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Seeing things more clearly

Amir Firdaus Khan

THE sad mutterings of the past three belt-tightening years have given way to sparkle in your eyes. Replacing hushed tones, which were the manner of spreading heart-wrenching news of retrenchment and salary cuts, is sprightly talk about returning increments, bonuses and the "head-hunters".

The despondent Asian financial crisis that precipitated the collapse of banks, Governments, decency and a few marriages, is thankfully at its cheery tail-end.

What was that all about? What was so terribly wrong about us? From the unsmiling economists to the earnest salesmen, the woeful experience left all of us befuddled.

Recalled is how accepted reasoning and thinking, perhaps born in the posh offices of investment bankers in New York, became the conventional wisdom as we were trudging the mire. It was accepted as faultless in a flash, unchallenged and without debate.

The iron-clad diagnosis initially ruled that our miseries were caused by frailties of the economic fundamentals, vulnerabilities in the banking system, huge private sector debt. We had supposedly messed things up so thoroughly that our markets must be splayed open to superior foreign managers and companies.

Admittedly, there was some reckless lending by local banks. Discipline and prudence can be tightened in the financial system. We must continue to do things better and learn our lessons.

None of these nonetheless justify the needlessly hysterical prescription during the crisis. Blood must spill, the International Monetary Fund's Michael Camdessus, stern and brooding, was hectoring the Prime Minister who challenged the ruling that companies ruled to have failed must go.

Outcome of the frenzy is palpable. It is there for everyone to chew. There has been a sizeable presence of foreign banks in Thailand, Indonesia and South Korea since. Cheered on for "structural reforms" it undertook, foreign ownership in Korean banks rose from two to 20 per cent.

Virtually isolated at a time for stubbornly turning its back on "sweeping reforms" and shunning globalisation through the selective exchange rate controls, was Malaysia. To this day, it continues to be subjected to shelling for not doing enough, or for "superficiality" in the current impressive indices.

One is now inclined to believe that events in the crisis years were dictated to a certain extent by herd instinct.

Across the region, many economists, policy makers, analysts, academicians and especially foreign journalists, were goaded into embracing a certain set of ideas.

In their drivels, parachute journalists spelt out the terrible state of the economy they were witnessing, the so-called cronyism and bail-outs. They kept returning to the same line of thinking, calling the same analysts and economists for precious quotes and legitimacy.

The sheer might of this formatted thinking drowned protests by the likes of Harvard University's Jeffrey Sachs who saw the crisis as a ruse for foreign companies to buy "failed" banks and firms at fire-sale prices; World Bank's Dr Joseph Stiglitz who thought the credit squeeze would stifle the economies. And Datuk Seri Dr Mahathir Mohamad who was against an unregulated and unfettered gush of hot money.

We have to admit now that balanced and independent opinion was left

wanting during the crisis period. Every analyst in town merrily went with the flow in predicting gloom and despair.

Amid their dalliances with self-destructive prophecy about how the ringgit would plummet further, their companies suffered and started sacking its staffers including the analysts. Overawed by the prophets of doom, some Malaysians transferred funds to banks in Singapore.

As many were panicking, the world's powers-that-be transmitted its second wave of accepted global diagnosis - the real culprits for the economic malaise were allegedly the "jurassic, stifling authoritarian regimes".

The international media may have since ceased referring to Indonesia's Amien Rais and Megawati Sukarnoputri as reformists and instead embraced "reformist generals", but at the height of the crisis, the "reform" label was dished out at will. It is laughable but equally intriguing since its liberal use was a catalyst to bring change in personnel.

On the surface, dividing people into a rigid description of reformist and conservative is too simpleton a line to take in a life filled with riveting human dramas and intrigues. Look hard enough and you establish the cryptic connections.

You will recall however that during the crisis in Indonesia, and later, in Malaysia, the rallying cry was corruption, collusion and nepotism. The collective thinking had it that both countries were being wobbled by precisely the same set of woes. Each a replica of the other, so it seemed. Thus, the need for reformists.

Thailand, South Korea and, earlier, the Philippines had thrown out their Governments. So, they are thought to have become significantly more democratic.

This fragile logic will take another coup d'tat in Thailand to be demolished.

For now the Thai democracy, where quite a number of politicians are regarded as walking ATMs, is seen to be durable. The term "illiberal democracy" has been minted for Malaysia's. Yes, it is mind blowing.

The Malaysian election has now concluded, the clamour for change reverberating elsewhere has not ceased. This week a perpetual fretter of sorts, The Economist published a "survey" on South-East-Asia - "The tigers that changed their stripes".

Ostensibly, the survey is on the economic recovery but the latent desire quickly becomes obvious - it is blindly pushing for greater "democracy" in the region. It commended the Thais and Filipinos, as many "had stopped believing long before the economic crisis that only authoritarian governments could provide the discipline necessary for economic development".

Authoritarian roughly means "demanding total obedience and refusing to allow people freedom to act as they wish". As always the veiled suggestion is Dr Mahathir is an authoritarian.

This isolated example highlights how sections of the international media are in a daze, slinking about morosely, lost. Or, they actually believe they are endowed with inherent, dazzling superiority and are thus duty-bound to correct the flaws in the thinking of others.

Still, the Nov 29 polls, were supposed to be in their eyes, a test of Dr Mahathir's popularity. Millions of Malaysian voters are highly educated, well read and travelled widely. They elected to stick with Dr Mahathir's Barisan Nasional. They may yet change their mind later in elections, but suggesting now that the voters are blissfully ignorant of democracy and of their rights, is an affront to their intelligence.

In the meantime, arguments on the why's of the crisis continue even as our dreamy eyes are thinking of the next big purchase. A big screen

television, perhaps.

An article in the March/April 2000 issue of the Foreign Affairs magazine alluded to the Prime Minister's opinion on the activities of the hedge funds and blamed "irresponsible" foreign banks for the hot money. These banks apparently recalled loans once things were getting difficult, deepening the crisis as banks in the region were used to a rollover of these short-term loans.

This essay will lend a new twist in efforts to extrapolate reasons for the crisis. Investment bankers, the likes of Goldman Sachs, Merrill Lynch and Morgan Stanley Dean Witter, have an obvious link-up with the hedge funds, which benefit from leveraged financing. The whole world knows that Long-Term Capital Management was rescued by investment bankers in a US\$3.6 billion (RM13.68 billion) bail-out.

As we keep revisiting the Asian financial crisis, the backdrop to the scourge that swept the region in such ferocious manner becomes murkier. What had actually happened? Was it economic frailties or flaws in the political system as alleged? Which is which? Have economies developed greater resilience since? Or have financial systems in the region become significantly stronger as a result of the "reforms" which actually means the increased presence of foreign banks?

As we pause to listen to our own judgments, and not some brilliant ideas foisted upon us, we begin to see things in clearer shades.

Finally, ponder this - we may have been stupendously duped, actually. There may be nothing fundamentally wrong about the economic systems of the region. We were all made to suffer needlessly either by an unbelievable display of herd instinct or by the expansionary designs of unfettered global capitalism, blindly aided by a snobbish Western media.

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