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29 AUGUST 2007, MANDARIN ORIENTAL, KUALA LUMPUR

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"INDEPENDENCE: REFLECTIONS ON MALAYSIA'S PAST & FUTURE"

It is a great pleasure to be here to participate in the celebration of the 50th anniversary of Malaysia's independence – 50 years of enormous successes in meeting some unprecedented challenges. Today, I will talk about those successes, and give an economist's perspective on what brought them about. But birthdays are occasions not only for congratulations, for reflecting on the past, but for thinking about the future, and I want to end my talk about some of the challenges facing Malaysia today, and how it might meet those challenges.

The growth numbers by themselves say a great deal. The population has tripled, but GDP adjusted for inflation increased more than twenty-fold, with an average GDP growth rate of 6.75 per cent, one of the fastest sustained growth rates ever achieved. It meant that per capita income increased more than seven times. At the time of independence, Malaysia was one of the poorest countries in the world. Though reliable numbers are hard to come by, its GDP (in purchasing power parity terms, probably the best way to make such comparisons) was comparable to that of Haiti, Honduras, Egypt, and some five per cent below that of Ghana. Since then, there has been a massive divergence in per capita incomes. Today, Malaysia's income is 7.8 times that of Ghana, more than five times that of Honduras, and more than 2.5 times that of Egypt. In the global growth league tables, Malaysia is in the top tier – along with China, Taiwan, South Korea and Thailand. It is the only ex-colony in this list, a point to which I shall return later.

Not only has there been growth, but the benefits of the growth have been shared. Malaysia has already achieved all but one of its Millennium Development Goals, including reducing poverty by half. Indeed, it is committed to eliminating hardcore poverty by 2010, and to reducing its overall poverty rate during its ninth five-year plan, to 2.8 per cent. It has succeeded in markedly reducing the income divides that separated various ethnic groups, not by bringing the top down, but by bringing the bottom up. As in so much of the rest of the developing world, the urban rural divide persists, and the government is committed in its ninth five-year plan to reducing that gap.

Part of the success in reducing poverty is because the country has succeeded in creating jobs. While in most of the world unemployment is a problem, Malaysia has been importing labour, and in the 50 years since independence, the fraction of the population that is economically active has increased from 36 per cent to 43.4 per cent. 7.24 million jobs have been created, an increase of 261 per cent. To see what this entails, scale up Malaysia to the size of the US, and it would be equivalent to the creation of 105 million jobs in America.

Socioeconomic statistics reflect these advances. Adult literacy has increased to almost 90 per cent, from just over 80 per cent in the beginning of the 90s. Malaysia's birthrate has halved since Independence, infant mortality was reduced from 72 per 1000 live births to 10, and under-five mortality was reduced by 90 per cent. Life expectancy increased from 54.3 years to 73.7 years.
There were many reasons not to expect Malaysia to have had such success. Just as Malaysia was gaining its independence, Nobel Prize winner Gunnar Myrdal wrote an influential book called the Asia Drama, in which he predicted a bleak future for the region.

Malaysia is a natural resource-rich country, and with few exceptions, these countries have been afflicted with what has come to be called the natural resource curse, or the paradox of plenty: those countries with an abundance of resources not only do not do as well as one might have expected, given these gifts of nature, but actually do worse than those countries without such benefits. One of the reasons for the curse is that it is a lot easier to fight over the spoils (rent seeking as economists call it), than to create wealth. While natural resource wealth should make it easier to create a more equalitarian society, countries with more resources, on average, are marked with greater inequality.

This brings me to the second reason why success was not inevitable: the country was a multiracial, multicultural society. The country could have been torn apart by strife. This has happened in so many other resource-rich countries, as one group tried to seize the abundance of resources for itself. In many instances, minorities have worked hard to garner for themselves the fruits of this wealth, at the expense of the majority. The experience of Bolivia, one of the many rich countries with poor people, comes to mind.

And Malaysia had a third strike against it: for all the talk of "white man's burden," the European powers did little to improve the living standards in the countries that they ruled. The dramatic decline in India's share of global GDP under Britain's rule, as Britain passed trade laws designed to benefit its textile producers at the expense of those in its colony, is the most visible example. The colonial powers used divide and rule tactics, which made it possible for small populations in Europe to rule large numbers, but did not strengthen the social capital necessary for a strong and democratic self-governing society. While they destroyed social capital, and pillaged the natural resource capital, they reinvested little in physical or human capital. If their intention was to make it difficult for these countries to set off on their own, they succeeded admirably. They had not provided the preconditions for either economic or political success. It has taken many of the former colonies decades to overcome these legacies.

