

# THE BUSINESS CYCLE

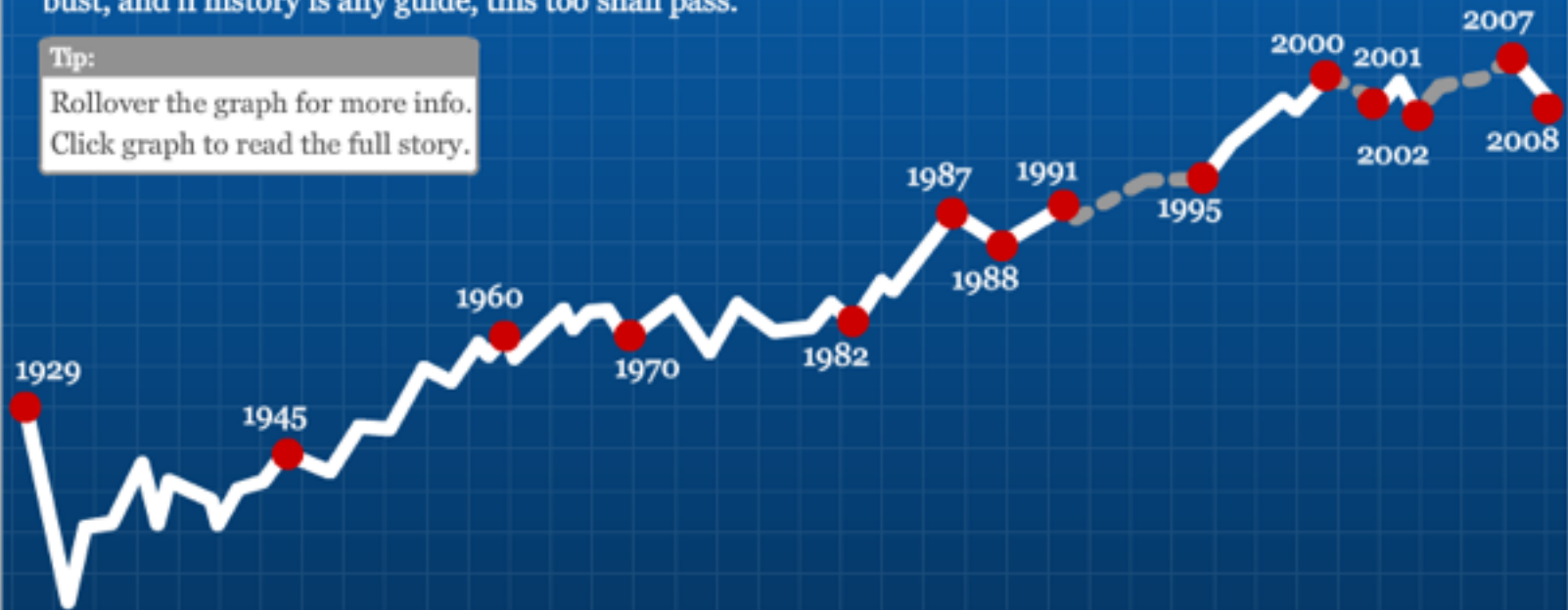
# THROUGHOUT OUR HISTORY

## Boom and Bust Economy

As Americans come to grips with the deepening economic crisis, it might help to remember that the American economy is one of incredible highs followed by difficult lows. Every economic boom in this country has been followed by an equally dramatic bust, and if history is any guide, this too shall pass.

Tip:

Rollover the graph for more info.  
Click graph to read the full story.



