Research Project 1

Instructions

1. Do research on 4 economic crises:
   - The 1930s Great Depression
   - The 1970s Oil and Energy Crises
   - The 1997 Asian Financial Crisis (Tom Yum Kung Crisis)
   - The 2007-2008 Global Financial Crisis (Hamburger Crisis)
2. Answer the questions WITHIN the space provided.
   (ห้ามเขียนเกินหน้ากระดาษที่กำหนดไว้)
3. You can do your work on the IPAD or the printed worksheet (scan and submit), but DO NOT TYPE.
   (สามารถ Print แล้วเขียนแล้ว Scan ส่งได้ หรือเขียนบน IPAD แล้วส่งก็ได้ แต่ห้ามพิมพ์)
4. The submission is via Moodle, and the deadline is on Sunday, 7th March.
5. Any student committing plagiarism or suspected plagiarism will receive a mark of 0.

Grading Criteria

- A full mark will be awarded to those who can CORRECTLY answer the questions in the MOST CONCISE and EASY-TO-UNDERSTAND manner.
- Grammatical mistakes will have NO effect your mark, but please try to make your answer as readable as you can.
- You are not required to use all the space provided. Some questions require shorter explanations. As previously mentioned, the more concise, the better.

Hints / Tips

- Probably, you can start by looking through Wikipedia or Investopedia.
- After that, please have a wide range of research.
- Youtube will certainly help.
- Please note that some websites may contain wrong information.
- You can also add some numerical data of ONE country that was affected by the recession to support your answer for the second question.

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The 1930s Great Depression

Explain the cause(s) or the story behind the recession.

The Great Depression was a decade of worldwide economic depression between 1929 to 1939. It began in the United States and affected almost every country around the world. The U.S. stock market rocketed very high due to extreme overvaluation and explosive price of assests in the real estate markets and the New York Stock Exchange (NYSE). The U.S. Federal Reserve (the Fed) which was established to work as the central banking system of the U.S. was relatively inexperienced to manage the supply of money and credit. The Fed encourage economic growth too far by monetary expansion. Loose money went to supply and inflate the stock market and real estate bubbles. Until around September 4, 1929, the stock prices started falling down and the market crashed on October 29, 1929. The bubble burst violently and affected European and other heavy industrial countries in the world. After that, the Fed made a mistake by raising interest rates to protect the value of dollars. The availability of money was limited for businesses which led to more bankruptcies.

What happened to GDP (or growth rate), unemployment, and inflation of affected counties?

During the depression, worldwide gross domestic product (GDP) decreased approximately 15%. U.S. GDP was cut in half to approximately 55 billion dollars. In the U.S., the unemployment rate had risen from 3% to approximately 25%. In some countries, the unemployment rate was reported as high as 33%.

The 1970s Oil and Energy Crises

Explain the cause(s) or the story behind the recession.

The 1970s Oil and Energy crises happened during the 1973 Arab - Israeli War. Since the declaration of independence in 1948, some western countries had supported the establishment of the state of Israel from British-Controlled territory of Palestine. The majority of Arab people had denied the existence of Israel. Arab countries that were members of the Organization of Petroleum Exporting Countries (OPEC) gathered to ban the U.S. and other allied countries, such as Canada, United Kingdom, Austalia, and New zealand, that supported the Israeli military during the Yom Kippur War. The price of oil immediately increased more than 300% and remained as high as 33% next year. Another worst point of these crises was in 1979 due to a drop in oil production from the Iranian Revolution. Although the supply of oil grobally decreased very little but the oil markets reacted badly. The price of crude oil increased dramatically over a year and caused fuel shortages

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What happened to GDP (or growth rate), unemployment, and inflation of affected counties?

The effect was not negative in all areas. Other oil producing countries in the Middle East and around the world, such as Norway, Mexico, and Venezuela, got the benefits from soaring oil prices. While other states in the U.S. nation encountered the shrinking economy. Texas and Alaska could produce oil and experienced a significant growth of their economies. The U.S. GDP during this period fell down to approximately 3.2%. The peak of unemployment rate reached the maximum of 9%.

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The 1997 Asian Financial Crisis (Tom Yum Kung Crisis)

Explain the cause(s) or the story behind the recession.

The Asian financial crisis happened in East Asia and Southeast Asia around 1997. It started in Thailand. The country had a poor management of large foreign debt. Without foreign currency to support Thai Baht pegging to the U.S. dollar, Thai government was forced to float the currency. The main reasons of the debt were the poor import and export in trading and the attempt to maintain fixed exchange rates between local currency and U.S. dollars. There were many external factors that caused the bubble to burst such as the devaluation of the Chinese yuan, the Japanese yen pegging to U.S. dollars due to the Plaza Accord, and the strong U.S. dollar and high interest rates due to the Fed's policy. The financial crisis spread to be a global crisis when it reached Russia, Brazil, and other countries.

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What happened to GDP (or growth rate), unemployment, and inflation of affected counties?

The value of Thai Baht decreased by more than 50 percent in the first six month after the crisis. Foreign debt to GDP ratios increased from 100% to 167% among the Association of Southeast Asia Nations (ASEAN) from 1993 to 1996. According to the World Bank document, the GDP of Thailand was -10.5 between 1997 and 1998. The unemployment rate increased only 2.5% at the end of 1998 but the unemployment lost was damaged from 3 to 5.6 percent of total employment.

The 2007-2008 Global Financial Crisis (Hamburger Crisis)

Explain the cause(s) or the story behind the recession.

The 2007-2008 Global Financial Crisis occured as a result of the collapse of the U.S. real estat market. The Fed lowered the federal funds rate after the Septemper 11 terrorist attack in order to boost the economy. Consumers took advantages of the easy credit to purchase expensive and durable items such as automobiles and houses. In simple words, poor customers could get the loan and buy a house without good regulation. The extremely low interest rates and loose lending standards fueled a housing price bubble in the U.S. because of demand. The banks sold those loans in the low-risk category because they had mortgage-banked securities. However, the prices were unreasonably high and the assets were worth less than the loan. Financial institutions in the U.S. could not solve the problem and the significant damage expanded globally. The bankruptcy of Lehman Brothers, one of the biggest Wall Street companies in banking and mortgage business, was the climax of the crisis. Its bankruptcy weakened the profiles and the reliability of the banks internationally

What happened to GDP (or growth rate), unemployment, and inflation of affected counties?

U.S. home mortgage debt relative to GDP increased around 30% between 1990s and 2008. The GDP in the U.S. was decreased to 8.4% at the end of 2008. Other countries suffered the damage as well. The GDP rates declined approximately 14% in Germany, 15% in Japan, 7% in the UK, and 10% in the European countries. It could be as high as 21.5% in Mexico. The U.S. unemployment rate rocketed to 10% at the end of 2009 which was the highest rate since 1983. Also, the annual inflation rate was as high as 5.6% which was the highest rate since 1991.