FIFTY YEARS OF INDEPENDENCE: REFLECTIONS ON MALAYSIA'S PAST AND FUTURE

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It is a great pleasure to be here to participate in the celebration of the fiftieth anniversary of Malaysia's independence—50 years of enormous success 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 also for thinking about the future. I will end my talk with some of the challenges facing Malaysia today and how it might meet those challenges.

Malaysia's successes

The numbers by themselves say a great deal. The population has tripled while GDP adjusted for inflation has increased more than twenty fold, with an average GDP growth rate of 6.75%, one of the fastest sustained growth rates ever achieved. This rapid growth means that per capita income has increased more than seven times. At the time of its 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 5% below that of Ghana. Since then, there has been a massive divergence from those countries 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 also 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 extreme poverty by 2010 and to reducing its overall poverty rate during its ninth five year plan to 2.8%. 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 due to the creation of jobs. While for most of the world unemployment is a problem, Malaysia has been importing labor, and in the fifty years since

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independence, the fraction of the population that is economically active has increased from 36% to 43.4%. 7.24 million jobs have been created, an increase of 261%, which would be equivalent to the creation of 105 million jobs in America.

Socio-economic statistics reflect these advances. Adult literacy has increased to almost 90% from just over 80% in the beginning of the 1990s. Malaysia's birthrate has decreased by half since independence, infant mortality has declined from 72 per 1000 live births to 10, and the under 5 mortality rate has been reduced by 90%. Furthermore, life expectancy has increased from 54.3 years to 73.7 years.

Successes against all odds

There were many reasons *not* to expect Malaysia to have had such a success. Just as Malaysia was gaining its independence, Nobel Prize winner Gunnar Myrdal wrote an influential book called *Asian Drama*, in which he predicted a bleak future for the region.

Malaysia is rich with natural resources, and with few exceptions, these countries have been afflicted with what has come to be called the "resource curse," or the paradox of plenty: countries with an abundance of resources that one would expect to do very well actually do worse than countries without such resources. One of the reasons for the curse is that fighting over the spoils (rent seeking, as economists call it) is much easier than creating wealth. While natural resource wealth should make it easier to create a more egalitarian society, countries with more resources, on average, are marked with greater inequality.

This brings me to the second reason why success in Malaysia was not inevitable: the country has a multiracial, multi-cultural society and could have been torn apart by strife. This has happened in so many other resource-rich countries, where one group tried to seize the abundance of resources. 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 resource-rich countries with poor people, comes to mind.

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 colonies, is the most visible example. The colonial powers used divide and rule tactics, which made it possible for these countries with small populations to rule large numbers outside of Europe, but these tactics did not strengthen the social capital necessary for a strong and democratic self-governing society. While the colonial powers destroyed social capital and pillaged the natural resource capital, they reinvested little in the country. 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.

Accounting for these successes

With all of these handicaps, how then does an economist account for Malaysia's successes? The answer to this question is of more than academic interest, since all over the world there are countries facing challenges similar to those which Malaysia faced at the time of its independence. These countries 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 multi-ethnic 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.

This was the first basis of Malaysia's success: it learned from its neighbors. Too many of the ex-colonies, rejected their colonial heritage and turned to Russia and communism, the anti-thesis of the West which had oppressed them for so long. Malaysia wisely took an alternative course and looked east, to the highly successful countries of East Asia.

What were these policies that had brought such success to so many of the countries in the region? 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 also because they freed the countries of the region from having to borrow abroad. International capital markets typically demand that countries borrow in the short-term and in hard currency, and this borrowing exposes countries to huge risks of exchange rate and interest rate volatility. Malaysia's government introduced policies that encouraged a high national savings rate.

Second, today, we recognize that what separates developing from developed countries is not just a disparity in resources but also a gap in knowledge. 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 at the same time transferred some of their knowledge to those in Malaysia.

Third, Malaysia paid attention to its social fabric. There were potentially large tensions between its various ethnic groups, with large gaps in income. It succeeded in closing these gaps with an active affirmative action program, 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 the so-called Washington Consensus policies advocated by the World Bank and the IMF, which were based on market fundamentalism.

Examples of the benefits of these policies abound. Free market ideology would turn over Malaysia's abundant natural resources to foreign multinationals to develop, while 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.

Consider the crisis that plagued the region just ten years ago. Malaysia imposed capital controls, against the prevailing wisdom and, in particular, against the advice of the US Treasury and the IMF. But it was the right policy and resulted in Malaysia having the shortest and shallowest downtown of any of the countries in the region. 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 neighbors 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.

