

24 NOV 1997

MARKET FORCES ARE PRONE TO ABUSES, SAYS DR MAHATHIR

By: Mohd Fisol Jaafar

VANCOUVER, Nov 24 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad Sunday challenged proponents that market forces cannot be questioned, by asserting that market forces are prone to abuses as are command economies.

"It must be remembered that self-interest is what moves market forces, and self-interest is not far divorced from greed," he said in his keynote address at the Asia-Pacific Economic Co-operation (Apec) chief executive officers' dinner, here.

Dr Mahathir said unchecked greed could overcome good sense in the market, and when greed takes over, the effect on others would get scant notice.

He said after socialism and nationalism had fallen into disrepute, the pendulum has been swinging further in the direction of privatisation and market forces.

The pendulum, he noted, was in danger of swinging too far and make market forces such 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 anyone criticises excessive stock market speculations.

"The proponents of market forces seem to believe that there are elements in these forces which will so balance them, that they will on their own correct anything that may yield unwelcome results," he added.

However, Dr Mahathir said, market forces were as prone to abuses as are command economies.

In his address themed "Government and Business: Working Together for Economic Development," the Prime Minister said the financial turmoil in East Asia, including Southeast Asia, was a case of point on greed.

He said these countries had worked very hard in order to build their economies and give their people a decent life.

"From defeated and colonised people, they had pulled themselves up by their bootstraps in order to achieve a good degree of development.

"They had been largely successful in overcoming poverty in their midst...there was hope within two or three decades they would be able to become developed countries," he added.

Dr Mahathir said in July, they watched helplessly as their currencies got devalued, wiping out in two weeks two decades of growth as per capita incomes and Gross Domestic Products went down by more than 30 percent while four of these countries suffered losses in purchasing power totalling almost US\$300 billion (US\$1 = RM3.43).

In addition, stock markets were battered and industries closed down, he said, adding that unemployment escalated while other economic activities were affected including stoppage of infrastructure projects.

"No one in his right mind can say that the present situation is better than when the economies of these nations were booming.

"True there were abuses, there were corruptions. There were quite alot of scams and there were still poverty. But the sufferings now are far greater than before," he said.

Dr Mahathir said although some believed that these countries have weak fundamentals which caused the currencies to devalue and the stock market to shrink, the truth was that some market players decided to pull out ostensibly to prevent themselves from losing their money when the economy

collapsed.

He said evidence seemed to show that the market players had not invested in these currencies at all but had merely borrowed these currencies in order to sell them and thus devalue them.

He said it was the same with shares where players merely borrowed the shares in order to short-sell later.

"They were therefore not at risk at all. They merely started the process of devaluation and then they keep on borrowing, selling and buying in order to deliver," he said.

Dr Mahathir said free market has allowed such a practise which has destroyed the economies of so many countries and the livelihood of so many millions of people.

"The free market allows them to do this. It is too bad that countries and people have to suffer and pay a heavy price, but that is the way a free market works."

He said it was the ideology that market forces cannot be interfered with and that it was sacrosanct.

He added: "It was unfortunate that we seem to have jumped from the frying pan into the fire. We had socialist and communist states and their central planning, also sacrosanct, which for 70 years condemned millions to misery.

"In this case there was too much government. No one may try to change anything because the ideology of the supremacy of the states was a religion and did not tolerate heretics who criticised."

"Now we have the ideology of the market, the infallibility of free enterprises, and the governments may not interfere with market forces," Dr Mahathir said.

He said the proponents of market forces say the market would make its own corrections but it would take time.

"A lot of people will suffer. Countries will lose their independence...the strong will overcome the weak and they, the strong will then consolidate and give better service.

"That is the argument. Independence is not important. Surrender your independence to those who know best and you will prosper," he added.

Dr Mahathir said that was the creed of the market, that they know best what was good for the others and that governments were old-fashioned and irrelevant.

"Thus the swing from the government knows all and should decide everything for you to the market can do no wrong, is sacrosanct, is your benefactor, saviour and ticket to prosperity is now as extreme as was the communism and socialism of yesteryear."

He said the fact was that neither the government nor the market could work well on their own and independent of each other.

He noted that power corrupt and as much as government could become corrupt when invested with absolute power, market could also become corrupt when equally absolutely powerful.

"We are seeing the effect of that absolute power today, the impoverishment and misery of millions of people and their eventual slavery."

Dr Mahathir stressed that the choice for the world was not absolute power for the government or the market, but instead cooperation and corroboration between the government elected and responsible to the electorate, and the market with its stress on efficiency, competition and the bottomline.

"Only when the government and business work together can there be maximum economic development for all to enjoy," he added.

Meanwhile, earlier Dr Mahathir had a bilateral meeting with his Thai

counterpart Chuan Leekpai, at his suite in the Pan Pacific hotel here. Also present was international trade and industry minister Datuk Seri Rafidah Aziz. -- BERNAMA

MFJ FR