# GOOD TIMES



# HARD TIMES

1930's

The Great Depression





# S&P Composite Index: Regression to Trend

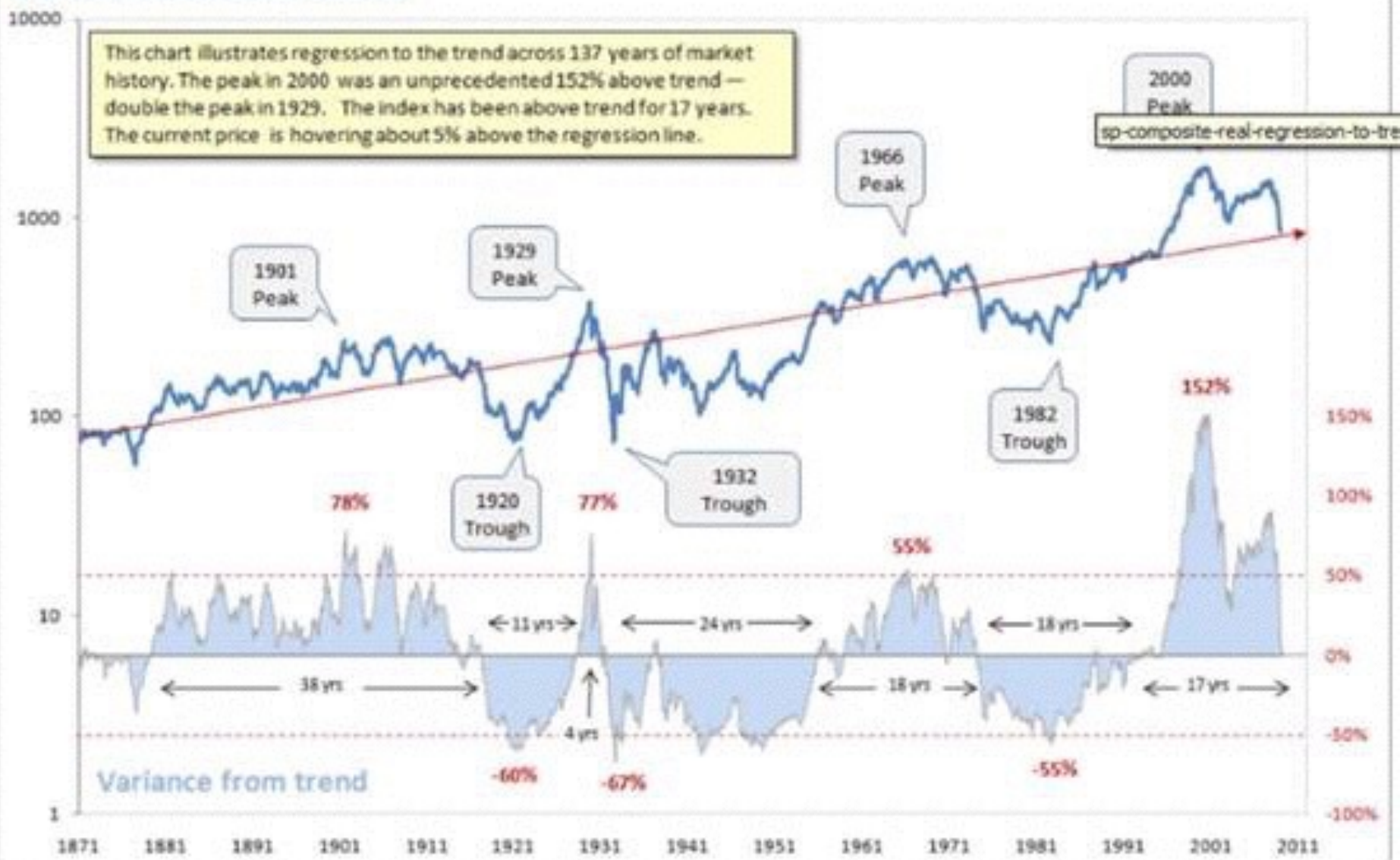
## Real (inflation-adjusted) Price since 1871 with Regression

