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Time is now to make these currency speculators pay

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PRIME Minister Datuk Seri Dr Mahathir Mohamad was described as being a "menace to his own country" for trying to protect and defend the interests of his fellow Malaysians and those in the region.

Referring to currency speculators and the havoc that they had wreaked on the economies of Southeast Asia, he had said that "...it (currency speculation) is unnecessary, unproductive and immoral".

But with the havoc being wreaked in the world - from Southeast Asia, Africa, Russia and Latin America - one wonders whether is it not the speculators who are the real "menace" to the economies, people and elected governments around the world?

The speculators as agents of "creative destruction" have no sympathy for the suffering they inflict on millions around the world.

They have only one goal - and that is to make money no matter how they do it and no matter who and what they hurt in the process.

Thanks to the work of these speculators, currencies in the region have lost between 40 per cent and over 100 per cent of their values against the US dollar.

The ringgit has lost some 68 per cent against the greenback since July last year. The South African rand has shed 30 per cent just between May and August this year, Mexican peso has lost some 40 per cent of its value in just eight months and the Russian rouble has lost close to 50 per cent.

In addition, the stock markets have been battered and the corporations are beginning to be strangled by illiquidity.

Matters have been made worse for some countries under the IMF where capital withdrawals have been further amplified by the Fund's contractionary policies.

The sudden outflow of US\$203 billion (RM852.6 billion) in capital from the region left greater devastation behind. No country, no matter how developed and advanced, can withstand the sudden reversal in the flow of funds in a very short time without dire consequences.

According to Newsweek's computations, when the Gross National Product is measured in US dollars, three Asian countries - Malaysia, Thailand and the Philippines - have suffered worse than the 26 per cent United States drop during the Great Depression.

Indonesia has suffered a contraction close to 70 per cent.

The effects of the speculators are beginning to be felt in many sectors of the real economy. The resultant currency turmoil has damaged banks, disrupted trade and slowed growth.

But these figures do not even begin to tell the story of pain, hardship and in some cases desperation faced by citizens of these countries.

The ranks of the unemployed is growing by the day while for those still fortunate to have their jobs, their pay packet is becoming smaller each month as the per capita incomes are being drastically reduced.

In Malaysia, for example, the per capita income has fallen from US\$5,000 before the currency crisis to US\$1,500 currently.

People, in some affected countries, are dying due to lack of medicine or are unable to afford it as it has become too expensive or they do not have the money at all to seek medical assistance.

What choice do democratically elected governments and authorities have in the face of onslaught from speculators? Joseph Yam, the Chief executive of the Hong Kong Monetary Authority says: "Like it or not, governments

have a role in protecting the level of income and employment of their people".

Free marketeers were citing Hong Kong as an example of an economy that should be emulated. But today that bastion of a free market is under attack by the very same speculators it chose to defend last year.

Speculators are undermining the economic fundamentals of the economy and playing havoc with the currency and the stock market in Hong Kong even though it is deemed to have very strong economic fundamentals which by all accounts are "properly aligned".

Its current account balance of payments position has been "stable to improving".

Despite this it has not been spared the wrath of the speculators who within three days caused the "Hong Kong dollar to be so out of proportion to economic reality that it could only be attributable to currency manipulation".

This led the Hong Kong Monetary Authority to intervene in the market to protect its economy, currency and people.

According to Yam, the "...action is targeted at currency manipulation that took advantage of the automatic adjustment mechanism of our currency board... We wish to send a clear message to those manipulating our currency for this purpose that they may stand to lose money instead".

But the worst losers have been the citizens, businesses and governments in these countries. The economic progress, development and gains made in the last 40 years have been wiped out by manipulators almost overnight.

Economists used to believe that a country whose manufacturers were efficient and competitive and whose government managed its finances soundly could theoretically expect to enjoy a stable currency.

Now it does not matter how efficient, productive or competitive manufacturers in any particular country are, currency speculators can help erode these advantages in an instant and render them high cost producers and non-competitive.

The only winners in this game are the small number of rich speculators while the losers are millions helpless and innocent people around the world.

The speculators, who are indeed a real menace to the world, should be made to pay for the destruction they have caused the world financial markets and economy as well as for the sufferings of millions who have lost jobs or are unable to feed, clothe and provide a decent shelter for their families and loved ones.

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