

CAPITALIST DEVELOPMENT AND THE FORMATION OF THE BUREAUCRATIC BOURGEOISIE IN PENINSULAR MALAYSIA

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[This paper is an attempt to analyse and understand the particular historical circumstances which have allowed for the transformation of a bureaucratic governing stratum into a bureaucratic bourgeoisie in Peninsular Malaysia. The first part of the article theoretically locates the problem in the context of the articulation of global and internal dynamics of capitalist development. The second and major section discusses the concepts relevant to the subject matter and attempts to investigate the Malaysian case with the use of specific theoretical and analytical tools.

Tulisan ini merupakan satu usaha untuk menganalisa dan memahami keadaan sejarah yang telah memungkinkan perubahan golongan yang memerintah kepada satu kelas borjuis birokrat di Semenanjung Malaysia. Bahagian pertama rencana ini menempatkan secara teoritis masalah ini dalam konteks gabungan dinamika perkembangan kapitalisme pada peringkat dunia dan kebangsaan. Bahagian kedua membincangkan konsep-konsep yang relevan kepada isu pokok makalah ini dan cuba meninjau kes Malaysia dengan alat-alat teoritis dan analisis tertentu.]

"In all traditional societies, the hero was normally a warrior ... but in the modern age, the hero is the person who dresses neatly, wears a necktie, carries a James Bond bag, owns a big Jaguar (possibly two cars), works in an air-conditioned office, earns a salary of over \$2,000 a month, and lives in a big brick house." (Senu Abdul Rahman, 1971¹)

In this paper we attempt to sketch the particular circumstances of Malaysian² history that have allowed for the transformation of a bureaucratic governing stratum into (what has been termed) a bureaucratic bourgeoisie. As our point of departure we take the broad analytical framework discussed in Section 1. In Section 2A, we shall briefly discuss a few specific concepts that have been applied in recent literature surrounding the subject. Sections 2B, C & D proceed to investigate certain aspects of Malaysian history with the use of specific analytical tools; in so doing, we also attempt to sharpen these tools, and modify the manner in which they have been used.

¹Senu Abdul Rahman (1971), p. 122. At the time of writing, the author was a Cabinet minister in the Malaysian government.

²We confine ourselves throughout to the social formation of Peninsular Malaysia (or Malaya) in the colonial era.

Section 1: The Articulation of Global and Internal Dynamics

"We find ourselves opposed by forces that operate in the shadows, without a flag, with powerful weapons that are placed in a wide range of influential positions." (Salvador Allende³)

We do not intend to 'transcend' Under-development Theory and Dependency Theory here. Our attempt shall instead be to extrapolate concepts that are derived from debates related to their literature, with the aim of formulating a more useful methodological approach to our central concern: the manner in which social change within specific Third World social formations is related to their mode of integration within the international capitalist system.

As the expansion of industrial capital in P. Malaysia demonstrates, the global process of capital accumulation does not eternally preclude dynamic forms of growth within social formations often characterized as 'peripheral'.⁴ Different phases of capital accumulation are, quite evidently, related to a changing social division of labour on a global scale.

Recent work by Frobel, et. al., attempts to conceptualise these changes as occurring within the framework of a single world capitalist economy.⁵ Crucially, such changes that are manifest in distinct social formations are then explained as being 'necessitated' by the reproductive requirements of 'global capital'.⁶ Individual social formations, in this conception, function as organic parts of the world capitalist system, that is itself seen as a self-expanding totality.⁷

Against this, it is suggested here that we have to actually take into account the dynamics internal to the indigenous reproduction of capital within specific social formations, in order to understand the nature of their

³Speech to the UN General Assembly, 4th Dec., 1972; in Sadice (1975).

⁴See Jomo (1977), ch. 10, for a useful account.

⁵Frobel, Heinrichs, Kreye (1977); Heinrichs (1979) and Castles (1979) conveniently summarise the major work done by the first-mentioned authors, as presented in *The New International Division of Labour*, CUP, 1980. The new 'international division of labour' is seen as characterised by a world market for labour, a world-wide industrial reserve army and a world market for production sites; production processes are split into sub-processes which are carried out wherever the most profitable combination of capital and labour can be found.

⁶See Heinrichs, op. cit., p. 246-247.

⁷See Castles, op. cit., p. 123.

links within the international capitalist system.⁸ This is not to imply that the localisation of productive capital within certain Third World social formations signifies the emergence of increasingly 'independent' forms of national development.⁹ To go beyond descriptions of 'dependence' and actually explain these trends, we need to focus on the active social determinations within specific social formations. This in turn requires, fundamentally, an analysis of the formation of social classes, seen as engaging in historical processes of conflict and accommodation that we term the class struggle.¹⁰

Clearly then, the complex task of theorising changes currently observed in the 'international division of labour' calls for a framework capable of allowing both global processes associated with the development of the capitalist system, on the one hand, and social dialectics rooted in specific social formations, on the other, to be viewed as active determinants of history. This requires not merely a *focus* of inquiry on both, but a *method* of analysis that actually grants them historical effectivity (the latter aspect relating to the essential weaknesses of Underdevelopment Theory and Dependency Theory).

To start, we suggest it useful to approach each of these respective dynamics as having a certain conceptual autonomy¹¹ (before proceeding to analyse their concrete interdependence in historical situations). This is necessary if we consider that their respective analyses involve levels of abstraction that are not always shared by both.

For instance, when conceptualising 'capitalist social relations' at the level of specific social formations, we may investigate the concrete complexities of class relations that are structured by a particular combination of modes of production, at the multiple levels of social reality. On the other hand, when dealing with the capitalist system as a whole, i.e. on a global scale, we seek to incorporate (though not exclusively) a higher level of abstraction as well - that of capitalism as a mode of production, with analysis then directed at the general tendencies and contradictions that are

⁸See Swainson (1977) for such analysis, on the Kenyan bourgeoisie.

⁹As implied in Warren (1973).

¹⁰See T. Salem, 1981, pp. 20-23; 30-32.

¹¹If we view the interaction of global and internal dynamics as a complex totality, it is useful then, at one stage of the analysis to examine this interaction from the vantage point of each dynamic in itself — thus seen as a one-sided abstraction from the concrete totality. See footnote 27.

posed by its extended reproduction. The concept of 'capitalist social relations' is then understood in a manner specific to this level of abstraction; in its barest essence, capitalism involves a confrontation between capital and labour.¹²

It must be stressed that the distinction between distinct levels of abstraction is not being identified with that between global and internal dynamics. To be sure, the analysis of global dynamics itself calls for different levels of abstraction. We would distinguish, for instance, the capitalist mode of production in the sense of an abstract theoretical entity¹³ from capitalism as an international system whose conditions of operation and expansion are ensured only by virtue of concrete mechanisms and determining conditions.¹⁴

The essential point here is that the levels of abstraction proper to the analysis of global dynamics do not always coincide with those required when studying specific social formations. We suggest that the inability of several major approaches to the 'global-internal' articulation to grant each dynamic a real potential in historical determination, is intrinsically linked to a failure to relate distinct levels of abstraction in a theoretically coherent and suitable manner.

This is perhaps clearest in the analyses within the 'world-system' perspective which conflate the theoretical existences of the 'global' and 'internal' respectively; processes of class formation are typically conceived at a level of abstraction that drains them of historical relevance. For instance Wallerstein (in likeness with Amin) sees 'classes' as being constituted within the world market system as a whole; this system is then viewed as defining the principal arena of historical struggle, and hence social change.¹⁵ As Roxborough notes, the very problem of global-internal articulation is then dismissed.¹⁶

A more rigorous and theoretically coherent case is posed by Palloix, in his more recent attempts to move beyond viewing the sphere of circula-

¹²A neat clarification of the distinction between levels of theoretical abstraction can be found in Benton (1977), p. 154-161; see also Ollman (1979), p. 114-120.

