

Blaze new trails and transform

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Comment

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SIMPLY put, the national economy needs transformation, not mere tweaking.

Datuk Dr Zainal Aznam Mohd Yusof, a member of the board of the National Economic Advisory Council, who was recently asked about it, said: "There are lots of things to be fixed. The roof is not leaking; we do not need a plumber. It is the foundation of the house. Probably, the whole house needs to be rebuilt. The transformation requires concerted efforts."

In respect to building a "whole house" with a "rebuilt" foundation in transforming the economy, it seems that Malaysia is not alone.

Reportedly, the French are also looking for new ways to figure out economic progress and prosperity.

The French president, who spoke at the Sorbonne University last week, said: "A great revolution is waiting for us."

He correctly pointed out that the current financial crisis "doesn't only make us free to imagine other models, another future, another world. It obliges us to do so".

After all, the crisis changed the game for all players, to cite Hazel Henderson, a futurist and an economic iconoclast who focused on exploring the "blind spots" in conventional economic theory.

So too, the 2001 Nobel economic prize winners, Joseph Stiglitz who together with Armatya Sen, the 1998 winner, and 20 other experts, were asked by the French government last year to do just that.

The aim is to identify the limits of gross domestic product (GDP) as an indicator of economic performance and social progress, to consider additional information required for the production of a more relevant picture, to discuss how to present this information in the most appropriate way.

After deliberating since April last year, the Commission on the Measurement of Economic Performance and Social Progress (<http://www.stiglitz-sen-fitoussi.fr/en/index.htm>) delivered its reports recently.

Interestingly, the output of the commission (also known as Stiglitz-Sen report) is to be made available to the public and used as a template for any interested country or group of countries. It is not parochial to France, or developed countries.

As such, Malaysia may do well to consider some of the suggestions of the commission.

This reportedly includes shifting the obsession from GDP, which measures economic production, to broader criteria of well-being and sustainability.

Others use household income, consumption and wealth rather than production in the economy as a whole for better reflection of material living standards than GDP. Also, non-market activities such as house cleaning, sport and culture, and leisure.

According to the French president: "If leisure has no accounting value because it's essentially full of non-market activities like sport and culture, we put productivity below human fulfilment."

Housework, said to be estimated by some at approximately 50 per cent of all productive activities in industrial countries, and even more in many developing countries (think of the maid issues), is not accounted for in today's economic computation.

So too, is voluntary community work.

On the longer term, the emphasis should be on "sustainability" in ensuring the well-being of the future generations, specifically, whether countries are over-consuming their economic wealth and squandering their natural resources.

Equally significant is the distribution of income and wealth, as well as the access to education (for sustainable development) and sustainable health.

In other words, since all the old metrics such as GDP-measured economic growth and traditional "efficient markets" model are now deemed defunct, there is a need to look for "new scorecards of progress beyond

money-coefficients", according to Henderson, or a basket of indicators, as the commission suggests.

This involves raising awareness of global targets such as the millennium development goals which should not be measured by these old metrics if their performance is to be tracked more realistically.

In fact, Henderson went on to suggest that "complex human societies can never be measured by using a single discipline, especially by economics which was never a science".

She emphasised that economic calculations are blind to most of the social and environmental costs.

Apparently, these uncounted impacts of financial decisions have accumulated unnoticed by economists until they are now crises of poverty, inequality, social exclusion and pollution -- culminating in the greatest market failure: climate chaos.

Towards this end, Henderson puts forward the Calvert-Henderson Quality of Life Indicators as an alternative approach which tracks a dozen aspects of quality of life as new national multi-disciplinary indicators of "progress" using a systematic approach.

In this respect, Henderson pointed out that the commission composed of mostly economists rather than sociologists, health experts, educators and environment experts.

In summary, it is time for a transformational change and to abandon the herd mentality.

Instead, blaze new trails. Indeed, the analogy of rebuilding a new foundation and a house is most appropriate.

To be sure, the process will not be easy if supported only by fledgling political will against the "too-big-to-fail" comfort zone of big businesses.

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