

HIGH INCOME ECONOMY

July 30, 2010

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1. The Government has announced the intention to make Malaysia a high income country. I assume this means people will receive high wages, salaries and profits.
2. But if wages and salaries are to be increased by the private sector, the cost of doing business would have to increase as well. To cover this increase, prices of products must be increased. This will mean that the consumers will have to pay higher prices for whatever they purchase. There would be, by definition, inflation.
3. The increase in prices of goods and services should cover the higher wages and salaries and the profit margins from the business. But this will not be all. The cost of transport, fuel and raw materials would all increase as these businesses will also experience increased overhead costs as they too will have to increase wages etc. So the increase in product prices must also cover these costs.
4. Generally the cost of living would increase as prices increase. The rise in income may not increase the purchasing power of the wage earners. Higher incomes would not mean anything then. We know of many countries where people get higher incomes in terms of currency units but are extremely poor.
5. If there is to be an increase in income, it must be carefully managed so that it would result in increases of purchasing power and not just more money.
6. This can happen because the added cost of doing business may trigger unreasonable increases of prices for raw materials, goods (products) or services. For example a 10% increase in wages and salaries should not result in an increase of 10% in the prices of goods and services. This is because wages and salaries do not constitute the total cost of production.
7. Their contribution to cost of production varies. This has to be determined by careful scrutiny of all the cost of production including material cost, power cost, transportation, advertisement and promotion costs etc. If it is found that wages and salaries at all levels make up 20% of the cost of production, then a 10% increase in wages should contribute only 2% to the cost.
8. Similarly the increases in the other costs i.e. power, material, transport etc may increase by a much smaller percentage according to their percentage contribution to the cost. Assuming that together they contribute 50% of the cost, but the increase in their prices is 5%, i.e. 5% of 50% = 2½ %, the total increase in cost inclusive of wages and salaries should be 4½ %, or say 5%.
9. Thus the increase in wages by 10% will not increase overall cost by 10% but will only increase by 5%, after including increases of other costs.
10. The margin of profit varies. For wholesale and fast moving items the margin can be as low as 2%, while for some slow-moving luxury goods the margin may be as high as 300%. Assuming that the cost of production increases by 5% for a 10% increase in wages and salaries, there can be justification for only a 5% - 6% increase in price of products and

service for those with low profit margins. For high profit margins there should be no increase in price at all.

11. The wage earners with a 10% increase in income should therefore have a 5% increase in purchasing power only; not 10%. In other words their increase in income would make them only slightly richer. Still with increase in purchasing power they would be able to contribute more to businesses. Eventually the Government would earn more by way of taxes to pay for the increases in wages and salaries in the Government service. Generally economic activity would be enhanced and there would be growth as the salary bill in Malaysia runs into hundreds of billions every year.

12. The above are some of the ways for preventing unfair cost increases when wages and salaries are raised. But there are also many other ways of reducing costs so that the cost of goods and services to the consumer is not increased much as a result of increasing incomes.

13. In manufacturing, a careful study of cost can result in ideas on cost cutting. The Japanese "Just In Time" manufacturing process is a good example. In this system the parts and components are produced just in time for them to go into the assembly of the final products. This eliminates the cost of storage and holding costs.

14. Automation and robotics are costly but they can work 24 hours a day and would reduce the cost of the three shifts of work by workers in one day. In ship-building, whole sections of the ship can be produced separately and then assembled. A lot of time can be saved this way. And time means money.

15. The classic case of reducing cost was invented by Henry Ford - namely mass production on assembly lines. Economies of scale can also contribute to lowering costs. We see the progress in retailing goods. The single specialised shops have given way to the supermarkets. Now the supermarkets are being replaced by the giant wholesale hypermarkets. These help increase volume and lower purchasing costs. Self-service also help to reduce costs in restaurants and supermarkets.

16. Various electronic devices can help in reducing costs. Because of additional capital needed for these devices, they contribute much when the volume is big.

17. Incomes can also be increased by better education and training. It is said that the Korean worker is three times more productive than the Malaysian worker. This is not just due to education and training but more because of work ethics. Obviously when a worker is more productive he should be paid higher wages.

18. Most manufacturing activities add higher value to basic material. Generally exporting raw material gives less return than exporting manufactured products. But other costs have to be taken into consideration.

19. The Malaysian strategy on industrialisation is also not conducive to reducing costs. Japan and Korea acquire foreign technologies and set up their own companies to produce their own products.

20. Malaysia adopted a different strategy. To create jobs for a large number of the unemployed, foreign investors were invited to set up labour intensive industries. Naturally wages were very low. Increased profits for the foreign owned industries did not necessarily result in increased income for Malaysian workers.

21. Over the years Malaysians had acquired the skills in manufacturing and the capital to invest. Today there are a lot of successful Malaysian companies. Should the Government help these Malaysian industries to grow they can become world class players. This means better income for the Malaysian entrepreneurs and better wages for the Malaysian workers.

22. We must not follow the route taken by the developed countries of the West to achieve high income. In the days when technology was exclusive to the European countries and North America increases in wages were largely due to the demands of the workers. To cover the increased cost of production prices were raised quite indiscriminately. This was sustainable when the Europeans were the only producer of manufactured goods.

23. But then the countries of East Asia, began to produce almost all the products of the West at lower cost. The workers of the West continued to demand for continuous increases in their wages. Very soon the high prices for their products caused them to lose the market.

24. Malaysia must never take this route in order to achieve high incomes. Instead it should study the other ways of increasing incomes which will not lead to inflation and loss of purchasing power.

44 Comments

By ahhAuthor Profile Page on July 31, 2010 11:43 PM

askm ayahanda,

Ini memang betul. Saya pun terfikir sebelum nie camna nak increase income sedangkan banyak company kat Malaysia sekarang nie nak cari profit pun susah. Kalau peniaga susah nak untung camna nak naik gaji pekerja. Contoh penjual goreng pisang nak naik gaji kene naikkan harga goreng pisang sebab income dia kat situ. Mungkin ini rumusan secara simple minded orang macam saya jer. Apa yang ditulis ayahanda diatas adalah berdasarkan pandangan orang yang berpengalaman dalam memimpin negara. :)

Semoga ayahanda sihat disamping keluarga tersayang dan dipanjangkan umur.

By Prof RibutAuthor Profile Page on July 31, 2010 8:31 PM

Salam Tun,

Kenapa harus kita naikkan gaji pekerja kalau kita tahu bahawa ia agak sukar untuk meningkatkan kuasa membeli rakyat Malaysia? Mengapa tidak kita mengawal perniagaan-perniagaan agar mereka menurunkan harga barang sehingga tahap yang boleh meningkatkan kuasa membeli rakyat Malaysia? Syarikat-syarikat perniagaan yang paling untung dalam apa situasi sekali pun. Yang menjadi mangsa adalah golongan miskin yang bekerja makan gaji berpendapatan sederhana dan rendah.

