



JARGON ALERT: Business Cycles

After reading the article (https://www.richmondfed.org/publications/research/econ_focus/2017/q1/jargon_alert) answer the following questions:

1. What typically characterizes expansions in economic activity?
2. How is the period of economic recovery different from an economic expansion?
3. What are the two opposing views of the cause of business cycles? How are they different?
4. What characterized the Great Moderation? Do you think the economy returned to the Great Moderation since the end of the Great Recession? Why or why not?
5. The article ends by saying that, "In predicting recessions, a good rule of thumb is to worry less about average length of business cycles and more about whether the economy is overheating – and consider that shocks could throw off all predictions." What is one sign that the economy is overheating? What is an example of an economic shock?

GLOSSARY

Aggregate demand: the amount of real output (gross domestic product) that buyers collectively desire to purchase at each possible price level.

Modeling: a simplified economic framework to illustrate complex interactions

Propagate: to spread and promote widely

Financial-market friction: high transaction costs in the financial markets

Collateral-constrained: borrowers do not have assets to offer a lender as a way to secure a loan

Deleveraging: rapidly selling assets to reduce debt