

# Chapter 9



## Economic Fluctuations

ECONOMICS: Principles and Applications, 4e  
HALL & LIEBERMAN, © 2006 Thomson South-Western

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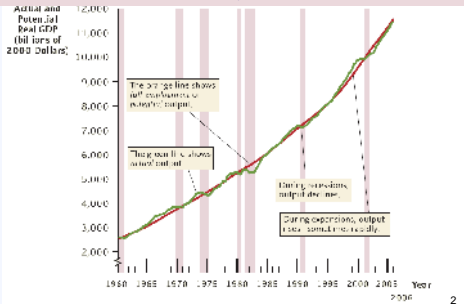
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## Potential and Actual Real GDP

Figure 1 Potential and Actual Real GDP, 1960-2006



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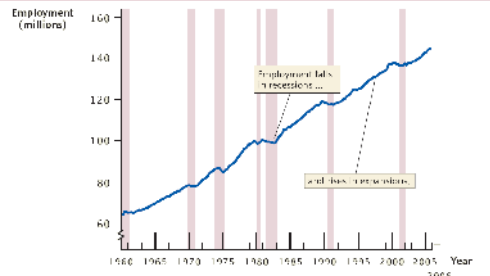
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## Employment

Figure 1 Employment, 1960-2006



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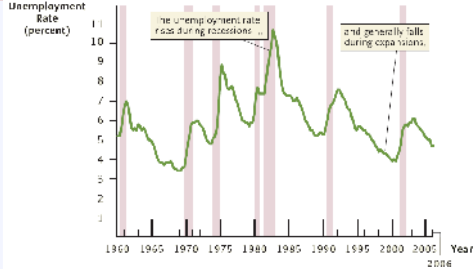
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## Unemployment Rate

Figure 2 U.S. Unemployment Rate, quarterly, 1960–2006 (first half)



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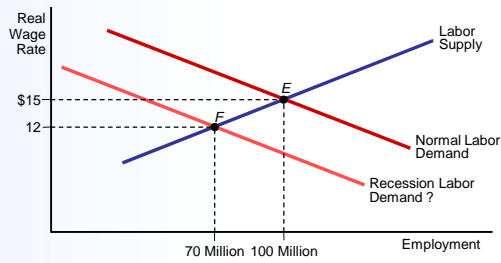
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## Shifts in Labor Demand

Figure 3 A Recession Caused By Declining Labor Demand?



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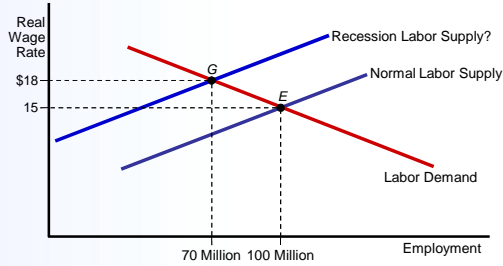
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## Shifts in Labor Supply

Figure 4 A Recession Caused By Declining Labor Supply?



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**Table 1: Recent Expansions and Recessions**

Period	Event	Major Spending Changes	
Early 1950s	Expansion	Korean War	Defense spending ↑
1953	Recession	End of Korean War	Defense spending ↓
Late 1960s	Expansion	Vietnam War	Defense spending ↑
1970	Recession	Change in Federal Reserve policy	Spending on new homes ↓
1974	Recession	Dramatic increase in oil prices	Spending on cars and other energy-using products ↓
1980	Recession	Dramatic increase in oil prices	Spending on cars and other energy-using products ↓
1981-82	Recession	Change in Federal Reserve policy	Spending on new homes, cars, and business investment ↓
Early 1980s	Expansion	Military buildup	Defense spending ↑
Late 1980s	Expansion	Dramatic decline in oil prices	Spending on energy-using products ↑

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**Table 1: Recent Expansions and Recessions (cont.)**

Period	Event	Major Spending Changes	
1990	Recession	Large increase in oil prices; collapse of Soviet Union	Spending on cars and other energy-using products ↓; Defense spending ↓
1991-2000	Expansion	Technological advances in computers; development of the Internet; high wealth creation	Spending on capital equipment ↑; Consumption spending ↑
2001	Recession	Investment in new technology slows; technology-fueled bubble of optimism bursts; wealth destruction	Spending on capital equipment ↓
2002-?	Expansion	Changes in fiscal and Federal Reserve policies; rapid rise in housing wealth	Consumption spending ↑

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