Authoritative leadership in economic development: a Malaysian case study

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Authoritative Leadership in Economic Development

A Malysian Case Study

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**Introduction**

The country of Malaysia has its share of resources with which it has developed into a world trading power. Alongside the other Newly Industrialized Economies (NIEs), it has profited from a hard-working citizenry, natural wealth in geography or resources, and a stable government. However, this country has been able to lift itself above its peers and other countries in the world beyond the limits prescribed by these benefits alone. The reason behind this success may be found by looking at the country’s historical and recent leadership trends. Since the country’s inception, the public leaders of Malaysia have imposed upon its citizenry a plan for economic prosperity for all of its citizens, including the indigenous population, which has made it an increasingly egalitarian, as well as wealthy, society. Political scientists classify governments on a spectrum from total democracy to total dictatorship, with varying degrees of qualified authoritarian regimes making up the middle ground. Harold Crouch argues in *Government and Society in Malaysia* that relatively benign authoritarian or semi-democratic regimes can be beneficial to development. In this essay, this positive view of authoritarian regimes will be the basis for the examination of the leadership of Malaysia throughout its development. Though far from the “philosopher-kings” of Plato, the leaders of Malaysia have striven for what they thought was right for their country and their people.

The essay is divided into five sections for structural and clarity purposes. The first section, “Introduction, History and Populace” lays the groundwork for understanding the

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*a* NIE is the term used to describe the rapid growth economies of Malaysia, Hong Kong, Taiwan, Indonesia, and Korea.

*b* Malaysia is a kingdom with a parliament. Like England, the King is mostly a figurehead and is relatively unimportant when considering the country’s leadership.
Malaysian context prior to recent memory and development. The second section, "Laissez-faire economics and leadership" displays the leadership and economic foundations of the country in its earliest stages, prior to its egalitarian objectives. The third section and the focus of the essay, "Authoritarian Re-Focusing and Economic Development for All" is an in-depth look at the leaders, policies, and environment of the economic development program pursued by the Malaysian government from 1970-1980. Although these policies were first implemented during this time period, they have continued to have ramifications for the ruling party and the society's leadership model. These consequences are discussed in section four, "Leading Change into a New Era". The fifth and concluding section, "Leadership Lessons from Malaysia", draws together the leadership ramifications presented in this case study and tries to focus on conclusions that could apply to the leadership styles and leaders of other developing nations around the world.

A History of Trade:

The country now known as Malaysia has a long and prestigious history. This past has, from the beginning of recorded information, been inextricably tied to that of its larger neighbors to the west and east. The reason for this proximity in histories has to do with the primary function of the area as a conduit of trade from the South China Sea to the Indian Ocean. Because of this economic importance, the area experienced its share of benefits and difficulties. Over the centuries, many foreign and domestic powers ruled the region. Each one bequeathed its own unique amount of knowledge and experience upon the populace, as well as styles of leadership and governance.
The earliest recorded information of the Malay Peninsula, the mainland portion of what is now Malaysia, comes in Chinese and Indian references to the boat people who ferried goods through the straits of Melacca to the South China Sea for early Indian and Chinese traders. Indian and Chinese cultures had a profound impact on these early Malay peoples. Historical evidence suggests that the Chinese were the first to introduce the idea of trade to the area, forever changing the ideas of the populace towards the bounty of its forests and seas. The Indians, who first came to the area approximately three millennia ago, left behind their gods, ideas of power and politics, and knowledge of seafaring, which continue to play an important role.

From the dawn of the Indian traders, the Malay guardians of the straits of Malacca benefited from the east-west trade between the great kingdoms of China and India. Kingdoms and city-states sprang up in the ports of the Malay Peninsula and the islands of Sumatra and Borneo. The first truly renowned city-state of the Malay Peninsula, Melacca, showed a remarkable grasp of world politics, ably straddling the commercial lines of power in India and the political power lines in China and Thailand. The city-state would eventually gain some semblance of independence and legitimacy for its Malay-only government from all concerned powers. It furthermore established a precedent in leadership style and action for the tithing middleman state that would continue to various degrees for centuries thereafter.
This relationship between commerce and politics would become a way of life for the Malay people, city-states, kingdoms and sultanates. Indigenous religions and political systems gave way to more politically and commercially advantageous ones. Influxes of Chinese Taoists and Buddhists, believers in the Indian pantheon, and Moslems of the middle-east came and went, depositing pieces of their culture as well as their coins of trade. These traders also brought news of the peninsula to their masters and business partners, who eventually took a great interest in controlling the region and its key sea route linking east to west. The list of these nations reads as a litany of the trading powers of history. Thais, Indians, Chinese, Portuguese, Dutch, and English powers nominally ruled or controlled the area since the 5th century AD through to the first half of the 20th century.

