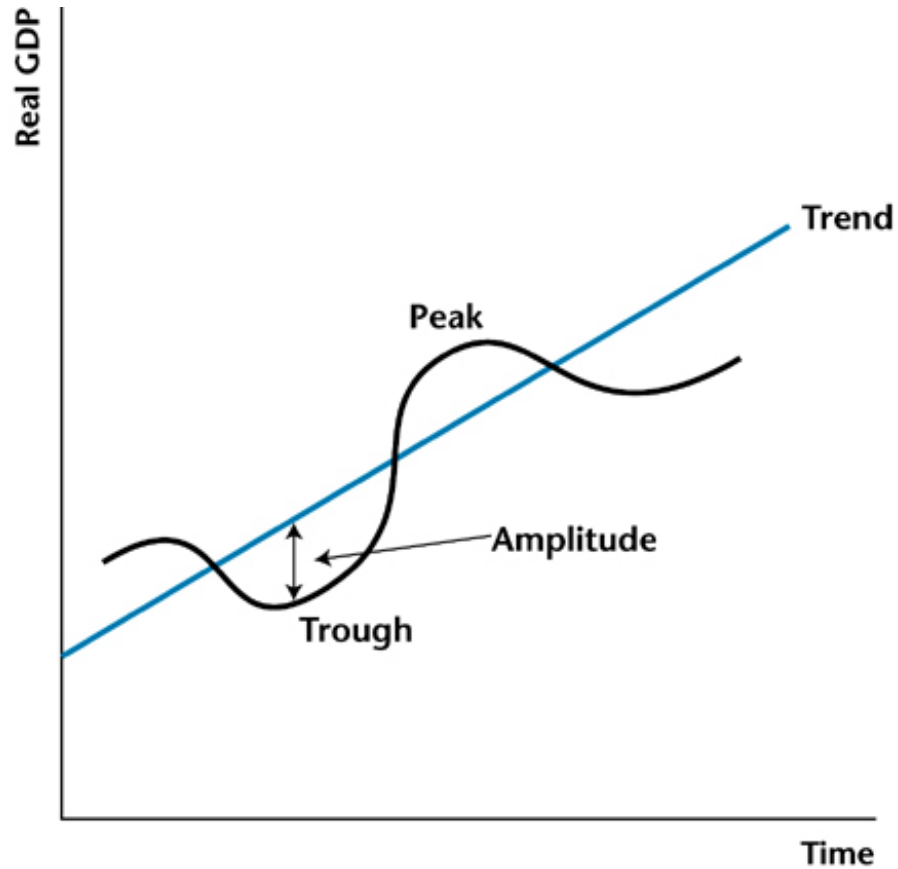


Notation

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

The Business Cycle



Gross Domestic Product for 1999

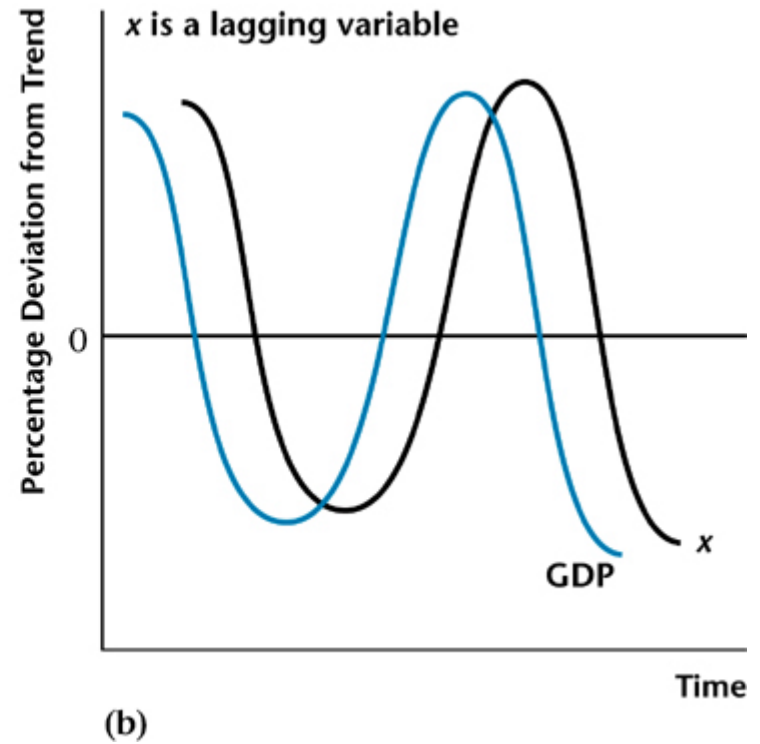
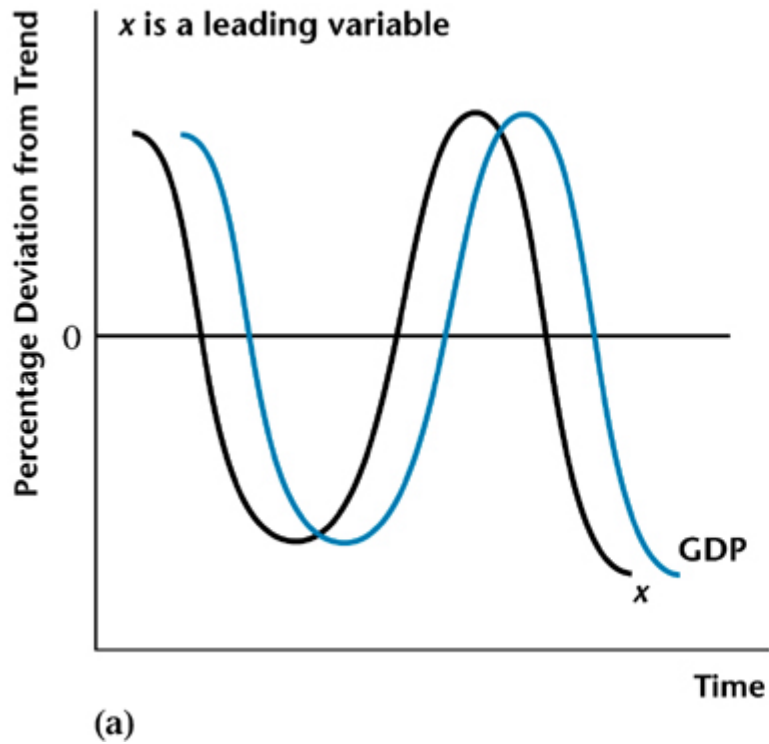
<i>Component of GDP</i>	<i>\$ Billions</i>	<i>% of GDP</i>
GDP	\$9,299.2	100%
Consumption	6,268.7	67.4
Durables	761.3	8.2
Nondurables	1,845.5	19.8
Services	3,661.9	38.8
Investment	1,650.1	17.7
Fixed investment	1,606.8	17.3
Nonresidential	1,203.1	12.9
Residential	403.8	4.3
Inventory investment	43.3	0.5
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.

