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COMMENT: Capabilities and outcomes

James Campbell
jamesca@deakin.edu.au
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IN a previous column titled, Social Foundations of an Effective Market (Learning Curve, Nov 21, 2010), I discussed the problem of horizontal inequality and the way the New Economic Policy (NEP) sought to address this in Malaysian society.

Specifically, I referred to the important work of Frances Stewart as a theoretical underpinning to understanding the reasons for addressing horizontal inequality between social groups and classes, and the importance of this for social stability and concrete alleviation of glaring inequalities.

Critics have pointed out that the New Economic Model (NEM) is not so much a repudiation of the NEP but rather an attempt to move beyond the policy prescriptions of the NEP in an effort to progressively liberalise and unleash the capabilities and capacities of Malaysian society.

One way of engaging with the shift in thinking that informs the NEM is to unlock the issue of market-friendly affirmative action.

According to the NEM: "Affirmative action has progressed successfully with an exemplary reduction in absolute poverty and notable advances in reducing economic functions by race. But this progress has also entailed fundamental negatives. The implementation of affirmative action has propagated and embedded a distributive and entitlement culture and rentier behaviour." (See New Economic Model, Concluding Part, page 80.)

The NEM points out the unintended consequences of this policy direction have produced negatives. While on the whole the NEP has led to a significant alleviation of overall poverty and inequality between social groups, there are continuing exclusions and marginalisation that occur within social groups.

Significant Malay disadvantage (as well as poverty among other ethnic groups) still exists despite the reductions of economic differences by race and the production of a vibrant Malay middle class.

Given all of this, how then does the NEM hope to address the problem of continued social exclusion, and how can it formulate an affirmative action programme that is inclusive and market-friendly?

The answer can be found in the language and theoretical underpinnings of the discussion on market-friendly affirmative action found in the NEM.

The fundamental aims of the NEM in regard to addressing continued inequality in Malaysian society rest upon the recognition of the importance of capacity and capability building as a way of addressing social exclusion. A critical element of this is education.

In theoretical terms, the shift in theoretical principle is best grasped if we take as our reference point the theoretical work of Amartya Sen. (See Amartya Sen, *The Idea of Justice*, Allen Lane, 2009.)

Amartya's approach to building capabilities and capacities is built upon several key points.

First, recognition that social exclusion and capability deprivation are key issues is a critical problem for social justice.

Second, Amartya understands economics as a moral science. Such philosophical concerns mesh well with the underlying moral component that informs the NEM.

Finally, Amartya's focus on capabilities provides a way to centre government effort on expanding opportunities and developing the skills and knowledge of those who are genuinely marginalised and lack capacity, thus ensuring that resources and opportunities are not captured by "rent seekers".

Such an approach is based on a conceptualisation of freedom that is more broadly-based on equality of capability which allows individuals to realise their capacities and opportunities.

Such a stance meshes with the needs of a market which is based on the maximisation of participation and unleashing of capacity to realise its full potential.

In a sense if Stewart's arguments regarding alleviation of horizontal inequality through improving the metrics of disadvantaged social groups provides a good theoretical insight into the arguments for the NEP, then Amartya's argument for ending social exclusion through targeted capacity and capability building, which aims to address the specific deprivations that characterise the marginalised, provides a good understanding of the underlying shift in the NEM.

Broadly-based programmes aimed at alleviating horizontal inequalities have helped build a strong and vibrant Malay middle class albeit with some of the negative consequences mentioned above.

Addressing capability and capacities targeted at the excluded and marginalised has many benefits. It places education front and centre in the struggle for social justice and equality. However, if such an approach is accompanied by an overly idealistic emphasis on the immediate returns from educational capacity building then disappointment may follow. Capacity building is a long-term commitment. The results take time.

Recognising that there may be significant lag between the realisation of the benefits of capacity building through educational programmes and other infrastructural reforms for the bottom 40 per cent is critical.

It seems that the authors of the NEM are well aware of the lag time between capacity building programmes and increased social improvement and they are also well aware that the NEP has helped create a Malay middle class which will need "strengthening and nurturing" to develop and maintain its "capacity and capability" (New Economic Model, Concluding Part, page 85).

In this way and given the above analysis, the reality of reform with respect to market-friendly affirmative action is consistent with a complex theoretical shift which is balanced with a recognition of practical structural issues and constraints.

Such an approach is not an exercise in cynicism. Rather, it is an exercise in serious political, social and economic thought which as always necessitates compromise and nuance.

The writer is a Lecturer in Education in Australia and author of Understanding Reform and the Universiti Sains Malaysia (USM) Agenda: Discussion and Critique released by USM Press, 2010. Email him at jamesca@deakin.edu.au