The governors of each nation expanded the number of trading centers and goods on the peninsula, molding the region into the premier stopover market between east Asia and the markets of the Mideast and Europe. Each governor also had behind him a domestic bureaucracy, which was steadily building knowledge and practice in governing the country on a day-to-day basis. With the coming of each successive power, the Malays expanded their knowledge of the world, along with their worth and place in it. Primary market exports grew as international demand for Malay products increased, thus making the Malays more than mere middlemen and laborers for colonial masters.
Population:

The population of Malaysia has historically been, and continues to be, made up primarily of Chinese, Indians and Malays. Since early times, there has been friction between these three main population groups. To establish a base, a description of the population makeup upon independence in 1955 will be presented. The Chinese which made up some 34% of the population in 1955, and the Indians who represented 9%, were historically immigrant workers for colonial powers. These groups developed over time into the upper and middle urban industrial classes by the time Malaysia became independent, evolving into an economically superior position with respect to the majority (47% population in 1955) Malayan bumiputera, or indigenous peoples. These Malays were focused more in the rural agrarian and fishing occupations, with a small portion of the population involved in industry, white-collar work, or the bureaucracy.

More than economic or lifestyle distinctions differentiate these groups, though. Religion, lineage, and state-loyalty divide people even within their ethnicities. Historical privilege accorded to each race also plays a role. Chinese have benefited from their historical roles and support from their mother country over the centuries. Indians likewise have had trade and other supports from their home, as well as having special stature and citizenship rights from the British during their rule. However, the Malays have had the most interesting distinctions throughout their past. A select class of Malays has thrived as the representative bureaucracy of the land, serving the interests of the indigenous majority populace throughout history. This fact must not be ignored because this same
class was endowed with the responsibility of governing the independent Malaya. Their historical biases and leadership training would have enormous repercussions on the new country, its political systems and environment.

**Laissez-faire Economics and Leadership**

**Market Led Growth**

Malaysian growth and economic development prior to independence in 1957 can be directly attributed to several factors, including associations within the British Empire. The British used Malaya as their primary goods producing and exporting base in Asia. They brought, along with their demand for these goods, the infrastructure necessary for the full exploitation of the countries resources. This infrastructure included the increasingly developed and privileged ethnic Malay bureaucracy. This bureaucracy worked with the British governor in the development of mines and large plantations for rubber and tin exports. These goods and knowledge gained by their administrators and producers helped show Malaya their way into the world export market.

Tin and rubber were in high demand in the late 19th and early 20th centuries by the British and later other countries as their factories came online and demanded raw materials that domestic production could not satisfy. Malaya proved to have some of the world’s largest deposits of these resources, as well as having easy access to the world’s shipping lanes and the largest commercial shipping fleet due to their alliance with the

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*For the purposes of this essay all bumiputera peoples will be referred to by the domestic classification: Malay*
British Empire. The importance of these resources developed to the point that, by 1957, they accounted for more than two thirds of the country's gross domestic product because of continuing high demand. These first experiences with exporting goods to a world market made a strong impression on the Malay government and those involved with the mines and plantations. Because plantation and mine jobs primarily existed near urban areas, the immigrant workers who lived there obtained them. Meanwhile, the majority of the Malay population remained on their farms in the countryside, losing out on the new opportunities. The British and their Indian and Chinese co-developers propelled this economic development, forcing the government to "laissez-faire" in order to increase its economic standing. Still, the Malaya government tried to aid the common Malayan peasant by demanding that roads and infrastructure be added to those required to make the mines and plantations function, thus benefiting those nearby. This laissez-faire style of leadership and governance would continue until the end of the British reign in Malaya. Furthermore, it remained in the minds and hearts of the country's first rulers after independence.

