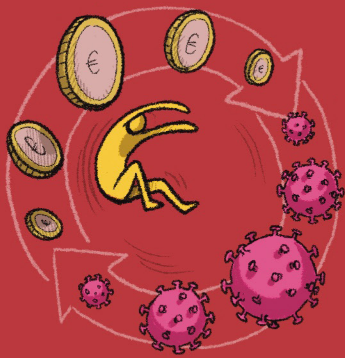
NUMBER 9:

The economy is cyclical: crises begin and end



An economic crisis is a significant drop in activity that causes business closures and unemployment, which undermine the ultimate goal of the economy: the welfare of the population.

The most frequent cause of crises is the bursting of a speculative bubble. In other cases it is a specific event such as an earthquake, war or virus.

Economic crises repeat themselves every five to ten years, although these cycles can have a highly variable duration.

- In the last four centuries, almost a hundred crises have been recorded.
- In the midst of a crisis, uncertainty makes people fear, anguish and mistrust everything.
- You learn from each crisis. The crash of 1929 showed that governments must rescue the economy to avoid greater evils.
- The 2008 crisis taught us that governments must act very quickly to avoid damage that is very difficult to recover afterwards.
- When an economic crisis breaks out, you have to act quickly and forcefully to rescue the economy. To avoid greater evils, governments must immediately subsidize the most vulnerable companies and people. It is also necessary that liquidity aids (loans and guarantees) arrive quickly and without too much bureaucracy.
- About the 2008 crisis: "After this crisis, what will happen again sooner rather than later will be another crisis", José Luis Sampedro (1917 to 2013), economist and humanist.
- When we are in the middle of a crisis, the prevailing pessimism makes many people think that it is like the end of the world, but history tells us that crises are finally over, often sooner rather than later.

Links:

Understanding the Economic Shock of Coronavirus