

THE IMPLICATIONS OF THE FINANCIAL CRISIS FOR
MALAYSIAN ECONOMY

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ABSTRACT

Malaysia had been blessed by rapid economic growth for the past 10 years prior to 1997. In fact, the success of the Malaysian economy had caught the eyes of developed and developing countries to study how Malaysia managed to achieve such growth. However, when the currency speculators attacked the Thai bath in July, 1997, things started to change. That was the beginning point to the 'nightmare' that the Malaysian economy was about to suffer. Later, more and more firms had to cease operations due to financial difficulties. The unemployment rate and interest rate were increasing. The Malaysian government came up with some measures to counter against those problems as well as to minimize the chances of Malaysian ringgit being exploited by the currency speculators. IMF tried to offer a 'lending hand' to Malaysia as it successfully did to Thailand and Indonesia. However, Malaysia refused to accept the offer as the intention of IMF was not genuine and could cause more hardship to the Malaysian economy in general. To the surprise of everyone, Malaysia decided to stick to its own policies on capital and exchange controls. This study attempts to analyze the implications of the financial crisis for Malaysian economy.

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