

Why Government cannot give in to pay hike demands **PM** on danger of **inflationary spiral**

BY HO KAY TAT

MALACCA, Sat. — The Prime Minister today warned of an inflationary spiral if the people continue to spend beyond their means and the Government accedes to demands for pay increases it could ill afford.

Datuk Seri Dr Mahathir Mohamad said inflation had so far been kept very low because of measures like a wage freeze and cuts in spending during the economic slowdown.

This had resulted in an inflation rate of one per cent, which had since risen to three per cent following economic recovery.

He said inflation in the country could have been much higher if the Government had not acted fast.

The Prime Minister was addressing a meeting of State Barisan Nasional leaders and Government officials at the Chief Minister's

growth was the answer to a better and more comfortable standard of living.

He said the Government had given many incentives for foreign and domestic investment and for the tourist industry.

It had also created a conducive environment for local businessmen by removing taxes on luxury goods like watches, cameras, pens and cosmetics.

"If the businessmen do well, the Government can collect more taxes. In the past, when duties were imposed on these goods many people went to Singapore to buy them and returned without paying taxes."

The Prime Minister said everyone had a role to play in ensuring the economic well-being of the country.

He said politicians and administrators who formed the Government must work closely with each other and the private sector. Similarly, the private sector and its workers must also operate as a team.

Dr Mahathir said the role of the administration was beyond merely to ensure law and order in the country.

residence here.

Dr Mahathir said the Government did not want the country to have "unimaginable" inflation rates like some Latin American countries.

He quoted a recent *Newsweek* report as stating that Nicaragua had an annual inflation rate of 25,000 per cent, while in Peru and Brazil the inflation rates for 1989 were 4,000 per cent and 2,500 per cent respectively.

"Such excessively high rates of inflation have had devastating effects on the workers of these countries."

The Prime Minister said that even if the Government agreed to demands for higher wages and the people spent what they could not afford, an inflationary spiral will wreak havoc on the economy.

He suggested that instead of just making demands, workers should work closely with the Government and the private sector to bring rapid economic growth to the country.

"Demands must be based on the ability to give. There is no point demanding from someone who cannot afford to pay.

"But if there is rapid economic growth, the Government will have more revenue and the private sector will make more profits. When this happens, there is no need to make demands, as better salaries will come naturally," he said.

He said the Government could, therefore, also spend more money bringing development to the people.

Dr Mahathir said economic

Economic growth

"Administrators must also create the right conditions for business and industrial activities."

Earlier, addressing a luncheon hosted by the State Barisan Nasional at the Chief Minister's residence, Seri Bendahara, he praised the Malacca State Government for using its rich historical and cultural heritage to enhance the State's economic growth.

He said the State had managed to achieve this despite its size.

"We are proud that although it is a small State, Malacca has been able to use its history to improve its economic growth through its tourism industry even during the economic slowdown."

The Prime Minister attributed the State's success to the administration which concentrated on specific development projects.

"I am also willing to be used as an advertisement to promote the State," he quipped.

Earlier, Malacca Chief Minister Datuk Seri Abdul Rahim Tamby Chik pledged the State Government and State Barisan Nasional's support for Dr Mahathir's leadership and the Federal Government.

He said all Barisan Nasional component parties in the State had played an effective role in ensuring unity among the people.