With all of these handicaps, how then does an economist account for Malaysia's successes? The answer to this question is one which is of more than academic interest, for all over the world, there are countries facing challenges similar to those which Malaysia faced, who want to know: What lessons are there for them? How can they succeed in lifting the resource curse, and making it into a blessing? How can they create a viable multiethnic society? How can they overcome at last their colonial legacies? There are no easy prescriptions, but there are patterns – discernible, for instance, in the other four success cases mentioned earlier.

And this was the first basis of Malaysia's success: it learned from its neighbours. Too many of the ex-colonies, rejecting their colonial heritage, turned to Russia and communism, the antithesis of the West which had oppressed them so long. Malaysia, for reasons you know better than I, wisely took an alternative course, a look East, to the highly successful countries of East Asia.

What were these policies that had brought such success to so many? There were many ingredients, too many to discuss in the limited time I have available, but let me highlight three.

First, all of the successful countries in the region had high savings rates – which were important not just for themselves, but because they freed the countries of the region from the necessity of borrowing abroad. Since international capital markets typically demanded that countries borrow short- term and in hard currency, this borrowing exposed countries to huge risks.

Malaysia's government introduced policies that encouraged a high national savings rate.

Secondly, today, we recognise that what separates developing from developed countries is not just a disparity in resources, but a gap in knowledge, and Malaysia, like most of the other countries of the region, set about closing the knowledge gap, with heavy investments in education and technology, investments which have paid off. It made sure that foreign investors not only brought in capital and access to markets, but transferred some of their knowledge to those in Malaysia.

Thirdly, Malaysia paid attention to its social fabric. There were potentially large tensions between its various ethnic groups, with large gaps in income. It set about closing these gaps with an active affirmative action programme, perhaps the most successful the world has seen.

Behind these policies were two principles: an emphasis on pragmatism over ideology, and recognition that success required an active role for government, a far more active role than that recommended by so-called Washington Consensus polices, advocated by the World Bank and the IMF, based on market fundamentalism.

Examples of the benefits of these policies abound. Free market ideology would have it that Malaysia's abundant natural resources be turned over to foreign multinationals to develop. Ideologies of nationalism might have inhibited bringing in foreign firms at all. But Malaysia brought in multinationals, to teach it how to develop its own resources. Today, Malaysia's state-owned oil company is able, by some accounts, to generate for Malaysia's citizens a larger fraction of the value of these resources than virtually any private company does anywhere else in the world.

Or consider the crisis that plagued the region just 10 years ago. Malaysia imposed capital controls, against the prevailing wisdom, and the advice of the US Treasury, and the IMF. But it was the right policy. It resulted in Malaysia having the shortest and shallowest downturn of any of the countries in the region, and when Malaysia emerged from the crisis, it was not burdened with the legacy of debt and bankrupt firms, in the way that so many of its neighbours were. It was, of course, not only a matter of economics: had Malaysia followed the policies recommended to it by the IMF, it would have torn apart the social fabric that it had worked so hard to create over the preceding four decades.
One aspect of pragmatism that has been the hallmark of Malaysia's policies is that

policies have changed as circumstances have changed. In earlier decades, the country needed huge investments in infrastructure. In the aftermath of the East Crisis, the growing gap between the rural and urban sector, and regional inequalities became more apparent, as did the shortfalls in human capital. These changes in circumstances required changes in economic strategies and policies, and Malaysia made those changes.

But pragmatism means that one cannot rest on one's laurels. There are constant changes in the global economic landscape, which require readjustments in economic strategies. China looms as a giant not only in the region, but in some arenas, in the world. Finding appropriate niches of dynamic comparative advantage will not be easy, but will be absolutely necessary if Malaysia is to continue to grow at the rapid rate that it has for the past half century.

As I said, birthdays are occasions not only to celebrate the past, but also to reflect on the future. If current rates of per capita income growth continue, in a quarter century or so, its per capita will be comparable to that of the US today. As Malaysia peers into what the world might look like 25 or 50 years hence, it needs to ask some basic questions, questions such as: What kind of a life does it see for its citizens? What kind of role will it play in the global economy? How will it respond to the challenges posed by globalisation?

