

Activity 1: The Great Recession Answer Key

GDP, or gross domestic product, increases and decreases based on several factors within an economy. GDP is one of the most important indicators of how well an economy is doing and is usually the signal that the economy is booming or declining. When GDP is declining for at least two quarters in a row (or 6 months) the economy is usually said to be in a recession. When it increases for two quarters in a row (or 6 months), the economy is usually said to be in recovery.

This assignment focuses on what is called “The Great Recession” – a period of economic downturn in the U.S. economy with a slow recovery. Read the article at this link and answer the following questions:

https://www.federalreservehistory.org/essays/great_recession_of_200709

1. How much did GDP drop during the Great Recession?

Real GDP fell 4.3% during the Great Recession

2. Based on the definition of a recession and the information presented in this article, what evidence is provided showing it was a recession?

Real GDP fell 4.3%

Lasted 6 Quarters or 18 months

3. What other areas of the economy were affected by the drop in GDP?

Housing prices fell 30%

Net worth of households and businesses lost over \$14 trillion

S&P 500 fell 57%

4. What measures did the government use to help the economy?

Economic Stimulus Act of 2008

American Recovery and Reinvestment Act of 2009

5. What traditional measures did the Federal Reserve use to help the economy?

Federal Reserve issued guidance statements
Lowered interest rates
Lowered federal funds rate to 0% to .25%
Raised inflation expectations

6. Previous to this recession, according to this article, when was the longest recession and recovery period in U.S. history?

World War II

7. What happened to unemployment during the Great Recession?

Unemployment peaked at 10%

8. Based on data from this article written in 2013, was the economy recovering or continuing to contract? Be sure to use specific evidence from the article to explain your answer.

Recovering
RGDP is slowly rising over 4.5%
Unemployment has fallen to 7.3%