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Mahathir: `New' capitalists behaving like dictators

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PRIME Minister Datuk Seri Dr Mahathir Mohamad says that the `new' capitalism (renamed market forces) exercises power in very much the same way that dictators and absolute rulers used to - through fear.

"In depreciating currency and depressing the stock market, for example, the `new' capitalists have found an effective instrument to create fear," he said.

"The capacity of a country, a company or an individual to purchase anything is reduced by the percentage of currency depreciation," added the Prime Minister.

"It is as if a country with a gross domestic product (GDP) of US\$100 billion (US\$1 = RM3.86) has lost US\$50 billion. The per capita income of US\$5,000 is reduced to US\$2,500. The assets of companies shrink by 50 per cent if the currency is depreciated by 50 per cent," he said.

Dr Mahathir, in his speech at the Harvard Project for Asian and International Relations Conference held in Kuala Lumpur, said that as money in the system diminishes in amount, foreign borrowings to replenish assets will increase a nation's debt further.

"If there are high foreign borrowings, the ratio of debt to the GDP deteriorates causing a loss of confidence in the market.

"This will start another round of attacks resulting in further depreciation of the currency and market capitalisation," he said in his speech which was read by Education Minister Datuk Seri Mohd Najib Tun Abdul Razak.

The Prime Minister said on the one hand, a country cannot go against market forces because to do so will result in a loss of confidence and another round of attack.

"A country which is the target of an attack will be caught between the devil and the deep blue sea. To maintain the confidence of the market forces, it will have to increase interest rates, reduce credit, increase taxes and remove subsidies.

"These measures will make companies bankrupt, throw workers out of jobs, and induce riots and political instability. Eventually, the country will go bankrupt and foreigners will buy up all the good companies cheaply," he said.

On the other hand, if the country defies market forces and tries to keep interest rates low, borrows money to replenish the system and rescues beleaguered businesses, there will be another round of attacks by market forces.

This will result in further depreciation of the currency, more capital loss, bankruptcies among banks and businesses, further reduction in government revenue and then economic disaster.

Dr Mahathir said that there really is no choice but to submit to market forces.

"The free market system is good. Certainly it is better than the centrally-planned economy of the Communists. But the free market now translates into unrestrained dominance of the rich over the poor, the strong over the weak.

"Apart from calling capitalism `market forces', it is no better than the inconsiderate capitalism of the past, the capitalism that brought about the birth of socialism and communism," he added.

He also said that many believe that Asian values have been the cause of

the state of turmoil and regression.

He questioned whether or not Western greed is equally responsible.

"Isn't the `new' capitalism, the market and the forces that move it and the single-minded quest for profit equally if not more responsible?" he added.

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