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.

Thanawat 6304641605

The 1930s Great Depression

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

The momentous recession, in North America and Europe, causing the stock market in US which is Dow Jones Industrial Average (DJI) decreased by 89.2% and could not be recovered in three years. The causation is the World War I that has just ended, the soldiers took off the duty and turned to be the agricultural labor until the wage was low. According to the law of demand and supply, the revenue in US decreased, the economic bubble had been happened, and the price of agricultural goods declined because the demand was lower the the supply. There is a non-performing loan which is caused by borrowing the loan too much. The government tried to inject money to the economy system to make an economic movement. Therefore, the investors loaned the money to invest but the revenue from the product was a reverse variation compared with the expenditure. Finally, there was a non-performing loan, the bank did not returned the interest and the principal, and the investors in the stock market were forced to sell that made the stock market dropped down.

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

GDP - In 1930s, US GDP growth rate fell to the lowest recorded by -12.9%.

Unemployment - the unemployment was more than the natural rate of unemployment because the banks had failed.

Inflation - it began with negative inflation, then positive, and finally negative because of the excess supply.

Thanawat 6304641605

The 1970s Oil and Energy Crises

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

Because of the Arab-Israeli War, the oil exports were halted, people flocked to the panic buying and hoarded the oil that caused the energy crisis. Then, the balance of power of the parent companies, in America and Europe, are reversed. After that, the OPEC is be able to seize power and fix the price. The global economy was changed and almost fell because the oil price was increased. Consequently, the consumers did not have enough purchasing power, the world-class industrial countries were damaged, including the developing countries and the underdeveloped countries.

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

GDP - In 1973, the oil crisis impacted on a decline of 4.7% in US, 2.5% in Europe, and 7% in Japan, therefore, it caused world GDP dropped by 3% in 1979

Unemployment - there was a high unemployment because the machinery was entered, the price of oil was increased so people became more discharged.

Inflation - the highest rate of inflation with an interest rate increased almost 20%.

Thanawat 6304641605

The 1997 Asian Financial Crisis (Tom Yum Kung Crisis)

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

The beginning of this crisis was in Thailand, when the value of the baht considerably devaluated. The problems were due to the floating exchange rate by Thai government, including the burden of public debt, caused the bankruptcy before the fall of value of money. After this crisis extended over, the value of money in South East Asia and Japan had dropped as well. Since the stock market and the asset price were lowered, the private debt was rose. There were six causes that involved. First, the current account deficit that had happened earlier and extremely in 1996 due to the decreasing of exports. Second, the increasing external debt. Third, over-investment and the halt of housing bubble because the entrepreneur took on loan from foreign countries and easily did fund-raising from the stock enchange, a house price index was high, causing the speculative demand. Forth, there was a severely insecure problem on the capability of the operation in the financial institution because the credit process was reckless, the debtors could not settle and the bank was illiquid. Fifth, the inefficiency in the policy implementation which caused the instability in the monetary system and the domestic economy, the circulating fund got higher by the foreign investment. Sixth, the foreign investors took this opportunity to break the foreign exchange rate of the baht by the speculation and raising funds.

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

GDP - it shot up beyond 180% during the worst in ASEANS.
Unemployment - there was an increasing in employment by 4.7%
Inflation - it reached the highest peak by 9.24% in Thailand.

Thanawat 6304641605

The 2007-2008 Global Financial Crisis (Hamburger Crisis)

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

The liquidity of the worldwide credit market and the banking decreased because of the recessions of the US housing market, loaning and lending money were high-risk. The debt level of the companies and person were too high, revealing the failure in the world financial and control system. Due to the economic crisis that happened in US, it successively affected all around the world, sometimes called sub-prime crisis because the sub-prime mortgage was erroneous, and the investment banking was poorly conceived. The factors that caused were applying the policy to stimulate the US economy by reducing the loan rate to make a higher expenditure and investment. When the bubble happened in a real estate market, at the same time, the oil price was raised. Therefore, there was an inflation, the government modified a problem by increasing an interest rate. As a result, the demand of a realty decreased and there was a great number of non-performing loan. Secondly, the low-quality of sub-prime mortgage incurred the bad debt because the financial institution lent a loan to the customers that having the value of the collateral less than a loan. Thirdly, the incomprehensibility and the credulity of the new instrument buyer.

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

GDP - it increased because the debt of Americans rised from 150% to 340%, the highest record.

Unemployment - it increased from 6.1% to 6.5%, the bank officers, the construction business, and also the luxury industry.

Inflation - there was a global inflation leading to a stagflation