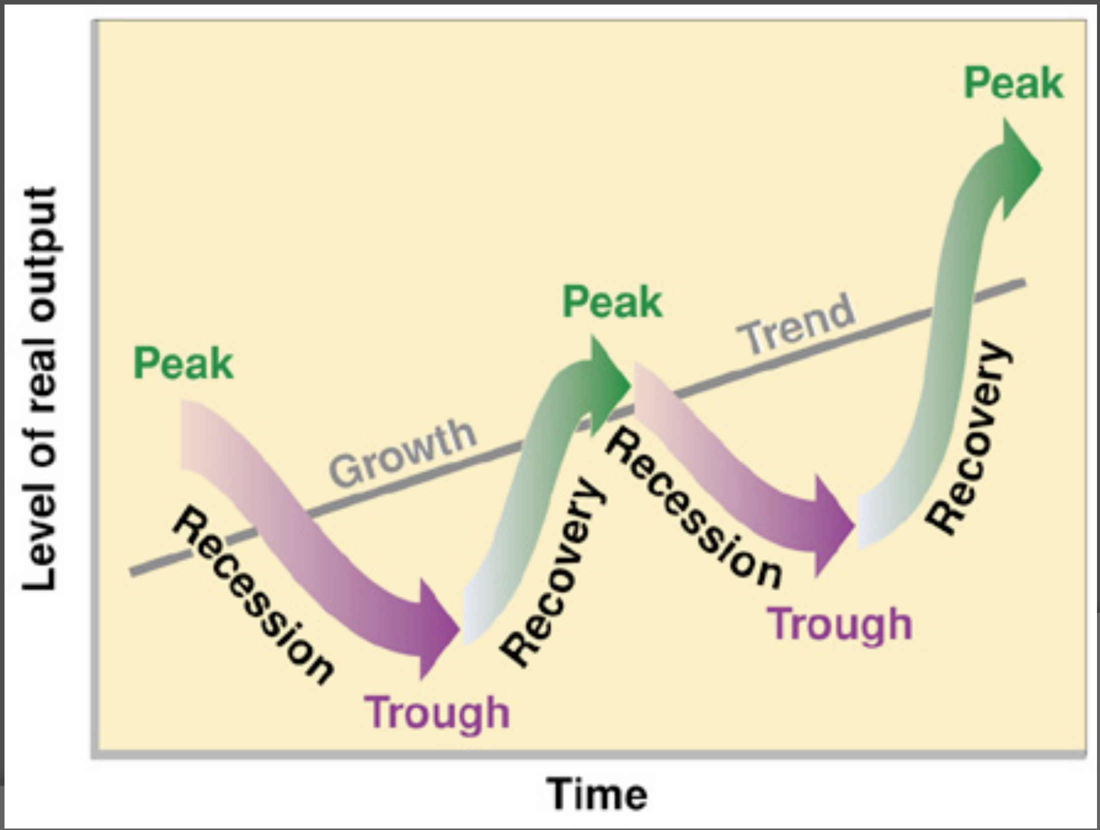
The Great Depression

THE BUSINESS CYCLE

The Business Cycle

1. **Business Cycle:** model representing the nation's economic activity and strength



The Business Cycle

2. **Phases within a Business Cycle:**
   a. **Recession (Rc):** a **slow**-**down** in the economy for two consecutive quarters or **6** months in a row. People become **nervous** & **cautious**.
   b. **Depression (D):** a **severe** & **prolonged** slow-down or "**break**-**down**" in the economy. People react with **fear** & **panic**.

The Business Cycle

c. **Recovery (Ry):** active economic growth for two consecutive quarters or **6** months following a **recession** or **depression**. People become **optimistic**.

d. **Prosperity (P):** an **extended** period of economic growth. People develop **trust** & **confidence** in the economy.

