There are a lot of different reasons, and you could write an entire book on the situation.

But generally speaking, rising oil prices were cutting into profit margins of companies, and especially family budgets, meaning there was less money for people to spend on things like new TV's, cars, computers, etc, because they had to fill up the family car.

Also, American mortgage companies created loans that had rates that were so good, you could get money back just for signing the form. Because of this, people immediately mortgaged their smaller homes for new ones, and used the credit (buy now, pay later) to buy cars, and other big toys. However, the mortgage rates shot up after one or two introductory years, and these people could not pay them. That meant people began to lose their homes, and go bankrupt.

Because of mainly these two problems (there are plenty more), people could not spend money, so businesses are not making as much. So people lose their jobs, and it's like a snowball going down a hill.

Your government has been using your taxes to 'bail out' companies who made bad decisions, and in many cases, has effectively begun to run them. So your government 'owns' a massive insurance company called AIG, and manages other banks, etc.

So far, the 'bail out' has not worked to well, and already costs are over one trillion dollars. It's being reported that CEO's, and leaders of these companies are still giving themselves big paychecks.

I hope this gives you a very simple view of what's happened.