The 2007-2008 Global Financial Crisis (Hamburger Crisis)

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

Subprime crisis, a historic crisis in which housing prices have shrunk nearly $ 10 trillion in wealth dating back to 2000 the Federal Reserve's interest rate, which is referenced by bank across the country is around 2 %. Which is not high. The low interest has attracted more subprime customer to apply for home loans. becaus at that time the government was stimulating the economy and encouraging people to have home but financial institutions may not be happy because they have to lend risky loans to its customer subprime. They use MBS (Mortgage-backed Securities) ; Put loans of their customer together and sell to risk exposure. They also use more complex derivative to hedge another MBS called CDS (Credit Default swap) ; if MBS gets drawn, I'll pay the rest interest. As a result, lending has increased, people spend more money to buy houses and the demand for home grows more and more. house prices have skyrocketed. It is beneficial to financial institutions because evenif the home buyer actully deflected the dept, they can took the house to sell. House price go up cause inflation. so Fed has to hit the economic break by raising interest rate so people don't want to borrow more money at this point the demandof home slow down with interest rate 2.25 % in 2004 to 5.25 % in 2006 when people don't want to buy house, the price dropped and when interest rate rise subprime credit debtors cannot pay back Bank had to seize the house and the price couldnot be resold because price fell. The hardest is Lehman Brothers, a famous investment bank having declared bankruptcy and unfortunately, Lehman Brothers are listed on the stock with a market more than $ 60 billion

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

U.S home mortgage debt relative to GDP increase 46 % in 1990 to 73 % in 2008, reaching $ 10.5 trillion The International Monetary Fund estimate US and europe bank lost more than $ 1 trillion Business need to close the highest is $ 64.4 trillion in second quarter 2007. The US houshold wealth fell $ 14 trillion to $ 50.4 trillion at the end of first quarter 2009. The real gdp was 8.4 %. Unemployment in October 2009 is 10.0 %. The average hours per work week declined to 33 since 1964.