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.

pimpajee (Mydear)
#6309647076

The 1930s Great Depression

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

Great depression came from Economic causes, political causes
the first one is Economic causes such as overproduction in industry and agriculture, widening gap between rich and poor, stock market crash due to buying stock on margin Financial panic, unequal distribusion of wealth, High tariffs and war debts, Buying on credit federal reserve monetary policy and the second problem came from political causes such as few regulations in place over companies, Hoover follows hands-off policy towards business. The great depression was worst economic downturn in the history of the industrialized world, lasting from 1929 to 1939. It began after the stock market crash of october 1929, which sent wall street into a panic and wiped out millions of investors.

Summarize main 8 causes of Great depression (add)

1) Irrational optimism and overconfidence in the 1920s.
2) 1929 stock market crash
3) Bank closures and weaknesses in the banking system
4) Fall in demand and the purchase of consumer goods
5) Bankruptcies and high levels of debt
6) the 1932 drought, dust storms and the dust Bowl
7) lack of credit
8) Mass unemployment caused all of the above

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

GDP (Growth rate) → in united states, where depression was generally worst, industrial production between 1929 and 1933 fell by nearly 47 percent, GDP declined by 30 percent.
Unemployment → reached more than 20 percent. Because of banking panics, 20 percent of banks in existence in 1930 had failed by 1933. (some 15 million americas were unemployed)
Inflation - The problem in the early 1930's was that the rate of inflation was negative.

pimpajee (mydeqr)
#6304697076

The 1970s Oil and Energy Crises

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

The oil crisis of 1973 became an important wake-up call for Europe. The dependency on energy imports for OPEC countries exposed the vulnerability of the economy to external events beyond the political control of European nation-states. Increasingly, concern was also growing for the effect of the fossil-based energy system on the environment and its link to global climate change. This prompted some pioneering countries in Europe to invest in research to develop wind and solar power technologies, most notably Denmark and Germany.

Oil crisis for economic purposes, an oil crisis is defined as an increase in oil prices large enough to cause a worldwide recession.

An oil crisis could be precipitated by a rapid expansion in the global economy fueling greater consumption of oil or by a lack of spare production capacity causing demand to outstrip supply, or a combination of both, and others cause such as OPEC would decide the price and amount of oil, U.S president Nixon showed his support of Israel by giving them $2.5 billion worth of arms (weapons), OPEC nations retaliated against those nations supporting Israel by putting an embargo on oil.

Result → This effectively shut down exports to the US, western Europe and Japan.

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

GDP → The 1973 oil crisis caused a decline in GDP of 4.7% in the U.S. 2.5% in Europe and 7% in Japan whilst the 1979 crisis caused world GDP drop by 3%.

unemployment → the 1970s oil crisis knocked the wind out of the global economy and helped trigger a stock market crash, High unemployment ultimately leading to the fall of UK government.

Inflation → inflation-adjusted oil prices went up from $ 25.97 per barrel (bbl) in 1973 to $76.35 per barrel (bbl) in 1974.

Pimpqjee (Mydear)
#6304641076

The 1997 Asian Financial Crisis (Tom Yum Kung Crisis)

↳ Have Housing bubble included!

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

The asian financial crisis started in Thailand in July 1997 after the Thai baht plunged in value. It then swept over East and southeast Asia.
Main causes of the 1997 Asian Financial Crisis (Tom yum kung crisis) is caused by the collapse of the currency exchange rate and hot money bubble.
The causes are complicated and disputable, East asian govertments and connected financial institutions found it increasingly difficult to borrow in u.s dollars to subsidize their domestic industries and also maintain their currency pegs.

Background: chain Reaction (addition)

Thailand (early 1997): Export decline
↳ loss of investor's confidence ↳ currency depreciation due to lack of foreign reserve
↳ IMF's aid package required currency devaluation & higher domestic interest rate
↳ increase in non-performing loans ↳ local stock market tumbles.

Housing bubble: a sustained but temporary condition of over-valued prices and rampant speculation in housing markets. The u.s. experienced a major housing bubble in the 2000s caused by inflows of money into housing markets, loose lending conditions, and government policy to promote home-ownership.

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

GDP - during the late 1980s and early 1990s, many southeast Asian countries, including Thailand Singapore, Malaysia, acheived massive economic growth of an 8% to 12% ("Asian economic miracle")

Inflation - reduce demand for commodities and therefore reduce the price of commodities - leading to lower cost-push inflation. [low confidence in economy usually reduces inflation]

unemployment - Rising unemployment and underemployment coupled with high inflation and falling real wages quickly transformed the economic crisis into social crisis.

pimpajee (Mydear)
6309547070

The 2007-2008 Global Financial Crisis (Hamburger Crisis)

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

The Global financial crisis was primarily caused by deregulation in the financial industry. That permitted banks to engage in hedge fund trading with derivatives. Banks then demanded more mortgages to support the profitable sale of these derivatives. They created interest-only loans that became affordable to subprime borrowers. the main causes of financial crisis or hamberger crisis came from economic problems such as

- Relaxation in lending regulations
- poor creditworthiness of borrowers
- Rising EMI due to higher interest costs (EMI = equated monthly installment)
- Borrower unable to pay
- Failure of Banks and financial Institutions
- prime mortgage + sub prime mortgate = Asset backed securities

political failure → unintended consequences of financial deregulation, and large models of economy which assume agents (Business and consumers) always behave rationally.

Structural changes in global economy → Economic imbalance including global savings glut and low / zero real interest rates.

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

GDP - was relatively strong in the OECD (organisation for economic coperation & development) area, it was much stronger in the emerging Brazil the russian federation, India, china and south Africa. [Economic growth turned negative in several countries and in fact resulted in negative annual growth rated in Ireland, Denmark, New zealand, Italy, Japan & sweden.

Inflation - negative inflation as many prices fell.

unemployment - High unemployment in export manufacturing sector.