

ชาตินิยมกับการพัฒนา: มุมมองทางเศรษฐศาสตร์ว่าด้วยชาตินิยมมาเลย์ในมาเลเซีย

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บทคัดย่อ

บทความนี้มุ่งศึกษาแนวคิดชาตินิยมจากมุมมองทางเศรษฐศาสตร์ ตามทฤษฎีของ Breton ชาตินิยมอาจมองได้ว่าเป็นการลงทุนกับชนชาติหรือชาติพันธุ์ในการนี้พรรคการเมืองหรือรัฐบาลที่มีนโยบายชาตินิยมจะใช้การลงทุนเป็นเครื่องมือทำให้ทรัพย์สินความมั่งคั่งที่กลุ่มชนชาติหรือชาติพันธุ์ครอบครองอยู่ขยายขอบเขตกว้างขึ้น นโยบายชาตินิยมนี้แม้จะทำให้เกิดการกระจายรายได้จากกลุ่มชนชาติหรือกลุ่มชาติพันธุ์หนึ่งไปสู่อีกกลุ่มก็ตาม แต่ก็เพียงการกระจายรายได้จากกลุ่มสังคมหนึ่งไปสู่อีกกลุ่มสังคมหนึ่งภายในกลุ่มชนชาติหรือกลุ่มชาติพันธุ์หนึ่งเท่านั้น นโยบายชาตินิยมเช่นที่วนั้นกลับทำให้รายได้ของชนภายในกลุ่มยังไม่เท่าเทียมกันมากขึ้น บทความนี้ชี้ให้เห็นว่านโยบายชาตินิยมอาจก่อให้เกิดความนิยมในหมู่คนทั่วไป แต่ก็ไม่ใช่ในนโยบายที่ยั่งยืนและไม่ช่วยให้บรรลุวัตถุประสงค์ในการพัฒนาประเทศ เนื่องจากนโยบายการพัฒนาของมาเลเซียมีรากฐานมาจากชาตินิยมมาเลย์ ประกอบกับเศรษฐกิจและการเมืองของประเทศก็สัมพันธ์กันอย่างแยกไม่ออก การศึกษาความเชื่อมโยงระหว่างชาตินิยมมาเลย์กับการพัฒนาประเทศจึงน่าสนใจ นอกจากนี้ บทเรียนจากประสบการณ์ของมาเลเซียยังอาจช่วยให้เข้าใจการที่แนวคิดชาตินิยมปรากฏขึ้นใหม่ในที่ต่าง ๆ ทั่วโลกอีกด้วย

คำสำคัญ: ความไม่เท่าเทียมกัน, ชาตินิยมกับการพัฒนา, ชาตินิยมมาเลย์

Nationalism and Development: An Economic Perspective of Malay Nationalism in Malaysia

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Abstract

This paper attempts to examine the idea of nationalism from an economic perspective. Following Breton, nationalism may be viewed as an investment in nationality or ethnicity, whereby a political party or government pursuing nationalist policies is seeking to extend the property or wealth owned by the national or ethnic group via investment. However, the distributional consequences of nationalist policies are that, while it might be successful to redistribute income from one national or ethnic group to another, the policies will only succeed in redistributing income from one social group to another within that particular national or ethnic group. As a consequence, nationalist policies might worsen income inequality within the group. Thus, the argument of this paper is that, while nationalist policy might have an appeal for a popular support, nevertheless such a policy is neither sustainable nor coherent for achieving national development objectives. Given Malaysia's development policy is rooted in Malay nationalism and there is a close connection between economy and politics in the country, exploration on the link between Malay nationalism and development would not only be interesting but also worthwhile for others to draw lessons from Malaysia's experience. Indeed, learning from Malaysia's experience would be useful in the background of the re-emergence of nationalism elsewhere around the globe.

Keywords: malay nationalism, nationalism and development, inequality

I. Introduction

This paper attempts to examine nationalism from an economic perspective, i.e., to analyse nationalism as an economic ideology, or as a vehicle for achieving the objective of national development. The question asked is this: what is the effect of

economic nationalism on economic development and can it be a viable alternative for achieving economic development objectives of a country?¹ This question is important to investigate in the background of expansion of market, i.e., globalisation

¹ In this paper, particular objectives of development being discussed are reduction of poverty and inequality. Poverty and inequality appears to be important aspects of development. Seers (1969, 3-4) for instance argues that development concerns with these issues. In his own words:

“What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have become less severe, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result “development”, even if per capita income has soared.”

that has taken place rapidly particularly at the end of the 20th century. Indeed nationalism appears to emerge in every parts of the globe and has become one of a strong force to counter the forces of globalisation.

The argument of the paper is that, while economic nationalism might have an appeal for a popular support, it might not be sustainable and incoherent for achieving national development objectives. Economic nationalism might be successful in getting larger share of wealth for the nation or group, but the distribution of wealth within the nation or group might be worsed. Here, the case of Malaysia is examined. Since Malaysia's development policy is rooted in Malay nationalism and there is a close connection between economics and politics in the country, exploration on the effect of nationalism on development would be not only interesting but also useful to be investigated.

This paper is organised as follows. Section II discusses an economic perspective of nationalism, and Section III discusses the emergence of Malay nationalism in Malaysia. Section IV examines the incorporation of the Malay nationalist economic agenda into Malaysia's development policies, particularly in the New Economic Policy. Section V reviews the successes of Malaysia's development policies in terms of economic growth and development since the implementation of the New Economic Policy, and Section VI gives an alternative perspective on the achievements, particu-

larly with regards to income distribution. The final section, which is Section VII, concludes the paper.