Looking to the future

One aspect of pragmatism that has been the hallmark of Malaysia's policies is that policies have changed as circumstances have changed. 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.

In earlier decades, the country needed huge investments in infrastructure. In the aftermath of the East Asian 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.

In the coming decades, there will continue to be changes, both in the global economic landscape and in Malaysia's own society, which will require changes in economic strategies and policies. China looms as a giant not only in the region but in some arenas also in the world. Finding appropriate niches of dynamic comparative advantage will not be easy, but it will be absolute necessary if Malaysia is to continue to grow at the rapid rate that it has for the past half century.

There are even more fundamental questions that Malaysia will have to ask. 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, Malaysia's per capita income will be comparable to that of the U.S. today. As Malaysia peers into what the world might look twenty five or fifty years hence, it needs to ask some basic 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 globalization?

Objectives

In thinking through the answers to these questions, the country needs to begin, of course, by asking what the objectives of economic policy should be. The objectives 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, emphasized that the issues of physical, 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 so risks failure even in the more narrow terms of economic growth.

Even if GDP is increasing, most people in the country can be worse off, making rich countries with poor people. Indeed, that has been happening in the US, with GDP today some 20% higher than it was 6 years ago but most Americans worse off today. 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 in 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, and many of the Pacific and Indian Ocean islands will disappear. 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 increase in greenhouse gases. Malaysia, with its abundance of forests, has an opportunity to contribute to solving 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 in preserving 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 both the resources and the incentives required for developing countries to maintain their forests.

Another aspect of sustainability is social sustainability, which means making sure that the divides which separate different groups in society are kept within bounds. Malaysia, as a multiethnic, multi-cultural, multi-racial society, has a particular challenge, one which it has managed well to date. The world, of course, can be thought of as a pluralistic community of immense diversity. The greatest challenge facing the world today is how we can live together, not just with toleration but also 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 at a national level provide 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 individuals' 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 created social capital and a sense of national identity. Malaysians think of themselves as Malaysians, first and foremost, 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 across 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 reality will be one of the most important 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 underutilization of these resources.

Responding to the challenges of globalization

Achieving the objectives of equitable, democratic, and sustainable democratic development will not be easy, and it 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 globalization and thinking through a new economic model.

The first question is what Malaysia can do, to *make globalization work*, not just for Malaysia but for the world as a whole. Malaysia is one of the countries that has managed globalization well, and has, in the past, benefited enormously from it. Without access to international markets and global technology, it would not have had this success. I have already suggested three important roles: responding to the problems posed by global warming and climate change; setting an example of how people with ethnic and religious diversity can live in harmony; and 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 also growth that is more sustainable with benefits that 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 should work with other countries to help them adapt these policies to their circumstances.

South-South cooperation

However, 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 globalization. For instance, while standard economic theory would have suggested that there are more gains from North-South trade agreements, in practice, the vast majority of the gains from these agreements go to the North because of the imbalances of economic power. 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.

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 tenth anniversary of the East Asian 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 liberalization advocated by the US Treasury and the IMF; the way these institutions responded to the crisis exacerbated the downturns. The policies that were pushed on the afflicted countries were 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. (Contrast how the U.S. responded to the sub-prime mortgage crisis and how the IMF and the US Treasury told the East Asian countries to respond to their crisis: the Federal Reserve Board lowered its discount rate (the interest rate at which it lends to banks) and announced that should the crisis lead to an economic slowdown, there would be broader reductions in interest rates. The IMF and the U.S. Treasury, however, told the countries of East Asia to raise interest rates, even if it resulted in massive recessions and depressions; as the head of the IMF told a meeting of the region's finance ministers and central bank governors here in Kuala Lumpur just a decade ago, the countries must bear the pain.)

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, in effect, it results in the developing countries subsidizing 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, while at the same time the same countries borrow back a part of the money that they sent abroad, at much higher interest rates. The effective foreign aid to the United States is larger than the amount of foreign aid that the U.S. gives to the developing countries.

