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Malaysia interested only in systems that work: PM

Hardev Kaur in Tokyo

TOKYO, Fri: Prime Minister Datuk Seri Dr Mahathir Mohamad said yesterday Malaysia is interested only in results, not systems, stressing that no matter how good a system is, if it delivers a bad result "we are not going to stick to it".

"Call us heretics if you like. We are willing to be called ignoramuses, but for us if the result is bad then we must assume the system is bad and we will throw it out."

Dr Mahathir said this in his speech at the sixth Nikkei Conference on "The Future of Asia - Asia's Resurgence for the New Millennium".

"You must forgive Malaysians if we don't think much of the floating exchange rate, if we believe that fixed exchange rates are better," Dr Mahathir told the audience comprising corporate leaders from Japan and the region.

History has demonstrated how the fixed exchange rate of the Bretton Woods regime had enabled the world to recover from the trauma of World War II. The world experienced the longest sustained high economic growth. Vanquished Japan and Germany, grew the fastest, he said.

Malaysia has also benefited from it.

The floating exchange rate on the other hand brought two decades of post-war growth to a halt and Malaysia suffered grievously from its manipulation by rogue currency traders.

Unlike the fixed exchange rate, the free float of currencies is not a "creature of Bretton Woods". It was not the result of serious study, debate and international agreement.

Under the Bretton Woods agreement, the US dollar was to be worth 0.35oz of gold and the rest of the world's currencies would be pegged to it. This the powerful countries subsequently reneged upon, leading to the introduction of the floating rate.

The US was involved in an intractable and costly war and was forced to abandon the balanced budget. It accepted a de facto devaluation and went off the gold standard as it seemed the market was the right place to fix the value of its currency.

What people forget is that the market is never perfect, as demand and supply can always be manipulated, the Prime Minister said.

Whatever the arrangement and reasons for the floating rate, it was definitely not good for the world's economy.

"We were never consulted about it, we entered into no international agreement. Others renege on their undertakings. Why can't we?" Dr Mahathir said.

When Malaysia decided to fix the exchange rate for the ringgit against the US dollar, "we were roundly condemned as stupid people who do not understand finance", he added.

Malaysians were told that they would "fall flat on our faces and have them rubbed in the mud as well. Our economy would collapse. We would be begging for help from the IMF and the whole financially civilised world", he said.

The Prime Minister assured his audience that the country has turned around and "Malaysia is doing nicely, thank you".

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