

# 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.

- After WWI it led to oversupply and overproduction problems. It resulted in drop in prices, both agricultural and industrial.
- Start with "Black Tuesday," the stock market crash on October 29, 1929. It destroyed confidence in economy. That loss of confidence led to the Great Depression.
- The effect of the stock market crash made people withdraw their money "bank runs", which made many banks fail.
- Companies losing their money and cut their production or workforce, consumers stopped spending causing more businesses to collapse and lay off more people. During its peak in 1933, the jobless rate reached 24.9%.

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

- Affected countries GDP fell down, U.S. GDP fell 30%.
- U.S. unemployment rate rose up and peaked at 24.9% - 75 million Americans people.
- Inflation rate of affected countries got negative, U.S. inflation rate - 2.7%.

## The 1970s Oil and Energy Crises

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

- In 1973, Arab nations attack Israel which came to be known as "Yom-Kippur War" and U.S. decided to supply Israel with arms.
- OPEC countries got angry, so they responded with an embargo of oil sales to U.S. and others countries.
- The embargo shocked the oil market and created a shortage in supply. Oil prices rise up 4 times higher than high inflation as a result.
- Many Industries in that time use oil to produce their product got huge impact, global stock markets fell.
- In 1979, it's the second of oil price shocks in the '70s, The Iranian Revolution effect exporting of petroleum caused the prices rise and people concerns about supplies led to panic buying in gasoline market.

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

- Oil and Energy Crises cause a worldwide GDP drop by 2-3 percentage point.
- Affected country got higher unemployment rate and high inflation in oil importers for example U.K. their inflation rate rise more than 24%

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

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

- Back then Thai government pegged the Thai bath to the U.S. dollar at a rate favorable to exporters.
- Thailand got high external debt, Over-limited invest by loan for invested for example bought real estate for speculate until it became economic bubble and currency speculation
- Crisis began when Thai government unpegged the Thai bath from the U.S. dollar because Thai government run out of foreign currency, so the government was forced to float the Thai bath. The currency exchange rate collapsed immediately
- The crisis spread internationally, currency values, stock markets and other asset values in many Asian countries collapsed

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

- During the crisis, GDP p.c. growth dropped by 16 % in Indonesia, 12 % in Thailand, 3 % in Philippines, 10 % in Malaysia, 8 % in South Korea.
- Unemployment rate of affected counties got higher 1-5%
- Inflation didn't soar after the crisis in most affected counties except Indonesia where high inflation followed a very large nominal depreciation of the rupiah.

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

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

- In the early 2000s, start with "subprime mortgages" are loans for housing purchases to subprime borrowers, or risky borrowers with poor credit.
- When it got high risk financial institutions found the way to spread the risk and get money at the same time by pooling together home mortgages into "mortgage-backed securities" to make investors able to invest in these products and get a return from the loan payments.
- The problem was debtors who could not afford a home were getting approved for a loan, so it could feed the demand for mortgage-backed securities.
- From 2004 - 2006, housing prices dropped and the FED raised interest rates lead to increased of debtor monthly payments, so people began defaulting on their loans. The result was people losing their homes and those invested in mortgage-backed securities lost their money.
- Major banks and lenders were forced into bankruptcy or had to take a government bailout to prevent the entire economy.

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

- In 2008, GDP growth dropped to  $-0.1\%$  in U.S.,  $0.4\%$  in Euro zone,  $-0.3\%$  in U.K., and  $-7.0\%$  in Japan. During crisis all affected countries GDP drop.
- During crisis, unemployment rate of affected countries rised up for example from 2007-2008, unemployment rate rised by  $2.3\%$  in U.S.,  $1\%$  in Euro zone,  $7.2\%$  in U.K.
- From 2007-2008, inflation rate of affected countries rise up. In U.S. rise by  $0.99\%$ , U.K. raised by  $1.73\%$ , Japan raised by  $1.32\%$ .