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The benefits of 'greed management'

A.H. Mahpodz

WHEN Prime Minister Datuk Seri Dr Mahathir Mohamad blamed the Asian financial crisis on greed, who would dare to disagree or to argue otherwise?

Although factors, be they exogenous or endogenous, that contributed to the crisis were extremely complex, greed appears to be the common thread that runs through the entire fabric.

So severe was the impact of the crisis that the stock market tumbled with lightning speed and the banking sector required massive injections of capital and restructuring to remain operational.

The chain effect was on companies and corporations that suddenly found their businesses curtailed by high interest rates that increased cost of production and operations on the one hand, and sharp drop in sales and revenue on the other.

In the process, we witnessed the inevitable as dictated by the market economy. Massive job lay-offs in whatever forms created unemployment, reduced purchasing power and raised unused production capacity.

The economy was destined to a period of uncertainty until Government measures for managing the crisis began to bear fruit.

Such was the impact of the financial crisis, the worst of its kind towards the end of the twentieth century. Such was the power of greed of a few individuals and groups that they could benefit at the expense of the nations and regions.

And they are scot-free, either enjoying their short cut to wealth or licking the wounds resulting from their misadventure.

Was the financial crisis a new phenomenon? The answer is a definite no. History has shown that the world economy was never free from fluctuations due to fairly well known reasons since the 16th century.

It was also a norm that after each crisis, thinkers and researchers would gather and analyse both historical and current data in their search for the causes and effects of the crisis that normally lead to the floatation of new theories and approaches to resolving the crisis.

The theory of aggregate demand by J.M. Keynes, for example, was accepted by the US Government as a mean to resolving the effects of the Great Depression of the 1930s.

The theory, also known as "demand-side economics", called on the Government to play the lead role in reviving the economy through expansionary fiscal policies to create employment and thereby increasing purchasing power that would subsequently create demand for products.

The same fiscal policy approach, that characterised the dominant role of Government in all economic activities, was adopted by most developing countries including Malaysia, once heavily dependent on primary commodities as the main source of export earnings.

Declining commodity prices in the middle of 1970s to 1980s, and the severe impact of the economic crisis in 1985, showed the vulnerability of the Malaysian economy.

These have paved the way for a structural shift towards industrialisation and the assignment of a greater role to the private sector as the engine of economic growth, also known as "supply-side economics".

The privatisation policy was adopted and accelerated, aimed at reducing the role and size of the Government, among others.

While the demand-side economic approach led to huge debt by the Government, the supply-side economic approach resulted in the collapse of the banking and financial sector and huge debts by the private sector. Thus, we are now witnessing the complete cycle of public and private sector approaches to economic management with the positive and negative effects.

One thing common about the two approaches was the side where the players were in.

On the demand-side economic management, it was the public servants that played the lead role in economic activities where responsibility and accountability were given relatively less importance.

Through Government-funded public enterprises, they competed directly with the private sector in almost every sector.

Efficiency, productivity, prudent management and profitability were secondary to job creation and organisational expansion objectives.

In the supply-side economic approach, where private enterprises play a dominant role, profit is the single most important indicator of performance and motivator for greater enterprises.

Efficiency, productivity, creativity, innovation and prudent enterprise management are important factors towards profitability, survivability and control of the market share.

Greed exists in both approaches for as long as there are those who see opportunities and have the ability to exploit the opportunities.

Such individuals and groups are called the opportunists. But is greed really a bad thing? The answer is both yes and no.

No, because greed is a built-in property of all human being from which man is motivated to achieve certain mission or objectives of his own.

Like it or not, it is greed that, properly regulated and executed, motivates man to take calculated risks to pursue his objectives.

It was also greed that has created successful enterprises and entrepreneurs who contributed tremendously to the development and growth of the economy and the overall well being of the community. In this case, greed is the motivating factor under a regulated environment.

Yes, because greed that is not properly regulated and executed, either through self-regulation or regulation by decree or law, has proven to be more damaging to the economy and the well-being of the community at large.

Greed of this kind tends to go beyond the prevailing norms that demands responsibility and accountability, and put the interest of the economy and the overall well-being of the community above self or group interest.

Arguably, it was this kind of greed that fuelled the recent economic and financial crisis and the implications of the crisis to the community.

Hence, managing greed either through self-regulation or by decree of law or both, should be the prime consideration to managing a harmonious economy.

Neglecting this particular human trait would nullify any effort towards sustaining balanced economic development.

The welfare of the consumer and the overall community should always be in the minds of economic players and acted upon accordingly.

Institutional regulation is a necessary but not a sufficient condition. Self-regulation is even more crucial whereby a higher degree of responsibility and accountability forms the bigger part of one's behaviour and character.

Linking these responsibility and accountability towards the creator is key to genuine good behaviour that, if practised, would benefit tremendously not only the self but also the community at large.

It is this kind of behaviour that is currently lacking, as evident in our daily transactions.

But whatever system is adopted in managing greed, leadership and its practices do matter. It is here that the role of the Government and the ability of the leaders to provide leadership by example are extremely crucial.

This observation places a heavy responsibility on the Government and the leaders, given their influence in society.

* The writer is senior research fellow with the Malaysian Institute of Economic Research