QUESTIONS - CHAPTER 2 GLOBAL ECONOMIC CRISIS

Question 2.1
Figure 2.2 illustrates both the extent and speed of the decline in the volume of trade flows for the world as a whole. Find information from your own country’s statistics office or some other reliable source on the monthly value and, if possible, the volume of trade (export and/or import) for your country in the period 2005 – 2011. If you cannot find the information, use data from a large country in the neighbourhood.

2.1A In what month is the pre-2009 peak of trade volume and trade value?
2.1B In what month is the post-2007 trough of trade volume and trade value?
2.1C On the basis of your answers at 2.1A and 2.1B, calculate (i) the duration of the decline in months, (ii) the extent of the decline in per cent, and (iii) the speed of the decline in per cent per month.
2.1D Compare your answers in question 2.1C with the information on the global trade decline during the crisis in Section 2.2 of the book. What are the deviations you find? Can you explain the deviations?
2.1E Are your calculations and findings in questions 2.1A – 2.1C an adequate depiction of the actual trade decline for your country during the crisis? Explain why, or why not.

Question 2.2
The figure below depicts the volume of global trade during the internet bubble and the Global Economic Crisis (centered 5-month moving averages). The index for the pre-crisis peak is equal to 100 and the peak month is equal to zero in the figure. Time (in years) is therefore calculated from one year before the peak to four years after the peak.
2.2A The triangles indicate the post-crisis minimum for each trade crisis. Based on the figure, estimate the extent of trade decline (in per cent) for both crises.

2.2B Estimate for both crises how long it took to recover from the trade decline (return back to the peak level before the crisis).

2.2C What are, according to you, the main similarities in the two crises? What are the main differences? Explain.

2.2D At the time of writing this question (September 2011) there was a lot of talk in the media of fear for a ‘double dip’: a renewed crisis just as the previous one was over for the Global Economic Crisis. Is the internet bubble graph helpful for answering this fear? Why, or why not? (Was there, in fact, a double dip, or not?)

**Question 2.3**

The accompanying ‘question 2.3’ Excel file on this book’s Online Resource Centre provides information on the level of industrial production during the Global Economic Crisis for the USA, Japan, and the EU. Based on this information, create a graph similar to Figure 2.3a of the book, that is: calculate centered 5-month moving averages, set the pre-crisis peak equal to 100 for each country and create a well-structured graph. Comment on your findings regarding industrial production relative to Figure 2.3 on trade volume.