¹³See Benton, *op. cit.*, p. 156.

¹⁴These having to do with the differential effects of size in the production and marketing of commodities, the operation of the market for finance.

¹⁵Wallerstein (1979), (1978); Amin (1976), p. 360-361.

¹⁶Roxborough (1979), p. 47-51.

tion as being dominant, within the global circuit of reproduction of 'social capital'.¹⁷ Within his schema, the internationalization of the '*social relation*' contained in capital proceeds hand in hand with the international *self-expansion* of capital. At the same conceptual level, the former is in turn dialectically linked to the '*relations of production*' in the process of production: the class relations contained in capital are concretized in the *division of labour* (observed within the work-process), which is the concrete expression of the '*relations of production*'.¹⁸

Crucially, social formations only operate within the analysis as concretizations and spatializations of the 'moments' of the circuit of 'social capital'.¹⁹ Further, it is at the site of reproduction of the latter, as conceived, that the 'class struggle' is constituted. The conditions of struggle are hence seen as being determined by the international process of self-expansion of capital; in this sense, "capital has the initiative".²⁰ Accordingly, 'mass struggles' at the level of specific social formations - he cites Algeria as an instance - are viewed as attempts "to deny the international self-expansion of the dominant capitals (US, European, Japanese) as well as the international laws of accumulation of capital and the international law of value".²¹

It is evident that the manner in which his levels of analysis are related, if coherent, deprives the concrete expression of class conflict of an analysis proper to its own determining conditions. As is typical of the relentlessly unfolding dialectic of the 'capital-logic' approach, historical instances of struggle enter the analysis as a *deus ex machina* inexplicable in itself.²² In this way, even the comprehension of capital accumulation is seriously limited (this is dealt with later).

On the other hand, the movement towards the 'concrete' has often en-

¹⁷Palloix (1977), (1975), summarising work presented in *L'internationalisation du Capital*, 1975.

¹⁸Palloix (1975), p. 80-86.

¹⁹This is similar to certain other approaches associated with Balibar's form of Marxist structuralism; see (1975), p. 49-50 for critical mention.

²⁰Palloix (1977), p. 16.

²¹Loc. cit.

²²As Elson suggests, an essential methodological problem of the 'capital-logic' approach lies in taking 'capital' not as a category of analysis, but as an entity; and understanding the historical process of form determination as the product of the self-development of that entity. See Elson (1979), p. 143-144, 174.

tailed a neglect of the theoretical existence of the global tendencies and constraints of the capitalist system. This has effectively characterised the reaction of many Dependency Theory authors against the determinism of the 'external' in shaping 'internal' situations. For instance, Cardoso, with recognizable sophistication, reduces the dynamics of capital accumulation to the status of a 'structural parameter', to be described in terms of its implications within internal power alliances.²³ The dynamic of internal 'structures of domination' defines his fundamental theoretical problem and shapes the mode of conceptualisation of the accumulation process. As Rodriguez points out, Cardoso ends up with very limited possibilities for theorisation, particularly in respect of the motion obtaining within the capitalist system as a whole.²⁴ This, and a corresponding reduction in theoretical space for the concrete tendencies within the international division of labour, introduces a critical degree of historical indeterminacy into the very area of discussion: the potential form of development in specific 'situations of dependency'.²⁵ Indeed, in rejecting the 'development of underdevelopment' notion, Cardoso also suggests that "associated dependent development", as in Brazil, Mexico, Chile and Venezuela, could continue indefinitely.²⁶

It is clear, however, that the respective existences of global and internal dynamics, whilst requiring an analytical autonomy at one stage of method,²⁷ must, necessarily, be related within a single theoretical framework. This stems from the observation that, in concrete reality, both dynamics are mutually conditioning - in their respective conditions of reproduction, as well as transformation. Our argument so far has been against conflating one dynamic into the other (e.g. Wallerstein's world-system). This is not then to suggest the complex historical relationships bet-

²³Cardoso, in "Dependency Revisited", (Hackett Memorial Lecture), 1973, p. 34; quoted in Rodriguez (1980), p. 12.

²⁴Rodriguez, *op. cit.*, p. 11-13. It should be noted though that the methodological oscillation that has been observed within Cardoso's various works has in fact resulted in a variety of theoretical approaches to the global-internal articulation; two such approaches are discussed by Rodriguez here.

²⁵As Cardoso puts it, "we do not speak of dependence in general, but of situations of dependency" — cited in *ibid.*, p. 11.

²⁶See Cardoso (1977), p. 19-20; the apparent 'continuity' is pointed out by Harding (1976), p.6.

²⁷The 'stages' of method are seen as interlocking with one another, rather than being sequentially related. In this manner, concrete historical analysis of 'global-internal' interactions can be seen to be crucial to formulations of either global or internal dynamics that are constructed at more abstract levels. See note 8; and Ollman (1979) for a neat exposition of this.

ween the two as being *theoretically indeterminate*; we cannot, for instance, reduce the problem to that of merely describing historical conjunctures, a post-priori.

The problem here requires a set of conceptual tools capable of analysing the *dynamic* constraints and possibilities that both global and internal processes imply for each other, hence entailing neither 'global' nor 'class-struggle' forms of reductionism.

To take global processes - the accumulation process for instance, the point of an analysis of contradictions in the accumulation process is not to 'prove' the inevitability of the collapse of capitalism, nor, for that matter, the necessity of 'underdevelopment' within the global system.²⁸ We seek instead to understand the kinds of adaptations and institutional reorderings that are likely to be attempted in the efforts to counteract those contradictions. The *way* the pattern of impediments (that characterizes the contradictions pertinent to a specific period of capitalist development) is actually overcome is decided not merely by technological change but, decisively too, by specific forms of competition, and class struggle.²⁹

Fundamentally then, capital accumulation must be viewed as having a dynamic internal to individual social formations, even if essentially linked to global processes. As against Poulantzas and others however, we do not study the internationalization of capital in a manner that reduces capital to its nation of *origin*, and hence explains imperialism in terms of the rivalry of national capitals.³⁰ Such an approach merely complements that of Underdevelopment Theory and Dependency Theory³¹ and attaches little theoretical importance to the specifics of the social formations where capital *flows in*, and is accumulated. This must be seen as crucial in understanding the very specificity of the new tendency in the accumulation process - the flow of productive capital into Third World social formations.³²

²⁸If the 'breakdown' of capitalism suggested in 2nd International debates was never resolved theoretically, it can likewise be recognized that UDT writers too, who visualise the 'breaking out' from what they conceive as the logic of 'underdevelopment', might have to wait 'roughly until the sun burns out' (in Rosa Luxemburg's phrase, cited in Geras (1973), p. 35).

²⁹See Wright (1979), p. 163-180. For Mandel, on the other hand, the pivotal characteristic of each historical phase centres on the organic composition of capital; a critique of this perspective can be found in Rowthorn (1980b).

³⁰See Poulantzas (1975), p. 38-69.

³¹As suggested in *ibid.*, p. 47.

³²See Friedman (1978) on this point, in opposition to Poulantzas; and Bernstein's critique of Kay in Bernstein (1976). Also T. Salem, *op. cit.*, pp. 13-14.

Again, it is not possible to specify theoretically the geographical location of such production outside of concrete analyses of specific social formations. Only then is it possible to go beyond describing the structural locations of 'peripheral' social formations, and to actually study the tendencies for *change* in the international division of labour.³³

Within a particular Third World social formation then, patterns of social conflict, state strategies, etc., must be seen as having active determination on the conditions of operation and expansion of capital (both international and indigenous). The specific outcomes of such determinations also require examination in terms of their effects on other units of the international system - within social formations, and at regional and global levels. The complex interaction of processes at these specified levels, then, calls for terms of analysis that are proper to the actual processes being considered.

