

# 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.

After world war I the economy expanded rapidly, People turned back from war and began to invest in agricultural more than that they began to invest in stock market because they hope to have a profit in short period of time. After that the economy of USA suffer due to the price of agricultural fall since there was excess supply this led to high loan and high interest rate, Cost of production then increase which mean that demand in market decrease. The suppliers refrained from investing that cause high rate of unemployment. The stock prices fluctuated drastically, Investors then withdrew all their deposit from banks. This situation destroyed consumer confidence, so most people withdrew their cash. Banks run out of money and the wall street stock market began collapse.

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

- GDP → declined by 30% in U.S
- unemployment → As much as one-fourth of the labour force in industrialized countries was unable to find work (rise from 3% - 25%)
- inflation → The rate of inflation was negative which mean that there was deflation instead of inflation.

## The 1970s Oil and Energy Crises

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

In Yom-Kippur war, Egypt and Syria were supported by Arab. They launched an attack against Israel. At that time U.S. had rising oil consumption so the U.S. decided to intervene in the war and supplied Israel with arms, this angered the Arab delegation of OPEC which responded with an embargo of oil sales to U.S., U.K., Canada, Japan and Netherlands, causing severe oil shortages in such countries. And as a result, the price of crude oil has increased 4 times. In the Iranian Revolution, Mohammad Reza Shah Pahlavi was exiled after protest and strike. The Shah was exiled and there was a vote to reconstitute the Imperial State of Iran into the Islamic Republic of Iran. During the revolution, the workers of the oil sector had been actively protesting which ground Iranian oil production to a halt and it also left a large hold in export of oil. More than that, oil prices jumped 350% and higher cost rippled through economy. The economic crises worsened. As things got more expensive due to high price of oil, businesses laid off workers which lead high rate of unemployment.

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

- GDP → decline by 4.7% in U.S., 2.5% in Europe and 7% in Japan.
- Unemployment → oil price rise leads to unemployment.
- Inflation → oil price rise are generally thought to increase inflation.

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

At that time, Thailand has been develop rapidly. The economic growth made Thai Baht appreciation. Thai's government then announced the fixed currency policy. more than that, they accepted The commercial bank to be able to open Bangkok International Banking Facility which mean that Thais can loan money from foreigner with lower interest rate (.5% per year) compare to interest rate in Thailand (14-17% per year). People used that money to invest with real estates, houses, lands, condominiums, or stocks. making money is easy, so people will use and sell goods easier even they were higher price than usual. This situation called "economic bubble". Since then, The import productions were less than the export productions, more than that the federal Reserve (in U.S.) raised the interest rate against inflation which hunt export growth. With a shock in export and foreign investment began to collapse. Foreign investors began to withdraw. At the beginning Thai's government tried to support the loss but after that they run out of currency, forcing it to float the baht. The value of the baht collapsed immediately and it effect to Asian countries soon after.

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

- GDP → decline by 13.1% in Indonesia, 10.5% in Thailand, 7.4% in Malaysia, 5.7% in Korea, and 0.6 in Philippines.
- unemployment → unemployment rate was rise by 4.25% in Korea, 2.5% in Thailand, 1.6% in Philippines, and less than 1% in Malaysia and Indonesia.
- Inflation → In Thailand, The inflation rate was rise to 6% in 2540 and increase to 8.1 in 2541.

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

Credit crisis brought 2 people together which are owner and investor. Owner have mortgage which is about estate and investor have money which is about financial institution. When buying house owner need to contact dealer then dealer will offer to financial institution for mortgage. Investment banker wanted to buy a lot of mortgage because they will get interest from debtors. Therefore, Investment banker let credit rating agencies rate the risk of mortgage to be order. (AAA, will get low return rate, BBB, underrated.) this are called CDO. Investment banker sold CDO to investors this make both of them get profit, so investor need lots of mortgage. Financial institution then allow everyone to loan even to subprime. After that, The Fed raised the federal funds rate from 1.25% to 5.25%. Subprime borrowers then defaults and thus home prices began fall. MBSs based on subprime mortgages lost value, with dire consequences for the portfolios of many banks and investments firm which caused major losses to them. Banks and firm began to bankruptcy because they could no longer fund subprim loans through the sale of MBSs. However, the net worth of American households had declined by \$17 trillion in inflation-adjusted term and effect to many country around the world soon after.

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

- GDP → Fell 4.3% from its peak in 2007 Q4 to its trough in 2009 Q2
- Unemployment → 5% in December 2007, rose to 9.5% in June 2009, and peaked at 10% in October 2009
- Inflation → Inflation rate was 3.8% and some months in 2008 had annual inflation rates as high as 5.6% and 5.9% which were the highest rates in 17 years.