

Now: The Great Recession

by Sophia



WHAT'S COVERED

In this lesson, you will learn about the economic recession, which historians and others are starting to call The Great Recession, that officially started in December of 2007 and ended in June of 2009. You will also learn a few general tools you can use to prepare for future economic downturns. That is, you will see an example of how we can learn lessons from the past to prepare for the future. Specifically, this lesson will cover:

1. The Great Recession
2. How to Be “Recession Proof”

“Everybody was buying houses. The real estate market was exploding. We kept hearing that the prices would go up so we’d better hurry.”

Julia, Small-business Owner, Melbourne, Florida



BEFORE YOU START

How are the 10 Employability Skills a critical part of being adaptable in today’s economy?

1. The Great Recession

The systems that drive our economy today are more global, technologically advanced, and complex than ever before. Our **market economy** of capitalism is dynamic, expanding and contracting in a regular pattern known as the **business cycle**. The economy also reacts to specific developments, as the 2020 downturn related to the COVID-19 pandemic has shown. The most recent economic crisis prior to the pandemic began in 2008 and is known as the “Great Recession.”

At the beginning of the 21st century, historically low interest rates on mortgages enabled huge numbers of Americans to buy houses. Unfortunately, many bought homes they couldn’t afford and ended up defaulting on their mortgages, leading some of the largest banks in the country to declare bankruptcy. Many retirement funds and investments plunged dramatically in value, devastating the economy. Consumer spending declined, hurting many businesses, and the unemployment rate climbed to nearly 10 percent (U.S. Bureau of Labor Statistics, 2020).



TERMS TO KNOW

Market Economy

A kind of economic system where competition between private businesses determines what goods are produced and how much they cost.

Business Cycle

A predictable pattern of expansion and contraction in economic activity.

2. How to Be “Recession Proof”

Economists and historians continue to debate the exact causes of and best solutions to economic downturns, but generally agree that they will happen again. Knowing this, we can look to the past to better understand how to prepare for the future. We will examine the importance of agility and problem solving in times of economic stress. We’ll also see that the economy has become increasingly global, so acquiring more skills and education is critical to withstanding economic disruption.

Here are some ways to ensure you’re as “recession proof” as possible:

- **Become financially literate.** Many people lost their homes in the Great Recession because they borrowed more money to buy their houses than the houses ended up being worth after the bubble popped. Understanding your own finances and having a good handle on your spending gives you the agility to adapt to changes in the economy.
- **Choose your career wisely.** Some industries—such as those in the leisure, vacation, and luxury sectors—tend to be the first to suffer when people cut back on their spending. If you work in a field less susceptible to reductions in consumer spending, you will be more likely to withstand any recession.
- **Prepare a safety net.** One of the most surefire ways to ride out an economic downturn is to have a financial safety net in place, either with savings in the form of an emergency fund or some way to earn additional income.
- **Develop useful skills.** Having a set of useful skills and qualifications, or the willingness to obtain new ones, will help to ensure that you are “recession proof.” In times of recession, it’s important to be adaptable enough to move into industries that are continuing to thrive. At the beginning of this lesson, we read a quote from a small-business owner, Julia, who did exactly this. When her business was not able to succeed during the recession, she researched her options and decided to go back to school to become a nurse practitioner (Raptopoulos, 2018).

Following the Great Recession, many things about the way we work changed. Technology profoundly altered where, when, and how we work, as more and more people found part-time jobs in the “gig economy” through apps like Uber and companies increasingly communicated with clients and contractors from all over the world via the internet.

Because of these shifts in how we work, our **communication skill** and **problem solving skill** are more important than ever—they are a critical part of being adaptable in today’s economy.

As we examine what happened in the past during economic challenges, we will look at both primary and secondary sources related to those events. This exploration will help us get a sense of what life was really like during those times and offer lessons for adapting to economic hardship that we can apply to our lives today.



SUMMARY

In this lesson, you learned about the causes and effects of the **Great Recession**, a significant

economic downturn that officially took place from 2007-2009. You also learned strategies for how to be “recession proof” in your own life, based on lessons learned from the Great Recession.

Best of luck in your learning!

Source: Strategic Education, Inc. 2020. Learn from the Past, Prepare for the Future.

REFERENCES

Raptopoulos, Lilah. (2018, September 11). Weathering the Financial Crisis: How Seven Lives Were Changed. *Financial Times*. www.ig.ft.com/financial-crisis-voices/

U.S. Bureau of Labor Statistics. (2020). *Labor Force Statistics from the Current Population Survey*. (LNS14000000) [Data]. www.data.bls.gov/timeseries/LNS14000000



TERMS TO KNOW

Business Cycle

A predictable pattern of expansion and contraction in economic activity.

Market Economy

A kind of economic system where competition between private businesses determines what goods are produced and how much they cost.