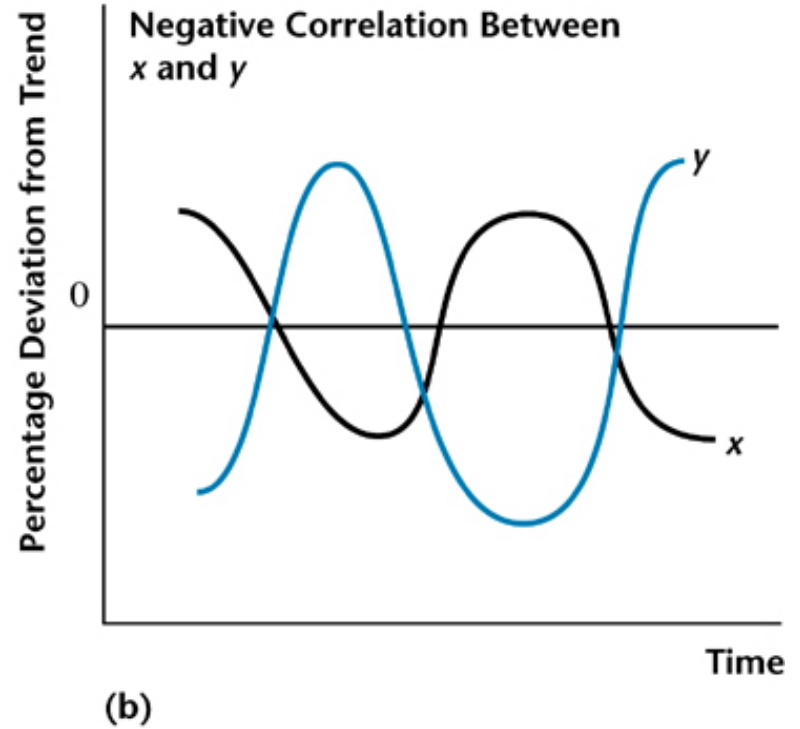
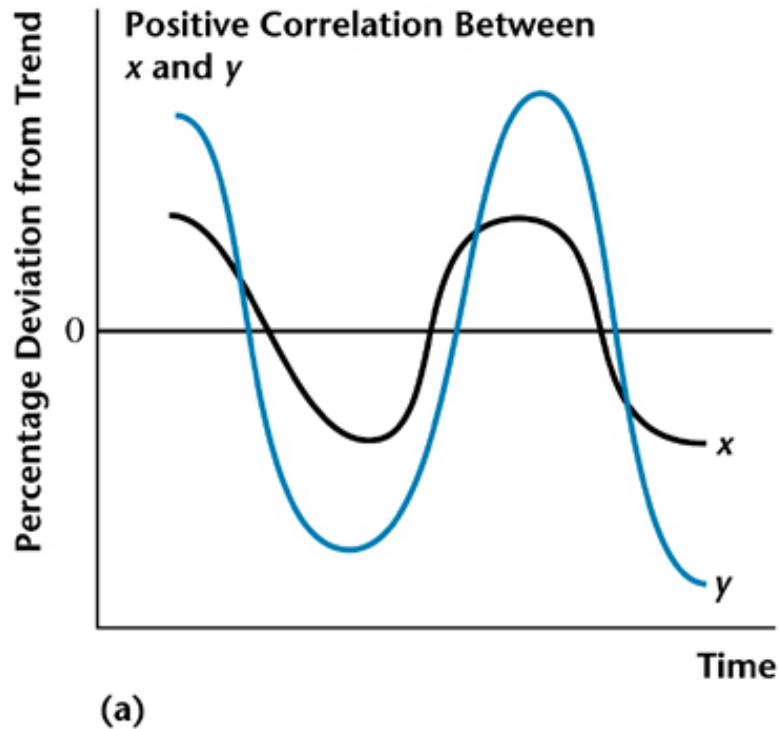
Correlation Coefficients and Variability of Percentage Deviations From Trend

	<i>Correlation Coefficient (GDP)</i>	<i>Std. Dev. (% of S.D. of GDP)</i>
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



Summary of Business Cycle Facts

	<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	?	—
