

# Financial Crisis Cases

## ECO 420 Lecture 8.2.

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- 1 Cases of Financial Crises in the US
- 2 Financial Crises in the Rest of the World
- 3 A snapshot on the Global Economic Crisis of 2008–2009

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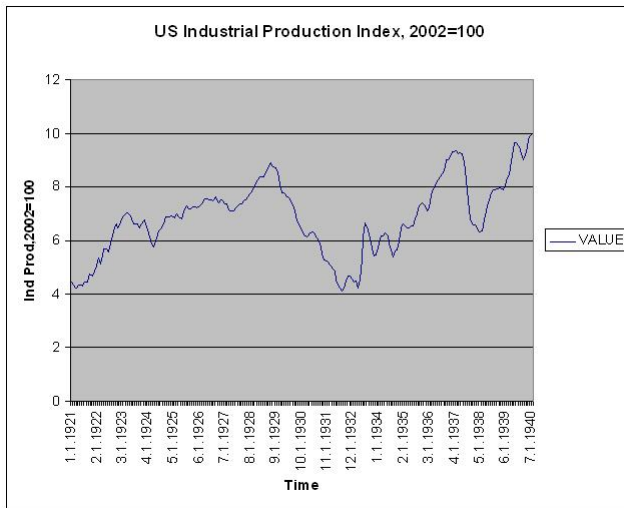
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- What was the unemployment rate?

# The Great Depression: US Industrial Output Decline

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- 2 Large inflow of capital and credit + bad supervision
- 3 Non-performing credits increased
- 4 Banks decreased crediting
- 5 Economy stagnated

Exacerbating factor: The Government.

- 1 large budget deficits
- 2 foreign investors refuse to lend + increased interest rates
- 3 the G forces local investors to lend but does not repay back
- 4 net worth of local investors and banks goes down

# The data on recessions

**TABLE 7.1 Real GDP and Unemployment Rates, 1929–1933 and 1980–1982**

**THE EARLY PART OF THE GREAT DEPRESSION, 1929–1933**

YEAR	PERCENTAGE CHANGE IN REAL GDP	UNEMPLOYMENT RATE	NUMBER OF UNEMPLOYED (MILLIONS)
1929		3.2	1.5
1930	-8.6	8.9	4.3
1931	-6.4	16.3	8.0
1932	-13.0	24.1	12.1
1933	-1.4	25.2	12.8

Note: Percentage fall in real GDP between 1929 and 1933 was 26.6 percent.

**THE RECESSION OF 1980–1982**

YEAR	PERCENTAGE CHANGE IN REAL GDP	UNEMPLOYMENT RATE	NUMBER OF UNEMPLOYED (MILLIONS)	CAPACITY UTILIZATION (PERCENTAGE)
1979		5.8	6.1	85.2
1980	-0.2	7.1	7.6	80.9
1981	2.5	7.6	8.3	79.9
1982	-1.9	9.7	10.7	72.1

Note: Percentage increase in real GDP between 1979 and 1982 was 0.1 percent.

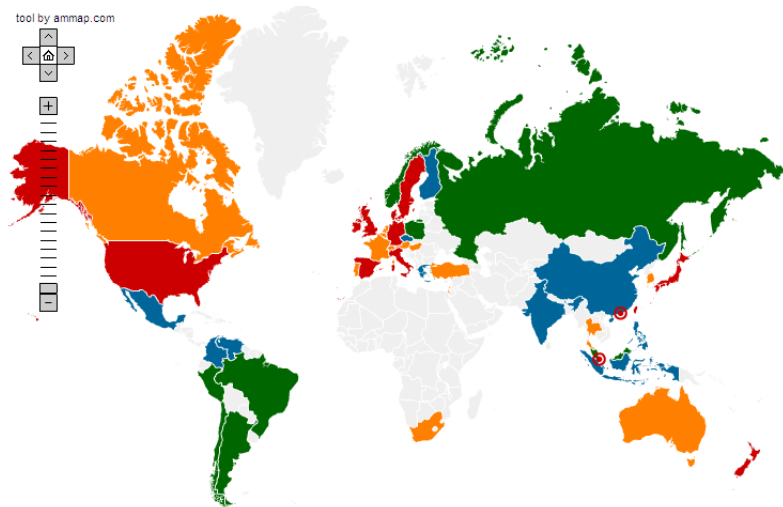
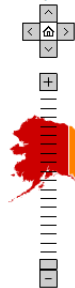
Sources: *Historical Statistics of the United States* and U.S. Department of Commerce, Bureau of Economic Analysis.

The most recent recession in US started in Dec. 2007.

# The Global Recession 2008-2009 Status

■ In Recession ■ At Risk ■ Expanding ■ Below Trend

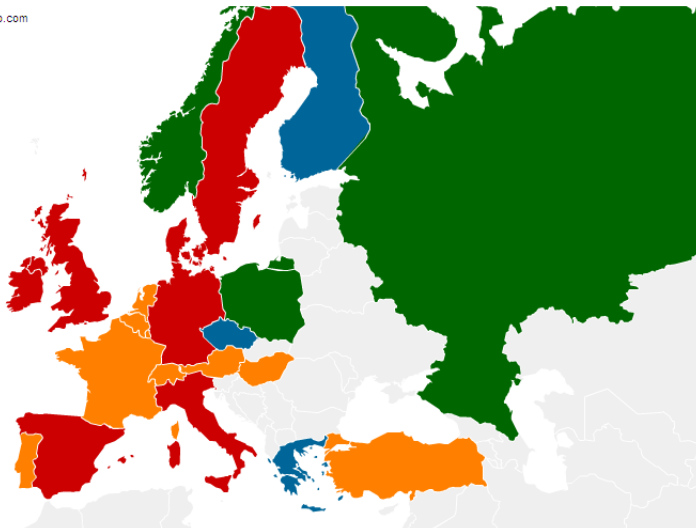
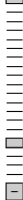
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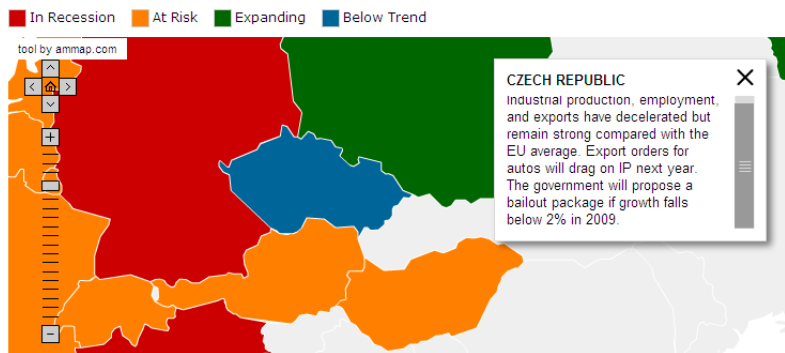
# The Global Recession 2008-2009 Status: EUROPE

■ In Recession ■ At Risk ■ Expanding ■ Below Trend

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# The Prospects for Recession 2008-2009: Czech Republic



Source: <http://www.economy.com/dismal/graphs/map/>