Mengapa tidak kita mengawal perniagaan di dalam negara kita agar mereka menurunkan harga barang dan perkhidmatan mereka sehingga pada tahap yang boleh meningkatkan kuasa membeli rakyat Malaysia. Untuk mengelakkan mereka kerugian, syarikat2 ini boleh meningkatkan kuantiti barangan dan perkhidmatan mereka dan juga tidak hanya menumpu kepada perniagaan di dalam negara sahaja malah berusaha mencari pasaran di luar negara bagi meningkatkan keuntungan mereka.

Sebab utama mengapa apabila gaji pekerja meningkat dan syarikat-syarikat perniagaan ini terpaksa meningkatkan harga barang dan perkhidmatan mereka adalah kerana rata-rata dari syarikat ini hanya

menumpukan perniagaan mereka di dalam negara sahaja. Jikalau syarikat ini mengambil langkah mengurangkan harga barang dan perkhidmatan dan menambahkan kuantiti barangan dan perkhidmatan dan memperluaskan pasaran mereka sehingga keluar negara, maka masalah inflasi akan dapat dikurangkan. Sebab mengapa negara-negara maju rakyat mereka mempunyai kuasa membeli yang tinggi adalah kerana pemasaran perkhidmatan dan barangan mereka tidak hanya tertumpu di dalam negara mereka sahaja, tetapi barangan dan perkhidmatan yang mereka tawarkan digunakan oleh hampir serata dunia.

Menerusi cara ini semua peringkat dalam masyarakat samada yang berniaga dan makan gaji dapat merasai nikmat kekayaan. Cuba bayangkan negara seperti di United Kingdom pada tahun 2002 semasa saya berkesempatan menetap di sana. Dengan hanya mempunyai wang 20 pound, saya mampu memenuhi troli saya dengan barangan keperluan dapur untuk bekalan selama seminggu. Adakah kita di Malaysia dengan mempunyai wang sebanyak RM20, kita mampu berbuat demikian?

Harus diingat juga perbandingan RM20 dengan 20 pound sterling adalah wajar. Kerana pada tahun berkenaan purata pendapatan seorang lepasan sarjana muda di UK adalah sekitar 1800 pound sebulan. Manakala pada ketika itu di Malaysia pendapatan bagi lepasan sarjana muda di Malaysia adalah sekitar RM1800.

Wawasan 2020 hanya tinggal 10 tahun saja lagi. Untuk menjadi negara maju, taraf hidup rakyat dan kuasa membeli rakyat harus tinggi. Rakyat tidak hidup melarat dan hidup tidak diselaputi dengan hutang lantaran kekurangan kuasa membeli. Saya tertanya-tanya adakah Wawasan 2020 boleh dicapai???

By parameswara 2Author Profile Page on July 31, 2010 8:24 PM

Dear Tun

How about Network Marketing? Robert Kiyosaki have strongly recommended it. Donald Trump also agree. Experts have predicted that most goods n services will be moved through this channel in future. This will be the solution to your high income economy problem.

Its assuredly the civilization of the 21st century. But most people have chosen to ignore this piece of information. But if you believe Sun Tzu Art of War-to win confidently, attack the ignored areas. If you think what I think this is our opportunity sir.

Asia will be the 21st Century engine of growth. We are in the heart of Asia. We have all the right human materials and the cultural links with entire of Asia. No other country is more fertile for a spread of a new civilization for Asia than Malaysia. Is Network Marketing it?

Thanks Tun.

By Ron For RealAuthor Profile Page on July 31, 2010 6:48 PM

It is rather sad that the once great Dr. Mahathir displays his ignorance of actual economics and chooses to blame the victim rather than the perpetrators on the great ongoing crime. American and European workers were able to earn higher wages not because they had an a monopoly, but because they produced more.

The cause of that goes back originally to the Renaissance where investment into both infrastructure and the population allowed them to produce a profit.

The good doctor sort of understands when it comes to South Korea, but only partly. Korea's growth and increase in standard of living is tied to its development of heavy industry and nuclear power.

But Dr. Mahathir is afraid of nuclear power; he might as well be afraid of fire.

By adik adikAuthor Profile Page on July 31, 2010 6:10 PM

Be the best we can be.

Let,s Nature takes its cause
Don,t have to follow others,
Don,t work as if there is no tommorow
Don,t be the slaves of what we call money,technology,modernaizations,time

Human Technolgy does not last
infact it is destruct mankind.

Man used to demolished nature for modernization,
now they are facing global warming.

Lise short,live the fullest
By schweinsteigerAuthor Profile Page on July 31, 2010 5:32 PM

sir,

To get to higher income economy without leading to inflation and loss of purchasing power, Malaysia needs to begin profiting from higher value industry. This only means in industry where the demand for such service is high worldwide. Example Robotics, Islamic Finance, IT Security are all high in demand. International Companies are willing to invest. And pay workers highly.Unfortunately, Malaysian workers today are still in the low wage low skill jobs. It will take a while for our people to be at par with knowledge of other citizens in other countries. In UK, a blue collar railway man can know how to set up his own modem and probably set up illegal internet subsription. In Malaysia, a marketing exec in IT company will not know how or what a modem is.

Solution, training and enticing Malaysians to be in the high value industry is needed. Whatever we do.. movies and job placement must stress importance of knowledge, certificates, while incentives and funds should be directed towards achieving higher value industry. In US, it was so easy for me to get a magazine on robotics and circuitry. Magazine was so easy to understand .. even for those who has never had any knowledge on robotics. We can get the same magazine here but we wont be able to relate much since they will have events over there where we wont be able to attend. I can even easily meet up with other community within my small rural area there to learn more. Here, URTV is the magazine of the year.
By AL ShahAuthor Profile Page on July 31, 2010 4:07 PM

Dear Tun,

The current rise in living costs had already hurt most of the mid and low income earners in the country. This will be aggravated further if the government decides to increase the incomes by giving higher salaries and wages. In turn, the increase will definite escalate the price of goods much higher to cover the operating overheads of the producers. From Malaysians' past experiences; those unscrupulous opportunists will hike their price of goods more than double or triple from the prior price tags; just because of a small increase in sugar or fuel. As a result, the price of goods will escalate at least triple from the increase of their overheads. Hence, resulting a very much lower purchasing power for Malaysians at home.

Even if the hike of income for ordinary people were to reach to RM5000; it will not be enough if the cost of living hikes to RM5500 to RM6500 a month (perhaps even higher).

You are definitely right; the increase of income should not begin with increase of salaries. Increase of income should result from increase of productivity. The drive should promote better marketability of Malaysian products, higher production capacity and efficiency of Malaysian producers. High volume of high quality Malaysian products at competitive pricing and good marketability into the world market should increase the Malaysian incomes.

The answer, I believe, should be through highly educated and efficient Malaysian workers, greater automation in productivity and less foreign labourers in the production line. Hence, less overhead and

greater margins will motivate greater wealth to share.

Increasing salaries without looking at the productivity perspective will only produce bad outcome to the people and the nation.

By PlainTruthAuthor Profile Page on July 31, 2010 3:15 PM

A high income economy necessitates a strong ringgit policy, the effects of which will be to mitigate price increases and increase the purchasing power of the rakyat.

