

# U.S. ECONOMY: RECESSION & RESPONSE

By:

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## Course:

Democracy in Action, #PSPL1010  
University of Virginia  
Close Up Washington High School Program

## Introduction:

After decades of growth, the U.S. economy came to a crashing halt in late 2007 and has been in recession ever since. Millions of people lost homes and jobs, banks stopped lending, thousands of businesses closed, stock markets and home values declined by as much as 40%, and industries such as insurance were near collapse. The economy quickly went from annual growth of 4% to a decline in Gross Domestic Product (GDP) in 2009. Source: Bureau of Labor Statistics, [www.BLS.gov](http://www.BLS.gov) (Jan. 10, 2010).

In response, the federal government enacted massive spending measures and gave billions of dollars in aid to several industries. These “bailouts” first came as loans and grants. Ultimately, the government took ownership of companies such as General Motors and lending giants Fannie Mae and Freddie Mac.

These actions have caused much debate about what role government should play in economic matters. Capitalists can argue that poor public policy contributed mightily to this recession. Those favoring government intervention can counter that globalization has weakened capitalism’s ability to force domestic markets to adjust on their own. In my opinion, the debate shouldn’t focus on whether government should act. Like it or not, capitalism and the government have been in partnership on economic matters since before the Depression of 1929. For example, today, voters routinely expect election candidates to explain how they would improve the economy. The 2008 Presidential Election is a good example of that. Thus, to me, the real question is not *if* the government should act, but *how*.

## Purpose of Paper

I don’t question that government intervention was needed in 2009 to prevent more damage to the economy. What I question is something far more disturbing. All of this action, from stimulus spending to bailouts, is failing to address two big problems that existed *before* the recession: job loss and poverty.

I’ve been told my whole life that the U.S. is one of the world’s richest nations. If that’s true, then why can’t we find work for millions of jobless Americans or reduce the poverty that plagues 39 million of us?

In this paper, I hope to show that we can’t pronounce the economy as “fixed” until we address both unemployment and poverty. In the process, I’ll suggest an approach policymakers can use to fix these problems and create a greater sense of fairness when it comes to economic opportunity. How? This approach will create jobs that enable millions of Americans to support themselves, escape poverty and acquire a real stake in our society. To me, that is way more important than hearing news reports about employment figures that suggest people are no longer jobless, hungry or poor. Just drive through any big city in America and your eyes will tell you otherwise.



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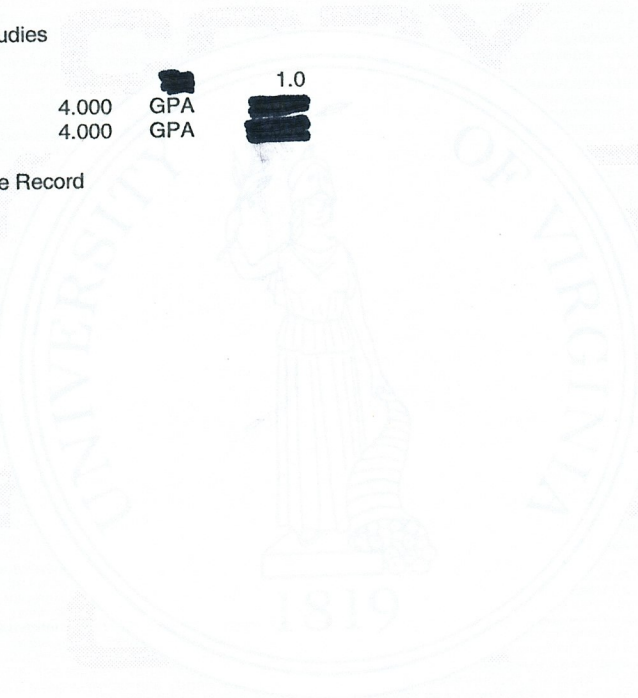
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Beginning of Undergraduate Record

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