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Currency exchange rate controls the right strategy

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CURRENCY exchange rate controls are the right strategy for economic recovery and reforming the global financial structure. This is the preliminary finding of Sustainable Development Network Malaysia's ongoing study on the impact of currency control on sustainable development.

The controls act as a natural check and balance to the speculative tendency of the foreign exchange market. The Sustainable Livelihood Issue Workshop of the Asia Pacific People's Assembly in Kuala Lumpur on Nov 11 and 12 last year, found that one of the causes of the economic crises in Asia was the transformation of the function of money.

The globalisation of the economy has moved money from its fundamental function as a medium of exchange to a commodity of profit. This change has motivated and fuelled speculation creating a global casino out of currency trading.

Malaysia's selective foreign exchange control measures have put the brakes on the speculative tendency of the foreign exchange operations and prevented the continued erosion of the value of ringgit. This validates Prime Minister Datuk Seri Dr Mahathir Mohamad's assertion that if not for the control, the ringgit would have become a worthless piece of paper.

It is also evident from Malaysia's action that speculation in foreign exchange trading does not reflect the true value of currencies and the strength of the economy.

It is becoming clear that "the free market" is actually "a manipulative market" of the strong over the weak. No matter how hard the small countries work to build their economy, "the manipulative market" can deprive them of wealth and success.

This manipulative approach is inimical to sustainable development. It destroys real capital for financial capital.

Paul Hawken points out: "We are seeing a world-wide pattern of decapitalisation. Capital whether it be natural capital in the form of resources, or human capital in the form of low-wage workers, or local capital in the form of functional and healthy economies, is being extracted and converted to financial capital at an accelerated rate."

It is also becoming evident that the economic instability is caused by "finance capital". This works to the detriment of entrepreneurs, industrialists, business people, workers and communities.

William Greider puts it succinctly: "In the history of capital's long expansionary cycles, it is finance capital that usually rules in the final stage, displacing inventors, industrialists who launched the era, eclipsing the power of governments to manage the course of economic events ... since returns on capital are rising faster than the productive output that we must pay them, the process imposes greater and greater burdens on commerce and societies."

There is need to reform and restructure both the global economic approach as well as the financial structure. This is not going to be easy. We are all wired up in a flawed economic system and have developed an organic conspiracy against ourselves.

David C. Korten in his latest book, *The Post Corporate World*, points out: "For those of us who grew up believing that capitalism is the foundation of democracy and freedom, it has been a rude awakening to realise under capitalism, democracy is for sale to the highest bidder and the market is centrally planned by global mega corporations larger than

most states."

He also says: "The global financial system is now so unstable that even the speculators who create profit from instability are sounding warnings."

Susden research indicates that Malaysia's currency exchange rate controls and the initiative for reform of the global financial structure are a step in the right direction. They will not only avert future disasters but more importantly help to build a people-centred sustainable development option.

It has the potential to ensure greater certainty and stability for genuine investments, commerce and trade. It does not only give us control over our economy but also development priorities and needs.

Evidence is growing that currency exchange rate controls did not only benefit our economy but the region in general. Malaysia's daring act has checked speculation somewhat and won support from other nations and organisations.

The recent Apec Finance Ministers meeting in Langkawi and the remarks of the president of the World Bank that Malaysia is on the right path to economic recovery demonstrates that currency control can be a strong option for global financial reform.