**Independent Economic Policy 1957-1969**

The country's first leaders came from parties that were developed prior to the formation of Malaya. The United Malays National Organization (UMNO) was the largest party prior to independence, primarily because almost all of the members of the domestic government under the British belonged to it. This party represented the ethnic Malay populace, but it was not sufficiently strong to win a majority in parliament in order to form a government in the tradition of the British system of governance. UMNO joined
with the other two major parties, each representing their respective ethnicity. The Alliance, as it came to be known, consisted of the UNMO, the Malaya Chinese Association (MCA) and the Malaya Indian Congress. It officially took control of the country in 1957 when the British withdrew. The alliance was secured by a gentleman’s agreement and friendship bond between the two men who represented the vast majority of the electorate and the financial wealth of the country. Tunku Abdul Rahman, leader of the UNMO and Prime Minister of Malaya from 1957-1963 (Malaysia 1963-1969), and his MCA contemporary Tan Lock obtained a degree of understanding between themselves and their party that would allow for a united front to be shown to the people at the national policy level.

Their first agreement established the constitution and the privileges of each ethnicity in the new nation. In achieving this arrangement, they accomplished a monumental task in the development of Malaysian society, government and policy. Rahman was able to get for the Malays special privileges, funds, and government positions, as well as the gradual use of Malay as the national language in schools and materials. Lock gladly traded these things in which his constituents were not interested for desired legal and economic rights. Under the agreement, all Chinese and Indians born in Malaya would have full citizenship and legal rights. Another important concession concerned the placement of MCA members in the cabinet posts of economics and finance. These leaders developed a balance of power that would shape sentiment and progress for the next decade.

\(^{d}\) "political stability in plural societies can be achieved through elite-level integration even though the communities that their leaders represent remain divided"(Crouch, 20.).
Using the theory of authoritarianism and the leaders described, the first developmental programmes of the Malaya government may be described. Measures undertaken by the Rahman government were generally unsubstantial, following the strategy of import substitution begun by the British. Policies were outlined in the “Five-Year Plan” format common to Asia. They aimed to foster domestic independence from colonial industrial control. At the time of independence, British companies or interests controlled around 45% of total production on the mainland and approximately 85% of the revenue from exports. In addition, British companies or individuals owned a high percentage of the rubber, palm oil, and other agri-business plantations. This situation led to significant resentment of the British and the formulation of internal goals of indigenous entrepreneurship, production, and ownership of resources.

The first government initiatives and organizations outlined by Rahman and the Alliance in Malaya attempted to improve the situation of the rural Malay. Policies provided money for new infrastructure and grassroots businesses. The Pioneer Industries Ordinance began this scheme by providing tax relief for the foundation of domestic “pioneering” industries, which were mostly Malay-owned. At the same time, they did not inordinately raise the taxes of current producers who were primarily Chinese and Indians. Established in 1959, the Tariff Advisory Committee aided this dual-focused (rural and urban) open-market industrialization by only imposing moderate tariffs on incoming finished goods. Meanwhile, it significantly lowered the tariffs on incoming unfinished goods to aid domestic producers. This strategy encouraged current producers and holders
of wealth to grow and employ more people and allowed new domestic industries to emerge.

The Alliance government continued to focus on moderate growth through laissez-faire open market capitalism in its urban centers while marginally aiding rural areas in order to maintain popular support. It thus passed other ordinances: The Tariff Advisory Board (1962), Locational Incentives Area’s (1958), and the Federal Land Development Authority (1956). Each one enforced the idea of Malaya as a slightly protectionist, yet open-market economy. Growth during the first Malaya plan was slightly greater than 5%. This steady growth rate was suitable, satisfying the founders of the Alliance, especially the Chinese and Indian urban industrialists. The country gelled in its new form, and poverty was alleviated as increasing numbers found higher paying jobs in industry and manufacturing. The government’s Second Malaya Plan and First Malaysia Plan continued along this same path of steady market-led growth.

The policies adopted before and after the unification with Sabah, Sarawak, and Singapore focused on building on past policies. The country’s leadership closely followed the economic development paradigm. They were able to achieve this type of evolution through varying degrees of authoritarian suppression of dissent, disagreement, or opinion. The King did not lift a 1948 state of emergency declared by the British until 1960, because the ruling Alliance used it to silence opposition in both the public and parliament. In 1964, a conflict with Indonesia prompted another emergency

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*The country of Malaysia was born in 1962 with the addition of Sabah, Sarawak, and Singapore, which subsequently seceded.*
proclamation, which was used to maintain the existing control over the populace of the peninsula and to re-enforce control over the newly acquired Borneo states\textsuperscript{10}. Methods such as jailing, officially trumped up charges of treason and deportation were used to quell any dissent. The Alliance would not allow any setbacks in its plans for Malaysia.

