Review Article

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The recession that comes from behind and exhausted by the covi19 pandemic

Abstract

To speak of a crisis in the world economy is to speak of several factors that influence it, such as an increase or decrease in certain basic products such as hydrocarbons; a regional, military crisis, a commercial conflict between powers such as the trade war between the United States and China, etc., but to the extent that the United States continues to be the hegemonic country of contemporary capitalism, its economic crisis of deficit, financial or market not only it becomes an internal problem but for reasons of international exchange that it carries through its foreign policies it infects the allied and non-allied countries. In this sense, to largely understand the current crisis in the international economy, it is necessary to start from the most recent crises that the United States has gone through.

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Introduction

So far in the new millennium, the United States has been going through a series of events in its external sector, but derived from the internal production crisis such as the 2008 crisis, which over time is expressed in its foreign trade in ´deficits with its main trading partners such as Mexico, but also with its new breed competitors such as China, and more recently due to the COVID-19 pandemic crisis The positions of the United States government in such situations became aggressive, protectionist and discriminatory in international competition, as happened during the government of Donald Trump; In addition, with whom the Covi19 pandemic began and where the crisis that comes from behind is located and is exacerbated by the health crisis.

Therefore, this chapter has the following objectives: Examine the crisis of US production, trade deficit and foreign debt as a trigger for the historical crisis, the mortgage crisis of 2008-2009 and subsequent recession; the differences between the 2008 crisis and the current one of the Covi19 pandemic and its derivatives, and the potential solutions to the current current crisis.

The economic slowdown in the United States has sharply reduced employment opportunities for Hispanic migrants. The unemployment rate was higher among Mexican and migrant workers. If you add that to the stricter controls of the "Border Patrol" you can see the difficult situation that migrants are experiencing today. Many people considering migrating have been discouraged by these latest developments. The number of arrests for attempted illegal border crossings will drop dramatically, but deaths will not.

At the end of 2008, a crisis began to break out in the United States that led to crises in different countries of the world, so to understand the recession of the international economy, it is not possible without taking into account the crises for which it has come. crossing the United States, since it still continues to command the international economy. Let's start by defining what an economic crisis is: "The economy (term that comes from the Greek language and means "management of a house or family") is the science that studies the processes of production, exchange and consumption of goods and services. A crisis, on the other hand, is a sudden change or a situation of scarcity.

An economic crisis, therefore, refers to a period of scarcity in the production, marketing and consumption of products and services. The economy is cyclical, that is, it combines phases of expansion with phases of contraction. These successive fluctuations are known as the business cycle.

These principles allow us to affirm that every descent culminates in an ascent and vice versa. The four main phases of an economic cycle are the rise (where economic activity increases until the moment of the boom), the decline (the indicators fall), the recession (when the decline extends for more than two consecutive quarters) and the reactivation. (indices rise again and the ascent begins).

The economic crisis takes place at some point in the decline. It may be a generalized crisis, with a drop in all indices, or a crisis that particularly affects certain sectors (supply crisis, demand crisis). On the other hand, we speak of a subsistence crisis when a social group cannot satisfy its basic needs.

Another type of crisis is known as a financial bubble or stock market bubble, which occurs when shares are traded at a price much higher than their intrinsic value until they stop being bought and fall abruptly.[1]

The mortgage crisis and the debt crisis 2008, 2010 in the United States and triggers of recession

The immediate antecedent of the public debt crisis in the United States was the year 2009, where the financial crisis caused basically by the problems of the housing payment crisis in the United States generated an avalanche of problems for banks and financial institutions at an international level.

This crisis had severe consequences for the United States government, as it had to finance a large part of the problem in order not to enter into a greater crisis. The foregoing caused the debt of the United States to increase from 9.9 billion dollars -DB-, the amount that George Bush son had left it, to 14.3 billion dollars (BD), which was reached in May 2011. This caused request an increase in the legal ceiling of 2.1 BD dollars, to place it at 16.4 BD for the next fiscal year, which in the United States began on October 1, 2011.

