

# 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, 7<sup>th</sup> 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.

## The 1930s Great Depression

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

One of the causes is decline in aggregate demand in U.S. and lead to decline in production. The reason of this decline is because after the boom in 1920s everyone use their savings to buy stock, for that reason price of stock rose more than its actual value reaching its peak in August 1929. In 1928 and 1929 the Federal Reserve raise interest rate in hope to slow the rapid rise in stock prices. The higher interest rate lower interest-sensitive spending in areas such as construction and automobile purchases, which reduce production. In that time production had already decline and unemployment had already rise. Wage at that time is low, debt rise rapidly and Bank have a large loan. In 1929, consumer spending slowed and unsold goods begin to pile up. But price of stock continued to raise. On October 24, 1929 stock market crash because nervous investors begin to sell overpriced shares this day known as Black Thursday. On 29 October or 5 days later some 16 million shares were traded. Millions of shares ended up worthless and the investor who buy stock with borrowed money were wiped out completely. In fall 1930, large amount of investor lost confidence in their bank and want to deposit their cash, forcing bank to liquidate loan to give their cash back. This is Bankrun, Bankrun happen again in spring and fall of 1931 and fall of 1932. In 1933 most bank had closed their doors.

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

Netherlands suffered a long depression that partly caused by stock market crash in U.S. The GDP fall, unemployment rise and face deflation.

## The 1970s Oil and Energy Crises

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

In October 1973, the Arab state members of OPEC announced that they will cut oil production, and limit export to some countries to protest U.S. that support Israel in the Yom Kippur War. American policymakers believed that this decision would raise the market price of oil as supply decrease and will lead to shortages of oil in U.S. In response, Richard Nixon, President of U.S. at that time create a program intended to protect American oil supply and guarantee low price. Nixon's policy help lead to shortage of gasoline station. Americans were engaged in national conversation about the threat of foreign oil and the nation's reliance on petroleum. At that time U.S. economy suffered stagflation, further weakening American confidence in the nation's stability and prestige. OPEC's action and decreasing in U.S. oil reserve make widely political concern about U.S. reliance on imported oil. In 1960s U.S. had strictly limited oil import to protect U.S. oil producer. This import restriction depleting domestic reserve more quickly. At that time, oil demand rise rapidly after WWII. oil production peaked in 1970. April 1973, federal government loosen restriction on oil import, and they quickly grew. When OPEC reduced its production in Nov. 1973, government and American public panicked about foreign oil producer. In January 1969, there is a smog from car. issuing new clean air. President Nixon responded to energy crisis by establish a strict rationing program. U.S. popular culture produce a number of racist depictions of foreign oil producers taking advantage.

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

Major oil producing, Oklahoma in Japan is greatly benefit from the inflation of 1970s. Between 1973 and 1980 the price of West Texas intermediate crude oil increased 250%. Although Japan felt the effect of the stock market crash and related national economic problem.

## The 1997 Asian Financial Crisis (Tom Yum Kung Crisis)

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

Early 1990s, Thailand had high short term interest rate. People recognised that Thailand seemed to have a healthy economy and many investors want to gain from this high interest rates so there is financial freedom, it means money can move freely from country to country. Thai citizens borrow money from other countries to invest on real estate. As number of investment increases, price of goods and services goes higher than their actual value. George Soros predicted that the Thai baht will be depreciated so he started to sell Thai baht which made others start to do the same thing. Thai Bank tried to buy Thai baht back in order to maintain baht value to become a US dollar equal to 25 baht (At that time: 1 US dollar = 50 baht) by using country's foreign reserves. Finally, we ran out of foreign reserves. Thailand decided to float baht (let the currency flow to its actual value). This means for people who borrowed money, debt doubled. Financial institutions failed, many businesses went bankrupt, real estate market crashed, stock index fell, and many Asian countries were affected. Thailand borrowed 17.2 \$ billion from International Monetary Fund (IMF) only to fill up foreign reserves.

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

Philippines's GDP decrease 37.3% and exchange rate per 1 US dollar decrease 37.4%.

## The 2007-2008 Global Financial Crisis (Hamburger Crisis)

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

The global financial crisis is commonly believed to have begun sometime in early to mid 2007 with a credit crunch, when a loss of confidence by U.S. investors in the value of sub-prime mortgages caused a liquidity crisis. For that reason, US Federal Reserve injecting a large amount of capital into financial market. By September 2008, the crisis had worsened as stock market around the world crashed and became highly volatile. Consumer confidence hit rock bottom as many investors tightened their belts in fear of what could lie ahead. The sub-prime crisis and housing bubble - housing market in US suffered greatly, as many home owner who had taken out sub-prime loans found they were unable to get their mortgage repayment. As the value of homes plummeted, a number of the borrowers defaulting on loans, banks were faced with a situation where the repossessed house and land was worth less on the market than they had loaned out originally. The bank had liquidity crisis on their hand and giving and obtaining home loans became more difficult as the sub-prime lending bubble burst. This is commonly referred to as the credit crunch 2007-2008.

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

Thailand - number of tourist fell by 21%, since November 2008, year on year export level decline for the last four month, import plummeted 40.3%, GDP decrease, unemployment rise.