Business Cycles

* 4 Phases of the Business Cycle

Expansion  Peak

Recession  Trough

- Defined:

A severe recession can result in a...

Economic Conditions:

Slow growth below U.S. average of 3%...

Classical View:
- Say’s Law:

Classical Response to Business Cycle:

Keynesian View:
- Keynes’s Concern:

Keynesian Response to Business Cycle:
**Business Cycles in the United States**

**The Great Depression** - worst and most prolonged economic downturn
- Marked by the Stock Market Crash on BLACK TUESDAY (10-29-29)
- Between 1929 and 1933, real GDP declined ______ %
- Unemployment peaked at ______ % in 1933.

**World War II** – the U.S. economy returned to its growth trend
- Spending on wartime goods helped stimulate the economy
- Wartime growth in 1942 a record _____%
- Since then, growth has averaged _____%

**Immediate Post World War II** –

**1980s** –

**1990s** –

**2000s** –

**A Macro Model**

**Keynesians & Classicists** AGREE/DISAGREE that cyclical instability exists
**Keynesians & Classicists** AGREE/DISAGREE as to whether gov't should intervene

*Both camps model the economy as whole using the following:*