

Recession is good for  
the economy



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**The positive effects of a recession**

The recession is good for the economy. A recession means that there is a negative growth in GDP in a country during two successive quarters. During a recession people lose their jobs, companies go bankrupt and governments run deficits but these effects do not outweigh the positive effects of a recession.

The recession is good for the economy because during a recession healthy companies are rewarded for their method of operating. Companies that were operating unhealthy and thus risky will now have to cut back on their expenses and become healthy in order to survive. By doing so competition becomes fair again and this will benefit the companies who were already operating responsibly. These companies can now invest in new technologies and expand their operations because it has become cheaper. The strong companies can now take over companies, who were taking risks, at a much lower price as before. In this way some employees at the risky companies are able to continue to work and at a more secure company. The healthy companies will also benefit from the fact that prices will drop, for example advertising costs will drop, because unhealthy companies have to cut back on their spending. Therefore the healthy companies will grow even further and are able to offer more secure jobs for the unemployed.

Another reason why a recession is good for an economy is that companies who are operating inefficiently will have to change their method of operation. Employees who are not doing a good job will be replaced by better qualified employees. Therefore employees start to invest in themselves by retraining themselves for their current job or for a completely different job. People will

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retrain themselves towards jobs in growing markets, mostly innovative markets, because in these markets there is a future while in their old job there was none. This means that these growing innovative markets will have access to more qualified employees which will benefit the companies because there is more knowledge and will also benefit the employees in the long-run because there will have a more secure future.

During a recession people tend to save more money compared to years in which there is economic growth. This has the positive effect that there will be a significant reduction in debt and more money available for investments. This means banks will have more money available for investments but because of the recession they will be more careful where to invest. When banks are more careful of investing in a company there will be more strict demands for entrepreneurs to start their own business, therefore entrepreneurs that do get a loan, and thus a chance to start a business, will have a much bigger chance of success. Another result of the fact that people become more cautious with spending money is that prices will drop to a fair price again. For example the oil price had been growing until a price of \$ 120,- was reached, during the recession this price has dropped to \$ 35,- and then stabilized at a price around \$ 45,-.

However, critics might say that during a recession people will lose their jobs, companies will go bankrupt and because of this a recession can not be positive. But this are all short run consequences and will be helpful towards a more healthy economy with companies that are operating in a safe way for their future and thus also for their customers. Critics also argue that it is much harder to get a loan because banks are more careful, but this is

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actually a good thing people will no longer be able loan money for luxuries they actually cannot afford. This also applies to entrepreneurs who need money in order to start their own business, banks will have a more critical look at their plans, this means that more successful are founded during a recession. This is supported by the fact that half of the top 500 companies in the United States were founded during a recession, companies such as Hewlett-Packard, General Electric and CNN. People who lost their job can now start to work in these new companies and industries and shift towards a safer future. Therefore we can conclude that a recession provides people with new opportunities for a brighter future.

Most people only look at the short term effects of a recession and forget tot look at the positive effects for them in the long run. During a recession there are new investment opportunities and innovations that will benefit the economy with healthy new businesses and will provide jobs for the future.

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