Employment

\* ↑ in unemployment

\* ↓ in output

\* Extremely sluggish Activities

\* Economic rate Negative

\* ↓ National Income

\* ↓ Expenditure

\* ↓ Interest Rate

\* ↓ Demand

\* Firm forced to shut down

\* Bankruptcies of companies increase

\* ↑ unemployment incve.

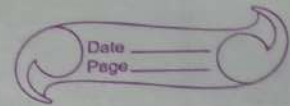
\* ↑ liquidations

Trough - When depression or Aggregate economic activity touches its lowest point.

# ★ Features of Business Cycle

- ⇒ Business cycles occur periodically, but do not exhibit the same regularity.  
The duration & intensity of fluctuations varies.
- ⇒ The phases <sup>काल</sup> seldom (only sometimes) display smoothness & regularity.
- ⇒ Generally, originate in free market economies / Get transmitted to all sectors.
- ⇒ Capital goods & durable consumer goods industries are more affected.  
Industrial sector also more affected.
- MCA ⇒ <sup>समय</sup> complex phenomena, they do not have same (uniform) characteristics & causes.
- MCA ⇒ <sup>समय</sup> Repercussions of get simultaneously felt on nearly all economic variables.
- ⇒ <sup>स्वामी</sup> contagious and are international in character.
- ⇒ Have serious consequence on well-being of society.

# Indicators (सूचक)



⇒ It is very difficult to predict the turning points of business cycles.

Defination  
\*\*\*

Economists use changes in variety of activities to measure the business cycle and to predict where the economy is headed towards, these are called indicators.

① Leading Indicator: [Pehle pata chahi gaya ki kya hone wala hai]

⇒ Indicator that changes before (prior to) economy starts to follow a particular pattern.

ex changes in stock price, value of new orders for consumer goods & capital goods, building permits for private houses.

② Lagging Indicator: [kuch hone ke bad pata chahi ki kya hua tha past mei]

⇒ Lagging indicators reflect economy's historical performance and changes in these indicators are observable only after in economic trend occurred.

⇒ If leading indicators signal the onset of business cycle, lagging indicators confirm these trends.

ex Unemployment, corporate profits, labour cost per unit, consumer price index, interest rates.

③ Coincidental / concurrent Indicators: [Present me kya ho raha hai.]

⇒ They coincide or occur simultaneously with business - cycle movements. They describe current state of business cycle.

ex GDP, Industrial production, Inflation, Personal Income, Retail sale

# Causes

Internal

External

Price Fluctuations  
(Nicholas Kaldor)

Population

Innovations  
(Schumpeter's)

Natural Factors

Technology Shocks

Macro-economic policies

Wars

Money supply  
(Hawtrey)

Post war Reconstruction

Psychological factors  
(Pigou)

International Trade

Fluctuations In

→ Effective demand  
(Keynes)

→ Investment

→ Govt. Spending