

# PM: We'll stick to free market

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MALAYSIA will stay within the free market system although the mismanagement in major world economies is likely to drag the country down, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

"We hope we have sufficient management skill to navigate the rougher sea which may follow the recent collapse of the world's stock markets and the unstable exchange rates," he added when opening the "Ministerial Briefing: Towards National Economic Recovery" in Kuala Lumpur yesterday.

He said Malaysia has to consider the environment of currency fluctuations and the bulls and bears of the stock markets in its quest for economic recovery. He added that Malaysia's best laid plans are going to be subject to disruptions by sudden and repeated changes in exchange rates, collapses and booms of the world's stock markets and arbitrary policies of the economic powers as they struggle to stay on an even keel.

Since the Malaysian economy is inextricably linked to the global's economy, it has not escaped the series of economic shocks faced by the world since the 1970s.

The country had been as badly tossed and battered in the rough economic sea as had most others in the free market world, with the most recent strain being the turbulence on the stock markets.

Once again Malaysia is reminded of its links with the world economy and the link is crudely underlined, Datuk Seri Dr Mahathir added: "We cannot go it alone if we want rapid growth through exports, the way chosen by Japan, South Korea, Taiwan and other countries."

Alternatively, it can opt out of the free trade system and export-led growth, but then it will have to say goodbye to rapid growth and accept the stagnation resulting from purely domestic economic stimulus.

Analysing the background to the pre-

sent economic difficulties, Datuk Seri Dr Mahathir said ever since the world foresook Bretton Woods and deprived the governments of the authority to fix the value of their own currencies, the focus of attention has been shifted from the business of producing and selling goods and services to the manipulation of currencies.

As a result, a greater deal of attention was refocused on dealing in stocks and shares. Acquisitions, mergers and share swops became the order of the day and the best managerial brains and energies were devoted to this game.

Only the Japanese and the West Germans seem to cling to the old-fashioned production and sale of goods and services.

The Prime Minister explained the harm that was done because of currency speculations in which sovereign governments were completely power-

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less to legally determine the value of their legal tender.

As a result of the fluctuations in major currencies, earnings become erratic, international trade becomes a gambling game and debts skyrocket.

Even trading in futures become doubly risky and defies prediction. The end result is that the economy of the world and nations are reduced to extreme uncertainties, he said.

"Yet what is currency but so much scraps of paper. By weight it is worth about the same as toilet paper. Money is only worth something if it is backed in some way.

"It may be gold or it may be the sound economy or the political stability of a nation. But can one really say that the gold in Fort Knox has been reduced by half to justify the halving of the value of the US dollar?"

"It is obvious that none of these supporting assets backing the US dollar has changed.

What has happened to the dollar is totally artificial," the Prime Minister said.

Currency traders, greedy for profits, move the values up and down because stable currencies or exchange rates do not benefit them, he added.

A similar situation is also faced by the stock markets. Their original purpose of raising capital has been all but forgotten. Even investments for dividends have been forced to take a back seat. The only thing that matters is capital gains.

The value of shares used to go up because the particular companies were well run, paid good dividends and increased their assets steadily.

Today all these virtues are irrelevant when determining prices. The important thing is sentiment and the need to move prices up or down so that purchases or sales can yield profits.