Sure, in the short term, our exporters will experience a contraction in their profit margins but nature laws dictate that they will adapt such as by being more productive or by moving up the value chain or moving into niche markets.

For far too long, our exporters have been complacent in the global markets relying mainly on the weak ringgit policy of BNM and the abundant supply of cheap foreign labour.

Unless we get rid of this addictive drug, the likes of Vietnam will bypass us in the long term.

By libzimAuthor Profile Page on July 31, 2010 2:46 PM

This is the AGE OF DECEPTION. Democracy, human rights, free market, freedom of speech/expression are all deceiving. You can succeed in this age of deception if you know how to make use of all these deceptions to your advantage. If you cant make use of it to your advantage then suppress it.

By A.H.Author Profile Page on July 31, 2010 1:15 PM

salam buat Tun,

betul cakap Tun, kita tidak sepatutnya mengadaptasi semua yang dilakukan oleh Barat. bukan semua yang mereka lakukan itu elok dan boleh diterima pakai. zaman dulu mungkin kita lihat teknologi mereka lebih canggih, kita di 'brainwash' dengan teknologi mereka yang kononnya mendahului negara lain. padahal negara matahari terbit lebih produktif dalam membangunkan teknologi yang jauh lebih canggih. pemimpin malaysia kini terlalu ketara memuji pihak barat dan mengagungkan budaya mereka. macam hilang keperibadian melayu.

assalamualaikum wbt.

By Redhuan D. OonAuthor Profile Page on July 31, 2010 1:11 PM

The real high-income is coming from agents of K-economy which Malaysia is gaining on with good Internet and Telephony services. See how many of our own youth are so caught up on social sites and going places with it? You yourself Tun is now more effective using the web online than offline. And we have the recent example of Raja Petra getting the AG to remove a DPP just by merely putting up a blog post from London comfortably with few clicks. In short the Web is getting all powerful.

I suggest Tun return back to government on a virtual basis. Our first virtual PM that uses entirely online facility to run the country. No wastage of time and energy to travel and meet people. No need to look young and shake hands whole day. Why not suggest this as the new way forward?

Redhuan D. Oon

MalaysiaMy1

By Bukan Pak PandirAuthor Profile Page on July 31, 2010 12:35 PM

With all due respect Tun, I think you got it wrong at point #2.

Prices of products does not have to rise just because of rising cost of doing business.

Prices of products can be increased by adding value to the products.

e.g. Proton. Same labour but better cars complete with its bells and whistles. Higher car prices.

So you can have higher prices, higher salary but little inflationary impact.

That's how you achieve a high income economy.

To state that to achieve a high income economy by just increasing salary is well - a little too simplistic and erroneous :)

By OrangLamaAuthor Profile Page on July 31, 2010 12:16 PM

Salam,

Gaji tinggi tapi harga barang pun tinggi, hanya akan menambahkan beban kepada rakyat. Sebaiknya gaji tinggi, harga barang turun. Tetapi pakar Ekonomi Handalan yang sentiasa "Putih Kekal Baru", kata harga barang akan sentiasa naik sebab cost of production (COP) sentiasa naik. Kadang2 tak naik pun kos, cuma naik selera gaji bos2 besar depa.

Ada sikit cadangan saya yang bukanlah sukar dilaksanakan:

1. ** Penyusunan strategi operasi pengurusan/perkilangan**

Setahu saya memang sukar nak turunkan COP tapi boleh dilaksanakan atau sekurangnya2 kenaikan kecil secara perlahan dengan penyusunan semula strategi. Ada beberapa contoh syarikat antarabangsa telah menunjukkan kejayaan sedemikian. Inilah pentingnya ketua2 tak kira jabatan kerajaan atau swasta. Ketua2 mestilah berkebolehan. Kalau tidak jangan jadi ketua. Gaji tinggi hasil mesti tinggi. Bagilah sikit tekanan kepada ketua2 supaya depa lebih cemerlang. Cara terbaik ialah sistem naik pangkat dan turun pangkat. Orang Malaysia sentiasa fikir kalau naik pangkat akan terus naik pangkat atau sekurangnya2 kekal pangkat sama. Kalau ada sistem boleh turun pangkat, tentu depa kerja baik sikit. Adakah ini zalim? Tidak, malahan lebih adil kerana beri peluang kepada orang lain yang lebih layak. Satu faktor penting untuk sistem Kenaikan pangkat dan turun pangkat hendaklah berdasarkan KPI. Kena sikit tegas!!!

2. ****Pembaziran dan Rasuah*****

Jika tiada pembaziran dan rasuah kos pembangunan negara dapat dikurangkan dan hanya orang yang layak dan berkebolehan dinaikkan pangkat sehingga dapat meningkatkan produktiviti negara. Hasilnya dicanangkan semula kepada rakyat.

Pemimpin2 semua jangan duk perabis duit rakyat dengan melancung ke sana sini bergembira merata2 tapi ada dikalangan rakyat masih ada yang kais pagi makan pagi kais petang makan petang. Jika ada pemimpin sebegitu sungguh hina dan perlu diberhentikan oleh rakyat pada PRU akan datang!!!! Sekali sekala tengoklah cerita2 TV berkaitan kesusahan rakyat. Ramai orang miskin. Kadang2 yang bantu depa pun sama miskin macam depa juga. Apa nak jadi dengan orang Melayu sekarang? Nikmat kesihatan, nikmat kesenangan, kita hendaklah digunakan pada jalan Allah. Inilah sebahagian daripada tanda2 orang yang bersyukur. Apa tah lagi tanggungjawab kepada mereka yang "gatal" berebut2 nak jadi pemimpin tak kira bersongkok atau berketayap/serban.

Tangkap semua peminta, penerima dan pemberi rasuah. Lagipun dapat bantu depa hidup tanpa dosa rasuah. Rasuah ada pelbagai bentuk. Bukan saja orang politik saja terlibat. SPRM kena memperluaskan lagi skop rasuah supaya negara kita bebas rasuah. Pegawai Kerajaan atau swasta duk bodek bos2 sehingga dapat naik pangkat sepatutnya dikategorikan rasuah. Sebab apa? Naik pangkat dia dapat kenaikan gaji tahunan bukan cara betul tapi cara bodek bos.

Seorang pelajar duk mengurat pensyarah (atau sebaliknya) dapat keputusan peperiksaan gred A boleh ditakrifkan sebagai rasuah?

3.***Kempen beli barangan Malaysia****

Sekiranya rakyat beli barang2 buatan Malaysia sudah tentulah limpahan nikmatnya pulang semula kepada rakyat Malaysia. Limpahan keuntungan gula orang kaya Malaysia kekal di Malaysia atau melimpah2 keluar dibawa semut2 gergasi ke luar negara?

Kalau saya Perdana Menteri 1Malaysia (Untuk makluman saya hanyalah pemimpin 1keluarga saja.)

