

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

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

There is 3 main cause of the 2007-2008 Global Financial Crisis: 1. Excessive risk-taking in a favorable macroeconomic environment 2. Increased borrowing by banks and investors 3. Regulation and policy errors. The first one, the expectation that house prices will continue to rise, leading households in the United States, in particular, will likely borrow to buy and build homes. Many of the mortgage loans are worth close to the house purchase price. There is a higher default risks or they have missed loan repayment in the past. The second one, borrowing for assets increases the potential loss. As a result, when prices start to drop, banks and investors incur huge losses due to large borrowers. The third one, regulations for subprime lending and MBS products are too lax. There is not enough regulation of institutions that create and sell complex and opaque MBSs to investors. It is not just so many individual borrowers who provide so many loans that it is unlikely to be able to repay, but fraud is more common.

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

GDP in the UK fell at an annual rate of 6.2% during the final three months of 2008. By the end of 2011, almost 2.7 million people were looking for work. The quarterly unemployment rate reached 8.4%. During 2008 and 2009, the inflation rate falls 5% to under 2%.