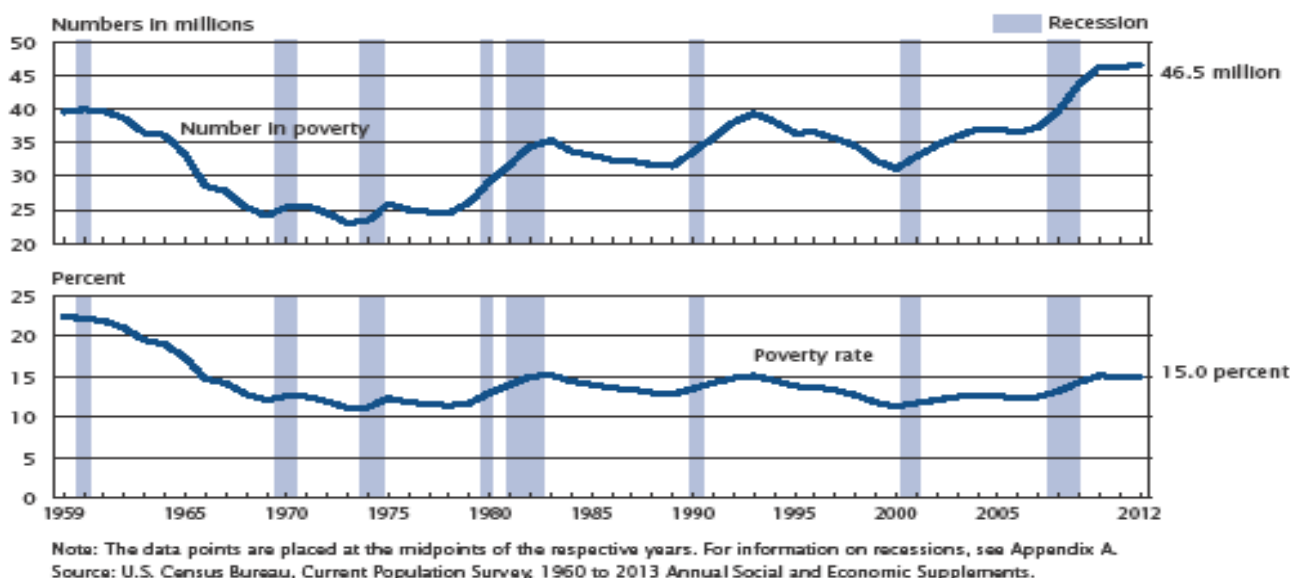


Name \_\_\_\_\_ Date \_\_\_\_\_

## Handout 2C: Business Cycle and Poverty

Directions: Review the following material. On a separate piece of butcher paper, use pictures, symbols, drawings and the information presented on this handout to describe how the business cycle is connected to poverty.

Figure 4.  
**Number in Poverty and Poverty Rate: 1959 to 2012**



Historically, the number of people who experience poverty in the United States tends to increase or decrease with the economic cycle. If the economy is doing well, fewer people live in poverty. If the economy is doing poorly, more people tend to fall below the poverty line.

When the country is in a recession (the vertical blue lines on the graph above), the working poor and the unemployed are the most affected. A recession is a period of general economic decline. During a recession people often buy less. When people buy less, they reduce the demand for products. This means fewer people are needed to provide these products. Those who work full time and earn a minimum wage often don't make enough to lift themselves out of poverty. During a recession, these men and women are the most likely to lose their jobs as companies lay off employees and look for other ways to cut their expenses.

The result is that the families who live on the edge of poverty often cross over the line when the economy does poorly.