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Welfare Developmentalism in Singapore and Malaysia

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Introduction

Singapore and the then Malaya shared similar history as British colonies from the nineteenth century until after World War II. Malaya gaining political independence in 1957 and Singapore in 1965; independence of Singapore was enabled through a brief period of membership in Malaysia (1963-65). The extractive colonial economy of British Malaya and the entrepot economy of Singapore left the two territories at the point of political independence without any significant industrialization. Malaya was dependent on declining fortunes of rubber and tin exports, while Singapore remained a 'trading post' increasingly unable to utilize adequately the rapidly increasing local-born population. Industrialization, which was synonymous with social and economic development and both with nation building, was thus the overwhelming preoccupation of the two independent governments. To the extent that then Malaya and subsequently Malaysia had a resource extraction economy and a sizable population which provided a domestic consumption sector, pressure for industrialization was less immediate than in Singapore. Furthermore, it could follow the popular economic wisdom of the 1960s of 'import substitution' industrialization development strategy. Indeed, as a member of Malaysia, Singapore was looking toward the larger domestic market as the immediate destination of the products of its nascent industries. It was only after political separation that Singapore changed course to export-oriented industrialization, following the by then well trodden path taken by South Korea, Taiwan and Hong Kong, and before Japan.

Since then, the developmental trajectory of the two countries have often mirrored each other through cross-border borrowings of ideas and practices, although both governments are loathe to admit this publicly, and occasional radical divergence of policies as well. The similarities and differences can be brought into relief through a comparative analysis of the social welfare policies, which constitute part of the

developmental and nation building processes, in the two nations, since the 1960s. For example, central to the social policies of both countries is the institutionalization of the provident fund scheme - an individualized compulsory savings scheme as social security fund in lieu of a collectivized national pension scheme – as the corner stone of social security delivery (Asher 1994). As for divergences, these are crucially dependent on the management of the politics of race in the two nations, namely formal racial equality in Singapore and Malay dominance in Malaysia, both within a multiracial population of Malays, Chinese and Indians.[1]

This essay will restrict itself to the analysis of some social policies and their developmental effects in Singapore, noting similarities with Malaysia when appropriate, and examine the New Economic Policy of Malaysia as the key element in the differences between the two nations. The ground work for understanding difference has to be laid out in the different configurations of the respective political spheres in the lead up to political independence and the entrenchment of these configurations in the new nations.

Emergence of Two Single-Party Dominant States

Colonization and its attendant economic opportunities stimulated large flows of immigrants from China, South Asia and the neighboring islands of Southeast Asia. In the case of Singapore, where there were scant permanent residential settlements at the point when the Anglo East India Company set up the trading port in 1819, an overwhelming Chinese majority emerged quickly. In Malaysia, immigrant Chinese flocked to the tin mining districts of Selangor and other urban areas where employment opportunities, including petty trading, were available. From the very outset, Singapore, although geographically contiguous with peninsula Malaya, was governed as a separate entity by the British administration. The result, in both territories, was a population that was constituted by three visible Asian ‘races’ and a White administrative and commercial class, engaging in economic transaction but otherwise culturally quite apart; giving rise to the classical concept of ‘plural society’, with visible division and stratification of labor along racial lines.[2]

UMNO in Malaysia

When political independence became imminent after the War, issues of the character and structure of government and citizenship came to the fore. The initial British proposal, under the Malayan Union scheme, to make citizenship available to every resident who was eligible was categorically rejected by the Malays in Malaya, for fear of losing political control of their own homeland. This stimulated Malay nationalism which led to the formation the United Malay National Organization (UMNO), which in turn gave rise to other political parties that were organized along racial lines. The British administration encouraged the formation of the Malayan Chinese Association (MCA), as an alternative to the politically proscribed, Chinese-dominant Malayan Communist Party, which was built on the base of the anti-Japanese resistance groups established during the War. The Indians formed the Malayan Indian Congress (MIC). To cut short a long national narrative, which included a ten-year 'emergency' war of communist insurgency, the eventual outcome included: the indigenous status of Malays was constitutionally enshrined through 'special rights' such as, Malay dominance in public service, Islam as the state religion, preservation of the Malay sultans and Malay as the sole national language and all immigrants with ten-year residency in Malaya were entitled to citizenship (Milne and Mauzy 1978, p.38-41). From the very first general election for the federal government, UMNO, MCA and MIC, nominally called the Alliance, contested as a coalition and emerged victorious. The political dominance of this coalition has never been displaced since, although the balance of power has been radically altered after 1969.

