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American double standards

PRIME Minister Datuk Seri Dr Mahathir Mohamad has said it before. Indeed he has repeated it many times. Others, including economists of international repute, have made similar comments. And on Tuesday Commonwealth Secretary-General Chief Emeka Anyaoku, joined the increasingly loud and clear chorus when he said: "I have serious concerns about the intellectual dishonesty associated with describing an experience as 'the East Asian Miracle' for the last two decades and then, in the same breath and within a year, to start labelling it as 'crony capitalism'".

As Anyaoku rightly pointed out, developments over the past few months in major economies of the world appear to confirm that this view is a very one-dimensional understanding of the currency, stock market and economic crises that affected Thailand, Indonesia, South Korea and Malaysia. The converse assessment, which is gaining increasing currency, is that the initial approach to the currency and economic management of three of these countries from outside the region, especially through the old prescriptions of the International Monetary Fund, was misguided.

Endorsing Anyaoku's assessment are editorial comments of the Financial Times, issue of Oct 3/4: "In the light of the collapse of John Meriwether's Long-Term Capital Management, this view (that labels the troubled East Asian economies, 'crony capitalism') looks unforgivable." The article goes on to say that the rescue of LTCM has revealed relationships that smack of cronyism and potential conflicts of interest.

We concur with the Commonwealth Secretary-General, as do many economists as well as Dr Mahathir, that the bailout of LTCM raises fundamental questions. We ask the rationale for the Federal Reserve Bank of New York to arrange for a bailout for LTCM when the US and US-backed international institutions have been prescribing edicts to be accountable, to be transparent, to be prudent in lending and to foster free markets to emerging countries.

Countries such as Malaysia have constantly been badgered with pontifications. We are told that we must let bad companies and banks, which borrow or lend imprudently and excessively, go under. We are constantly told that bailing out such companies is an interference with market forces. Such actions would only prolong and delay the adjustment of the "real economy".

Given such a context, how does the Federal Reserve justify LTCM's high stake gambling of US\$200 billion on a capital base of US\$4.2 billion, a leverage of almost 50 times? Is lending to LTCM prudent? More importantly, as Dr Mahathir asked on Monday: how can it be crony capitalism when the Government helps viable companies involved in huge infrastructure projects such as Renong Bhd which provide jobs and incomes to thousands of Malaysians? Conversely, why is it not crony capitalism when LTCM is bailed out and the full and mighty weight of the US Government is brought to help out a private investor?

Clearly then many purveyors of news in the US have to reassess their intellectual honesty and their professional integrity. If they continue to adopt double standards, one for them and one for the rest of the world, their news bulletins and commentaries would be discredited. The age-old axiom, people in glasshouses should not throw stones, will hoist them on their own petards.

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