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SOROS-MALAYSIA
SOROS ADMITS FREE CAPITAL CAN BE DESTRUCTIVE

By: Salmy Hashim

WASHINGTON, Sept 16 (Bernama)-- U.S. financier George Soros has admitted that a totally free flow of capital can be destructive.

"Instead of acting like a pendulum, financial markets acted more like a wrecking ball, knocking over one economy after another," he said of the financial turmoil that has affected much of Asia and is spreading to other countries.

He slammed the International Monetary Fund (IMF) for its failure to contain the global credit crunch, declaring: "IMF programmes do not seem to be working; in addition the IMF has run out of money."

Soros said that there was an urgent need to rethink and reform the global capitalist system where maintaining stability in financial markets ought to be the objective of public policy.

He was speaking before the House Committee on Banking and Financial Services on Tuesday.

On Malaysia's move to impose exchange controls, Soros said that they had managed to inflict considerable damage on foreign investors and speculators, especially short sellers who were being squeezed by the action.

Later, when asked by journalists, Soros claimed that he was not hurt by Malaysia's new ruling because "I'm not engaged, so it doesn't hurt me, but whoever was engaged got hurt."

At the hearing, Soros said Malaysia was getting "temporary relief, if not for the economy, then at least for the rulers of the country."

"The relief comes from being able to lower interest rates and to pump up the stock market by isolating the country from the outside world and squeezing shortsellers," he told a friendly group of house members.

Soros said, "the relief is bound to be temporary because the borders are porous and money will leave the country illegally; the effect on the economy will be disastrous but the local capitalists who are associated with the regime will be able to salvage their businesses unless the regime itself is toppled."

He contended that the measures taken by Malaysia would hurt other countries which are trying to keep their financial markets.

"In this respect Malaysia has embarked on a beggar-thy-neighbour policy," he said.

If opting out of the global capitalist system makes Malaysia look good in comparison with its neighbours, the policy may easily find imitators, making it harder for others to keep their markets open, said Soros, who has often been criticised by Prime Minister Datuk Seri Dr Mahathir Mohamad for his role in currency speculation.

When asked by reporters, Soros said that he had no special message to relate to Dr. Mahathir: "I think he's going his way."

The hearing was held to hear Soros' views on the financial crisis that has hit Asia and now spread to Russia and Latin America.

At least three of the house members stated their admiration for Soros during the hearing and none cast any blame nor asked about his or other speculators' role in the financial crisis that has seen a meltdown in currencies and stockmarket performances in the affected countries. --

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