In the 1969 general election, potential problems with regard to voting along racial lines manifested itself. The Alliance lost its two-third parliamentary majority. The Malay votes were split between UMNO and the Party Islam SiMalaysia (PAS) and the Chinese votes shifted away from MCA to other minor political parties, such as the Democratic Action Party (DAP). The very night when the electoral results were known, the worst of racial riots broke out, causing the government to impose an emergency. Arguably, the racial conflict was the consequence of unhappiness with the prevailing division of

leadership and power brokered within the Alliance in the 1950s; Malay dominance in politics and Chinese in economy. By 1969, this 'arrangement' was increasingly problematic among the local-born younger population. The younger Chinese population was dissatisfied with being kept out of politics and tertiary education and employment opportunities in the civil service, while their Malay counterpart was increasingly unhappy with their economic lot. Undoubtedly, one of the causes of the race riots was the anxieties among Malays that the election result reflected an apparent threat to Malay political dominance in their own homeland.[3] Ostensibly to avoid similar incidents in the future, both the political and the economic spheres were reconfigured.

Economically, a new policy was instituted, the New Economic Policy (NEP) in 1970. According to Jesudason (Jesudason 2000, p.79-81), at that time, the Malaysian government's ability, indeed determination, to 'bring the Malays into the economic mainstream' was being questioned by the Malay community; in 1970, 'Malays held only 1.6 per cent of the share capital of limited companies, compared with 63.3 per cent held by foreigners and 34.3 per cent held by the Chinese', this at a time when the Malay community constituted 55.5 per cent of the population compared to the Chinese 34 per cent. Furthermore, 'as many as 65 per cent of the Malay population was classified as poor in 1970, as against 26 per cent of the Chinese population'. The NEP was aimed primarily at ameliorating this racial distribution of the economic pie. It was to raise Malay ownership of share-capital ownership and other areas of economic activities to thirty per cent over a twenty-year period (1970-1990). As the thirty per cent level was not achieved at the end of the twenty-years, the policy was extended under the National Development Policy (1990-2000). The developmental effects of the NEP will be discussed later in the essay.

Politically, a new 'super' coalition was organized under the aegis of UMNO, which incorporated smaller political parties into the original three party Alliance, to constitute a National Front (Barisan Nasional, BN), leaving out only two other significant political parties, the Chinese dominated DAP and PAS, the latter being the staunch contestant against UMNO for the Malay-Muslim votes.[4] This 'super' coalition had since

dominated federal government and most state legislatures. The exceptions are the northeastern states of peninsular Malaya of Trenggenu which has consistently voted for PAS and Kelantan, which swings between UMNO and PAS and the island state of Penang, where its predominant Chinese population constitute a strong provincial base for the DAP. The overall political effect of this new configuration is the entrenchment of UMNO as the dominant party in government, a dominance that is unlikely to be displaced as long as parliamentary politics is organized along racial lines.

