

THE RINGGIT AND THE DOLLAR

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By Dr. Mahathir Mohamad

1. The dollar i.e. the US dollar has been depreciating against the Ringgit. It is now hovering just below RM3.00 to 1 USD. Obviously this currency crisis is not over yet. Obviously the US is still in trouble. Europe is also in trouble and so is the rest of the world. This is the longest financial crisis in history. It is now in the fourth year.

2. This crisis started in the US in 2008 with the banks going bankrupt because the sub-prime loans defaulted and Lehman Brothers went bankrupt. Since then the US Government has been printing money by the trillions to bail out banks, insurance and automobile companies.

3. Currently Greece is still unable to repay loans caused by the switch to the Euro.

4. Malaysia appears to have escaped much of the crisis. Our currency is in fact getting stronger and our economy is growing at a good rate.

5. Why has a serious currency crisis affected the developed countries and not as much the developing countries? The answer is that we have not been trying to get rich quick through playing the money market.

6. I am not a financier of course and my knowledge about finance can be written on the back of a postage stamp. So no one should take what I say about finance seriously.

7. Still, I would like to hazard a theory.

8. The US was, after the Second World War, the richest nation. They have companies like General Motors, General Electric, Caterpillar Tractors, McDonnell Douglas & Boeing, great manufacturers of household appliances, radios and television, machine tools, precision instruments and of course a massive weapons industry.

9. They were so confident of the superiority of their industries that they did not mind teaching the Japanese the importance of quality and expertise in manufacturing.

10. To cut a long story short, the Japanese mastered manufacturing so well that their high quality but competitive products displaced those of the Americans and much of the Europeans in the world market.

11. After Japan came Taiwan, South Korea and then China. The products of these countries even displaced American and European products in their own countries. The last straw is the invasion of East-Asian cars into the American and European markets.

12. Instead of trying to compete, the Americans in particular, and the Europeans opted to surrender the markets to the Asian newcomers. But American and European economies continued to grow and they remain as prosperous as ever.

13. To remain ahead in wealth the Americans and Europeans invented a new market – the money market. They invented ways of making money from money. These they call products although they cannot be eaten or used.

14. The banking system they created was for the purpose of lending money to finance business enterprises. To do this the banks were allowed to lend more money than they have as capital, assets and deposits. In effect this means the banks could create money. In fact in the past banks issued banknotes to pay for goods and services. Later the banknotes were replaced by cheques. Everything can be paid with cheques. No cash is needed any more.

15. It was fine as long as the Government oversees the money created by the banks and limits it to ten times the banks assets. Then the American Government decided that it should not supervise the banks. The market would regulate itself.

16. Freed of Government oversight the banks began to lend far more than ten times their assets. They lent even to people with no income and no capacity to repay the loans, especially for houses.

17. The loans were then either mortgaged or insured. The belief was that they were safe. In any case if the borrower defaulted the property would be worth more than the loans as property prices seem to appreciate all the time.

18. Other ways of making money were invented. Hedge funds, carry trade, currency trade, mergers and acquisitions, investment in 'emerging markets' (formerly known as developing countries), junk bonds, securitised mortgage, commercial paper, short selling, index funds, sub-prime loans, private equity funds, repo market, structured investment vehicles, etc etc

19. Any of these things can give huge profits. For the astute players any of these things can make them millionaires or billionaires overnight, practically overnight.

20. The money market products yield nothing substantial. They create no jobs, no tangible products, no trade in goods or services, no spin-offs in terms of business, no transportation of goods by land, sea or air.

21. Yet the size of the transactions in monetary terms is mind-boggling. The trade in currencies is said to amount to four (4) trillion US dollars a day. It is the size of the total German productivity for a year. Yet no jobs are created, no goods or services are produced, no movement of anything is seen.

22. Of course the people involved in the trade make billions of dollars. Operating out of tax free havens, they report to no one and pay no tax.

23. The money market players and the billions they make contribute to the high GDP and the Per Capita incomes of America and Europe.

24. Then came the collapse. The bubble bursts. And there was nothing spilling from the burst bubbles.

25. The money market players know nothing about other business, about the production of goods and service, about real trade in these things. Actually all of them have become poor.

26. And so they resort to printing money, to remain rich. But the money they print is as valuable as toilet paper.

8 Comments

1. [faa](#)

May 20, 2011 at 10:42 am

Dear Tun,
There are many of us out here are praying for your health (both of you). Semoga Allah SWT panjangkan umur Tun berdua.

2. *AHMAD BADRI*

May 20, 2011 at 12:53 pm

Dear Sir,
In ref to my earlier entry on sending comments – I wish to thank HBT. However, I was still unsuccessful, the dark blue shade still came out at the bottom blocking everything below it.
Then I tried by blocking the last two lines at the bottom, and was able to see the underlined words “sign in”. Click to that then the bold “Leave a Comment” line comes out with the space below it to send in the comments.
So far it worked. Hope to read more interesting comments in Chedet blog.

3. *Jaquar*

May 21, 2011 at 10:57 pm

Wishing you a speedy recovery and the very best to you.