In thinking through the answers to these questions, the country needs to begin, of course, by asking: What should be the objectives of economic policy? The objective of economic policy should not be just to increase GDP, but to provide sustainable, equitable and democratic increases in standards of living. Kofi Annan, in his address to this group a short while ago, emphasised that the issues of physical security, human and economic security, and human rights are inextricably linked. Any economic agenda has to reflect a broad conception of societal objectives; indeed, I would argue that any economic agenda that fails to do this risks failure even in the more narrow terms of economic growth.

GDP can be increasing, yet most people in the country can be worse off, rich countries with poor people. Indeed, that is what has been happening in the US, with GDP today some 20 per cent higher than it was six years ago, but most Americans are worse off than they were six years ago. At the bottom, matters are even bleaker, as the fraction of the population in poverty has increased and as some 1.7 million Americans are likely to lose their homes as a result of foreclosures and bankruptcy this year.

Sustainable growth means both environmentally and socially sustainable. The world as a whole has embarked on a set of development strategies that is not environmentally sustainable. We – and by we, I mean the world as we know it – will not be able to survive, if we all aspire to the kind of materialistic and profligate lifestyle that has come to dominate America. The most manifest aspect of the problem is, of course, global warming. We are engaged in a risky experiment, adding greenhouse gases to our atmosphere. The scientists are fairly sure about what the outcome of this experiment will be: the earth will warm, sea levels will rise, the oceans will become more acidic, weather volatility will increase, a third of Bangladesh will be under water, many of the Pacific and Indian Ocean islands will disappear. It is a risky experiment; if we had a thousand planets, and the disaster that is predicted occurs, we could move on to another; but we have no alternative. The question is not whether we can afford to do anything about it; the question is whether we can afford not to do anything about it.

Deforestation has contributed almost a fifth of the increases in greenhouse gases. Malaysia, with its abundance of forests, has an opportunity to contribute to helping solve the global problem, by preserving these forests, and by doing what it can to stop illegal logging, not just at home, but elsewhere. One of the important initiatives in which I have been involved seeks to create some means by which developing countries can be provided with compensation for the enormous environmental services they provide to the world, through preserving their forests, not only in carbon sequestration, but also biodiversity. The economic value of these services exceeds, in fact, the value of the foreign aid that these countries receive from the developed countries. A coalition of developing countries, called the Rainforest Coalition, will be placing a set of proposals on the table at the forthcoming Bali meeting on climate change this December, which will provide for the first time better incentives for developing countries to maintain their forests.

Another aspect of sustainability is social sustainability; and that means making sure that the divides which separate different groups in society are kept within bounds. Malaysia, as a multiethnic society, has a particular challenge, one which it has managed well to date. The world, of course, can be thought of as a pluralistic, multiethnic, multicultural community of immense diversity. The greatest challenge facing the world today is how we can live together, not just with toleration, but with respect, sharing our common humanity and working together to achieve common goals – goals like preserving our precious atmosphere. In some ways, the challenges facing Malaysia provide at a national level a microcosm of the challenges facing the global community. Malaysia has an opportunity to show the world how this can be done.

Finding common rules acceptable to all in this complex situation is not easy–and one pragmatic principle (which can be justified on deeper philosophic grounds) is for the State to give wide latitude to individual freedom so long as any individual's behavior does no harm to others.

Policies which force individuals into distinct communities risk dividing society. Recent research has focused on the importance of concepts like social capital and identity.

Part of the success of Malaysia is that it has succeeded in creating social capital and a sense of national identity. Malaysians think of themselves as Malaysians first, and then members of particular communities – defined by geography, ethnicity, and religion – within Malaysia. But should it be necessary that Malaysians have to self-identify within one of its sub-communities based on religion or ethnicity?

One important divide in most economies around the world is that of gender. Women have typically received salaries two thirds of that received by men of comparable skills. In America, we have, I believe correctly, tried to use affirmative action, with some success, to overcome this divide. Malaysia's Constitution enshrines the principle of equality. Bringing this principle into a reality will be one of the challenges facing Malaysia in the coming decades. It is, of course, a matter of basic human rights; but it is also a matter of economics: a country's most important asset is its people, and discrimination, in any form, results in an underutilisation of these resources.

Achieving the objectives of equitable, democratic, and sustainable democratic development will not be easy, and will require a comprehensive social, political, and economic agenda. There are no magic bullets, no secret recipes. In the limited time I have today, I want to focus on two issues: responding to the challenges of globalisation, and thinking through a new economic model.

