

Better measure of living

By K.H. Lim

KUALA LUMPUR, Wed. — The living standards of Malaysians should be assessed comprehensively in political, social, cultural and spiritual terms and not in mere economic numbers like the per capita income, Datuk Seri Dr Mahathir Mohamad said today.

He said economic indicators like the per capita income did not show improvements in the quality of life and a cleaner environment.

Opening the three-day 27th Conference of Governors of Southeast Asian Central Banks (Seacen) here, the Prime Minister

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said economic indicators had not been able to find a satisfactory way to measure the standards of living of nations, especially across countries.

"Often, the per capita income denominated in United States dollars is used as a convenient proxy — indeed to the extent that many, including politicians and professionals who should know better, regard them as synonymous.

"The use of per capita income for any purpose is fraught with limitations.

"What is perfectly clear is that it is a poor approximation of domestic purchasing power.

"We all know that the same McDonald 'Big Mac' hamburger in Kuala Lumpur is about three times cheaper than in the United States, and five times cheaper than in London.

"Furthermore, per capita income pays no attention to improvements in the quality of life, arising from improved health care, reduction in income inequality, increased access to housing, education and other social amenities, longer life expectancy and lower infant mortality and a cleaner environment.

"On each of these, we have made rapid progress." He said the US dollar was

not a stable currency and if it appreciated against the ringgit, the Malaysian per capita income would go down. Likewise, when it depreciated, the per capita income would go up.

To complicate matters, the US dollar might depreciate against the ringgit but the yen might appreciate, he said.

Then, as a country which had a quarter of its trade with Japan, Malaysia would find its per capita income higher but it would have to spend more money to buy Japanese goods, he said.

He added that with fluctuating exchange rates which in many instances were to-

standards needed

tally unrelated to economic performance, per capita income in US dollars really measured nothing.

"For Malaysia, our living standards need to be assessed beyond just the per capita number.

"We intend to make further progress to become a developed nation by the year 2020 in the broadest sense of the term, that is, politically, economically, socially, spiritually and culturally.

"That is to say, we want to be considered beyond sheer economic numbers — our record will reflect the maintenance of political stability, progress in social jus-

tice, enhancement in the quality of life, and the strengthening of ethical and moral values."

Dr Mahathir said the central bank governors present at the conference might want to "pick up this challenge to develop" a sensible yet practical measure of living standards across countries.

He said that with such a sensible and practical measure of living standards, they would be in a better position to evaluate their own achievements and weaknesses.

Others, too, would be better placed to assess the progress and performance of

these countries, he said.

"To the extent that you succeed, you would have made positive contributions to how the world can better understand national aspirations and, for that matter, how the world should look at itself, thereby ensuring that the fruits of economic progress are always measured in terms of the economic and social welfare of the peoples of nations."

On the international scene, he said current prospects for any strong recovery in North America and

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Be more self-reliant, Third World urged

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Britain were not encouraging.

In Japan and Germany, economic growth was expected to moderate to more sustainable levels but new uncertainties had since emerged, leading to the possibility that the slowdown might be more severe than expected.

He said developing countries which were dependent on export markets in the industrial countries were concerned about these developments.

"They underline the growing need of developing countries to become more self-reliant and reduce their dependence on industrial countries in charting their economic future.

"It seems to me that developing countries will have little choice except to accelerate South-South co-operation in the fields of trade and investment if they wish to continue to enjoy sustained growth."

On finance, he said there was a pressing need for further debt relief for countries willing to undertake economic relief.

On trade, he said the major challenges facing the region in the 1990s would be to ensure that international trade was carried out in an open and competitive system.

On protectionist measures, he said they had increased substantially and would be a major threat to the future trading environment.

Increased protectionism had also tended to discourage investment in export sectors and reduce the responsiveness of trade flows to prices, he said.

He expressed concern over a discernible trend towards the linking of "totally unconnected" issues like human rights and environment with trade.

"There is a belief among developed countries that by forcing the poor to become poorer, they will show more respect for human rights and spend more money on the environment.

"In fact, it is poverty which brings on repressive and insensitive Governments."

Dr Mahathir explained that a freer international

trade environment would enable developing countries to expand their exports and increase their incomes and standards of living.

With more income and better standards of living, they could then afford to be more liberal and to care for their environment.

On regional co-operation, he said it was only rational that the region moved towards pooling resources and sharing markets.

Central banks in nine countries are Seacem members. They are Indonesia, Korea, Malaysia, Myanmar, Nepal, the Philippines, Singapore, Sri Lanka and Thailand.

In thanking Dr Mahathir for his opening address, Bank Indonesia governor Prof Dr Adrianus Mooy called for a common stance among Seacem members at the Geneva negotiations on financial services.

Speaking on behalf of the other visiting central bank governors, he congratulated the Seacem research and training centre for being named by the International Monetary Fund as the best centre in financial research.