

Living standard measure flawed, says PM

By ZULKIFLI ALWI

PRIME Minister Datuk Seri Dr Mahathir Mohamad has challenged the conventional method of determining a country's standard of living as flawed, saying it fails to consider all relevant factors. In addition, the US dollar usually used to indicate per capita income in the standard of living is a poor measurement as the currency is unstable.

"The use of per capita income for any purpose is fraught with limitations. What is perfectly clear is that it is a poor approximation of domestic purchasing power," he said when opening the South-East Asian Central Banks (Seacen) governors' meeting in Kuala Lumpur yesterday.

He said per capita income pays no attention to improvements in the quality of life arising from improved healthcare, reduction in income inequality, increased access to housing, education, higher life expectancy and lower infant mortality. Malaysia has made rapid progress in each of these areas.

Demonstrating the shortcoming of the US dollar as the denomination for per capita income, the Prime Minister said when it appreciates against the ringgit, Malaysia's per capita income rises.

This is complicated in instances when the US dollar depreciates against the ringgit but the yen strengthens vis-a-vis the Malaysian currency. Then, Malaysia will have a higher per capita income but will have to pay more for Japanese goods.

"With fluctuating exchange rates, which in many instances are totally unrelated to economic performance, per capita income in

Cont'd Back Page, Col. 6

'Living standard measure flawed'

FROM PAGE ONE

US dollars really measures nothing," he declared.

Malaysia, therefore, wishes its living standard to be assessed beyond just the per capita number. The country intends to become a developed nation in the broadest sense — politically, economically, socially, spiritually and culturally.

He suggested that the central bank governors attending the conference develop a sensible yet practical measure of living standards across countries. This will facilitate better evaluation of a nation's achievements and weaknesses.

Datuk Seri Dr Mahathir also spoke of the challenges in the global economy and called attention to the urgent need to mobilise world savings. Industrial nations, he said, must implement poli-

cies that will boost savings so that international resources and capital stock can increase.

He highlighted the pressing need for further debt relief for countries willing to undertake economic reform which requires a freer international trading environment.

In addition, industrial countries must implement macroeconomic and structural adjustment programmes which will induce sustained growth and low inflation as well as stable exchange and interest rates.

Bank Negara Governor Tan Sri Jaffar Hussein, in his speech, outlined the challenges facing the Seacen region. Among other things, he pointed to the novel problem of managing success which has the potential to under-

mine the countries' growth.

Other problems include fluctuations in oil and non-oil primary commodity prices, exchange rate movements and rising trade protectionism.

Bank Indonesia governor Dr Adrianus Mooy, representing the delegates, spoke of Seacen's achievements. He also pointed out that Seacen members are participating in the Uruguay Round of trade talks under the auspices of the General Agreement on Tariffs and Trade as a united front.

Seacen groups the central banks of Malaysia, Indonesia, Singapore, Thailand, Sri Lanka, the Philippines, Nepal, Myanmar and South Korea. Representatives of the central banks of Cambodia, Fiji, Laos, Vietnam and Taiwan are attending the conference as observers.