



Woo, the lucky economist

By Ooi Kee Beng

Penang has produced many economists who have made substantial impact on the global stage. Prof Woo Wing Thye of Thean Teik Road is one of the foremost among them. As a young boy, he was curious about the outside world, and managed to clear his own path to the top, always helped, as he humbly admits, by the instinctive generosity of others, especially of strangers. Penang Institute was honoured to have him as the first speaker in its Penang in Asia Lecture Series.

PENANG USED TO have exciting libraries which young boys and girls could visit to learn about the outside world. As we know, such institutions can be great class levellers. The world-renown economist Prof Woo Wing Thye is living proof of that. He travels endlessly around the world to advise governments on economic issues.

Wing Thye was born at home on Thorpe Road off Green Lane in 1954. When he was 10, his family moved to live in the Gurney Drive area, and then (most happily) on Carnarvon Street. They finally settled permanently on Thean Teik Road. His father was a liquor salesman and his mother has always been a housewife.

Wing Thye's early schooling was done at Pykett Methodist School, a feeder institution for the Methodist Boys' School (MBS) where he studied until he left for the US just before he was due to take his A-level examinations.

When he was 14, he happened to read James A. Michener's, *Caravans*. What struck the working class teenager from Penang most about the novel was the protagonist attending college on a scholarship. There and then, he decided that that was what he would also do.

Swarthmore College in the US was Michener's alma mater, and coincidentally also the place to which several MBS students had recently obtained admissions. Wing Thye quickly read up about the place. His application for a full scholarship proved successful, and with a travel grant from the Lee Foundation, Wing Thye happily "escaped

out into the world" and went to Swarthmore. This was in 1973. The racial quotas for university entrance in Malaysia were being implemented, and were being harshly felt by students of his age.

The US Information Service (USIS) on Beach Street and the Penang Library of that period were well-endowed libraries to which the young boy would regularly cycle to gain knowledge about a wide range of subjects besides literature. Wing Thye credits these two libraries for stimulating and sustaining his early interest in the world outside Penang.

Wing Thye joined the engineering department at Swarthmore and quickly realised that if he skipped first-year courses and went straight for third-year lectures, he could actually achieve two degrees in three years, instead of just one degree in four years. And so, he ended up with degrees in engineering and in economics.

Looking back, he feels that he was being too hasty and "too eager to get things on the cheap". Had he taken his time, he would have gained more out of his supervisors, mentors, and (most of all) fellow students.

"It was not a smart thing to do at all. There is very much in a liberal arts education that I would have liked to have immersed myself more into," he admitted.

"When I went to say goodbye to my supervisor, he suggested that I work for a year before doing anything else. He then picked up the phone, made a call, and by the time he hung up, I had a job as a research assistant in Washington DC.

"So, instead of going home and looking for an engineering job, I went off to Brookings Institution. By that time, I had a girlfriend, and she was going to study Education at Harvard. So I decided to go for graduate studies near her, and applied – successfully again – for a scholarship to study economics.

"I have gained a lot from people being so instinctively generous with their money and support. Here I was with my biggest problems suddenly solved. I could be with my dear girlfriend and just continue to read different interpretations about the world to prepare me to earn a living. Of course, the group that made the biggest difference to my life was my Penang teachers – brilliant, dedicated individuals like Mr Goh Peng Joo, Mr Chee Chin Keat, Mrs Cheah Kee Chuan, Mr Yeoh Seng Hong and Mrs Oh Eu Jin. I can never thank them enough, and I am disappointed that I do not know how to contact some of them now."

Wing Thye gained a master's degree in economics from Yale in 1978, and followed that up with

a masters and a PhD from Harvard. His grasp of the finer workings of the Malaysian economy, he felt, remained relatively limited. This was not for lack of trying. Through the connections that Harvard Institute for International Development (HIID) had with Malaysia's Economic Planning Unit (EPU), he tried repeatedly to be sent to the latter to get field experience. Sadly, his applications to the many HIID-EPU projects were never successful.

And so, he settled on understanding the macroeconomics of open economies instead. His doctoral thesis was on the determination of the exchange rate between the US Dollar and the German Deutschmark. The econometric model that he developed along the way proved to be the superior one at making predictions.

"I was back in Malaysia in 1979, and to be honest, I was rather discouraged after trying to gain meaningful employment at Universiti Sains Malaysia and Universiti Malaya. When Brookings offered me a job again in 1981, I decided that I would once again postpone returning home."

Wing Thye worked at Brookings from 1982 to 1985 on speculative bubbles in foreign exchange (forex) markets and on inflation transmission across countries. In 1985, he moved to the Economics Department at the University of California at Davis (UCD) because it was much closer to East Asia, the region that he wanted to study most. The big interest at that time was the External Debt Crisis. The Mexican state oil company, Petro-Mexico, had crashed in 1982, shortly after the oil price had reached an unprecedented height – following in the footsteps of the Indonesian oil company, Pertamina, which went bankrupt in 1975 when the oil price was at its highest level up to that point in history. Wing Thye's first in-depth country study was thus done on Indonesia, and not Malaysia, as he would have wished. He has maintained his research on

Woo giving a lecture on "China's Return to the World Stage" in June 2010.