Kerajaan pastikan polisi ada sekurang2nya misalnya 70 peratus barangan buatan Malaysia dalam semua perniagaan sekiranya ada produk tempatan. Misalnya 70 peratus kereta di jalanraya mestilah buatan Malaysia. Kereta jenama negara lain sakit hati mata memandang kerana yang tempatan banyak yang tersimpan di kilang tak bergerak2. Ada perjanjian antarabangsa tak boleh buat macam itu ke? Lebih rela negara sengket daripada malu atau bimbang ditekan peraturan antarabangsa?

Siapa yang ada lebih dari satu kereta kat rumah, mestilah sekurang2nya ada satu kereta buatan Malaysia. Kerajaan kempenkan supaya rakyat ada perasaan sayangkan, cintakan dan sedia berkorban untuk negara. Disamping itu semua kelab2 rekreasi seperti Kelab golf hanya menyediakan tempat letak kereta jenama Malaysia saja, supaya dapat beri promosi kereta tempatan ada kelas. Siapa bawa kereta mewah seperti Mercedes dan BMW pi main golf, kena turunkan penumpang di pondok kawalan keselamatan lepas tu kena jalan kaki. Bagitau kat depa main golf kena banyak berjalan baru sihat. Takut nak cuba? Jangan bimbang undi depa tak banyak pun. Silap2 depa pun tak pi mengundi. Undi rakyat lain lagi penting.

Yang menaikkan pemimpin politik kebanyakannya ialah dari rakyat biasa. Juga yang akan menjatuhkan pemimpin politik juga ialah rakyat biasa. Jangan lupa rakyat biasa!!!!!!!!!!!!

By PraxisAuthor Profile Page on July 31, 2010 12:14 PM

Look at Singapore, which has gone the path of "high wage economy", paying it's senior minister the highest wages in the world for prophesies which do not come true. How robust is the Singapore economy? A generation or two behind us now? Do we want to go back or forward? Mr Najib has the wrong model, as long as he thinks our senior statesman who has no pretensions to ministry, prophesy or wages is "old baggage" that he can do without.

By amin tanAuthor Profile Page on July 31, 2010 11:23 AM

Dear Tun,

Congratulations for another excellent and solid posting. You have sound thinking and economic knowledge. Prime Minister Dato' Seri Najib, his entire cabinet, economic students and teachers, businessmen and all Malaysians are recommended to read this posting at least twice and try to fully understand it. I salute you, Tun Dr Mahathir. You should still be our finance minister, if not the PM himself or at least the current Economic Advisor of the government. If only I have the power to appoint you!!!

amin tan

By Telor KampungAuthor Profile Page on July 31, 2010 10:59 AM

Salam Tun M,

You are right. What is the point of high income when there is less purchasing power? I would prefer ideally a high standard of living and low cost of living. This will encourage more Malaysian to invest with their extra cash.

By Telor KampungAuthor Profile Page on July 31, 2010 10:56 AM

Salam Tun M,

You are right. What is the point of high income when there is less purchasing power? I would prefer ideally a high standard of living and low cost of living. This will encourage more Malaysian to invest with their extra cash.

By hearing-others-opinionAuthor Profile Page on July 31, 2010 10:49 AM

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By hearing-others-opinionAuthor Profile Page on July 31, 2010 10:48 AM

Bismillahirrahmannirahim.

Assalamualaikumwarahmatulahiwabarakatu.

The issue here is regarding the government intention on making Malaysia a high income country. And you point out that the government should not focus on creating a higher income, but creating higher purchasing power. and I agree with this.

You also voice out some of the ways that you think can help in achieving the objective. In order for this to happen, we must think on how to cut the total production cost so that inflation would not happen in such a boost.

There are a lot of things that I need to learn, but still I do have some RANDOM opinion on the issue raised. Sorry if I'm not sticking to the topic

first issue

Using machinery to cut cost, would result in cuts of employment because human power will be replaced. I think, Malaysians dont want this to happen and uproar will occur when it is hard to get jobs. Generate more income for the country is not enough, generating income for the citizens of the country is what matters. For example, in US, 1 percent of their people are holding almost 15 percents of the country economy. We dont want this to happen to our country.

Although using machinery will result in higher production, but handmade things are more valued. For example, if we are talking about automobiles such as cars and motorcycles, our youngsters are crazy about them. This was proven because we have a surplus of " Mat Rempit". It shows that they have the interest about automobiles and it would be nice if goverment can guide them.

Creating our own handmade automobiles would be awesome, and hopefully we can sell them to the world. Our problem will become our upperhand.

I think, our education system of being too written exam oriented what holding them back from moving forward.

Second issue

The West have an upperhand based on history. Back at the old days, they forced others to work for them. They forced the Chinese to build their railroad, they came to our country and took away our natural resources, they used Easterners with their very best. They gained something out of it. Good for them. Now I think its our turn to use it as our advantage.

You repeatedly said that, " Melayu mudah lupa". Its a part of human nature. We forget, we dont want to remember something that is unpleasent. How about if goverment help Malaysians by keep reminding us (maybe through frightening commercials) that we've been through hell once. Just to get Malaysians out from their comfort zone. Hopefully this will help to improve our work ethics.

The Israelians they dont forget how they were tortured according to history. Not having their own country keeps them remember and make them out from their comfort zone. And they progress themselves.

Third Issue.

I'm not very familiar with the laws and I don't know how to implement my next idea. But, I think, for the foreign company that come to our country and pay low wages, it would be nice if we can send most of our fresh graduates to their company. It would be fine for the fresh graduates if they get low wages, because they will get low wages anyway. But by making our fresh graduates to work for foreign company, we can educate our fresh graduates with the foreign technology. And if the foreign company continue to pay low wages to our graduates, hopefully our national company can counter offer because they have knowledge and experience by then. If the foreign company don't want to lose them, increase their wages, more than our national company willing to pay.

Fourth Issue.

We need to find a way on how to make the world need us. If not the whole world, maybe part of the world. I was referring to China, maybe the next most powerful country in the world. By having just a good relationship is not enough, we must make them need us. According to history, that's how Melaka became untouchable within our region. But according to history, during that time, China need us because we are the centre between East and West. I don't know whether it is still relevant or not.

If we can penetrate their market, and become their best buddy as close as family members, with a billion of population of theirs, I think it is a good news for us.

Last.

I'm sure the issue is more complex, and we need to detail study should be made, but I'm just an ordinary citizen which only know about the surface, and my opinion and ideas are based on the surface of what I understand

Thank you. :)

By HBT Author Profile Page on July 31, 2010 9:25 AM

Good morning Ayahmada Tun,

//22. We must not follow the route taken by the developed countries of the West to achieve high income. In the days when technology was exclusive to the European countries and North America increases in wages were largely due to the demands of the workers. To cover the increased cost of production prices were raised quite indiscriminately. This was sustainable when the Europeans were the only producer of manufactured goods.//

But, our blogger sdr Ir. Syahrizan got so excited, tip2 hoorayed as the USA grandchildren (eg:- eggs), and carried away when the US's General Motor and Ford have no choice but to re-investing and re-setting up their grand papas (eg: mother chickens) labor intensive technologies in alien lands eg:- Thailand, Vietnam and Indonesia, to take advantages on the low-skilled and huge population which the current generation of the USA have forgotten what their grandpapas advised them what to do for them in the name of freedom and protection, watch Iron Man 1 & 2, you will know.