II. An economic perspective of nationalism

Nationalism is "primarily a political principle, which holds that the political and national unit should be congruent", while nationalist sentiment "is the feeling of anger aroused by the violation of the principle, or the feeling of satisfaction aroused by its fulfilment" (Gellner, 1983, 1). Nationalism is also a form of ideology and behaviour (Kellas, 1991, 3). The ideology of nationalism creates people's awareness of the nation, as well as to give them a set of attitudes and a programme of action - cultural, economic or political. A nation on the other hand, is "an imagined political community" (Anderson, 1983, 6). It is "imagined" because the members of a nation will never know most of the other members of their nationality. However, through this "imagination" they will know which individuals belong to their nationality and which do not. Thus, this "imagination" entails exclusion of people and defines the terms for inclusion. For this reason, what is needed for a nation to exist is that members must perceive that they belong to the same group. It does not really matter if what they perceived is really a truth or fiction. What is necessary is that members of the nation must be convinced or make they believe that, for example, they share a common history, culture or even ancestry.² Thus, a nation could actually be invented

² One of the most common instruments to create a sense of belonging is ethnic identity. This is easy to understand since an ethnic group by definition is "a named human group claiming a homeland and sharing myths of common ancestry, historical memories and a distinct culture" (Smith, 1999, 127). It is also for this reason that ethnic sentiment and appeal is usually manipulated by the nationalist as an instrument for integrating the nation, as well as differentiating it from other nations.

(Smith 1998, 28). This invention is carried out by nationalism, since the heart of nationalism is not just for the awakening of nations to self-consciousness, but to invent nations where they do not exist.³

The main concern here, however, is not with the nation and nationalism per se, but rather with the significance of nationalism on economic policy and development, i.e., an economic perspective of nationalism. In what way does economic nationalism has an impact on economic development of a group or nation? For this purpose, the economic perspective of nationalism develop by Breton (1964) is useful. He identified nationality (or ethnicity) with ownership of wealth. According to Breton (1964, 377):

“...nationality or ethnicity to an individual or to a group is the fraction of the total stock of wealth, in a given territory, owned by persons of the same ethnic or national origin as the person or groups under consideration.... [It] is a form of capital which can be augmented through investment or reduced through depreciation and consumption. Nationalism is both the disposition that leads an individual to favour and to justify investment in nationality and the encouragement which he gives to the investment of present scarce resources for the alteration of the interethnic or inter national distribution of ownership.”

Looking from Breton's perspective, nationalism therefore is about investment in nationality

or ethnicity. A political party that pursues nationalistic policies could be viewed as seeking to extend the property or wealth owned by the national or ethnic group through investment. What seems to be interesting is that this investment brings utility to a nationalist (i.e., an individual with a taste for nationalism) even though he or she might not have ownership of it because what matters for an individual with a taste for nationalism is the ownership of that investment. As long as the ownership belongs to his ethnic or national group, regardless of who they are, this individual will derive utility from the investment. The reward from investment in nationality comes in two forms - tangible (monetary) and intangible (non-monetary) rewards. Of course the tangible rewards such as income as well as the prestige from the investment accrue to the individual (of the national or ethnic group) who holds the assets or offices allocated to the national or ethnic groups. For the rest of the group, i.e., those having the taste for nationalism, the rewards or satisfaction derived from investment in nationality is only “of a psychic order and is usually referred to as pride, sense of identity, and the like” (Breton, 1964, 379).

Therefore, while the intangible rewards are generally dispersed to the whole national or ethnic group (as long as they have a taste for nationalism), the tangible rewards accrue only to some within the national or ethnic group, most likely the educated, entrepreneurially qualified, wealthy and the elite of the group. Breton (1964, 380) argues that, even though nationalist policies might redistribute income from one national (or

³ More often than not, the process of creating a sense of belonging and differentiating with others involved the creation of myths (Hobsbawm, 1993).

ethnic) group to another, the policies will only succeed in redistributing it from one social group to another within their own national (or ethnic) group. Watkins (1978, S100) summarises this point as follows:

“Nationalism is seen as a collective, or public, good in which societies can invest. These investments are made because they are profitable, the return on investment being a flow of rewards of both monetary and non-monetary nature. They are, however, not profitable for everyone. The monetary returns takes the form of higher income jobs for nationals, that is, the benefits accrue to the middle class. The non-monetary rewards accrue to the working class; this creates their support for policies that are not in their interest, since income has been redistributed to their detriment. Investment in nationalism, then, is not income-creating (but only income-distributing), and from a social point of view the rate of returns in terms of income is lower than if the resources were invested in alternative uses.”

Since not everybody within that national or ethnic group will receive the tangible rewards (i.e., income or wealth), then examination on income and wealth distribution within that national group is important. Thus, the importance attached by nationalism on ownership and control by the

nationals has a significant effect on the nationalist view of the question of equality. For the nationalist, as long as the economy is under the control of the nationals, then it does not really matter which individuals amongst the nationals really have the ownership or control of it.

Consequently, what really matters for the nationalist is equality between the nationals and the non-nationals. Equality from the nationalist point of view requires members of both groups (nationals and non-nationals) to be found all the way along the social scale. Thus, with regards to the distribution of income and wealth, what matters is that both groups (nationals and non-nationals) must be equal in this sense. It does not really matter for the nationalist what the extent of inequality is within the nationals (groups). In the following sections, we examine the consequence of Malay nationalism on economic development in Malaysia, specifically on economic growth, poverty and income distribution.

