

Dr M: Experience of other nations can give us the answer

Zero inflation possible

By Jeffrey Ramayah
and Chan
Cheng Tuan

KUALA LUMPUR, Sat. — Prime Minister Datuk Seri Dr Mahathir Mohamad today took his zero inflation theory to the masses saying that by ascertaining why inflation in some countries is high while in others it is low, ways may be found to translate the theory into practical application.

He said something wrong must have been done by a country with high inflation and something right by a country with low inflation.

"If we can determine what is wrong and what is right in combating inflation, there is a possibility that we may be able to reduce our rate of inflation to zero or lower," the Prime Minister said at the launch of the General Assembly of Consumer Movements, attended by some 1,500 people at the Putra World Trade Centre here.

Coming from all over the country, they included Barisan Nasional leaders, businessmen, senior Government officials, representatives of consumer groups and trade unionists.

The one-day assembly was organised by the Domestic Trade and Consumer Affairs Ministry.

Dr Mahathir said although the public generally believed that price increases and inflation could not be avoided, especially in a country with rapidly growing economy, in reality they could be curbed and brought down to zero.

"It's true that this could not be easily achieved, but

tioned the zero inflation theory when speaking to reporters after the Malaysian Business Council meeting in May last year.

Since then he has raised it on several other occasions and the most recent was at the annual dinner of financial institutions at Putra World Trade Centre on Sept 7 where he brought the theory a step further by inviting economists, financiers and bureaucrats to fantasise with him by testing another of his theories — achieving minus inflation or deflation.

Dr Mahathir had said that although the suggestion might seem naive, it was quite intriguing, adding that if indeed it was doable, it would be a powerful weapon for the nation.

The Prime Minister urged consumers to assist the Government in ensuring that the purchasing power of the Ringgit remains strong and meaningful.

To drive home the point, he produced a 500 billion dinar Serbian note and asked the audience to guess how much it was worth in terms of Malaysian currency.

When there was no reply, Dr Mahathir said the note was worth only 30 sen, adding that while there are many billionaires in Serbia, they were in fact poor because their currency has little value.

"We should always bear in mind that having a lot of money does not mean being rich and having less money does not mean being poor because what is important is not the amount but the purchasing power the money represents."

we know it is normal for some countries to experience 1,000 per cent inflation a year whether the economy grows or not. On the other hand, other countries, including ours, experience only four per cent inflation a year (although economic growth is high)."

Dr Mahathir had men-

He said it would be meaningless for Malaysians to have large amounts of money when they cannot buy goods with what they have because inflation has soared.

He said purchasing power was more important than to have large sums of money and added that people who

are poor in terms of money but strong in terms of purchasing power were richer and better off than those who were cash-rich but have little purchasing power.

The Prime Minister also compared the purchasing power of the ringgit against

the US dollar, saying that although the per capita income of Malaysians was only US\$3,400, their purchasing power was equivalent to US\$8,400. This is because cost of living is low in Malaysia.

He said this was because the production cost in the

United States was much higher than in Malaysia and added that that was why the per capital comparison among countries was no longer based on currencies

PLEASE TURN TO
PAGE 2, COL 6

PM: Output must rise in tandem with income

FROM PAGE ONE

but on purchasing power parity.

Therefore, he said it was important for everyone to combat inflation in order to ensure that the Ringgit and its purchasing power remain what it is today.

Speaking at length on how the people can help combat inflation, he said Malaysians wanted to enjoy an increase in income but added that if the rise was not commensurate with the increase in productivity, it would definitely contribute to inflation.

He said any inflation would negate the effect of income increase.

In this respect, he said the "split personality syndrome" of the people should be got rid of immediately to enable the country to be free of inflation.

"We as consumers support efforts to control prices of goods and services but we are also manufacturers, traders and workers who offer our goods for sale.

"We raise prices without any qualms and this contributes to inflation. We must remember that we are all consumers."

The Prime Minister said Malaysians should be thankful that the country was not only peaceful and stable but enjoyed rapid economic growth and because of this the people enjoyed higher incomes.

"And because of the low inflation rate we do not face the problem experienced in some countries where the incomes are insufficient to even purchase essential items.

"We are lucky because the prices of essential items can be considered to be stable," he said.