

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.

The great Depression lasted from 1929 to 1939 and the worst economic depression in the history of U.S. Economists point to the stock market crash of October, 1929, as the start of the downturn. But the truth is that many things caused the Great Depression, not just one single event. First, stock market crash of 1929 - Black Tuesday, the market crashed, losing 12% of its value and wiping out \$14 billion of investments. By two months later, stockholders had lost more than \$40 billion. Second, Bank failures - nearly 700 banks failed in waning months of 1929 and more than 3000 collapsed in 1930. Third, Reduction in purchasing across the board - more and more unsold inventory effect to the unemployment rate rose above 25%. Fourth, American economic policy with Europe - imposing tariffs on U.S. goods effects to world trade fell by two-thirds between 1929 - 1934. Last, Drought conditions - massive dust storms choked towns, killing crops and livestock, sickening people and causing untold millions in damage.

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

During first five years of the depression, the economy shrank 50%.

The economy began shrinking in 1929, 650 banks had failed, in 1930 the economy shrank another 8.5%. GDP fell 16.1% in 1931 and 23.2% in 1932. New deal spending boosted GDP growth after 1934. When the economy shrank, standard of living dropped precipitously, one-fourth of the labor was unable to find work in early 1930s. The problem in early 1930s, the rate of inflation was negative and there was deflation instead of inflation.

The 1970s Oil and Energy Crises

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

The energy crisis between 1967 and 1979 caused by problems in the Middle East but the most significant started in 1973 when Arab oil producers imposed an embargo. By 1974, the price of crude had risen from 3\$ per barrel to 12\$ per barrel as a result of the decision to boycott America and punish the west in response to support for Israel in the Yom Kippur war against Egypt. The price of gasoline skyrocketed, raising the cost of all modes of transportation. Rationing using coupons left over from WWII was even discussed in Britain. Ted Heath's conservation government was already grappling with high food prices brought on by global shortages. This resulted in an inflation rate of more than 24% under Harold Wilson's labor government.

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

This energy crisis makes the inflation soared up by 24% and high unemployment. In 1973, caused a decline in GDP of 4.7% in U.S., 2.5% in Europe, and the World GDP drop by 3%.

The 1997 Asian Financial Crisis (Tom Yum Kung Crisis)

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

The Asian financial crisis is a crisis caused by the collapse of the currency exchange rate and hot money bubble. It started in Thailand July 1997. The causes of the Asian financial crisis are complex and controversial, the collapse of the hot money bubble is thought to be a major factor. Many Southern Asian countries, including Thailand, Singapore, Malaysia, Indonesia, South Korea, experienced massive economic growth of 8% to 12% in the late 1980 and 1990. The accomplishment was dubbed the 'Asian economic miracle'. However, the achievement came with a significant risk. Export growth and foreign investment were the main drivers of economic growth in the countries mentioned above. In order to attract hot money, high interest rates and fixed currency exchanged rates were implemented. Furthermore, the exchange rate was set at a level that was advantageous to exporters. Due to the fixed currency exchange rate policy, however, both the capital market and corporations were exposed to foreign exchange risk.

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

In 1998, GDP in Thailand dropped by 6%, Korea by 7%, Indonesia by 14%. The unemployment rate grew up in Korea, Malaysia, and Phillipines. In Korea and Thailand, after a period of negative interest rates, currency depreciation, and rising inflation at the outset of the fund supported programs.

The 2007-2008 Global Financial Crisis (Hamburger Crisis)

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

For the first time in decades, housing prices began to fall in 2006. Realtors applauded at first. They believed the overheated real estate market would cool down and become more sustainable. They didn't take into account a number of factors, including the fact that a large number of homeowners with bad credit were approved for mortgage loans, some of which were for 100% or more of the home's value. Some attributed the problem to the community reinvestment act, which encouraged banks to invest in subprime areas. The federal reserve found that it didn't increase risky lending in several studies. Others blamed the entire crisis on Fannie Mae and Freddie Mac. They believe that closing or privatizing the two agencies is the best solution. The housing market would collapse if they were shut down because they guarantee the majority of mortgages. The financial system was deregulated by two laws. They made it possible for banks to invest in mortgage-related derivatives. Because these complex financial products were so profitable, banks were encouraged to lend to riskier borrowers. The crisis resulted from this insecurity.

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

In 2007, OECD positively economic growth - GDP growth was strong in OECD. 2008, GDP in many countries still strong but negative in several countries. The unemployment rate grew up by ~10%, this crisis caused an increase in structural unemployment. In the late 2010, inflation remains subdued with unemployment rates below 5% and did not increase significantly until 2020, COVID 19.