

Dr M: Approach must be realistic and limited to basic necessities

# Way to attain zero inflation

By Rashid Yusof  
and Sarban Singh

KUALA LUMPUR, Tues. — Prime Minister Datuk Seri Dr Mahathir Mohamad said the Government's approach in trying to achieve zero inflation must be realistic, and limited to goods and services which are basic necessities for a reasonable standard of living.

He said the most important aspect of curbing inflation was by enhancing the knowledge of the people, workers and businessmen as a whole about its meaning, the methods to be used, and, above all, the roles they must play.

Dr Mahathir said this in his keynote address at the National Summit on Achieving Zero Inflation at the Putra World Trade Centre here. The one-day conference was organised by the Asian Strategy and Leadership Institute (Asli).

He said it was also necessary for everyone, particularly wage earners and traders, to understand that more money did not mean more wealth.

It was the purchasing power of what was earned that counted, he said. "In an inflationary situation, purchasing power will diminish. Only when there is zero inflation will an increase in income result in an increase in purchasing power.

"It is, therefore, important that income increases should not cause inflation, whether the income is in the form of wages or profit margins, or earnings in whatever form.

"This is possible if income increases are accompanied by a comparable increase in productivity, that is increase in income does not affect unit cost."

He reiterated his call that zero inflation could be achieved if Malaysians focused their attention on im-

proving purchasing power. He said Malaysians should overcome their obsession with incomes in figures or exchange rates if zero inflation as a target was to be met. Instead, they should focus on purchasing power.

"It is just not worthwhile to have more money only to be able to buy less goods and services.

"If prices remain static, who gains and who loses? Obviously, the consumer gains. And it must always be remembered that we are all consumers, even though we may be the suppliers or sellers.

"Any increase in the consumer's income will enable him to consume more, not necessarily of the same thing, of course. If he does not have an increase in in-

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come, he will not be worse off. If his income shrinks, he will not be as badly off as when the prices go up, that is inflation.

"Of course, if prices go down he would be better off. Even the supplier would eventually be better off, for although his profit may decrease, the cost of replenishing his stock would also go down and his cost of living too would go down.

"Clearly, static prices or zero inflation benefits all of us, for we are all consumers. Even when we function as suppliers we can still benefit from zero inflation."

All these might sound rather idealistic, if not pure flights of fancy, Dr Mahathir said, adding that deflation had occurred before.

In fact, deliberate and successful deflation had been achieved, he said.

The Prime Minister cited

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## PM: Ceiling for certain necessities must go on

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the experience of France in 1962 when the country decided to drop two zeros from the French franc and call it the nouveau franc. The effect was to reduce prices and wages by 10,000 per cent.

Dr Mahathir said that the management of a country's economy through fiddling

with the values of the currency or interest rates had never really worked satisfactorily.

"If they can work, then the economies of every country should be good because it is really a simple matter — to devalue money or to raise interest rates. They only need the Government to make a decision."

Dr Mahathir said that

price control by Government for certain necessities must go on even if there was no shortage. Taxes and other instruments of the Government should be used to limit price movements in whatever direction.

"A strong Ministry of Domestic Trade is absolutely necessary as traders are usually not self-regulating

and need to be supervised. The Ministry of Human Resources must ensure industrial peace by promoting fair and affordable wages based on productivity.

"Price-tagging, particularly of necessities as listed in the Malaysian CPI, must not only continue but be computerised for quick comparison in terms of locality and time."