Giftina rates dropped drastically. $16 trillion of

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Giftina WilsonProfessor KassaECON 2301- 314321 December 2017Economics Essay During 2006, the U. S. economy was slow moving.

Economicgrowth and jobs both fell as the housing boom ended. Nevertheless, large loansand debts on homes pushed many families over the limit in terms of householdexpenditures. GDP decreased, and the economy was slowly approaching arecession.

National Bureau of Economic Research (NBER) identified December 2007as the beginning of a recession. From 2007-2009, the world including the UnitedStates, underwent a major economic downturn. GDP rates dropped drastically. $16trillion of wealth was lost, 2. 5 million businesses closed, 4 million homesforeclosed, and 9 million were left unemployed.

From 2008, numerousgovernmental monetary policy expansions were enforced. During2010, the U. S. federal budget predicted that the total national debt will growto nearly 100% of GDP. In 2011, the U. S. economy was struggling to get back onits feet after the recession.

GDP only rose by 1. 8% in 2011. In 2012, UnitedStates was still struggling to recover from the recession.

However, the GDPincreased by 2% and the nation’s economic output resulted to be about $16trillion (Amadeo, 2017). In 2013, the U. S. economy’s GDP continued to rise by3. 7%. The economy deflated from 2012. During 2014, the economy continued torise by 2.

4% and the inflation rate rose, and the unemployment rate graduallybegan to lower. In 2015, America withstood a deflation in oil and gas prices. From

2015 to present, the GDP rates have consistently increased along with theGDP. There is a slight inflation in the economy currently. It is important toknow the different phases that the economy goes through because being aware ofeconomic phases will give a good prediction of whether the economy will thriveor not in the short-term.

Inflation will suggest that there will be lesshouseholds purchasing items due to the increased fiscal value; whereasdeflation will typically imply that more households will purchase good to thedevaluation of money. The constant fluctuation of the economy is a goodindicator of whether a signification inflation or recession is on the way ifthere’s a rapid change in the GDP, unemploymentrates, or demand. The Great Recession was a devastating economic crisisthat began on late 2007 and ended in 2009. The home market was booming in 2006, increasing housing prices so investors wanted to buy a house and flip it tomake a profit. This kindled even greater home rates because of the increaseddemand for housing. Households were heavily in debt after buying homes from thehousing boom during 2006-2007. Lenders then desired to give money to potentialhomebuyers.

These mortgage loans were given through Wall Street to investorsaround the world. These investors now had trillions of dollars that were hiddenby financial engineering. So, investors borrowed even more money due to increasedleverage.

The firms fell into heavy debt, and ultimately went bankrupt. Dueto significant decrease in real GDP by 4. 3%, the Federal Reserve cut down the Fedfund rates to almost zero on September 2007. This considerably

reducedlong-term interest rates (in turn decreased inflation, unemployment, and GDP), and helped the economy during the recession.

One of the major actionsundertaken by the Federal Reserve was the Economic Stimulus Act of 2008. TheAct was directed toward renewing income by tax rebates (Broda, 2008). This wasintended to help individuals spend more and hoped to alleviate the problems ofthe recession. Personally, this action by the federal reserve did help thelow-income households because households were able to spend more than in thebeginning of the Recession.

Then the Recovery Act of 2009 (ARRR) was enacted ineffort to re-stabilize the economy from the recession by saving current jobsand creating new jobs. Recovery Act was part of Obama's stimulus package whichwas intended to save between 900, 000 to 2. 3 million jobs. However, as ofOctober 2009, only 640, 329 jobs were saved (Amadeo 2017). Nevertheless, ARRA didsave about 1. 6 million jobs throughout the four-year period and aided theeconomy from plummeting into another disastrous recession. In my opinion, this Actwas worth it because even though Obama spent $787 billion on the bill, over amillion jobs were saved.

This encouraged GDP growth by 2. 8% in 2009. Furthermoreabout 8.

5 million jobs were added from early 2010. Staying informed about the state of economy is a good wayto understand events that will either directly or indirectly impact eachperson. It is essential to make learn about the economy to make good decisionssuch as buying homes, investing in the stock market, buying a product, andchoosing a loan. Voting on candidates

also heavily is heavily influenced fromeconomic issues that concern the individual. This affects the economy becausehow each person buys and invests will affect the entire economy by determiningsupply and demand, inflation, or deflation, low or high GDP.

Overall, theeconomic decisions of each person will affect the entire society. The economyrelies on every individual after all. One thing that can be done to improve theeconomy is to teach the future generation about economic literacy so that theywill be aware of how the economy runs so that they will make critical economicdecisions for themselves and their families.

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