

Newspaper	The Star
Date	3/4/2011

Dr M: Don't bail out failed banks

'Dole out money to those who suffered losses'

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LONDON: Tun Dr Mahathir Mohamad has called for the closure of banks that caused the global financial crisis instead of bailing them out.


The former prime minister lambasted the West for pumping in billions of dollars to resuscitate these "failed institutions".

He said they should be allowed to go under as bankers were rewarding themselves with fat bonuses rather than be punished for their inefficiencies.

"Let's start new banks. We don't need to have banks with those names anymore as they are a disgrace," he said in his talk 'The Alternative G20 Agenda: Real Financial Fairness' at the Royal Commonwealth Society here on Wednesday.

More than 200 people attended the event on the eve of the G20 summit.

In his usual hard-hitting style, Dr Mahathir said there should be no attempt by governments to rebuild institutions which have failed.



»Most of the wealth comes from playing around with money«

TUN DR MAHATHIR MOHAMAD
FORMER PRIME MINISTER

"If they must dole out money, give it to the people who suffered actual losses due to the banks' failure, but not to the bankers," he said.

He questioned the logic of rewarding bankers who caused the economic crisis, saying those who created trouble were normally put in prison.

Dr Mahathir also took a dig at hedge funds, saying their borrowings should be limited and not be 20 or 30 times

more than the investments.

"Imagine if a hedge fund were to borrow US\$30mil and trades on US\$20mil based on a US\$1 mil investment, the profits would be far bigger than that of the original investment," he said.

He said a stop should be put in creating money out of nothing, adding everyone must come clean instead of obtaining false wealth through shuffling papers. "Most of the wealth comes from playing around with money. You can sell currencies and make tons of money," he said, adding they were not derived solely from producing goods and services anymore.

He called for a review of the international monetary, financial and banking system which had suffered a systematic collapse due to gross abuses.

Dr Mahathir said the global community could elect people to represent the differing economies and work together in curbing financial abuses.

"If we're going to be fair - real financial fairness - we should give everybody a say in the formulation of a new banking, financial and monetary system."