

SOCIALISM AS THE ALTERNATIVE FOR MALAYSIA

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Has Malaysia Prospered under Capitalism?

If so, why even talk about Socialism?

I should clarify from the outset than I remain convinced that Socialism represents the best way forward for not only Malaysia but for the whole world. However socialism has received very negative publicity for the past 40 years, so much so the majority of the people have written it off as unrealistic or even harmful.

Socialists have a duty to explain to the Malaysian people why we are advocating the socialist alternative for Malaysia. To do so, we need to address, among others, the following questions

- Has Malaysia actually prospered under capitalism? If so, why propose major changes to the economy?
- Why advocate Socialism when the Communist Countries themselves, such as China and Vietnam are encouraging the development of capitalism in their own countries?
- Isn't it true that Vietnam has been, since the mid 1980's, implementing almost the same economic strategy as that introduced by Tan Sri Lim Chong Eu in the 1970s when he was Chief Minister of Penang? That of attracting in foreign capital to free trade zones to produce for the export market.

These are very valid questions, and if we socialists want to win people to our political program, we need to handle these issues honestly. So lets give a go here!

Is it true that Malaysia has prospered under Capitalism?

The following facts are often quoted to support the proposition than Malaysia has fared well under capitalism –

1. The number of families below the poverty line was 50% in 1970. The figure now is only 3.8%¹
2. The average monthly family income has increase 4 fold since 1970- from RM 264 in 1970 to RM in RM4,025 in 2009! RM 264 in 1970 would be equivalent to RM 971 now – still, an increase of about 4 fold!²
3. Malaysia is the destination for more than 2.5 million migrant workers. They come here because of unemployment in their home countries, and because they can earn more here. Malaysia's economy generates more jobs than many Third World countries.
4. Our income and health statistics are much better than many Asian and African countries that also got independence about the same time that we did.

Table One: Statistics from Selected Countries

Country	Population ^a (mil)	Per capita ^a Income (PPP) USD	Under 5 Mortality ^b (per 1000 life births)	Life expectancy at birth ^b (years)
Malaysia	28.3	15,384	6.3	74
Indonesia	237.4	4,667	35	68
Vietnam	90.5	3,104	23	75
Bangladesh	142.2	1,572	48	68
India	1,210	3,703	63	65
Nepal	29.3	1,270	50	68
China	1,340	8,394	18	73
Kenya	41.1	1,726	85	56
Nigeria	167.0	2,589	143	51
Egypt	81.0	6,361	22	73
Germany	81.8	37,935	4	80
Britain	62.3	35,974	5	80

Note: PPP = Purchasing Power Parity (ie The per capita income is “inflated” to take into account the cheaper cost of living in the developing countries.)

Source: a) Wikipedia; b) World Bank Health Indices

The above facts clearly show that Malaysia has fared well in comparison with other post colonial countries. However this is not quite the same as saying “Malaysia has prospered”, for that would imply that the majority of Malaysians are living comfortably. Tan Sri Nor Mohamed after presenting the figures re the 4 fold rise in average household income quoted above went on to admit that there is a problem with the distribution of national wealth – with 40% of households earning less than RM 2300 per month, and another 20% earning between RM 2000 and RM 3000 per month. He conceded that families earning less than RM 3000 per month cannot live comfortably given today’s prices². And that group comprises 60% of our population! Surely one can’t say Malaysia has “prospered” if 60% of the population is under financial stress!

But despite that caveat, we have to accept the fact many other post-colonial countries – in South-east Asia, South Asia and Africa - have done much worse than us. And that being the case, there are people who argue that if we work hard and Malaysia could make the system work for us and we can do even better as we “move up the value chain”. In fact this is the overall strategy of both the Barisan Nasional and the Pakatan Rakyat.

If we, socialists, wish to convince the Malaysian public that we need to challenge corporate led globalization and the neo-liberal model that deifies the “market” and really put people before profits, we need to explain

- a/ Why Malaysia did comparatively better?
- b/ That the conditions that enabled Malaysia to perform better than its post colonial compatriots no longer exist.

What enabled Malaysia to out-perform other Post Colonial countries?

I believe that there are 3 main reasons.

1. Luck!

We are lucky that we are relatively far from Europe! The capitalism that spread out of Europe was far more predatory in its early days. The Americas were the first to be colonized, and their indigenous populations were decimated by disease, starvation and the harsh working conditions in the colonial economy. Independence when attained in the late 19th Century did not see the ascendance of the indigenous people. It was the European settlers who had emigrated to these colonies who fought for and attained independence from the mother countries. Even till now, the indigenous people of these countries remain poor and marginalized.

