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From economics guru to student

HOW the wheel turns. Still ringing in everyone's ears are the strident denunciations by the United States administration and its mouthpiece, the International Monetary Fund, of the exchange control initiatives and the benign interest rate regime the National Economic Action Council put into place through Bank Negara on Sept 1. Designed to stabilise the ringgit and to spur lending, both measures were crafted to kick-start our stalling economy that contracted and slipped into a recession in the first half of the year. But the US and the IMF immediately labelled them as unorthodox and unconventional. They declared that these non-textbook economic formulae would not work.

But on Monday, US President Bill Clinton made a call for an urgent meeting of the leading industrial nations to devise a strategy to encourage global growth. A report carried in yesterday's edition of the International Herald Tribune cited Clinton as saying, while the United States was enjoying, "unsurpassed economic strength", the country could not forever remain an "oasis of prosperity" in an expanding desert of economic turmoil. Thus, Clinton hinted strongly that he favoured a lowering of interest rates. How does this revision of monetary policy jell with the continued prescription of the US and the IMF for ailing economies, including Malaysia, that they pursue a tight monetary policy with its attendant high interest rates to weather bad times? Is it a case of "Do as I tell you but not as I do"? Or has the erstwhile economic teachers of the world learnt something from one ingenious student?

Then there is the matter of the international financial architecture. Clinton said that the US would convene within 30 days, a meeting of Finance Ministers from major countries to "recommend ways to adapt the international financial architecture to the 21st century". Surely, this resonates of a familiar, very familiar clarion call. One first sounded by Prime Minister Datuk Seri Dr Mahathir Mohamad when the ringgit was being heavily battered by avaricious currency speculators. He then called for a review of the international financial system that enables currency speculators to move in and out of currency markets with impunity. Dr Mahathir's pleas then fell on deaf ears in the West. For a simple reason. Currency speculators left their currencies alone. Since they were not affected, they were not bothered.

But how swiftly their stand has changed. The US is now hurting from the economic crisis that began last year in Asia and has spread now to several other countries in other continents. Buyers of its planes have long been, in the main, airlines in Asia. Crippled by floundering economies, they are now buying fewer, deferring deliveries or cancelling orders. The same applies to the sale of personal computers for which Asia over the years has grown to be the largest market.

Clearly then, now that the economic crisis is at his doorstep, the President of the world's biggest economy is calling for changes to the international financial architecture. Which is also the reason why Clinton now favours a low interest rate regime. Harsh reality has perforced a rethink of traditional policies and systems. Just as the country had learnt that extreme times warrant extreme measures. But it is gratifying to encounter the fact that Malaysia has been vindicated in opting for an uncharted path to economic recovery. Imitation, as we all know, is the best form of flattery.

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