For instance, the units of analysis themselves may depend on relevant patterns of labour migration, the nature of regional groupings or international alliances, the extent of involvement of transnational capital, etc. Again, the nature of these historical processes suggests it is ill-conceived to construct categories premised on the notion of 'economics' and 'politics' as separate social spheres. The role of states, in creating tariff-barriers for example, must feature as an important determinant of the internationalization of production itself; hence analysis of the latter must necessarily allow for the theoretical pertinence of the multiple social determinations on the former.³⁴

Returning to the global system as a whole, then, the manner in which historically specific contradictions are actually met and overcome should be seen to determine the particular direction in which the capitalist system is pushed. This development contains within itself new contradictions, which emerge in subsequent periods of accumulation.³⁵ Vitally though, the recognition that the dynamics of accumulation do not mechanistically

³³See Jacobson et. al., (1979), p. 130 for examples of such tendencies. They suggest that the increasing internationalization of production would result in continuing uneven accumulation, but with changing geographical 'centres' and an increasing degree of international interpenetration. This contrasts with the simple hierarchialization of the capitalist world, on the basis of a vertical division of labour, that is suggested by Frobel et al. (1977), for example.

³⁴Cf. Rodriguez, op. cit., p. 14, on this point; arguing against Murray's treatment of internal dynamics, which reduces their theoretical pertinence to that of *complements* of the general laws of the global system.

³⁵See Wright, op. cit., p. 164.

determine a unique path of development necessitates rigorous historical investigation.³⁶

Turning now to the problem of conceptualising the internal dynamics of Third World social formations, our present discussion should also focus on the nature of the state. As Skocpol puts it, the state can be viewed as being "fundamentally Janus-faced, ... manoeuvring to extract resources and build administrative and coercive organisations precisely at this intersection between international conditions and pressures on the one hand, and class structured economies and politically organised interest on the other".³⁷

Clearly, the scope of manoeuvre of the Third World states cannot be merely derived from the preconceptualised structural location of its economy (as in much Underdevelopment Theory) - even if this status is given more detailed specification.³⁸ If such structural features *are* effective, they are only so for the real activities of specific states - whose executives are not *given* to being 'political intermediaries', etc.

Likewise, 'international capitalism' is not monolithic but differentiated (often highly so), in its impact on specific social formations. The strategies developed by particular capitals are not predetermined by the 'requirements' of the global accumulation process, however conceived, but are subject to concrete determinants, both within that social formation and elsewhere.³⁹ Hence the state, if by no means 'independent', must be seen as having real capacities to influence the specific conditions of operation of capital. For instance, policies affecting the rate of profit within various sectors, or on local content requirements concerning inputs, may have considerable leeway before particular capitals react negatively.

Fundamentally then, we see explanation as having to proceed by examining different aspects of the state within the context of ongoing contention between social classes, that are continually in process of formation. As Leys' later work suggests. "to understand the significance of any state for the class struggle we must start out from the class struggle, not the state".⁴⁰

³⁶For an interesting example of such investigation, see Rowthorn (1980a).

³⁷Skocpol (1979), p. 32.

³⁸Cf. Smith (1980), p. 19, criticizing Amin's usage of the 'periphery' concept.

³⁹As Von Freyhold impresses, there is no 'economic law' which specifies how much higher the rate of profit within a 'peripheral' social formation has to be in relation to that which foreign capital could have realised within the 'centre', or elsewhere. See Von Freyhold (1977), p. 77-78.

⁴⁰Leys (1976), p. 43; see also Leys (1978) for an approach to the problems of Kenyan industrialization that differs from that in his work cited earlier — i.e. Leys (1975).

Yet it must be stressed that we arrive nevertheless at having to examine the crucial impact of actual state functions *on* social class relations themselves; the range of such functions has also been recognized to be particularly wide in Third World social formations.⁴¹

'Global' forces interpenetrate the relationships that characterize this context not as 'one fixed point',⁴² but as elements that are themselves subject to the dynamic interactions within the social formation as a whole. (To take an example, prices and trading arrangements in world commodity markets may be seen to be 'dependent' on the impulses generated within a few social formations; in this sense even 'stable' international prices imply the *active* reproduction of specified social relationships within such countries).

Analytically, we draw a basic distinction between the state institutions and those who work within them (this has been a pivot within much recent debate). Without separating those institutions from their social context, or deriving their character' through abstract identification with the 'hegemonic class', it is crucial to recognize that state institutions surely do perform functions separate and distinct from the direct interests of those classes from which bureaucrats and politicians may be predominantly drawn. Yet in both these distinct aspects, it may be vital to distinguish between different *branches* of the state - not merely for sophistication in detail but out of theoretical necessity (see following sections, for more concrete discussion on this point).

Theoretically then, we do not seek a 'Theory of the Third World State', but a set of conceptual tools to be employed for studying particular states.⁴³ It is precisely the concept of the class struggle, as being of an open and unresolved nature, that prevents the scope of the state from being defined *a priori*, or its expansion being predicted in a linear fashion.⁴⁴ The formation of the state is hence a function of historical situations, and can only be analysed within the contours and determinations specific to those situations.

⁴¹See for example Langdon, (1977), for a study of the functions of the Kenyan state.

⁴²The phrase is Cardoso's, as in footnote 23.

⁴³The concepts that have shaped our perspective so far have been derived from a wider range of contemporary debate; for works more directly connected with the state in various Third World social formations, see African Study Group (1978); Jomo, *op. cit.*; Langdon, *op. cit.*; Leys (1975), (1976), (1978); O'Brien (1976); Petras, (1976); Pfeifer, (1979); Samoff (1977) and (1979); Saul (1979a), (1979b); Shivji (1976); Von Freyhold, *op. cit.*; Williams (1976).

⁴⁴Cf. Panitch (1981), p. 27.

We attempt to discuss the Peninsular Malaysia case within this perspective, focussing on the contemporary formation of what has been termed the 'bureaucratic bourgeoisie' in recent debates. Our purpose is not to celebrate the relevance of concepts that have been applied in such debates, as much as to study their utility in comprehending the interactions that shape social change.

History advances in disguises; it appears on the stage wearing the mask of the preceding scene, and we tend to lose the meaning of the play.

Regis Debray

Section 2: The Formation of The Bureaucratic Bourgeoisie in Peninsular Malaysia

2A: Preliminary Concepts

Class analyses of Malaysian society, though comparatively few, have recently gained much impetus. Analyses of the formation of the post-colonial state in particular, linked with contemporary discussion on African post-colonial situations, have attempted to apply concepts stemming from contemporary debates on advanced capitalist societies to Malaysia's peculiar social configuration.⁴⁵ We outline here certain concepts that are key to dealing with these recent works - notably that of Jomo.⁴⁶

A central notion is that of the relative autonomy of the state: i.e. that the state in capitalist society is not a simple instrument of a *unified* capitalist class. This is so because the latter is composed of diverse class fractions, each posing contradictory relationships with one or more of the other fractions. For this precise reason, capital (in general) cannot always impose a common relation to other classes in society. In this context, the state, not being under the complete and direct control of any single class fraction, can serve to ensure the hegemony of the capitalist class as a whole over society. Hence the relative autonomy of the state reflects both the fractionalization of the capitalist class itself, as well as the contradictory relationships that the fractions of this class have with the other social classes in society.⁴⁷

This aspect of the state is often held to be especially salient in post-colonial societies. As suggested earlier, it does not suit our purpose to posit

⁴⁵See footnote 43 for relevant work on the post-colonial state.

⁴⁶E.g. Jomo (1977), Jomo and Toh (1980), Ikmal Said (1980), Lim Mah Hui (1980), Brennan (1981).

