

## HISTORY AND CAUSES OF GLOBAL RECESSION

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A recession is a decline in country's G.D.P. growth for two or more consecutive quarter of the year. Global recession is started from US and spread over rest of the affected countries. Contraction of US economy shown in late 2007 and full blown in next year 2008. Industrial output fallen in first time last 15 years. When index of industrial production fell down. The world growth is projected to slow from 5% in 2007 to 3.75% in 2008 and to jump over 2% in 2009.

### DEFINITION OF GLOBAL RECESSION

**According to IMF:** "A Global recession is to occurring when the global growth rate moves below 3%.

**According to Merry Linch (Global Investment Bank) :** "Negative sign in economic development is tow or more consecutive quarter of the year is called recession".

In general a global recession is a period of global economic slow down.

**THE DIFFERENCE BETWEEN A RECESSION AND A DEPRESSION?** -If the GDP of a country drops by at least 10% then this can be classed as a depression. By these standards, the last depression America suffered was The Great Depression in the 1930's. The worst drop in recent times was during the oil crisis in the 1970's.

**HISTORY OF RECESSION-**Economic statistics began to be gathered in the nineteenth century, it was difficult to tell when recessions occurred. In spite of this, it is possible to estimate when economic recessions began because they were typically caused by external actions on the economic system such as wars and variations in the weather.

Name	Dates	Duration	Causes
Panic of 1797	1797-1800	03 yrs	1. Effects of the deflation of the Bank of England crossed the Atlantic Ocean to North America. 2. disrupted commercial and real estate markets in the U.S. & Caribbean. 3. Britain's economy was greatly affected by developing deflationary.
Depression of 1807	1807-1814	07 yrs	1. The Embargo Act of 1807 was passed by the United States Congress. 2. It devastated shipping-related industries. The Federalists fought the embargo and allowed smuggling took place in New England.
Panic of 1819	1819-1824	05 yrs	1. The first major financial crisis in the United States. 2. It featured widespread foreclosures, bank failures, unemployment, and a slump in agriculture and manufacturing. 3. It also marked the end of the economic expansion that followed the War of 1812.
Panic of 1837	1837-1843	06 yrs	1. A sharp downturn in the American economy was caused by bank failures and lack of confidence in the paper currency. 2. Speculation markets were greatly affected when American banks stopped payment in specie (gold and silver coinage).
Panic of 1857	1857-1860	03 yrs	1. Failure of the Ohio Life Insurance and Trust Company burst a European speculative bubble in United States railroads and caused a loss of confidence in American banks.

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Panic of 1873	1873–1879	06 yrs	<p>2. Over 5,000 businesses failed within the first year of the Panic, and unemployment was accompanied by protest meetings in urban areas.</p> <p>1. Economic problems in Europe prompted the failure of the Jay Cooke &amp; Company, the largest bank in the United States, which burst the post-Civil War speculative bubble.</p> <p>2. The Coinage Act of 1873 also contributed by immediately depressing the price of silver, which hurt North American mining interests.</p>
Long Depression	1873–1896	23 yrs	<p>1. The collapse of the Vienna Stock Exchange caused a depression that spread throughout the world. It is important to note that during this period, the global industrial production greatly increased. In the United States, for example, industrial output increased fourfold.</p>
Panic of 1893	1893–1896	03 yrs	<p>1. Failure of the United States Reading Railroad and withdrawal of European investment led to a stock market and banking collapse.</p> <p>2. This Panic was also precipitated in part by a run on the gold supply.</p>
Panic of 1907	1907–1908	1 yr	<p>1. A run on Knickerbocker Trust Company deposits on October 22, 1907 set events in motion that would lead to a severe monetary contraction.</p>
Great Depression	1929–1939	10 yrs	<p>1. Stock markets crashed worldwide, and a banking collapse took place in the United States. 2. This sparked a global downturn, including a second, more minor recession in the United States, the Recession of 1937.</p>
Recession of 1953	1953–1954	1 yr	<p>1. After a post-Korean War inflationary period, more funds were transferred into national security.</p> <p>2. The Federal Reserve changed monetary policy to be more restrictive in 1952 due to fears of further inflation.</p>
Recession of 1957	1957–1958	1 yr	<p>1. Monetary policy was tightened during the two years preceding 1957, followed by an easing of policy at the end of 1957. 2. The budget balance resulted in a change in budget surplus of 0.8% of GDP in 1957 to a budget deficit of 0.6% of GDP in 1958, and then to 2.6% of GDP in 1959.</p>
Recession of 1960	1960–1961	1 yr	<p>1. After President Kennedy's 30 January 1961 call for increased government spending to improve the <b>Gross National Product</b> and to reduce unemployment, the <b>1960-61 recession</b> ended in February.</p>
1973 oil crisis	1973–1975	2 yrs	<p>1. A quadrupling of oil prices by OPEC coupled with high government spending due to the Vietnam War led to stagflation in the United States.</p>

