

BOOK REVIEW

Malaysia: Growth and Equity in a Multiracial Society. By Kevin Young, Willem C.F. Bussink, and Parvez Hasan. Baltimore and London: John Hopkins University Press for the World Bank, 1980. Pp. xix, 345.

This country study by the World Bank “reviews the performance of the Malaysian economy since 1960, discusses current issues, and assesses future prospects” (from the Preface). Although the study was published in 1980, its conclusions are based primarily on data up to 1976. Analysis of actual economic performance therefore encompasses the first half of the study’s thirty-year time-frame, while commentary on the latter half of the period, up to 1990, takes the form of a set of alternative macro-economic scenarios based on differential assumptions of growth patterns of private investment and public expenditure.

That 1990 is also the target date of the Malaysian Perspective Plan is of course no coincidence. A funding agency seeking to assess the “bankability” of a client-nation could hardly ask for a better basis for judgement than a detailed blueprint for long-term development to which, moreover, that country’s policy-makers appear to be committed. The Perspective Plan (PP), together with the New Economic Policy (NEP) is thus the focus of the World Bank study.

The main text comprises nine chapters, each by a different expert — a specialization of labour ensuring, overall, a work of high competence. Careful editing is apparent throughout the text. Each chapter, while self-contained, is placed in total context by relevant commentary and comprehensive cross-references, while the substance of the individual reports is distilled in an overview by Kevin Young. The same writer’s chapter on “The New Economic Policy and Long-term Development Issues” expands on his earlier overview, and adequately summarizes the entire study (a boon to the interested but busy reader).

A notable characteristic of the work is the relatively heavier weight given to the equity aspects as compared to considerations of growth *per se*. Issues of poverty, income distribution and restructuring are examined in depth in three chapters (“Employment and Income Distribution in Peninsular Malaysia” by Bussink, “Public Services to Meet Basic Needs” by Meerman, and “Agriculture and Rural Poverty” by Galenson); and these issues form an integral part of the subject matter of most of the other chapters. The reader might

wish to see more discussion on policies for achieving growth targets, for example. However, if one accepts that the study's central theme is an appraisal of the feasibility of the PP and the NEP, then the text cannot be faulted for inconsistency; the NEP's "twin-prong" objectives are, after all, avowedly equity-oriented.

The forecasting model (further developed in an Appendix) used to project and assess the goals of the PP is also introduced in Young's chapter. The exogenous inputs into this seven-sector macromodel are principally the rates of growth of private and public investment in the relevant sectors. By varying the assumptions on these inputs the model is made to generate different macro-economic scenarios, each giving projected growth paths for income, employment and restructuring for the period 1975-90. Three alternatives are offered — "moderate", "rapid", and "accelerated" growth. Only the last-named achieves all of the growth and most of the restructuring objectives of the PP. As the terminology would suggest, the task is not seen to be easy.

The key sector in the model is manufacturing. Here the necessary growth rates for realization of the PP targets are deemed "very ambitious". To achieve the PP target of 13 per cent per year in manufacturing output growth, the model projects a growth requirement of 17 per cent per year over the entire period for manufacturing investment. However, one may note from the Fourth Malaysian Plan that for the period 1976-80 the manufacturing sector recorded an annual growth rate of 13.5 per cent as per target, even though the concomitant investment rate appeared to be well below the 17 per cent requirement of the model (the growth rate for machinery and equipment components of private investment, for example, was about 13 per cent per year). This suggests an increase in manufacturing productivity, whereas the model assumes a fixed manufacturing incremental capital-output ratio, implying constant productivity throughout the period. At a broader level, productivity is also a positive function of efficiency and discipline, factors which appear increasingly to characterize the new Mahathir-Musa order. Model-building has yet to devise successful techniques for incorporating such intangibles.

The model nevertheless remains relevant because it enables the planner to isolate the factor or factors which caused the deviations from the projected results. Moreover, it illustrates in quite precise fashion the adverse consequences on equity and restructuring that a shortfall in the growth targets would have. In this respect the study raises several questions and proposals. Given the semi-official status of a high-level independent study carried out with the blessings of the Federal Government, one can be confident that these will not have gone unnoticed by the relevant authorities.

If only because of the authors' privileged access to material from the

Economic Planning Unit, this book should prove a minor treasure-trove to students of contemporary Malaysian economic development. Its greater merit, however, is in the careful and systematic analysis of the data by the various writers. Students and teachers alike should find this book useful and enlightening.

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