

R E904 AAE  
MAHATHIR-INFLATION  
BM

SEREMBAN, AUG 17<sup>90</sup> (BERNAMA) -- PRIME MINISTER DATUK SERI DR MAHATHIR MOHAMAD TODAY ADVISED THE PEOPLE TO SPEND WITHIN THEIR MEANS SO THAT THE NATION WOULD NOT BE BADLY HIT BY INFLATION WHEN OIL PRICES ROSE OWING TO THE CRISIS IN THE GULF.

THE PEOPLE MUST DISCARD THE PRACTICE OF BUYING GOODS THEY COULD NOT AFFORD TO HELP KEEP INFLATION IN CHECK, HE SAID AT A MEETING WITH SENIOR GOVERNMENT OFFICERS AT THE SEREMBAN MUNICIPAL COUNCIL HALL HERE.

HE SAID THE PEOPLE, ESPECIALLY GOVERNMENT SERVANTS, SHOULD UNDERSTAND HOW INFLATION SET IN SO THAT THEY COULD HELP AVERT A SITUATION SUCH AS IN SOUTH AMERICA WHERE INFLATION SHOT UP BY AS MUCH 25,000 PER CENT A YEAR.

DATUK SERI DR MAHATHIR SAID THERE WAS NO WAY INFLATION COULD BE CONTROLLED SO LONG AS GOVERNMENT SERVANTS CONTINUED TO BUY GOODS WHICH THEY COULD NOT AFFORD AND DEMAND SALARY INCREASES.

HE SAID THE RATE OF INFLATION EXPERIENCED IN THE COUNTRY OVER THE PAST TWO YEARS WAS SMALL, ABOUT 2.5 PER CENT A YEAR. -- MORE  
1828MST 17 08 90

R E905 AAE  
MAHATHIR-INFLATION 2 SEREMBAN

HE SAID THE PRICES OF GOODS WOULD NOT GO UP DURING AN INFLATION SO LONG AS THE PEOPLE WERE THRIFTY AND DID NOT BUY GOODS WHICH THEY COULD NOT AFFORD.

THE PRIME MINISTER EXPLAINED THAT THE PRICES OF GOODS ALWAYS ROSE DURING AN INFLATION BECAUSE TRADERS RAISED PRICES IN ANTICIPATION OF A POSSIBLE PRICE HIKE.

CITING AN EXAMPLE, HE SAID A TRADER WHO BOUGHT \$1,000 WORTH OF GOODS FOR SALE, AND ANTICIPATING A PRICE HIKE OF THOSE GOODS, WOULD THINK THAT HE MIGHT NOT BE ABLE TO BUY STOCKS LATER IF HE DID NOT RAISE PRICES EARLIER.

DATUK SERI DR MAHATHIR SAID THAT IN 1978-1979, WHEN OIL PRICES WENT UP, THE COUNTRY EXPERIENCED AN INFLATION RATE OF BETWEEN 17 AND 20 PER CENT A YEAR, AND THAT RATE WAS CONSIDERED TOO HIGH.

THE SITUATION SENT A WAVE OF UNEASINESS THROUGH THE NATION AND THE PEOPLE CRITICISED THE GOVERNMENT, HE SAID. -- MORE  
1830MST 17 08 90

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R E911 AAE  
MAHATHIR-INFLATION 3 SEREMBAN

HE SAID GOVERNMENT SERVANTS SHOULD REALISE THAT INFLATION WOULD SET IN IF THEY WENT AFTER GOODS THEY COULD NOT AFFORD, AND WHEN THIS HAPPENED, THEY WOULD DEMAND HIGHER SALARIES.

WHEN THEY WERE PAID HIGHER SALARIES, THE PRICES OF GOODS WOULD GO UP AND THE PROCESS WOULD CONTINUE, HE ADDED.

+IF WE ARE NOT PRUDENT IN MANAGING THE NATIONAL ECONOMY, WE WILL EXPERIENCE THE FATE OF THE SOUTH AMERICAN COUNTRIES,+ HE SAID.

THE 860,000 GOVERNMENT SERVANTS SHOULD REALISE THAT THEIR ACTIONS COULD HAVE POSITIVE AND NEGATIVE EFFECTS ON THE ECONOMY.

HE SAID THE COUNTRY COULD DEVELOP ONLY BECAUSE GOVERNMENT SERVANTS UNDERSTOOD ADMINISTRATIVE PROCEDURES, THE PROCESS OF DEMOCRACY, THE RELATIONSHIP BETWEEN THE PUBLIC AND PRIVATE SECTORS AND THE INTRICACIES OF NATIONAL ADMINISTRATION.

AS A RESULT, MALAYSIA WAS NOW CONSIDERED THE MOST DEVELOPED AMONG DEVELOPING COUNTRIES AND THIS POSITION SHOULD BE MAINTAINED, HE SAID. IT WAS IMPORTANT, THEREFORE, THAT GOVERNMENT SERVANTS UNDERSTOOD THEIR ROLE AND THEIR RELATIONSHIP WITH THE GOVERNMENT, HE ADDED. -- BERNAMA

1839MST 17 08 90