

# The business cycle

[Economics](#), [Macroeconomics](#)



The business cycle is like a roller coaster and this roller coaster definitely has its dips and peaks. In the cycle there are expansionary periods, peaks, downturns, and troughs. Each one is part of and essential in the cycle. Like a roller coaster you will go up and reach a peak and then you will have to drop. Although just because you drop does not mean you will reach the lowest point of the ride. Just like a coaster the business cycle has its high peaks and plunging drops. So let's start the ride. In the business cycle there is an expansionary period. During this period there is an increase in demand because people are spending and wanting more of goods. Since this is happening Gross Domestic Product (GDP), is increasing which means that there is more output. Because there is more output there is a low rate of unemployment. The reason there is a low rate of unemployment is because businesses need more workers to produce the goods or provide the services. There will be a decrease in savings because people are spending their money. Although there is a decrease in purchasing power because inflation is increasing so prices are rising. When you are on a roller coaster you will go up and these expansion periods last longer than recessions do. Although roller coasters do not last months the idea is still the same. Finally we have reached the peak and everything is doing fine. At this point unemployment rates are at their lowest. Prices are at their highest yet people are still spending their money and saving rates are going down. There are high rates of aggregate supply and demand. Inflation rates are at their highest as well and that high inflation rate will impact consumption. But once you reach a peak this will signify the beginning of a downturn. So when you are on a roller coaster and you are at the highest peak and you can start seeing over

the edge, you know that you are about to drop just like in a business cycle. Now that we are at a downturn these are going to change. The demand for products is lowering because the resources for those goods are decreasing. Since the demand is decreasing unemployment will increase because businesses are firing their employees. They are firing their employees because people are not buying their products or using their services so they are not making enough money to pay them all. Prices on goods are lowering and so inflation rates are lowering as well. People are now saving instead of spending and then people's disposable incomes will decrease because no one is spending as much. During this period people's purchasing power has increased and scarcity has gone down. This downturn could lead into a recession but it will have to last more than two quarters. Now if the downturn keeps on dropping and turns into a recession the bottom of the recession is called a trough. At the time of the trough the unemployment levels are at its' highest. People's saving are at their highest as well. The output of products is low and during this period the demand for those products is low. Inflation is at its lowest and now people have a high purchasing power. At this time in the business cycle factor payments are at their lowest as well. A possible result of these characteristics is a stagnant recession and low scarcity. If a roller coaster was like the business cycle it would be a never-ending ride. So the ride could go up then down and then back up and up and it may reach a peak. Then at the peak it must drop and it could drop and then come back up or it could keep dropping. The business cycle does this all the time. But the business cycle ride can go into an expansion and then into a downturn or

it could go into another expansion and turn into a peak. Then that peak will have to drop. The cycle is like this and will be like this until the end.