III. The emergence of Malay Nationalism

The Japanese occupied Malaya from December 1941 to September 1945. After the Japanese were defeated in 1945, the British managed to re-establish their power in Malaya. However, the lack of resistance to the Japanese invasion from the British reinforced the anti-colonial and nationalistic sentiments amongst the Malay.⁴ For

⁴ Indeed, the presence of European colonial power and the massive influx of the Chinese and Indian immigrant to Malaya in the mid-nineteenth century already planted the seeds of anti-colonial and nationalistic sentiment among the indigenous Malays, and led to the rise of the Malay nationalist movement. Malay nationalism served as a rallying point of the Malays, who felt threatened by the increasing numbers of immigrants, the Chinese and Indians, to Malaya. It was also used to promote a sense of identity and homogeneity amongst the Malay, and thus exclude the participation of the immigrant communities (Siddique and Suryadinata 1981, 668). Therefore Malay nationalism is defined in ethnic terms. Thus, it excludes even those who are Malaysian citizens, but are not classified as Malay or bumiputeras.

the Malay nationalist, their aim was clear and straightforward - the creation of a Malay nation. As nation involved "imagination" (Anderson, 1983), it was not surprising to find that the heart of the Malay nationalist discourse was on the question of what signify "Malayness," and, subsequently on the vision and nature of the "Malay nation" (Shamsul 1997, 242). It was this nationalist ideal of creating the "Malay nation" that motivated the Malay anti-colonial struggle (Shamsul 1997, 240).

The Malay nationalists argued that the Malay had been neglected and discriminated against by the British.⁵ Indeed, under the British colonial rule, the feeling of neglect and discrimination developed within the Malay. It was also argued that years of discrimination had resulted in the loss of self-confidence and a deep feeling of inferiority amongst the Malay (Mahathir 1998, 77). The British occupation and the massive influx of Chinese and Indian immigrants to Malaya, was therefore viewed as the major cause of their economic backwardness. Eventually, this discourse shaped two central agenda of the Malay nationalist - the political agenda and the economic agenda. The Malay nationalist economic agenda arose from the dissatisfaction of the Malay nationalists with the economic condition of the Malays, as will be discussed in the following section.

IV. Malay nationalist economic agenda and the new economic policy 1971-1990

After Malaysia's independence from the British in 1957, the ruling Alliance government continued the laissez-faire economic policy of the colonial government. Implicitly, it was assumed that this approach was expected to generate high economic growth, where the benefits would then trickle down to the majority of the lower income group, i.e., the Malay. The laissez-faire approach nevertheless resulted in rapid economic growth. Real GDP growth rate was 4.1% in 1956-1960 period, 5.0% in the 1961-1965 period and 5.4% in the 1966-70 (Bank Negara 1994, p.4). However, despite the rapid growth, the trickle down process did not appear to work as expected. Towards the end of 1960s, about half the population was living under poverty as indicated in the incidence of poverty (Table 1).

The bulk of the poor were notably high among the Malays compared to the non-Malays. While in the period of 1957 to 1970 there was a reduction in the incidence of poverty among the Malays, they remained the largest. In 1970, 65.9 percent of the Malays were poor, compared to only 27.5 and 40.2 percent respectively of the Chinese and Indians. Besides, poverty incidence was more serious in the rural than in the urban areas. Therefore, while there were Chinese and Indian poor, as

⁵ Faaland, Parkinson, and Saniman (1990, 7) for instance has concisely explained the discrimination as follows:

"Social and economic discrimination against the Malays by the commercial and industrial circles controlled by the non-Malays took many forms. In business, the British and Chinese banks refused to have anything to do with them, for they were regarded as having no suitable experience. In wholesale, retail, and export and import business, they were kept out by associations and guilds. Even if the Malays sought jobs in the private sector, they were kept out by clan, language and cultural preferences and barriers. The many Chinese and Indian shops refused to employ Malays. Until recently, Indian shops imported labour from India when they were short-handed. As for urban jobs outside the government, only the lowest types of manual labour were open to the Malays: such jobs as trishaw peddlers, drivers and watchmen."

Table 1: Incidence of Poverty in Peninsular Malaysia (%), 1957 and 1970.

	1957/58	1970
All Households	51.2	49.3
Rural households	59.6	58.7
Urban households	29.7	21.3
Malay		
All households	70.5	65.9
Rural households	74.9	70.3
Urban households	32.7	38.8
Chinese		
All households	27.4	27.5
Rural households	25.2	24.6
Urban households	29.4	30.5
Indian		
All households	35.7	40.2
Rural households	44.8	31.8
Urban households	31.5	44.9

Source: Ikemoto (1985).

Table 2: Ownership of Share Capital (at par value) of Limited Companies, 1970 (%).

Ownership Group	1970
Malay/Bumiputera	2.4
Malay/Bumiputera individuals & institutions	1.6
Trust agencies	0.8
Non-Malays/non-Bumiputera	28.3
Chinese	27.2
Indian	1.1
Others	-
Nominee companies	6.0
Foreigners	63.4

Source: Gomez and Jomo (1997).

well as urban poor, generally the problem of poverty was perceived to be the problem of the rural and the Malay households.

As the majority of the rural households were Malay, the Malay then became synonymous with the poor. In addition, there was also a significant imbalance in terms of wealth (equity) ownership between the Malays and the Chinese. As shown in

Table 2, by 1970 the Malays owned only about 2.4 percent of the ownership of share capital, while the Chinese owned 27.2 percent.

Furthermore, there also existed inter-ethnic inequality in terms of employment and occupation, which reflected the differences in skills, education and experiences of each ethnic group. By 1970, about two-third of those employed in

the primary sector were Malays, while the non-Malays on the other hand, were largely employed in the secondary and tertiary sectors. Besides the difference in the pattern of employment, there were also significant differences in terms of occupation. The professional, technical, sales and managerial jobs were predominantly held by the Chinese, while about three-quarter of the Malays were agricultural workers mostly involved in small, subsistence farming and fishing activities (Klitgaard and Katz, 1983, 335). Thus, not only were the Malays found to be poor, but also they were primarily associated with agriculture, a low productivity sector. On the other hand, the non-Malays were associated with mining, manufacturing and construction, a high productivity sector. Besides, income of the Chinese is more than double of income of the Malays, and the gap of income between the Malay and Chinese populations, had widened (Table 3).

