Cycles at Work

Trace how jobs and prices change as economic activity rises and falls.

SS24.E.8c "Describe the stages of the business cycle and explain how employment and inflation change during those stages."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline the four stage names, circle each description of employment, and number the descriptions of inflation in stage order. Use your marks to compare what changes from one stage to the next.

A Bike Shop Through the Business Cycle

1. On a busy Saturday, a neighborhood bike shop sells every commuter bike it can assemble. Across the economy, rising production and spending signal an expansion. Businesses hire more workers, so unemployment usually falls. As demand grows, businesses may raise prices, especially if workers and supplies become harder to find. Inflation, the rate at which the overall price level rises, may pick up. A business cycle traces these broad rises and falls in economic activity, not the fortunes of one shop. Its four commonly named stages are expansion, peak, contraction, and trough. The stages describe patterns, not a timetable that every economy follows exactly.

2. At the peak, economic activity reaches a high point before it begins to decline. The bike shop still has a full order book, but its suppliers are stretched and wages have risen as it competes for workers. Employment is generally high, and inflation may remain elevated because strong demand presses against limited capacity. A peak is identified after activity turns downward, not by a single busy weekend. If households then cut purchases and firms reduce production across the economy, a contraction begins. Shops may shorten hours or lay off staff. Employment falls, unemployment rises, and inflation often slows as demand weakens.

3. At the trough, economic activity reaches a low point before it starts rising again. The bike shop may have empty repair stands, and many job seekers may still be looking for work. Employment is generally low relative to the peak. Inflation is often subdued, but prices do not have to fall; slower inflation means prices rise more slowly. When spending and production begin to recover, the next expansion starts. Hiring may lag behind that turn, and inflation may remain low at first. These patterns are tendencies, not guarantees: a supply shock can push prices up even during a contraction.

2 ANSWER WITH EVIDENCE

Use the passage

1. During an expansion, how do employment and inflation usually change, and what drives those changes?

2. How do employment and inflation at the peak compare with their patterns during expansion?

3. During a contraction, what happens to employment and inflation as households and firms cut back?

4. At the trough, how can employment be low while prices are still rising?

3 YOUR TURN

Your own words

Invent a town business and write 6 to 8 sentences tracing expansion, peak, contraction, and trough in order. At each stage, describe employment and likely inflation across the economy, and explain why slower inflation does not necessarily mean falling prices.

Cycles at Work

PART 1 · READ AND MARK

Underline the four stage names, circle each description of employment, and number the descriptions of inflation in stage order. Use your marks to compare what changes from one stage to the next. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	During an expansion, how do employment and inflation usually change, and what drives those changes?	**Businesses hire as production and spending rise, so unemployment usually falls. Growing demand may cause inflation to pick up.**
2	How do employment and inflation at the peak compare with their patterns during expansion?	**Employment has risen during expansion and is generally high at the peak. Inflation may pick up during expansion and remain elevated at the peak.**
3	During a contraction, what happens to employment and inflation as households and firms cut back?	**Firms may reduce hours or lay off workers, so employment falls and unemployment rises. Inflation often slows as demand weakens.**
4	At the trough, how can employment be low while prices are still rising?	**Employment is generally low relative to the peak. Inflation may be subdued, which means prices can still rise, just more slowly.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

In a town with a furniture factory, an expansion raises orders, so firms hire and inflation may speed up as demand grows. At the peak, factory shifts are full, employment is high, and inflation may remain elevated. During a contraction, orders drop and firms lay off workers. Employment falls, and inflation often slows as spending weakens. At the trough, production is at a low point and employment is generally low. Inflation may be subdued, but prices can still rise at a slower rate rather than fall. When demand recovers, a new expansion begins, although hiring may take time.

Accept descriptions of typical patterns rather than claims that employment or inflation must change in a fixed way. A strong response distinguishes slower inflation from falling prices.