

The 1997 Asian Financial Crisis (Tom Yum Kung Crisis)

Explain the cause(s) or the story behind the recession.

The Asian financial crisis was a sequence of currency devaluations and other events that began in the summer of 1997 and spread through many Asian markets. The currency markets first failed in Thailand as the result of the government's decision to no longer peg the local currency to the U.S. dollar. Currency declines spread rapidly throughout East Asia, stock market declines, reduced import revenues, and government uprisals. Thailand's currency fell by 33 percent and international stock also declined by 60 percent. The Asian financial crisis was stemmed somewhat due to financial intervention from the International Monetary Fund and the World Bank. The market declines were also felt in the US, Europe, and Russia as the Asian economies slumped. As a result of the crisis, many nations adopted protectionist measures to ensure the stability of their currencies. This led to heavy buying of US Treasuries, which are used as global investment by most of the world's governments. The Asian crisis led to some much needed financial and government reforms in many countries such as Thailand, South Korea, Japan, and Indonesia. It also serves as a valuable case study for economists who try to understand the international market of today. The crisis was rooted in several threads of industrial, financial, and monetary phenomena. In general, many of these relate to the economic strategy of export led growth that had been adopted across developing East Asian economies in the years leading up to the crisis. The strategy involves close government co-operation with manufacturers of export products include subsidies, favorable financial deals, and a currency peg to the US to ensure an exchange rate favorable to exporters.

What happened to GDP (or growth rate), unemployment, and inflation of affected countries?

The nominal GDP per capita dropped by 43.2% in Indonesia, 21.2% in Thailand, 19% in Malaysia, 18.5% in South Korea and etc. And for an unemployment rate I will give you some example: Thailand unemployment rate rose from 1.7 percent in 1987 to 3.6 percent in 1999. And for inflation was kept reasonably low within a range of 3.4-5.7% for Thailand.