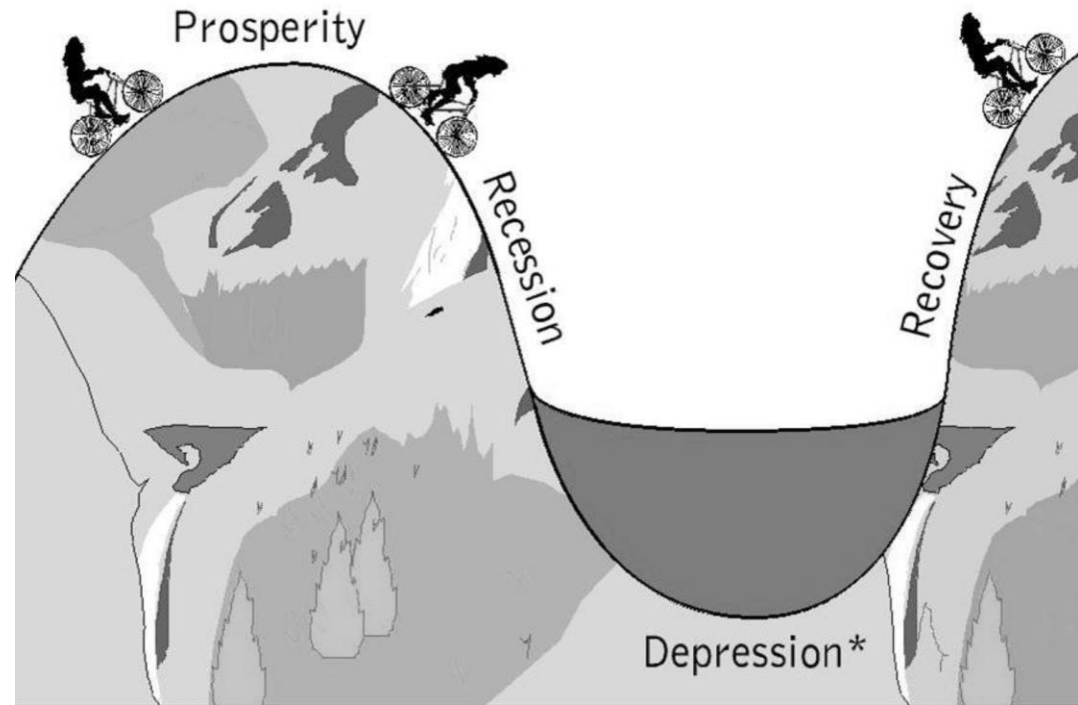


The Business Cycle

Economies move through various ups and downs over time ... this is called the business cycle. We may move from a period of prosperity to a slowdown in the economy (a recession), then we bottom out and start moving into a recovery. For each stage in the business cycle indicated, tell whether GDP growth, the inflation rate and the unemployment rate are HIGH or LOW.

| |
|--------------------------|
| <u>PROSPERITY</u> |
| GDP Growth _____ |
| Inflation Rate _____ |
| Unemployment _____ |

| |
|-------------------------|
| <u>RECESSION</u> |
| GDP Growth _____ |
| Inflation Rate _____ |
| Unemployment _____ |



QUESTIONS

1. What relationship do you notice between GDP growth, inflation and unemployment? Which ones seem to move together and which ones move in opposite directions? Explain!!!
2. Why is high inflation a bad thing for the economy? Explain!!!
3. Why is high unemployment a bad thing for the economy? Explain!!!