



# **JAYOTI VIDYAPEETH WOMEN'S UNIVERSITY, JAIPUR**

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## **Faculty of Education and Methodology**

**Faculty Name-** JV'n Dr. Md Meraj Alam

**Program-** BA B.Ed 3<sup>rd</sup> Semester

**Course-** Macroeconomics

Digital session name – **Business Cycle**

### **Introduction:**

Many free enterprise capitalist countries such as USA and Great Britain have registered rapid economic growth during the last two centuries. But economic growth in these countries has not followed steady and smooth upward trend. There has been a long-run upward trend in Gross National Product (GNP), but periodically there have been large short-run fluctuations in economic activity, that is, changes in output, income, employment and prices around this long- term trend.

The period of high income, output and employment has been called the period of expansion, upswing or prosperity, and the period of low income, output and employment has been described as contraction, recession, downswing or depression. The economic history of the free market capitalist countries has shown that the period of economic prosperity or expansion alternates with the period of contraction or recession.

These alternating periods of expansion and contraction in economic activity has been called business cycles. They are also known as trade cycles. J.M. Keynes writes, “A trade cycle is composed of periods of good trade characterized by rising prices and low unemployment

percentages with periods of bad trade characterized by falling prices and high unemployment percentages.”

A noteworthy feature about these fluctuations in economic activity is that they are recurrent and have been occurring periodically in a more or less regular fashion. Therefore, these fluctuations have been called business cycles. It may be noted that calling these fluctuations as ‘cycles’ mean they are periodic and occur regularly, though perfect regularity has not been observed.

The duration of a business cycle has not been of the same length; it has varied from a minimum of two years to a maximum of ten to twelve years, though in the past it was often assumed that fluctuations of output and other economic indicators around the trend showed repetitive and regular pattern of alternating periods of expansion and contraction.

However, actually there has been no clear evidence of very regular cycles of the same definite duration. Some business cycles have been very short lasting for only two to three years, while others have lasted for several years. Further, in some cycles there have been large swings away from trend and in others these swings have been of moderate nature.