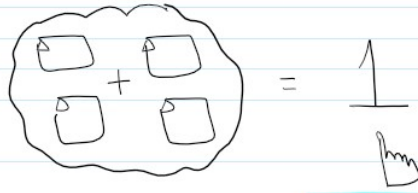


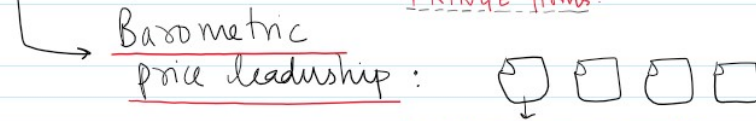
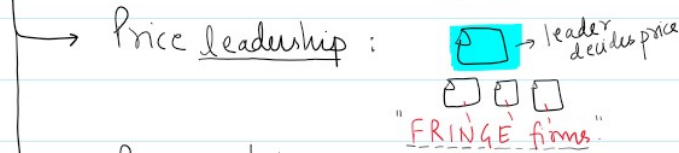
U & v fix their prices to enjoy v maximum profits.



OPEC

(Organisation of Petroleum Exporting Countries)

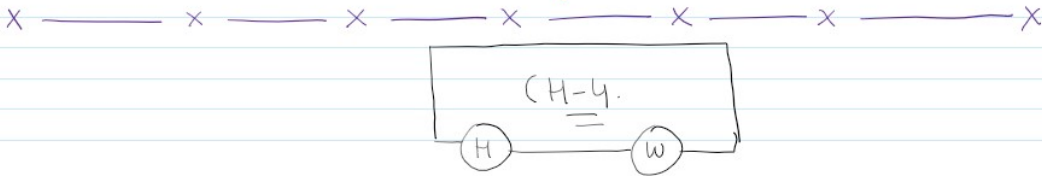
* Price leadership



Old, experienced, most respected firm becomes price leader.

* Other market forms

- 1) Duopoly - Two firms (sellers)
- 2) Monopsony - Single Buyer
- 3) Oligopsony - Few large Buyers
- 4) Bilateral Monopoly - One Buyer + One Seller



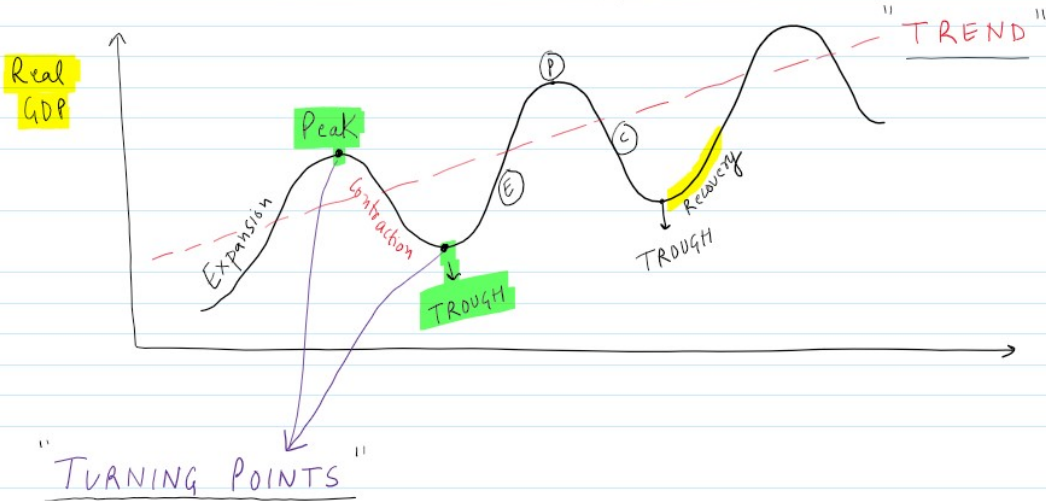
CH5 :-

"Business Cycles"

