Cycles at Work

Trace how changes in the economy reach a neighborhood business.

9-12.EC.5 "Analyze the various parts of the business cycle and its effect on the economy."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline one detail that signals each of the four business cycle phases: expansion, peak, contraction, and trough. Circle two details that show how these changes affect workers or households.

A Bike Shop Through the Cycle

1. On a busy Saturday, Maya's neighborhood bike shop sells out of commuter bikes. More customers have jobs and money to spend, so the shop orders extra bikes and hires a mechanic. Across the economy, rising production and employment signal an expansion. As demand grows, suppliers may raise prices if they cannot increase production quickly. Eventually growth slows near a peak, the high point before economic activity begins to fall. A peak does not mean every business is thriving: Maya still sells fewer racing bikes than last year. The business cycle tracks broad changes in economic activity, not the fortunes of one shop.

2. Months later, orders at factories decline, and several employers reduce workers' hours. Families facing smaller paychecks delay bike purchases, so Maya cuts her next order. This is a contraction: overall production and employment fall from the peak. If the decline is broad and lasts long enough, economists may call it a recession, though not every slowdown qualifies. Lower spending can reduce business income and tax revenue, leaving local governments with harder budget choices. A contraction does not hit everyone equally; a repair shop might stay busy as riders fix old bikes instead of replacing them.

3. At the trough, economic activity reaches its low point before it starts rising again. Maya's sales are weak, but new orders slowly appear as households regain confidence. She adds a mechanic's hours before hiring another employee. That improvement is recovery, the early part of a new expansion, not a separate phase in the four-phase model. As firms sell more, they may increase production and hiring, giving more households income to spend. Still, no one can identify a turning point with certainty while it is happening. Data reported later may show that the trough occurred weeks earlier.

2 ANSWER WITH EVIDENCE

Use the passage

1. How do Maya's orders and staffing during the expansion compare with her orders during the contraction? What explains the change?

2. Why does the peak in the passage not mean that every business is thriving?

3. How can reduced work hours affect both businesses and local government during a contraction?

4. What changes as the economy moves from the trough into recovery, and how does recovery fit into the four-phase model?

3 YOUR TURN

Your own words

Invent a neighborhood business other than a bike shop. In four or five sentences, trace what happens to it during expansion, peak, contraction, and trough, then explain how recovery begins within the next expansion; include at least two effects on workers or households.

ANSWER KEY

Cycles at Work

HIGH SCHOOL · 9-12.EC.5

PART 1 · READ AND MARK

Underline one detail that signals each of the four business cycle phases: expansion, peak, contraction, and trough. Circle two details that show how these changes affect workers or households. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How do Maya's orders and staffing during the expansion compare with her orders during the contraction? What explains the change?	**During expansion, stronger spending leads Maya to order more bikes and hire a mechanic. During contraction, families delay purchases after work hours fall, so she cuts her next order.**
2	Why does the peak in the passage not mean that every business is thriving?	**The peak describes overall economic activity, not each business. Maya sells fewer racing bikes than last year even as the economy nears its peak.**
3	How can reduced work hours affect both businesses and local government during a contraction?	**Smaller paychecks lead families to delay purchases, reducing business income. Lower spending can also reduce tax revenue and make local budget choices harder.**
4	What changes as the economy moves from the trough into recovery, and how does recovery fit into the four-phase model?	**After economic activity reaches its low point, orders begin to rise and Maya adds a mechanic's hours. Recovery is the early part of a new expansion, not a fifth phase.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

During an expansion, a neighborhood café sells more lunches and hires two workers, giving them more income to spend. As overall economic growth reaches a peak, the café's sales level off. During a contraction, customers cut back, so the café reduces shifts and workers take home less pay. At the trough, overall activity reaches its low point, and the café's sales are still weak. As recovery begins within a new expansion, orders rise and the café restores shifts.

Accept different business outcomes if the response correctly traces the four phases and treats recovery as early expansion. Effects on workers or households should follow logically from the changes described.