These leaders continued their development program even after the addition of new states. Previous policies came to fruition. However, the need for capital outstretched the amount available as new industries developed and the country's high savings rate fell in the early 1960's. A need for the Investment Incentives Act of 1968 thus arose. This new policy forced a rebound in the availability of capital in private investment (See Graph 3 on West Malaysia's Imported Business Cycle). Beyond this approach to increase private capital, the Federal Industrial Development Authority (1966) and the Capital Investment Committee (1969) were formed in order to guide new businesses through their beginning stages of growth.

However, the Alliance's development programs ignored the majority of the Malay populace. Foreigners, Chinese and Indians remained in control of the majority of the country's wealth. Even though tax burdens were relatively light on the Malay peasantry, the resentment and displeasure, which would lead to race riots in 1969, were mounting in the country. These demonstrations were the culmination of two decades of economic class distinctions arranged by the Alliance government. The Malays saw their UMNO leaders, especially Rahman, as "selling them out" for an increase in GDP from which they never saw any benefits. Rioting broke out against the government in the midst of the
1969 elections. In response, a National Operations Council, led by Rahman’s former
deputy Prime Minister Tun Razak, started returning the developmental course of the
country to the people.

**Authoritarian Re-Focusing and Economic Development for All**

The future for Malaysia started with a return to an authoritarian past. The riots of
1969 and the ensuing declaration of emergency by the King, or Supreme Head of
Malaysia, quickly brought an end to the laissez-faire system and policies of the past
twelve years. The parliament, in the midst of election, was suspended four successive
times for six months apiece by the King at the recommendation of Tun Razak, the head
of the acting-government body the National Operations Council. This council redefined
the vision and purpose of the government of Malaysia. No longer were mediocre
measures to better the plight of the poor (mostly Malay) to be accepted by a mostly
hands-off government. Government would take an active role in the setting and
enforcement of economic development in the country and return the bounty of that
development to the whole of the people.

The basis for the declaration, and everything else that the National Operations
Council did in its short two-year reign from May 1969 - February 1971, was strictly and
unequivocally legal. The declaration of emergency itself stemmed directly from article
150 in the constitution of Malaysia that calls for such a declaration: “when a grave

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1 The King of Malaysia is actually a constitutional monarch elected by and from amongst the nine
hereditary sultans of Malaya.
votes at the calling of elections in 1974. Razak, though possessing a sound vision of the future, did not have a vast majority of seats in the parliament. To improve upon this relatively weak position, Razak moved to broaden the Alliance which his UNMO had lead since the beginning of the Federation into an all-inclusive ethnic party. The inclusion of these other smaller parties gave new legitimacy to Razak's government and garnered 88% of the seats in the elections of 1974, an amazing swing from the mere 48% five years before in 1969. This insurmountable majority now possessed by Razak’s government allowed him to take steps previously unthinkable to the previous government to being the country to a new economic and social path.

At this moment in the essay, we should step back to consider the political environment in Malaysia and the way in which this affected the populace of the country and it’s leadership. Political scientists have long looked at the affects that growth and development over time of governments. In particular relevance to the Malaysian case, the study of bureaucracies, especially authoritative or oligopolistic ones, has proved to be most insightful into the understanding of the ways in which the government conducts itself. Several hypotheses relating to governments in South America and Europe have been developed to explain both the particularities of these systems and the ways in which their structure lends itself to the perpetuation of the bureaucratic elite of each, to the dearth of the lower classes and ideals.

Robert Michels, a German political scientist, once stated “democracy is inconceivable without organization... With the advance of organization, democracy tends
to decline.14" This “Iron Law” as it has been termed, has been refuted by such notable scholars as James MacGregor Burns because the model lacks the complexity to take into account the global environment, internal revolutions, or the very real political needs of leaders in a multi-party system15. But the idea of increasing organization and power-hungry politicians has logical merit for as organizations increase in age, the people who founded, or initially created change within the organization, are reluctant to give up that power to those new revolutionaries who might create change themselves16. These bureaucrats practice their leadership, through the use of coalition tactics that aid in both the retention of their positions and powers, and the affectation of their policy agendas.

A careful balance then, needs to be made between bureaucratic efficiency and the subsequent distance from the people, and the power needed by individual bureaucrats who make government possible. A multiple party system, involving closely tied minority parties, aids in generating responsibility in the government through uncertainty. Hyperpluralism, a theory by John Robertson, suggests a system in which “elite’s are confronted by a high degree of uncertainty about the preferences, priorities, and programmatic demands”17 of the people. What Robertson does not suggest, which may be true in the Malaysia case, is that the very “hyperpluralism” of the state, united within a greater super-party, can aid in the surety of the government, rather than detracting from it.