⁴⁷See Poulantzas (1975), p. 156-165.

a *theory* of the post-colonial state, Instead we adopt a *multi-dimensional perspective* of the state in relation to social class contention; it is primarily the processes of class contention that concern us. This approach attempts to integrate many of the insights generated within debates between 'structuralists' and 'instrumentalists' without being subject to certain of their individual difficulties, especially insofar as these are limitations of perspective. Three aspects of the state are worthy of attention here:

- (i) political power, especially control of the state, as an *object* of class contention;
- (ii) state actions and the operations of the state institutions as a *determinant* of class contention;
- (iii) state structure as an *outcome* of class contention (i.e. as akin to Poulantzas' 'condensation of the balance of forces').

Class contention refers here both to inter-fractional conflicts and the struggle between classes.⁴⁸ Within this perspective of the state, we argue later that the particular circumstance of class contention in Malaysia provided conditions for the emergence of a bureaucratic bourgeoisie. Whilst this class fraction can be observed to be consciously advancing its interests through the expansion and use of state power, its ability to do so remains constrained by the evolving configuration of class contention.

The concept of *class fractions* is hence key to the discussion. Poulantzas distinguishes these primarily on the basis of differentiation in the economic sphere.⁴⁹ More specifically, the fractionalization of the bourgeoisie stems from the divisions of capital in line with distinct bases of accumulation.⁵⁰ These fractions, however, have little utility in social class analysis unless they maintain a certain internal coherence within the political and ideological relations of the social formation. Hence to determine whether class fractions operate as *effective social forces*, relatively distinct from those of other fractions of their class, requires adequate historical analysis of those relations. Zeitlin et. al. suggest that Poulantzas conflates the existence of 'fractions' at the level of relations of production

⁴⁸See Jomo (1977), p. 21-23.

⁴⁹Poulantzas (1975). p. 11.

⁵⁰Ibid., p. 70-72; Johnson (1977), p. 215.

⁵¹Zeitlin et al. (1976).

with that of 'fractions' at the political level.⁵¹ This would seem to misrepresent Poulantzas' framework;⁵² it must be agreed nevertheless that it is precisely the complexity of the inter-relationship between the two levels that requires investigation.

We also attempt to examine how *inter-class* relations serve to shape the conflicts and alliances between the fractions of the bourgeoisie. That this aspect has been much neglected in the 'post-colonial state' debate, is apparently rooted in the very manner of conceptualization of class fractions. While it is frequently stressed that distinct class fractions are united by the common interests they share within the class struggle,⁵³ the implications of this for the concrete formation of specific classes or class fractions are often unclear.⁵⁴

It is crucial to recognize fully that processes of inter-fractional and inter-class contention do not occur within separate historical arenas. Of relevance to our case, the particular forms of political and ideological contention within a social formation may in fact be the outcome of a *specific combination* of these processes, and serve equally as a means of articulation of both processes. It is in this unified context that classes and class fractions are formed.

2B: The Making of Post-Colonial Malaysian Society

We shall restrict ourselves here to discussing those aspects of class formation under colonial rule that are essential to understanding the recent ascendance of a bureaucratic capitalist class. Malaysia consists of three main ethnic groupings: Malays, Chinese and Indians. The Malays were the

⁵²It must be recognized that this 'conflation' can only be said to exist within Poulantzas' conceptualization of *structural* class determination. Here the political "situation" of a class/class fraction within the "relations of political domination/subordination" is bound definitively to its "place" within the relations of productions. Poulantzas does however lay stress on class "positions" in the *conjuncture* (i.e. the concrete situation of the class struggle). Whilst such "positions" are reducible to class "places", the articulation between the two aspects is discussed with the aid of concepts of "strategy". (Poulantzas (1975). As Johnson (1977) suggests, however, the conceptual framework for such discussion has serious problems, preventing the 'conjuncture' from being theorised in relation to 'structural class determination' in any coherent manner.

⁵³E.g. Jomo and Toh, op. cit., p. 3.

⁵⁴The problem is not solved by suggesting that it is in the 'conjuncture' that the fractionalization of the bourgeoisie takes effect on the class struggle — i.e. when distinct fractions of the bourgeoisie form separate alliances with *other* classes. (See Taylor (1979), p. 286, for example). As in the Poulantzian framework, this implies the existence of classes/class fractions that are already 'formed' prior to the conjuncture; hence, the neglect to examine the manner in which conjunctural strategies shape the very process of class formation.

earliest inhabitants amongst the three communities and have also been the largest (though not significantly so, relative to the Chinese).

Earlier theoretical attempts at countering 'plural society' interpretations of Malaysian history have tended to assert the primacy of 'class' variables over 'ethnicity'.⁵⁵ This has obscured the manner in which ethnicity has been interwoven *within* the class struggle, and within specific processes of class formation.⁵⁶

Fundamental to our discussion shall be: (i) the marked coincidence of ethnic boundaries with the social division of labour that took shape across the peninsular economy. This provided a foundation for the sections within each ethnic group to experience relatively independent processes of class formation from other ethnic groups, for a major period of colonial history, and for (ii) the relationship between certain social classes to be expressed in partly ethnic terms.⁵⁷

After almost a century of confining direct rule to a few key ports, from the last quarter of the century, the British imperial government extended its colonial rule to the rest of the Malayan peninsula. This was not achieved without considerable resistance from sections of the pre-colonial Malay aristocracy, who commanded significant forces of Malay peasants.⁵⁸ While the outcome of these conflicts saw resisting groups being severely punished, the British sought to co-opt other sections of the pre-colonial ruling class into the junior ranks of the colonial bureaucracy. The grooming of this administrative stratum of Malays from rural aristocratic families was also expected to legitimize colonial rule in the eyes of the indigenous peasantry.⁵⁹

By and large, colonial rule severed the system of exploitative relations between the pre-colonial ruling class and the peasantry. Instead, various sections of the peasantry were subordinated to the colonial state by way of an evolving set of laws, policies and taxes. Further, as colonialism accelerated the growth of commerce and the accumulation of capital, the peasantry became increasingly subject to exploitation by merchant and usury capital. Yet, despite certain tendencies that were slowly differentiating the peasantry, the bulk of them remained divorced from wage-

⁵⁵E.g. Cham (1975), (1977).

⁵⁶See Lim Mah Hui (1979), Ikmal Said (1980), Stenson (1976) on this point.

⁵⁷See Lim Mah Hui, *op. cit.*, for an attempt to provide a general framework for the interplay of ethnic and class relations.

⁵⁸See Amin (1977).

⁵⁹See Caldwell (1977).

labour relations.⁶⁰ Given too that the pre-colonial ruling class now served as an administrative salariat, *the vast majority of the Malay community remained divorced from direct participation in capitalist relations of production.*

The capitalist sector mainly involved the non-Malay Malayan population, as well as expatriate capital. The extremely profitable opportunities offered by mineral extraction and cash cropping (most notably tin and rubber, respectively), especially after the turn of the century, led to the rapid growth of capitalist interests. This primarily involved Chinese capital, that had long been engaged in mining and commerce in the peninsula, and British capital, which eventually grew to occupy positions of dominance in the most dynamic sectors of the economy.⁶¹ It is difficult, however, to distinguish class fractions in the development of the local capitalist class, even at an economic level.⁶² The bulk of local capital was linked to *varying degrees* to foreign capital and the world market; furthermore, these differentiations do not appear to have caused serious conflicts between the segments of Chinese capital.⁶³

It is also necessary to note the nature of class reproduction within the Chinese business community. The organisation of Chinese capital relied greatly on kinship and relationships along the lines of dialect groups. Having secured niches in the colonial economy, the reproduction of these class and occupational roles tended to preserve the sub-ethnic, *and therefore the ethnic* patterns of specialization that are commonly observed to this day. (In fact it can be suggested that the nature of social organisations required to conduct to conduct petty capitalist activities in Malaya tends to reproduce such patterns).⁶⁴

Crucial to our understanding of later developments is the position of the pre-colonial Malay ruling class during the colonial period. It was quite evident that it lacked both the experience and the acumen for organising capitalist enterprise; neither did it possess the resources to compete effectively against British, Chinese, and even the smaller Indian capitalists. However, because its eventual potential to accumulate, as well as its continued political standing in relation to the peasantry, rested on maintaining

⁶⁰See Ikmal Said, op. cit.; Jomo (1977).

