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Severe penalties needed for wanton currency speculation

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IT is obvious now that for many years unscrupulous currency speculators have wilfully transformed international currency markets into richly rewarding playgrounds for themselves.

A market by definition is a place where willing sellers meet willing buyers. They transact business, establishing a market price.

As soon as the filthy (and I mean filthy) rich enter the market and distort it for personal gain, the whole point of the market system disappears and becomes corrupted.

Prime Minister Datuk Seri Dr Mahathir Mohamad has recognised the problem and has tried to persuade other leaders to take corrective measures.

His efforts resulted in a great many personal attacks from those leaders and the media. Where he should expect support, he has been derided instead.

Endorsement of Dr Mahathir's opinion of currency speculators has now arrived from an impeccable source.

In the July 4-10 issue of The Economist, there is an article in the international section entitled, "Down with the rand".

The lead heading says: "Currency dealers speculation may not have been the only cause of the collapse of South Africa's currency this week" and the article continues:

"... The South Africa rand plummeted this week losing seven per cent of its value since June 21."

Yet in South Africa itself, nothing happened to cause so drastic a collapse... the action that sent the rand to a record low took place in the dealing rooms of London and New York where hedge funds and speculators reduced South Africa's currency at one point to 6.20 to the dollar, 22 per cent below its level on May 22.

"Some saw it as just South Africa's turn - a typical attack by currency speculators on a vulnerable target at a time of nervousness about emerging markets, whether in Africa, Asia or Latin America..."

The article then goes on to point out that there were other factors contributing to South Africa's vulnerability.

Of course there are always other factors, but they are usually unrelated to speculators' feeding frenzy.

It is a welcome relief to see a responsible financial journal share the views of Dr Mahathir, and echo and accept that speculators acting illegitimately cause disaster - heedless of the results to innocent victims.

When drug suppliers, terrorists, and those who commit crimes against humanity are apprehended, the whole global family at least tries to take swift and severe action.

The activities of these criminals cause indescribable degradation, social disruption and economic calamity. The lives of humans of all ages from all walks of life are destroyed.

Exactly the same results occur when greedy speculators play their games with the economies of vulnerable nations.

Yet society seems unable to act against these international criminals.

Perhaps it is because they dress nicely and take afternoon teas at the White House.

Those who deal in drugs in Asia face long prison sentences and in some cases the death penalty.

Hopefully, all nations will soon recognise and take a realistic view of major international financial crimes and provide for the imposition of severe penalties in clear cases of wanton speculation.

It will be a hard fight - the acceptance of malpractice in this area is deep-rooted.