This was and continues to be the very case with the organization of the Malaysian governmental system. Rather than detracting from the ability of the government to
adequately take actions for its people, the diversification of parties along racial, local, and economic bounds created for a governmental system in which each locality had a party with which to associate. Having a party, rather than merely an official to represent one’s causes, allowed the Malaysian people to have faith in what their government would do on their behalf. The incorporation of these individual parties within the National Front gave each of these erstwhile minorities the political position and power with which to represent their people and interests best. When the indigenous Malays were able to see their own interests on the agenda, the Chinese to see that they were going to be allowed to have their economic freedom, and the Indians to have political representation, they refocused from revolution, to helping their government to help themselves.

The people believed in their government and their elected officials not only because of the varied parties that were present in the country, but also due to the strict lawfulness of the country’s leadership. This lawfulness is deeply ingrained in Malaysian society. As a majority Islamic state Malaysians hold justice above all other values save worship of Allah. Anwar Ibrahim, currently finance minister of Malaysia, wrote in his book, *The Asian Renaissance*, that “one of the hallmarks of civil society is the creation of entrenched constitutional safeguards for the protection of the people’s civil rights and liberties.” Civil rights and liberties though, may be suborned for the protection of the general public and for the sake of stability by legal means only. A “middle path between anarchy and absolutism” must be found, but with an emphasis that “unbridled individualism cannot but paralyze our predisposition for consensus in nation-building.” Unwarranted and illegal actions by the state against its people are not to be tolerated in
Malaysia, but the detention of dissidents, government controls upon press media, and government supervision of industry, when mandated by law and called for for stability’s sake, are allowable and even commendable.

With consideration to this background, we can better see the focus and planning of the vision for the new Malaysia. Tun Razak’s government set out difficult goals for itself towards the end of achieving the state envisioned by the NEP preamble. The four main tenants of the government’s new vision were eradication of poverty; restructuring employment by sector; restructuring employment by occupation; and restructuring ownership. Each goal was outlined in the Second Malaysia Plan, which for the first time employed outside consultants to achieve them.

Though he had many able economists and young visionaries on his staff, among them later cabinet ministers and prime ministers, Razak sought out countless sociologists, economists, and advisors from abroad, primarily the United States, to advise him. These men and women from abroad brought with them institutional knowledge and academic fervor with which to guide the country towards its goals. These thinkers and their governmental counterparts would work feverishly throughout the seventies using every development trick in the books, and creating some new ones, towards the end of leading Malaysia toward equitable and ethical economic development.

Dozens of new posts were created in both government and extra-governmental organizations, providing multiple opportunities for both success and failure for the new
government and it’s policies. The choice of who to head these organizations presented the government with a political and a leadership dilemma. The idea of leadership in a bureaucratic organization is not one that sits well with many leadership scholars. Though it is evident that the majority of the roles that the head bureaucrat (in this case the Prime Minister) fills are transactional, quite a few of those very menial transactional deeds and actions can have transformational value and importance. The choice of ministers and the choice of heads of newly created organizations lay ultimately with Prime Minister Razak, yet had immense repercussions upon the government, business, and society as a whole. Likewise, the persons working in the “field” with these organizations laid the very structural foundation and change possibilities from their very inception. The National Front and Razak had their jobs cut out for them.

The Outline Perspective Plan was the checklist by which the Malaysian Government could gauge its progress. The plan of the NEP foresaw a decline in poverty from 49% to 16%, a raise in Malay industrial ownership from 2.4% to 30%, and an increase in private investment from 35% to 45%, all to take place in a mere twenty years (See Graphs). The majority of the gains in these statistics were to be had through the raise of the Malay population to equal footing with the other racial groups. To accomplish this, the government entered a new phase of economic development by encouraging foreign ownership and investment, active-transfer of industrial production and special taxes and duties.