⁶¹Jomo (1977), Chapters 6-9.

⁶²T. Salem, op. cit., p. 30.

⁶³Ibid., Chapter 9.

⁶⁴Ibid., p. 333-334.

its privileged position in the colonial bureaucracy, its relationship to British interests was hardly contradictory.⁶⁵ On the other hand, its relations with the Chinese and Indian sections of the local bourgeoisie were antagonistic, since they occupied the more accessible areas of accumulation within the capitalist sector. This tension that emerged was not assisted by the apparently ethnic criteria operating within the local business community, as noted above.

Hence the pre-colonial Malay aristocracy — which we can descriptively term as ‘administrators’ — had only their steady remunerations to content themselves with. It has been suggested that the *displacement* of this class from its pre-colonial economic base would have undermined its standing in the Malay community if not for the curious *strengthening* of the feudal ideological structure (in no small way aided by the colonial state).⁶⁶

Further, the rapid erosion of pre-colonial forms of exploitation was compounded by the fact that the overwhelming bulk of merchant and usury capital facing the Malay peasantry consisted of Chinese middlemen and Indian moneylenders. It is hardly surprising then, as Lim has noted, that ethnic antagonisms would develop in correspondence with such inter-class relationships.⁶⁷ (Of course, the dynamic of these ethnic tensions, particularly when expressed in response to particular events, cannot be explained on grounds of unequal economic relationships alone). In this context, it can be suggested that the peculiar configuration of class relations that evolved both within and across the boundaries of the Malay community facilitated *class alliances* that were to develop *between the (pre-colonial) ruling class and the peasantry*.⁶⁸

It is now possible to discuss the emergence of a ‘class compromise’ within the ranks of the dominant local class in the twilight of the colonial era. The end of British rule in 1957 granted government to a political coalition called the *Alliance*; it comprised the United Malays National Organisation (UMNO), the Malayan Chinese Association (MCA), and the Malayan Indian Congress (MIC). The nature of this coalition has shaped post-colonial developments in significant respects — far from limited to the political sphere.

UMNO, led as it was by the Malay administrators, embodied an

⁶⁵Ikmal Said, op. cit., p. 11.

⁶⁶See Roff (1967), Caldwell (1977).

⁶⁷Lim Mah Hui, op. cit.

⁶⁸Cf. Ikmal Said, op. cit., p. 13.

essentially conservative brand of Malay nationalism. Its formation in the late 1940's had been spurred by the increasingly assertive demands being made by both the dominant and subordinate sections of the (by then settled) immigrant Chinese and Indian communities. In particular the development of the predominantly non-Malay working-class movement had reached levels that posed a critical threat to the colonial state itself.⁶⁹ It was clear that the sections of the Malay community that were entrenched within the colonial order required coherent forms of political organisation to maintain their positions. Whilst UMNO was formed for this specific purpose,⁷⁰ its political ascendance within the Malay community as a whole only occurred in the context of the severe suppression by the colonial state of the emerging radical Malay nationalist movement.⁷¹ The organizations comprising the latter had evidently won widespread support by the late 1930's, (whilst the administrators were still relying on the strength of the colonial state). UMNO however operated on its network of patron-client links in the rural areas, and used an explicitly racially-oriented programme to whip up support among the peasantry⁷² (e.g. the notion of the threat of "racial extinction" that was propagated in the late 1940's).

The nature of the Alliance as a whole can only be understood in the context of what is commonly agreed to be the most salient aspect of the two decades preceding independence — the emergence of extremely forceful labour movements amongst various sections of the working-class. Though the Chinese working-class movement was the main force behind this, by the 1940's strong organisational alliances had been formed between them and the Indian plantation workers.⁷³ The strength of the movement as a whole — coordinated by the Malayan Communist Party — was further enhanced by the participation of certain of the radical Malay organisations that had developed simultaneously.⁷⁴

(The Malayan Communist Party eventually undertook to wage a guerilla struggle in 1948. At that stage the trade union movement had been severely weakened under state repression and large sections of the leadership of the left were in detention. The British-conducted counter-insurgency

⁶⁹See Stenson (1970) for a detailed account of these developments.

⁷⁰See Soenarno (1960).

⁷¹E.g. the Malay Nationalist Party and its youth wing, *Angkatan Pemuda Insaf*, both of which were banned in 1948.

⁷²Cf. Ratnam (1965).

⁷³See Stenson (1970); Morgan (1977).

⁷⁴See Soenarno (1960); Stenson (1976).

war lasted twelve years till 1960; the guerilla forces had however been much weakened by the time of Independence, especially in the face of the tremendous military strength of the British-led forces).⁷⁵

It is not surprising then that both the MCA and MIC, formed in the late 1940's, rested on extremely narrow class bases. The MCA drew its support from various sections of the Chinese business community. It was aimed at countering the left-wing sympathies prevalent within the Chinese community (whilst the state was attempting to suppress the left-wing organisations themselves). The political strength of the MCA was, however, not aided by the sub-ethnic divisions that characterized the class formation of the Chinese bourgeoisie, especially since the party was led by English-educated elements. Likewise the MIC represented a variety of small capitalist and professional interests, and drew hardly any support from the bulk of the community, engaged in plantation labour (To this day, the MIC remains marred by a lack of political coherence, leaving the class interests represented within it with little force in the national political arena).⁷⁶

Hence the clear inability of the upper sections of the Chinese and Indian communities to match the strength of support that the Malay administrators could amass, ensured the dominance of UMNO within the Alliance coalition. We have attempted to understand this imbalance in political power primarily in the context of the inter-class relationships within each ethnic community.

Yet the very formation of communally-based political parties, and the subsequent structuring of Malayan political life along communalistic lines, has itself been closely related to the class struggle that was taking shape. If it is evident that all three dominant political parties relied overwhelmingly on racially-oriented political programmes and ideologies, this has developed in a specific context: in which UMNO, MCA and MIC were attempting to counter organisations that were appealing to the class interests of the majority sections of each ethnic group.⁷⁷ Communal politics can thus be seen as both a consequence of evolving class conflicts, as well as a specific means of participation within that conflict.

Certainly, the class-based organisations that developed since the 1930's were not independent of ethnic characteristics (both in composition and political practice). This is not surprising, given the particular ethnic divisions within the social division of labour. Equally contributive to this

⁷⁵See Caldwell (1977a), for accounts of the scale of the counter-insurgency operation.

⁷⁶See Ratnam (1965); Cham (1975), (1977).

⁷⁷Cham, *op. cit.*

structural aspect of class formation was the residential segregation of the subordinate classes. Moreover, it is necessary to recognise the importance that ethnic cultural elements have had on the historical formation of *organisational* capacities within these classes.⁷⁸ Yet as far as both these ethnic aspects of class formation are concerned (i.e. the formation of structural and organisational class capacities)⁷⁹ it is equally evident that major differences exist *within* each ethnic group — particularly between different classes.⁸⁰

This suggests that the striking dominance of communalistic currents in the political life of the country ever since the early 1950's cannot be explained without reference to the consistent and regular suppression by the state of attempts at mobilization along class lines.⁸¹ (Indeed it can be said that the 'class struggle' has often been over the very *existence* of class organisations;⁸² the role of communal politics in this regard does not need repeating). It was on this basis that UMNO, MCA and MIC, representing dominant classes that had evolved in antagonism with one another, formed an uneasy compromise in the 1950's to preserve the basic structure of the social formation.

