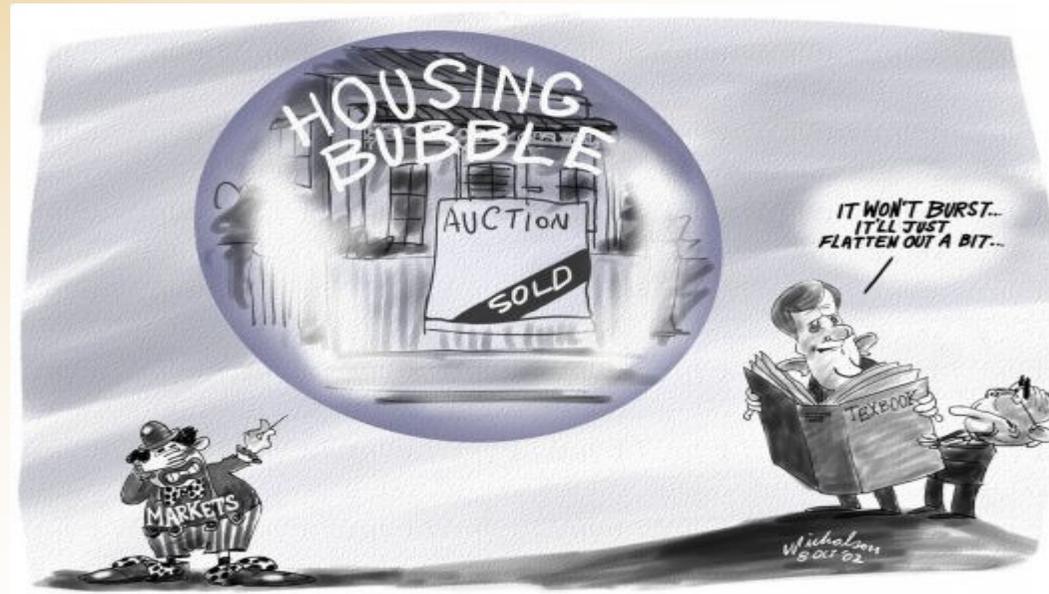


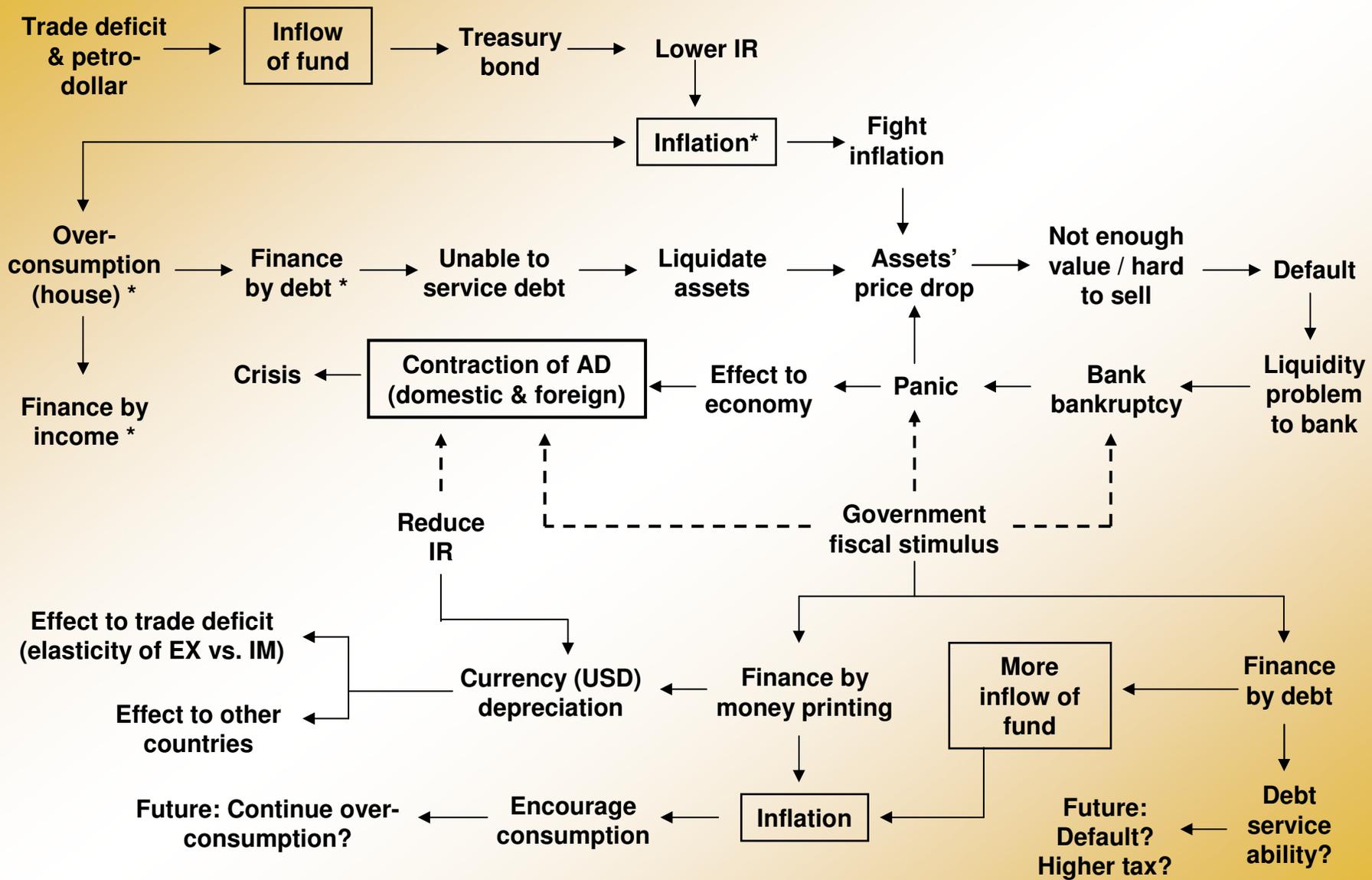
# The Crisis of Dilemma



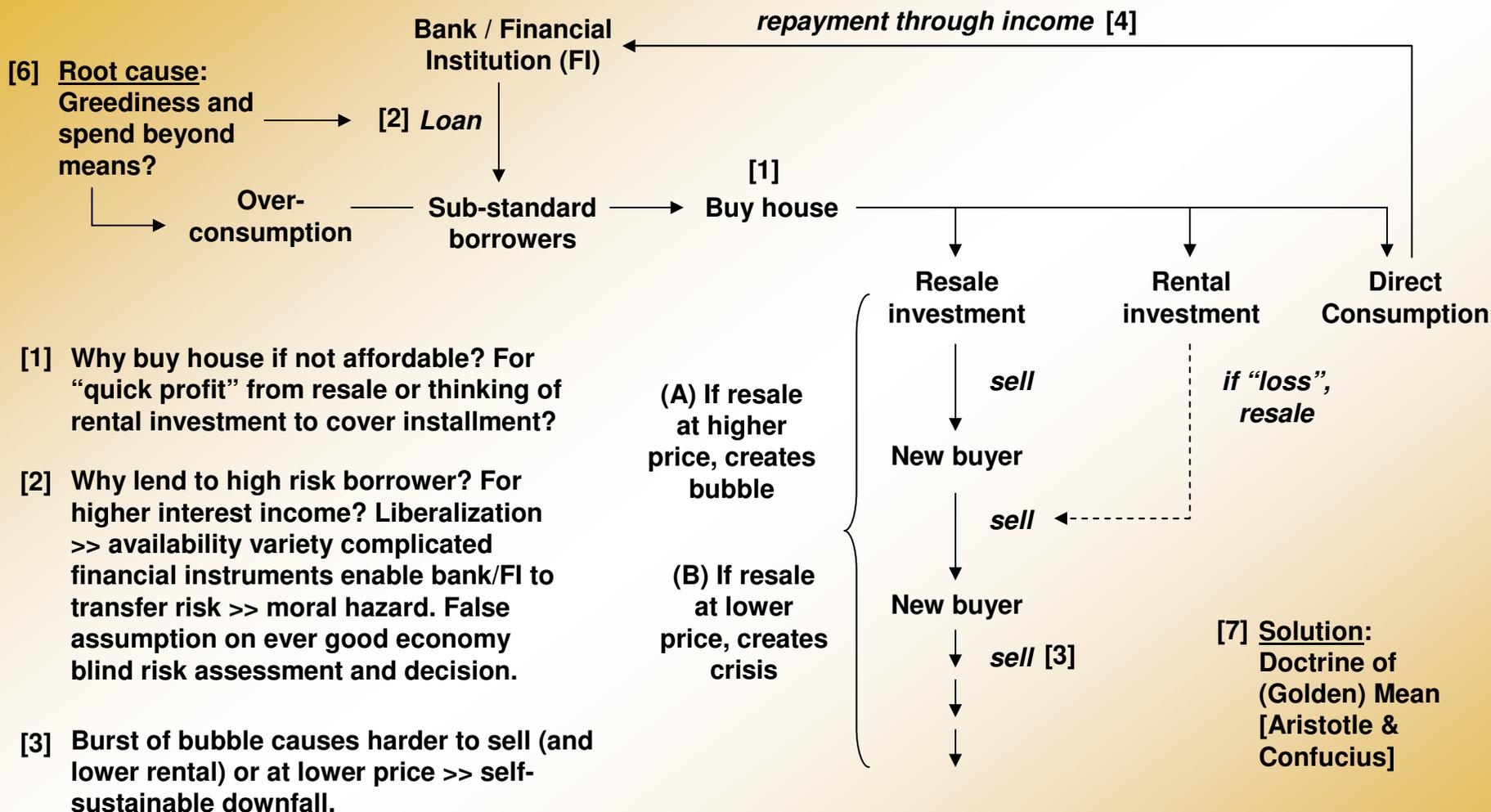
**Economic Society's Forum on  
"Subprime Mortgage Crisis"**

**20 January 2009**

# Overview of Sub-Prime Crisis in United States



# The Crisis of Dilemma: What is its root cause?



**[1] Why buy house if not affordable? For "quick profit" from resale or thinking of rental investment to cover installment?**

**[2] Why lend to high risk borrower? For higher interest income? Liberalization >> availability variety complicated financial instruments enable bank/FI to transfer risk >> moral hazard. False assumption on ever good economy blind risk assessment and decision.**

**[3] Burst of bubble causes harder to sell (and lower rental) or at lower price >> self-sustainable downfall.**

**[4] Possible insufficient income scenario that lead to default or force selling :**  
 (i) inflation increases expenses;  
 (ii) lost of job/other income channels.

**[5] Dilemma:** To sustain inflation, economic remains growing but bubble become bigger (yet, still will burst in future). To contain inflation, bubble burst, economy in crisis.