The first question is what can Malaysia do to make globalisation work, not just for Malaysia, but for the world as a whole. Malaysia is one of the countries that managed globalisation well, and has, in the past, benefited enormously from it. Without access to international markets and global technology, it would not have had the success that it has had. I have already suggested three important roles: in responding to the problems posed by global warming and climate change; in setting an example of how people with ethnic and religious diversity can live in harmony, and in showing the world, more broadly, that there is a different approach to development than reflected in the Washington Consensus, an approach which holds out the promise not only of higher growth, but that that growth is more sustainable and the benefits of that growth are more equitably shared.

This example is of critical importance for developing countries, if there are to be more successes like Malaysia – and fewer of the failures that have marked the past half century. As a model of success, Malaysia should take an active role in explaining what it did, and working with other countries to help them adapt these policies to their circumstances.

But more is required. I have increasingly become convinced of the importance of South-South cooperation and a strong voice of the developing countries in the management of globalisation. For instance, while standard economic theory would have suggested that there are more gains to trade from North-South trade agreements, in practice, because of the imbalances of economic power, the vast majority of the gains from these agreements go to the North. The poorest countries were actually worse off as a result of the last global trade agreement, the Uruguay Round, signed in the spring of 1994. If anything of benefit to the developing countries comes out of the so-called Development Round, it will be because the voices of developing countries have at last been heard more loudly.

There are challenges as well in making the global financial system work, or at least, work better for developing countries. This year also marks the 10th anniversary of the East Asia crisis, a crisis which caused so much suffering in the region. The crisis – both in its origins and in how the international community responded to it – shows the flaws in the international financial architecture. The cause of the crisis was the premature capital market liberalisation advocated by the US Treasury and the IMF; and then, the way these institutions responded to the crisis exacerbated the downturns – policies often intended to reduce the losses incurred by Western banks and financial markets, at the expense of the well-being of those in the region.

The current global reserve system – in which countries around the world hold huge amounts of dollar and euro reserves – has not achieved financial stability; but it results in, in effect, the developing countries subsidising the developed. The vast amounts of reserves that they hold – now in the trillions – are lent to the US and Europe at low interest rates, at the same time that the same countries borrow back a part of the money that they send abroad, at much higher interest rates. The effective foreign aid to the United States is larger than the amount of foreign aid that the US gives to the developing countries.

The source of global savings has been in Asia – the US household savings rate has actually been zero or negative in the last couple of years. America, the richest country in the world, has not been able to live within its means, borrowing some $850 billion from abroad last year. Everyone recognises the threat that the global imbalances pose for the global economy, and everyone recognises that the major source of the imbalances is the US and yet in the international organisation responsible for overseeing the global financial system; in the IMF, the US is the only country with veto power, and together with the G-8, it has an absolute majority – in effect, the developing countries have no voice. No wonder that the system works to the disadvantage of the developing countries; no wonder that the IMF has done nothing about the threat posed by these global imbalances.

There needs to be a reform of these institutions, but the developing countries should not wait: they should begin to create their own institutions. Asia has been doing exactly that, through the creation of the Asian bond fund and the Chiang Mai initiative, but these initiatives need to be broadened and deepened, and these initiatives have to be linked with similar initiatives in other parts of the world. In my book, Making Globalisation Work, I sketch out, for instance, an alternative to the current global reserve system, and I explain how such an alternative can evolve out of a broadened Chiang Mai initiative.

Almost every aspect of the global economic architecture needs to be reformed, looking at the issues from a development perspective. So far, I have talked about two areas, trade and finance. But let me consider a third: intellectual property. The most important intellectual property of any country are its youth; countries like Malaysia have invested heavily; but Europe and America cherry pick the best, often trying to lure them away from their homelands, without providing any compensation to the countries who invested so much in them. As your former Prime Minister has emphasised, this is the most important theft of intellectual property going on in the world today, and yet nothing is being done about it.

The TRIPs intellectual property provisions of the Uruguay Round was as biased against the developing countries, just as its other provisions were. It provided little protection for traditional knowledge, nor did it provide compensation for developing countries' contributions to preserving biodiversity, which has proved the basis of so many advances in modern medicine. Modern science has made enormous strides in finding cures to long-standing diseases and afflictions; but modern social sciences has not found ways of making sure that the benefits of these are accessible to the billions of poor around the world. The TRIPs agreement was not good for the developing countries, but neither was it good for the advancement of science and technology for the world as a whole. In the World Intellectual Property Organisation, the developing countries have called for a development-oriented intellectual property regime, and the voice of Malaysia needs to be added to those calling for fundamental reforms in the TRIPs regime.

