

BLM 4.2 CHARACTERISTICS OF THE ECONOMIC CYCLE

Match the letter that describes the characteristics of a stage of the economic cycle to the appropriate stage listed at the top of the page. Then choose a business and, on a separate page, describe how each stage of the economic cycle would impact that business.

Prosperity _____

Recession _____

Depression _____

Recovery _____

A) Businesses begin to slow down (because demand is decreasing).

Businesses cut back.

Unemployment rises.

Sales of goods and services fall because people become more cautious.

Bankruptcies increase.

B) Prices of goods and services are high.

Wages and salaries are relatively high.

Unemployment is low.

Businesses are profitable.

Production is high.

People have money to spend on goods and services.

C) Shortages of consumer goods develop because of cutbacks in production.

To meet demand, production is increased and more employees are hired.

The number of available jobs increases.

People have more money to spend on goods and services.

D) Businesses are forced to lay off employees.

Bankruptcies increase.

Unemployment is very high.

Stock markets crash.