2C: Post-Colonial Society

UMNO's superiority served to reinforce what had long been a conspicuous imbalance between dominant sections of the Malay and non-Malay communities. The departure of the British left the Malays occupying most of the upper levels of the state bureaucratic hierarchy; the absence of a Malay bourgeoisie on the other hand highlighted the dominance of non-Malays (particularly the Chinese) within the locally-owned segments of the capitalist sector.

In fact, of course, foreign (especially British) interests accounted for a sizeable majority of capital ownership in the key sectors of accumulation;

⁷⁸See Stenson (1970) for accounts of the MCP's methods of mobilization amongst Chinese workers, appealing to a combination of cultural and class allegiances.

⁷⁹See Wright (1979), p. 98-110.

⁸⁰Besides the geographical segregation, that was perhaps clearest within the Indian and Malay communities, there existed significant cleavages within each ethnic group in terms of specific sets of cultural beliefs and practices. E.g. See Roff (1967) for such analysis of Malay society.

⁸¹See Stenson (1976) for a convenient summary of these historical aspects.

⁸²Cf. Wright (1979), p. 101-102.

the control they exercised was enhanced by their far higher rates of concentration in comparison to local capital.⁸³ Given the manner in which the classes represented by the governing alliance had evolved (especially in relation to foreign capital interests) it was not surprising that accumulation by foreign capital was actively promoted in the postcolonial era (particularly in the form of policies to assist import-substitution industrialization).⁸⁴ It bears emphasizing that the activities of foreign capital were not a significant source of contention between the dominant local classes.

The key features of rule by the post-colonial governing coalition reflected quite faithfully the class interests it represented. Besides the promotional efforts towards private capital accumulation (both local and foreign, and an increasing number of joint ventures between them), a relatively free hand was given to the Malay bureaucratic stratum to use the state machinery to satisfy its interests. This newly found power of the bureaucratic stratum marked a new stage in class contention, though constrained by the nature of the compromise underlying the Alliance.

For a start, the state responded actively to demands from dominant Malay groups to assist in creating and consolidating a Malay capitalist class. This took the form of subsidies and the provision of special amenities. At the same time, various measures rapidly increased the size of the Malay petty-bourgeoisie (especially within the ranks of the bureaucracy) — such as the provision of scholarships, and the stipulation of ethnic employment quotas within virtually all the agencies of government.⁸⁵

By the mid-1960's, the nascent Malay bourgeoisie began to make its presence felt. In 1965, the first *Bumiputra*⁸⁶ Economic Congress was held; significantly, it was dominated by *bureaucrats and politicians* rather than the few already established private Malay capitalists. The frustrations that were expressed can be captured by an aggressive statement that emerged:

“If the *bumiputra* do not have a stake in the economy of the country then there is no assurance that in time to come *non-bumiputras* will be able to carry out their economic activities in peace and security.”⁸⁷ The discontent that was increasingly felt by the aspiring petty bourgeoisie was, predic-

⁸³See Puthuchearry (1979) for a comprehensive study of ownership and control in the 1950's.

⁸⁴See Linda Lim (1980).

⁸⁵Jomo (1977), ch. 11.

⁸⁶*'Bumiputra'*, literally meaning 'princes of the soil', is the official term of reference to the 'indigenous people', of whom the Malays are by far the most important.

⁸⁷Quoted in Jomo (1977), p. 448.

tably, expressed in predominantly racial terms. In the words of one Malay official:

"*Bumiputras* are in disarray and diffident (*sic*), dismayed and behaving like foreign interlopers in the urban *non-Bumiputra* commercial and industrial life... [They] have seen so many failures in the face of stiff competition from a strongly-entrenched 'enemy'..."⁸⁸

It was becoming apparent that despite state efforts to help foster Malay entrepreneurship, the simultaneous encouragement of established capitalist interests by way of a variety of policies, effectively hindered the development of a Malay bourgeoisie.⁸⁹ This is not to mean that no individual Malay capitalists emerged in the first dozen years after independence. On the contrary several dozen influential politicians, powerful civil servants and other similarly well-connected Malays cooperated lucratively with foreign and local capitalists in need of political and bureaucratic ties.⁹⁰ Clearly however the extent of participation in such arrangements was quite limited, indeed given their very nature. Hence, though Malay capitalists grew at an unprecedented rate, such openings could not possibly cope with the expectations of the rapidly growing Malay petit-bourgeoisie; at the same time aspirations were being fanned vigorously by UMNO's explicitly probumiputra policies. Data on share capital of public limited companies in 1969 revealed that only 1.5% of total share capital was owned by Malays, compared with 22.8% by Chinese, 0.9% by Indians and 62.1% by foreigners.⁹¹

The problems of Malay capital accumulation fitted in with certain simultaneous trends within the social formation. These culminated in the massive racial riots of May 1969, which in turn enabled the restructuring of the post-colonial state. It is thus necessary to examine these trends briefly.

Income distribution data for 1957 and 1970 suggest the growth of income *inequality* within all three major ethnic groups, as well as *absolute* declines in real household income for the poorer sections of the population.⁹² While it would be foolhardy to suggest any deterministic relationship between the broad patterns of income distribution on the one hand and class

⁸⁸Quoted in Lim Mah Hui (1980), p. 10.

⁸⁹Jomo and Toh (1980).

⁹⁰See Lim Mah Hui (1980).

⁹¹Malaysia (1971), Table 3-1, p. 40.

⁹²Bussink (1980), Table 4.2.

relationships on the other, they are nonetheless related, in at least an indicative manner. Explanation of the increased inequalities is complicated by the uneven development of Malaya, limiting the extent of capitalist relations of production on the one hand, and contributing to the heterogeneous character of the capitalist sector itself, on the other. It has been suggested that the uneven regional, as well as urban-rural, distribution of growth contributed to the observed income trends.⁹³

These factors were reflected as well in the rapid influx of rural Malay migrants into urban squatter hut-settlements. The welling frustration of this growing pool of Malays *coincided* with the rising impatience of the Malay petit-bourgeoisie the most vocal of whom were within the bureaucracy, and middle ranks of UMNO.⁹⁴

At the same time, popular sentiments against the Alliance government were growing amongst the Chinese, particularly amongst the working-class and the sizeable petit-bourgeoisie. For reasons discussed earlier, it was not at all surprising that increasing dissatisfactions were channelled along racial lines. Politically, this meant much-increased support for certain Chinese-based opposition parties in the 1969 elections, and a heavy defeat for the MCA.

The increasing assertiveness of these opposition parties had in fact been fueling the notion of a "non-Malay threat" that was being propagated by 'Young Turks' within UMNO, who were accusing its established leadership of having "sold out" Malay interests to the Chinese. The conflict within UMNO has indeed been suggested to have represented the growing tension between the ascendant Malay petit-bourgeoisie and the more complacent sections of the former Malay aristocracy, who occupied the higher echelons of the state since Independence.⁹⁵

While the riots were sparked off by Malays reacting to what was perceived as the "Chinese threat" posed by the election results, there are grounds for the view that the "race riots of May 1969 arose from a form of transferred frustration having its roots in intra-Malay class conflict".⁹⁶

With parliamentary rule suspended for 2 years subsequent to the riots,

⁹³See Jomo (1977), p. 448, Bussink (1980), Table 4.3 and 4.4.

⁹⁴Cf. Lim Mah Hui (1980).

⁹⁵See Jomo (1977), ch. 11.

