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## Macroeconomics Chapter 6 Pt. 3

Some Recessions are much worse than others

The worst one was TGD which was brought on by an asset bubble bursting (10,000 banks failed in the first years of the depression)

Stocks crashed, the financial sector plummeted, then this spread to employment and production

1979-82 was the worst slump since the 30's (until now). It was deliberately created using monetary policy to bring down inflation. Unemployment reached 10.7%

We came out of that recession very rapidly however, as when inflation came down, the fed brought interest rates down

1990-91 The Gulf War recession, was brought on by the paradox of thrift, but it was short and mild.

2001 was the Y2K recession, caused by the fall of investment in hardware and software. Also short and mild.

All of the recessions were brought upon by a decline in demand for goods and services

2007-2009 recession was deep and the longest since the 1930's. Very much like TGD and Japan's 15 year slump, it was the result of an asset bubble, fed by debt, bursting (housing bubble) which caused a financial collapse. Full recovery will take a long time unless more spending is agreed upon.

Fannie and Freddie failed because they got caught in the housing bubble too because they bought up bad mortgages. Then Lehman Brothers failed too, which was an investment bank, other banks refused to lend to Lehman Brothers because they had so much mortgage assets, because of this Lehman Brothers went bankrupt and wasn't bailed out. Then, all the money they owed to Lehman Brothers was never going to be paid back, which scared the whole financial sector

Called a financial crunch, everyone was afraid to lend to everyone because they were afraid no one could pay it back

Not bailing them out was a big mistake, because we would have saved a lot of taxpayer money by keeping the recession from spreading.

WE'VE BEEN IN THIS RECESSINO FOR 6 YEARS WTF HAS IT REALLY BEEN THAT LONG?