4. *Yunus*

May 22, 2011 at 10:50 am

Dear Tun,
First and foremost wishing you a quick recovery and may you be blessed with a full recovery
Your thots are convincing and well said for even a layman to understand.
But it looks like people who understand Finance, the so called Financial experts around the world are blinded by the “trickery” of the US and choose to look the other way.
The US with its might of weapons is free to do anything today including print tons of “toilet paper” (= USD)!
Warm regards

5. *Nikmat*

May 22, 2011 at 11:37 pm

Yg Amat Berbahagia Tun Dr Mahathir

Alhamdulillah, syukur kpd Allah dgn berkat doa ramai orang Dr telah beransur sihat.

1. Idea Tun Dr Mahathir semasa jadi PM dulu utk jadikan dinar emas sbg mata wang dilihat oleh ramai orang sebagai sikap Dr Mahathir yang amat bertanggungjawab untuk memperkemarkan dan mengimbangkan nilai mata wang semua negara di dunia.

2. Idea Tun Dr Mahathir itu bukanlah idea untuk jadi popular.

Semoga Allah memberi rahmat dan pelihara Tun Dr Mahathir sekeluarga serta melindungi kita semua.

6. *Idea*

May 23, 2011 at 10:05 am

Dear Tun,

May you recover soon and be in good health.

1. Speculators will be among the happiest people when Malaysian money market is liberalized again.

2. Just like property traders, using the cash they have will not be enough. To get huge profits, literally overnight, they borrow money from the banks.

3. The banks, at the same time, get more businesses by lending money. This is why the banks are more inclined to support the liberalization move.

4. The two parties claim that their activities will contribute to the economy. The more liberal the market is, the more transactions they will do. Thus, the more growth there will be.

5. Outweighing that benefit, liberalizing money market will put Malaysia in a very risky situation.

6. Malaysians, in general, are debt-ridden. They buy goods, in particular motor vehicles and houses, through loans. What worse is the prices of both motor vehicles and houses are unreasonably high. So, the loans also become irrationally huge. Due to their limited income, most Malaysians take many years to settle their loans.

7. Malaysians have been living on an artificial buying power. They, in fact, have no real power to spend. They are very dependant on bank loans. Without bank loans, they could not purchase cars and houses which are considered necessities these days.

8. If something happens to the banking sector, motor vehicle industry and housing industry will be greatly affected. The fall of these two industries will produce a contagion effect that subsequently will paralyze the economy.

9. In 1997-98, we witnessed how the manipulation of money market has caused a remarkably unpleasant financial crisis. The banks were in terrible state and had to be merged.

10. The government is seeking ways to achieve high growth rate. They want to make us a high income nation in less-than-a-decade time. However, liberalizing the money market is not a good shortcut.

High Income and Purchasing Power

11. We may be a high income nation but we may not necessarily be a nation with high purchasing power. If most of our income goes to serving the loans, we simply have nothing much to spend. Being a high income nation does not mean being able

to spend more.

12. Besides pursuing a high income status, the government should also focus on increasing the market purchasing power.

13. Two avenues are decreasing the car prices and regulating the excessive increase of property prices. If these two prices are low, the amount of loans will also be low. Malaysians will have more money to spend.

14. But some parties especially the industry players will make objections. The government will have to make the call; a move that they have been hesitant to do in a number of recent situations.

7. *KijangEmas*

May 24, 2011 at 10:06 am

Dear Tun,

May you be in good health.

It has been 10 years since the dinar and the kijang emas were brought up. Until now they just merely act as an another gold investment, much like jewelery. To be bought, displayed and then stored. If the need arises it can be pawned.

Why is it so difficult to apply them as real money. Real good money, at least domestically. As another denomination ie. 1 oz Kijang emas pegged at RM 5000 (as off 1/4/2011 till 30/9/2011), 1/2 oz at RM 2500, 1/4 oz at RM 1250. Pegging revision to be done, say every 6 months.

If both dinar/kijang emas are really that good intrinsically, why the implementation really take a very long time. If only we have been using it for 10 years.....or we are just the same?

Best Regards

8. *non-jibaok*

May 24, 2011 at 4:53 pm

YABhg. Tun Dr.,

Please watch & listen to this famous Talk-Show (Glenn Beck) that was aired recently (March 2011) over national USA television, as below:-

1) <http://www.youtube.com/watch?v=SfRIspYsGJk&feature=related>

2) <http://www.youtube.com/watch?v=fXdpWtKUWAM&feature=related>

3) <http://www.youtube.com/watch?v=SPMZm9vqD10&feature=related>

However, after this glaring and courages exposure of The US Federal Reserve scam by the host of show (Glenn Beck) over US national TV, had cost him his career when he was ultimately reprimanded and his show was wrapped-up by the so-called "controlled" US mainstream-media, as reported below:-

1) <http://www.theroot.com/buzz/glenn-becks-fox-show-wrap>

It is time that the common masses wake up and stand-up to be counted and do something it, to face-up with all the nonsense that is going around in this world today. No more complacency and 'can't be bothered' attitude should be tolerated if we are to save the world from the grip of those evil puppet-masters that control our very lives, in terms of the world economy.

It's time to wake up and smell the coffee, and do something about it...!

YABhg.,

P.S. > Please do something about your website. There are so many item that is not

legible to the disadvantage of the viewers and readers. Many will be discouraged and shy away from this site if the attack on your site (by the so-called "malware"™) is not overcome.
All the best to you...., Sir. Wassalam.

Source: <http://chedet.cc/blog/?p=523>