

09/09/1998

Free market? Not if it is destructive: PM

Kang Siew Li

PRIME Minister Datuk Seri Dr Mahathir Mohamad says the Government accepts the free market ideology, but not when it allows those with money to destroy a country's economy and its people's livelihood.

"I must say that I have been a great advocate of the free market. Indeed, a lot of developing countries also said it is good to open up and let foreign investors come in and invest in one's country.

"And we in Malaysia did just that and we grew quite fast by so doing," he said in Bangi, Selangor, during a dialogue with participants of the Commonwealth Association of Public Administration and Management Biennial Conference.

However, free market today has been translated to mean "free movements of capital in and out of the country, and also the rights of people with huge sums of money to use the money in order to devalue the currencies of others".

"Now that is going a little bit too far because this results in a disruption of the economy of a country."

He cited a neighbouring country where 24 million people lost their jobs, 16 banks closed on the first day the International Monetary Fund took over the economy, and 10,000 businesses went bankrupt.

"And these people blamed the Government. But remember, it is the same Government which prospered the country, which built up the country and which turned around the country. How could the (same government) suddenly destroy their own country?"

Dr Mahathir said the ones that had "destroyed the country were the so-called free market forces, such as the currency traders and the stock market raiders".

He said the lesson to be learnt from this is that "in doing anything, you have to know the limits. If you find that it is not delivering the goods, then you should be prepared to reverse it".

Dr Mahathir said Malaysia has all along tried to persuade the international community to regulate currency trading.

"But we have met with a brick wall. We cannot get them to do anything at all.

"So we have to make the decisions ourselves. What we have done to date is that we have stopped the free convertibility of the ringgit. Today, you cannot buy or sell the ringgit outside Malaysia because it has become worthless."

This way, he added, currency traders can no longer manipulate the ringgit. "Yes, we believe in the free market but we are not going to allow you (currency speculators) to touch our currency."

Replying to another question, Dr Mahathir said it is always important that governments adopt a moderate attitude towards anything that they do.

"If we find that whatever we are doing is not delivering the results we expect, we must be ready to re-examine what we are doing or whatever principles that we adhere to.

"For example, it took the Russians 70 years to discover that communism did not work and during that time, many millions of people were killed."

Dr Mahathir said democracy "is fine", but not to the extent that some countries are practising it without any governance.

"At least, no effective government. There seems to be a kind of musical chair where they keep on changing governments. And because they have a

right to change governments, they may enjoy changing governments," he added.

Dr Mahathir also said downsizing of a government does not always bring results.

"It is true where the bureaucracy is huge. But sometimes, when we try to be too small, we cannot handle the kind of problems that modern society faces.

"Therefore, you have to be able to measure the size of the government according to the needs of the country. Too big a government will result in a lot of duplication in jobs. Too small a government and you won't be able to face the problems," he said.

Dr Mahathir said there is no fixed figure for the size of a particular government.

"I don't have a formula for this. I don't know whether Malaysia has done right or wrong, but we have certainly been able to boost the people's per capita income from US\$300 since Independence Day to US\$5,000 more recently.

"However, it has since dropped to US\$1,500 due to the currency devaluation," he said.

(END)