What are the material causes of the crisis in the United States

If it is a question of doing some analysis to understand the root causes that have originated the economic phenomenon that we had

[1]"Definition of economic crisis" Bumerang.com http://definicion.de/crisis-economica/ Cf. Paulino Ernesto Arellanes Jiménez** From the mortgage crisis to the debt crisis in the United States; 2011.

before our eyes, it is necessary to go back to the end of the Second World War since it is here where a decisive dividing line is marked. While Europe and Japan were devastated by the war, the United States did not receive any direct attack and therefore all its industrial might remained untouched.

This gave it a great advantage and therefore in less than five years it became the first world power. The Great Depression that he had experienced in the 1930s was only surpassed by the boom in the production of war weapons and their sale and supply to countries at war. Just as a war allowed the United States to become the world's leading economic power, another war, the one in Iraq, plunged it into the shadows, if we take into account that it cost more than a billion dollars a year. Who has ended up paying for this waste?

After World War II, and with the advent of peace and demobilization, there was a pervasive fear that the Great Depression would return, that terrible specter of the late 1920s and early 1930s. During 1949, and with a new world geopolitics, the United States tried to prepare a basic strategy for the emerging cold war. The result was the National Security Council Report 68 -NSC-68- written under the supervision of Paul Nitze, a member of the State Department's Political and Economic Planning Team. Dated April 14, 1950, and signed by President Harry S. Truman on September 30, 1950, it established the basic public economic policies that the country continued to pursue for nearly 60 years.

A leap in history shows that one of the central causes of the crisis is excessive military spending during the cold war.This deterioration in the base of the industrial system certifies the continuous debilitating and exhausting effect that the military use of capital and research and development talent has had on what was the first world power regarding the rescue of this work by Melman, Thomas Woods, he wrote, in September 2007: "According to the US Department of Defense, during the four decades from 1947 to 1987, $7.62 trillion in weapons resources were used. In 1985, the Commerce Department estimated the value of the nation's machinery and equipment, and infrastructure, at $7.29 trillion. In other words, the amount spent during that period could have doubled America's capital stock or modernized and replaced its existing inventory."[2]

The debt problem as a political problem

Translated the problem of the great military expenditure that, as part of the public expenditure, brought with it a political-economic problem, the fiscal deficit and that of the North American public debt that became evident in the new millennium, for which reason the blow to Obama by Republicans, at the time, was more political than economic, by reducing public spending, the possibility of spending with political or re-election objectives decreased, in addition, the Republicans gained in popularity with companies and business owners by cutting off the possibility of increasing taxes on the rich.

There has long been the complaint of the cult of "balance," the insistence on portraying both parties as equally wrong and equally guilty on any issue, regardless of the facts. But could that cult continue to prevail in a situation as patent as the one now presented, in which one party is clearly blackmailing while the other haggles over the ransom price?

The facts of the debt ceiling crisis are not complicated. In effect, the Republicans held the United States hostage, threatening to undermine the economy and disrupt the essential work of government unless they won political concessions that they would never have been able to pass through legislation. And in fact, the Democrats - although they would have been justifying rejecting this blackmail altogether - bent over backwards to meet these Republican demands. But there are many in the media who seem unable to come to terms with this simple reality. The news presents the two parties as equally uncompromising; pundits fantasize about some kind of centrist uprising, as if the problem is excessive partisanship on both sides.[3]

The disagreement between Democrats and Republicans revolved around the measures to reduce the budget deficit that would be taken in parallel with the raising of the legal debt limit. Republicans are adamantly opposed to any tax hike. Ultimately, the Democrats accepted that. But an obstacle still persisted, the authorization of indebtedness that Barack Obama wanted would allow reaching without new problems until 2013, that is, beyond the next presidential elections (2012). By political calculation, the Republicans did not want to give the current president such a long breather.[4]

The crisis, therefore, that is presenting itself today in the United States consists of the macroeconomic management tools being exhausted, the control of the economic cycle through intervention in setting interest rates no longer works; the reference rate of the Federal Reserve system -FED- is 0% or close, however, it does not manage to reactivate the economy; there is or is not an alleged liquidity that implies a lack of political consensus between Republicans and Democrats on how to get out of the following dilemma: direct stimulus packages vs. fiscal austerity; but everything led from the regulation crisis to the debt crisis; so much so that now, due to the COVID-19 pandemic crisis, it is being debated whether or not to raise interest rates.

