

# 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.

Throughout the 1920s, the US economy expanded rapidly, and the nation's total wealth... more than doubled between 1920 and 1929, a period dubbed "The Roaring Twenties". The stock market, centered at the New York Stock Exchange on Wall Street in New York City, was the scene of reckless speculation, where everyone from millionaire tycoons to cook and janitors poured their savings into stocks. As a result, the stock market underwent rapid expansion, reaching its peak in August 1929. The American economy entered a mild recession during the summer of 1929, as consumer spending slowed and unsold goods began to pile up, which in turn slowed factory production. Nonetheless, stock prices continued to rise, and by the fall of that year had reached stratospheric levels that could not be justified by expected future earnings.

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

In the United States, where the Depression was generally worst, industrial production between 1929 and 1933 fell by nearly 47 percent, gross domestic product (GDP) declined by 20 percent, and unemployment reached more than 20 percent. People began to expect inflation and an economic expansion. With these positive expectations, interest rates at zero began to stimulate investment just as they were expected to do. The expectation of higher future income and higher future inflation stimulated demand and investment.

## The 1970s Oil and Energy Crises

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

The 1970s energy crisis occurred when the Western world, particularly the United States, Canada, Western Europe, Australia and New Zealand, faced substantial petroleum shortages, real and perceived, as well as elevated prices. The two worst crises of this period were the 1973 oil crisis and the 1979 energy crisis, when the Yom Kippur War and the Iranian Revolution triggered interruptions in Middle Eastern oil exports. The crisis began to unfold as petroleum production in the United States and some other parts of the world peaked in the late 1960s and early 1970s. World oil production per capita began a long-term decline after 1979.

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

The recession also lasted from 1973 to 1975 in the United Kingdom. The GDP declined by 3.9% or 2.9% depending on the source. It took 14 quarters for the UK's GDP to recover to that at the start of recession. The decade of the 1970s was a period of limited economic growth due in part to the energy crises of that decade. Although the mid decade was the worst period for the United States the economy was generally weak until the 1980s. The period marked the end of the general post-World War II economic boom. It differed from many previous recession as being a stagflation, where high unemployment coincided with high inflation.

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

Pitchayapa

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

The financial liberalization of 1989-1994 made Thailand more convenient to rely on foreign capital without foreign exchange risk. Because the value is set at 25 bath per US dollar. This allows the borrower to borrow money and repay the loan in foreign currency at such rates. This resulted in the sell-off of the national financial system, which resulted in occurrence of bad debt in financial institutions and borrowing from foreign financial institutions to lend to businesses in Thailand. Thailand's foreign debt increased as high as 109,296 million US dollars. In particular, short-term foreign debt accounted for 45% of total foreign debt. And the reserve to short-term debt ratio is low at 90.40%.

Attacking on the bath: Economic problems have been accumulated for a long time causing foreign investors to take the opportunity to attack the Thai bath. Which are large investors and institutional investors who raise funds to speculate on the currency or attack the currency by setting up a fund that called hedge funds such as Quantum Fund, which is managed by George Soros.

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

The GDP of export sector has increased from 1.4 trillion bath in 1996 to 2.8 trillion bath in 2000 or more than doubled in just four years. The depreciation of bath has also helped stimulate the country's tourism sector for continued growth. Although the crisis at that time caused Thailand's GDP to be 7.4% negative in 1998, it quickly turned positive again, which took only 1 year. The 'Tom Yum Kung crisis' resulted in the unemployment of 1.4 million people, accounting for the unemployment rate of up to 4.4 percent of the total labor force. Because big companies that have borrowed money from abroad want to reduce costs as much as possible. In addition, inflation has risen as the weaker bath has put pressure on the cost of imported raw material. In addition, transportation and utility costs increased in line with oil price. In 1999, year-round inflation rose to 6 percent and increased to 8.1 percent in 2011.

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

Pitchayapa

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

Major US financial institutions, formally filed for bankruptcy on September 15 that marking the symbolic start of the global financial crisis known by the Thai people as the 'Hamburger Crisis'. With the crisis having a broader impact on the global economy. The crisis came from an economic bubble in the US real estate sector. Due to the speculation in the housing market. Because banks lend too much money with low credit, which is the origin of another name of crisis: 'Subprime Crisis'. While elements of the crisis first became more visible during 2007, several major financial institutions collapsed in September 2008, with significant disruption in the flow of credit to businesses and consumers and the onset of a severe global recession.

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

From its peak in the second quarter of 2007 at \$ 64.4 trillion, household wealth in the United States fell \$14 trillion, to \$ 50.4 trillion by the end of the first quarter of 2009, resulting in a decline in consumption then a decline in business investment. In the fourth of 2008, the quarter-over-quarter decline in real GDP in the U.S. was 8.4%. The US unemployment rate peaked at 10.0% in October 2009, the highest rate since 1983 and roughly twice the pre-crisis rate. Housing prices nearly doubled between 2000 and 2006, a vastly different trend from the historical appreciation at roughly the rate of inflation.