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8 For a more complete discussion and definition of transactional and transformational leadership see James MacGregor Burns' *Leadership*. Burns disagrees with the author in the terming of bureaucrats as leaders.
The stability that the Razak government was able to generate in its country in the early seventies encouraged companies to invest in new industry in the country at a rate never before thought possible. The special Export Processing Zones (EPZ) were created in certain areas of the country with two specific criteria in mind: a high availability of infrastructure and a high incidence of local poverty and unemployment. These zones, and the nationalization of key commerce and industry in impoverished areas, led to a change in the economic wealth of Malays through industry and urban migration. While pleasing the Malays and their representative parties in the National Front, the other ethnic groups were pleased as well. The Chinese and Indians who owned the majority of the firms the government purchased, and from whom a good amount of the managers and top-level workers in the new industrial exporting plants came, enjoyed both direct monetary awards, and a growing domestic economy in which to sell their goods and services.

Following Razak's sudden death in 1976, the new Prime Minister, Hussein Onn, took control of the government. He was able to step up from his position as Deputy Prime Minister and press on with the lead taken by his predecessor, even going so far as to promote a former outcast, Mahathir Mohamad, to Deputy Prime Minister. As the graphs show, the encouragement of export oriented industrialization provided the economic boost to the peasantry that the country needed. At the same time, the country was able to generate special strategic interest in the high-technology export business that was growing at an exceptional rate worldwide. The global economy had taken a downturn in the mid-seventies with the oil shocks and the global recession. Onn established the Registrar of Trade Unions that kept the incidence of unions, and therefore rising wages,
at a low rate, allowing the economy to weather the recession without significant loss in jobs.\textsuperscript{24}

Entering into the eighties, Malaysia was in a boom of growth and popular support for the government due in large part to the consistency and steadfastness of the government's programmes. Hussein Onn's ability to rise to the challenge presented by a dead leader's precedent showed the special ability of the bureaucrat to understand the importance of imbuing leadership in the post rather than in the man holding it. Leadership is a process by which a group is motivated towards a commonly held goal\textsuperscript{h}. The leader of this process is often merely a figurehead of the actual organization and bureaucracy implementing the change. It is important that leaders and potential leaders, like Hussein Onn, realize the possibility of unimportance of their own individual importance compared to that of the position that they hold. This embedding of positional power within the government and the distancing of the prime minister personally from his function to the country would allow for the country to peacefully and prosperously continue onwards into the next decade and beyond.

**Leading Change into a New Era**

Malaysian policy in the seventies proved to the country the kind of prosperity to be had when trusting in the government and allowing time for the prosperity professed for all to arise. A wave of popular support swelled again under the government in the
early eighties, gaining them some 85% of the electoral seats, and ushering in another former Deputy Prime Minister, Mahathir Mohamad, to lead them into the eighties and the Fourth Five Year Plan (1981-1985). This political man who had been in government posts since the 1960’s knew the power of the chief executive of Malaysia as a figurehead for shaping vision for the country. His economic plans had much the same tone as the ones of his predecessors, but took sensible measures to cope with the lean times the government was experiencing. Rational cut backs the amount of government expenditure and an increased reliance on the private sector supported the majority of the push towards the ends promised by the OPP in 1973.

Cutbacks in government regulation, the opening of industry, and the slowdown in investment in education and healthcare were slow, yet practical in long-term vision. It was evident by the 1980’s that the government could not continue to spend as heavily as it had in the past. Commodity prices fell worldwide, which allowed for the government to sponsor domestic heavy industry to produce finished goods from these primary ones for domestic consumption, with mixed and good results. All this was accomplished without a significant imposition of tariffs or special pricing systems, with the special exception of the failed Proton automobile project. Domestic industry grew while foreign-owned exporters, in particular the technology industries, blossomed while the moneys spent on education in the country’s infancy came to fruition in the form of an educated and capable workforce.

\[\text{This definition of leadership is one that is commonly agreed upon by the eminent faculty and student scholars at the University of Richmond’s Jepson School of Leadership at the time of this writing.}\]
With the lean times of the early 80’s in the world economy, the leaders of Malaysia, especially Mahathir’s National Front were faced with internal party squabbles\(^1\). Though incredibly popular from a vote-getting standpoint (throughout the eighties the National Front never had less than a 76% majority in parliament), the party suffered in it’s upper echelons in terms of the favor-giving and getting which marks any political system. The party’s now much richer and much more powerful Malay constituent-leaders were unused to not getting every bit of concession and aid that they demanded and faced competition from other domestic and international sources for the first time. Political scientists note that as political systems face prosperity that they inevitably become more democratic as the people become more educated about their possibilities through government involvement or intervention on their behalf. This was the case in Malaysia as the handouts of the early push for growth and restructuring came to an end in the Malaysian system in the eighties.

