

## **Is cost of living low due to govt intervention?**

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**By Robin Augustin**

### **Think tank asks whether findings by the Economist Intelligence Unit reflect true market dynamics.**

PETALING JAYA: A think tank has questioned whether the result of a survey indicating that Malaysia has the lowest cost of living in Asean is reflective of actual market dynamics.

It could well be due to extensive government intervention through price controls, said an official of the Institute for Democracy and Economic Affairs (IDEAS).

Speaking to FMT, IDEAS external relations manager Azrul Mohd Khalib said the recent findings by the Economist Intelligence Unit were certainly “celebratory news” for all, especially those in the B40 group.

The survey compared the prices of goods and services in 133 cities around the world.

“It is certainly a major achievement considering the significant challenges presented by uncertainty in the current global economic climate, inflationary pressures and stagnant wages in the Malaysian employment market, which the World Bank states is below current productivity levels,” Azrul said.

One concern that need to be addressed, he said, was whether the situation on the ground was due to market dynamics or government intervention.

“While price controls can suppress prices to a certain point, long-term government intervention will affect small and medium businesses negatively.” These business would find it difficult to remain operational, employ people or pay adequate salaries, he added.

In a modern economy, Azrul said, increased costs of living were inevitable and the best way to deal with them wasn’t through price controls, but by creating conditions for better employment opportunities and higher income levels.

“This is only possible if we support businesses and adopt policies which support the growth and expansion of entrepreneurship.

“Perhaps this is a good time to renew emphasis on this while the cost of living remains lower in Malaysia than the surrounding countries as it will not remain low forever.”

Prime Minister Najib Razak, speaking recently about the result of the survey, attributed the findings on Malaysia to the government's efforts to reduce the cost of living.

PKR information chief Syed Ibrahim Noh subsequently dismissed Najib's statement as "meaningless", saying Malaysians were still burdened by the increasing prices of goods due to the removal of subsidies.

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