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MAHATHIR-SALARY

DR M HAD TOYED WITH IDEA TO DOUBLE GOVT SERVANTS' SALARY DURING CRISIS

By: Mohamed Kamel Othman

KUALA LUMPUR, Oct 11 (Bernama) -- Datuk Seri Dr Mahathir Mohamad said he had at one point during the 1997-98 regional financial crisis toyed with the idea of doubling the salary of government servants.

By doing so, the prime minister said he hoped to raise money supply to match the devaluation of the ringgit.

"I fear that the depreciation would inflict tremendous pain on ordinary people. For example, if devaluation is by 50 percent, I would raise salary by 100 percent, so the value of the money, in terms of earnings, would have the same purchasing capacity," he said in an interview contained in a newly-launched book, "Rewriting The Rules: The Malaysian Crisis Management Model". Excerpts of the book were made available to Bernama today.

At the height of the crisis, the government introduced capital controls on Sept 1, 1998 and pegged the value of ringgit at RM3.80 to the US dollar.

Dr Mahathir said: "If the value of money went down, the price of sugar doubled. But if you earn twice as much, it makes no difference. So you match the devaluation by increasing the income of the people. But this would, of course lead to inflation."

It would also have many repercussions and the situation would be unmanageable, he said.

Dr Mahathir said his worst time during the crisis because when everytime he opened his mouth, the ringgit fell.

He added, "People were telling me to shut up because the currency traders would devalue our currency if I speak. They devalued other currencies as well to get other leaders to condemn me."

"In fact, when the Governor of Indonesian Bank was asked a question, the question was a leading one, to make him say that (the devaluation of the other currencies) was the fault of the Prime Minister of Malaysia. But he refused to say that. At that time I felt so helpless."

"You can't do anything and money was leaving the country as the interest rate in Singapore was 20 percent, whereas ours was 12 percent, and people were taking their money out."

The prime minister said he felt helpless when the whole country then was completely "dry" and there was no liquidity at all while banks were totally distressed.

"If I want to go to the IMF (International Monetary Fund), I know that I would be surrendering the control of our economy."

In Malaysia, said Dr Mahathir, this was not possible as the country consisted of bumiputeras and non-bumiputeras and the government had implemented the New Economic Policy to correct the racial imbalance to avoid race riots.

"Even if we want to go to the IMF, we fear that the end result would be worse. It was a very depressing time to see the country going down. Our people were still able and have the capacity to work, but they cannot function because they had no money and they cannot borrow."

Dr Mahathir also said he had also thought of imposing a state of emergency during the crisis.

But such a declaratiuon had only limited advantage, he said.

"This is not a security threat. It could turn out to be a security threat if there are riots and instability. Fortunately for us, there is no animosity between Malays and Chinese as the New Economic Policy has given the Malays a status in the economy."

"So the Malays were not concerned about the Chinese, they are concerned about themselves. So there is no clash or riot as in Indonesia. Over there, when the economy was down, they blamed the Chinese because they don't have a share of the wealth. The wealth is with the Chinese. But in Malaysia, the Malays feel that they have a share of the wealth too, so there was no danger of an outbreak of race riots. So there was no need for an emergency."

Dr Mahathir disclosed that the turning point in the crisis was when currency manipulators devalued the ringgit in reaction to what he said at the 12th International General Meeting of the Pacific Economic Co-operation Council in Santiago, Chile on Sept 30, 1997.

"The ringgit went down immediately. They (currency manipulators) accused me in the Far Eastern Economic Review, that I should learn not to talk but admit that these people can manipulate your currency. That is a terrible thing, when you are losing control of your own country," he added.

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