

Cause and effects of an economic recession economics essay



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Recession can be defined as significant decline in general economic activity extending over the period of time. (<http://recession.org/definition>) “ Many professionals and experts around the world believe that a true economic recession can only be confirmed if GDP (Gross Domestic Product) growth is negative for a period of two or more consecutive quarters”- . GDP is the country economic performance.

A global recession is a period of global economic slowdown. (<http://recession.org/definition>) In United State, the National Bureau of economic Research (NBER) Hold authority which identifies recession. Global recession is more difficult to define. because developing nations are expected to have a higher GDP growth than developed nations. There is no commenly definition to define global recession. World have gone through the past three global recessions of the last three decades.

January-july1980 and july 1981-Novembr 1982 2 years totale

July 1990 march 1991 8 months

Noveber 2001-Noveber 2002: 12 months

December 2007-2010

“ The late 2000s recession is an economic recession that begun in USA in Dec 2007 and spread out globally. The USA crisis stared during a hosuing market correction, declining doller value and a subprime morgade crisis. The USA recession has resulted in fast drop international trade market and unemployment.” The UK has officially announced recession in 2008. Its Gross Domestic Product shrank for the first time in 17 years between July and
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September 2008. the economy of uk has also been hit by rising oil prices and credit crisis. The ernes and young itel club predicted growth of only 1. 5 percent in 2008, slowing to 1 percent in 2009. they also predicted consumer spending would slow to only 0. 2 percent and forecast a two years drop in investment. The financial sector is directly related to stock market, banks, and foreign multinational banks and mortgage companies. Banks main role is to provide a finance to regulate the economic growth. In present time banks operate almost every business. Bad economic planning of banks has suffered the world with worst economic disasters.

This survey will provide a broad overlook of finding social and financial research on impact of recession on the housing industry and the banking industry, its causes, consequences and immediate policies...Its aim to be of what we need to know about it for the future prosperity. this dissertation will discuss the two manin banks of uk. Northan rock and Barcalys PLC. northan rock a moragade company was the fist direct victim of recession and it lost biliions and people had to suffer for it. Barcalys Plc also effected with recession and through out is tried to b keep itself stable. the survaey report will investigate the causes of collapse of northan rock and how barcalys sustain in the recession periods.

Rationale

Aim and Objectives

The dissertation will aim to find answers the following research questions through the analytical techniques and the data collections.

What causes an economic recession? What are the effects of an economic recession on the financial sector?

What is the current scenario and what is the future of financial sector state of UK?

Some of the financial companies are not affected by recession? What are the strategies they adopted?

What is the short term and long term strategies adopt by a business in the recent recession?

To know present financial condition of the global market as well as UK economic market

To assess the impact of global economic crisis on the UK economy particularly its impact on housing market and financial companies like Northern Rock bank and Barclays

To make some policy implications and conclusion to avoid an economic recession.

To identify the strategies that can be used by the government and the financial companies

To identify the opportunities and threats strengths weakness of the UK economic market.

Rationale

The genesis of the global recession was in the global financial system and the housing sector. There seemed to be a mass delusion that housing prices world wide could just keep going up forever, and investors just kept lending money based upon that delusion. I should say some were deluded but some were making very rational but greedy and immoral decisions; some people quite well that the lending that was occurring was going to go bad but they didn't care because they were making a lot of money.

Finally when that delusion began to come crashing down, the world suddenly lost confidence in many lending activities beyond those involved. They began to pull back on investing. The delusion that people had about their property values also came crashing down, and suddenly people felt poor and stopped spending discretionary income.

It is basically all caused by the bursting of a bubble of delusion about how much wealth we all were really creating. Given the reality of what wealth really is available, people suddenly realize they have more debt than they can really afford. People just don't have money to spend, but not only that, they've already spent their future earnings.

Economies are very sensitive to reality checks like this. Smart people pull back on spending and become very conservative in their consumption.

1 year ago

The recession is global because of global trade imbalances. Some countries such as USA and others have been borrowing too much and buying too much

stuff from exporting countries. While these exporting countries were accepting too many IOUs from USA and others in exchange for their exports.

There is a limit to how much money people can borrow. Because people have to pay interest on their debts. And when their debts become too large. Then the regular payments on these debts become too large for the borrowers to pay.

The global economy has reached its borrowing limits. Countries that were borrowing can't borrow anymore. And countries that were exporting their stuff in exchange for IOU's can't export anymore. Because their customers are no longer able to make the ever increasing payments on these IOUs.

There is a way to get out of this economic dead end. And it involves turning around and going back the same way. The importing countries much become exporting countries. And the exporting countries much become importing countries. Because only this way the huge global debts can be repaid and global economic balance restored.

But in practice this isn't easy to do. Because a lot of factories need to be moved. And a lot of workers need to be retrained. And for this reason many governments will try to delay this kind of change for as long as possible. Which will result in a very long