However in Japan, the Japs are facing shrinking and aging population in the mother land due to globalization and democracy, they are now increasing 200% investment in GDP's education and R & D cost, 2 times eg: US10 trillion, now they invest US20 trillions in these education which complement R & D in long term, eg:- robotic and mechatronic in upgrading their production technologies, of course the manufacturing plants will increase the wages of workers and salaries of the management staffs base on matriculation, ethic and hard work, by taking the advantages and benefits of the technologies which they have inherited from their grand papas during World War 2. Now, the ex-PM of Japan pledged to work with the current PM, Noato Kan-san, to make sure the political issues initiated by Democratic Party will be pushed through so that political differences are minimized to go green.

Due to multiculturalism and multi-political views and paths in Malaysia:-

19. The Malaysian strategy on industrialisation is also not conducive to reducing costs. Japan and Korea acquire foreign technologies and set up their own companies to produce their own products.

20. Malaysia adopted a different strategy. To create jobs for a large number of the unemployed, foreign investors were invited to set up labour intensive industries. Naturally wages were very low. Increased profits for the foreign owned industries did not necessarily result in increased income for Malaysian workers.

21. Over the years Malaysians had acquired the skills in manufacturing and the capital to invest. Today there are a lot of successful Malaysian companies. Should the Government help these Malaysian industries to grow they can become world class players. This means better income for the Malaysian entrepreneurs and better wages for the Malaysian workers.

22. We must not follow the route taken by the developed countries of the West to achieve high income. In the days when technology was exclusive to the European countries and North America increases in wages were largely due to the demands of the workers. To cover the increased cost of production prices were raised quite indiscriminately. This was sustainable when the Europeans were the only producer of manufactured goods.

23. But then the countries of East Asia, began to produce almost all the products of the West at lower cost. The workers of the West continued to demand for continuous increases in their wages. Very soon the high prices for their products caused them to lose the market.

24. Malaysia must never take this route in order to achieve high incomes. Instead it should study the other ways of increasing incomes which will not lead to inflation and loss of purchasing power.

Have a nice and pleasant weekend, Ayahanda Tun.

P.S. Now, Ling Liong Sik is charged for deceiving the government in early year 2000 under section 418 and 417 due to his successor, Mr Ong Tee Keat, (**sorry I can't use 'Yang Berhormat' to address him because he is more to a US Taiwanese to me than Malaysian YB) because of political power struggling in PKFZ repeating what, how and why Tun Lah was chosen as the PM by DrM and UMNO, as to win the heart of muslims because Anwar Ibrahim sodomy case incurred due to political power struggling during Tun Mahathir leadership. (**Remarks: It looks like KJ is on Tee Keat side....well they are the ones who back up why they hate us, and now they can sing why they love us....as and wen they like, and DSAI's hound dog is the best and right label for these 2 maverick gentlemen, or lalang men who have forgot their ancestors' roots???)

Like Mr Karpal Singh said, today, Malaysians are no longer racist like before, and Sultan Perak decided not to charge him against sedition act. Mr Karpal told The Star he wants to be the Tiger, some wants to be Eagles, some wants to be Lions etc... please let we, the 1 Malaysians to choose what we for our race through integration without loosing our pride, integrity and tradition according to Rukun Negara and Federal Constitution to go green. Wars of political mileage due to personal ambitions will lead to more wastage, more leakages (wealth and information transfer out from the country for better ROI), more chaos, more lost of confidence, and these are what these so-called budaya sampah sarap in the name of justice and national issues in Globalisations.

By iranadiAuthor Profile Page on July 31, 2010 8:35 AM

Asm Tun,

Di Malaysia terdapat kerjaya sebagai Commercial Diver terutama di dalam industri oil and gas..apa yang berlaku sekarang ialah para penyelam professional tempatan telah di anak tirikan...syarikat-syarikat lebih mengutamakan pekerja asing dari Australia, Singapore dan negara-negara lain dari anak tempatan...saya akui bayaran yang diterima sebagai penyelam lumayan...mereka memberi alasan penyelam local tiada

pengalaman sedangkan mereka mengambil pekerja asing yang masih tiada pengalaman. Ramai penyelam tempatan sekarang tiada pekerjaan.

Mereka masuk menggunakan jawatann sebagai subsea engineer, deck officer dan sebagainya tetapi bekerja sebagaia commercial diver, cv anak tempatan digunakan utk mendapatkan kontrak, setelah mendapat kontrak...pekerja asing dipanggil bejerja....mohon bantuan Tun.....

By Redhuan D. OonAuthor Profile Page on July 31, 2010 7:51 AM

Yes Tun, you are right. Over the years we gather alot of moss, richer returns, smarter youth, but do no forget, they rather bring their riches and brains elsewhere. The culture of corruptive cronyism as you so often pointed out in your blog is happening at an alarming scale even in IPTAs and any govt department you can think of.

Our own wealth of resources are making it bigger elsewhere. Heard of Tan Sri Samsudin in South Africa? Jimmy Choo in UK? Michele Yeoh in Hollywood? That Paris Hilton latest customer that, that.. apa nama.. young fat Chinese Malaysian Dato? Same thing happening with rakyat of Brunei. Many bruneians live it up elsewhere but not in their own state.

Why? Reason very simple. Here, the authorities look down on their own kind but their close relatives and buddies. Any tender exercise rules you put out also they can collude. Even DPP can bonk the key witness. Even Transport Minister can bluff your Cabinet. Cmon... the Malaysia you have built is already very smart you know. So smart that they sometimes feel insulted to even try to even say the word, 'think'.

Redhuan D. Oon

PendAtang Dengan Izin

By xxxray2Author Profile Page on July 31, 2010 5:12 AM

Assalamualaikum WBT,

semoga Tun berdua didalam rahmat dan berkat allah sentiasa.

Setuju dengan Tun, malah semasa diwar-warkan lagi, logik akal terus menerus menyoal apa signifikannya untuk menjadi sebuah negara berpendapatan tinggi apabila dengan kenaikan gaji itu sendiri akan mengundang kenaikan harga barang dan perkhidmatan secara rasionalnya.

Tiada siapa yang mampu menaikkan gaji pekerja tanpa menaikkan harga sesebuah produk mahupun perkhidmatan.

Rasional dan logiknya tidak ada sesiapa yang mampu menyerap lebih kos ini.

Dengan sistem pemantauan yang sangatlah lemah dan terbukti tidak berkesan apatah lagi attitude kerajaan yang tidak peka dengan tanggungan dan kesusahan rakyat... pada pendapat saya yang kurang akal ini... matlamat kerajaan itu hanya akan membelit leher rakyat apatah lagi rakyat yang tidak berkemampuan seperti saya.

RM 100 sekarang hanya mampu bertahan sehari untuk kami sekeluarga... terasa sangat duit sekarang tidak ada nilainya... apatah lagi bila dah jadi negara berpendapatan tinggi... entah macammanalah pulak tingginya nanti yang pasti darah kami mesti naik lebih tinggi... maunya tidak tension tiap-tiap hari.

