

# 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, 7<sup>th</sup> 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 downturn in the history of the industrial world. It took place in the end of 1929 in the North America and North Europe. There are 5 main causes. 1. Stock market crash in 1929 was a time of many changes, such as sweeping economic, political, and social change. 2. Bank failures happened because the effects of stock market crash rippled throughout the economy. That is to say, nearly 700 banks failed and more than 3000 collapsed. Therefore, when the bank failed, people lost all their money. 3. Reduction in purchasing across the board, in other words, consumer's spending and companies are standstill because of people's investment and credit tight to nonexistent. As a result, many workers were laid off the companies. 4. Smoot-Hawley Tariff is announced to help agriculture in US because of the great depression. So that imported tax was increased by 40-45 percent and unfortunately it made the price of food increase. Then the world trade fell by two thirds, and economic in every countries slowed down. 5. The dust bowl is the last factor that contributed to the great depression in agriculture issue. That is to say, many of farm lands were impacted by the over production of agriculture goods, causing many farmers to lose their farms and poverty. In 1932, the country elected Franklin D. Roosevelt as the president. He created government programs to end the great depression.

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

As the Great Depression, real output and prices fell precipitously. In the United States, industrial production declined 47 percent and real gross domestic product (GDP) fell 30 percent. Also, the unemployment rate exceeded 20 percent. The wholesale price index declined 33 percent (referred to deflation).

## The 1970s Oil and Energy Crises

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

Oil and energy crisis took place in 1970s when the world's demand on the limited resources. It was not happened only an imbalance of demand for oil, but there also had problems in international politics as another cause of this crisis. The first oil crisis occurred in 1973, when the global economy began to expand so the demand for oil was increased while the conditions of the war were accelerated the oil price to rise rapidly. There were 3 main factors: 1. the reduction of oil's producers in a time of economic expansion. 2. The world's oil production capacity was limited, that is to say, in that situation the supply was less than demand. 3. Investment in the oil and gas industry were shut down as non-OPEC producers increased output. To clarify this point, at that time, the world political situation arose a dispute between Arab countries and Israel. Most of Arabs are member of OPEC group. As a result, OPEC used the oil as the means of political bargaining by choosing to sell the oil to countries that are allied with themselves as regular price while neutral countries were limited the fuel and sold in the high price. As for countries that oppose, OPECs were suspended from the oil sale. Second energy and oil crisis took place five years from the first, mainly due to the political problems within Iran. In the 1978, there were protests in the area of oil production because of the death of the royal family. It resulted in a decrease in amount of domestic oil production and oil exports. Unfortunately, at that time, OPEC announced a 15% increase oil price, and also another religious war. This made oil production in the world market declining.

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

In Japan, in the year before 1971, economic growth reached more than 8 percent, but in the 1971, it had a growth just over 4 percent.

If we compare the inflation before the oil and energy crisis, we can say that Japan has increased in consumer prices over 19 percent, from 5 percent to 23.20 percent. It affected to unemployment in 1974 rose to 7.3% from 4.9% in 1973.

## The 1997 Asian Financial Crisis (Tom Yum Kung Crisis)

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

Asia financial crisis, in 1997, commonly referred to Tom Yum Kung crisis is a time of financial crisis which affected many countries in Asia. This situation began in Thailand when the government unpegged the Thai baht from US dollar. Especially, at that time, Thailand had a public debt burden, and it made the country in bankruptcy before the collapse of currency. And when this crisis extended outside the country, the currency of most countries in Southeast Asia and Japan also collapsed. Moreover, the stock market dropped and the price of assets dropped, causing the private debt to rise. The 3 main causes of this crisis. First, current account deficit had been in deficit in 1987 and had continued to increase. In 1996, Thailand faced a current account deficit of 14,350 million US dollars. Second, in 1987-1996, real estate business had grown so fast. And due to the entrepreneurs had borrowed money from foreign countries to invest in real estate. The continuing increase in real estate price had attracted a lot of people to invest in the business until it became over-invest situation. Third, the process of financial institution is lax. Lending of credits to business are widely without carefully considering. When the debtors became unable to pay for the debt, especially, real estate business that invest in excess of demand, it made the bank to have liquidity problems. Debt that did not generate income.

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

From 1996 to 1997, the nominal GDP per capita dropped by 43.2% in Indonesia, 21.2% in Thailand, 19% in Malaysia, 15.5% in South Korea, and 12.5% in Philippines. The unemployment in Thailand was 0.87% in 1997, but in the 1999, it rose to 3.4%. The inflation in Thailand increased from 4.66% to 7.15% from 1997 to 1999.

## The 2007-2008 Global Financial Crisis (Hamburger Crisis)

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

Hamburger crisis also known as Subprime crisis began in 2007. It started with Lehman Brothers, a major US financial institution, declared bankruptcy. To clarify, Lehman Brothers is a large investment firm that is classified as "Too big to fail" financial institution because it is very important to the world economy. So that when it falls, it would have a disastrous effect on the scale of the global economy. However, it not only Lehman Brothers was the cause of this, but also the real cause came from the real estate bubble in the United States, due to the housing market, which the banks lend too much low quality credit or subprime, which is the name of this crisis. Indeed, the US economy was already in a downturn when Lehman Brothers fell, and it made the confidence of economy in global system become worse. Moreover, there was a trend of mortgage, which borrowers brought inferior securities as collateral because the market interest was very low, and also the bank had less carefully in lending conditions than before, which lead to encourage more people to buy a house even though they did not have the ability to pay back. The problem had become worse because more debt defaults had occurred because the debtors can not pay back, as the interest began to rise because the Federal Reserve approved a policy rate to increase while houses price began to fall. When the debtors were unable to pay the debt, therefore the confiscation of property throughout the United States until the crisis escalates.

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

In United States, real GDP contracted by 4.2% between 2007 and 2009. According to the Department of Labor, roughly 8.7 million jobs were shed from February 2008 to February 2010. Unemployment rate rose from 4.7% in November 2007 to peak of 10% in October 2009. Inflation rate in 2009 is average 3.8%.