I noted earlier that Malaysia is one of the few countries to have avoided the natural resource curse. I described earlier how Malaysia was able to get a larger fraction of the value of these resources for its citizens. Today, all over the world, developing countries have been exploited by oil and gas companies from the West, that have paid the countries from which they have taken these valuable resources a pittance. In the case of Bolivia, for instance, the country only got 18 per cent of what was received from the sale of its gas, and the price was set at about one third of the energy-equivalent of oil. Through hard bargaining, the first democratically elected government representing the vast majority of indigenous people of Bolivia in the 500 years since the beginning of Spanish colonialism was able to renegotiate these unfair contracts, to reverse the percentages, to get 82 per cent of the value for the Bolivian people. The problem is that these developing countries often have nowhere to turn. Malaysia, with its expertise, could play an important role in this form of South-South cooperation.

So far, I have discussed the important role that Malaysia can and should take in reshaping the global economic architecture, to make sure that it is fairer, and serves better the interests of the developing world. These reforms will happen slowly, and that will make the challenge of making sure that globalisation works for the country – for the vast majority of its citizens – all the more difficult. Where globalisation has not been managed well, it has resulted in growing inequality, economic volatility, and even crises, of the kind experienced in this part of the world a decade ago.

Some countries have responded in exactly the wrong way. They have said it is impossible for government to restrain markets, and embarked on wholesale liberalisation and deregulation; they have said that remaining competitive in a world of globalisation requires lowering taxes and government expenditures, and that means cutting back on social protections, exacerbating the inevitable “economic” problems already discussed. But this is increasing the backlash against globalisation, in both developed and developing countries. One cannot ask those who are being made worse off by globalisation to accept further cutbacks in social spending, all in the name of some illusory benefits to be received in some distant future. Of course, all countries must always modify existing social arrangements in light of changing circumstances. Some countries did have excessive labour market rigidities, and poorly designed job protections can weaken incentives to work.

In this respect, some contrast Japan's old system of lifelong employment (which never affected more than a fraction of the labour force) and America's "ruthless" capitalism, where workers are fired at will. Some have claimed that America's system induces people to work harder. I think the evidence on that score is not clear. Productivity per hour in several European countries exceeds that in the US. What is clear is that American workers face high levels of insecurity, and that there is a real social cost to this insecurity. It can undermine individuals' willingness to invest in job-specific training, which would enhance productivity. While some countries may have gone too far in providing job protection, there is an equally persuasive case that America has not gone far enough. The challenge is to find the right balance. Malaysia, in its earlier stage of development, encouraged the reliance of individuals on themselves and their families. Scarce funds were devoted to education and other development objectives. This made sense. But Malaysia is entering a new stage in its development, and this new stage will require re-examining its stance on these issues.

A few countries have been doing better than others in managing globalisation, and it is instructive to see what they have done. The Scandinavian countries have followed a different model of the market economy, in which there is more social protection and a greater role for government more generally. To be sure, there are adjustments: some in Sweden are now arguing for toughening disability standards, and in the past, there were some adjustments in the size of unemployment benefits. Nonetheless, by and large, even after these adjustments, these countries provide far stronger safety nets and higher levels of social protection than do other countries around the world.

Of course, it takes money to finance these benefits, and the fiscally responsible governments in the region have accordingly raised taxes to among the highest levels in the world. Yet, in terms of both standard measures of economic performance and broader measures of societal well-being, these countries have done well. Indeed, in terms of the United Nations Development Program's broad Human Development Indicator, the US, in 10th place, ranks below all of the

Scandinavian countries. These countries have also been successful in terms of the penetration of new technologies. Their success was not in spite of high taxes, but because of them, because the revenues from these taxes enabled these countries to provide a strong safety net and the heavy investments, for example, in human capital necessary for success in the modern economy. A strong safety net enables individuals to undertake more risks than they otherwise would, and risk-taking too is a hallmark of success in the competitive era of globalisation.

While different Scandinavian countries followed somewhat different policies, here is a brief summary of some of the key ingredients:

- Strong education programmes: adapting to new technologies and responding to the rapid changes imposed by globalisation requires high levels of human capital; the evidence is that more educated people move more easily from job to job. These countries also emphasised lifelong learning; successful education involves learning to learn.

- Active labour market policies to help train **workers who lose their jobs to move to** new jobs. But, of course, there have to be jobs to which they can move.

