

BOOK REVIEW

V. V. Bhanoji Rao, *Malaysia Development Pattern and Policy 1947–1971*. Singapore: University of Singapore Press, 1980. Pp. xv, 233pp., Appendix, Bibliography, Index.

In the Introduction to this study of Malaysian economic development, the author says that his “work attempts to assess the development pattern during 1947–71 through an analysis of macro-economic data from national accounts, population censuses and surveys, and other sources. The methods of analysis are drawn from the pioneering contributions of Clark, Kuznets, Chenery, Leontief, and several other scholars”.

Although the focus of Bhanoji Rao’s study is in fact mainly on the 1960s and very early 1970s, rather than the entire 1947–71 period, the reference to the leading names in the empirical study of economic development is apt. This book belongs to what can be called the newer school of writing on the Malaysian economy. Whereas older writers limited themselves mainly to presenting data and describing events, the newer, younger writers tend to apply analytical techniques that they learned in graduate school to local data. This is a useful exercise for the author and for certain classes of readers. The writer, as a fledgling economist analyst, deepens his understanding of the techniques being utilized by applying them to familiar data. Student readers gain similar benefits because economic analysis is brought home to the local setting. The readers who do not necessarily benefit very much are those who are already familiar with both the forms of analysis used and the subjects studied. For them to benefit, the author must succeed in bringing together problems, data and techniques in such a way as to produce insights that had escaped previous analysts.

The book under review, which is an outgrowth of a 1974 University of Singapore Ph.D. dissertation, consists of seven chapters. Chapter 1 analyses economic growth in the 1947–71 and 1960–70 periods, based in part on national accounts data which Bhanoji Rao himself constructed and published earlier in *National Accounts of West Malaysia, 1947–71* (Singapore: Heinemann, 1976). The main points brought out are the dependence of Malaysian GNP (gross national product) on exports and on investments (which account for 4.5 points of a 6.4% average growth rate in 1959–71, according to a Denison-type source of growth calculation).

Chapters 2 and 3 look at structural change in the economy. Techniques

developed by Chenery, Leontief and their respective associates are competently applied, but for this reviewer no striking revelations emerge.

A lengthy chapter 4 examines industrialization and import substitution, emphasizing the 1960s. The Pioneer Industries Ordinance and other policies which led to the considerable import substitution achieved during this period are reviewed. The subsequent development (mainly in the 1970s) of manufacturing for export is foreshadowed, but the author's emphasis on material inputs and economies of scale fails to bring out the extent to which this later success depended on the nature of Malaysia's labour resources (relatively cheap yet productive) and infrastructure in the broadest sense (good physical facilities plus a relatively stable, though perhaps weakening, framework of legal and contractual relationships).

Chapter 5 is a review of economic planning, particularly the First and Second Malaysia Plan. It abandons the pattern of earlier chapters, in that it is largely descriptive and contains only *ad hoc*, less formal, analysis. One valid criticism made of government planners (p. 179) is worth repeating for emphasis: if the methodology behind plan calculations were made explicit, it would be much easier for non-officials to judge their reasonableness and participate in a dialogue that could lead to improvements in both plans and their realization.

Chapter 6, the last substantive chapter, deals with "the employment problem and related issues". A production function model is used to test the feasibility of the Second Malaysia Plan employment targets; the conclusion is that 9% unemployment was likely by the end of the plan period (p. 205). The only "related issue" discussed at any length is "the goal of economic balance" in ethnic group employment shares. The author expresses concern that pursuit of this goal might jeopardize "the postwar achievements of production and productivity growth" by destroying the "minimum political requirements for economic growth" listed by Kuznets: basic political stability; flexibility in dealing with conflicts; sufficient representativeness to permit major groups in society to have their views considered by government (pp. 221, 224).

Chapter 7 briefly recapitulates the conclusions from earlier chapters, while three appendices provide details of calculations concerning employment by sector, inter-industry relations and effective protection.

In truth, this book is not far removed from what must have been a superior Ph.D. dissertation in 1974. The analysis is well done and the commentary on policy is generally sound. As a book presented to the public in 1980, however, Rao's *Malaysia* has its limitations, particularly for the reader who is reasonably well up on the related literature. First, little that is new or startling emerges. Most of it has been said before by others. Second, by the time the study was published in 1980 it had become badly dated. Much

relevant work on the period studied (for instance, Hoffmann and Tan on industrialization and international trade) has not been taken into account. (I counted only six post-1972 references, two of them to the author's own publications.) Finally, the Malaysian economy has changed so dramatically in the past decade or so that today's concerns are very different from those of the early 1970s. By now, the New Economic Policy has been largely implemented, accompanied by growth rates higher (not lower, as many predicted) than in the preceding decade. Industrialization has proceeded rapidly and several factory-made items have been added to the increasingly balanced list of exports. The labour market has shifted from surplus towards shortage. Poverty has been reduced, although inequality remains high. The great need now, in this reviewer's opinion, is for serious analyses of these and other current trends. The scope for future dissertation writers is vast. It is to be hoped that when their analyses are completed the results can be brought into print with a much shorter lag than has been common in the past.

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