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The great recession that hit the US started in October 1929. It was the beginning of a ten year under employment and the recovery of the depression came into be with the start of World War II. However, other European nations recovered from the recession earlier than the US did. The recovery in US was made possible when president Roosevelt was elected during which he brought policies that led to the implementation of a New Deal which was the basis for the recovery. The recession was mainly characterized by high rates of unemployment and a drastic decrease in GDP. The scarcity of money and shortage of credit policy that was implemented by the central bank of the United States to control the condition cane out to be an incorrect move as it worsened the economy (Morana, 2010, p.

1). However, a new economic response came in too late because the tight monetary policy by the central bank had started long before the recession all the way towards the end of the crisis. Similarly, the new policy was not effective since it was about devaluating the dollar which would lower the monetary standard of the US currency. This policy would have resulted to promotion of the country’s economy at the expense of their neighboring countries. The policies by President Roosevelt were, on the other hand, aimed at managing a balanced budget of the nation as well as reducing its deficits. This clearly showed that the monetary policy was more efficient in responding to the recession than the fiscal policy was.

Although some efforts saw a spectacular growth in the nation's GNP, the rate of employment that existed before the recession could not be restored as it recorded 25 percent lower (Macklem, 2010, p. 1).

Monetary and fiscal policies during the Great recession

The implementation of the monetary policy was arguably the one which brought to an end the great recession rather than the fiscal policy. For instance, some of the fiscal policies by President Roosevelt seemed to hinder all the efforts of ending the recession especially the quest for high wages for all employees. This move would definitely slow down the growth of the economy rather than help in building it.

The monetary policy also resulted to cutting down the expenditure by the US government on various key areas of the country's budget. This was opposed to the fiscal policies implemented in Germany which saw Germany recover from the economic crisis. However, the fiscal actions taken in the US were not sufficient enough to bring much improvement to the economy. The second world war however, boosted the government's expenditure and consequently, led to higher growth rates compared to those during the fiscal policy implementation (Blinder And Zandi, 2010, p. 1). However, there was an extraordinary growth in the economy somewhere between 1933 and 1937. This could have happened due to a change in that government which took place at the same time with the election of Roosevelt taking the position of president Hoover. The expectations of the people during this time worked as macroeconomic policies changed as well which produced drastic changes in prices of commodities and other variables.

With the election of President Roosevelt, the doctrine of non governmental interference in commerce was abolished and he shifted the strategy to an interventionist state. This move by Roosevelt had not only economic benefits but also enabled the people to gain confidence in the new administration especially in dealing with the financial crisis that the country was facing (Santucci, 2010, p. 1). The tight monetary policy that was carried out in 1933 provided the fundamental basis for the recovery of the crisis despite the fact that the central bank did not play a significant role in these efforts.

Just like many countries like Norway and UK had done, the US finally went off gold as they devaluated their currency in the year 1933 by a 41%. As a result, the flow of gold into the country increased and resulted to a decrease in interest rates. This was an important start point in the process of recovering the country from the recession. This was followed by an increase in money supply that resulted to a significant growth in the county's GDP. The implementation of the deflation policy saw the abandonment of the gold standard policy. The effects of the devaluation of the US dollar were most importantly felt in the farm and other commodity prices which are the back bones of a county's economy. The government then started the implementation of the devaluation policy by controlling prices in all economic industries. The devaluation of the dollar made it possible for US to start the recovery process especially with the financial instability that Europe was facing, a situation which led to the increased flow of gold in the US.

However, these efforts did not lead to a complete cessation of the crisis; at least not until the second world war was initiated (Hunt, 2010, p. 1).

Effects of the policies after the great recession

The most obvious short term effect of the great recession is high rates of unemployment resulting from the collapse of many businesses following the financial crisis. Employers in the US experienced short and long term disability costs per every claim as they decreased drastically after the recovery of the recession.

Instead of focusing on unemployment and economic growth of the country, the US government has moved its concerns on making deficits. Although deficits may be helpful in recovering a recession, the US government is more likely to suffer long term effects resulting from the growing deficits. It could even lead to another greater recession. Since the main cause of the recession was high deficits where many Americans live beyond their standards, the US government has lessened the accessibility of credit cards and home equity loans. As a result, savings by the Americans are already increasing as credit levels decrease. Economic responsibility would and has led to reduced consumption. Corporate revenue as well as profits would increase leading to an increase in the rate of unemployment (Rose, 2010, p.

1). Similarly, consumption would reduce and the cycle continues during which many families would be going through a lot of difficult moments. The recession has some good impacts as well. For instance, people will be aware of the situation and this would encourage many people and families be very watchful when it comes to debts and money expenditure. As a result, many people will learn to live within their standards and be in a better position to save. All these changes would result to stabilization of the US economy and strengthened of the dollar.

The government will be consequently relieved of debt payments and pressure on its taxes (Carr, 2008, p. 1).

Conclusion

The great recession that hit United States among other countries in the early 19s was one of the largest financial crisis to have hit Americans. The main cause of the recession was the existence of very high rates of debts which led to high rates of unemployment conditions. The country then tried solving the problem using the fiscal policy which entailed the control of taxes and government expenditure hence affecting the economic development of a nation. However, if this policy is not carefully implemented, it may lead to a slow growth of an economy and this was precisely the reason behind why it failed to work in the attempt to recover the US economy during the great recession. After the failed attempt, the elect president Roosevelt came up with the new deal which saw the implementation of the monetary policy which involved reduction of interest rates, a move which made it possible for the nation to combat unemployment. It also involved the increase of money supply but in a way that reduced inflation effects to the falling economy.

The implementation of the monetary policy proved to be successful although the success was made possible partly due to the economic instability in Europe which led to an increase in the flow of gold into the United States. However, the actual recovery of the recession was at the start of the Second World War. The move to go off gold standards was crucial as well although the US delayed a bit to take the move. This is related to other countries such as Europe which went off gold standards immediately and consequently, recovered from the depression earlier. Basically what made the monetary

policy a success was the increased spending as well as growth of output both of which promoted the country's confidence unlike the fiscal policy which never paid attention to a balanced budget.

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