Debt as deficit crisis

Analysts have found common ground between the States of the United States and some members of the eurozone, as they also face the global economic slowdown and a large deficit in their budgets; For example: State employee health and retirement systems are underfunded by between $1 trillion and $3 trillion.

On the other hand, states face a longer-term problem with their pension systems, which are underfunded by between $1 trillion and $3 trillion, according to the most recent estimates. This liability, which is very difficult to alter for both legal and political reasons, is not included in official debt figures, and many warn that it is at risk of becoming a debt problem soon.

Since the 1960s, the US debt began to grow steadily without policies to reduce it, which contrasts with the way it was managed before World War II. This is explained by the combination between the increase in public spending and lower tax rates, which has translated into lower government revenues and more indebtedness. The presidential period of Ronald Reagan is the most representative of this phenomenon, since the President decided to reduce the income tax on companies to encourage economic growth, at the same time that he increased public spending directed to the armed forces. Analyzing these actions, it can be seen that the United States debt grew three times more. Nevertheless,[5](Foreign Affairs, March 2019).

Richard Ciccarone of McDonnell Investment Management said states are gradually taking on more debt to plug funding gaps. "We estimate that this debt will grow in the future and that, combined with

[2]Tla-Melaua, Revista de Ciencias Sociales. Faculty of Law and Social Sciences. Meritorious Autonomous University of Puebla, Mexico / issn: 1870-6916 / Nueva Época. 2012. p. 156–173.

[3]Paul Krugman on Republicans blackmailing Obama. Check to Neoliberalism, El País. 2011.

[4]"Keys to understand the debt crisis in the United States". 2022.

[5]Foreign Affairs. 2019.

the pending obligations with the retirement and health systems, it will become a huge potential burden" (Financial Times, 08/Mar/2010).

What is the debt limit set by law

The maximum level of indebtedness set by law is 14,297 billion and in reality it has already been reached: it happened on May 16, 2011. That placed the country on the brink of default and it is only thanks to some technical adjustments that it could be postponed. the default date until August 2. But from then on, if the legal ceiling is not raised, allowing greater indebtedness, the United States will not be able to honor part of its commitments, as the Treasury of that country warned; however, to resolve the debt crisis it was necessary to raise the debt ceiling.

In the early hours of July 31, 2011, an agreement was reached between Republicans and Democrats to raise the debt ceiling and a cut plan for the next decade. The leader of the Republicans in the Senate, Mitch McConnell, and the vice president, Joe Biden, were the ones who finalized the plan.

Obama confirmed by telephone with the rest of the political leaders in Washington his agreement with the conditions. Which were: the immediate rise of the debt ceiling by one trillion dollars and the programming of another similar rise in a few months under the approval of Congress, a deficit cut plan of 2.5 trillion dollars for the next ten years the specifics of which will be worked out by a committee in Congress - if the committee's plan is not approved, there will be automatic cuts in healthcare [Democratic grant] and defense [Republican grant].

That sameJuly 31, 2011, Republicans and Democrats in the Senate approached positions with the mediation of the White House and gave signs of hope that an agreement could be reached before August 2, but unfortunately there was a postponement due to pressure from the "Tea Party".

John Boehner, Republican Speaker of the House of Representatives, on July 282011, scheduled a vote in the House of Representatives to pass his own plan - to raise the debt ceiling by $1 trillion and make $1 trillion worth of cuts - but is forced to postpone it before splitting on his own. party caused by the refusal of the "Tea Party" to support the plan (lacuestión.es).

The foreign debt of the United States is considered one of the biggest global risks in 2019. An important factor to take into account is that China holds more than a trillion dollars in US Treasury Bonds, which represents 28% of the debt of the United States and generates mistrust in public opinion because they think that China could influence the policy of the North American country if it decides to exert pressure with the argument of collecting the debt bonds in its possession.[6](Foreign Affairs, March 2019)

Today, the debt of the United States is, at least until the year 2015, of 17, 645 billion dollars,[7] and in the year 2021, the public debt of the United States exceeded 30 trillion dollars for the first time in history, according to data from the Treasury Department published this Tuesday, after an increase of 7 trillion in the last two years, coinciding with the covid-19 pandemic.

