

Big Question: How does the macroeconomy behave in the long run?

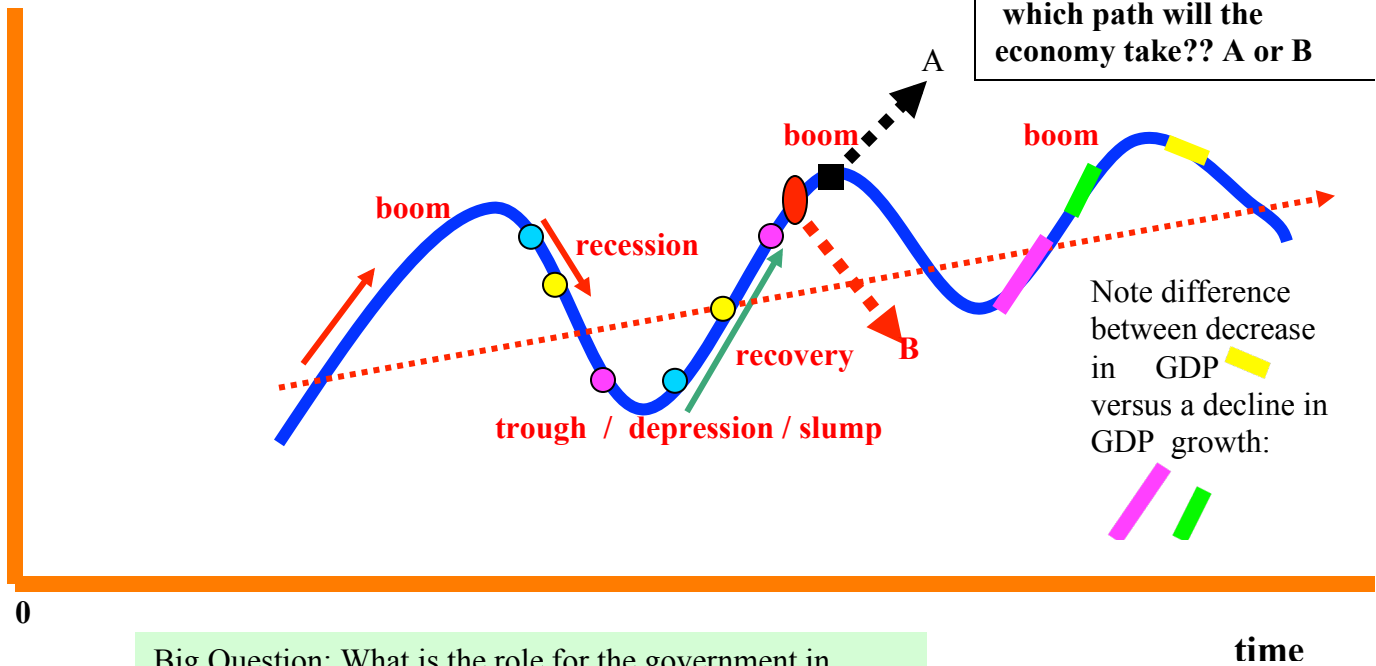
Syllabus reference: 2.1

Webnote
214

¹ Economic Cycle : How the macroeconomy performs over time ²

Business Cycle 1

Real GDP



Big Question: What is the role for the government in managing the macroeconomy?

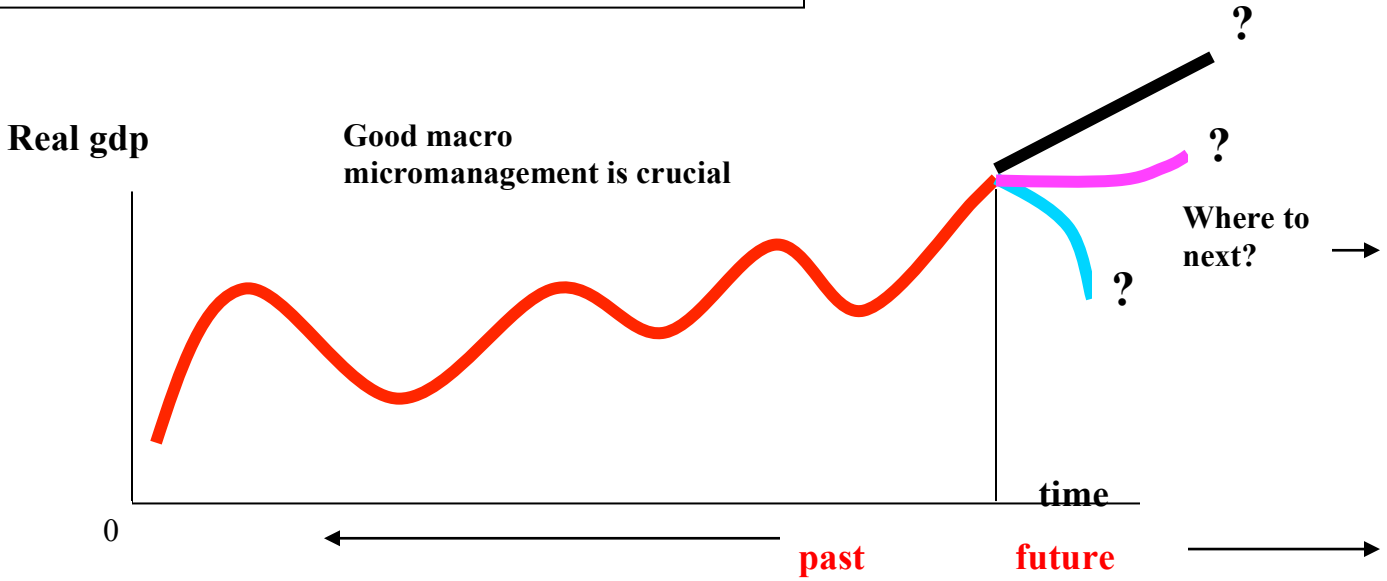
Recession versus Depression/slump:

- Diagram highlights the cycle that economies have demonstrated over time
- Long run trend ■■■■■
- note the upward trend overtime
- a recession is defined as two consecutive quarters (of a year) of falling GDP (note: there can still be annual growth during this period) Recession is evident on the graph above even though the economy is growing. Point B shows a growing economy with slowing growth and a macroeconomy with 2 consecutive quarters of declining growth is = **recession**

¹ Source: Advanced Economics through diagrams by Gillespie p. 92

² Can be written as economic, business or trade cycle

Business Cycle 2



See gdp (Y) on webnote 710

Variations on model- note that b) shows a growth line that shows the negative growth.