Africa also was traumatized quite badly by expanding capitalism – the slave trade, exploitative colonial economies, arbitrary national boundaries and deteriorating terms of trade after independence. It hasn't yet recovered from the colonial trauma and remains the poorest continent on the planet! Countries further away from the imperial centre got colonized later, or in the case of Japan managed to go on a crash-course modernization program and avoid colonialization! The further one was from the epicenter of capitalist transformation of society, the better off one was!

2. Malaysia was relatively unpopulated.

When we compare Malaya with Bangladesh (see table above) it is clear that our income and health statistics are much better. Malaya emerged from the colonial period with a stronger economy and a better infrastructure. Both countries were colonized by Britain. The difference was that Malaya had large tracts of uninhabited land that could be cultivated by the British plantation companies – sugar and then rubber. Bangladesh was already quite heavily populated, and could not be used for large scale plantation agriculture.

3. Our Colonial Master was the leader of the pack!

Sumatra was also relatively under-populated when the Dutch gained control of the Indonesian archipelago. The reason why Sumatra did not undergo a similar economic transformation that Malaya did was because it had a different, weaker colonial master. Britain's economy had a voracious appetite for rubber and tin and this fuelled the development of infrastructure in Malaya. Dutch capitalism wasn't as virile, and did not require as much raw materials as Britain required. So Sumatra's development was more subdued as compared to Malaya.

Colonial Malaya was “developed” to a further extent than many other colonies because Malaya fitted into the needs of the expanding capitalist economy of that time and could be developed to provide much needed raw materials for the Imperial Centre.

The Seventies witnessed the flourishing of the export oriented light industrial sector. Malaysia became the host to the semi-conductor industry – at some points producing more than 70% of the world total. At that point in time Malaysia had several advantages compared to other newly independent countries

- A stable post colonial government
- Fairly well developed infrastructure
- Sufficient number of low wage workers.

Again, Malaysia benefited because it was able to fulfill the needs of the multinationals that wanted to cut costs in the production of components for the electronic industry that was booming then. This is precisely the position of Vietnam today. In the 1980’s Vietnam desperately needed funds to develop, and given its war-torn society would have had great difficulty generating the funds required domestically. By aligning itself with the needs of international corporations – low costs of production – Vietnam has been able to attract the investments that it needs to develop its productive capacity.

Why can’t we continue this “winning streak”?

That is a reasonable question! Why can’t we continue to provide valuable services for the global capitalist system to expand our national income while implementing more effective re-distributive policies to spread this wealth more equitably among our people?

The parties comprising the Pakatan Rakyat believe that it is possible, and that’s why they want to implement “market-friendly” policies. The PSM however believes that as a long-term strategy this is a dead-end because of the following 4 reasons -

1. There are many more countries seeking to attract foreign investment as compared to the 1970s when Malaysia used that strategy very effectively. The collapse of the Warsaw Pact, and the turn of China to capitalist development has opened up huge opportunities for foreign firms looking for cheap labour. Vietnam is another good destination for FDI looking for low production costs. Thailand no longer is the frontline state facing the expansion of the red tide in Asia as it was in the 1970s.

Given these changes, the strategy of trying to be attractive to foreign capital seeking lower production costs has now degenerated to a **“race to the bottom”** in the following aspects

- There is now the pressure to reduce corporate tax to remain competitive with our neighbours. Malaysia charged 40% tax on corporate profits in the 1980s. It is now down to 26%. There are people, including YB Lim Guan Eng, who advocate bringing corporate tax down to 19% because that is where Singapore is.
- We are now committed to “labour flexibility” which is basically an euphemism for union bashing, contractualization of labour and the rolling back of legislation that protects workers from victimization and unfair dismissal. Malaysia is moving rapidly down this road – outsourcing of labour was recently endorsed in the recent

ammendments to the Employment Act! And limitations on the quantum that can be claimed for unfair dismissals were drastically reduced a few years ago.

- Conservation of the environment is forgotten in the rush to get foreign investment – witness the Lynas plant in Kuantan, and the plan for huge Aluminium smelters in Sarawak.

2. The maldistribution of wealth in our society has already created myriad social problems. Street crime, Mat Rempitism and the growth of Indian youth gangs cannot be conveniently blamed on poor parenting and the influence of movies. They are an expression of the **marginalization of the poorer half** of our population.

Table Two: Distribution of Monthly Household Income in 2007

Income Category	Number of Households	Percentage
< RM 1000	486,500	8.4%
RM 1000 - 2000	1,695,600	29.4%
RM 2001 – 3000	1,144,700	19.9%
RM 3001 – 4000	743,000	12.9%
RM 4001 – 5000	497,800	8.6%
RM 5001 – 10,000	914,300	15.9%
RM 10,001 – 20,000	235,300	4.1%
>RM 20,000	49,500	0.9%

Source: Prime Minister’s Department, in reply to question put in Parliament.