Kadar jenayah pun akan naik lagi tinggi pasal nak survive dalam dunia yang sumernya nak tinggi.... kes bunuh pun banyaklah agaknya pasal dah kurang pertimbangan yang tinggi akibat tension tiap hari...

susahlah tun macam nie.....

By karmaAuthor Profile Page on July 31, 2010 5:10 AM

Dear Tun,

High income only for BN leaders and your family thru robbing billions of dollars from the rakyat. We have some much natural resources but thru your systematic corrupt leadership all the BN leaders have

reached "high income status". Look at Singapore who has almost nothing...

We can have reasonable income with low inflation if country is properly managed by CLEAN leaders. Look at Taib Mahmud billion dollar empire in US, UK and Canada including your sons and other monsters you created. Are you willing to testify in court on Ling leong "monster" sick?

How you feel living in luxury home that you don't deserve since you gain wealth thru back door.

So Tun, please dont talk about high income, just return the billions then your Karma will improve. ALLAH will pardon you.

Do FEAR GOD. Life is short

Wassalam

By JoAuthor Profile Page on July 31, 2010 4:03 AM

Salam Tun,

What difference would it make to you or your family anyway. You've all got tons of money that would last many lifetimes. Unfortunately, we only live once and money is not everything.

By sridAuthor Profile Page on July 31, 2010 3:23 AM

Rubish and totally immaterial from my personal view!!!

Doesn't mean that if MALAYSIAN earning high income from PRIVATE SECTOR"the cost of doing business need to increase as well"as u hav advised.

Lets compare APPLE N APPLE

SINGAPOREAN are still earning S\$900.00 as their minimum basic salary and their cost of living such as: Coke canned \$1.00, Fried Rice \$3.00, Petrol \$1.92 per litre, Mitsubishi Lancer EX 1.5 Sports (A) \$83,988 & the most they pay for their public transport is \$1.80 the MAX with 50km they travel does not include cab. Only by MRT and the cost even less if use buses.

MALAYSIAN are still earning RM500-700 per month. And i no need to tell u how much we bare for above things. And how much is the minimum that we pay for bus fare here.

By azmanyAuthor Profile Page on July 31, 2010 2:59 AM

Yes, high cost economy is the way to go as a mean to improve the life of our people. However, the prescribed manner by Tun is too autocratic for my liking i.e. the government will decide and control what is the appropriate level of prices etc. This appear to be more socialist method of managing economy.

If the leader of the country is wise and strong - yes it may work well. But - the danger is if the country leadership somehow fell to a less capable person - then all sort of problem can arise - corruption, unwise decision making etc. (Wait... didn't we have that recently and what sort of trouble we're cleaning up now). If it fell to evil irresponsible person? Simpang malaikat 44

High cost economy should come with greater power and responsibility passed down to common people. Not centralised to a single authority body.

By MadudAuthor Profile Page on July 31, 2010 12:29 AM

Motto baru... kami tuntutan keadilan, tapi kami utamakan kebenaran!!! apa macam? orait?

By takkecebykAuthor Profile Page on July 31, 2010 12:13 AM

YABhg. Tun yang dikasihi,

1. If the policy of the present premier Najib wanted to elevate the income of Malaysian, say 20% higher, but if we are not satisfied with what we have, we are not going anywhere actually.

2. It's like "pepatah melayu, periuk besar kerak pun besar". So, we have never solved our problem.
 3. However, we have to work hard anyway. There's no choice, if we want to success.
 4. Working hard is inline with Islam teaching.
 5. If you worked hard, no matter whether you are employer or employee, for me it's considered "ibadah". "Ibadah" doesn't mean when you are only on "sajadah" or in the mosque. "Ibadah" is depend on your "nawaitu". You are performing "ibadah" 24 hours a day, if you follow the methodology that was taught by the Prophet (not by someone who claimed he is "ulamak" like nik aziz).
 6. If you give your children too much pleasure, one day you would damaged them actually. If you love your children, you have to teach them how to success.
 7. The same thing applies between the government and the Malaysian peoples.
 8. If the Malaysian leaders wanted to see all Malaysian live in prosperous, whether we like it or not, we have to eliminate the corruption practice entirely.
- By r23137abcAuthor Profile Page on July 31, 2010 12:08 AM

Tun,

How can Malaysia become a high income country as long as all BN/UMNO members keep stealing money from the country. Corruption still at the unacceptable level at Malaysia. It's like nobody business for BN/UMNO members steal money from this country. You should know better than that. There is no way Malaysia will become a high income country if we don't stop the corruption practices. Forget about the inflation as corruption will kill this country. For example, Sime Darby, Proton, PKFZ, MAS...etc. Almost 99.9% of GLC go down to the drain. If all these companies don't know how to make money then how can we can become a well development country by 2020. Forget about about strategy, just focus on how to reduce corruption in BN/UMNO then this country will become a well "high income" economy. Forget about free market1, free market2, Tony Blair, internet censor, Hate U.S...shits....just fix this country.

By HajarAuthor Profile Page on July 30, 2010 11:51 PM

Dearest YAB & di Kasihi Tun,

I hope DS Najib and his cabinet members read this article. They can learn a lot from Tun.

Tun is giving them FREE LESSONS.

Thanks Tun.

** May Allah SWT bless Tun & family **

By xabisoAuthor Profile Page on July 30, 2010 11:45 PM

Very well written. I study the things you describe in classes! Considering the fact that you have a degree in medicine, it is amazing how much you know about engineering management and the manufacturing sector in general. I like to know how important books are to you and how much do you rely on them to gain wisdom. Write about it and I'm sure many Malaysians will benefit!

Much Respect from Down Under,
Jared Wong

By shahrulAuthor Profile Page on July 30, 2010 11:24 PM

if the government spending can be controlled, perhaps the government servants' salaries also can be increased! But Pemandu just took an short-cut way by removing the subsidies...easy as selling MAS's properties in overseas to gain short term profit. Now the long-run operational cost for MAS increased!

Well done transformer!

By gunse007Author Profile Page on July 30, 2010 10:29 PM

Item 20.

The workers are majority foreign, the Banglas and Indons are very happy as Tun Mahathir has gave them jobs in this country, and huge profits to the bosses.

Not forgetting, Tun Mahathir and Najib are strong supporters of vice aka gambling 4D and Sports betting headed by good friend, Vincent Tan.

After 3 decades since 1981, Tun Mahathir still clueless on how to increase wages. He dont even know what to write to give idea to government to help increase wages.

By BlueGeneAuthor Profile Page on July 30, 2010 10:01 PM

Assalam alaikum

YABhg Tun. & all chedet's fellow

Of course I dream of high income especially before Malaysia reach year 2020. We have about 9 years from now. Could Malaysia being high income country likes the Scandanavian countries?

Currently 80% of Malaysian workforce are SPM grades. While the remaining of 20% goes to those possessed high than SPM. This is slightly maddening to industries if they need to pay high salary to 80% of Malaysian workforce who under SPM grade. As I experienced, salary is based on educational grade and achievement. Then follow by skills and experience.