Since the pandemic was declared in March 2020, the US government, first with Republican Donald Trump at the helm and then with Democrat Joe Biden, promoted gigantic stimulus plans to prevent a collapse of the economy that triggered the federal debt.

Of the 30 trillion of public debt, 23.5 trillion belong to creditors (8 of them to foreign investors headed by Japan and China) and the remaining 6.5 trillion is debt contracted by the Government with itself.[8]

Start the recession with the mortgage crisis

The world economy is in a difficult situation. The advance of the crisis in the United States (USA) led to a serious global slowdown. But its impacts from the growing integration of the world economy through trade, investment and communications are rapidly and surprisingly shocking many countries. Mexico would be the country in Latin America that would suffer the most negative consequences, due to the proximity and connections that exist between the two countries, and the most vulnerable in the entire region if a recession occurs in the United States. This research tries to contribute by providing knowledge of the recessive process and the negative impact it could have in the future in our country.

The deterioration in the portfolio of the banks began, due to irresponsible credit practices; in the extreme, the so-called "ninja" mortgage loans (in English: "no income, no job, no assets") that were given to those who were not subject to credit under any criteria. Until now, the banking system has suffered from the brutal deterioration caused by the collapse of the riskiest and least quality part of mortgage credit, the so-called "subprime"; but the next blows are yet to come. The origin of the US recession was the housing crisis that triggered credit instability, coupled with a bubble in energy and food prices. Since the early 1980s there has not been a true recession in the United States, that is, a drop in the country's Gross Domestic Product (GDP) of at least two consecutive quarters. In some cases there have been slowdowns or isolated quarters in which economic activity has contracted, but since 1982 economic growth has been sustained. Even after the terrorist attacks of September 2001 there was a slowdown, with drops in a few isolated quarters but not a true recession.[9] However, June of next year (2022) seems to be the most likely date for it, although it could come as soon as March. Taking the first as a reference, Reid wonders in a note distributed among his clients when the sustained tightening by the Fed could end up chaining two consecutive quarters of negative growth, which could officially be known as an economic recession.

Looking back at history, the Deutsche Bank strategist suggests that the median and mean time to the next recession is between 37 and 42 months after the first hike. Something that would delay the next recession to July 2025 and December 2025, respectively. However, the earliest gap through 13 cycles was 11 months and that would bring the economic contraction forward to May 2023.[10]

The 2019-2020 recession in the covi19 pandemic

Added to the mortgage crisis is now the crisis caused by the COVID-19 pandemic. The National Office of Economic Research (ONIE), which acts as an arbiter to determine economic cycles in the United States, concluded that the conditions exist to classify the current episode of the economy as a recession.

Technically, for a country to enter a recession, it must meet a basic condition: that its economy has contracted for two consecutive

[6]The United States debt problem. Foreign Affairs 2019.
[7]Total government debt (UMNatcurrentprices) UnitedStates.WorldBank.

[8]US public debt exceeds 30 trillion dollars for the first time. FEB. 1, 2022 7:48 PM PT Los Angeles Times.
[9]Hernández Contreras, Fernando The recession in the United States and its impact on the future scenario of the Mexican economy CienciaUAT. 2009;3(4):28-35.

periods. And, although in the United States it has not happened, the ground is already fertilized.[11]

The Business Cycle Committee of the National Office of Economic Research (CCNONI), assured thatthe country has already entered a recession, even without yet having seen its Gross Domestic Product fall for two quarters.

The explanation: not only GDP matters, other factors such as employment and production also count and currently the coronavirus pandemic and its consequent confinement measures have collapsed these indicators.

"The unprecedented magnitude of the decline in employment and output, and its broad reach across the economy, justifies the designation of this episode as a recession," said the office that acts as the arbiter for determining business cycles in the United States.

The committee acknowledged that the pandemic and the public health response resulted in a slowdown with different characteristics and dynamics than previous recessions, resulting in less employment, more contraction

US GDP fell at an annualized rate of 4.8% in the first three months of the year, and analysts expect the fall to be even worse in the April-June period.

