

Recessions since 1990 in the us case study example

[Business](#), [Marketing](#)



The first recession happened in the United States during the 90's dates back to July 1990 and it lasted for more than one year (until March '91). After this recession and until now the US economy has been hit other two times by recessions. The second one happened between March and November of 2001, therefore 10 years after the previous recession. This recession was majorly caused by the so called " dot. com bubble" and brought a contraction of the GDP of 0. 3%. The last one is connected with the recent subprime mortgage crisis. It started in December 2007 and lasted until June of 2009. The recession due the subprime mortgage crisis is considered the most violent recession since the one after the World War II. The GDP thus shrunk by 5. 1%.

The first recession of the 90's was caused by a major oil price rise due to the First Gulf War and a high level of inflation. The Federal Reserve managed to fight the recession using fiscal policies lowering interest rates and stimulating the economic growth through a monetary easing. In this way, major banks avoided a credit crunch and managed to finance firms that were suffering from the economic downturn. This combination of policies together with a decline of oil prices brought US out of the recession in 1991.

The recession that started in the early 2000's, also known as the " dot. com bubble", was majorly caused by the collapse of the internet bubble. Many internet-oriented companies were overpriced in the late 90's, which caused their share value to increase enormously. As soon as the bubble exploded, several companies' value dropped rapidly and sharply causing an economic contraction. Moreover, the 9/11 terrorist attack contributed to the shrinkage

of the U. S. economy. The Federal Reserve used both fiscal and monetary policies. In particular, the FED decided to lower the federal funds rate from 6.5% to 1.75% and to operate a quantitative easing avoiding any contraction in the credit market.

During the last crisis (also known as a subprime mortgage crisis) the American Economy was severely hit. In particular, several large financial institutions like Lehman Brothers declared bankruptcy, while the housing market went into a recession. In this case the Federal Reserve took exceptionally strong measures. It brought the interest rate close to zero and triggered two rounds of quantitative easing; in particular the Federal Reserve decided to bail out more than 700 billion dollars of bank debt and to inject in the market around 800 billion dollars of fiscal stimulus package.

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Glasner, David. *Business Cycles And Depressions, An Encyclopedia*. Routledge, 1997.