

PERFORMANCE-BASED ROUTE TO TN50

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It is a privilege for anyone to grow together with the nation as it began and witnessing its deferent stages of economic development. One will experience the real meaning of economic development. One could feel the rewards of economic transformations from one stage to another. Certainly, by choice no one wants to go through the hardship of being in the community of poverty-stricken farmers. Children are walking barefoot to school on the dirt-road just to prevent shoes from getting dirty.

Now we are three years away from the targeted year of vision 2020. The vision that Malaysians are putting much hope as is it's the final destination. It matters less whether we achieve the status of a developed nation or not, what more important is that we are better off. After all not a final destination that matters but an indefinite journey into the future.

Rightfully, the government has embarked into targeting a new vision for the nation in preparing for the post-2020 era. It is a 30-year transformation plan, the 2050 National Transformation policy entitled *Transformasi Nasional (TN50)*. Being a developed nation, if achieved, will not guarantee a smooth ride thereafter. There are examples of failed rich nations in history. After all, there is such thing as negative growth in economics. A country can go bust after a period of success. In fact, managing success is potentially more difficult. It is more complicated endeavor.

For one thing, the transformation process has to begin at the beginning, not at the end of the period. Once a vision has been formulated, the necessary transformations need to be done. Therefore, the first challenge is to set a vision. What sort of a society we would like to see in 2050 should be the main agenda as it encapsulates all other aspects, including economics, education and so forth.

¹ The views and opinions expressed herein are those of the author and do not necessarily reflect the views of MIER.

What contribute to the wealth of a nation is always an important question especially to the statesmen. During the imperialism era, stronger nations invaded weaker nations to enrich themselves subscribing to the mercantilism doctrine. Adam Smith's 1776 influential piece, the Wealth of Nations, challenging the less efficient mercantile system at that time laid a foundation for a classical economic doctrine. He offered an alternative economic system which is based in human nature and social dynamics. The economic system is self-regulated when left with substantial freedom. There is an "invisible hand" guided the economy. According to him, self-regulated system ensures maximum efficiency and it is threatened by monopolies, tax preferences, lobbying groups, and other privileges extended to certain members of the economy at the expense of others.

The classical economic doctrine promotes creativity and innovation and responsible for the big push in economic development for western economies during industrial revolution era. Mechanization coupled with the concept of division of labour promoted skill development. Development of factories and machines improved production efficiency tremendously through economies of scale.

Since then, there are a lot of development in the field of economic thought, particularly pertaining to the role of government. It evolved from the laissez-faire policy of classical thought to the birth of Keynesianism during the great depression of the 1930s. Keynesian approach of government intervention succeeded in bringing the world economy out of depression, and ever since Keynesian became the basis for the teaching of economics in schools. However, Keynesian approach is not invulnerable either. Contemporarily, maybe we can describe the economic system applied by many nations as a hybrid of classical and Keynesian.

Lesson from the development of theories of economic thought is very relevant in crafting our vision for TN50. Essentially, Adam Smith's the Wealth of Nations is still pertinent. Definitely, we are concerning about maximizing wealth of our nation. In a perfect world, the classical economic doctrine is still valid. The economy is self-regulated. Nevertheless, the reality is that we are living in the imperfect world. It is up to us how to get the best of the imperfect world. The lesson from the history of

economic thought tells us that the economy is self-regulated but guided by the invisible hand. It follows that, government interventions in the economy should function as the “desired invisible hand”.

The desired invisible hand should be in the backdrop when charting necessary transformations required for vision TN50. We have to be mindful on all pertinent variables that will “guide” the invisible hand and eventually to make the economy functioning optimally. In that sense we should be able to seize maximum benefits as postulated by the classical economic thought.

Daron Acemoglu and James Robinson published “Why Nations Fail: The Origins of Power, Prosperity, and Poverty” in 2012 after their extensive research to answer question why are some nations rich and some others poor? Based on historical evidence since earlier civilizations, they concluded that economic success of many nations was due to man-made political and economic institutions. In the contemporary context, the two Koreas are intriguing examples, whereby South Korea is among the richest nation while North Korea is among the poorest in the world. Due to the fact that the inhabitants of the two nations are homogeneous people, it ruled out the cultural, weather, and geographical aspect as contributing factors.

The difference between the two Koreas is the politics that created different institutional paths. The south with an open economy forging for a society that created incentives by allowing everyone to participate in economic opportunities and rewarded innovation. The government is accountable for economic success of the country. Whereas, the northern counterparts have chosen a very different economic institutions with decades of political repression.

This historical anecdote offers very important lesson for shaping up future Malaysians in the context of TN50. We need to craft an inclusive performance-based society within the supportive institutions. The government should function as an informed invisible hand with a strong culture of accountability.