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Absolute power can corrupt markets also: PM

Anita Gabriel in Vancouver

VANCOUVER, Mon: Power corrupts and absolute power can corrupt not only governments but also the markets, Datuk Seri Dr Mahathir Mohamad says.

Left to their own devices, both governments and market forces are open to abuse, the Prime Minister said, adding that neither can work effectively independent of each other; as such, they should cooperate and collaborate to achieve maximum economic development.

"Power corrupts. As much as Government can become corrupt when invested with absolute power, markets also can become corrupt when equally absolutely powerful," he said in his address to some 250 business leaders at the Asia-Pacific Economic Cooperation (Apec) chief executive officers' summit dinner last night.

He said the effects of the absolute power of markets are being witnessed today in the "impoverishment and misery of millions of people and their eventual slavery."

And the sufferings of nations due to the financial furore in the region are far greater than the impact of abuses, scams, corruption and poverty which existed when these nations were booming, he added.

Dr Mahathir said it is obvious that the choice is not one of absolute power for the Government or the market. It is about the cooperation and collaboration of the elected Government which is responsible to the electorate with the market which stresses efficiency, competition and the bottomline.

Such government-private sector cooperation under Malaysia's privatization policy has brought tremendous benefits to the country and the people, he added.

However, while one can expect the private sector to do a better job than the bureaucrats with regards to providing public services, it will be wrong to leave everything to the private sector which tend to focus only on the bottom line at the expense of public needs.

Dr Mahathir said following the decline of socialism and communism, the pendulum appears to be swinging dangerously towards the other extreme where the idea of market forces has become too much of "an article of faith ... that anything done in its name cannot be questioned".

"We see this in the rigidity of mind when defending currency trading, for example, or when faced with criticisms regarding excessive stock market speculation," he said.

Dr Mahathir said market forces are as prone to abuses as command economies, and for the former socialist and communist states, the transition to a free market regime is like "jumping from the frying pan into the fire".

Both systems are just as extreme. Before, the country was run on the basis of the "Government knows all and should do everything"; now it is the "market can do no wrong", and the Government must never interfere with the market forces.

"All you have to do is get your fundamentals right and things will right themselves," he said.

Free market proponents say it takes time. But meanwhile people will suffer, lose their independence and the strong will consolidate their positions.

They argue surely the people must prefer to have better service and better goods from those capable of delivering them, to keeping their

independence and continuing to be provided with shoddy goods and services by their own people and government.

"Independence is not important. Surrender your independence to those who know best and you will prosper.

"This is the creed of the market. They, self-appointed though they are, know what is best for you. Governments are old-fashioned and irrelevant," he said in his address entitled "Government and Business: Working Together for Economic Development".

Referring to the financial turmoil in East Asia as a case of unbridled greed overwhelming good sense, he said: "When greed takes over, the effects on others will get scant attention."

East Asian countries had struggled to leave behind their defeated and colonial past to achieve a good degree of development, to the extent that they would have become developed within two or three decades.

But in July this year, these countries "watched helplessly" as their currencies were devalued, sweeping away two decades of growth in two weeks.

For four of these affected countries, the combined loss in purchasing power has amounted to almost US\$300 billion (US\$1 = RM3.49).

"What was the cause of this sudden recession?"

Some have attributed it to weak fundamentals but this alone could not have wreaked the kind of havoc seen in the past months, Dr Mahathir said.

What happened was that the market players were free to borrow currencies in large amounts to sell and thus devalue them. The same practice was seen on the stock market, with no actual investments involved.

No system should allow players to exert such a heavy price on countries and the people, he said.

"But that is the way of the free market. Market forces cannot be interfered with. They are sacrosanct."

Bernama reports: The US investigation on the Petronas deal in Iran is not a trade issue but a "national security" issue, a senior US official said here yesterday.

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