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Our decision for capital controls not unreasonable

K.J. John

I WISH to present a counter-thesis to Datuk A. Kadir Jasin's basis thesis in the Other Thots (June 6) titled, "Doing the unthinkable pays dividends".

By pronouncing the Malaysian decision for limited capital controls as "unthinkable", you have already acceded to a similar line of rational (and thus they claim, scientific) argument which has tried to describe the East Asian success stories as a "miracle".

Miracles are unthinkable (to the uninitiated) but really only beyond reason (extra-reasonable) or at best non-reasonable to the non-believer but surely never unreasonable!

The concept "unthinkable" like the concept "unreasonable" only defines the limitations of the current boundaries of the scientific worldview, which decries and dismisses any phenomenon that is "unexplainable" as irrational, which then is a judgment rather than an analytical conclusion.

Allow me to suggest why the Malaysian limited capital controls decision is not and was not either unthinkable or even non-reasonable.

For one, a few weeks before we announced our controls, Paul Krugman, the Massachusetts Institute of Technology economist, had in fact made a reasoned argument for such plausible limited controls in the Malaysian case. Recently, he further reaffirmed his views on this matter in his latest book.

Secondly, capital controls decision was characteristically Malaysian. Anyone who understands the Malaysian development context of the last four decades would make a similar rational decision.

Thirty years ago when Malaysia decided on the "new economic policy" - it was equally unthinkable to the then rationalist worldview of the International Monetary Fund and the World Bank.

We were then classified as "outcasts" of their mainstream of thinking (based on their worldview, outlyers would have been a more accurate description). In fact, Sri Lanka (which was then Ceylon) followed the IMF/World Bank advice based on the "trickle-down model of economic development" and until today (30 years later) faces the same problem of racial unrest and economic disparities. Therefore, making what "appears to be" outrageous decisions is a cultural trait we as a nation have been prone to take periodically.

Prime Minister Datuk Seri Dr Mahathir Mohamad calls this the pragmatic approach, but I call it "good judgment calls" based on our understanding and context.

All judgment calls require the judge to first understand the context of the case under scrutiny.

Only then can the judge consider the facts of the case and make the judgment. The purely rational method takes the facts out of context and makes a "rational" decision which may become a poor judgment (ala IMF's advice on how to reform our economy).

Another glaring example was US Vice-President Al Gore's speech at the Asia Pacific Economic Co-operation dinner in Kuala Lumpur.

It was a classic "good content in poor context" opinion. It was to most Malaysians the epitome of rational opinions without understanding context.

Finally, to understand the Malaysian Growth with Equity Model or our paradigm of development, all "outsiders" (including Malaysians who subscribe entirely to the rationalist model) must take time to understand

the limitations of the modern, Western worldview based entirely on rationality.

What is non-reasonable (to the mainstream of thinkers) is not necessarily unreasonable (in the real world of action, especially for the actors).

In conclusion, the Malaysian brilliance in "lateral thinking" is classic to the way we have always chosen to resolve all our crises. I believe we have repeated the models quite a few times:

First, we assemble a team of people who "think outside the box". In this case, it involved First Finance Minister Tun Daim Zainuddin and a team of Economic Planning Unit people and outside economists and business leaders and national financial institutions.

Secondly, they take time to do all kinds of analyses (rational and contextual) of options which are discussed and finally chosen by consensus.

Lastly, the political leadership provides the direction and the rest of the nation back the leadership.

Good, bad or ugly we stick with the course of action and through good teamwork and followership we pull through.

It is not unreasonable and neither is it a "miracle", it is merely good and wise leadership with agile decision-making and outstanding followership.

Well done, Malaysia. Kita Boleh.