The source of global savings has been Asia—the U.S. 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 recognizes the threat that the global imbalances pose for the global economy and that the major source of the imbalances is the U.S. Yet in the international organization responsible for overseeing the global financial system, the IMF, the U.S. 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 market and the Chiang Mai initiative, but these initiatives need to be broadened and deepened and linked with similar initiatives in other parts of the world. In my book, *Making Globalization 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, in which countries like Malaysia have invested heavily, but Europe and America cherry pick the best, often trying to lure them away from their homeland without providing any compensation to the countries who invested so much in them. As your former Prime Minister has emphasized, 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 as were its trade provisions. The agreement provided little protection for traditional knowledge, nor did it provide compensation for developing countries' contributions to preserving biodiversity, which has proved to be 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 science has not found ways of making sure that the benefits of these are accessible to the billions of poor people 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 Organization, 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 that have avoided the natural resource curse by getting a larger fraction of the value of its resources for its citizens. Today, all over the world, developing countries have been exploited by Western oil and gas companies who have paid the countries from which they have taken these valuable resources only a fraction of what the resources are worth. In the case of Bolivia, for instance, the country only got 18% 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 in the five hundred years since the beginning of Spanish colonialism that represented the vast majority of indigenous people of Bolivia was able to renegotiate these unfair contracts and reverse the percentages, to get 82% 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.

Managing Globalization inside Malaysia

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, which will make the challenge of making sure that globalization works for the country—for the vast majority of its citizens—all the more difficult. When globalization has not been managed well, it results 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 have embarked on wholesale liberalization and deregulation. They have said that remaining competitive in a world of globalization requires lowering taxes and government expenditures, which means cutting back on social protections, exacerbating the inevitable economic problems already discussed. But these policies are simply increasing the backlash against globalization, in both developed and developing countries. One cannot ask those who are being made worse off by globalization to accept further cutbacks in social spending, all in the name of some illusory benefits to be received in some distant future. Of course, existing social arrangements have to be constantly modified in light of changing circumstances. Some countries, for instance, did have excessive labor market rigidities, and poorly designed job protections can weaken incentives to work.

In this respect, some contrast Japan's old system of life-long employment (which never affected more than a fraction of the labor force) and America's "ruthless" capitalism, where workers are fired at will, claiming that America's system induces people to work harder. However, the evidence on that score is not clear, as productivity per hour in several European countries exceeds that in the U.S. 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 an individual's 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 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 globalization, 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. 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 Indicators, the US, in tenth 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. The revenues from these taxes enable these countries to provide a strong safety net and heavy investments, e.g., in the human capital necessary for success in the modern economy. A strong safety net enables individuals to undertake more risk than they otherwise would, and risk-taking too is a hallmark of success in the competitive era of globalization.

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

- *Strong education programs*. Adapting to new technologies and responding to the rapid changes imposed by globalization requires high levels of human capital; the evidence is that more educated people move more easily from job to job. These countries also emphasized life-long learning; successful education involves learning to learn.

- *Active labor market policies*. Training workers who lose their jobs can help them 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, helps individuals to undertake the risks of starting a new business or joining a start-up firm.

- *Safety nets that are obligations of the state and individuals, not of companies*. In the era of globalization, firms need to focus on producing new products at low prices, not on 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 also lies 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 globalization*. The response must go beyond the labor market. Recognizing that globalization will make some individuals worse off means having more progressive tax systems, so that individuals who work full time should at least receive a living wage, however that may be defined.

- *Increased Productivity*. Responding to the competition to which globalization exposes every country also requires increasing productivity, by increasing the quality of the labor force, ensuring that the labor force is efficiently deployed (which means both reducing discrimination and the barriers to labor force participation), and increasing the productivity of firms. There are many components to this agenda. In the nineteenth 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.

- *Innovation.* 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.

In the past, Malaysia's affirmative action program has played an important role in enhancing the productivity of its labor force and in ensuring that discrimination did not interfere with its efficient deployment. In America, there has been increased emphasis on *economic affirmative action*, as it has become apparent that the American dream of equal opportunity is largely a fiction. Social mobility is, in fact, lower than in many of the countries of Europe. Life chances depend a great deal on the luck of the economic well-being of one's parents. Building on the successes of the past fifty years, Malaysia's affirmative action programs too may have to be redefined and broadened.

A new economic model

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 been often 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 globalization offer, but wish to ensure that the increases in incomes which these changes make possible are equitably shared.

Fifty years ago, Malaysia realized 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 hopefully will 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 earning just for the bare necessities of life—food and shelter. If the higher incomes which new technologies, globalization, 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 imaginable in the past. The question is what Malaysia, as a society, will do with the surplus, the economic resources that go beyond meeting life's necessities. 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 prospect 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 in the past. Malaysia has been able to avoid the natural resource curse. Now it is time for Malaysia to take the 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 fifty years and should look with confidence towards the next.