Indonesia, and, in April 2010, delivered the Sadli Lecture on Economic Policy in Jakarta at the invitation of the Australian National University and the University of Indonesia. (The present Minister of Trade of Indonesia, Mari Pangestu was his student at UCD.)

Wing Thye has remained at UCD ever since. His research covers more and more of Asia, especially China. In fact, in 2006–2009, he had returned to Brookings to be its China economist. One of the things Wing Thye is proudest of was when Jeffrey Sachs and he came up with an innovative explanation in 1993 for China's success and the Soviet Union's failure in switching from a plan economy to a market economy.

“The major theories then included the idea that a government should reform economics and not politics, or that agriculture should be reformed before industry, just as China was doing. The dominant thinking was that gradualism was always the way to go. My own explanation rejected that assumption, and it was the one accepted by the World Bank, when it prepared the 1996 World Development Report.

“The Chinese method worked because China's economic conditions allowed it to work. If you had used the Chinese method in the Soviet Union in 1991, it would not have worked. Think of the three sectors – agriculture, industry and services. The Soviet Union industrialised a long time ago, and by 1988, the agricultural sector was miniscule and the services sector hardly existed at all. For strategic reasons, the Russians had concentrated on heavy industry throughout the Cold War. With the introduction of a market

economy, the composition of products demanded was fundamentally different. Light industries were suddenly needed, and the old giants had to crash in order to release their resources to the new industries. China, on the other hand, had less than 18% of its labourers employed in the entire industrial sector at the time its reforms started in 1979. The rest of the labour force was in agriculture. Once light industries were allowed to be set up outside of the state-owned sector, peasants flooded in because they could earn more than what they were making off the land. So China was fortunate in being less industrialised and less urbanised, and in having a lot of surplus agricultural labour.

“The reform experience of Vietnam confirms the invalidity of the gradualist argument. In March 1989, that communist country adopted comprehensive reforms overnight, just as Poland and the Soviet Union had earlier done. But in Vietnam's case, the gross domestic product (GDP) took a huge jump upward. It went from being the biggest importer of rice in the world to being its third largest exporter of rice. The country's light industries also boomed, and it began exporting textiles. So it was not the speed of reform that was decisive. The thing is, Vietnam's agricultural sector was also huge. It was the vast amount of underemployed labour stuck in the countryside which again was the important factor.”

Wing Thye, who is the second son in a family of five boys, is father to three girls – aged 22, 25 and 28. His American wife had chosen to specialise in the Economics of Education because the couple had assumed that they would be pursuing their

individual careers in Malaysia, and that this field would make her more employable in Malaysia.

“Being the second son was why I could go abroad. My elder brother was there, keeping the whole family afloat financially. He remains the only one of the five brothers without a postgraduate degree even though he is academically much more gifted and naturally more perceptive than myself. I am so greatly inspired by his many unflinching sacrifices that I can sometimes manage to overcome a few of my deep flaws temporarily.”

When asked about how he felt about being economic advisor to governments, his immediate reply was, “Great relief that I have been so lucky. I had many more talented classmates at MBS, Yale and Harvard, but they happened not to be there when the opportunities knocked. Look, my third brother has the best combination of academic ability, leadership skills and physical attributes, yet he is not markedly more well-known than the other brothers.”

So what does he predict for Penang's and Malaysia's economy? Penang, he thinks, has always been lucky in having relatively good leaders. But it has definitely suffered neglect by the central government, as can be seen by its grossly inadequate infrastructure.

“Although Penang was already the leading centre for the electronics industry, the Multimedia Super Corridor was built somewhere else. This strange decision is hard not to ascribe to intentional neglect. Crony capitalism has also helped to produce excessive waste.

“Furthermore, the deliberate large reduction in the teaching of the English language and of world history has been a serious mistake that has greatly reduced the international competitiveness of Malaysia. All over the world, the opposite trend is accelerating. Globalisation is pushing the young to study and master several languages and to understand other cultures deeply.

“The discrimination in favour of foreign capital against domestic Chinese capital is another problem to tackle. Just as economically debilitating as the induced capital flight is the induced brain drain. Well, most people may think that their own lives are not worth very much, but they certainly do not think that way where their children's lives are concerned. So if the system does not provide personal safety, career opportunities and globally competitive education, then naturally we end up losing some of our best and brightest. Branding these folks as disloyal, and hence undesirable, will not help build a better Malaysia. The fact is that we now have to start to be nicer

“The major theories then included the idea that a government should reform economics and not politics, or that agriculture should be reformed before industry, just as China was doing.”

to ourselves in order to get out of the middle income trap that Malaysia is in. In the words of the comic character, Pogo: we have met the enemy and he is us.”

Woo with his daughter, after giving a talk on “The World Economy in 2012: Implications for Malaysia” in July 2012.



Daniel Lee

Woo chats with Datuk Dr Haji Sharom Ahmat, former chairman of the Socio-Economic and Environmental Research Institute.



Daniel Lee