

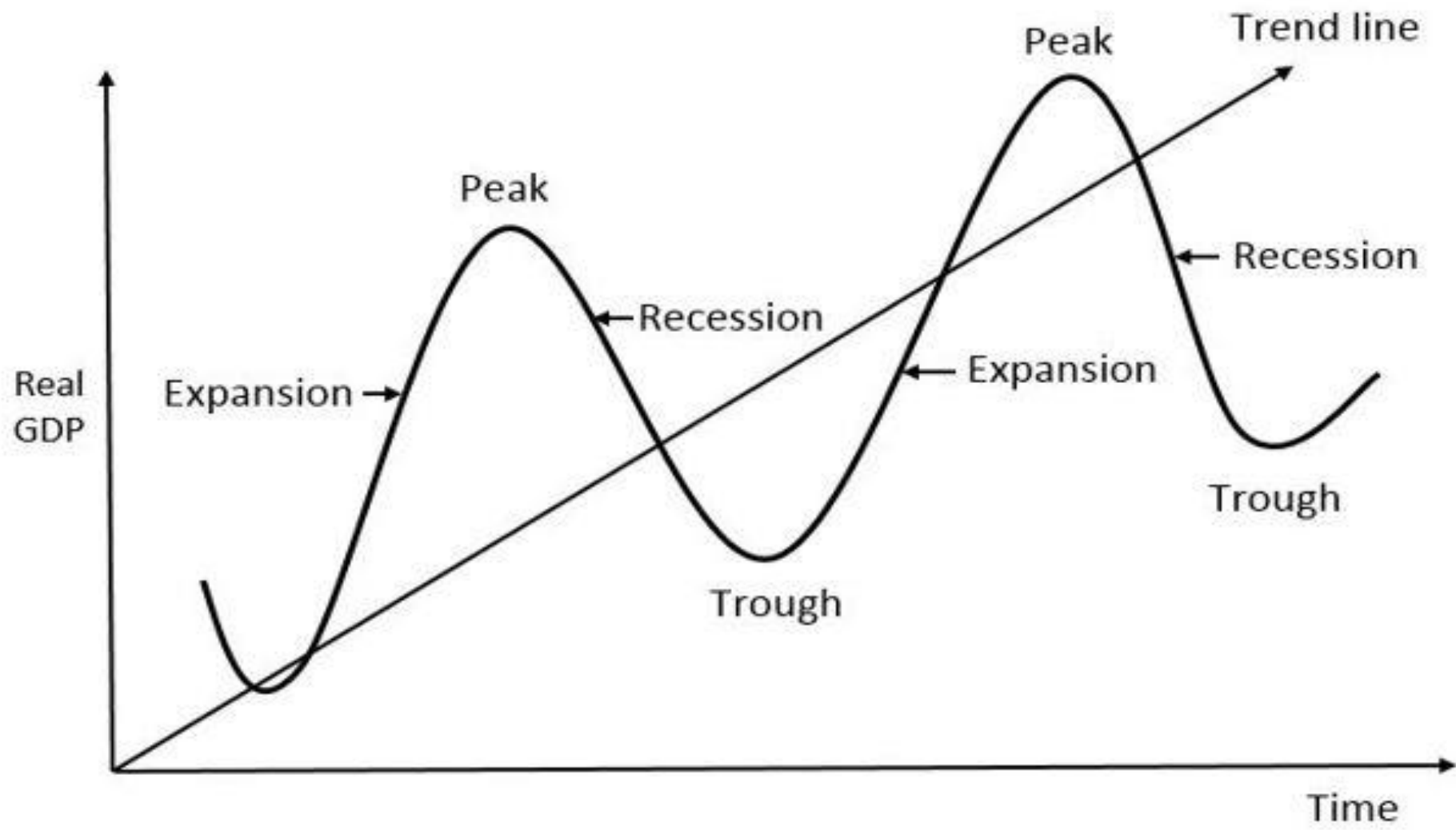
# *BUSINESS CYCLE*

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# *Phases of a Business Cycle*

- *Prosperity / Boom*
- *Recession*
- *Depression*
- *Recovery / Revival*

**Graph 1**



# *Prosperity / Boom*

- *Large volume of production*
- *High level of employment*
- *Rising interest rates*
- *Expansion of credit & borrowing*
- *Rise in profits, wages & income*

# *Recession*

- *Starts from the failure of a bank or a company*
- *Over – optimism leading to pessimism*
- *Decrease in  $I \gg$  Decrease in  $p/n$ ,  $Y$  & profits*
- *Increase in liquidity preference*
- *Worsens & leads to depression*

# *Depression / Trough*

- *Extremely low level of economic activity*
- *Decrease in prices >> firms incur losses >> closure of business >> unemployment >> decrease in demand*
- *Banks' reluctance towards loans & advances.*

# *Recovery / Revival*

- *Begins with the revival of demand from capital goods industries by taking loans – positive signal (low interest rates)*
- *Autonomous Investment*
- *Additional Investment >> Increased production >> Increased profits >> Increased employment >> Increased wages >> Increased Income (Y)*

# *Causes of Business Cycle*

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graph TD; A[Causes of Business Cycle] --> B[Internal/Endogenous]; A --> C[External/Exogenous]
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*Internal/  
Endogenous*

*External /  
Exogenous*



# *Internal Factors*

- *Fluctuations in effective demand*
- *Fluctuations in investment*
- *Variations in government spending*
- *Macroeconomic policies*
- *Money supply*
- *Psychological factors*

# *External Factors*

- *Wars*
- *Post – war Reconstruction*
- *Technology shocks*
- *Natural factors*
- *Population growth*

The background of the image is a dark, out-of-focus bokeh of light spots in various colors including white, yellow, orange, red, and blue. A semi-transparent dark horizontal band runs across the middle of the image, serving as a background for the text.

THANK YOU!