### Variance measured below

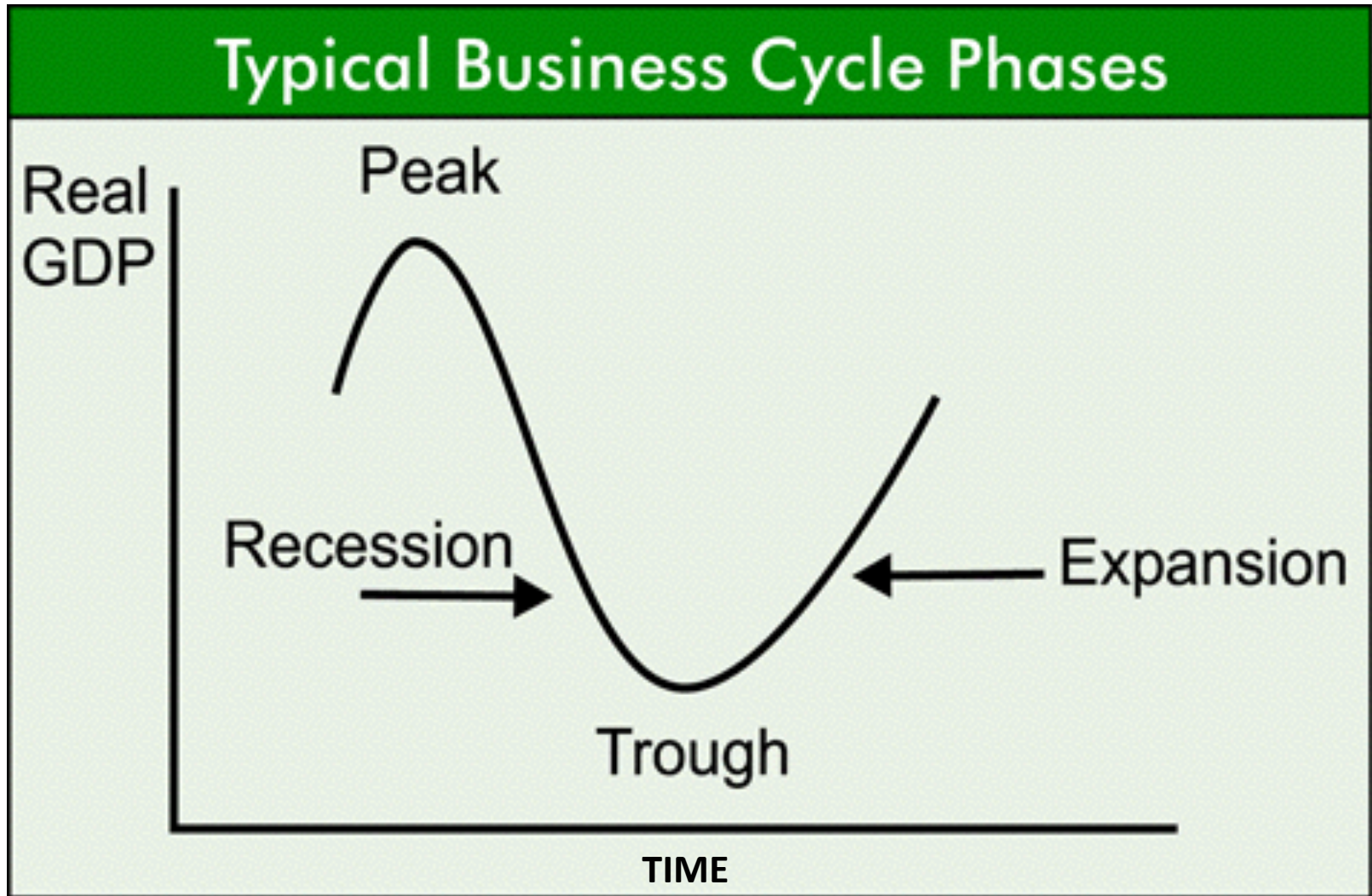
dshort.com

January 2009

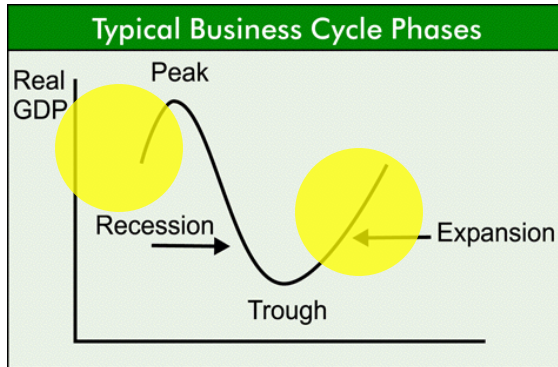
Data through 1/16/09



# THE BUSINESS CYCLE



# EXPANSION/RECOVERY



## **Expansion is economic growth**

Times of prosperity.

Leads to Inflation – increase in prices  
(because suppliers want to charge the  
highest possible price for a product)

## **Contributing Factor:**

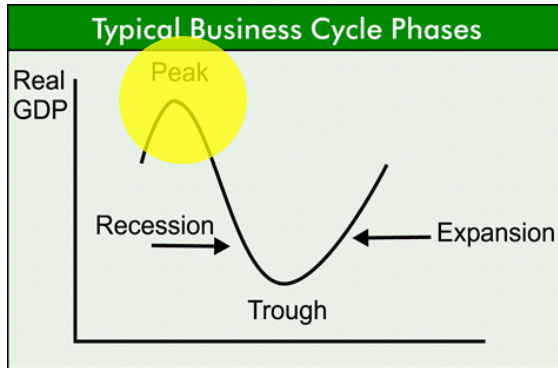
Business Investment

## **Cycle Indicators:**

Stock Market

**Demand:** Demand - consumer demand  
grows during booms

# PEAK



The highest point between the end of an economic expansion and the start of a contraction in a business cycle. The peak of the cycle refers to the last month before several key economic indicators, such as employment and new housing starts, begin to fall. It is at this point that real GDP spending in an economy is its highest level.