I worked with SONY for seven months through outsourcing contract. I postponed doing practical in BBA. Relatively the salary paid about RM40 to RM60 per day. Every month only gain about RM900++. While my counterparts from other countries (Myanmar, Nepal, Bangladesh, Indonesia, Sri Lanka)also got the same. How can MNC's with high volume profit pay wages like this? In SONY SOEM Bangi, 70% of its workers are foreign workers. Remaining 30% are Malaysians.

What I learned from MNC's like SONY, they tend to pay workforce low. Unless the workforce work under highprofile job (such as Engineer or something that sort). But many of high skill and educated workforced comes from the MNC's motherland. Malaysian is less than.

In simpel conclusion, Malaysia should have its INC. Not only hope from the FDI of world giant MNC's. Only through this way Malaysian can get better income or in other words high salary.

Malaysia need wake up early before year 2020. Streamline management and strategy of how to achieve target of high income country. The guru's of doing that not the West or the European countries. But our owned. In anyway Malaysia should take lesson from them.

Education, Research & development need to be enhanced. Government must provide enough funds to makesure Malaysia keep running on the competition field. With education, and R&D, Malaysia can produce better output. That is workforce and industires of our owned. Not the foreign one.

Also, if high income follow by the increase of living cost and consumer product price, it means nothing. High income just merely name only.

High Income produce job motivation and satisfaction to Malaysia workforce. Also contribute to the gaining of government tax. With high tax, government can use it to focus to the enhancement of education and R&D where at the same time produce high educated and high skilled workforce.

Wassalam

By sujiniAuthor Profile Page on July 30, 2010 8:22 PM

Che'Det

1. Seorang kawan saya berkata, kalau kita hendak berniaga kita perlu jalankannya sendiri.
 2. Untuk menjalankan perniagaan sendiri kita mestilah berkemampuan daripada segi ilmu,kewangan,mempunyai tenaga kerja yang mahir dan akhir sekali bersemangat gigih dan tidak mengenal erti putus asa.
 3. Apabila perniagaan sudah maju dan membawa keuntungan maka tuan punya perniagaan itu semestinya mempunyai wang simpanan.Bila ada wang simpanan yang berlebihan, maka tuan punya perniagaan mampu untuk beli apa saja yang disukainya dan harga tidak menjadi halangan.
 - 4.Oleh itu saya amat setuju dengan pendapat Che'Det bahawa walau apa pun teknologi yang kita hendak bawa masuk ke Malaysia,biarlah diterajui oleh orang kita sendiri.
 5. Sekarang ini PM kata 60% tenaga kerja kita adalah lulusan SPM sahaja.Bagi ekonomi yang menjana pendapatan tinggi negara perlu pekerja mahir dan kepakaran dalam sesuatu bidang tersebut.
 - 6.Jalan pintas untuk mengadakan tenaga kerja yang mahir adalah dengan menjalani latihan intensif di tempat kerja.
 - 7.Jika Malaysia mempunyai syarikat tempatan yang berkeupayaan,katakanlah untuk membuat helikopter,maka sewajarnya lah kerajaan membantu.
 - 8.Sekiranya dulu Proton tidak menjual MV Augusta,maka Malaysia sekarang sudah boleh menerajui teknologi pemotoran Italy yang canggih. Ini adalah satu aset bagi Malaysia yang telah lepas pergi semata-mata kerana tamak(greedy).
 - 9.Oleh itu untuk menjadi sebuah negara berpendapatan tinggi pemimpin dan rakyat perlu ada wawasan,ilmu dan jangan sekali-kali bersikap tamak.
- By Rimba EmasAuthor Profile Page on July 30, 2010 8:16 PM

SALAM BUAT TUN BERDUA MOGA DIRAHMATI ALLAH S.W.T.

- 1) TUN MEMBENTANGKAN SATU FAKTA TEORI BAHAWA KENAIKAN GAJI AKAN MENYEBABKAN HARGA BARANG MENINGKAT. BUKAN BARU MALAH PADA ERA PEMERINTAHAN TUN DULU PUN TUN SELALU MENINGATKAN INI BILA BERLAKU PERMINTAAN KENAIKAN GAJI OLEH SWASTA ATAU KERAJAAN.
- 2) FORMULA INI NAMPAK BERJAYA TERUTAMA BAGI PENGUSAHA. FORMULA INILAH YANG MENGHADIRKAN GOLONGAN KORPORAT YANG KAYA RAYA. APAKAN TIDAK DENGAN GAJI YANG TIDAK BERGERAK SETIAP TAHUN KEUNTUNGAN MENUKAR CORAK PENGUSAHA (DAPAT DILIHAT PERUBAHAN HIDUP AKAN HARTA YANG DIMILIKI).
- 3) PEKERJA HANYA DISERONOKKAN DENGAN BONUS SEKALI PADA HUJUNG TAHUN. ITU PUN PERLU MELALUI PENILAIAN TINGKAT KERJAYA DAN JUMLAH GAJI BERPANDUKAN KELULUSAN YANG DIMILIKI.
- 4) SEBAB FORMULA INI JUGA PENGUSAHA TIDAK KEBERATAN MEMBAYAR CUKAI YANG DIKENAKAN KERAJAAN.
- 5) BAGAIMANA PUN RAKYAT RASA SANGSI DENGAN KAEDAH YANG DI AMBIL INI.
- 6) ANTARANYA HARGA MINYAK YANG NAIK (ALASAN HARGA MINYAK DUNIA MENINGKAT) TIDAK

DITURUNKAN KEMBALI SEPERTIMANA PENURUNAN HARGA MINYAK DUNIA.

6) TIDAK MENGIKUT APA YANG TERTULIS DALAM AL-QURAN SEPERTI CUKUP HAUL. CONTOHNYA 1 TAHUN 25 RINGGIT TELAH DILANGGARI MALAH DINAikkan HARGA TAHUN DEMI TAHUN DAN TIDAK PERNAH KEMBALI KEPADA HARGA ASAL.

7) KAEDAH-KAEDAH INI ATAU FORMULA-FORMULA INI TIDAK MENYELURUH HANYA BERKESAN UNTUK GOLONGAN TERTENTU SAHAJA.

8) CONTOHNYA RIMBA EMAS YANG MEMERLUKAN PEKERJAAN TETAP DAN RAKYAT YANG LAIN YANG TERTINGGAL MEMERLUKAN TEORI YANG RINGKAS DENGAN JUMLAH PENDAPATAN YANG DITERIMA SEKARANG.

9) KALAU BERGAJI RM 1200 DARI DULU HINGGA SEKARANG TENTU TERBEBAN KALAU BERLAKU KENAIKAN HARGA BARANG.

10) RAKYAT MEMERLUKAN PEMERINTAH YANG PATUH SEPERTI MAMATUHI KADAR YANG DITETAPKAN OLEH ALLAH S.W.T DAN TIDAK MENGADA-GADAKAN BERBAGAI CUKAI KEPADA PENGUSAHA ATAU SEBARANG KENAIKAN YANG BOLEH MEMPENGARUHI HARGA BARANG-BARANG.