Consequently, the inter-group inequality is the heart of the Malay nationalist political debate.⁶

This is understandable since as being mentioned in the earlier section that what actually matters for nationalism is the control of wealth for the group as compared to others. It does not really matter which individuals amongst the group really have the ownership or control of it. It is just the question of distribution between the "Malay and non-Malay".⁷

The poor economic condition of the Malays as well as the notable economic imbalance between the Malays and the Chinese was unsatisfactory to the Malay nationalists. Since to a certain degree the Malay nationalists had achieved their political agenda, they now embarked on their economic agenda.⁸ The momentum for the economic agenda peaked in the 1960s. The Malays organised the First Bumiputera Economic Congress in June 1965, where the economic problems of the Malay were discussed and the strategies and programme to enhance the Malay economic position were drawn up. In September 1968, the second Bumiputera Economic Congress was held. Basi-

⁶ Unfortunately, there is also a widening income gap between the rich and the poor, even within groups. But this observation did not form the central focus of the Malay nationalists political debate. Instead, the problem of distribution was viewed from an ethnic perspective. This is expected since by articulating the problem of distribution from an ethnic perspective, the Malay nationalists not only articulating the problem that are very close to the heart of the Malays, but also could garner political support for the Malay nationalist. Thus, it appears that the problem of intra-group inequality, particularly intra-Malay inequality, was ignored in the nationalist political discourse.

⁷ With regards to the New Economic Policy, the ex-Prime Minister of Malaysia, Mahathir Mohammad mentioned that:

"The NEP, it must be iterated, was not concerned with making all the bumiputeras earn equally, or share equally, the wealth distributed amongst them. ...The intention of the NEP was to create in the bumiputera community the same division of labour and rewards as was found in the non-bumiputera communities, particularly the Chinese. ... The equitableness was not to be between individuals, but between communities" (Mahathir 1998, 33-34).

⁸ Part of the political agenda of the Malay nationalists was achieved in the "ethnic bargain" of 1957. The priority to control the political arena before the economic arena to a certain extent delayed the Malay nationalist economic agenda (Shamsul 1997, 234). The momentum for the Malay nationalist economic agenda peaked in the 1960s since it was only in the late 1960s and the 1970s that the nationalist forces within the ruling Malay nationalist party, UMNO (United Malay National Organisation), gained most of their influence and control (Torii, 1997).

Table 3: Disparity Ratio Between Ethnic Groups in Peninsular Malaysia, 1957-1970.

	1957/58	1967/68	1970
Chinese-Malay	2.16	2.14	2.25
Indian-Malay	1.71	1.60	1.75
Chinese-Indian	1.27	1.34	1.29

Source: Calculated from Perumal (1989) and Snodgrass (1980).

cally, the Congress came to the conclusion that after almost ten years of independence, the progress made to uplift the economic position of the Malays had not matched the expectations of the Malays. The government was perceived as having failed to restore their position as the indigenous people to its proper place, as inspired in their struggle of independence. Feelings of dissatisfaction and strong criticism of the government *laissez-faire* approach emerged from the Malays.

For the Malays, the continuation of the colonial *laissez-faire* economic policy by the Alliance government after independence in 1957 had only ensured the growth of the Chinese economic interest, but it had not done much to increase the plight of the Malays. To the Malay nationalists, the Alliance government was too friendly to Chinese interests. A more aggressive government intervention was called for to speed the upward mobility of the Malays in education, employment and the economy of the country to keep them abreast with the non-Malays. The Chinese on the other hand felt that the government was doing too much for the Malays and felt discriminated.

The growing frustration amongst the Malays and the non-Malays came to a peak with racial riots on the May 13, 1969.⁹ As the demands from the Malay nationalists to implement their economic agenda peaked towards the end of 1960s, the riots appeared to give them the necessary justification to pursue their economic agenda rigorously by asserting a pro-Malay economic policy. In other words, the racial riots served as a convenient excuse for the nationalist factions in UMNO (United Malay National Organisation), which was the dominant political party in the Alliance government, to accommodate a pro-Malay economic policy (Stafford 1997, 560). The riots therefore, became a “blessing in disguise” to the Malay nationalists (Shamsul 1997, 250). It appeared that the racial riots marked a major turning point in Malaysia’s development policy as they paved the way for affirmative action policies in favour of the Malay to be implemented.

A new economic policy, which was called the New Economic Policy (NEP), was announced in 1970. The NEP was to be implemented in the span of twenty years (1971-1990). The approach of the NEP to overcome the perceived socio-economic

⁹ Top UMNO leaders had concluded that the riot was due to the dissatisfaction of the Malays over economic matters (Mauzy 1997, 111). From UMNO point of view, the riot was inevitable due to the inter-ethnic economic imbalances, not only in income but also in employment patterns and in the ownership and control of wealth.

imbalances in society was by giving preferential treatments to the Malays and other indigenous people. The ultimate aim of the NEP was to achieve national unity and to foster nation-building. The way to unite the multiethnic population visualised in the NEP was through active government intervention to reduce inter-ethnic inequality by employing preferential treatments in favour of the Malays. Implicitly, therefore, inter-ethnic equality was depicted as a prerequisite to social peace and stability, as well as prosperity. As such, the NEP implicitly regarded that unity was synonymous with the correction of ethnic economic imbalances (Mauzy 1997, 120), and considered it inevitable but necessary to solve the inter-ethnic economic imbalances that existed in the country (Jomo 1991, 469).

There were two specific objectives of the NEP. The first was to eradicate poverty by raising income levels and increasing employment opportunities for all Malaysians irrespective of race, while the second was to restructure the society so that the identification of ethnic groups with economic function was eliminated (Malaysia, 1991). It was not surprising that the two stated objectives of the NEP were actually associated with the Malay nationalist economic agenda since the demand from the Malay nationalists to implement their economic agenda peaked towards the end of 1960s. In fact, the NEP could be viewed as a fulfilment of the Malay nationalist economic agenda, as suggested by Shamsul (1997, 251):

“If seen from the Malay nationalist perspective, the two central objectives of the NEP, to eradicate poverty and to restructure

society, are essentially parts of the overall nationalist economic agenda.”

