

## CHAPTER 7

### CONCLUSION

This paper has used standard econometric techniques to estimate TFPG and a TFPG model for Malaysia. The results agree with those of previous studies that the fast-growing Malaysia was based on the mobilization of inputs, with insignificant contributions from technical change. In other words, Malaysia grew by putting more people to work (from 30.5% in 1970 to 39.6% of the population in 1997 – Graph 4) and investing heavily (to 41.5% of output from 17.9% - Graph 5) – by ‘perspiration rather than inspiration’. Growth in TFP attributable to innovative technology only accounts for a small fraction of GDP per labor growth.

Through the analysis of the trends of Malaysia’s policies, it can be conclude that Malaysia is heading in the right direction by emphasizing productivity-driven growth in its existing and future plans and policies. Thus, there is no need a major change in economic policy.

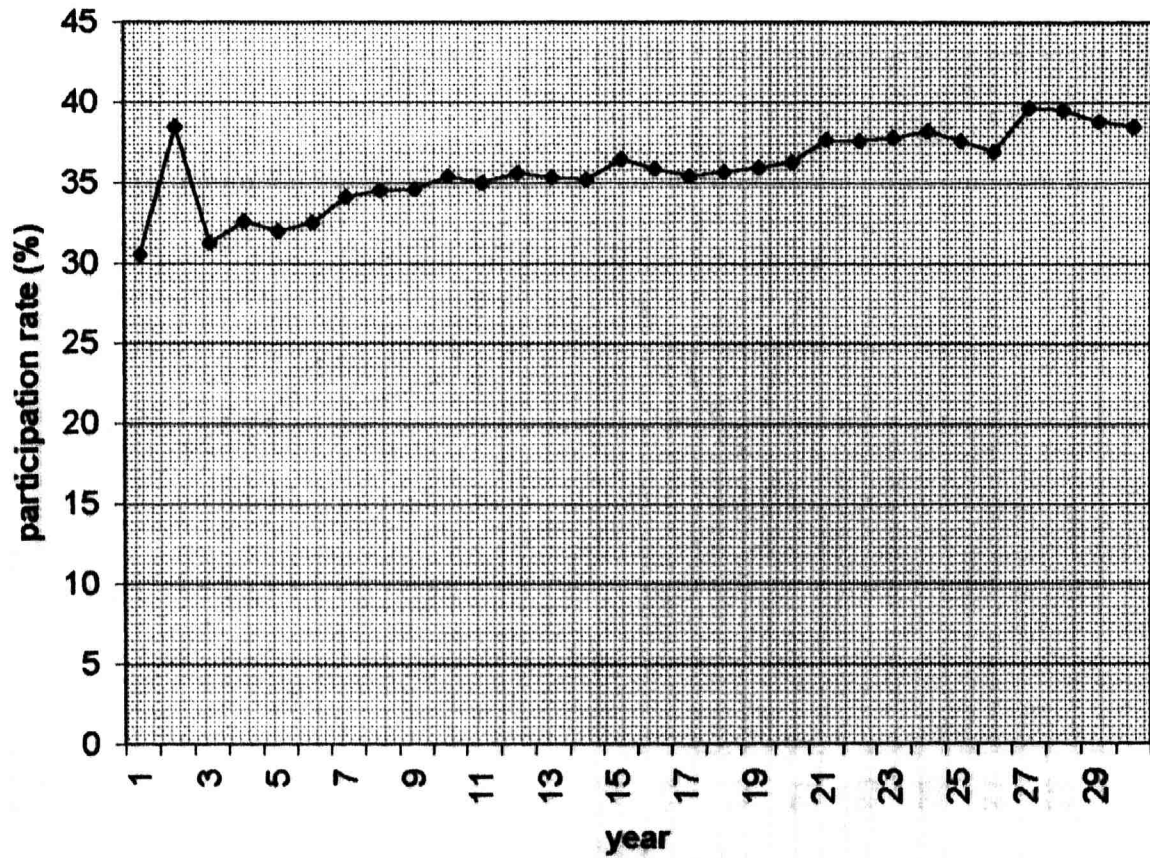
However, for IT program to be successfully implemented in the various sectors of the economy, there is a critical need to develop human resources to meet the increasing demand for computer-literate and competent workers. Enrolment at degree level in Malaysia universities according to fields of study shows that the proportion of students enrolled in the Arts is higher than in the Sciences. Universities have to relate the number and type of graduates they produce to the demands of the labor market.

