The 1970s Oil and Energy Crises

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

The oil crisis of the 1970s was brought about two specific events that happened in the middle-east, the Yom-Kippur War of 1973 and the Iranian Revolution of 1979. The first occurred in 1973 when Arab members of OPEC decided to increase the price of oil to almost $12 a barrel. After that it becomes higher. This decision was made in retaliation for Western support of Israel against Egypt and Syria during the Yom-Kippur War. With the global capitalist economy already experiencing difficulties, these actions precipitated a steep recession accompanied by rising inflation. The second occured in 1979, a result of the Iranian Revolution. This situation leading to a large loss of output and a rise in prices.

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

The 1970s oil crisis caused a decline in GDP of 4.7% in the U.S., 2.5% in Europe, and 7% in Japan. The world GDP drop by 3%. Unemployment rates rose by 33% between 1968 and 1970, while the consumer price index went up by 11%. This mean that it becomes inflation because of CPI increased.