

Chapter 3 Economic Activity in a Changing World

Section 3.2 The Business Cycle

Section Summary with Key Terms and Academic Vocabulary

The Business Cycle In a global economy, one country's economy can affect the economy of its other trading partners. The Fed adjusts monetary policies to try to level out the ups and downs of the economy. An economic cycle includes four stages: prosperity, recession, depression, and recovery. Prosperity is the peak of economic activity. Recession is a slowdown in economic activity. Depression is a deep recession that affects the entire economy and lasts for several years. A recovery is a rise in business activity after a recession or depression. Fortunately, the United States has not had a depression since the 1930s.

Key Terms _____

business cycle The rise and fall of economic activity over time

prosperity A peak of economic activity

recession A slowdown of economic activity

depression A deep recession that affects the entire economy and lasts for several years

recovery A rise in business activity after a recession or depression

Academic Vocabulary _____

enormous Marked by extraordinarily great size, number, or degree

policy A definite course or method of action selected from among alternatives and in light of given conditions to guide and determine present and future decisions

purchase To obtain by paying money or its equivalent

decline The state of decreasing