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Malaysian measures eminently sensible

Jonathan Michie

WHY, then, is further financial liberalisation urged, when the costs to society are so great? To answer that question we have to ask, who benefits? And who bears the costs?

Clearly, many people and institutions benefit. Vast fortunes are made. And when these turn to losses - such as the Long Term Capital Management hedge fund - free-market ideas are abandoned and bailouts arranged.

The United States also benefits from deregulated financial markets globally. Their financial institutions are in the best position to take advantage of these deregulated global markets.

The dominant economic powers at any time in history tend to favour free trade in both goods and capital, precisely because they are in the dominant economic position to take advantage of the free markets, at the expense of others.

The main opponents to any regulations of speculations - apart from the speculators themselves - are therefore the US Government and the American institutions. And when we talk of American institutions, it is hard not to include the International Monetary Fund, being so closely entwined as it is with the Wall Street-US Treasury nexus. One might even say the Wall Street-IMF nexus.

The IMF is deeply imbued with an economic philosophy that impedes the achieving of international financial stability and widely shared economic prosperity.

The IMF philosophy has given rise to an economic outlook that recommends fiscal austerity, financial liberalisation, and export-led growth irrespective of circumstances.

Over time, such a policy configuration is likely to aggravate the problem of financial instability, and increase the risk of global deflation being triggered.

The need to reform the global financial system needs, though, to take account of the huge increase in all sorts of international economic relations - from trade, to investment, to the activities of multinational corporations, as well as the explosion of speculative financial flows.

These developments have been characterised as marking a 'globalisation' of international economic activity - the widening and deepening of international economic interactions.

It would thus be a mistake to see globalisation as synonymous with economic liberalisation. Deregulation and liberalisation is simply the form that such globalisation is currently taking, given the current global neo-liberal regime.

Thus, many of the problems that appear to stem from globalisation are due rather to the neo-liberal regime of deregulation and laissez faire within these developments are occurring.

In considering the need for a global response to currency speculation and financial instability, we must of course start from an examination of the current state of the 'globalised' economy.

Indeed, as Prime Minister Datuk Seri Dr Mahathir Mohamad argued in the first Perdana lecture, this globalisation is very much a part of the problem.

For both international and domestic reasons, then, it is therefore necessary to work on two levels - strengthening national controls over capital flows on the one hand, while at the same time working towards an

alternative set of international structures on the other.