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Comment by WONG SULONG

THE other day I was catching a train from KL Sentral to KLCC when I bumped into an old friend. Hey Sulong, everything is going up. What's the Government doing about it? he asked in a tone of frustration and resignation. It's simple question with no easy answers. It's also a question that is the preoccupation of hundreds of thousands of anxious Malaysian households, particularly wage earners and those who do not have strong bargaining clout.

Inflation, or to the layman, rising prices of goods and services, is rearing its ugly head not only in Malaysia, but all over the world. It poses a great challenge to governments and central bankers. High and prolonged inflation can erode the very foundation of the global economy and lead to widespread social and political unrest. Who are the culprits of inflation? Is it the Americans and their extravagant lifestyles, living beyond their means and on world credit? Is it China whose surging economy is gobbling up almost every conceivable commodity? Or it is the heightened political risks arising from tensions in the Middle East and Iran? It's difficult to apportion blame. But it's important for Malaysians to realise that rising prices are due as much to the global forces of demand and supply as to inefficiencies in the Malaysian economic system.

China and India, accounting for 40% of the world's population, are on the move. They are creating waves of titanic proportions. Take oil. Six years ago, crude oil price was trading at around US\$15 a barrel. Now it's more than US\$90. A year ago when the Government promised it would not increase the petrol price till the end of this year crude oil was US\$60 a barrel. That was considered to be very high then. Now, there are many economists and analysts who say oil will hit US\$100 a barrel. The question for the Government is: how long can the Government keep petrol prices down? Or should the Government spend tens of billions of ringgit subsidising petrol and gas? Another case is steel, a product that is vital for the global economy. The world price of steel has risen sharply in recent years due to buoyant demand from China and India. The price of iron ore rose by more than 100% during the past three years, and now Australian ore exporters are asking the Chinese for a 50% increase in iron ore prices for 2008. And they are likely to get it. Given the world scenario for iron ore/steel prices, the question is: how long can the Malaysian Government keep the lid on steel prices? Should it, in the first instance? However, the Government knows that an increase in the price of fuel and steel will impact almost every sector of the economy and it will be painful for many segments of society. I believe that so far the Government has done quite an admirable job in keeping the lid on inflation and helping those groups that are most vulnerable to rising prices. We complain about petrol prices, but foreign visitors can't believe how cheap our petrol prices are. But there is still a lot that the Government can do. Step up the fight against wastage and corruption. Continue to cut red tape and reduce the cost of doing business. Review monopolist situations with a view to injecting competition. Last week, the Australian Federal Court imposed a A\$36mil (RM110.97mil) fine the highest on record on a cardboard box company, owned by one of the country's richest man, for colluding with another manufacturer to raise prices. Cartels are thefts usually by well-dressed thieves, said Graeme Samuel, the chairman of the powerful Australian Competition and Consumers Association, who brought up the case. Yet in Malaysia, we see producer associations regularly raising prices of their products, without a protest. There is nothing better than competition for consumers to get the

The Star : How to fight rising prices

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best prices. Look at AirAsia and Malaysian Airlines System. They are slugging it out. The consumer benefits. At the same time, Malaysians, on their own, must make efforts to fight rising prices. Many Malaysians are feeling that they are losing the battle against rising prices. But there are many ways they can help themselves. Off the top of my head, I can think of a few: IF you buy a RM7.50 cup of coffee to give you a daily perk up at the office why not make your own coffee? > IF you are a smoker, cut your smoking by half. In fact, you should not be smoking at all; > TAKE shorter and cheaper holidays; > DELAY purchases of big-ticket items like cars, flat screen television sets, fridges and music systems; and > GO for less expensive products that are just as good as the branded goods. Don't worry too much about prestige. Finally, I would suggest to readers to look for ways to earn some extra income. There are many ways to earn an extra dollar if one is resourceful. However, I do not recommend begging, borrowing or stealing.