

# A Model of Economic Equity in Combating Rising Inequalities in Malaysia

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## Abstract

The heightened debate on the rapid rise in economic disparities globally has evidently resulted in economic inclusiveness to become more relevant than ever in the history of mankind. As one of the fastest growing developing within the Eastern region, Malaysia has not been spared from the evils of widening economic gap between the ultra-rich and the lowest income strata group. An equity model is proposed to essentially demonstrate how existing economic measures and channels grounded on equitable distribution of resources can improve economic inclusiveness in a timely manner. This research underscores the critical role of equity as a distributive principle to enhancing economic equality without compromising efficiency. The model focuses on economic rights, equal access to quality basic education and healthcare, gainful employment, and social protection as the primary means to reduce inequity amongst different member groups of the society often divided by personal factors beyond ones' control. Using a method known as operationalization, the broad concept of equity in economics is effectively collapsed into components, dimensions, and indicators to enable an objective achievement assessment. Analyses reveal that taking full advantage of the various equity measures built in the existing economic development plans, can produce desirable long-term effects on the economic equalities, and inclusiveness subsequently. The recommendation is to apply the model to the Shared Prosperity Vision 2030, given the similarity in goals and strategies.

**Keywords:** distributive, equity, equality, inclusiveness, policies

JEL classification: I380, Z18

## Introduction

Many devote their understanding of economics to the efficient use of limited resources in meeting infinite needs and wants. Interestingly, behavioural economists are forging their way through to establish the importance normative economics rooted on moral values such as equity, fairness and inclusivity. The IMF Conference in 1998 revisited the topic of economic policy and equity on its mission to better design and promote equitable growth for member countries.<sup>1</sup> To date much progress is still in need.

Depending on their national priority and interests, countries are adopting equity promoting strategies over time. While some choose to invest public resources to improve the conditions of the low income group, others target on the top twenty percent income (T20) group for progressive tax policies. Then there are those concerned of policies that may result in economic inefficiencies and distortions retarding growth in the process, preferring to help low-income families by stimulating the economy instead. Whichever the case, equity requires governments

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<sup>1</sup> Distributive Justice and Desirable ends of Economic Activity by Kenneth Arrow