The strategies to reduce poverty consisted of three major components, which were (1) improving the quality of life of the poor by improving the provision of social services to them such as housing, health, education and public utilities; (2) increasing the income and productivity of the poor by expanding their productive capital and utilising the capital efficiently by adopting modern techniques and the provision of better facilities such as land, replanting and redevelopment of crops, irrigation, introduction of new crops, and improved marketing, credit, financial and technical assistance; and (3) increasing employment opportunities for inter-sectoral mobility out of low productivity areas and activities.

With regard to the second objective, it was to be achieved through the restructuring of the employment pattern, ownership of share capital in the corporate sector, and the creation of a Bumiputera Commercial and Industrial Community (BCIC). The creation of BCIC was regarded as important since this would ensure a meaningful participation of the Bumiputera in the modern sector of the economy. Thus, the NEP envisaged restructuring of society in three levels. First, to increase the share of Bumiputera employment in the modern industrial sectors. Second, to increase the Bumiputera share in corporate ownership, and third, to increase the number of Bumiputera entrepreneurs and Bumiputera managerial control. The targets of the NEP with regards to its objectives are shown in Table 4.

Table 4: Selected Socio-Economic Targets of the NEP.

	1970	Target (1990)
I. Incidence of Poverty¹		
Overall	49.3	16.7
Rural	58.7	23.0
Urban	21.3	9.1
II. Corporate Equity Ownership		
Bumiputera	2.4	30.0
Other Malaysians	34.3	40.0
Foreigners	63.3	30.0
III. Bumiputera Employment by Sector (% of total employment)		
Primary	67.6	61.4
Secondary	30.8	51.9
Tertiary	37.9	48.4
IV. Bumiputera Employment by Category (% of total employment)		
Professional and Technical	47.2	50.0
Administrative and Managerial	22.4	49.3
Clerical	33.4	47.9
Sales	23.9	36.9
Agricultural	68.7	62.3
Production	31.3	52.0
Services	42.9	52.3

Note:

¹Peninsular Malaysia only Source: (Malaysia, 1991, 34)

Table 5: Annual Growth Rates of Gross Domestic Product (% , at constant prices).

Year	1971-1980	1981-1990	1991-2000
1	10.0	6.9	9.5
2	9.4	6.0	8.9
3	11.7	6.2	9.9
4	8.3	7.8	9.2
5	0.8	-1.1	9.8
6	11.6	1.2	10.0
7	7.8	5.4	7.5
8	6.7	9.9	-7.5
9	9.3	9.1	6.1
10	7.4	9.0	8.3
Average	8.3	6.0	5.2

Source: Bank Negara Malaysia (1994, 1999, 2002, 2003).

Table 6: Annual Growth Rate of Consumer Prices (%).

Year	1971-1980 (1967=100)	1981-1990 (1980=100)	1991-2000 (1994=100)
1	1.6	9.7	4.4
2	3.2	5.8	4.7
3	10.5	3.7	3.6
4	17.4	3.9	3.7
5	4.5	0.3	3.4
6	2.6	0.7	3.5
7	4.8	0.3	2.7
8	4.9	2.5	5.3
9	3.6	2.8	2.7
10	6.7	3.1	1.6
Average	6.0	3.3	3.6

Source: Bank Negara Malaysia (1994, 1999).

It was not a coincidence to find that between the two stated objectives of the NEP, more emphasis was given on the restructuring objective (Toh Kin Woon, 1989, 244; Jomo, 1991, 479). It was also the most controversial, since the restructuring objective involved inter-ethnic redistribution measures. It raised concern among the non-Malays that the restructuring objective would deprive and limit their economic opportunities (Heng Pek Koon, 1997). As a consequence, implementation of the NEP had to be in the context of rapid economic growth, thus ensuring that no other sections of the community would be deprived as a result. Therefore, rapid economic growth was of

paramount important to realise the NEP's objectives. Towards this end, the NEP projected an annual growth rate of GDP 8.0 percent (Malaysia, 1991).

The reason for the concern of the non-Malays with regard to the restructuring objective of the NEP was attributed to the fact that this second objective of the NEP constituted the claim of the Malay nationalists to the national wealth. In fact, it was for this reason that the restructuring objective received the greatest public attention and more controversy than the poverty eradication objective.¹⁰ The National Development Policy (NDP) (1991-2000) replaces the NEP when it came to

¹⁰ For instance, to ensure the success of the restructuring objective, there was increased regulation of the economy. Most important among the many moves, was the Industrial Co-ordination Act (ICA). The ICA was instituted in 1975 and became an instrument by which the government pressurised foreign and domestic businesses to restructure their equity and employment in line with NEP guidelines. The ICA also required manufacturers to acquire licences to enable them to operate. A license would only be issued if the manufacturer complied with the NEP guidelines with regard to employment and equity. The ruling of the ICA was that Malaysian companies with fixed investments above RM2.5 million and 75 workers, had to set aside 30.0 percent of their equity for Malay ownership. Also, manufacturing companies had to ensure that the composition of their workforce reflected the composition of the population, i.e. about half of the workers were expected to be Malays. Moreover, companies had to ensure that at least 30 percent of turnover was from work undertaken by Malay distributors (Kok Swee Kheng, 1994, p. 91). As a result, the ICA became the centre of some of the NEP's greatest criticism (Stafford 1997, p. 562).

Table 7: Unemployment Rate (%).

Year	1971-1980	1981-1990	1991-2000
1	6.8	5.0	4.3
2	6.3	5.1	3.7
3	5.7	6.0	3.0
4	5.2	6.3	2.9
5	4.9	6.9	2.8
6	6.1	8.3	2.5
7	6.1	8.2	2.4
8	5.4	8.1	3.2
9	5.2	7.1	3.4
10	5.3	6.0	3.1
Average	5.7	6.7	3.1

Sources: (i) Bank Negara Malaysia (1999) (ii) Ministry of Finance (2002).

