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## The virtue of having two hands

Tableau Economique - By Steven C.M. Wong



FEW can argue that Malaysians overcomplicate matters. If anything, we tend to think about things rather simply and, many times, also simplistically.

Take the prospects for the Malaysian economy. Recently, there has been a war of words about whether the worst is over or whether the worst is yet to come. Members of the administration hold that our fortunes are firmly on the rise while, understandably, the opposition leader and his depleting side maintain that the best we can look forward to is economic lethargy.

So which side is right? Opinions and vested interests aside, what do the objective facts and logical analyses say?

To be fair, this is a legitimate question and one that is being asked in government offices and boardrooms the world over. There is a great deal of societal welfare and corporate profits riding on the result. The health of government finances, investor confidence, jobs and incomes all depend critically on whether there are better days ahead.

The obvious answer would either be a yes or a no. Anything that falls in-between or that is hedged is seen to be a product of the muddled-headed thinking commonly associated with academic economists. If one side is right, then the other cannot possibly be. There can only be one mutually exclusive outcome and most of the time it just happens to be in our favour.

Binary thinking of this kind is very common these days. We seem to need to see things in terms of 0-or-1 and black-or-white. We cannot allow the possibility that outcomes could be both 0 and 1 and the existence of myriad shades of gray. If only life was so easy. If only there were no risks and uncertainties that lead to doubts and reversals of fortunes.

In the end, our beliefs about what the future holds probably say more about what we are like as people rather than anything about the economy. The Polish-American philosopher Alfred

Korzybski once said: "There are two ways to slice easily through life: to believe everything or to doubt everything. Both ways save us from thinking."

If Korzybski is right, then thinking must be about believing some things and doubting others. But this would mean then that truth is rather complicated. It would mean that if we were to be absolutely realistic, we would have to allow different and divergent possibilities and outcomes. We would have to say that we can only think something will happen but do not know.

Towards the end of 2008, a highly-placed economist was quoted as saying that the Malaysian economy would not go into recession. It was a very bold and confident statement to make given what was then happening in the world economy. It was, as it shortly turned out, also very wrong. That same economist has now said that the Malaysian economy is out of the woods.

Do we merely accept the later view as the right one and forget the earlier prediction?

Why? To err is, of course, human. But if we go through life uncritically accepting what is said by so-called experts – and this includes yours truly - we are likely to end up in some grief. It is always wiser for economists to have two hands and to use them both at all times.

In actual fact, even economic reality is not at all like that. Despite news reports about the onset of recovery, there are serious investors who have, quietly and without much fanfare, put serious bets that an inflationary tsunami will hit the world or a public debt-driven one will. There are, as yet, no signs that they are changing their minds and unwinding their positions.

To be sure, there is a lot to celebrate today. The world economy has not gone into a recessionary spiral and has come a long way from the days when it had almost seized up altogether. Asia, in particular, has been one bright spot and is burning all the brighter when contrasted against the bleak economic landscape of the advanced countries.

But it must also be recognised that there is still a great deal of caution all round. Exit policies are being talked about but apart from a few countries, little is actually being done for fear of spooking consumers and investors.

Economic steroids are still required. Banks may have stopped haemorrhaging but they have still not started lending to any significant extent.

Change is imminent and what serves Malaysia's interests, short of an infallible crystal ball or astrologer, is high quality and carefully nuanced economic debate. It does not and should not matter that there are differences and disagreement. Rather, we ought to be suspicious of the group think that will cause us to charge like lemmings off the cliff and into the sea to drown.

It would seem as if we still have some way to go before we can cultivate a more sophisticated approach to economic decision-making, one that goes beyond playing with concepts and words and pretending that our future can be ordered and orderly, and that strikes at the very heart of our economic malaise.

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