

Financial Crisis Cases

FIN 204 Lecture 7.2.

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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

The Great Depression

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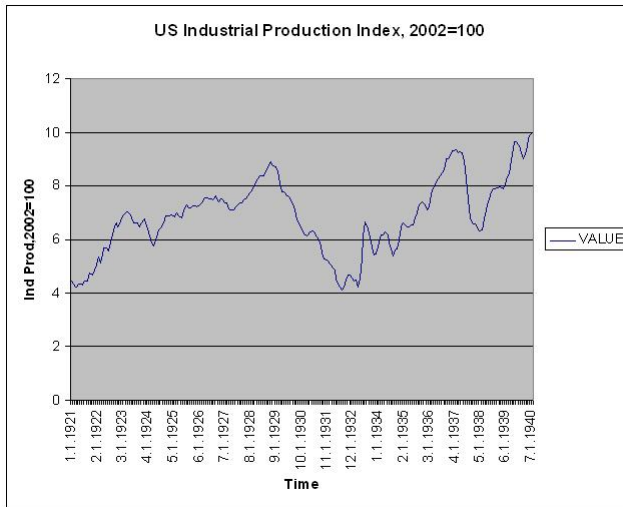
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- What was the unemployment rate?

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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

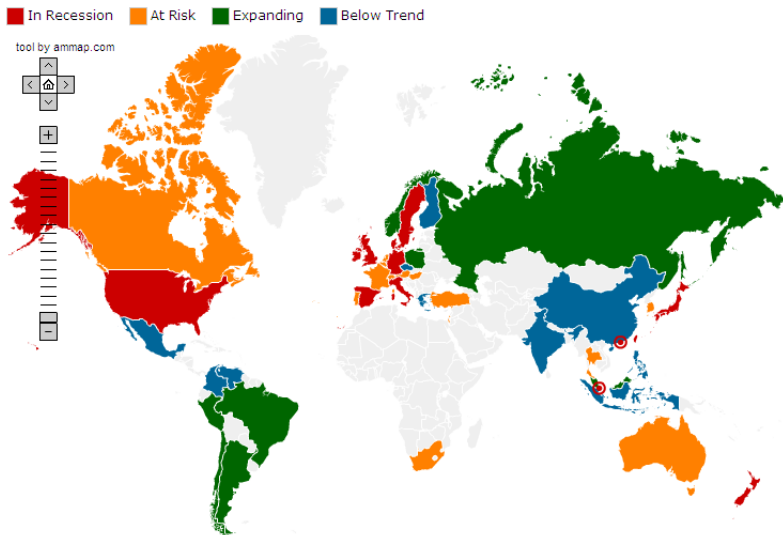
YEAR	PERCENTAGE CHANGE IN REAL GDP	UNEMPLOYMENT RATE	NUMBER OF UNEMPLOYED (MILLIONS)	CAPACITY UTILIZATION (PERCENTAGE)
1979		5.8	6.1	85.2
1980	–0.2	7.1	7.6	80.9
1981	2.5	7.6	8.3	79.9
1982	–1.9	9.7	10.7	72.1

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

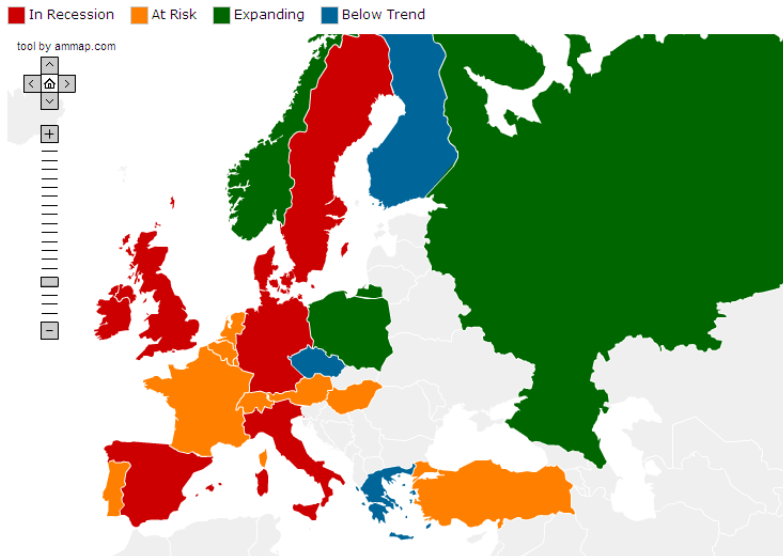
Sources: *Historical Statistics of the United States* and U.S. Department of Commerce, Bureau of Economic Analysis.

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

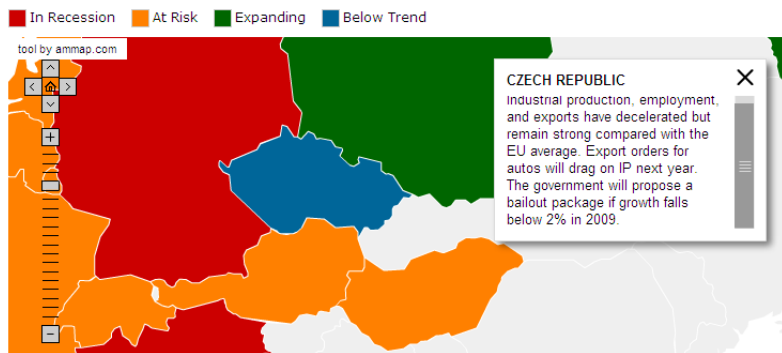
The Global Recession 2008-2009 Status



The Global Recession 2008-2009 Status: EUROPE



The Prospects for Recession 2008-2009: Czech Republic



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