

Name - _____

Date - _____

BCC – Macroeconomics

CH. 6 – Business Cycle and Unemployment

What is a business cycle?	
Illustrate the 4 phases of a business cycle and explain each:	
1.	
2.	
3.	
4.	

What is the difference between a recession and a depression?

What are the 3 different kinds of indicators?		
<i>Examples of Each (2-3)</i>		

Business Cycle

Business cycles are repeated fluctuations in economic activity. Cyclical changes arise from the interaction of many economic factors, including changes in capital investment, monetary or fiscal policy, consumer spending, and events such as war or international crises.

Each phase of the business cycle has certain characteristics. During **peak or prosperity**, businesses expand and employment is high. Creditors lend money freely; wages, consumer spending, and prices rise. **Contraction** begins when production begins to slow some because most people who want a good have already purchased the good. As the business cycle moves downward a recession might occur. During a **recession**, businesses readjust to reduced demand, unemployment rises, consumer spending and prices fall, and creditors restrict loans. If the recession continues or worsens, it becomes a **depression**. The lowest point of a depression is called a **trough**. Eventually, technology, government programs, international developments, or low depression prices cause an increase in demand. As business adjusts and begins to expand again, the cycle moves upward through a **recovery or expansion** phase – back to peak or prosperity.

Identify the phase of the business cycle described in each statement below.

- _____ 1. Stores continue to place large orders to keep up with growing demand.
- _____ 2. Business surpluses accumulate because consumer demand has fallen off.
- _____ 3. Depression prices lead to increased demand for certain goods and services.
- _____ 4. Consumers begin to cut back on spending for luxuries such as entertainment.
- _____ 5. There is a boom in vacation real estate investments.
- _____ 6. Car dealers lower prices and offer rebates to attract customers.
- _____ 7. A large number of major corporations and banks go out of business.
- _____ 8. New high tech businesses begin hiring many of the unemployed.
- _____ 9. The number of banks loaning money to prospective homeowners reaches an all-time high.
- _____ 10. Stock prices plummet and unemployment is widespread.

Read the case study below, and then on the line next to each time of life, write the letter of the business cycle phase that corresponds with the time. You will use one of the phases twice.

My grandfather has many memories. When he was a child, everyone was singing “Happy Days Are Here Again.” His mother had a fur coat; the family had a new car and a nice house. As a teenager, Grandpa tried to get a job, but the local factories were decreasing production. By the time Grandpa graduated, his family could not pay the mortgage on its house and had to move in with friends. There were no jobs for my grandfather or for anyone else. Later, when Grandpa was married, the economy was improving; he found a part-time job. After Mom was born, Grandpa got a good full-time job, and he was able to buy his first car.

Time of Life:	Phase of Business Cycle:
_____ childhood	a. recovery
_____ teenager	b. depression
_____ graduate	c. peak or prosperity
_____ newly married	d. recession
_____ parent	

Worksheet 10B

Business Cycles and Economic Indicators

Exercise. Be prepared to give a one-minute talk describing conditions in the phase of the business cycle you were assigned to study.

INDICATOR	PHASE OF BUSINESS CYCLE			
	Trough	Expansion	Peak	Recession
Interest rates				
Stock prices				
Consumer confidence				
Business profits				
Consumer spending				
Industrial production				
Housing construction				
Business investment				

Who makes up the civilian labor force?	When is someone considered employed?				
<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td colspan="2" style="text-align: center;">Total Population age 16 and over</td> </tr> <tr> <td style="border: 1px solid black; padding: 5px;"> Not in Labor Force Armed forces Household workers Students Retirees Persons with disabilities Institutionalized Discourage workers </td> <td style="border: 1px solid black; padding: 5px;"> Civilian labor force <u>Employed</u> Employees Self-employed <hr/> <u>Unemployed</u> New entrants Re-entrants Lost last job Quit last job Laid off </td> </tr> </table>	Total Population age 16 and over		Not in Labor Force Armed forces Household workers Students Retirees Persons with disabilities Institutionalized Discourage workers	Civilian labor force <u>Employed</u> Employees Self-employed <hr/> <u>Unemployed</u> New entrants Re-entrants Lost last job Quit last job Laid off	When are they considered unemployed?
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How do you calculate the unemployment rate?

What are some of the criticisms of the unemployment rate?

Explain each of the different types of unemployment			
Frictional	Seasonal	Structural	Cyclical

What is considered full employment?

Types of Unemployment Worksheet

Directions: Each statement below describes a type of unemployment. In the space provided, write a "F" if the statement describes frictional unemployment, "ST" for structural unemployment, "C" for cyclical unemployment, or "SE" for seasonal unemployment.

- _____ 1. Fred Flintstone was laid off from the Quarry because the nation is suffering from a recession.
- _____ 2. Ronald McDonald, who just graduated from Clown School, is looking to find his first real job.
- _____ 3. Scooby Doo is looking for a job during the winter since Kings Island is closed until Spring.
- _____ 4. Paul Bunyan lost his job as a lumberjack because the timber company he works for decided to just buy chainsaws.
- _____ 5. The Tooth Fairy was fired because she just is not doing a good job.
- _____ 6. Frosty the Snowman is expecting to be out of work shortly following the last big snow of the year.
- _____ 7. The Easter Bunny found out that he was being let go, since Americans have decided to not eat eggs, which are high in cholesterol.
- _____ 8. Mickey Mouse voluntarily quit his job at Disney & has decided that he will seek a job as a truck driver.
- _____ 9. Sam I Am was laid off after orders for Green Eggs & Ham declined greatly following last years stock market crash.
- _____ 10. Peter Pan was fired from his job at the Peanut Butter factory because he is being replaced by RoboCop (a highly efficient peanut butter machine).