Table 8: Composition of Gross Domestic Products (% at constant prices).

Year	Agriculture, Forestry and Fishing	Construction	Manufacturing	Mining and Quarrying	Services
1970	29.0	3.8	13.9	13.7	36.2
1975	27.7	3.8	16.4	4.6	47.5
1980	22.9	4.6	19.6	10.1	42.8
1985	20.8	4.8	19.7	10.5	44.2
1990	18.7	3.5	27.0	9.7	42.3
1995	13.5	4.5	33.1	7.5	41.4
1996	9.6	4.6	28.6	7.5	49.7
1997	8.8	4.7	29.0	7.1	50.4
1998	8.9	3.8	26.6	7.7	53.0
1999	8.7	3.4	28.0	7.6	52.3
2000	8.1	3.2	30.7	7.1	50.9

Sources: (i) Malaysia (1991) (ii) Bank Negara Malaysia (1994, 1999, 2002)

end in 1990. While there were changes in strategy and priorities, the main spirit of the NEP, i.e. to preferentially uplift the economic and social status of the Malay was maintained in the NDP. Thus, the NEP (1971-1990) and the NDP (1991-2000), as well as the National Vision Policy (2001-2010), was basically rooted in Malay nationalism. Therefore, we do not distinguish between them in the discussion to follow.

V. Growth and development since 1970

Generally speaking, since 1970 Malaysia experienced a remarkably high economic growth. In the 1970s, the economy was growing at an average annual growth rate of 8.3 percent (Table 5). The economy was in recession in the 1985-86 period, but started to recover in 1987. Since then, GDP growth rate has been sustained at roughly

Table 9: Employment by Sector (% of total employment).

	1970	1980	1990	1995
Agriculture, Forestry and Fishing	50.5	39.7	27.8	18.0
Construction	4.0	5.5	6.4	8.3
Manufacturing	11.4	15.6	19.5	25.9
Mining and Quarrying	2.6	1.7	0.6	0.5
Services	31.5	37.5	45.7	47.3

Source: (i) Kok Swee Kheng (1994); (ii) Malaysia (1996).

Table 10: Incidence of Poverty in Peninsular Malaysia

	1970	OPP1 Target 1990	1990
Peninsular Malaysia	49.3	16.7	15.0
Rural	58.7	23.0	19.3
Urban	21.3	9.1	7.3
Bumiputera	65.0		20.8
Chinese	26.0		5.7
Indians	39.0		8.0
Others	44.8		18.0

Source: Malaysia (1991, 1996).

more than 8.0 percent annually. In the 1990s, even though the economy was badly hit in 1998 due to the financial crisis, the economy still managed to grow on average at 5.2 percent.

Besides, the rapid growth was accompanied by relatively low and stable prices (Table 6) as well as a low and declining unemployment rate (Table 7). The remarkable growth and development record of Malaysia during the past decades has been widely acknowledged.¹¹ There was also a rapid structural transformation of the economy. During 1970 and 1995, the contribution of agriculture to GDP declined from 29.0 percent to 13.5 percent, while the contribution of the manufacturing sector increased from 13.9 percent to 33.1 percent

(Table 8).

The economic structural changes were also been reflected in the structure of employment. The share of agriculture in total employment fell from 50.5 percent in 1970 to 18.0 percent in 1995, while the share of manufacturing sector has increased from 11.4 percent in 1970 to 25.9 percent in 1995 (Table 9).

The rapid growth of the economy was also reflected in the increase in per capita income. It was merely RM721 in 1960 (Bank Negara Malaysia, 1994), but increased significantly to RM6,099 in 1990 and further to RM9,786 in 1995 (Malaysia, 1996, 36). In 2000, per capita income increased further to RM13,359 (Malaysia, 2001,

¹¹ For instance, Malaysia has been recognised as one of the “economic miracles” of East Asia (The World Bank, 1993), while Athukorala and Menon (1999, p.1119) cited Malaysia as one of a success story of development.

Table 11: Selected Quality of Life Indicators.

	1970	1990 ^a	2000 ^b
Life expectancy (years)			
Males	61.6	69.0	69.9
Females	65.6	73.5	74.9
Birth rate (per 1000 population)	32.4	27.1	24.4
Infant mortality rate (per 1000 live birth)	39.4	13.5	7.9
Death rate (per 1000 population)	6.7	4.7	4.4
Primary school enrolment ratio (%)	88.2	98.9	
Teacher/Pupil ratio (primary and secondary)	28.9	20.9	
Doctor/Population ratio	1:4302	1:2656	1:1465
Television sets (per 1000 population)	22	100	
Passenger cars (per 1000 population)	26	96	421.9
Telephones (per 1000 population)	1.0	9.7	
Total roads (km)	21182	39113	

Notes: ^aRefers to 1989 figures; ^bRefers to 1999 figures

Source: Malaysia (1991, 2001).

Table 12: Employment by Occupation and Ethnic Group.

	Bumiputera			Chinese			Indians		
	1970	1990	1995	1970	1990	1995	1970	1990	1995
Professional & Technical	46.9	60.5	64.3	39.5	29.1	26.2	10.8	7.7	7.3
Teachers and Nurses		68.5	72.3		24.6	20.5		6.4	6.6
Administrative & Managerial	24.1	28.7	36.1	62.9	62.2	54.7	7.8	4.0	5.1
Clerical & Related Workers	35.4	52.4	57.2	45.9	38.6	34.4	17.2	8.6	7.7
Sales & Related Workers	26.7	29.9	36.2	61.7	58.4	51.9	11.1	6.8	6.5
Service Workers	44.3	57.8	58.2	39.6	26.8	22.8	14.6	9.5	8.7
Agricultural Workers	72.0	69.1	63.1	17.3	13.8	12.9	9.7	7.3	7.5
Production Workers	34.2	43.6	44.8	55.9	39.6	35.0	9.6	10.8	10.3

Sources: (i) Rajakrisnan (1993), Table 4, p. 224. (ii) Malaysia (1996), Table3-3, 82-83.

