Conclusion

The primary focus of our study was to look at debt before, during, and after modern recessions. The idea was to find what can be used as an indicator of a coming recession, and what may indicate that a recession has passed. Our original hypothesis was that we would see an increase in debt to indicate that a recession was coming.

However, upon looking at the data we found that rising debt was not a good indicator of recession because the debt is always rising. We were forced to measure instead by a percentage change of debt from year to year. Upon closer look we found that a better indicator would be the Total Past Due. Before each of the recessions there was a rise in the amount of past due debt in America. This makes sense because as an economy begins to fail, people will begin to have difficulty paying their debts.

During a recession we see a decrease in the percentage change of debt in America from the previous year. This would be because people are unlikely to take on new debt during down times. And after a recession people get back to a point where they can pull out new debt again. This leads to an increase in debt.

When we ran the ANOVA test comparing the Total Loans and Total Past Due in comparison to the GDP (using the GDP as a measure for the state of economy), we found that the TPD and TL explained the variance in GDP. This means that they are an indicator of the variation of GDP.