Political infighting is often the most trying of things for politicians, even more trying, some might say, than campaigning with the people to get into office. This is no less the case in a system such as Malaysia’s where a firm vision and goals for the future have been set by visionary leaders. Coalitions set up in past decades began to falter as the old leadership was wont to give up their places and powers to rising stars such as Anwar Ibrahim, a Muslim-youth organization head who catapulted from parliament to Ministership in a mere ten years. The people though, called for such changes as they became disillusioned with the leaders of the past, and more vociferous in their demand

\(^1\) This section borrows heavily from Harold Crouch’s *Government and Society in Malaysia*, 1996.
for a morally right, as well as an economically equitable development programme and governmental system.

The dawn of the information age of the eighties for Malaysia brought government reforms in terms of its past authoritative ways. The jailing of rival party opponents or the jettisoning of internally critical supporters no longer carried with them the connotations of harmony and accord they once did. In the eighties, the government was forced for the first time to deal with its dissidents in public forums and to allow them to have greater ranges of freedom of speech and press than the previous administrations had allowed under the interpretation of the constitution of 1956. The government learned that the people were no longer satisfied to only have high job creation, infrastructure, and health and educational facilities. The electorate also wanted to have an increasing amount of "western" rights such as trade unions, public debates, news-press, and access to foreign resources. Much of this caused the internal party debates and discords previously mentioned as domestic and foreign owners of industry alike opposed the loss of their previously docile labor force, as well as the loss of profits and influence over tactics and policies which these liberties implied.

Nevertheless, Mahathir pushed on through the allowance of unions in the previously untouchable heavy manufacturing and electronics industries and several other key reforms, amidst the opposition from some of his most wealthy and prominent supporters. The key party in the National Front coalition, the UNMO which Mahathir was president of, had a schism in the late eighties, losing several key political figures, yet
gaining public support in many regions. This was done by Mahathir and his government through the utilization of a key leadership trait, listening to one’s followers. Mahathir enacted legislation and programmes based on the needs of himself and his party politically rather than on the basis of monetary worrying over large campaign contributors. This enjoined him to listen to the peoples wants and needs over those of industry or commerce, for the betterment of the whole country as opposed to the rich elite. His programmes addressed current concerns and outlined the success of his branch of the UNMO in the past and their programmes for the future.

The Mahathir government began to disseminate information to the people at a rate before unthinkable. New interim reports were implemented by Anwar Ibrahim and met with support and more importantly understanding from an increasingly educated populace. Studies were also conducted on the success of the NEP as the target date for its completion, 1991, came about. The studies showed that amazingly the country had prospered to the levels that had been envisioned some twenty years earlier in most areas. Factors such as immigration and the propensity to have more children in initial times of economic surpluses left the government short of its unemployment goals, but it was able to amply address these problems in subsequent five-year plans. Government in the late eighties and early nineties also privatized the majority of its interests in the private sector and was able to reduce taxation and risk to itself and its industries through doing so. Careful planning, consideration of followers, and social justice had carried Malaysia swiftly, yet relatively steadily into the dawn of the 21st century.
Leadership Lessons From Malaysia

There is a great deal that one can learn from the Malaysian experience, not only as an economic development model, but also as a model of applied rational authoritarianism in leading change. Malaysia was transformed from primary goods producing country to a fully participating global trading power in the space of forty years. Along the way the country incorporated equality and egalitarian ideals into its development rather than allowing often discriminatory path of development that many other countries follow. Their example brings to mind the very definition of leadership: “Leadership is a process of motivating a group towards a commonly held goal.” The processes, systems and attitudes which allowed the change to occur in Malaysia are infinitely more important to other developing nations, and to the study of leadership, than a study of the leaders themselves.

The attitudes and people that exist in the Far East nations have been labeled with the broad term “Chinese”. The “Chinese Mindset” refers to the ideals of Confucianism/Taoism that the majority of the people in the region hold within themselves through either Chinese ancestry or the influence of these ideologies on their cultures over the centuries. The special case of Malaysia though, combines the “Chinese Mindset” with that of an equally demanding ideology and religion, Islam. History has influenced the blending of the two ideologies and many other influences from near and far into the unique mindset of Malaysians. Though not all nations have been as commercially influenced as Malaysia has, each has had their share of influences or domination from outside sources, making the co-existence of difference within one country of utmost leadership significance.
Leading a country to not only understand, but to accept the people of another race, culture, or language can often be exceptionally difficult. It is a leadership question that is unique to almost every developing nation, yet we cannot ignore the broadly applicable lessons that of the Malaysian example. Leadership within their system is practiced through a bureaucratic process of information dissemination. Guillermo O’Donnell has written extensively on Latin American Bureaucratic-Authoritarianism, identifying the problems associated with distance between people and government in this system, and the problems this system of authoritarianism from a powerful elite downwards has contributed to the poverty and unrest in the countries in that area\(^2\). Establishment of representative parties should though, be controlled through the use of coalition’s such as the National Front to both control members, and to actually accomplish real goals of development.