## **Contributing Factor:**

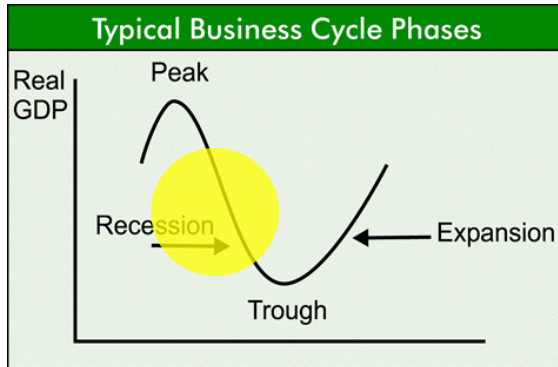
Interest Rates and Credit

## **Cycle Indicators:**

Interest Rates



# CONTRACTION/RECESSION



Recession is a decline in business activity.

A recession that continues for too long can become a depression.

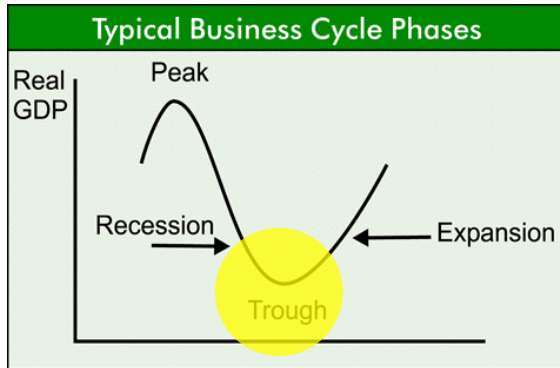
## **Contributing Factors:**

Consumer Expectations

## **Cycle Indicators:**

Manufacturers new orders of capital goods

# TROUGH (Troff)



The stage of the economy's business cycle that marks the end of a period of declining business activity and begins the transition to expansion.

# BUSINESS CYCLE

The continuous sequence of ups and downs in the economy.

