

The 2007-2008 Global Financial Crisis (Hamburger Crisis)

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

The financial crisis was a severe worldwide financial crisis. Excessive risk-taking by banks combined with bursting of the United States housing bubble, caused the values of markets tied to U.S. The real estate plummet and damaged financial institutions around the world. This cause bankruptcy of Lehman Brothers on September 15, 2008, and an international banking crisis. The crisis sparked the great recession was the most severe global recession since the great depression. It was also followed by the European debt crisis which began in Greece in late 2009. And it was the largest economic collapse suffered by any country in history. The U.S. home mortgage debt relative GDP increased from 46% during 1994 to 73% in 2008. The increase in cash out refinancing, as home values rose, fueled an increase in consumption while home prices declined. The International Monetary Fund estimated that large U.S. and European banks lost more than \$1 trillion on toxic assets and bad loans from January 2007 to September 2009. Lack of investor confidence in bank finance and declines in credit led to plummeting stock and price. The crisis spread into a global economic shock. The international trade has been declined and housing markets suffered and unemployment soared, resulting in evictions and foreclosures. The U.S. household wealth fell \$14 trillion from \$64.4 trillion to \$50.4 trillion, resulting in a decline in consumption, then decline in business investment. And the real GDP in U.S. has fell 8.4 percent and the U.S. unemployment rate peak at 10.0%. It was the highest rate since 1983 and roughly twice before crisis. Moreover, the average people work per week had declined to 33 hours, which is the lowest level since the government began to collecting data in 1964.

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

I will give example from the U.S. The U.S. real GDP has fell 8.4 percent and an unemployment rate has increased to 10% which is the highest rate since 1982 and this can mean if you meet 10 people on the street one of them was unemployed.