PAP in Singapore

The political trajectory of the single-party dominant state in Singapore is more straight-forward than the UMNO-dominated Malaysia. From the very outset, political parties in Singapore have been multiracial parties, with the exception of the local branch of the early Malayan UMNO.[5] The dominant party, the People's Action Party (PAP), founded in 1954, had been in power since 1959, when it won the general election in the first fully elected parliament of a self-governing Singapore. Its rapid ascendancy was built on the popular anti-colonial mobilization organized largely by left-wing political leaders who had widespread popular support. Once in power, the 'moderate' English-educated leadership in the Party instituted a series of repressive legislations that clipped the power of independent trade unions and radical student and community organizations. Within the Party, this English-educated group out maneuvered its left-wing counterpart, which broke away to form a new political party, the Barisan Socialis in 1963. Significantly, even with many of its leaders in detention without trial, the Barisan Socialis still managed to capture more than thirty per cent of the popular vote in the 1963 general election. However, its political leadership made a strategic mistake of boycotting parliament, neglecting its duty as the party in opposition. Then, in 1968, it boycotted the general election altogether, leaving the PAP to win all constituencies, without any opposition in parliament for the first time. The absolute political and parliamentary dominance of the PAP has held until today and unlikely to change in the immediate and medium term.[6]

At the time of political independence in 1965, Singapore declared itself constitutionally a multiracial nation, where racial equality rules, partly because geo-political necessity. Firstly, the overwhelming Chinese demographic majority was descendents of migrants with no proprietory claim of the island. Secondly, being a nation carved out of the 'Malay' world of archipelagic Southeast Asia, the neighbors would not have accepted a 'Chinese' nation in their midst with equanimity. Thus within this multiracial nation, Malays were constitutionally recognized as the indigenous population and given some 'special' rights, which were no where as extensive as those in Malaysia. Four 'official' languages – English, Mandarin, Malay and Tamil - were adopted, with Malay designated the 'national' language. English was adopted as the language of government, public administration and commerce and in 1974, as the primary language of instruction in all education institutions. In the selection for education, civil service and other public sector activities, meritocracy rules. This multiracialism as official policy has wide social, economic, cultural and political effects in the management of the country. The need to maintain 'racial harmony' has evolved into a framework for not only rationalizing government policies and policing the population; that is, 'racial harmony' is not only used for developmental purposes but also for repressive one.

Political Legitimacy

Within the globally hegemonic discourse of liberal democracy, the two single-party dominant states of Malaysia and Singapore are obviously less than democratic; consequently, they have been called 'authoritarian states' (Mauzy and Milne 2002, p.128-142) 'semi-democratic states' (Case 1992) and 'illiberal states' (Bell 1995). Indeed, the histories and current practices of politics in both countries of both countries are strewn with instances of authoritarianism, especially in the early years of PAP ascendancy. The ideological preference in Singapore is some version of 'communitarianism'[7] and in Malaysia, contestations around the idea of 'Islam', the national religion, consumes much ideological debating space. In both, democratic procedures, such as periodic elections and due parliamentary processes in passing of laws, the general elections take place on uneven playing fields that favor the ruling party. Furthermore, these democratic processes

exist side by side with highly anti-democratic laws that restraint civil society activities; for example, the Internal Security Act (ISA) which allows for repetitive terms of two-year detention without trial on suspicion of activities 'detrimental' to the security of the nation. Little wonder that the ruling regimes do not contest criticisms of authoritarianism, instead both are critical of liberalism and each sees itself as marching to a different tune from that of the liberal 'West'.

Absolute control of parliament gives the respective regimes free hand in passing legislations, managing national budgets, wielding instruments of coercion and formulating public policies without any effective political opposition. Opposition political parties are seen as mere 'inconveniences' and 'hindrance' to the proper functioning of laws and policies that are formulated in the interest of the 'greater good' of all. The highly centralized political power structure of the single-party dominant state has been molded by the ruling regimes into an instrument of economic development. The claim to represent, indeed as the embodiment of the common good in the case of the PAP and for the larger good of the Malay community or the Bumiputra (sons of the soil) in the case UMNO, acts as an ideological center for a corporatist strategy to incorporate identifiable non-state interests groups and civil society organizations. As these non-state organizations are often dependent on public resources that are in the hands of the state resistance to incorporation is difficult to sustain.[8]

The ability to act ostensibly for the economic common good has given both ruling regimes a surplus of political legitimacy among their respective electorates. This legitimacy is derived, in both instances, from the approximately four decades of rapid economic growth, from 1960 till 1997, with palpable improvements in the material life of the entire population. The economic success has provided each single-party dominant state with political dividend not only to cushion itself against local criticisms but also to gain grudging appreciations among foreign critics (Case 1995; Khong 1995; Mauzy and Milne 2002). The economic growth has also engendered significant ideological consensus between each ruling regime and its electoral ground, which can be gleaned

from the wide public resonance and support, thus political legitimacy, among the respective citizens for the anti-liberalism of both regimes.

