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`It's results that count' (HL)

Hardev Kaur in Tokyo

PRIME Minister Datuk Seri Dr Mahathir Mohamad said yesterday Malaysia was interested only in results not systems, adding 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 stupid ignoramus who can't understand herd instincts. 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."

He told the audience comprising corporate leaders from Japan and the region:

"You must forgive Malaysians if we don't think much of the floating exchange rate, if we believe that fixed exchange rates are better".

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 11. The world experienced the longest sustained high economic growth. Vanquished Japan and Germany, grew the fastest. Malaysia also benefited from the fixed exchange rate.

The floating exchange rate on the other hand stopped the two decades of post war growth and Malaysia suffered grievously from the manipulation by the rogue currency traders of the floating rate regime.

The floating exchange rate was not a "creature of Bretton Woods". It was not the result of serious study, debate and international agreement as was the fixed exchange rate of Bretton Woods.

According to the agreement, the US dollar was to be worth 0.35 oz of gold and the rest of the world's currencies would be pegged to this 0.35 oz US dollar.

The floating rate is the result of countries, powerful countries, reneging on their undertakings in the Bretton Woods agreement.

The US was involved in an intractable and costly war and abandoned the balanced budget. It accepted a de facto devaluation and went off the gold standard and it seemed the right place to fix the value of the and it seemed the right place to fix the value of the currency was the market. The market would know just how much any currency is worth. What people seemed to forget is that the market has never been perfect. Demand and supply can be manipulated, he said.

Whatever the arrangement and reasons for the floating rates it was not good for the world economy. The cost of businesses went up because of the need to hedge.

"We were never consulted about the floating, we entered into no international agreement to always stick to floating.

"Others renege on their undertakings. Why can't we?" he asked.

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

Dr Mahathir said Malaysians were told that they would "fall flat on our faces and have it 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".

Declining to "trot out the usual figures to prove" his point, Dr Mahathir assured his audience that the country has turned around and "Malaysia is doing nicely, thank you".

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