

# The Wild Ride of Economic Cycles | Worksheet



## Matching

Match the definition in Column A with the term in Column B.

### Column A

- \_\_\_\_\_ Lowest point before recovery begins.
- \_\_\_\_\_ Jobs increase, businesses grow, spending increases.
- \_\_\_\_\_ Surprising events that impact growth or decline.
- \_\_\_\_\_ Highest point of growth before slowing down.
- \_\_\_\_\_ Job losses, shrinking economy, decreased spending.
- \_\_\_\_\_ Pattern of expansion, peak, contraction, trough.

### Column B

- a. Expansion
- b. Peak
- c. Contraction
- d. Trough
- e. Econ. Cycles
- f. Econ. Shocks

## Multiple Choice

1. **Which of the following signals that an economy may be shifting from expansion to contraction?**
  - a. Consumer spending is rising, and businesses are hiring more workers.
  - b. Companies are expanding, and new businesses are opening.
  - c. Wages and prices are increasing, but business investments are slowing.
  - d. Interest rates are low, and borrowing is increasing.
2. **A major car manufacturer reports record profits, and its stock price is soaring. However, an economist warns that the economy is shifting and may soon slow down. Based on this information, where in the economic cycle is the economy likely to be?**
  - a. Contraction, because economic warnings indicate the economy is already shrinking.
  - b. Trough, because company stock prices are rising.
  - c. Expansion, because the company's success means the economy is still growing.
  - d. Peak, because strong profits suggest the highest point before a slowdown.
3. **From this list of negative economic shocks, which would have the most immediate effect on businesses and consumers, and why?**
  - a. A new technology like AI, because it improves worker productivity across industries.
  - b. A viral social media trend, because it increases consumer spending.
  - c. An increase in oil prices, because it raises costs for businesses and makes goods more expensive.
  - d. A new fast-food chain, because it becomes extremely popular and attracts new customers.
4. **During an expansion, businesses tend to hire more workers. What effect does this have on consumer spending?**
  - a. Spending decreases because more people are employed.
  - b. Spending increases because wages and job security rise.
  - c. Spending remains the same since employment doesn't affect demand.
  - d. Spending decreases as workers save more money.



### **Application**

We know that during contractions, businesses slow down, and people spend less. Consider what a smart company might do to stay strong when customers stop buying as much.

- How might a business adjust hiring, production, or spending?
  
  
  
  
  
  
- What strategies could help the company remain stable if a contraction occurs?
  
  
  
  
  
  
  
  
  
  
- Would you take different actions if you were a large corporation vs. a small business?  
Why?

## The Wild Ride of Economic Cycles | Answer Key

### Matching

Match the definition in Column A with the term in Column B.

#### Column A

- d. Lowest point before recovery begins.
- a. Jobs increase, businesses grow, spending increases.
- f. Surprising events that impact growth or decline.
- b. Highest point of growth before slowing down.
- c. Job losses, shrinking economy, decreased spending.
- e. Pattern of expansion, peak, contraction, trough.

#### Column B

- a. Expansion
- b. Peak
- c. Contraction
- d. Trough
- e. Econ. Cycles
- f. Econ. Shocks

### Multiple Choice

1. **Which of the following signals that an economy may be shifting from expansion to contraction?**
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## Application

We know that during contractions, businesses slow down, and people spend less. Consider what a smart company might do to stay strong when customers stop buying as much.

**Responses will vary, this is a sample response:**

- How might a business adjust hiring, production, or spending?  
Businesses might freeze hiring, reduce hours, or lay off workers to save money. They could also cut production to avoid making too much and pause spending on new projects until the economy improves.
- What strategies could help the company remain stable if a contraction occurs?  
Businesses can save money during expansion, lower prices to keep customers buying, and focus on essential products. They might also cut costs by using cheaper materials or renegotiating supplier contracts.
- Would you take different actions if you were a large corporation vs. a small business? Why?  
Yes! Large corporations have more money and can afford to lower prices or keep employees longer. Small businesses have less money, so they may need to cut costs faster or find creative ways to attract customers.

## Guidance for Grading:

- Understanding of Contractions and Business Adjustments:** Students should demonstrate that businesses slow down during contractions and must adjust to declining consumer spending. Strong responses will recognize that companies may freeze hiring, reduce work hours, cut production, or delay expansion to conserve resources. Students should show an understanding that contractions are a natural part of the economic cycle and require proactive business decisions.
- Thoughtful Strategies for Business Stability:** Students should explain how businesses can remain stable during a contraction, with large corporations relying on financial reserves while small businesses must cut costs or adapt quickly. Effective strategies may include offering discounts, shifting to essential products, renegotiating expenses, or finding creative ways to maintain revenue. Strong responses will show how different businesses adjust based on their size and resources.
- Uses Logical Reasoning and Real-World Application:** Students should connect economic concepts to real-world business decisions by explaining why certain strategies help during contractions. Strong responses will reference real-life examples, such as how businesses reacted to past recessions, and use key economic vocabulary accurately, including contraction, demand, hiring freeze, layoffs, and cost-cutting.