Significantly, the economic development strategies adopted by both nations are broadly similar, with a very significant dependence on foreign capital and state enterprises as the engines of growth. However, Malaysia has in place greater restrictions of foreign ownership of enterprises and with the NEP, greater emphasis of racial distribution of ownership of domestic capital. As mentioned earlier, a major similarity in social policy is the institutionalization of a provident fund, funded by compulsory savings of the wage earners, as part of the capital formation and source of loans for government development expenditure. However, again differences in the management of race relations have engendered different practices in social developmental activities, in the rationalization and delivery of public policies of the two nations.

Singapore: housing policy as anchor developmental policy

It is significant that at the point of domestic 'self-government' - finance, defense and foreign affairs were still in the hands of British colonial office - the first fully-elected PAP government instituted two new statutory boards in 1960; the Economic Development Board (EDB) and the Housing and Development Board (HDB), with clear mandate of responsibilities. The nascent government invested what little capital it had to fund both institutions in anticipation of economic and political returns.

The EDB immediately undertook to develop a large tract of industrial estate on land that was recovered from swamp and proceeded to 'sell' it to foreign, multinational corporations (Schein 1996). Early skepticism turned into admiration and accolades of success as new 'pioneer' industries began to pour into the once empty space. The success of the industrialization program may been summarized: 'sound infrastructure, compliant work force, generous tax incentives, allowance of 100% ownership in most sectors of the economy, negligible restrictions on the repatriation of capital, duty-free importation of

machinery and equipment and a reputation for offering one of the highest returns on manufacturing investment in the region' (Rahim 1998, p.208).

Historically, these domestic policies dovetailed with the demands of multinational industries in developed economies for cheap production platforms as a means of escaping the high labor costs at home; a process which is now designated as the 'new industrial division of labor. It also benefited greatly from the fact the very large pools of labor in the People's Republic of China (PRC), Indonesia and other parts of mainland Southeast Asia were, for ideological reasons, locked away from foreign capitalist investments. Without these two historically consequential conditions, the success of Singapore's industrialization would be much less spectacular; witness the increasingly difficulties that Singapore faces in terms of competitiveness of labor cost. The timing of Singapore's industrialization process was therefore crucial; should Singapore be entering the export-oriented industrialization after the economic opening of the PRC to foreign capital in 1978, its would have faced an uphill task, as witnessed by other Southeast Asian nations. By the early 1990s, the per capita income of Singaporeans was already at 'developed' country level and second only to Japan in Asia. Economic success is indubitable, and indeed, 'success' has become part of the constellation of elements that constitute the elusive Singaporean 'identity'.

As for the HDB, its immediate task was to provide housing for a growing population that had been relatively neglected by the British colonial administration.[9] Beginning modestly with one-room rental flats, where residents had to share common kitchen and toilet facilities, it quickly moved to constructing modest three-room flats for 'sale' – the purchase by tenants is for a 99-year leasehold on the flat – three short years after its building program began. The initially sluggish sale program was given a tremendous boost, in 1968, when households were permitted to use their Central Provident Fund (CPF) savings to finance monthly mortgage on the public housing flats. The CPF provides an effective financial mechanism that facilitates expansion of home ownership: the HDB acts as both the vendor and mortgage lender to a household who is eligible to purchase a public housing flat; household members, individually or

collectively, can utilize their compulsory monthly CPF savings to pay the monthly mortgage; the monthly payment is conducted administratively between the CPF and the HDB. The entire process constitutes a closed circuit of transactions, without involving conventional banking and financial instruments. With this facility, the ratio of applicants to purchase the 99-year lease rose steadily. By early 1990s, more than 85 per cent of the resident population lived in HDB flats and an equal percentage of these 'owned' their flats. Details of the public housing system are now easily available in the literature (Castells et al. 1990; Chua 1997; Wong and Yeh 1985) what is important here is to delineate the centrality of the national housing program in the economic and political development of Singapore.