Table 13: Registered Professionals by Ethnic Groups, 1970-1995.

	1970 ^b		1980		1990		1995	
	No.	%	No.	%	No.	%	No.	%
Bumiputera	225	4.9	2,534	14.9	11,753	29.0	19,344	33.1
Chinese	2,793	61.0	10,812	63.5	22,641	55.9	30,636	52.4
Indian	1,066	23.3	2,963	17.4	5,363	13.2	7,542	12.9
Others	492	10.8	708	4.2	750	1.9	939	1.6
Total	4,576	100.0	17,017	100.0	40,507	100.0	58,461	100.0

Notes:

^aarchitects, accountants, engineers, dentists, doctors, veterinary surgeons, surveyors, lawyers.

^bexcluding surveyors and lawyers

Source: (i) Jomo (1991), p.498, Table 6; (ii) Malaysia (1996), Table 3-4, 84.

Table 14: Ownership of Share Capital (at par value) of Limited Companies.

Ownership Group	1970	1990	1995
Bumiputera	2.4	19.3	20.6
Bumiputera individuals & institutions	1.6	14.2	18.6
Trust agencies	0.8	5.1	2.0
Non-Bumiputera	28.3	46.8	43.4
Chinese	27.2	45.5	40.9
Indian	1.1	1.0	1.5
Others	-	0.3	1.0
Nominee companies	6.0	8.5	8.3
Foreigners	63.4	25.4	27.7

Source: Gomez and Jomo (1997), Table 6.3, p. 168.

26). What could be considered as a more significant achievement was that poverty has also been remarkably reduced (Table 10).¹² Thus, it is not surprising to find that there was tremendous improvement in the quality of life among the Malaysians, such as in health and education (Table 11).

Furthermore, the identification of ethnic group with economic function was reduced during the NEP period. Table 12 below shows that the percentage of Bumiputera¹³ in professional and technical occupation increased from 46.7 percent in 1970 to 64.3 percent in 1995. Indeed, the percentage of Bumiputera in all other occupations, except for agricultural occupation, increased. There was also an increase in the number and percentage of registered professionals from the Malay (Bumiputera) ethnic group (Table 13). In 1970, only 225 Bumiputera were registered as professionals, which is about 5.0 percent of the total regis-

tered. In 1995 however, the number increased significantly to 19,344, which was about one third of the total registered. These were a reflection of the significant increase in Malay enrolment in higher learning institutions, as well as in various technical training institutes during the NEP period. The ownership of share capital by the Bumiputera increased from 2.4 percent in 1970 to 20.6 percent in 1995 (Table 14). Thus, even though it still fell short of the NEP target of 30.0 percent, the Malays seemed to have made quite a significant progress in terms of ownership and control of capital.¹⁴

Thus, since 1970, not only was there remarkable economic growth and development of the country, there was also improvement in the economic position of the Malays as well. Poverty eradication in particular was remarkably successful. Furthermore, there was the emergence of the Malay middle-class, as well as a noticeable Malay

¹² Indeed, government official figures show that the NEP reduced poverty beyond its target.

¹³ The word Malay and Bumiputera is used interchangeably in this paper.

¹⁴ Some have argued that the actual size of Bumiputera share of corporate capital is considerably underestimated (see Gomez and Jomo 1997, p. 166).

business-class, never before imagined would happen during the British occupation.

VI. An alternative story

Generally speaking, the economic nationalism has been successful in uplifting the economic position of the Malays as well as bringing the Malay community into mainstream economic activities. It is not surprising therefore that the government has highlighted this remarkable economic growth as a vindication of the success of the NEP. It has been claimed that (Malaysia 1991, 98):

“A remarkable achievement of the NEP was that it significantly improved income distribution without adversely affecting growth. In fact, the economy was able to achieve a high rate of economic growth during the 1971-1990 period on the account of the social and political stability created by the NEP”.

The assertion that Malaysia’s growth and development was due to the NEP, however, raises a problem. First, which elements of the NEP have really had an impact on growth? Was it the restructuring element or was it the poverty eradication element? While both elements were redistributive in nature, they were different. The restructuring element, aimed at correcting inter-ethnic economic imbalances implied inter-ethnic redistribution of income and wealth from the non-Bumiputera to the Bumiputera. This element was the nationalist claim to the national wealth. Meanwhile poverty reduction implied a general redistribution of income and wealth from the rich to the poor. As the majority of the Malays were poor and the non-Malays were generally better-off in the early period of the NEP, it appeared that a redistribution from the rich to the poor coincided with inter-ethnic redistribution. This implies that there was a possibility that it was not really the nationalist policy of inter-ethnic redistribution that

Table 15: Gini Coefficient by Ethnic Groups, 1957-1997.

	Overall	Malay	Chinese	Indian
1957/58	0.412	0.342	0.374	0.347
1967/68	0.444	0.400	0.391	0.403
1970	0.502	0.466	0.455	0.463
1976	0.529	0.494	0.505	0.458
1979	0.493	0.488	0.470	0.460
1984	0.480	0.469	0.452	0.417
1987	0.458	0.447	0.428	0.402
1990	0.446	0.428	0.423	0.394
1995	0.456	n.a.	n.a.	n.a.
1997	0.459	0.450	0.419	0.409

Note:

n.a.=not available

Source: (i) Snodgrass (1980); (ii) Shari and Zin (1990); (iii) Malaysia (1991, 1996, 2001); (iv) MAPEN II (2001).

promoted economic growth, but rather the poverty eradication element. In other words, as the majority of the poor were Malay, then a pro-Malay (nationalist) policy coincided with a pro-poor policy. A pro-Malay policy leads to the empowerment of the majority of the poor in the rural areas as well as helps create and expand domestic market for industrial products.