→ Rhythmic Fluctuations in aggregate economic activity that an economy experiences over a period of time are called business cycles or trade cycles

eg :- 1920 UK → GDP ↑↑↑
1929-30 Great Depression (US)

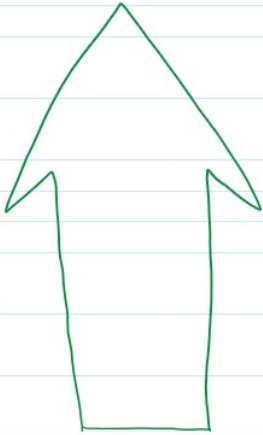
- eg :- 1920 UK → GDP ↑↑↑
 1929-30 Great Depression (US)
 2020 China → Recession
 2007-2008 :- US Banks
 2000 :- IT Bubble burst.



Phases of Business Cycle

① Expansion

National Output, employment
 Aggregate demand, expenditure
 Sales, Profits, Stock prices,
 Bank rate, Investments,
 production, Confidence,
 factor Income etc etc



* **Involuntary unemployment** is **almost zero**.
 Only **Frictional** & **Structural** unemployment exists

willing to work
 but do not find
 work

change
 in Job

change in
 Structure

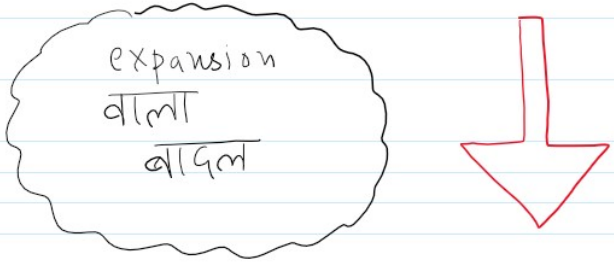
27 March Leave → 3 May New Joining

② PEAK

- End of Expansion
 - Highest point
 - ⊛ → Inputs are difficult to find as they are short of their demand.
 - ⊛ → Actual demand stagnates.
- "एक जगह रुक जाना"

③ Contraction (Down Swing / Recession)

→ Supply > Demand



④ TROUGH (Depression)

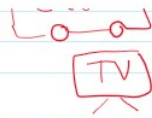
- Growth rate becomes negative
- Occurs when "recession is complete"
- People's demand for liquid money increases
- National Income + expenditure declines rapidly

Great Depression 1929-33 (US)

* Recovery - Beginning of Expansion

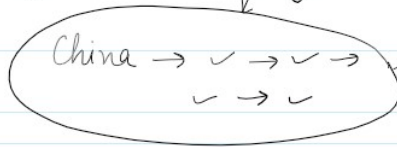


(Machine)



7) Its effect can be felt on all economic variables.

8) Business cycle is contagious and international



* Causes of Business Cycle *

Internal

→ Fluctuations in effective demand (KEYNES)

$$AD = C + I + G + NX$$

→ Fluctuations in Investment (MOST VOLATILE)

→ Fluctuations in Government expenditure

→ Fiscal & Monetary Policies

Govt

RBI

→ Changes in Money Supply by HAWTREY

→ Psychological factors

→ AC Pigou: Anticipation of optimism or pessimism

→ Schumpeter: due to innovations

External

→ WAR

→ Post war reconstruction

→ Technological shocks*

→ Natural factors (Floods, earthquake)

→ Population (increase)

→ Others:-

Savings ↓

Investments ↓

* CONCLUSION

(i) B. cycles have tremendous influence on business decisions

(ii) B. cycles do not affect all sectors uniformly

(iii) \otimes Business whose fortune are closely linked to the rate of economic growth are referred to as **CYCLICAL Business**

Economic Growth \uparrow \square \uparrow
 \downarrow \downarrow

Restaurants, Construction firms, Fashion Retailers, electric goods etc

(iv) Economic ^{*}forecasts^{*} are not perfectly reliable but **can help** the business to prepare for changes

"H.W Q28"

x — x — x — x — x — x — x