

# Thailand – 1997

A nighttime photograph of Wat Arun in Bangkok, Thailand. The temple is brightly lit with golden lights, reflecting on the Chao Phraya River. In the foreground, two traditional Thai boats (long-tails) are visible, also illuminated with lights. The sky is a deep blue with some clouds, and the city lights are visible in the background.

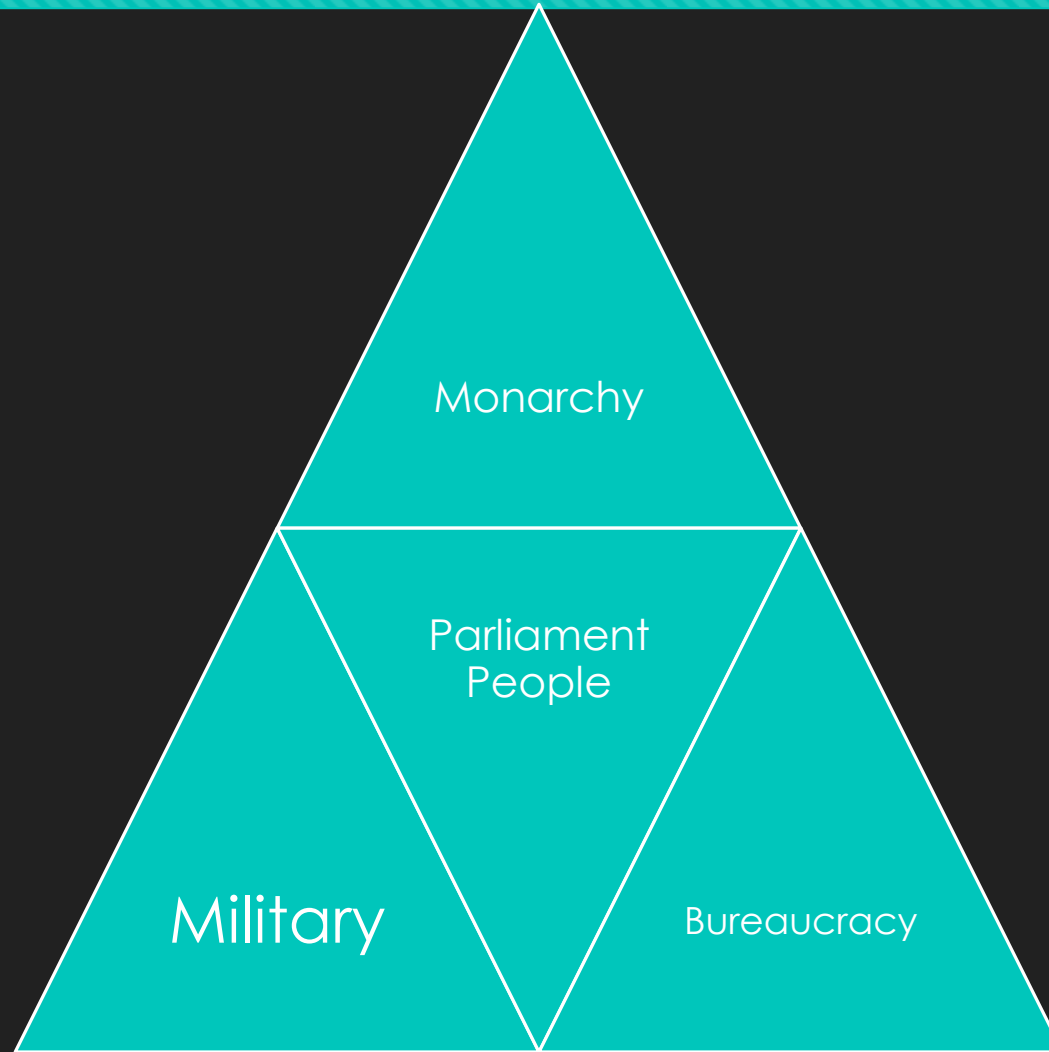
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# Twin Crises

- Currency crisis
  - Construction bubble became apparent and expectations shift
  - Brought on by peg, speculative attack, then desperate defense
  - Floated July, 1997 – goes from 25/dollar to 56 by January
- Banking crisis
  - Currency crisis brings on bank insolvency
  - Lots of overleveraging—scholarly consensus: liberalization too rapid/underregulated
  - Balance sheets deteriorate because most debt contracts were short-term and in USD



# Politics in Thailand



# The IMF & After

- The monarchy network focuses on the IMF package as the solution (McCargo 2005)
- ~\$17B in funds – requires structural adjustment and public sector surplus (austerity)
  - Shockingly, recession (6% of GDP) in 1998
- Though IMF reform does seem to have done good in banking sector
- King in “bloodless coup” seems to have been behind vote of no confidence as Chavalit is replaced by crown favorite Chuan as PM