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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.

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 agricutural interests, suffering because of overproduction and increased from EU.

Moreover, in terms of world war one, some area sustained the damage, resulting in the price of agricultural produced rised. Because of this, the Government has a lot of debts from world war one, lending to inflation and the disruption of tranding between another countries.

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

In United States, the gross domestic product or GDP declined by 30 percent, and unemployment rate soared from about 3 percent to over 25 percent. The consumer price index or CPI plunged by nearly 25 percent, with the rate of deflation exceeding 10 percent in 1932.

The 1970s Oil and Energy Crises

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

The 1970s Oil and Energy crises occurred when the Western world such as the United States, Canada, Western Europe, Australia, and New Zealand faced significant petroleum shortages and the increasing prices. The two worst crises of the 1970s were the Oil Crisis in 1973 and the Energy Crisis in 1979. The American oil consumption such as gasoline and other product was increasing as the domestic oil product was declining, resulting in an increasing dependence on oil imported from abroad. The causes of these crises were brought by two particular events such as the Yom-kippur war of 1973 and the Iranian Revolution of 1979 in the Middle-East. These events caused the disruption of oil supplies from the region. The oil embargo was raised in March 1974, however, the oil prices remained high in which the effects of the energy crisis stayed throughout the decade.

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

The 1970s Oil and Energy Crises made the crude oil price to be exceeded by 100% since 1973. During this recession, this event has caused a decline in GDP or growth rate of 3.2% in the United States, 2.5 in Europe, and 7% in Japan. Moreover, it even caused the world's GDP to drop by 3%. The unemployment rate become very high at the same time with high inflation since oil and inflation seems to be linked because it is a major input in the economy. As the oil prices rise, the rate of inflation increases as well in which inflation rate remained extremely high for the rest of the decade until the beginning of January 1980. Even though after the recession ended in March 1975, the unemployment rate did not reach the high level for several months. In May 1975, an unemployment rate reached its peak for 9.7% in the United States.

The 1997 Asian Financial Crisis (Tom Yum Kung Crisis)

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

Firstly, in terms of financial freedom, Money can be moved freely from country to country so that people can easily borrow money 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 and services goes higher than the actual prices. Leading to economic bubble that prices of asset go 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 2, 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?

Thailand GDP has gone down from 5.7% to -2.8% in 1997 and more worst in 1998 at -7.6%. Unemployment rate went from 0.87% in 1997 to a peak of 3.4% in 1998. Thailand inflation rate went from 5.63% in 1997 to 7.99% in 1998.

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 Reserved (Fed), the central bank of the United States having an expected mild recession that occured in 2001, which decreased the federal funds rate 11 times from 6.5% to 1.75% between May 2000 and December 2001. This significantly decreased allowed banks to expand the consumer credit at a lower prime 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.

Second, the extension of the subprime mortgages to credit-unworthy people, the creation of the collateralized debt obligations by the investment banks, and also the credit default swaps. 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 to go down into this recession.

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

It has affected the GDP to decline by 8.4% in the US in the fouth quarter of 2008. Americans have lost $ 9.8 trillion in wealth because their home values fell sharply. Starting from the beginning of this recession in December 2007 to its final end in June 2009, the RGDP declined by 4.3%. The unemployment rate of the US also increased rapidly from 5% to 9.5%, the highest rate was since 1983. The inflation rate was not high in which it was staying between 2% to 2.5% in the beginning of 2007 but was increased sharply in 2008 responding to the increase in oil prices and then collapsed because of the financial crisis.