

MY SAY: The new economic model

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Comment

[The Edge Malaysia - 01/18/2010](#)

It is heartening to know that "well-heeled Malaysians lived just as lavishly during the recent economic downturn." They seem not to be affected by the financial crisis, according to Synovate, the company that conducted a recently released survey.

Malaysia is among 11 countries involved in the survey. There were 1,738 respondents here with a household income of over RM6,500 a month last year, and they showed among the highest propensity to purchase luxury items, according to the report.

Another recent survey conducted by Nielsen (HSBC Affluent Asian Tracker) showed that more affluent Malaysians claimed to be wealthier at the beginning of the new year than six months ago. The report also said 55% of the respondents experienced an increase in their nett worth in the second half of last year compared to 35% earlier last year. But regionally, mainland China leads the wealth surge in Asia with a 70% reported rise in nett worth compared to 46% six months ago. China already has some 130 billionaires, according to some sources.

But all is not well among the rich and famous, especially when it comes to "buying" the more intangible stuff. At least 21 single male billionaires and 22 woman billionaires in Shanghai are finding it difficult to look for love because they were too career-oriented earlier in their lives. Now, they are seeking the aid of "love-hunting" agencies through specially organised gatherings and parties to find partners. This phenomenon is common in other cities such as Shenzhen as well.

What it means is that the relationship between material and emotional well-being (love and happiness), and generally human progress is still very elusive. *The Economist* (Dec 19 issue) put this into perspective when it noted: "And, although wealth has been soaring over the past half a century, happiness, measured by national surveys, has hardly budged."

Greg Coombs, who works with Australia's Treasury in his report on "Wellbeing and Happiness in the Organisation for Economic Cooperation and Development (OECD) Countries" noted that there is also only a weak tendency for the richer OECD countries to report higher levels of life satisfaction. This, he said, could be explained by the fact that once basic needs are satisfied, aspirations increase with higher income (satisfaction treadmill) and become harder to achieve as the achievement hurdle is higher, leading to unaccomplished goals and greater frustration.

The Economist similarly noted that among developed countries, "there is only a weak correlation between happiness and gross domestic product (GDP)." The implication here is that consumers can also benefit from more goods and services, but higher consumption may not lead to greater happiness and love. In fact, it could lead to what is generally called the "diseases of affluence" which are largely induced by unbridled consumption. Seen in this way, GDP is an inadequate measure of well-being.

Indeed, in the search for a better measure French President Nicholas Sarkozy has endorsed a report known formally as "The Measurement of Economic Performance and Social Progress Revisited", co-chaired by two Nobel Prize-winning economists, Joseph Stiglitz of Columbia University and Amartya Sen of Harvard University, with the involvement of a panel of top economists. It says GDP needs to be supplemented by other measures of sustainability and human well-being in ensuring a better measure of national economic well-being. Stiglitz was quoted in an interview as saying: "The main message is to get away from GDP fetishism and to understand the limits to it." He added: "There are many aspects of our society that are not covered by GDP."

These considerations, though not entirely new, have now become more relevant after the near collapse of the current economic architecture. After all, it was more than 80 years ago that GDP was conceived in the 1930s to reflect a new and more accurate picture of national income and output then. This is no longer true in today's increasingly complex world, and GDP has often been criticised, particularly with respect to social well-being which is beyond the growth or contraction of the overall economy. The criticism sharpened in the context of "sustainability" or "sustainable development" since GDP is blind to issues of ecological degradation and ensuing societal problems like global warming. It is "unsustainable" in this respect.

Thus, while the US leads in terms of GDP, it does not by other indicators, such as the Human Development Index (HDI) of the United Nations Development Programme. By this measure, European countries lead since the HDI seeks among others to incorporate the value of a long and healthy life, access to knowledge and a decent standard of living.

In much the same way as Malaysia looks for a new way forward, similar imbalances must be avoided. Using just numbers, figures and percentages as key performance indicators (KPIs), without relating them to what the

majority of the people are actually experiencing on the ground (that is, the KIPs or key intangible performances), can be very deceiving. In other words, a so-called high-income economy must be complemented by a strong sustainability component to make it viable for the longer term. Anything short of this may see Malaysia spiral downwards as it experiences widespread collapse on both the ecological and human fronts.

It is therefore not a coincidence as 2009 drew to a close that the King of Bhutan — which is known for its Gross National Happiness concept — chose to talk about "Changing World and Timeless Values" at the Madhavrao Scindia Memorial Lecture in New Delhi on Dec 23. Succinctly, he said: "Governments might mediate problems at the global level, but the effects are felt by people like you and me. For in the end, no matter what country we may be from, we are human beings."

Perhaps this is where it should all begin, beyond just matters of "economics" to "eco"-nomics (read, sustainable economy), as well as moving away from the cliché of human capital to the concept of human being. Unless we are more discerning in our thinking, the spread of material "affluenza" is bound to consume our future.

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