Improvement of the housing conditions of the population accomplishes a number of objectives simultaneously. At national economic level, the ubiquitous planned, high-rise housing estates constitute part of national capital formation. They are literally the concrete monuments of progressively accumulated national wealth. Home-ownership disciplines the workforce because monthly mortgage payments can be met only through regular employment in the formal sector of the economy. This encourages active employment. It contributed to the transformation of the population, whose attitudes towards labor were hitherto formed by unemployment and underemployment, into regular wage labor. Improved housing conditions provides permanent shelter, improved sanitation improves public health and individual well being; improved health reduces absenteeism at work and increase productivity of labor. In all these productive functions, housing can be regarded as 'human capital' investment rather than simply welfare expenditure. Home ownership thus contributes to 'proletarianization' of the population into a workforce that is essential to capitalist development (Tremewan 1994, p.47-53).

In addition, the 'resale' policies for public housing flats have encouraged households to upgrade its accommodation, mainly because sitting tenants are allowed to keep all capital gains in the sale without tax. The upgrading activities render housing into an arena of inflated consumption and a major contributor to the expansion of the domestic economy. Economists at the National University of Singapore had noted that

the ease with which the buying and selling of public housing flats can be conducted with CPF money has lead to a general over-consumption of housing in Singapore (Central Provident Study Group 1986). The government, for political reasons, continued to encourage 'upgrading' of housing consumption among the population until after the 1997 Asian regional financial crisis, when it acted to restrain consumption by limiting the amount of CPF that can be drawn for housing purposes.[10]

It should be noted that the opportunity to purchases public housing flats in Singapore is a 'privilege' of citizenship rather than a welfare entitlement. The conditions of sales are those between willing buyer and willing vendor. This has enabled the government to use sales of flats as the vehicle to carry other social policies. The most obvious are the slew of pro-family policies: Until the mid 1990s, only households could purchase a flat, singles were excluded; singles were later allowed to buy three-room resale flats as families began to upgrade to bigger and newer flats. Young families who opt to live close to their parents are giving priority on the waiting list; at the time when demand for flats were at its highest in the mid 1980s, this priority of allocation could reduce the waiting time by almost two years, from five to three years. Young families who buy flats in close proximity to their parents are given a much larger cash subsidy towards to purchase of the flat than those who elect to live away from other family members. These pro-family policies are motivated by the government's desire to make the family the first-line of assistance in all matters of care, so as to reduce dependency on public institutions.[11]

Another area of achievement that is less tangible and often goes unnoticed is how public housing contributes to the social disciplining of the Singaporeans in what may be called 'good' citizenship. High-rise living requires a very high level of civic consciousness in order to maintain harmonious relations among neighbors. Over a period of two decades (1960-80), the entire population had been resettled from their previous residences on the ground, often in either predominantly Chinese or predominantly Malay communities, into high-rise, high-density planned residential environment where racial distributions are maintained by quota of allocation, erasing the possibility of territorial

exclusivity for minority races, that is, erasing the possibility of racial enclaves. The housing estates are so planned that apart from employment, all the necessities of everyday life of the residents can be obtained within the housing estate. Consequently, the daily life of the 85 per cent of the population who lives in public housing estates is relatively 'homogenous', significantly submerging the social and economic inequalities among the residents. This has led to the government declaring that Singapore is a middle-class society and the 15 percent private housing, whether in high-rise condominiums or housing-on-the-ground, has emerged as the primary marker of class distinctions and relative 'success', a breakaway from the public housing masses.

