

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, 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.

Firstly, the stock market crash of 1929 shattered confidence in the American economy, as a result in severe reductions in expenditure and investment.

Secondly, decreasing the pool of money available for loans because of relatively high U.S. interest rates. Meanwhile, American agricultural interests, suffering because of overproduction and increased from EU.

Moreover, in terms of world war one (WWI), same area sustained the damage, resulting in the price of agricultural produced rise. Because of this, the government has a lot of debts from WWI, leading to inflation and the disruption of trading between another countries.

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

This event impact on all sector of stock at high prices on speculation. Began bankrupt and delisted on the market. It make economic growth turn to crisis. It is cause of GDP decrease. At 1929 where the unemployment rate was 3.2% into massive unemployment in 1933 when the unemployment rate reached 25%. In inflation, rate of inflation was negative, the real interest rate was much higher than the nominal interest rate.

The 1970s Oil and Energy Crises

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

At that time, oil is very rare and important resource. People use oil as the cost of produce food, transport and fuel. Moreover, there are OPEC (the organization of the petroleum exporting countries) that have influence in oil market.

In 1973, there were conflicts between Iran (member of OPEC) and USA, so OPEC stopped exporting oil to USA, which meant that the supply of oil is decreased. As a result, the price of oil significantly increased from 25.97 \$/BBL in 1973 to 46.35 \$/BBL in 1974.

In that time, there was the increasing in inflation because the cost of oil increased. However, the GDP decreased because the demand of oil decreased, leading to the recession.

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

GDP in all major industrialized countries had decrease from 6% in 1973 to 0.1% in 1974. On the other hand, OPEC countries generated huge revenue. Estimates that a triple increase in oil prices for 20-24%. The impact of rising cost of production leads to inflation known as "inflation by cost push". As soon as the oil price rises, the cost of living will increase accordingly. The people most affected are seen to have regular income. It affected more unemployment rate.

The 1997 Asian Financial Crisis (Tom Yum Kung Crisis)

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

In terms of financial freedom, money can be moved freely from country to country so that people can easily borrow from abroad. Because of this, they invested on real estate such as buying house or building a construction. As the number of investments increases, price of goods & services goes higher than the natural prices. Leading to economic bubble that prices of asset goes up but not justified with supply & demand because of speculation, and leading to baht devaluation that money loses its value relative to other currencies.

George Soros saw Thailand's issue and attack Thai baht by selling Thai baht. His strategy is short-selling. Furthermore, Thai Government's response used the country's foreign reserves to buy Thai baht back. Later, July 1, 1997, Thailand decided to float baht which let the currency flows to its actual value, which make people got a lot of debts.

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

The proportion between foreign debt and GDP is so high, for example, Asean countries rose from 100% to 180% during the worst of the crisis. Private businesses, whether they are financial institutions or housing estates, etc. are closed down. The employee was laid off. There are enormous debts until there was a protest. This crisis range up inflation between 3.9 - 5.3%.

The 2007-2008 Global Financial Crisis (Hamburger Crisis)

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

The 2007-2008 Global Financial Crisis (Hamburger Crisis) was also known as the global financial crisis (GFC) - which was a severe worldwide financial crisis that happened around the world. The cause of this crisis was first, as the Federal Reserve (Fed), the central bank of the US, having an expected mild recession that occurred in 2001, which decreased the federal funds rate 11 times from 6.5% to 1.75% between May of 2000 and December of 2001. This significantly decreased allowed banks to expand the consumer credit at a lower price rate. The customers have three percentage points above the federal funds rate which motivated them to lend more even though the interest rates were high. The result was the bursting of the United States housing bubble creation in the late 1990s which the home prices rapidly dropped.

The extension of the subprime mortgages to credit-unworthy people, the creation of the collateralized debt obligations by the investment banks. These factors have made the credit markets become frozen which banks were hesitant to extend loans to one another. It dragged the world's economy down into this recession.

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

GDP of United State of America at 1990 are 46%.

but when 2008 are 73% and 2009 are decreasing.

Unemployment rate are increased from 4.7% at 2007 to 10% at 2009. For the inflation, it lead to lower cost-push inflation.