⁹⁶Stenson (1976).

the governing Alliance underwent important changes. The 'old-guard' aristocrats were phased out of UMNO's leadership, to be replaced by members with closer allegiances to the aspiring sections of the Malay petit-bourgeoisie (who were predominantly within the bureaucratic stratum). Further, MCA's heavy defeat in the 1969 elections facilitated *UMNO's enhanced preeminence*. A broader coalition of political parties was forged before parliamentary rule was restored in 1971. This new coalition, the National Front, has been in the virtual control of UMNO;⁹⁷ it continues to perpetuate the communalistic structure of national politics, but under conditions that are now even more severely restrictive for the opposition, particularly for what remains of the left.⁹⁸

2D: Conclusion: The Ascendancy of the Bureaucratic Bourgeoisie

The upshot of our discussion of the May 1969 riots was to show that while it allowed major realignments within the coalition of dominant class interests, it is better seen as the culmination of complex processes of class contention, which have their roots in the colonial era. The realignments that occurred have proved to be of great significance in restructuring the scope and functions of the post-colonial state. With the unquestioned dominance of UMNO, under its new leadership, conditions were created for the self-conscious transformation of the Malay bureaucratic stratum into a fraction of the bourgeoisie. This process of class formation forms the connecting thread in our discussion.

In 1971, the government declared the *New Economic Policy* (NEP), in conjunction with the Second Malaysia Plan (1971-1975). Whilst its two declared "prongs" are "poverty eradication" and "restructuring of society", emphasis has clearly been on the latter — particularly in terms of actual policy implementation. The changed functions of the state were clearly stated in the Second Malaysia Plan:

The government will participate more directly in the establishment and operation of a wide range of productive enterprises. This will be done through wholly-owned enterprises and joint-ventures with the private sector. *Direct participation by the Government in commercial and industrial undertakings* represents a significant departure from past practices. The necessity for such efforts by the Government arises particularly from the aims of establishing new industrial activities in selected new growth areas and of *creating a Malay commercial and industrial community*,⁹⁹ (our emphasis).

⁹⁷See Brennan (1981), p. 22-24.

⁹⁸See Muzaffar (1978), Brennan, op. cit., p. 24-27.

⁹⁹Malaysia (1971), p. 7.

The primary target of the NEP has been a formula for corporate share ownership to be achieved by the end of the Plan period (1971-1990). It is projected that by 1990, corporate share ownership should be divided thus: 30% for Malays, 40% for non-Malay Malaysians, and 30% for foreigners. In fact, however, $\frac{3}{4}$ of the targeted 30% of Malay ownership is to be held in trust by government agencies designated as "Malay interests" (primarily in the form of public enterprises); while the remaining $\frac{1}{4}$ would be in the hands of Malay individuals (see Table I).

Given the commonly voiced problem of the inadequacy of private Malay accumulation, the state has affirmed that public enterprises are to serve as the prime vehicle for the development of a Malay bourgeoisie (observe the actual trend in "Malay interests" up till 1978 in Table I). It is important to discuss briefly the nature of these enterprises. The criteria for their existence are profitability and financial viability.¹⁰⁰ Further, in adopting an equity share structure and a policy of joint ventures with private capital, they bear a strong resemblance to private corporations; it has in fact been noted that certain forms of public enterprise have *much in common with private companies established by Malay businessmen* enjoying state credit facilities and other privileges due either to state policy or political connections.¹⁰¹

Besides attempting to penetrate the private capitalist sector, a central role of public enterprises has been to enable the state to acquire equity shares reserved for Malay investors; these shares are then held in trust until such time when private Malay capital is able to take them up. The basic economic logic of the creation of public enterprises springs from this strategy: Public enterprises, after an initial lift-off into financial viability, will be *handed over to Malay entrepreneurs*. However the failure to specify the terms and conditions, as well as the timing, of the 'handover' of ownership has important implications (mentioned later).¹⁰²

The direct participation by the state in capital accumulation has most significantly entailed an increased reliance on debt financing, both from domestic and foreign sources. Ploughback of returns, though a primary intention, has in fact been quite unimpressive given the disappointing losses made by public enterprises.¹⁰³ A prime reason for this seems to be the

¹⁰⁰Puthucheary, M.C. (1977).

¹⁰¹Jomo and Toh, op. cit., p. 58.

¹⁰²Khor, op. cit., p. 22.

¹⁰³See *ibid.*, p. 56-62.

Table I

PENINSULAR MALAYSIA: OWNERSHIP OF SHARE CAPITAL IN LIMITED COMPANIES, 1970-90

	1970 ⁽⁶⁾ \$ Million ringgit	%	1975 \$ Million ringgit	%	1978 \$ Million ringgit	%	Average Annual rate of growth (%) 1976-78	\$ Million ringgit	1990 (Targeted) %	Average Annual rate of growth (%) 1976-90
Total Malay Ownership	125.6	2.4	1,424.9	9.4	2,156.2	10.3	14.8	24,009.7	30.0	25.8
Malay Individuals ⁽¹⁾	84.4	1.6	546.4	3.6	757.2	3.6	11.5	5,914.2	7.4	24.3
Malay Interests ⁽²⁾	41.2	0.8	878.5	5.8	1,399.0	6.7	16.8	18,095.5	22.6	26.4
Other Malaysians ⁽³⁾	1,826.5	34.3	5,790.2	38.4	9,213.7	43.7	16.7	32,012.9	40.0	15.5
Foreign ⁽⁴⁾	3,377.1	63.3	7,880.8	52.2	9,694.5	46.0	7.2	24,009.7	30.0	10.4
Total Private Sector ⁽⁵⁾	5,329.2	100.0	15,095.9	100.0	21,064.4	100.0	11.8	80,032.3	100.0	15.0

1. Includes institutions channelling private Malay funds such as Amanah Saham MARA and Lembaga Urusan dan Tabung Haji.
2. Shares considered to be held in trust by agencies such as MARA (excluding Amanah Saham MARA), PERNAS, UDA, SEDCs, Bank Bumiputra and Bank Pembangunan.
3. Includes nominee companies and third-company minority holdings, as well as foreigners normally resident.
4. Non-residents.
5. Excludes the Government and its agencies except trust agencies.
6. Figures for 1970 indicate the distribution of ownership a year prior to the commencement of the NEP.

Source: Third Malaysia Plan, 1976-80, p. 86 and Mid-term Review of Third Malaysia Plan, 1979, p. 49.

serious lack of accountability, even of the more prominent enterprises.¹⁰⁴ An important reason for the trend to non-viability to date has been the lack of **entrepreneurial experience and motivation of public enterprise managers**, who frequently obtain their positions on the basis of political influence.¹⁰⁵

The attempt to foster a Malay bourgeoisie has however extended beyond the creation of public enterprises. The functions of the state have been expanded dramatically in the process, embracing the enactment of several pieces of industrial legislation, equity control of private corporations to ensure Malay ownership, and the provision of special credit assistance, licencing quotas, mining concessions, etc., for Malay capitalists.¹⁰⁶ Much controversy remains over educational policies — that favour Malays very heavily in the award of scholarships and specify ethnic quotas for institutions of higher learning. More direct cultivation of entrepreneurial skills occurs in a host of institutions. The creation of the “new Malay man” (captured by the opening quote of this paper) has also necessitated a wide range of programmes aimed at cultivating more “suitable” values and attitudes.¹⁰⁷

Jomo has attempted to relate the main thrust of the NEP to the *emergence and consolidation of a bureaucratic bourgeoisie*; “a single class fraction distinguished by its particular reliance upon financial and political sponsorship by the state for its accumulation of wealth”.¹⁰⁸ The present agents of this predominantly Malay class fraction have been suggested to be drawn from within the ranks of: (i) leading politicians with business connections; (ii) present and former high-level bureaucrats (including military and police officers) in direct and indirect control of those enterprises set up or otherwise controlled by the state, and (iii) businessmen with strong political or bureaucratic ties.

