



Pic by Muhd Amin Nahrul

Pettifor: Onus on regulators to manage rates

Central bankers should play more active role in managing interest rates, says economist

by TANU PANDEY

AT A time when most governments are complaining of fiscal pressure and investors are facing economic uncertainties, UK-based economist Ann Pettifor has brought forth a novel

view of putting the onus on the states and not the corporate sector to manage financial sustainability in the economies.

Pettifor, a director of the Policy Research in Macroeconomics in the UK, is critical of regulators in both the developed and developing markets like Malaysia. She said the regulators are not doing enough to manage interest rates, which pose a critical impact on the economy.

"The interest rates, paid by people and corporate entities,

are much higher than the base rates or policy rates that regulators decide," she said in an interview with *The Malaysian Reserve* in Kuala Lumpur. She was in the city to attend the two-day World Capital Markets Symposium that ended on Wednesday.

Her prescription to the problem is simple — the government has to create assets like issuing long- and short-term bonds so that the people could invest in such assets.

"This way the interest rates

can be managed," she said.

Pettifor said she wants to see central bankers manage the interest rates in a much more active role than they are doing right now. "The interest rates are very important for the overall economy."

She said the corporates should not be saddled with the burden of taking responsibility for sustainability and development. However, businesses should be fair to stakeholders and the people, its customers in particular, but states should

be taking the lead and not the corporates, she added.

Citing the Malaysian example, she said the interest rates for consumers is higher than the base rates.

"For instance if a businessman wants to do business, he would need a loan at the interest rates which are very high. He would have to invest and make a profit and if the interest rates are high he would be under a lot of debt."

Pettifor pointed out that the idea that interest rates in

the markets are discovered by the markets does not work as the rates are not a result of the demand for savings but "a social construct by a committee of men".

With regard to Malaysia, she said the country managed the financial crisis in 1997-1998 very well by imposing capital controls. Malaysia, she added, could focus more on its domestic market as export-oriented economies are more prone to risks from lower external demand.

ONUS ON REGULATORS TO MANAGE RATES: UK-based economist Ann Pettifor (right) has brought forth a novel view of putting the onus on the states and not the corporate sector to manage financial sustainability in the economies. Pettifor, critical of regulators in both the developed and developing markets like Malaysia, says regulators are not doing enough to manage interest rates. Khazanah Nasional Bhd MD Tan Sri Azman Mokhtar showing off the Khazanah Report 2012 themed 'Building True Value' as Pettifor looks on at the World Capital Market Symposium 2013 in Kuala Lumpur. SEE P5