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Stop the slide in our economy

IT has been pointed out by Special Functions Minister Tun Daim Zainuddin that the perception of Malaysia being in a state of denial over the economic crisis is nothing more than a misguided generalisation. Indeed, there is every reason for us to face it squarely, neither hiding from ourselves the gravity of the situation nor fearing to appraise the problems with an unflinching purpose to solve them.

We have accepted the brutal truth that, as in Daim's words, "... we will never again enjoy eight per cent growth". However, such resignation is accompanied by a sense of urgency to turn the tide. The measures, as embodied in the National Economic Recovery Plan, may yield a slight recovery by one per cent next year. True, the luxuriant years of yesterday will not return but, as he puts it, "at least, it is no longer a contraction". The point is time is of the essence. As pointed out by Prime Minister Datuk Seri Dr Mahathir Mohamad, "We cannot wait until we have no money to buy essential goods. We must act now before it is too late to recover."

The citizenry must consecrate its energies to putting the package of economic measures into action. In doing so, this leaves no room for divisiveness although personal opinions or sentiments will undoubtedly arise. But at the end of the day, there must be consensus - in words and actions - for the sake of national interest. Our spirit of unity demands nothing less. No government bureaucracy or agency should give the impression of implementing an action with its hands tied behind its back. This would erode market confidence in our efforts to put our house in order.

The measures pursued to stimulate the economy may be different from the norm. Convention dictates that the appropriate response to the economic problems is an expenditure contraction, which entails fiscal and monetary contraction. But we are pursuing an easier monetary and fiscal expansion, as seen in the Central Bank's reduction of effective interest rates and the availability of credit in the more productive and priority economic activities, as a strategy to avoid a much-feared depression. The Government realises that interest rate overshooting (rising to excessive levels to cover default risks) will only choke the economy to death. The pragmatic focus of our recovery plan lies in the restoration of macro-economic stability which, in present circumstances, is possible through a counter-cyclical fiscal policy. To critics, we say that financial sector reform without the corresponding degree of macro-economic stability is self-defeating.

Our measures were misinterpreted as the antithesis of a free market. We have seen the unprecedented dangers resulting from the interconnection of currency market, interest rates and capital market. But justice is not a case for market forces to revive. As such, we act to enforce market-friendly measures which represent the collective aspiration of the nation and no one else, not even those who have blind faith in unfettered market forces. Letting the market work itself out, a mantra of many in the West, be it at the expense of the nation's interest is untenable. Government intervention, like the setting up of Danaharta Nasional Bhd and Danamodal Nasional Bhd, is vital to restore macro-economy. Such intervention is not tantamount to predatory behaviour but a market-friendly prompter of economic stimulation. These measures represent our prudent avoidance of

false paths that lead to astronomical economic disaster.
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