

Adopt free market, not welfare model, says think tank
The Malaysian Insider
January 30 , 2012
By Yow Hong Chieh

KUALA LUMPUR, Jan 30 — Malaysia's political parties should consider adopting an economic model that places greater emphasis on private enterprise and the free market rather than competing to be more "welfarist" than the other, a libertarian think tank said today.

The Kuala Lumpur-based Institute for Democracy and Economic Affairs (IDEAS) noted it would be better for all parties to create strong incentives for employment to raise incomes rather than pursue the trappings of a welfare state, which would only drain the nation's coffers in the long run.

"We must not allow populist, expensive and unsustainable ideas to dominate the discourse about our future. Giving handouts and one-off payments to the people is clearly not sustainable, and is irresponsible in the long run," it said in a statement today.

But IDEAS assured that society's poorest would be protected by a clearly defined social safety net in a free market, citing Germany's "social market economy", an integrated model that fosters growth while ensuring that the less well-off do not fall through the cracks.

This was because under Germany's social market economy, social institutions were provided for by the state in tandem with private outfits, an approach that helps to lower the cost of public services while minimising government intervention, the think tank said.

IDEAS cited, as examples, hospitals and retirement homes in Germany as social institutions that have benefited from private sector involvement, noting that for-profit enterprises helped the state to discharge its duties efficiently wherever "organisational burdens" were too high for the government.

"Both the state and private sector must at the same time provide incentives for individuals to excel and to be innovative for their own benefit, which can then also be of benefit, whether directly or indirectly, to their societies," it added in its "Social Market Economy: The Case of Germany and Suggestion for Malaysia" report released today.

The report also stressed that free market reforms have to be introduced to foster social cohesion before inequalities in wealth "tear society apart", and urged Putrajaya to empower the civil service so it can work independently of ministries to strengthen the nation's social safety net to this end.

"Any reforms in this sector... need to be embedded into a functioning system of justice (meaning efficient rule of law) and into the work of a civil service which is motivated and qualified to work for the benefit of the whole people rather than political and/or personal interest," it said.

Copyright © 2012 The Malaysian Insider

Source: <http://www.themalaysianinsider.com/malaysia/article/Adopt-free-market-not-welfare-model-says-think-tank/>