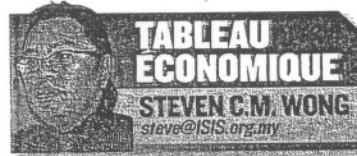


Malaysia and Pareto

We appear to either forget to target the vital few or cater to them too much



I conservatively estimate that about 10% of Kuala Lumpur road users commit traffic offences every day. Driving into the city in the mornings, for example, queue jumpers using the bus and taxi only lane along the Federal Highway quite often equal the number of motorists in the legal lanes. Add to this, speeding, red light jumping, traffic obstruction, illegal parking and all-round reckless driving, and the numbers quickly add up.

Even a relatively small figure of one-in-10 road users, however, can impose significant costs and hardship. With more than 16 million motor vehicles on the road – apparently Malaysia has the third highest motor vehicle ownership per 100 persons in the world – such road users contribute to an inordinate amount of delays and accidents.

Most of these offences, however, will go unpunished as it is logistically impossible to police such a large number of offences committed each day. The KL traffic police chief was quoted in *The Star* last year as saying that 12,000 summonses a day were issued nationwide, a tiny fraction compared with the total offences committed.

Imagine what would happen if my estimate were to double or triple. KL traffic would be gridlocked and resembles that of other Asean capitals or worse. The authorities would be forced to raise traffic fines further and set up more roadblocks. Traffic cameras are already going to be introduced at 200 hotspots this year to try and counter this problem.

Even this, however, may not be enough. Enforcement is necessary to ensure that a minority of Malaysian road users do not affect or, worse, negatively influence, the rest. Whether the road system functions smoothly depends critically on paying close attention to the minority, not the cooperative and law-abiding majority.

So what do road users have to do with the Malaysian economy? More than a century ago, an Italian economist named Vilfredo Pareto noted

that 80% of the land was owned by 20% of the people. This observation has since evolved into the law of the vital few, or how a relatively few countries, companies and people dictate most economic outcomes.

We, in Malaysia, appear to either forget to target the vital few or else we cater to them too much. What often happens is that policies are made to achieve certain goals but forget to take into account how they impact the major stakeholders. The consequences are then policy reversal, non-implementation or rejection.

At other times, though, policies may be pursued to suit the desires of the vital few to the detriment of the wider public. Many of the early first generation privatisation concession agreements were so heavily lopsided in favour of concessionaires that they have extracted a heavy financial and political toll on successive governments.

Policymakers have therefore to constantly balance the interests of a few against those of the many. This is no easy task when taking public complaints to the streets has become a common practice. Populist policies may make governments more liked (or less disliked) but they also run the real danger of being growth-reducing rather than growth-inducing.

At this point in the economic downturn, there is a need to be coldly practical rather than fuzzily ideological. The country has to restart its economic engines and run them at high speed if it is to have any chance of a substantive recovery. The global economy may have hit rock bottom but the economic rebound has yet to be determined.

For this to happen, the vital players will have to be co-opted. Malaysians have come to regard the Government (and political leaders) as all-powerful but when it comes to the economy, this is far from not

true. The Government can spend, it can tax and it can redistribute but it cannot sustainably create wealth.

If the needs and interests of the vital few are ignored, they will invariably take their business elsewhere. And in today's globalised world, there are more than a few countries waiting with open arms to embrace them if we do not. This is the singular problem that countries in the middle income trap, like Malaysia, face: competition and an abundance of other options.

The liberalisation policies of Prime Minister Datuk Seri Najib Tun Razak were not a populist measure. They did not immediately benefit the many and, indeed, appeared to take away privileges from them. Liberalisation, however, appeals immensely to those in a position to take advantage of them. In so doing jobs and incomes are created for the masses.

Having made a brilliant start, it would be a tragedy to return to half-hearted measures. Already, there are cross-signals whether Malaysia is willing to do what it takes to be a serious economic player of the future. In recent weeks, international media coverage has focused on the negative developments in the social and political spheres, not the economic.

Efforts will have to be redoubled. The stakes are very high. But until Malaysians put aside their wishy-washy mentality and show that they have the real mettle and fortitude to pursue a vigorous course of economic transformation, they will convince no one that the rhetoric of their speech will lead to real actions.

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