

# Dr Mahathir may prove to be a hero, says analyst

PRIME MINISTER Datuk Seri Dr Mahathir Mohamad may prove to be a financial visionary for his imposition of currency controls last week, United Overseas Bank economist Tan Kee Wee said.

“What he’s doing may be right. After two years he could be a hero,” Tan told an audience at the Stock Exchange of Singapore’s (SES) Investment Fair ‘98 at the weekend.

He said Dr Mahathir’s implementation of currency controls advocated by leading economist Paul Krugman of the Massachusetts Institute of Technology “may teach the world that the IMF (International Monetary Fund) is wrong”.

Many economists have spoken out against Malaysia’s new regulations, saying they would stifle foreign investment, but Tan said Malaysia’s back was against the wall.

“Malaysia has no choice,” he said, noting that both the country’s currency and economy had been hard hit over the past year like other countries enveloped in the Asian financial crisis.

Tan said the big difference between the stricken Asian economies and Mexico, whose economy was revived with IMF help in 1994, was that Asian debt belonged primarily in the private sector whereas Mexican debt emanated from government borrowing.

The IMF prescription calls on countries to raise interest rates. However, while that had worked nicely in Mexico, it might have the effect of “killing” markets in Asia, Tan said.

Subsequent to last week’s announcement of the new Malaysian capital controls, Krugman had written an open letter to Dr Mahathir published by **Fortune** magazine in which the economist said currency controls should be temporary measures to promote reform and not become permanent trade barriers or means to criticise hedge funds.

Tan drew a comparison between the IMF’s reaction to Dr Mahathir’s currency control plan and the reaction to John Maynard Keynes’ unorthodox theories during the Great Depression of the 1930s.

“They (many leading economists) also dismissed Keynes’ ideas as nonsense at the time,” Tan said.

Keynes’ theories opposed a purely free-market philosophy, arguing that economic performance could be improved by government intervention. — Reuters