Another essential ingredient that contributes to higher productivity growth is the development of positive attitude towards work. Hardwork complements increases in

capital investment, skills as well as managerial expertise in the production process through higher productivity.

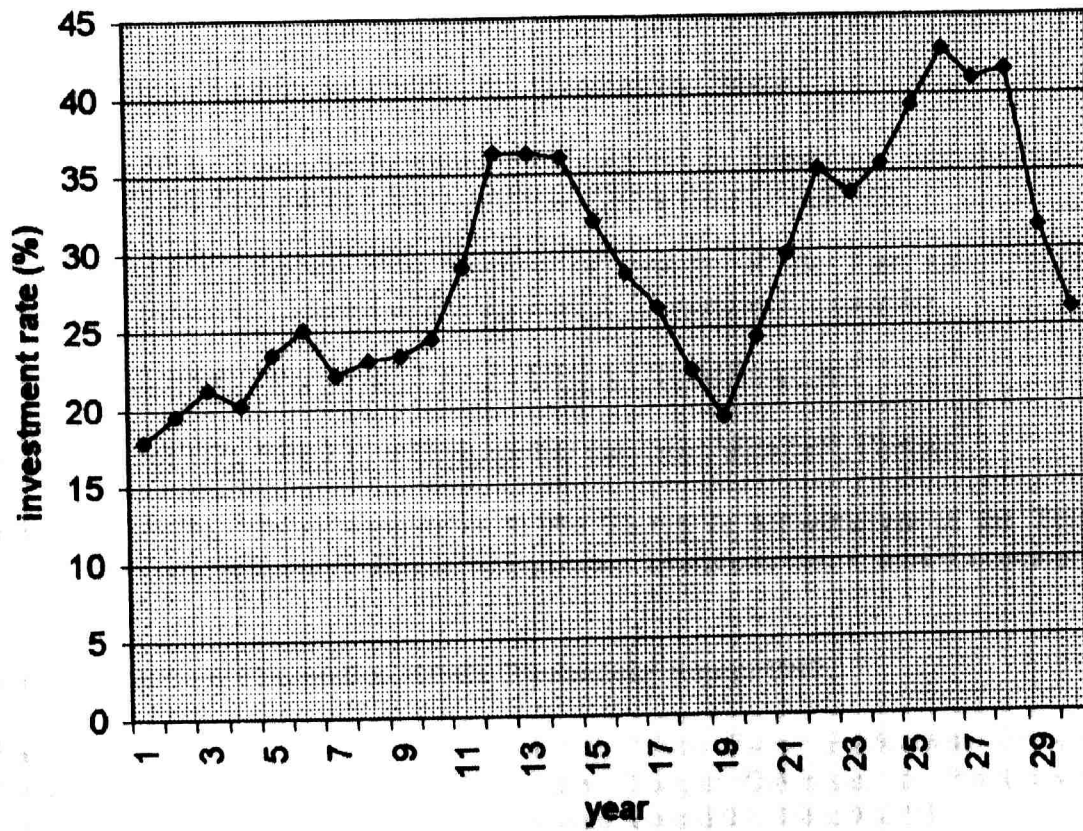
Even if growth accounting studies show little productivity gains in the past, the future may well be different. With the concerted efforts of all concerned, particularly public-private sector collaboration, firm level commitment and the will of individual workers, Malaysia's growth will continue.

**Graph 4 Malaysia: Labor Participation Rates,  
1970-1999**



Source: Bank Negara Malaysia

**Graph 5 Malaysia: Capital Per GDP Rates, 1970-1999**



Source: Bank Negara Malaysia