The privatization of basic amenities such as health care, education, water supply among others has increased the pressure on the poorer 60% of the population and this has exacerbated social exclusion and marginalization which is, the PSM believes, one of the main factors leading to violent street crime and anti-social behavior. The “race to the bottom” that the neo-liberal road entails will only make these tendencies worse!

3. The global capitalist system is facing serious problems. The incessant pressure to reduce production costs by pushing wages down (which intensified with the dissolution of the Warsaw Pact) has stunted the growth of global aggregate demand and led to a situation of **chronic underconsumption**. This is one of the factors that has driven the “financialization” of capital and the resulting financial “bubbles” that have led to extreme volatility in the global economy.

The Keynesian strategy of augmenting aggregate demand by increasing government spending did succeed in reducing the severity of the downturns, but has resulted in huge public debt in the developed countries. The severity of the debt burden of the advanced economies has affected their credit ratings and made it more difficult (and expensive) to borrow to fund counter-cyclic spending for the next down-turn.

There are some who naively argue that the high rate of GDP growth in the BRIC economies will help spur the global economy and we in Malaysia need not be too worried. But this is wishful thinking as the figures in the table below demonstrates –

Table Three: Global Aggregate Demand

Country or region	Population	GDP in USD
European Union	502.5 mil	16.24 tril
USA	312.6 mil	15.07 tril
Japan	128 mil	5.86 tril
Brazil	192.4 mil	2.09 tril
Russia	142.9 mil	1.89 tril
India	1.210mil	1.84 tril
Indonesia	237.4 mil	0.82 tril
China	1,340 mil	6.99 tril

The EU, the US and Japan make up 60% of global GDP which was USD 61.96 trillion in 2010.. High rates of growth in the BRIIC nations, which collectively make up only 22% of global GDP, cannot compensate fully for the sluggishness of the advanced economies, especially when several of the BRIC nations rely on the external market to fuel the accelerated growth of their economy!

The likelihood of a long and painful recession is big. Long, because governments which have been able to reduce the severity of recessions by propping up aggregate demand, are now hamstrung by their run-away debt burdens. And also because the only possible response to the problem that goes to the root of the problem – policies to increase the share of national income that accrues to ordinary people through better wages – will be bitterly resisted by the corporate elite!

So, at a time when the imperial centre is itself beset by severe internal contradictions, to tailor a strategy of aligning one's national economy to benefit from the growth of the imperial centre, doesn't quite make sense. The times have changed!

4. An even more fundamental problem facing us is that the environment cannot take much more of a form of development that requires the burning of more and more fossil fuel. For one, petroleum resources are finite. There are people who argue that we have already reached “peak oil”. From this point on, it will get more and more difficult and complicated to maintain the supply of petroleum to meet growing world demand! And this is being reflected in the price of petroleum.

The second issue is the danger posed by *climate change*. If we continue on the current trajectory of growth, serious environmental problems such as global warming, desertification of currently arable land and the rise of sea levels are likely to develop, and as always the poorest people in the world would be those who are hit the hardest!

Necessity of re examining the Socialist Alternative

Yes, Malaysia has done fairly well when compared to many other developing countries, though I would still hesitate to say Malaysia has “prospered”. However the strategy of growing our economy by aligning to the interests of international capital is no longer a viable option. The world is changing – and with that, the option of attracting foreign investment and relying on the export market is becoming more difficult to achieve.

As the previous section summarizes, we need to develop an alternative to the destructive economic system that we are entrapped within. Our very survival requires us to abandon the path of incessant growth and the establishment of a sustainable economy. To do this we need dethrone capital! Corporate profits can no longer be the central aim of the economic system. People and the environment have to come first! Socialist principles, analyses and the experiences (and mistakes!) of the socialist experiments in the past century have a lot to contribute towards the building of a better world for all.

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Notes

1. The Malaysian authorities define the poverty line as about 160% of the cheapest food basket necessary for the survival of a 5 member family. Obviously such an income isn't sufficient to rent a house or pay for bus-fare for your child to go to school! This is much lower than the level that is set in most of the EU countries which is 60% of the median income. The poverty level income in Malaysia today is RM 720 for a family of 5 in Semenanjung Malaysia. This works out to about USD 1.50 per person per day.
2. Source: Tan Sri Nor Mohamed b Yakcob, Minister in PM's Dept. Hansards 24/10/2011. P 109