

Dr M: Bailing out firms wrong way for US to go

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THE US is doing the wrong thing by bailing out companies in the current global economic crisis, former Malaysian prime minister Tun Dr Mahathir Mohamad said.

While bailouts had worked for Malaysia during the 1997/1998 Asian financial crisis, the same solution should not be applied in the US now as the situation is completely different, he said.

"At that time, the world's economy was still intact. Thus when you bailed out a company, it could then proceed with the kind of business it had been doing (because) business was still being done in the country, and more so, outside the country which was not affected by the crisis," he said in his keynote address on the topic "Crisis Management", at the Perdana Leadership Foundation's industry insights seminar in Kuala Lumpur yesterday.

Today, however, bailing out companies in the US won't help them get back on track because the whole world is affected by the economic crisis.

There isn't enough purchasing power in the current depressed environment to support a recovery, he explained.

"Even after a bailout, Chevy will not pick up, General Motors will not pick up, because the environment is still in a depression. Giving out money — billions and trillions like the US is doing — is the wrong thing to do," he said.

Dr Mahathir, in a candid 45-minute talk, highlighted that the present crisis required a "different solution"

'The present crisis requires a different solution as it was the result of something completely different to the Asian crisis.'

Tun Dr Mahathir Mohamad
Former prime minister

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He said the crisis this time around was caused by abuses in the banking, financial and monetary systems in the US.

"Once you know this, then obviously the answer lies in managing these systems. What we need to do is bring back government supervision in the banking, monetary and financial systems," he said.

If this is done, then it may be possible for a recovery, albeit a slow one, to take place.

He warned that countries should be prepared for slower levels of growth, post-crisis.

"They'll be poorer than they were before the crisis and this is something that they have to accept, just as much as Malaysia accepted it (after 1997/1998)," he said.

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