

05 MAY 1999

MARKET-EXPERT

FINANCE EXPERT CALLS FOR GREATER CAPITAL FLOW REGULATION

By: Neville D'Cruz

MELBOURNE, May 5 (Bernama) -- A leading British financial expert has echoed Prime Minister, Datuk Seri Dr Mahathir Mohamed's criticisms by calling for more regulation of the international marketplace to bring greater financial stability.

Lord Robert Skidelsky, academic, author and British Opposition spokesman on financial matters told an economic conference here that recent experience of economic crisis in emerging countries underlined that markets were inherently unstable.

Arguing for new rules governing exchange rates and capital movements, Lord Skidelsky said, the East Asian financial crisis had raised the question of how stable globalism was.

"An academic case for floating exchange rates and unregulated capital movements has been seriously undermined by recent experiences of both," he said.

"To continue without rules is to risk the destruction of the free market over much of the world and a 21st century which will resemble the worst of our own rather than the best of the 19th."

"I think there has been a long succession of financial crisis since the system of Bretton Woods broke down in 1971, which suggests that it is liable to big shocks and they can be very ruinous.

"If you have lots of collapses, then people will begin to say that maybe the game isn't worth the candle. I'm beginning to argue that you should have a new kind of international framework, which is designed to stabilise things."

Lord Skidelsky, who has written a three-volume biography of John Maynard Keynes, would like to see a system whereby the world's three biggest currencies -- the US dollar, the yen and the euro -- are fixed in value against each other, at least within a broad band.

"They would have an override mechanism where if the economic fundamentals changed they could alter the arrangement, but that would be the framework that other countries, smaller countries, could use to be linked with one of the currencies and fix their own currencies on a trade-weighted basis," he said.

Lord Skidelsky also called for a revamped International Monetary Fund, with much greater resources so that it could become more like a world central bank, a lender of last resort.

"The third thing we need is greater regulation of capital flows around the world, especially with countries with underdeveloped financial systems.

"Those countries simply shouldn't accept as much money as they do, they just can't cope," he said.-- BERNAMA.

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