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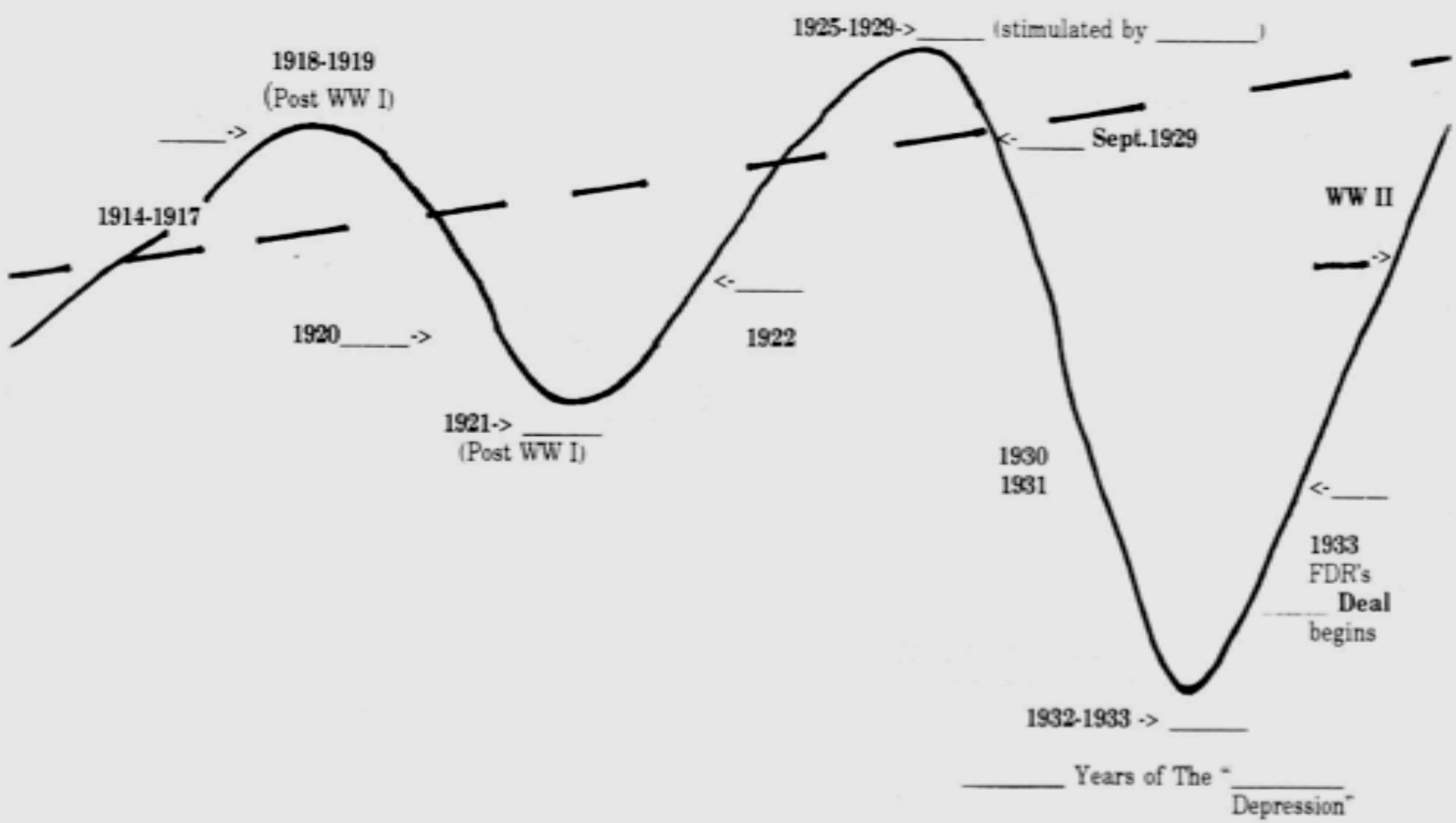
3. **Capitalism is a market economy driven by the laws of supply and demand.**
   a. **Advertising** and human **needs/wants** create the **demand**.
   b. **Manufacturers/producers** create the **supply** hoping to achieve high **profits**.
   c. If demand is **high**, prices & profits go **up**. (New technology: iPads)
   d. If demand is **low**, prices/profits go **down** (Outdated technology: PS2)

Business Cycle: World War I to World War II



Business Cycle: World War I to World War II