- Full employment. Maintaining high levels of employment is an essential ingredient of good macroeconomic policy that has, unfortunately, often been put second to maintaining low and stable inflation.

- Strong safety nets. Small and medium-sized businesses, which have been among the most important sources of job creation and innovation, face a large probability of failure. A strong safety net, combined with high levels of employment, enables individuals to undertake the associated risks.

- Safety nets that are obligations of the state and individuals, not of companies. In the era of globalisation, firms need to focus on producing new products at low prices, not providing social services. In the past, under modern capitalism (as under old socialism), firms did both, and their success depended on how well they performed in both arenas. Today, GM has been overtaken by Toyota, and some fear that it faces the threat of bankruptcy. Part of the problem is that it did not adequately anticipate the need to manufacture more fuel-efficient cars; but part of its problems lie with health insurance costs, including the legacy from its retirees. During the Clinton Administration, one of the important initiatives on which I was engaged was facilitating worker mobility by ensuring that pensions and health insurance were portable, so that individuals could move from job to job without losing these important social protections.

- A full response to these problems of inequality and insecurity presented by globalisation must go beyond the labour market. Recognising that globalisation will make some individuals worse off means more progressive tax systems, so that individuals who work full time should at least receive a living wage, however that may be defined.

- Responding to the competition to which globalisation exposes every country also requires increasing productivity, both by increasing the quality of the labour force, ensuring that the labour force is efficiently deployed (which means both reducing discrimination and the barriers to labour force participation), and increasing the productivity of firms. In the 19th century in the US, research conducted in America's universities was brought to family farms through government-funded extension services; today, countries like Malaysia need to do the same in the manufacturing and service sectors. This is particularly important for small and medium-sized businesses.

More generally, innovation is a public good, and therefore it will be under-provided by unfettered markets. This is especially true for innovations designed to save scarce (and under-priced) environmental resources. This entails a more innovation-oriented intellectual property regime, and broader support for research universities.

I want to conclude by going back to the theme I raised earlier: growth should not be viewed as an end in itself, but as a means of improving the quality of life of all citizens. There is a clash of values in the world, but the real clash is different from that which has often been discussed. It is a clash between those who pay little attention to values other than an increase in GDP, who tolerate – even condone – the growing inequality which marks the world, that wish to conserve, preserve, and extend the economic, social, and political inequalities and injustices which played such a role in shaping the world of the past; and those who believe that another world is possible, that seek to reshape that world, that see the possibilities that science and technology and globalisation offer, but wish to ensure that the increases in incomes which these changes make possible are equitably shared.

Fifty years ago, Malaysia realised that another world was possible for all Malaysians, and changed the direction of the country. The increases in income which Malaysia's economic policies have brought about in the past half century, and which they will hopefully bring about in the future, mean that the economic burdens that occupied most people over the millennia have, in some sense been solved. In all prior generations, the vast majority of an individual's time had to be spent just for earning the bare necessities of life – food and shelter. If the higher incomes which new technologies, globalisation, and the "New Economy" offer are equitably shared, that will no longer be true for the vast majority of Malaysia's citizens. Looking forward, the country will have new choices, almost unimaginable in the past. The question is, what will Malaysia, as a society, do with the surplus, the economic resources that go beyond meeting life's necessities, which will be so easily met?

Thinking as a community, how Malaysia can use this gift well, should be the subject of a national conversation.

It is easy to conjure up different images. One is defined by an attempt to imitate the lifestyles that have all too often become prevalent in the United States and some other countries, a consumerism where individuals spend most of their time working and shopping, and the remaining time watching television – unless they are tied up in traffic jams. As I suggested earlier, if this is the route taken by Malaysia and other developing countries, the prospects for the future of our planet is bleak. Nor do I think that it is a lifestyle which will give meaning to the lives of most citizens.

Modern technology and science and economic development have provided the opportunity to have a richer and more meaningful life. What is clear is that a new economic model is needed: not only is another world possible, another world is necessary. At the very least, Malaysia – and the citizens of all countries – will have to find ways of living that are less resource-intensive, that treat the planet which we have inherited with greater respect than we have. Malaysia has been able to avoid the natural resource curse. Now it is time for Malaysia to lead in preserving the natural resources that are part of all of our great heritage.

The challenges that Malaysia faces in the coming decades will be every bit as great as those of the last. It will take the same creativity, independence, and determination, the same mix of pragmatism and vision, to meet these challenges. Malaysia should be proud of what it has accomplished in the last 50 years, and should look with confidence towards the next.

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