

Side Views

Eye on the ball — Dr Muhammed Abdul Khalid

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AUG 2 — I refer to the article 'Towards left of centre' by YB Liew Chin Tong (24 July 2011), where he argued that equality and solidarity should be placed at the forefront of the economic discourse. It is high time we pay close attention to the issues of inequality. Widening inequality can create deep resentment which can then lead to major economic, social and political upheavals, regardless of the causes of these inequalities. No society is indifferent to the inequalities between the rich and the poor or 'the-haves' and 'the- have-nots', especially when the economic well being indicator is very visible.

More than 2,000 years ago, Plato's Republic raised the issue of unequal distribution of economic benefits, and cautioned of its consequences. He warned that if society wanted to avoid a fatal disorder, limits on wealth at both ends should be set, and the gap between luxury and poverty should both be avoided. His student, Aristotle, also raised the same concern by arguing that social harmony could only be attained through an equal society. Otherwise, the consequences could be disastrous as history has repeatedly and brutally reminded us.

Sadly, the economic discourse in this country focuses mainly on economic production. We are fixated with acronyms such as FDI (foreign direct investment), GDP (growth domestic product), TR (trade figures), MYR (fluctuation of the Ringgit) and KLCI (stock market barometer) — and less on its impact to the economic and social well-being of the average Malaysian. Figures such as GDP do not tell the whole story. Being stuck in a traffic jam is positive for the GDP as a result of higher petrol consumption but bad for the quality of life and the environment.

Many countries record a higher GDP per capita than us, but that does not suggest it will guarantee economic and political stability or the well being of its people. The well being of Malaysian citizens should be our primary focus and should be monitored and analysed regularly. Refocusing our emphasis does not suggest ignoring the importance of the likes of GDP and production measures completely.

What we measure dictates to a large extent the policies that we pen, and if our focus is flawed, then so will our decision making and the ultimate objective of the policies. We tend to forget the objective of our economic policies is to improve the well being of the people.

Unfortunately, our contention has always been based on the performance of economic policy instruments, rather than on the outcome. The question which we need to ask ourselves is whether the benefits of our economic production benefit everyone equally at the end of the day?

Trickle down economy

The Arab Spring revolt occurred due to, among other reasons, unequal distribution of economic growth. We don't have to look far. Our neighbours down south lost approximately 40 per cent of the popular vote, as its citizens felt that high economic growth did not benefit them, and neither does the high cost of living which inevitably makes daily life harder. Let us not forget that Singapore has the highest GDP per capita in the region, attracts the highest inflows of FDI for the past few decades, and yet, the ruling government was given a bloody nose during the last election. The same could happen in Malaysia, despite an expanding economy, the benefits are scarcely felt.

For the past ten years, despite the average GDP growth of about 5.3 per cent p.a, wages grew much less, at an annual average of 2.6 per cent. To make matters worse, the official inflation rate during the same period grew higher than wages, at an annual average of 3.2 per cent, which means that real wage growth is negative. The distribution of our expanding economy is also lopsided. The income gap between the top 20 per cent vs. the bottom 40 per cent has jumped from about RM 659 in 1970 to RM 8,547 in 2009, while the urban rural gap is wider than our pre-Merdeka days.

While we are engrossed with GDP figures and trade volume, let us not forget that it should benefit all Malaysians. Although nearly 99 per cent of Peninsular Malaysia has electricity coverage, the figures for East Malaysia is depressing. About 23 per cent of Sabahan households and 33 per cent of Sarawakian households have no access to electricity. The same applies to water. Nearly 43 per cent of Sabah and Sarawak has no access to clean or treated water compared to the approximate 11 per cent in Peninsular Malaysia.

So what should we do and evaluate instead? There are several preliminary suggestions. First, when evaluating material well-being, we must not just look at production, but also look at income distribution and consumption patterns. Second, we should emphasise the household perspective. While it is useful to track the performance of an economy as a whole, trends in citizen's material living standards are better followed through measures of household income and consumption patterns. Third, we should consider income and consumption trends jointly with wealth, as the latter is central to measuring sustainability. Fourth, more prominence should be given to the distribution of income, consumption and wealth. Fifth, our measurements of inequality in the quality of life should be assessed both horizontally and vertically — across people, income level, socio-economic groups, gender and generations.

We need to set our shared aspirations straight, be able to measure those aspirations honestly and more importantly, be brave enough to act.

We, as a society, should focus on what we really care about, and assess whether what we are striving for is ultimately important to us.

As YB Chin Tong correctly pointed out, failure to address issues concerning equality and solidarity could cause serious harm and have dire consequences. Vast empirical research has shown that high levels of inequality are not only detrimental to future growth but damaging to the stability of the nation. If left unchecked, the consequences could be dire.

Let us keep our eye on the ball.

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