

Presentation of Financial Crises Project

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I chose the topic of Financial Crises because they express a current problem not only past issues, and they can become future important discussions. Financial collapse which affects most of the companies generates quickly problems over the banking system as the following consequences: the panic of the clients, inability to distinguish between the efficiency and the difficulty of banks, deposit withdrawals.

Financial crises have usually as a consequence the unemployment because labor markets are globally rigid, the currency is in devaluation, and people usually enter into a "forced leave". Therefore, I chose to describe the most important crises that marked the population at an individual and global level, in a top of seven, as the following: the Great Depression during 1929-1939, German Hyperinflation between 1918 and 1924, the Great Recession in 2008, 1973- Oil Crisis, European Sovereign Debt Crisis from 2009 and onward, Ruble Crisis from 1998, and Black Monday in 1987.

The great depression:

The Great Depression was the longest and most severe depression in global economic history, lasting for virtually the entire period between 1929 and the outbreak of World War II. As a stark contrast to the roaring '20s, a period of prosperity and ostentatious wealth, the Depression created massive and virtually instantaneous poverty. When the government raised interest rates, panic ensued. Investors were desperate to liquidate their stocks, but the money simply wasn't there. Unfortunately, banks also invested in stocks, and the panic led to a run on those banks that reduced many to insolvency and failure. The country was thrust into the Great Depression, and much of the world followed.

German Hyperinflation:

In 1914, the exchange rate between the U.S. dollar and the German Mark was about 1 to 4. By 1923, the rate had mushroomed to \$1 to 1 trillion Marks. By introducing a new type of currency in 1923, the Rentenmark, followed by the Reichmark in 1924, Germany did eventually regain control of its runaway inflation. But this period almost certainly proved to be crucial in the rise of National Socialism and all its terrible consequences.

Great Recession:

In 2008, the shock collapse of the Lehman Brothers Bank, which held assets worth \$600 billion, became the symbolic start of the most dramatic financial crisis since the Great Depression. The causes have been attributed variously to the likes of a deregulated financial sector, poor public monetary policies and an international economy that was ultimately based upon a house of sand, with unsustainable levels of debt in both public and private sectors.

Oil Crisis:

In the midst of the Yom Kippur war of Syria and Egypt against Israel, OPEC employed oil as a weapon with the Arab Oil Embargo against those who supported Israel. Crude oil costs rose while production was cut, specifically to the U.S. and the Netherlands.

The embargo lasted only five months, but the effects continue today: OPEC member states realized a level of wealth unfathomable only years before; in six weeks shares on the NYSE lost \$97 billion in value. Japanese car makers began to counter the American-made gas guzzlers with smaller cars, giving them a tremendous market share.

European Sovereign Debt Crisis:

This is the most recent of the crises on our list, and no one is yet certain about when, or how, it is going to end. Markets have grown increasingly concerned about the ability of nations, particularly Greece, Ireland, Spain, Portugal, and Italy, to pay their debts, and the exposure of international banks to these potentially toxic debts has played a large part in the enormous market falls of recent days — some of the worst on record.

But the sovereign debt crisis, while perhaps initially a European problem, has also spread to the U.S., and wrangling between Republicans and Democrats over the debt ceiling saw the U.S. have its credit rating cut for the first time in its history.

The implications of poor economic figures, continued low growth and large sovereign debts remain potentially huge. It is not inconceivable that this crisis will move further up our list as it continues to play out.

Ruble Crisis:

Corruption, an ineffective economic reform policy, the devaluation of the ruble, and political instability sent Russia into a massive financial crisis as the millennium came to a close. Additionally, as the exporter of one-third of the world's oil and natural gas reserves, Russia was extremely vulnerable to price fluctuations.

Black Monday:

Billions of dollars were wiped from stock markets across the globe. Hong Kong lost a massive 45.8% of its value, the United Kingdom lost 26.4%, Australia dropped 41.8%, and New Zealand dropped a full 60% from its peak.

Some people suggested it was an accident waiting to happen, and theories such as program trading, disputes about monetary policy and fears over inflation have all been proposed to explain what happened. It could even simply have been a panic that spread with no rational explanation. What is certain is that it cost an awful lot of people an awful lot of money.

I wanted to emphasize how all the crises begin from important reasons that can be predicted but for some reason nobody takes measures to prevent the dramatic consequences, even though important economists foretell. In addition, it is important to pay attention to the fact that some crises have the same context as other ones, for example the Great Depression in 1929-1939 and the Great Recession in 2008.