In addition to political party control, every effort should be made to diversify the groupings of the populace to recognize societal boundaries already in place. In the Malaysian case, divisions historically existed along the lines of hereditary sultanates, cities, and plantation boundaries. Upon the independence of Malaya, and the later addition of Sabah and Sarawak, representatives were drawn from these historically defined districts, rather than new ones being defined. This consistency throughout history lends itself to political identification and accurate representation in government of the views of the populace. In many developing countries, governments create district-blocs that are too cumbersome or too diverse to accurately represent the people contained within them generating frustration both internally within the district, and in the entire governmental system.
Given a representative semi-democratic governmental system, a country should look to keep organizational layering at a minimum to avoid the "Iron Law" of Michels coming to fruition. This is not to say that necessary governmental organizations or posts should not be created, but rather that the oversight of these people or organizations, that is, the middle management, should be kept to a minimum. Malaysia proves to be a good example of many developing nations through its creation of jobs and posts in government to curry political or economic benefits. Too often governments, even Malaysia, see the offering of jobs to constituents or supporters as vital to their own political needs without looking at the long term ramifications which such snowballing actions may have.

With government posts that are created and filled, care needs to be taken to follow through on the organizational needs that each position demands. "My nation is not run by me, but rather by 10,000 clerks", exclaimed one 18th century Russian czar. Followers and their role in an authoritative government cannot be stressed enough. A poor choice for a mid or low level governmental employee can have disastrous effects when the information or job they are performing for the government is passed up the chain of command. Misinformation and disinformation run rampant throughout bureaucracies because leaders fail to realize the importance of hiring decisions in their ability to lead their organizations effectively.

Knowledge has been the key ingredient in every developmental success story, yet many developing countries fail to grasp the significance of how to utilize the broad range of knowledge resources available to them. Malaysia and the other NIE's have historically benefited from close relationships between themselves and the richer and more developed countries in the world due to their geographic and commercial significance. These
countries have also made long term investments in the knowledge base of their human
capital spanning back to their inception as independent nations. Countries that have not
benefited from these historic "ingredients" for development can avail themselves of other
bases of knowledge in addition to mirroring programs of other nations. Outside
consultants, banks, and international organizations all are willing to help a state to
develop themselves into a globally thriving economy with a prosperous populace. But
they will not work with a country that is closed to new ideas.

For a country to accept what is new in the face of staunch historical and political
resistance necessitates firm vision in its leadership. A country must be willing to critically
and realistically analyze itself and its position. Internal organizational structures may
have to be re-divided from previous norms possibly enforced by colonial governments,
and politicians may be forced with new competition internally for their positions, and
within parliaments, but these competitions will more accurately reflect the true nature of
the country and her people. Perhaps this notion that leaders may be forced to give up
power for the greater good of their nation is the most profound leadership lesson of the
Malaysian case. Leaders must allow minorities and majorities alike to possess political
representation, identification, and economic gains from the very onset of independent
government, or else face insurgency and unrest that eventually will erode even the most
authoritarian of states.
Endnotes

1 Crouch, 5.
2 Andaya, 14.
3 Galenson, 18.
4 Ibid.
5 Balassa, 143.
6 Crouch, 17.
7 Andaya, 256.
8 Balassa, 145.
9 Andaya, 282.
10 Crouch, 78.
11 Vreeland, 207.
12 Malaysia, 1
14 Jones, 167.
15 Burns, 317.
16 Jones, 182.
17 Ibid, 247.
18 Ibrahim, 63.
19 Ibid, 52.
20 Business International, 41.
21 Westview, 98.
22 Burns, 296
23 Jomo, 98.
24 Galenson, 56.
25 Jomo, 100.
26 Collier, 299.
Bibliography


Graph 1
Incidence of Poverty
(Business International 41-44)

Graph 2
Private Investment
(Balassa, 152.)

Graph 3
Malay Industrial Ownership
(Business International, 42)