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Academic warns of runaway inflation

By KENNIS CHU

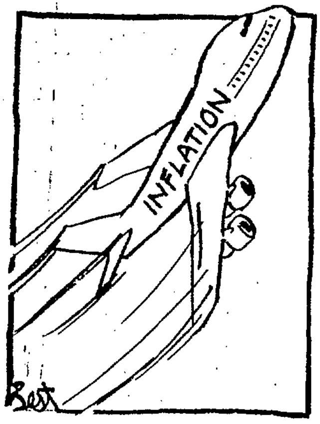
ALTHOUGH Hongkong may have a new airport by 1997, it will have a worthless dollar, warns one of the territory's leading academics.

Professor Robert Haney Scott, lecturer in finance at the Chinese University of Hongkong, said with its ineffective policies, Hongkong could have an inflation rate of more than 20 per cent in 1997.

And controlling that runaway growth would turn the territory's economic boom into a bust.

He suggested the best anti-inflation policy would be to set up a consistent rate of money growth, for example four per cent, and abandon the currency peg to the US dollar.

In 1986 the territory's inflation rate was about four per cent. After that, it had a rising trend of about two per cent each year and the rate reached 12 per cent in 1990.



With further inflationary pressure from public spending on the port and airport project, inflation would continue to advance by two per cent each year, reaching an annual rate of 24 per cent in six years, Professor Scott said yesterday.

Professor Scott's forecasts are by far the most pessimistic on inflation.