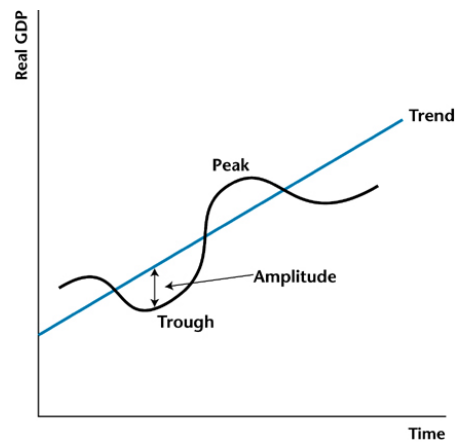


## Notation

• GDP	Y	• Imports	IM
• Price level	P	• Exchange Rate	ER
• Consumption	C	• Net Exports	NX
• Investment	I	• Saving	S
• Gov Spending	G	• Capital	K
• Taxes	T	• Employment	E
• Exports	X	• Unemployment	UE

## The Business Cycle



### Gross Domestic Product for 1999

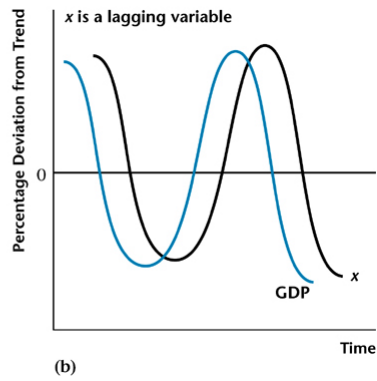
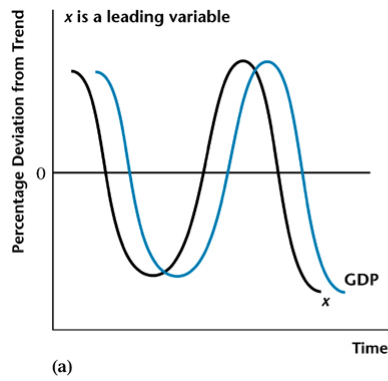
Component of GDP	\$ Billions	% of GDP
GDP	\$9,299.2	100%
Consumption	6,268.7	67.4
Durables	761.3	8.2
Nondurables	1,845.5	19.8
Services	3,661.9	38.8
Investment	1,650.1	17.7
Fixed investment	1,606.8	17.3
Nonresidential	1,203.1	12.9
Residential	403.8	4.3
Inventory investment	43.3	0.5
Net exports	-254.0	-2.7
Exports	990.2	10.6
Imports	1,244.2	13.4
Government expenditures	1,634.4	17.6
Federal defense	365.0	3.9
Federal nondefense	203.5	2.2
State and local	1,065.8	11.5

Source: Survey of Current Business, December 2000.

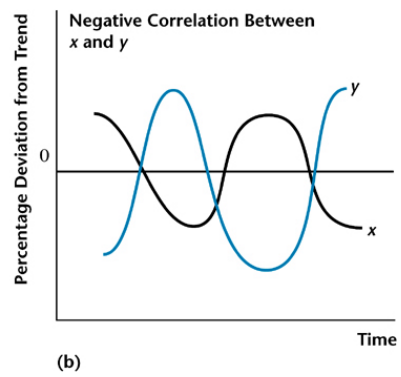
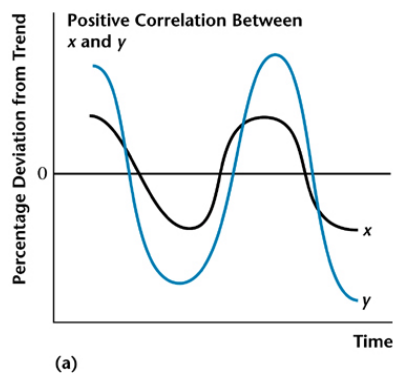
### Correlation Coefficients and Variability of Percentage Deviations From Trend

	Correlation Coefficient (GDP)	Std. Dev. (% of S.D. of GDP)
Consumption	0.76	76.1%
Investment	0.84	464.4
Price Level	-0.29	56.2
Money Supply	0.37	77.9
Employment	0.80	58.7

# Leading vs. Lagging



# Procyclical vs. Countercyclical



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**Summary of Business Cycle Facts**

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	<i>Cyclical</i>	<i>Lead/Lag</i>	<i>Variability Relative to GDP</i>
Consumption	Procyclical	Coincident	Smaller
Investment	Procyclical	Coincident	Larger
Price Level	Countercyclical	Coincident	Smaller
Money Supply	Procyclical	Leading	Smaller
Employment	Procyclical	Lagging	Smaller
Real Wage	Procyclical	?	—

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