

## Chapter 36

1. Look at Table 36.1 reproduced below and answer the questions.

**TABLE 36.1**

**Quarterly Economic Growth in G7 Countries, 2006–2009.**

Country	Q4: 2006	Q1: 2007	Q2: 2007	Q3: 2007	Q4: 2007	Q1: 2008	Q2: 2008	Q3: 2008	Q4: 2008	Q1: 2009	Q2: 2009
Canada	0.5	0.9	1.0	0.5	0.3	−0.2	0.1	0.1	−0.9	−1.6	−0.9
France	0.7	0.7	0.4	0.7	0.3	0.5	−0.5	−0.2	−1.4	−1.3	0.3
Germany	1.0	0.3	0.3	0.8	0.1	1.6	−0.6	−0.3	−2.4	−3.5	0.3
Italy	0.9	0.3	0.1	0.2	−0.4	0.5	−0.6	−0.8	−2.1	−2.7	−0.5
Japan	0.8	1.4	−0.2	−0.1	0.8	1.0	−1.1	−1.0	−3.5	−3.1	0.9
UK	0.8	0.7	0.6	0.5	0.5	0.8	−0.1	−0.7	−1.8	−2.4	−0.7
US	0.7	0.3	0.8	0.9	0.5	−0.2	0.4	−0.7	−1.4	−1.6	−0.3

Source: OECD (<http://stats.oecd.org/index.aspx>) accessed September 14, 2009

- a) Which country was the first to enter recession and when?
  - b) From the data, which country suffered the most severe recession and why?
2. Is it inevitable that a period of rising house prices will suffer a correction?
  3. Why did the market for credit default swaps seem to be associated with lower risk?
  4. Briefly describe the main stages to show how an increase in defaults on sub-prime mortgages led to the financial crisis.