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Economic reform agenda must be different to ensure nation strides confidently into future – Tengku Zafrul

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KUALA LUMPUR, Sept 8 – The economic reform agenda, moving forward, has to look different and even consider unorthodox ideas given the unusual pandemic situation, to ensure the nation strides confidently into the future, said Finance Minister Tengku Datuk Seri Zafrul Tengku Abdul Aziz.

He said the bigger challenge for Malaysia's economy today is the capacity to generate new ideas, products, innovative business models, and production techniques, as well as the ability to diffuse them quickly through the economy.

"In its role as a policymaker, the government is facing challenges of entrenched disadvantage. Despite improvements in narrowing (wealth) inequality over the last 30 years, Malaysia has not yet reached the point where we can comfortably say that we have effectively addressed the issue," he said.

The finance minister said this in his commemorative speech at the virtual Global Education Conference and Postgraduate Colloquium 2021 (GECPC 2021) today hosted by UNIRAZAK.

The two-day forum gathers nearly 20 international speakers, including those from the United States, China, Finland, Singapore, and Hong Kong.

Tengku Zafrul said policymakers recognise that there is a group of Malaysians who are at a disadvantage in climbing out of poverty and this is where greater use of technology and digital inclusion might be necessary to help them.

There are gaps and issues in delivering assistance to some quarters of society, he noted. "The pandemic has exposed several gaps in public service delivery that the current leadership is actively seeking to remedy. There is room for change in the role played by government policy, especially in the provision of social safety nets," he said.

While the combination of direct cash assistance and subsidies for day-to-day essential items such as cooking oil and flour has managed to meet the needs of the disadvantaged, more can be done to effectively address inequality and gaps in social safety, he added.

Furthermore, the finance minister reckons that economics-related professions will need to adapt to meet Malaysia's policy goals, especially when it is made apparent how a global pandemic like COVID-19 has challenged all conventional economic academia.

"More than ever, we need experts to be alive to the shortcomings and misapplication of economic prescriptions. For all the data and technology we now have, we still struggle with our forecast and predictive models as we did 50 years ago," he said. "Hence, the role of economic knowledge is not, and should not be, unchallenged. The big test at hand for economics is to help meet the challenges that policymakers everywhere face today - the terrible twin crises of health and economy caused by the COVID-19 pandemic."

Firstly, policymakers in many countries have to grapple with productivity growth especially in view of the synchronous slowdown of the global economy due to this pandemic, he said.

From the Malaysian perspective, he noted that the historic contribution to productivity growth from capital expansion had shown signs of stalling in the past few years even before the pandemic occurred.

"Suffice to say that the country did not move as rapidly as it should have into the mass automation of jobs or tasks that we so often talk about. For us, sectors such as manufacturing and agriculture continue to rely on manual labour, derived mainly from foreign workers," he noted.

The finance minister said the destructive entrepreneurship of rent-seeking should be removed just as the dynamism through productive entrepreneurship in private markets should be encouraged.

"Economists and academics alike have a role to play, given that rent-seeking is driven by incentives, and some of these incentives are embedded in market design. Businesses and corporates also have a role to play by advocating for good general economic policy, rather than specific measures aimed at individual preferment.

"My view is that markets and competition, with a strong consumer focus and reinforced with appropriate regulation, remain a strong antidote to monopoly rents," he added.

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