

DOUGHNUT ECONOMICS

# Let's include happiness and freedom when measuring prosperity

As we're in the process of rebuilding the economy due to the Covid-19 pandemic, it is an opportune time for the government to reconstruct its socioeconomic development moving forward with a new narrative for a better Malaysia.

Since independence, when it comes to prosperity, Malaysian economic capitalism has focused on growth, and equity or distribution.

Perhaps, this time, Malaysia needs something more holistic with regard to the understanding of prosperity.

Prosperity, it is argued, is about the idea of living well, about having a good life.

But what is a good life? Philosophers and religious leaders have been arguing and discussing about this for hundreds of years. After World War 2, economic growth was seen as a means of achieving a good life.

With economic growth, as measured by gross domestic product (GDP), a good life was seen to be achieved by having sufficient supply of food; businesses and jobs being created, hospitals,



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schools, roads and houses being built; and political, legal, social and security systems being put in place.

Having all these, people were assumed to have a stable income and jobs, healthier and better educated, hence, a good life.

For us, the agenda of achieving prosperity began right after independence, and greater involvement by the government to achieve it started when the New Economic Policy (NEP) was introduced in 1971.

Under the NEP, the focus was on growth with equity to eradicate poverty regardless of race and to restructure the society so that there will be no more identification of race with specific economic functions or geographical location.

Although theoretically the NEP should have ended in 1990, it was continued under Vision 2020 and the Shared Prosperity Vision 2030 (SPV 2030). While Vision 2020 was to focus more on growth, SPV 2030 focuses more on distribution.

Under Vision 2020, the economy recorded a high growth of 9 per cent per annum on average in the 1990s, causing the economy to overheat and ultimately triggered the 1997/98 Asian financial crisis.

The cost of pursuing growth for growth's sake is enormous, and the economic scarring of the overheated economy in the 1990s can still be felt until today: less diversified economic structure, lack of total factor productivity (TFP), high dependence on illegal unskilled workers, limited revenue base, overly subsidised economy, wage growth stagnation, rampant monopolistic practices, limited political freedom, high level of income inequality, especially intra-inequality, youth unemployment and graduate underemployment.

With SPV 2030, the focus shift-

ed more to distribution, beginning in 2020 up to 2030.

But SPV 2030 is reminiscent of NEP, where the dichotomy between Bumiputeras and non-Bumiputeras is still dominant.

What's more, the emphasis on issues related to planetary boundaries — such as climate change, chemical pollution, land conversion, biodiversity loss or air pollution — seems to have taken a back seat.

Therefore, the time is right to lay foundations for the economy of tomorrow. After all, where are we today as far as prosperity is concerned? Are we better off than before, especially during the pandemic?

Thus, a true nature of prosperity must be understood and articulated, taking into account non-material dimensions, such as happiness, creativity, identity, affiliation, participation, freedom, social inclusiveness and ecological limits.

New development narratives must be developed in line with the concept of Keluarga Malaysia. In other words, it must go beyond growth and equity.

Oxford economist, Kate Ra-

worth in her bestselling book, *Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist*, has a solution to this issue when she came out with a doughnut economic model, where the true nature of prosperity can be achieved when all people can thrive (with 12 social foundations indicators, based on the 2030 United Nations Sustainable Development Goals) while respecting the health of the planet (with nine ecological ceiling indicators, based on the planetary boundaries concept).

Many countries now, such as Australia, Barbados, Costa Rica, and cities, like Amsterdam, Brussels, and Berlin, are applying and putting doughnut economics into practice. Amsterdam, for instance, has put a vision of becoming a fully doughnut city by 2050.

Malaysia, I believe should navigate the economy into a doughnut too to reset the economy in the post-pandemic era.

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