

# # 3970260029 : MAJOR ECONOMICS

KEY WORD: SPECULATIVE ATTACKS / CURRENCY CRISIS / EXCHANGE RATE CRISIS / BAHT CRISIS

JARUWAN KIATSONGSERM : SPECULATIVE ATTACKS ON THAI BAHT.

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The purpose of this thesis is to explain speculative attacks and calculate the probability of the attack on baht in 1997. Following we apply Flood and Marion Model (1996), which use Portfolio Approach to explain the behavior of exchange rate and speculative attacks. The Model analyze the effects of an increase in total private debt consistency of Central Bank domestic credit to enhance liquidity and prudential of banking system and private external debt to finance current account deficit on monetary base and actual value of baht . The econometric method of this thesis was empirically applied along with monthly data from January 1990 to July 1997.

The estimation results that Thai baht tend to depreciate as the total private debt increase risk premium. In addition, an unanticipated increase in total private debt will depreciate the value of baht and the probability of baht attack. Current Account deficit causes a decline in net foreign assets and demand for money through wealth effect. An increase in Central Bank 's domestic credit causes excessive supply of money. These factors rise the expectation of devaluation and eventually result in speculative attacks.

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