Living in high-rise buildings, a whole new set of social behaviors have to be learned by all. For example, throwing things outdoor, a casual act when one was living in a house on the ground becomes a dangerous act with potentially dire consequences to others when one lives literally in mid-air. The danger it poses has led to the criminalization of such acts as 'killer litter'.[12] Also, given the multi-religious character of the population, tolerance of different religious practices among neighbors is essential. Muslims would have to bear with the incense burning ways of the Indian neighbors who are Hindus and Chinese neighbors who are Taoist/Buddhists, who in addition to burning daily incense, also burns paper-money on ritual occasions. High-rise living therefore provides opportunities to educate and facilitate better inter-racial and inter-religious relations among Singaporeans. These opportunities are seized upon by the PAP government as the basis for para-governmental, residents-base organizations, such as the Resident Committees (RC), which has among its duties the resolution of disputes among neighbors. These committees extend the state's penetration into the community by helping the local elected MPs with less formal aspects of governance. All these necessary good neighborly behaviors and conflict resolutions are, of course, simultaneously good citizenship behaviors. However, in the quest for harmony among the multiracial residents, many rituals and festivals have either disallowed by law or reduced and simplified in their performance; for example, the Chinese religious practice of chanting in the nights at the wake for the dead has been severely foreshortened in order not to disturb the rest of the rest of the neighborhood.

The contribution of the public housing program to the economic and social development is without precedent anywhere in the world, where failures of national housing policies are the norm. The manner in which other social policies and social benefits are piggy-backed on the successful housing program is something quite remarkable. It is, however, also 'frightening' because around housing provision of a kind of 'total' society is being built.

While improved housing condition undoubtedly improves citizens' material life, state as provider of the housing also extracts substantial costs, especially political costs. This became apparent during the 1997 general election. In the 1984 general election the other political parties agreed on two broad tactics of contestation. First, believing that the electorate broadly wants the PAP to govern because of its impressive economic and social development track record, the other political parties agreed to contest in less than 50 per cent of the constituencies. This means that the electorate would be assured of a PAP government and, hopefully, after being so assured, those voters who are critical of the PAP will be more ready to vote for candidates from the other parties. Second, the other parties agreed broadly not to engage in three-corner contests so as to avoid splitting anti-PAP votes. In that election, primarily because of cumulative dissatisfactions with a series of unpopular policies, four non-PAP candidates were elected, in contrast to the usual one or two. Since then, the other political parties have stuck to this tactics.

In the 1997 general election, the PAP realized that they faced unusually keen competition in many of the contested constituencies. As a single-party dominant state, the PAP sees general election as a periodic 'referendum' on its legitimacy to rule and is therefore unwilling to lose any popular ground. Sensing the likelihood of such losses, it 'threatened' that constituencies in public housing estates that voted against the PAP will not be 'upgraded'. Since early 1990s, the government had been upgrading older housing estates, on a share-cost basis with residents, to bring them closer to the standards of the newer and better serviced housing estates, so as to maintain the property values of the older estates. Clearly the PAP was using public funds to its own advantages. Under such

circumstances, any public housing resident who voted against the PAP contestant in one's constituency would be tantamount to voting against one's own material self-interest. Thus, unless one was absolutely convinced of the desirability of democracy at all cost, the rational choice would be to vote PAP. The consequence was, obviously, the PAP regained the ground. However, a larger principle is at stake here: the population's dependency on the state to provide housing as a basic necessity has transformed them into clients of the state, without the ability to fully exercise their electoral power (Chua 2000); the strangle-hold of the PAP on state power is reinforced, if not institutionalized!

Post 1997 Asian Regional Financial Crisis

The relatively smooth unfolding of the economic and social development programs in Singapore suffered its first major disruptions during the 1997 Asian regional financial crisis. Although the shock to the economy was largely the result of contagion from the neighboring economies, sustained recovery proved difficult because of a subsequent series of untoward events. The financial crisis was followed by sustained global downturn, then the negative economic effects of the Iraqi War and the Severe Acute Respiratory Syndrome (SARS) epidemic and finally, the emergence of sustained structural unemployment that results from migration of low end industrial and mid level management jobs to the lower wage locations in the region, particularly the People's Republic of China and India. The emergence of sustained structural unemployment may be said to mark the end of the developmental phase of the Singapore economy, when full employment and labor shortage used to be the order of the day and 'retrenchment' meant a financial windfall because a worker could easily obtain another job after collecting the retrenchment benefit.