Meanwhile, the unemployment rate in February, at 3.5%, had been the lowest in 50 years. However, Covid-19 shot it up to 14.7% in April (the worst record since the Great Depression) and 13.3% in May.

A recession is technically defined as a significant decrease in economic activity that spreads throughout the economy, which is noticeable above all in production and employment.

According to the aforementioned Committee, in which prestigious economists participate, in February of this year there was "a peak in economic activity that marks the end of the expansion that began in June 2009 and the beginning of a recession."

This last expansion, which began after the global economic crisis of 2009 began to be overcome, and which lasted 128 months, was the longest in the history of economic cycles in the United States, which dates back to 1854.[12]

To the gloomy forecast of the US Federal Reserve on the slowdown in the economic recovery, the annual GDP data in 2020 is added, with the worst result recorded since 1946, immediately after the Second World War: a 3.5% contraction of the economy due to the impact of the covid-19 crisis, according to a preliminary estimate from the Department of Commerce. The pandemic as a synonym of recession; GDP as a barometer of unprecedented peacetime devastation.

After entering recession in February 2020, after 128 months of growth, in the fourth quarter of last year the economy experienced a recovery with growth of 4%, according to the annualized indicator used in the United States. The figure, however, is lower than forecast by analysts, who expected growth of 4.4%. If the indicator used by other countries is taken into account,growth between October and December was 1%. The loss of employment —ten million fewer jobs and an unemployment rate of 6.7%—, the massive closure of small businesses andrampant inequalityare the distinctive features of a year in which forecasts were cloudedas two new waves of the coronavirus loomed over the country.

The Department of Commerce stressed that the fall in GDP in 2020 reflects contractions in household spending, exports, non-residential private investment and a reduction in spending by local and state administrations, partly off set due to increases in federal government items. Exports fell 13% last year and personal consumption fell 3.9%. These preliminary data would be reviewed in a new assessment on February 25.

It is the first time annual growth has contracted since 2009, in the Great Recession, when the economy shrank 2.5%. Nothing to do, true, with the reduction of 1946, which was 11.6% due to the demobilization that followed the war. In any case, the behavior of the economy in 2020 has been marked by ups and downs, from the collapse in the spring, coinciding with the first wave of the pandemic, to the rebound in the summer, with growth of 7.4% that coincided with the reopening of economic activity, and the slowdown in the last quarter of which the Federal Reserve warned on Wednesday, due to the direct effect of the second and third waves of the health crisis.

With the Covid-19 pandemic virus and now with its variants such as OMicron still out of control in much of the country, economists expected economic growth to remain negative in the first quarter of this year, before an eventual rebound for the summer, as the stimuli of the Government of Joe Biden,that has promised aid worth 1.9 billion dollars, and the rate of vaccination become widespread and reach a majority of Americans. According to the new Administration, collective immunity will have been achieved in the summer. It will also be noted in direct aid to households and SMEs, after the two stimulus programs approved in 2020. The benefits of the first ran out precisely in the last quarter of last year, while, as the Biden Administration has denounced, good part of the aid of the latter had not yet reached its beneficiaries when the relief took place in the White House, the third week of January.

The retraction of consumption in the last quarter of 2020, as a result of the virus and thedelay in the approval of the last aid plan by Congress, has clouded the good performance of the only sectors that have posted positive data, manufacturing and construction. The sector most affected by the pandemic and the consequent partial or total closure of activity has been that of services, and especially the most precarious workers (mostly women and members of communities such as the Latin American and the African American).[13]

From the Great Recession to the Great Pandemic: differences between the crisis of 2008 and that of 2020

Although the consequences are similar, the economic recession of 2008 and the crisis that has abruptly erupted in 2020 are different, mainly because of their origin: the Great Recession of 2008 was systemic and first caught on in the financial system, while that of 2020, the The Great Pandemic is a cyclical crisis caused by the sudden stoppage of the economy to deal with the health emergency. Although there is much uncertainty about its outcome, experts say that the pace of recovery will in turn depend on the rate at which containment measures are lifted.

