

COMMENT

In pursuit of true productivity

MORE OUTPUT WITH THE SAME INPUT:

We cannot spend our way to become a high-income country

FOR a country supposedly obsessed with the goal of becoming a high-income country, many Malaysians still seem to lack the knowledge, let alone the finer nuances of how to get there.

We certainly have big dreams. But ask the typical policy-maker and chances are that he or she might mumble some stock phrase or mantra — human capital and innovation are always popular — and not much more.

You might get a few pet ideas, even flashes of genuine zeal. But there will be nothing of the depth that one associates with having thought through the subject matter very well.

Ask the regular Adam or Zara on the street and you might do better. Then again, you might not.

To be a high-income country, the

response might come, “we need to be paid more, lor!” And where will the money to pay more come from? You might get a blank stare or a snigger of, “Ask the boss, lah”.

Some of our more enterprising citizens, unfortunately, think — no, are absolutely convinced — that the way to high income is investment, whether in the stock market, some gold trading scheme or casino.

Those more grounded in reality might give a half decent answer such as the need for a better product or service or the need to get (another) degree or diploma.

If I am right, and this primarily comes from giving talks rather than any real scientific poll, more Malaysians know about the goal of wanting high incomes than how to attain it.

And who can blame them when we have made what is really the

soul-wrenching task of transformation into a series of almost mundane programmes and tasks?

Who can blame them when our policy debates fall so far from the mark, often masquerading as nothing more than discourses that serve narrow, and ultimately, selfish interests?

But before I go overboard with the rhetoric, let me be crystal clear about one thing: unless we are sitting on natural wealth (like the aforesaid gold), to be high-income and to be high-productivity are one and the same thing.

They are two sides of the same coin. In what passes for informed opinion, we talk about productivity primarily in terms of inputs, such as information and communication technology, research and development and so forth.

But productivity is, first and foremost, an outcome and not the result of inputs. Using high-octane fuel, racing tyres and fins and spoilers on your jalopy will not trans-

form it into a Formula One car.

If it were that simple, all of us could be top-class drivers. And there would be few poor and backward countries in the world.

Productivity is an outcome. But it is not an assured outcome. It is not the result of imitation, blind or otherwise.

Thus, a Malaysian company can have the very latest technology or an individual can have the best Western education that money can buy, but productivity levels can be very different.

We believe that we need innovation in order to become high-income. But in-depth studies by the World Bank show that countries have to be high-income in order to be innovative.

Without doubt, though, the biggest misunderstanding of productivity I have found that Malaysians have is that we can throw money at productivity and it will magically appear.

The opposite is closer to the truth. Using more money, or any

factor input, more often leads to declines in total productivity, at least in the medium-term.

Productivity is, after all, producing more with the same input, or using less input to produce the same amount. It is more likely to arise in times of scarcity, whether forced or created, rather than having plenty.

We cannot spend our way to become a high-income country.

The second misunderstanding is that productivity is the result of relatively few unrelated inputs and/or isolated actions. Rather, it is the result of an entire eco-system.

The eco-system spans schools to employers, governments to civil society organisations, and laws to social practices, norms and values. These have to be positive and constructive, rewarding productivity and not penalising it.

If our productivity does not grow, chances are it can be traced to the latter. We had better start understanding it in a holistic way if we are to stand any chance of achieving our Great Malaysian Dream.

✉ steve@isis.org.my



Steven CM Wong
is senior director,
ISIS Malaysia