Besides, as the NEP has been significantly successful in reducing poverty amongst the Malays, now the poor were no longer entirely the Malays. In this situation, the nationalist policy might no longer effective given that there is a disturbing development concurrent with the success of the NEP. While the incidence of poverty was significantly reduced, income inequality was persistently high and began to increase. The inequality trend is shown in Table 15 below.

Intra-ethnic inequality has worsened for at least the Malay community. Indeed, the government acknowledged this point, which could be drawn from the following excerpt (Malaysia 1991, p.100):

“Intra-ethnic income disparities are still sizeable, with inequality among the Bumiputera being higher relative to that of the non-Bumiputera. The Gini coefficient in 1990 for the Bumiputera was 0.428 while that for the Chinese was 0.423 and the Indians 0.394. As another comparison, whilst the mean income of the top 20 percent of the Chinese household was about 8.6 times the income of the bottom 20 percent, the disparity between the top and bottom income households for the

Bumiputera was about 9.2 times.”

The high intra-Malay inequality entails that the nationalist policy, i.e., the NEP, while has been successful in the past in generating economic growth and development to the country in general, and to the development of Malay in particular, is unlikely sustainable due to the following two reasons. First, for the NEP to be sustainable, a coherence of interest amongst the Malay is necessary. Coherent of interest implies that there should be less fragmentation or division within the Malay community. In the early years of the NEP, the Malays were more or less economically homogeneous since majority of the Malays were poor. The success of the NEP in substantially reducing poverty amongst the Malay however has visibly highlighted the differences rather than similarities amongst them. The high and increasing intra-Malay inequality implies that the Malays were no longer homogeneous, economically speaking, as they were in the early years of the NEP. As a result of the success of the NEP, a Malay urban working class has emerged, and the Malay middle class and new rich Malay have expanded. This was expected since the NEP, an economic policy rooted in nationalism, was about redistribution between groups, not individuals.

The problem with a high intra-Malay inequality is that it leads to the emergence of a noticeable and deeper division amongst the Malay community. In other words, there emerge diverse and conflicting interests within the Malay community. The Malays therefore might no longer share a common economic and political interest amongst them as before. In such a situation, it would be

difficult for the rhetoric of Malay nationalism, which view the conflict of economic interest simply in terms of the “Malay versus non-Malay” conflicts, to solve the new dimension of economic problem, which is the economic conflicts within the Malay community itself. As a consequent, the Malay political party (UMNO) that articulated the Malay economic nationalism and has initiated the NEP finds it became a hostage to its own political rhetoric. The political rhetoric of Malay nationalism cannot articulate a coherent response to the new problem of distribution and tension within the Malays themselves. In short, Malay nationalism as the foundation of economic policy could no longer coherent, and hence could only be pursued with the risk of greater discontent, paradoxically amongst the Malay community themselves.

Besides, there is another interesting development. Cross-cutting cleavages also began to emerge in the society where the interests of some quarters of the Malay are coinciding with some quarters of other ethnic groups such as the Chinese and the Indians.¹⁵ The emergence of cross-cutting cleavages in the society has not only made the political rhetoric of ethnicity less appealing, but it also encouraged the development of multiethnic political parties, which did not have much appeal to society before. What this development implies is that the emergence of cross-cutting cleavages has brought about a paradigm shift among the electorate and will shape Malaysian politics in future. While it was almost necessary for a particular ethnic group to have its own representative to articulate its interests previously, this is no longer true when there emerge

cross-cutting cleavages. The political interest of a particular ethnic group is now no longer a monopoly of the political party of that particular ethnic group. The political rhetoric of nationalism has become less appealing to the society and hence ethnic nationalism might no longer the main criterion that divides the society. Thus, the success of ethnic nationalism has paradoxically made the politics of ethnic nationalism less appealing, and multiethnic politics become promising in the future. These developments might brought about significant changes to the political landscape of the country.

VII. Conclusions

Nation is “an imagined political community”, where the members perceive themselves to belong to the same group. It entails exclusion of people and defines the terms for inclusion. Therefore, development to the nationalist is not only a question of opening up economic opportunities and creating wealth, but more importantly, it is also the question of who owns and controls the economy. The nationalist ideal could be viewed as the claim to national wealth, i.e., the stock of wealth in a geographical area that belongs to the nationals of that geographic entity. It follows that what matters for the nationalist with regards to equality is the equality between groups rather than between individuals. In this paper, the nationalist economic policy that aimed at improving the economic position of the Malay ethnic group in Malaysia is examined to explore the nationalist claim.

¹⁵ Cross-cutting cleavages as defined by Rae and Taylor (1970).

It has been shown that since the 1970s, Malaysia has achieved a remarkable growth and development and the structure of the economy has also been transformed from dependence on agriculture to a more broadly based economy. An exceptional success has been made in poverty eradication. The NEP successfully tackled the problem of poverty amongst the Malay, and also was successful in bringing out the Malay from the rural-agriculture sector into the urban-modern economic sector. On average, the income of the Malays improved.

However, a closer examination of the record suggests that the nationalist economic policy of distributing income simultaneously creates a new problem of high intra-Malay inequality. It is shown here that the nationalist solution, while capable of drawing political support from the Malays and brought about growth and development of the economy, it has also sewn the seeds of Malaysia's current socio-political problems. Intra-ethnic inequality, particularly amongst the Malays has become more apparent, as anticipated by Breton (1964). Continuing the nationalist policy would apparently lead to internal contradictions and tension within the Malays. The nationalist policy might be initially successful, but its own success has also planted the seeds of future problems for itself. There lies the paradox of Malay economic nationalism.

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