1. Industrial production and manufacturing-trade sales decreased in early 1991. Early 2000s recession Late 2000s recession 2001-03 2007–present 2 Yrs. Ongoing

1. The collapse of the dot-com bubble. The September 11<sup>th</sup> attacks and accounting scandals contributed to a relatively mild contraction in the North American Economy. The collapse of the housing

market led to bank collapses in the US and Europe, causing the amount of available credit to be sharply curtailed. According to National Bureau of Economic Research (NBER) US has been in recession since December 2007

**CAUSES OF RECESSION-Sub prime mortgage crisis:** In the sub – prime mortgage crises market which

as name implies, lent, money to people whose credit was not good. Those loans made by bank competing with each other to dole out money in a saturated credit market, are now coming home to roost. Estimate slowdown that defaults on sub prime mortgage all close to 10%.

**·NINJA Effect & Arm Effect :** In global recession affected by another reason in USA is called NINJA & ARM effect. At the first time, if the people had no income, no job, no asset, even then they would have got a loan from the banks. Here NINJA & ARM's means—

NI means **No Income**

NJ means **No Job**

NA means **No Assets**

Arm means **adjustable rate of mortgage.**

· Large companies start giving depressing profit figures. · Borrowers start defaulting · Prices of property and stocks come down drastically · The country's GDP goes down · Credit card purchases shoot up · Prices of essential commodities shoots up · Companies stop filling vacancies · The rate of joblessness assumes disturbing proportions. · Higher oil and food prices can be a cause of recession · Tight fiscal policy · It's caused by extended economic shocks or unwinding of major imbalance in the economy · Wages are sticky down wards.

**WIDER IMPLICATIONS-** A recession documents simultaneous decline in employment, profit and investment, and an upscale inflation. During the

economic collapse, the periods of deflation and alternative inflation are part of a process studied by economists as 'stagflation'. A severe economic recession is a devastating breakdown of an economy. Those economies that are market-oriented are usually characterized by economic driving cycles and there it is debated whether or not, in such economies, government intervention smoothes, exaggerates or creates it. A period of recession witnesses a stock market drop at the onset.

**POSSIBLE SOLUTIONS-** · Given relief in the form of **Bail out packages** by developed and developing countries. · To cut interest rate by banks · Deduction in taxes by Government (Eg. CENVAT) · Slow down production capacity by companies · Optimum utilization of available man power at that time · Cut short the other expenditure by companies (Example bonus & LTC etc.) · To restore the customer confidence · To promote public private partnership (PPP) Schemes

**Conclusion-** Recession can occurred any period of time due to lot of reasons. Recession found in early time period 1929-39 was shocking for economy. Every economy have seen depression or recession time to time in the form of business cycle. The period of economic recession can caused for birth of unemployment for particular time period. In the present time developed as well as developing countries take a major steps for overcoming this recession.

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