

4. ECONOMIC CYCLES

The economy is usually _____, there are economic _____, alternating phases of expansion and _____:

- **Expansion:** the companies that have survived the recession stage _____ in machinery and facilities to replace the aging ones. As the **costs of the productive factors are** _____ from the previous stage, businesses begin to be profitable and _____.
Production begins to _____ and unemployment begins to _____, and consumption begins to _____. Prices stop dropping. At this time, public revenues increase and public expenditures may decrease.
- **Rise or** _____: the _____ phase **reaches its** _____. Unemployment is _____ to maximum. With entrepreneurs increasing their sales and profits, they tend to invest and raise wages. **Consumption** _____ and inflation _____.
- **Recession:** companies begin to _____ because sales begin to decrease even with lower prices (deflation). **Production and employment** _____, so families receive less income and decrease their consumption, which causes further reduction in production. Public revenues decrease and public expenditures tend to increase (unemployment benefits).
- **Valley or** _____: the _____ phase **reaches its** _____. Companies close, unemployment rates are _____, **consumption is** _____, deflation is installed and companies _____ invest due to poor sales expectations.