[11]Until at least 2008, the US economy had not yet recorded the two consecutive quarters of negative growth that are conventionally used to rule that it is in recession, but the National Bureau of Economic Analysis (NBER in its acronym in English) did not. ve necessary.149.6KMorrer without oxygen in Manaus. According to the panel of economists that, within this private analysis group, studies and formalizes the phases of economic cycles, the United States is not only in recession, but it began a year ago, in December 2007. On this date the economic activity began to decline. The panel considers that a recession is a significant and persistent drop in activity that becomes perceptible in the levels of production, employment, real income and other indicators. Given the situation, they have determined that the economy in 2008 "meets the standards of a recession." The US acknowledges that it has been in recession for several quarters.

[12]Daniela Blandon RamirezCovid-19 has led the United States into an economic recession since February. France.

[13]Maria Antonia Sanchez-Vallejo.The US economy suffers in 2020 the biggest drop since World War II. El País. 2021.

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The one of 2008 and the one of 2020 are two crises with a totally different origin, said Enrique Marazuela, CFA, CAd, Director of Investments at BBVA Banca Privada. “The first was a financial crisis; Unsustainable levels of indebtedness had been reached over time, as well as a lack of credit quality in many assets that was not fully known by a large part of the investing public. This caused the financial system to collapse with the systemic consequences that we know”.[14]

That crisis, whose starting signal was the bankruptcy of Lehman Brothers, generated distrust throughout the financial system at a global level. According to Rafael Doménech, head of Economic Analysis at BBVA Researchand Professor of Economic Analysis at the University of Valencia, the 2008 crisis was the consequence of a series of imbalances that accumulated in many economies at the same time, as a consequence of a real estate and financial bubble, with a high level of indebtedness of companies and households, and an excessive leverage of a large part of the financial system. “When these imbalances could not continue to accumulate, there was a ‘sudden stop’ or sudden stop in the economy, which led to the bankruptcy of many indebted companies and financial entities, as well as default problems in many households”.[15]

In contrast to that, of financial origin, the current crisis is caused by a health crisis that has produced an unexpected event, similar to a natural catastrophe, with an immense scope. That is another difference with 2008, the origin of the crisis is not diffuse, but concrete: the international expansion of COVID-19. Furthermore, for the moment, its nature is cyclical, not systemic, with destruction of both supply and demand. But it has been more abrupt. “There has not been a global collective experience as traumatic as the current one since World War II (1939-1945)”.[16]

A better starting situation in 2020

The starting situation of the economies in 2020 is also different, and much better than that of 2008, and that is good news. The imbalances are minor; companies and families are less indebted and the financial system is more capitalized and healthier, in general terms.

In order to get out of the COVID-19 crisis as soon as possible, it is important that measures are taken to maintain employment, especially for small and medium-sized companies and the self-employed. At this time, “you have to put yourself in the place of the self-employed and entrepreneurs”, In this sense, the role of banks was stressed to help these business projects overcome the crisis.

There are, however, some similarities between the two crises. “The consequences are similar; strong destruction of employment and resort to indebtedness to cushion the effects on the productive fabric and on families, to the extent posible.

The 2008 crisis was a demand crisis generated by mistrust, instead, “2020’s began as a supply crisis: Chinese factories closed due to the health emergency and that led to many Western companies running out of components.” However, in a second phase, when the pandemic has spread, a major demand crisis has been created, because due to confinement there is no consumption. That has caused tremendous unemployment; both crises have coincided in that”.

Economists estimate that, due to the sudden halt in global activity in recent weeks, the 2020 recession may be deeper than that of the 2008 crisis, but that it will not degenerate into a depression, an issue that is really under debate. “For different reasons, both in the 2008 crisis and now, the economy ends up producing a sharp contraction, an increase in uncertainty and a significant increase in unemployment.”[17]“But everything indicates that this time the consequences in the short term are going to be much more important. The recession due to the Great Pandemic will overshadow the Great Recession of the financial crisis and will be more similar to the Great Depression of the 30s of the 20th century.[18]

According to the latest forecasts of the International Monetary Fund (IMF), world GDP could fall by 3% in 2020, compared to the 0.1% drop in 2009. If this scenario is confirmed, it would be the biggest economic crisis since the depression of 1929.