11) BAYANG APA AKAN JADI KALAU HARGA SENTIASA NAIK TIAP TAHUN DAN DITAMBAH PENAMBAHAN PENDUDUK-PENDUDUK SERTA KEKURANGAN HASIL GALIAN KURNIAN ALLAH S.W.T ?

WALLAHU'ALAM

By pakbelangAuthor Profile Page on July 30, 2010 8:10 PM

Dear Tun,

The main thrust to achieve higher income is through higher quality education which is marketable. Increase in salary and wages do not necessarily causing inflation, if the productivity of the workers increase more than the rise in salary and wages.

To achieve this objective the govt. and the people must be more creative and innovative in doing their work by finding ways to reduce wastage and be more efficient.

By sitinurAuthor Profile Page on July 30, 2010 7:09 PM

Asalamualaikum...

saya rasa was2 dgn pendapatan tinggi yg sedang di war2kan oleh pm ni....setiap kali dgr mesti saya rasa tak senang hati...

anehnya masa pm ke4 dulu saya akan merasa teruja utk melihat/merasai hasilnya....alangkah bijaknya kalo najib membaca artikel bapak ni.....tapi kalo najib kata" dah gaji tinggi sara hidup kena tinggi gak lah nasib lah tu...."

By Syed Akbar AliAuthor Profile Page on July 30, 2010 6:48 PM

Dear Tun,

Very well put. I dont think the Prime Minister understands this concept.

I fear that increased selling prices for goods (inflation) are not driven by cost increases alone. When everyone has 10% more disposable income (from a 10% automatic increase in wages) there will be a 10% higher demand for goods and services.

Assuming the higher wages of 10% is not accompanied by an increased productivity or increased output

(of at least 10% also), it means that while the quantity of goods and services in the economy remains the same, the number of Ringgits chasing the same quantity of goods has increased by 10%. This will immediately cause a price inflation of 10% - even before the producers and shopkeepers factor the high wage costs in the economy.

You may have to add this 10% price rise to the 5%-6% price increase caused by the factors which you have inputted, resulting in a price inflation of 15% - 16%. If this happens, it will be back to square one. Everyone earns a higher 10% of income but the prices of all goods and services would have also increased by 15% - 16%.

Legislating or decreeing higher wages is very detrimental. Wage increases must be preceded by higher productivity.

Worse than this is the minimum wages argument. That will create chaos in the country. The proposed minimum wage of RM1200 will kill many small and medium industries as well as most of the plantations.

In small towns and smaller cities (Kuala Kangsar, Bandar Muadzam, Pedu) the small business owners themselves hardly make RM2000 - RM3000 a month. I am referring to the small shops, the barbers, the vendors, the carpenter, kedai runcit operator and so on. They may employ a few workers each at salaries of RM350 - RM500 per month.

If suddenly the legislation says minimum wages shall be RM1,200 these people would have to shut down their businesses and become unemployed.

They may lose their homes, their pasar malam vans and lorries. Maybe they will end up sleeping in the streets or become robbers. Maybe they may revolt against the Government.

Dear Tun, since you left, thinking has also left.
By hati.malaysiaAuthor Profile Page on July 30, 2010 6:29 PM

Dear Tun,

Great article, this is what I meant when I comment on the Free Market article.
By WokAuthor Profile Page on July 30, 2010 6:28 PM

Salam Tun,

Just a few words on this subject matter...

2. "1Malaysia" and "High Income Economy" were catch phrases created to elevate ignorance in Malaysians who have lost hope, totally; (read: UMNO) just like how certain fast food chain marketed 'Value Meals!', value for the Advertiser, and just another bad meals for the Consumer albeit nothing of value added except for more monies you have to pay to purchase it! -- big words, little meanings! Perhaps, certain individuals think they are 'Moses' who could just use his walking stick to create a path in the Red Sea... I agree with you totally on your opinion, as obviously, the person responsible for 'marketing these catch phrases' failed to realize 'the real big picture!' Sad, really.

3. Economies of scale? In a Malaysian government servant context, it would only means 'Economies of Waste!' -- recently, I went to a government agency to collate some info for my research paper, I GOT

NOTHING, AS IT WAS USUALLY THE CASE! Beside being sent from one table to the other, finally, I was requested to see the Senior GM; the biggest joke, when requested to make the appointment, I was told, "he is very busy, going outstation the whole of next week, and when he comes back to the office, he has to attend to various meetings, internally and externally. Call back again then!" Apparently, he is very busy because HE IS THE ONLY SERVANT WHO IS WORKING FOR THE GOVERNMENT!

Terima kasih, Tun. Seandainya kita tidak ketemu lagi sehingga di kemudian hari, "Selamat Menyambut Ramadhan dan Selamat Hari Raya Aidilfitri. Maaf zahir & batin" untuk Tun dan Tun Dr Siti Hasmah sekeluarga.

P.s. My mother who leave in the kampung with my father recently told me, "now with RM600.00 per month I could hardly pay Pak Mail for my monthly groceries needs! I always reminisce on how when you were all small, with just your father's meagre salary of RM300.00 per month we could live very comfortably and happily. Now..."

By jalil7Author Profile Page on July 30, 2010 6:12 PM

Dear Tun,

I think you know very well these business people are not going to increase their prices according to whatever formula presented. It just does not work like that. Sometimes i wonder why you even bother to explain to them the details of proportionate prices increase as they never really want to do that. It is too much work.

The reality is this.

let's start from (1)

1. The Government has announced the intention to make Malaysia a high income country. I assume this means people will receive high wages, salaries and profits.

then ...

2. a meeting is called (by all companies).

3. the marketing manager will be asked by how much the price can be increased before people stop buying.

4. a figure is derived, just a little lower than the threshold.

5. the company announces "we are targetting larger profits this year". or perhaps in a more polite way " we are looking for ways to increase the dividends of our shareholders"

6. the price increase is announced

7. sales drop a little bit, but offset by the price increase because it was built into the "formula".

8. the marketing manager gets fired. (due to the sales drop). a new marketing manager (fresh graduate, happy to obey, happy to tell the folks back home he landed a job with a big company). this new manager is cheaper to employ, and is wow, so enthusiastic about his new job, like we all are on our first job.

9. as prices had been increased, the workers pressure for an increase in pay.

10. everyones pay is increased 10%, to cater for the increase in

prices for all general consumer items (which of course is actually an average of 40% across the board).

Then life goes on an people wonder why prices keep increasing but everyone accepts it as a "fact" of life.

now, how about it if we concentrate of lowering prices instead (with the same income) ? i know business people will be very angry, but workers and consumers are even angrier.

i would be most happy if my one ringgit can buy me a whole meal, instead of several ikin bilis (with head still attached as bonus) at the rate we are going.

By Harimau1900Author Profile Page on July 30, 2010 5:29 PM

Dear Tun

I believe you should also add corruption to this as this also contribute to inflation.

Thanks.

Harimau 1900.

Source: <http://chedet.co.cc/chedetblog/2010/07/high-income-economy.html>