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Mahathir - Inflation

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KUALA LUMPUR, July 10 (Bernama) -- Datuk Seri Dr Mahsaid Mohamad today it was important for the people to understand the mechanics of inflation in order to avoid the inflation psychology trap.

The Prime Minister said although there were many things that the government could do to contain inflation, in the final analysis it was the public which would determine whether inflation got out of control or not.

He added: +When a consumer feels that the price is going up the next day, he will be very willing to buy at any price offered today.

+The price can be quite unreasonable but he will assume that he will get a good deal because it will still be cheaper than tomorrow's prices. +
'Tabling the motion on the Sixth Malaysia Plan in the Dewan Rakyat, he said the seller would also be concerned about how to replenish his stocks because the next consignment was bound to be more costly and he would price his goods high in order to be able to pay for the new stocks. -- more .

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Mahathir - Inflation 2 Kuala Lumpur

He added that the wholesaler, food manufacturer, raw material supplier, transport operator, banker and everyone else would try to anticipate future price increase by hiking present prices.

Wage earners too would have to demand for more pay if they were to be able to buy increasingly costlier needs.

Datuk Seri Dr Mahathir said with the acceptance that prices will always increase and the need to adjust earnings and income to anticipate this, inflation would not only take place but the rates would increase by geometric progression.

+Once this mentality sets in nothing can really be done,+ he added.

He said Malaysia was fortunate in being able to contain inflation and credit was due to the people who had always been price conscious and would not buy what they could not afford or what they thought was overpriced.

Malaysians must know that they were largely responsible for saving themselves from inflation, he added.

+And because they do this they are getting a lot of bonus in terms of rapid economic growth which definitely will be accompanied by a rise in income and purchasing power,+ he said. -- Bernama

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