

# Depression vs recession – difference and comparison differen

[Business](#)



Depression vs Recession Diffen > Economics In economics, the words recession and depression are used to refer to economic downturns. One could say that while a recession refers to the economy "falling down," a depression is a matter of "not being able to get up." Comparison chart Improve this chart Frequency: Depression Infrequent (approximately once in a generation). 3 notable depressions Great Depression in 1930s, Long Depression from 1870s-1890s, panic of 1837. No official definition. A severe recession with a 10% decline in GDP is usually called a depression.

Recession Frequent. The National Bureau of Economic Research has identified 10 recessions. (<http://bit.ly/acM3VJ>) Definition: An economic contraction when GDP declines for two consecutive quarters is usually called a recession. Ads by Google Recession Depression US Recession Economics GDP Contents 1 Difference between definition of recession and depression 1. 1 Definition of Recession 1. 2 Definition of Depression 2 Characteristics of a Recession vs. Depression 3 Related Articles 4 References Difference between definition of recession and depression

Definition of Recession A recession is a contraction phase of the business cycle. The U. S. based National Bureau of Economic Research (NBER) defines a recession more broadly as "a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales." American newspapers often quote the rule of thumb that a recession occurs when real gross domestic product (GDP) growth is negative for two or more consecutive quarters.

This measure fails to register several official (NBER defined) US recessions.

**Definition of Depression** A depression refers to a sustained downturn in one or more national economies. It is more severe than a recession (which is seen as a normal downturn in the business cycle). There is no official definition for a depression, even though some have been proposed. In the United States the National Bureau of Economic Research determines contractions and expansions in the business cycle, but does not declare depressions.

A GDP decline of such magnitude has not happened in the United States since the 1930s. **Characteristics of a Recession vs. Depression** The attributes of a recession include declines in coincident measures of overall economic activity such as employment, investment, and corporate profits. Recessions are the result of falling demand and may be associated with falling prices (deflation), or sharply rising prices (inflation) or a combination of rising prices and stagnant economic growth (stagflation).

A common rule of thumb for recession is two quarters of negative GDP growth. The corresponding rule of thumb for a depression is a 10 percent decline in gross domestic product (GDP). Considered a rare but extreme form of recession, a depression is characterized by "unusual" increases in unemployment, restriction of credit, shrinking output and investment, price deflation or hyperinflation, numerous bankruptcies, reduced amounts of trade and commerce, as well as highly volatile/erratic relative currency value fluctuations, mostly devaluations.

Generally periods labeled depressions are marked by a substantial and sustained shortfall of the ability to purchase goods relative to the amount  
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that could be produced given current resources and technology (potential output). A devastating breakdown of an economy (essentially, a severe depression, or hyperinflation, depending on the circumstances) is called economic collapse. Related Articles GDP vs GNP Monetary Policy vs Fiscal Policy Nominal GDP vs Real GDP American Economy vs Canadian Economy 9/3/12 Depression vs Recession - Difference and Comparison | Diffe Economic Development vs Economic Growth

References <http://en.wikipedia.org/wiki/Recession> (retrieved on October 12, 2008) [http://en.wikipedia.org/wiki/Depression\\_\(economics\)](http://en.wikipedia.org/wiki/Depression_(economics)) (retrieved on October 12, 2008) The Economist - Diagnosing Depression Comments: Depression vs Recession Add a comment... Comment using... Omar Ngodan Secka · Group Head, Real Estate Marketing at AGIB LTD wonderful explanation Reply · Like · August 13 at 6: 08am Abdulkader Sa'ed M'oud · Amoud University prolonged recession is known as depression. Reply · 1 · Like · May 8 at 3: 07am

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