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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, 7th 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.

The Great Depression was the worst economic occur from 1929 to 1939. Throughout the 1920s, the U.S. economy expanded rapidly, and the introduction of electricity to American home had revolutionized led to the development of buying on credit, which is also the method use to applied in the stock market in order to making fast income. Many people bought shares on margin, generally needing just 10% of a stock's price to make a purchase which lead to inflated prices. However, on October 29th 1929, the stock market begin to fail. Many investor began to sell their stock rapidly, which led the stock market to collapse. Millions of shares ended up worthless. Banks were crippled by the stock market, with no money to operate, result in the banks forced out business. By then, production had already declined and unemployment had risen. Additionally, wages at that time were low, consumer debt was proliferating, the agricultural sector of the economy was struggling due to drought and falling food prices and banks had an excess of large loans that could not liquidated.

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

Since the stock market lost their value, overall spending too high, the crisis led to rising inflation and falling in GDP throughout the economy. Real output and prices fell precipitiously. Between the peak and the trough of the downturn, industrial production in the United States declined 47% and GDP fell 30%. Recessions cause high unemployment. The highest rate of U.S. unemployment was 25% during the Great Depression.

The 1970s Oil and Energy Crises

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

Oil provides the main source of energy for advance industrial economies, an oil crisis endanger economic and political stability throghout the global economy. In 1970s, there have been two major oil crises. The first occured in 1973, when Arab members of OPEC decided to quadruple the price of oil. Oil exports to the U.S, Japan, and Western Europe, which consumed more than half the world's energy, were prohibited. OPEC's decision was made in retaliation for Western support of Isarael against Egypt and Syria during the Yom Kippur War and in response to a persistent decline in the value of the U.S. dollar which had eroded the export earnings of OPEC states. This force capitalist countries to embrak on a process of economic restructuring in order to reduce their dependency on oil and prompted fears that the U.S might take military action in order to secure free access to its energy suppliers. Another major oil crisis occurred in 1979, the Iranian Revolution. High level of social unrest severely damage the Iranian oil industry, leading to a large loss of output and a rise in prices. The problems of the 1970s had been transformed into a relative oversupply of oil rather than a shortage.

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

During the oil and energy crisis in the 1970s, multiple countries experience rapid inflation and high unemployment rate known as stagflation as a result of oil shock. The U.S. underwent a recession that five quarters of negative GDP growth. Inflation doubled in 1973 and hit double in 1974. Unemployment rate hit 9% by 1975.

The 1997 Asian Financial Crisis (Tom Yum Kung Crisis)

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

The crisis was rooted in several threads of industrial, financial, and monetary pheno-mena. In general, many of these related to the economic strategy of export led growth and inadequate supervisory oversight had resulted in a significant build-up of financial leverage and doubtful loans. It began in 1997, when Bangkok unpegged the Thai baht from the U.S. dollar, setting of currency devaluations and massive the beginning of a deep financial crisis across much of East Asia. Thailand's currency equity, and property markets weakened further as its difficulties evolved into a twin balance-of-payments and banking crisis. Across East Asia, capital inflows slowed or reverse direction, and growth slowed. Banks came under significant pressures, investment rates plunged, and some Asian countries entered deep recessions, producing important spillovers to trading partners across the globe. The unflading crisis in Thailand in the banking sector lead to pullback by foreign investors, setting off a spiral depreciation, recession, and amplified banking sector weakness. The result was contagion with foreign creditors pulling from other countries in the region seen as having similar vulnerabilities.

Overheating domestic economies and real estate markets added the risks and led to increased reliance on foreign savings, reflected in mounting current account deficits and a build up in external debt.

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

The countries that were most severely affected by the Asian financial crisis included Indonesia, Thailand, Malaysia, South Korea, and the Philliphines. The GDPs of the affected countries even fell by double digits. There were also an increased unemployment and lower wages which led to higher poverty level in the countries affected by the crisis.

The 2007-2008 Global Financial Crisis (Hamburger Crisis)

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

The global financial crisis was originate in the U.S. as a result of the collapse of the U.S. housing market. It destroy the international financial system, cause the failure of several major investment. The Fed raised the federal funds rate from 1.25 to 5.25 %, inevitably resulting in more defaults from subprime borrowers holding adjustable-rate mortgages. Partly because of the rate increase and the housing market had reached a saturation point and began to failed in 2005. Many subprime mortgage holders were unable to rescue themselves by borrowing, refinancing, or selling their homes, since there were fewer buyers and many mortgage holders now owed more loans that their home value. By 2007, the steep decline in the MBSs had cause major losses at many banks, hedge funds, and mortgage lenders and forced some large and prominent firms to liquidate hedge funds that were invested in MBSs, to appeal to the government for loans, to seek mergers with healthier companies, or to declare bankruptcy. Banks stopped lending to subprime customers, causing home prices to decline further, which discourage home buying even among consumers with prime credit ratings further depressing sales and prices. Consequently, banks began to doubt one another solvency, which led to a freeze in the federal funds market with potentially disastrous consequences.

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

The global financial crisis the net worth of American households had defined by about $ 17 trillion in inflation-adjusted terms, a loss of 26%. The country's GDP was approximately 7% lower than it would have been had the crisis not occured, represting a loss of $ 70000 in lifetime income for every American. Around 7.5 million jobs were lost, representing a doubling of the unemployment rate, which stood at nearly 10% in 2010.