

Dr M: It's not cronyism, we need rich people
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Former prime minister Mahathir Mohamad today said that Malaysia needs rich people who can pay taxes, and this is not cronyism even if some of them are now his friends.

Mahathir said that since the British left in 1957, Malaysia has mostly taken a 'pragmatic' approach to its economy - neither free-market capitalist nor socialist - and he therefore shot down critics who said he enriched only an elite class of people during his 22 years as prime minister.

He said that while government borrowed some socialist ideas - backing affirmative action for Malays, created state enterprises and gave land away, it also gave businesses a free hand to profit handsomely.

He was giving the primary lecture for the Centre of Poverty and Development Studies at the Universiti Malaya campus in Kuala Lumpur.

After his talk which was titled 'Poverty issues in Malaysia's economic development', human rights activist and lawyer Haris Ibrahim stood up to grill Mahathir for letting Malaysia's inequality get out of hand.

Haris pointed out that some households now live on RM29 a day amidst Kuala Lumpur's famous Twin Towers, while just one percent of the richest Malaysians control over 10 percent of the country's wealth. This is despite Malaysia's oil wealth which has flowed since 1974.

Haris then asked Mahathir to explain "What went wrong?" and insisted that the elder statesman apologise for failing to eradicate poverty.

The audience cheered and applauded before waiting in anticipation for Mahathir's expected comeback.

"You will find that the rich people are useful people. We were a business-friendly government and I told these people, when you make money, 28 percent belongs to us (through taxes)... that's why we were helping them.

"Now suppose these people are absent... who are you going to tax? You can't tax the poor. We need the rich!" Mahathir said, reading from his little notebook which he used to busily take notes when Haris spoke.

Mahathir also then quickly answered Haris' three questions: "Do I ever drive in KL? I drive every weekend because I love driving. In the past, I used to drive around to check the construction sites.

"What went wrong? You don't expect every prime minister to follow what the previous prime ministers have done... that you will have to ask them."

And then he finished off with: "As for apologising... I should expect the questioner to apologise to me!"

The audience erupted in applause.

Mahathir's solution was modernisation

In his speech earlier, Mahathir noted that when Malaysia gained independence, more than half were living in poverty.

He added that this disparity, which was marked along racial lines, was one of the reasons for the May 1969 racial riots.

Multiracial and multireligious Malaysia could not survive with such instability, said Mahathir, whose most famous economic writing was the formerly banned book 'The Malay Dilemma'.

"How do we solve that problem? Dole out money like BR1M (Bantuan Rakyat 1Malaysia)? But we didn't have money back then," Mahathir said, adding that his own solution was modernisation to expand the economic pie.

"In fact, we grew the economic cake so large that people who were poor at one time are now rather rich."

Looking around at international students and undergraduates who were among the attendees at the lecture, the octogenarian medical doctor who became a politician ended his speech with this advice for fighting poverty.

"Reject ideologies. We are pragmatic people - do what we think will give results," he said.

Later, a law undergraduate also stood up to ask the doctor for his solutions to the perceived crony capitalism and the middle-income trap problems.

He cited the **recent study** from *The Economist* which put Malaysia as one of the top three countries in the world for rent-seeking behaviour which let the rich get richer.

Mahathir again defended his past economic policies, saying that students who wanted income equality had no idea what they were really asking for.

"Who are these cronies? They were unknown people... for example, I didn't know these people until they were successful. Now supposing I have a million dollars to give as capital and I give it to a trishaw rider - what does he do with the money? He will spend the money.

"But if I give it to someone who understands business, he will succeed - the moment he succeeds... ahh, he is a crony! So in order to avoid this accusation that there is cronyism, you must ensure that everyone in this country fails."

Pointing to Malay entrepreneur Syed Mokhtar Al-Bukhary, who is said to be the government's most preferred business partner, Mahathir applauded the billionaire for giving jobs to over 120,000 people through his huge chain of enterprises which spans from carmakers to post offices and book shops.

"But he wasn't always that. He started off selling cows and sugar and rice and now he's a billionaire. What's wrong with that?"

"You want him to be a rickshaw puller? That's easy... just take away all the opportunities from him and he will become a rickshaw puller but what good does that do? You can't tax a rickshaw

puller and you will have no money," Mahathir said.

On the middle income trap, Mahathir said that it isn't so bad as it could be worse. Malaysia could be stuck in a "poor income trap", and the audience laughed politely.

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