

# 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, 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.

In 1920s farm prices kept dropping because it had expanded enormously during WWI and farmers went into debt because of their agriculture expansion. The Great Depression is first started when Americans saw that stocks market is one of the easiest way to gain money. So they take on loan to invest on stocks market. It grow so much but there exist that much investment compared to stocks price so it went bubbled in Black tuesday. That set shareholder in panic and went to bank to withdraw all deposit cash. Some of the banks doesn't even have any cash left. In 1930, many banks shutdown and some that still standing called in loans and sold asset cause credit to froze up and lead to deflation. Many businesses laying off workers which causes more unemployment. It tended to run a trade surplus with other countries, gave rise to gold outflows. Central banks solve it by raising interest rate which ↓ output and ↑ unemployment. They also set tariffs on agriculture imports.

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

GDP went from -8.5% in 1930 to -12.9% in 1932 but -6.4% in 1931. Unemployment rate is 3.2% in 1929 and reach 25% in 1933. Inflation rate went from -1.72% in 1928 to peak of -9.97% in 1932

## The 1970s Oil and Energy Crises

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

in 1973 there is the Yom Kippur War going on in the middle east. The problem is the U.S. is supporting Israel. In retaliation, OPEC instituted an oil embargo against U.S. as well as other countries that support Israel. OPEC also lower their oil output lead to shortages for multiples countries. So gas need to be limited in how much they could sell. This lead to lower in tourism. In the time the also use gasoline to power their generators. According to short supply in gasoline, some tourism places end up going out of business due to no tourists. After OPEC decided to end the oil embargo, everything seem to went back in it place. But 6 years later, OPEC announced to raise the price of crude oil by over 100%, trying to offset the decline in USD. People were panic and they began to pre-emptively hoard gasoline. In a twist, this lead to fuel shortages. The U.S. focus on alternative forms of energy to curb dependance on oil. Thanks to americans, they adjusted to how they use their oil and energy with better car fuel economy and how they allocate their electrical uses.

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

Oil crisis caused a decline in GDP of 4.7% in U.S. Unemployment rate have a peak of 10.8% in November and December 1982. Inflation rate have a peak of 11.05% in 1974 and another one in 1980 about 15.55%.

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

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

In that time, Thai government went to fixed exchange rate. This make foreigner interested to invest in Thailand because 1 usd is gonna equal to 25 baht anyway. Before 1997, Thailand's economics is actually going well. But some people get greedy. They take on loan to build they business. This make domestic money didn't have much left so Thai Bank stop giving loans. In that time Thailand also have BIBF which bank also take on loan and give loans to other people to earn difference in interest. The problem is people who take on loan is actually put their money on stocks and real estate so the value of them gone crazy. Government actually use monetary policy to control Thai baht. But at some point, Thai economic didn't grow that much and Government didn't have much money left so they change to floating exchange rate. That make 1 usd  $\approx$  52 thb, but that make people who export actually gain a lot of profit. In other way, people who have debt have to pay more than double of what they take on loan for.

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

Thailand's GDP has gone down from 5.7% to -2.8% in 1997 and more worst in 1998 at -7.6%. Unemployment rate went from 0.87% in 1997 to a peak of 3.4% in 1998. Thailand inflation rate went from 3.63% in 1997 to 7.99% in 1998.

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

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

it first start off eagerness of bankers to have more income by earning interest rate from loans. They saw that housing market is the best way to go because it is low risk and also have high return investment. The thinking behind this is that the lender get interest rate from the borrower and if they default on the mortgage, the lender can just sell the house for even more money because the value of the house gonna be higher anyway. So they start to give a loan to subprime. For much time later borrower couldn't pay for they houses and started defaulting, which put more houses back on the market for sale but their weren't enough buyers so the prices started collapsing. This led to more defaults because the mortgage are worth more than what their house really is. Some lenders had declared bankruptcy. They also sell bonds to the investor. This lead to U.S. economy recession. Government stepped in and offered emergency loans to banks to prevent it from collapsing.

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

GDP of The U.S. had contracted by 4.2%. Unemployment rate had rose from 4.7% to peak at 10%. In 2007, The U.S. has a peak of 4.1% of inflation rate, 0.1% in 2008 and 2.7% in 2009.