Hence this class fraction straddles both public and private sectors¹⁰⁹ (as noted earlier the distinction is quite blurred in reality). Further, the specific modes of private appropriation practiced by individual bureaucrat

¹⁰⁴See *ibid.*, p. 59-60, for various accounts of the rarity of annual reports, etc.

¹⁰⁵See *ibid.*, p. 58; Jomo and Toh, *op. cit.*, p. 40.

¹⁰⁶See Shepherd (1980), p. 205-207.

¹⁰⁷See Khor, *op. cit.*, p. 30-35.

¹⁰⁸Jomo and Toh, *op. cit.*, p. 22; in his earlier work, Jomo designates the concept of ‘bureaucrat-capitalists’ as referring to “certain social groups who control capital accumulation by virtue of their access to state power”. Jomo (1977), p. 357.

¹⁰⁹Jomo and Toh, *op. cit.*, p. 22.

capitalists vary — such as salaries, expenses and other allowances, honoraria, graft, directorships, partnerships and so on.¹¹⁰ Nevertheless it is held that a certain cohesion characterizes the bureaucratic bourgeoisie, given its peculiar reliance on state power to reproduce itself as a class fraction.¹¹¹

Lim Mah Hui's study of the hundred largest corporations in Malaysia in the mid-1970's provides interesting information in this regard. Of the 68 Malay directors (11.7% of the total number of directors), it was found that *almost half were either politicians or civil servants, or both* (as compared with less than 7% amongst non-Malay directors who were classified within this category). More than half the Malay directors were titled, while about a fifth were of royal or aristocratic lineage.¹¹² Similarly, Tan Tat Wai's careful study of the social linkages of the 44 Malay directors on the boards of publicly listed companies revealed that at least 26 of them had held or currently held positions of political influence.¹¹³

In addition both studies tend to confirm a certain social cohesion within the sets of directors — as expressed in the common observation of nepotistic networks amongst them.¹¹⁴

It is also evident that members of this class fraction have had a united and effective political representation in UMNO. The majority of the leading members of UMNO are not only closely identified with policies for the creation of a Malay bourgeoisie, but are themselves leading beneficiaries of such policies.¹¹⁵

The ideological tendencies of this fraction are more complex, but can be said at present to revolve around certain basic elements (underlying the

¹¹⁰See Jomo (1977), p. 357-361.

¹¹¹This conceptualization has affinities with that of Shivji on the Tanzanian 'bureaucratic bourgeoisie'. The latter case however has certain fundamental differences from the Malaysian case (besides the mere differences in detail); for instance, in the Tanzanian case, the *lack* of an explicit class intention of the governing stratum of a "socialist" state has important consequences for its formation as a class fraction — particularly at the political and ideological levels. See Shivji (1976), Saul (1979a), Leys (1976), Freyhold (1977), Raikes (1978).

¹¹²See Jomo and Toh, op. cit., p. 39-40.

¹¹³See Khor, op. cit., Ch. 4, and Jomo and Toh, op. cit., p. 41-42, on the results of Tan Tat Wai's study.

¹¹⁴See Jomo and Toh, op. cit.

¹¹⁵See Muzaffar (1978).

platform of "restructuring society") — ethnic Malay populism, "modernization" and urbanisation.¹¹⁶ The state institutions for promulgating these include the education system and the tightly-controlled mass media. Both these have undergone marked changes since the early 1970's, especially with regard to the shift in state policies towards restructuring society in a more "Malay" image.¹¹⁷

However more study needs to be done on the concrete functioning of these institutions. The importance of ideology in the formation of the bureaucratic bourgeoisie cannot be overstressed. Given its peculiar reliance on state power, its reproduction as a class requires that it maintains an ideological strength that ensures its dominance within the state. For instance, UMNO's current credibility within the Malay community (in the face of both the Islamic 'Dakwah' movement and secular opposition parties appealing to class allegiances amongst the lower sections of the community) relies on the strenuous propagation of its particular brand of ethnic populism — that strives to combine certain elements of Islamic faith with a commitment to capitalist development.

Yet difficulties exist in conceptualizing the bureaucratic bourgeoisie, even in its *basic definition*. Whilst its reliance on state power as a basis for accumulation distinguishes it from other fractions, this may obscure the significant contradictions *within* this class fraction, based on distinct *modes* of private appropriation and economic behaviour of its different sections. These can be seen as potential sources of internal conflict, especially if the development of the NEP is accompanied by a weakening of the nepotistic and clientelistic networks that presently characterize the processes of class formation within the bureaucratic bourgeoisie.

Three broad categories of agents within the bureaucratic bourgeoisie can be distinguished *conceptually*:

- (i) a rentier category of shareholders;
- (ii) managers of productive enterprises, with no powers of ownership;
- (iii) private entrepreneurs, performing the functions of both (i) and (ii).

The development of public enterprises at the rate currently projected is likely to generate a powerful stratum of industrial managers (evidence

¹¹⁶This is exemplified in an important book by the present Prime Minister — Mahathir Mohamad (1970).

¹¹⁷See Brennan (1981), p. 26-27; Kessler (1981); Muzaffar (1978).

already exists of this tendency).¹¹⁸ In studying the economic practices of this stratum, Tan Tat Wai has noted that their position within public enterprises (and hence the opportunities for personal remuneration and economic power) is linked to the amount of funds under their charge and direction rather than to the amount redistributed to Malay individuals.¹¹⁹ Hence their bias towards wishing to *accumulate* the capital they hold 'in trust' puts them in a *contradictory position with the share-owning category* within the bureaucratic bourgeoisie.

Further, the distinct methods of entry into the bureaucratic bourgeoisie could imply a similar conflict. Public enterprise managers are more likely in the future to have undergone formal training that might entail methods of conduct that would be distinct from those who merely acquire shares on the basis of appropriate political or social connections. It is currently well known that, for the latter group, "unorthodox" practices represent a regular and sizeable mode of private accumulation.¹²⁰

As the time approaches for the 'handover' of public enterprises to private Malay interests (discussed earlier), it is not unlikely that tensions such as those outlined would be manifest in a rupture of the political and ideological unity that generally characterizes the present process of class formation of the bureaucratic bourgeoisie.

It should be equally important to examine the distinctions within the various sections of this class fraction *in terms of their relationships with other classes and other fractions of the bourgeoisie itself*. Again, whilst managers of productive enterprises are thrust into a ready-made class position in relation to workers, other fragments of the bureaucratic bourgeoisie may engage in processes of class contention primarily at the political and ideological levels.¹²¹ This question cannot however be solved theoretically, i.e., merely on the basis of the structural locations of class agents within a set of specified social relations of production. Investigation needs to be directed at the concrete patterns of social contention currently evolving in the Malaysian social formation. This should at the same time avoid conceptualizing the bureaucratic bourgeoisie as a mere cluster of positions, with the nature of the class fraction merely read off as a function of its observed *attributes*.

¹¹⁸See Khor, op. cit., p. 70.

¹¹⁹Tan Tat Wai's work is contained in Khor, op. cit.

¹²⁰See Jomo and Toh, op. cit., p. 41-44.

¹²¹Cf. Leys (1976).

Hence if the concept of the bureaucratic bourgeoisie is to be of proper utility, it should itself be instructed by the *real tensions and oppositions* that its agents face collectively as it uses the state apparatus to alter the terrain of class contention. As space limitations prevent us from attempting to incorporate work in that direction, our discussion must necessarily be seen as incomplete.¹²²

¹²²Little work has been done on the relationship that distinct sections of the bureaucratic bourgeoisie face in the contemporary period. However analyses of the oppositions that the class fraction as a whole engages in are perhaps of greater relevance in the current period. See Jomo and Toh (1980) for a convenient summary of the latter aspect.

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