

Research Project 1

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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.

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

The great Depression of the late 1920s and 1930s is the longest and most severe economic downturn in modern history. It affected nearly every country in the world. The first cause is stock market crash. People used much of their disposable income to buy stock. Millions of overextended shareholders fell into the panic and rushed to liquidate their holdings because stock prices fell. It makes people lose confidence in the economy. The second is bank panics and monetary contraction. When the stock prices fell, people who buy it have to deposit their money from bank at the same time so it makes the bank panic because banks don't have enough money to give to people. As the US experienced deflation, it tended to run a trade surplus with other countries because America were buying fewer imported goods, while American exports were cheap. Such imbalance give rise to significant foreign gold outflows to the US, which in turn threatened to devalue the currencies of the countries whose gold reserves had been depleted. The gold standard is the third cause.

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

In the United States GDP decline by 20%, so it means that the production in US doesn't good. This is the reason why in this era we have high unemployment rate. When we have high unemployment rate, people don't have money so people will save money and don't spend. It makes the deflation.

The 1970s Oil and Energy Crises

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

The oil crisis was brought about by two events occurring in the Middle-east, the Yom-kippur war of 1973 and the Iranian Revolution of 1979. The country, such as Canada, Australia, New-Zealand, the US, western Europe and Japan are affected. The Yom-kippur war occurred by Syria's army destroys Trans-Arabian pipeline and Iraq-Baniya pipeline, two of which are the main pipelines for oil delivery to western Europe. The main characters in the war is Egypt and Syria. To fight with Israel. By the soviet backed Egypt and Syria. On the other hand, the US support Israel. So, the Arabs decided to stop exports to Canada, Japan, Netherlands, England and the US. Causing severe oil shortages in such countries and the price of oil has increased. The Iranian Revolution occurred when the king was exiled and there was a vote to reconstitute the imperial state of Iran into the Islamic Republic. During the revolution, the workers of the oil sector had been actively protesting which ground Iranian oil production to a halt. The loss in production left a large hole in the export of oil and the other OPEC countries made an effort to increase their production in order to keep price reasonable and the supply flowing. The lower level of production caused prices to rise, even when the new government had made an effort to revamp production, it was still not enough to offset the initial loss.

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

GDP in country which were affected, decrease. For example, The US GDP decline by 4.7%, Japan decline by 7% and Europe decline by 2.5%. When the oil price is increasing rapidly, so we have high inflation rate and then it affects to unemployment rate so high too.

The 1997 Asian Financial Crisis (Tom Yum Kung Crisis)

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

The Asian financial crisis occurred by hot money bubble and the currency exchange rate. It started from Thailand when the bath rapidly decreased depend on the Thai government, the prime minister is floating the bath and cut the US dollar reference. All of this occurred by the government try to support the bath face to face with financial over extension. But before the collapse of the currency, Thailand has a public debt burden which make Thailand in bankruptcy. The foreign debt is the only one cause. Because the government has a policy which let the banks can easily give people a loan, so it makes an increasing in the incidence of unprivileged debt in financial institutions and borrowing from financial institutions. And then the next cause is coming when the real estate business has grown tremendously. A lot of people borrow the money from banks to invest in real estate business, so when demand increase the price will increase too we have many investors until it became a bubble economy.

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

GDP in Thailand dropped by 21.2%, Indonesia dropped by 43.2%, Malaysia dropped 19%, in South Korea declined 18.5%, and 12.5% in Philippines. unemployment rate was increasing because many companies were closed. And we have deflation because we have much debt but we don't have money to pay back.

The 2007-2008 Global Financial Crisis (Hamburger Crisis)

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

The crisis began when the use of the US economic stimulus policies, the management of low grade real estate loans and the happening of bad debt, and the overestimate of investment banks or finance corporation in the United States. All of these three is the main causes of the crisis is the slowing of global credit market mobility and bank system. This is mainly due to slowness of the real estate market in the United States. High risk borrowing and lending. And the level of debt of individuals and companies is too high. Because the bank needed to engage in hedge fund trading with derivatives. Furthermore, banks needed more mortgages to support the profitable sale of these derivatives. So they declare some policy which make them high profit because they think that everyone who lend or loan the bank must pay back. However, when a bubble in the US housing market is burst and then the failure of payment of subprime loans and floating interest loans, which are loans that exceed the thought that he would be able to restructure the loan easily. Because in the financial market there is a lower lending standard. As a result this event affected to economy of all country.

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

The real GDP declines in U.S. by 8.4%. And the U.S. unemployment rate is very high at 10.0% which is the highest rate since 1983 and twice the pre-crisis rate. There is the deflation which is the result from the hamburger crisis.