

Free economy will lead to political and social freedom, say economists
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KUALA LUMPUR, Oct 12 — Without a free economy a country is less likely to achieve political and social freedom, contrary to the impression most activists have in Malaysia, economists said here today.

Dr Tom Palmer from the Atlas Economic Research Foundation emphasised that political liberalisation is very important for maintaining economical liberalisation.

“One must understand the freedom of competition as a process, not as a stake of the market,” he said during the Economic Freedom Network Asia Conference 2011 today.

Some analysts say the countries that score highly in terms of economic freedom also offer their people the best quality of life. — travelblog.org pic
He suggested that it is important to build a regional free trade agreement and promote free trade on a unilateral basis like in Singapore.

The emphasis on a free economy was also pointed out by Wan Saiful Wan Jan, chief executive of Institute for Democracy and Economic Affairs (IDEAS), one of the conference organisers.

“Maybe it is time to suggest that we have a free and prosperous economy before achieving political and social freedom in Malaysia. This is because when the people are comfortable with the quality of life, they will also fight for political and social reform in the country.

“To change, we need a bigger middle class, and this will only exist if our economy is free,” according to Wan Saiful in the foreword of the Economic Freedom of The World 2011 annual report by the Fraser Institute.

Prime Minister Datuk Seri Najib Razak has liberalised foreign investment in 17 sub-sectors, which critics said had for years forced foreigners to partner Bumiputeras before being allowed to set up businesses in the country.

Critics, however, said the reform measure will not have much impact because few of the workers hired in those sectors were Malays, who form the majority population and were the target of affirmative-action policies.

The report also pointed out that a lot of activism in the country focuses too much on the political and social angles, while neglecting the importance of fighting for economic freedom.

“If the people live in conditions that force them to constantly think of how to cope with the cost of living, there would be a high possibility that they do not have enough time to work on political transformation, or get involved in the civil society arena.

“So if we want to shape a country which is politically and socially free, we have to ensure that our economical system is also free. The concerns about political and social freedom, and effective activism in all angles only exist and flourish once the economy needs are

fulfilled," Wan Saiful said.

The report said that Malaysia's economy grew progressively less free in the two decades after 1990 — after the New Economic Policy (NEP) was scrapped, despite repeated and persistent attempts by successive prime ministers to liberalise the economy, the latest being Najib's much publicised New Economic Model (NEM).

Critics have blamed the country's continuing pro-Bumiputera policies for stifling competition, even as China and regional rivals like Indonesia supercharge efforts to attract foreign investment and trade.

Fraser Institute's Economic Freedom of the World Report 2011 ranked Malaysia 78 out of 141 — between the Dominican Republic and Paraguay — after its average score dropped just over a tenth to 6.68 in 2009 from two decades earlier.

The Canadian conservative think tank said this was due to steadily sliding scores in four of the five key areas examined in the study: size of government, legal structure and private property security, access to sound money and freedom to trade internationally.

Malaysia's average score of 6.68 remained just above the global average of 6.64.

Hong Kong kept its crown as the world's freest economy, followed by Singapore, New Zealand, Switzerland and Australia.

The US experienced one of the largest drops in economic freedom, falling to 10th place from sixth in last year's report, as a result of higher government spending and borrowing and lower scores for legal structure and property rights.

"The link between economic freedom and prosperity is undeniable: the countries that score highly in terms of economic freedom also offer their people the best quality of life," said Fred McMahon, Fraser Institute vice president for international policy research.

"The political uprisings sweeping across the Arab World are the result of people wanting the outcomes of economic freedom — prosperity, job growth, political freedoms, and poverty reduction."

Hong Kong was rated the world's freest economy for a 17th straight year.

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