



جامعة الجميع الذكية
EVERYONE'S SMART UNIVERSITY

Everyone's Smart University

Assignment 1 (Spring 2021)

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Section

Bachelor

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MGM112

Introduction to economics

Instructions:

تحدث عن اهم الأزمات الاقتصادية التي هزت العالم من حيث الأسباب التي أدت إلى حدوثها، ونتائجها.

* بما لا يزيد عن صفحة من خلال فهمك لأحداثها.

*يرفع الاختبار ب صيغة pdf

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أهم الأزمات الاقتصادية التي هزت العالم من حيث الأسباب التي أدت إلى حدوثها، ونتائجها

The most important economic crises that shook the world in terms of the causes that led to their occurrence and their consequences

What Is an economic Crisis? In an economic crisis, asset prices see a steep decline in value, businesses and consumers are unable to pay their debts, and financial institutions experience liquidity shortages. A financial crisis is often associated with a panic or a bank run during which investors sell off assets or withdraw money from savings accounts because they fear that the value of those assets will drop if they remain in a financial institution. Other situations that may be labeled a financial crisis include the bursting of a speculative financial bubble, a stock market crash, a sovereign default, or a currency crisis. A financial crisis may be limited to banks or spread throughout a single economy, the economy of a region, or economies worldwide. What is mankind's greatest invention? Ask people this question and they are likely to pick familiar technologies such as printing or electricity. They are unlikely to suggest an innovation that is just as significant: the financial contract. Widely disliked and often considered grubby, it has nonetheless played an indispensable role in human development for at least 7,000 years.

At its core, finance does just two simple things. It can act as an economic time machine, helping savers transport today's surplus income into the future, or giving borrowers access to future earnings now. It can also act as a safety net, insuring against floods, fires or illness. By providing these two kinds of service, a well-tuned financial system smooths away life's sharpest ups and downs, making an uncertain world more predictable. In addition, as investors seek out people and companies with the best ideas, finance acts as an engine of growth.

Yet finance can also terrorize. When bubbles burst and markets crash, plans paved years into the future can be destroyed. As the impact of the crisis of 2008 subsides, leaving its legacy of unemployment and debt, it is worth asking if the right things are being done to support what is good about finance, and to remove what is poisonous. (From economist website article)

An Example of economic and financial crises:

- **The Financial Crisis of 2007–2008:**

This sparked the Great Recession, the most-severe financial crisis since the Great Depression, and it wreaked havoc in financial markets around the world. Triggered by the collapse of the housing bubble in the U.S., the crisis resulted in the collapse of Lehman Brothers (one of the biggest investment banks in the world), brought many key financial institutions and businesses to the brink of collapse, and required government bailouts of unprecedented proportions. It took almost a decade for things to return to normal, wiping away millions of jobs and billions of dollars of income along the way.

- **COVID-19 shook, rattled and rolled the global economy in 2020:**

When 2020 dawned, the global economy had just notched its 10th straight year of uninterrupted growth, a streak most economists and government finance officials expected to persist for years ahead in a 21st Century version of the “Roaring ‘20s.”

But within two months, a mysterious new virus first detected in China in December 2019 – the novel coronavirus – was spreading rapidly worldwide, shattering those expectations and triggering the steepest global recession in generations. The International Monetary Fund estimates the global economy to have shrunk by 4.4% this year compared with a contraction of just 0.1% in 2009, when the world last faced a financial crisis.

Government-mandated shutdowns of businesses and any non-essential activities in much of the world unleashed a wave of joblessness not seen since the Great Depression. Still, unemployment levels varied dramatically across the globe.

In some countries, like China, COVID-19 infection levels were effectively suppressed through strict but relatively brief lockdowns, allowing unemployment rates to remain low. Others, such as Germany, deployed government-backed schemes to keep workers on company payrolls even as work dried up.

Elsewhere, including in Brazil and the United States, the uncontrolled spread of the virus and patch-work government health and economic responses fueled rampant job losses. Some 22 million people in the United States were thrown out of work in March and April alone and the unemployment rate jumped to near 15%.

Most economists expect it to take a year or more for labor markets to return to something resembling the pre-pandemic era.

However, historically low interest rates hovering around – and sometimes below – zero percent mean that debt servicing costs for the Group of Seven (G7) economies are at their lowest since the 1970s, when the debt burden was only a fraction of what it is now.

“Debt today is sustainable and it will remain so for a few years because as long as economic activity and employment have not recovered momentum, central banks are unlikely to do anything with their interest rates. That allows governments to keep up the fiscal support in the form of retention schemes and support to firms,” said Laurence Boone, the OECD’s chief economist.

One offshoot of that largesse has been that consumer spending has held up better than many had expected. While spending on services plunged and remains depressed – at restaurants and for travel and leisure in particular – consumers did lay out for goods, especially big-ticket items such as cars and home improvements that benefited from rock-bottom interest rates.

As a result, retail sales in many economies are up on a year-over-year basis, in some instances by more than they were at the end of 2019.

Another direct effect of all that government spending has been a surge in savings among consumers in many parts of the world. Government support payouts in developed economies padded household bank accounts and, with consumers hunkered down in the pandemic’s early days in particular, savings rates soared.

They began returning to earth in the latter part of 2020 but remain well above pre-pandemic levels. Some economists see this as the dry tinder to help fuel an economic rebound in 2021 and beyond when COVID-19 vaccines allow a wider recovery to take hold and consumers to begin moving about – and spending – more freely. (From

Reuters, article published on 31/12/2020)