In the 2008-2009 crisis, the boom in the housing market, bankers had given loans to people who did not have a consolidated economic situation.

Many banks then sold those mortgages to other banks, who bundled them with other similar debt and sold them to investors.

The idea was that those packages would generate more money when the loans were paid off, but as people stopped honoring those mortgages, many banks ran into trouble.

To solve this problem in the United States, the government passed several laws to protect consumers from situations like these and created an aid program for US$700,000 million to bail out banks that needed help.[19]

The current recession has its origin, instead, in a pandemic that affects the entire planet. Fortunately, the financial system is in much better shape this time around, in part due to some of the regulatory and legal changes made after the 2008 recession.

Stock markets have already partially recovered and banks have been better able to weather falling markets thanks to those new rules, according to Todd Knoop, an economist who studies the history of recessions at Cornell College. Before 2008, the majority attitude among economists and regulators was that markets should look after themselves. That formula seemed to be working: Just months before the economy began to contract, stocks had hit all-time highs. When people began to have problems paying their mortgages, the banks that had poured large funds into the investment packages that were backed by them began to go under. Many people lost their savings and companies that had no connection to banks or real estate were unable to access the investments they needed to stay afloat. What happened took many by surprise. To solve this problem, the US authorities created a series of programs and policies aimed at the economic recovery of the country, including two economic stimulus packages valued at approximately US$1 billion between 2008 and 2009.

The Federal Reserve (Fed) lowered interest rates to almost zero and launched a program of quantitative easing through which it bought investments to increase the flow of money in the economy.

In the case of the pandemic crisis, the Fed lowered interest rates just days after President Donald Trump declared the coronavirus a national emergency, and earmarked $700 billion for a new quantitative easing program.

[14]Miguel Rodrguez Cenfranc. From the great recession to the great pandemic: Differences between the crisis of 2008 and that of 20290.BBVA.

[15]Ibid

[16]Ibid

[17]Miguel Rodrguez Cenfranc. From the great recession to the great pandemic: Differences between the 2008 and 2020 crises BBV.

[18]Ibid

[19]Coronavirus and the economy: 3 key differences between the Great Recession of 2008 and the current crisis caused by the pandemic. Drafting. BBC News World.

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Just two months later, Congress approved a $2.2 trillion economic stimulus package to help millions of citizens affected by the crisis, and a second package may be on the way.

But the way people go about their daily lives, from taking public transportation to working in an office, has completely transformed into a "new normal" that could be around for a while.

One of the characteristic aspects of the Great Recession was its duration. During the Great Recession, this uncertainty continued.

Instead, the uncertainty in this recession is mostly biological because at the beginning we didn't know how deadly the disease was, what its side effects were, or what kinds of treatments might be effective. In contrast, in 2008 there was no clarity about when the crisis was going to end. In fact, there are already signs that the economy has begun to recover, such as the drop in unemployment registered in May, going from 14.7% to 13%.[20]

Conclusions

Uncertainties about the depth of the crisis and the pace of recovery remain high, especially now that the United States is facing the Russia-Ukraine conflict, the consequences of which affect the international economy, not to mention inflation levels. The recession in the United States. But, what are the variables to have more visibility on the outcome of the crisis?

[20]Cf. Coronavirus and the economy: 3 key differences between the Great Recession of 2008 and the current crisis caused by the pandemic. Drafting. BBC News World.

"The key variable is the duration of the containment measures, because it is what determines the economic damage, which in turn is exponential over time," underlines Joaquín García Huerga. "This variable depends in turn on the reduction in the number of new infections to zero." Enrique Marazuela agrees with this diagnosis: "Until the pandemic is completely eradicated, or until it reaches acceptable levels, we will not be able to talk about economic recovery."[21]

A key factor in the current crisis is the forcefulness and speed with which the authorities have acted, and that should prevent the cyclical component of this recession from becoming systemic or structural. Governments are expanding public spending and launching extensive guarantee packages for companies, SMEs and the self-employed, while central banks are providing abundant liquidity.

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[21]Miguel Rodrguez Cenfranc. From the great recession to the great pandemic: Differences between the crisis of 2008 and that of 20290.BBVA.