Faced with sustained unemployment, the PAP government does what every government in capitalist economies does, expand welfare provisions. The government has expanded its job-training provisions, which provide not only training cost but also payroll subsidies during training period. Under another scheme, it will pay half of the monthly salary for up to six months when a retrenched worker is reemployed. The most radical

welfare program is the Home Ownership Plus Education (HOPE) program, introduced in September 2003. Here, the government will provide small, young and families who are in poor prospects economically up to 100,000 dollars of benefits, aimed at radically helping the family out of potentially long term poverty trop. The scheme will provide up to $50,000 grant for home ownership, $10,000 for skills training to be shared equally by husband and wife and assistance for children from pre-school to tertiary education. At its introduction it was estimated that 3000 households will benefit from the scheme (Straits Times 21 August 2003). The government understandably has tried to put a bold face on the expansion of welfare by giving the assistance an ideological positive spin, calling the schemes 'employment' instead of 'unemployment' assistance.

The depressed economic condition also has a constellation of negative effects on the public housing program. First, it has led to a sharp decline in property values of flat up to 40 percent in 1999 from the 1997 values. There was a small recovery in the year 2000, but by mid 2003, still hovers at 20 to 25 percent below peak values. Hitherto, purchasing public housing had been a certainty of financial gains since the HDB started selling its flats in 1964. After 1997, this certainty was over. Since then, investment in public housing will face the same market uncertainties as in any other investments. A shaper decline in property values has been sustained by private sector housing as well. Second, decline in property value has changed attitudes in housing consumption. Singaporeans have turned sober in their housing options: many have put off or at least delayed plans to upgrade into newer and bigger public housing flats or to lower-end private condominiums; some have even taken themselves out of the queue to purchase new flats; smaller flats have return to favor and private condominiums have been selling at snail pace (Sunday Times 26 October 2003). The result was a glut of over-supply of housing in both sectors. At mid 2003, the HDB had a stock of about 10,000 unsold housing units, which would constitute a crisis for any private developer or mortgage holding company.

Economic recession and structural unemployment exposed a central concern of the public housing program. The success of the public housing ownership program is

dependent on the citizenry's ability to finance long-term mortgage loans, which is in turn dependent on sustained employment. Homeownership can turn quickly into a millstone for owners who cannot count on continuing employment, or worse, become unemployed. Up to about 100,000 households who bought their public housing flats at peak prices in the years 1995-97 found themselves holding negative equity as the values of their flats decline below the purchase prices. As in the in past, the HDB has had to provide assistance to help families who are unemployed and unable to meet their monthly mortgage payments, including suspending collection of payments until the members of the household secure reemployment. Furthermore, as mortgage payment is tied to CPF contributions, falling values of public housing flats have severe financial consequences for retirees who were planning to sell their flats with capital gains to finance their retirement years. For many, retirement has to be delayed as the existing housing market is likely to be negative for the remaining years of the first decade of the 21st century for those looking to sell their flats. Finally, as public housing homeownership has been aggressively promoted by the PAP government since the mid 1960s, it is now faced with the responsibility of solving the above problems by preventing further falls in property value and not go the way of Hong Kong, where property prices had fallen by an average of 60 percent between 1997 and 2003, with no sign of recovery. The government's ability to help public housing values recovery will have significant effect on its continuing legitimacy to rule.

Malaysia: the New Economic Policy

The NEP with the aim to raise the Malay's share of the domestic capital to about 30 per cent within twenty years was in place by 1971. This economic redistribution was seen as necessary to maintain long term racial peace. Contextual justifications aside, such 'affirmative action' policies are by definition discriminatory against individuals who are non-Malays. They are thus intrinsically conflict ridden and potentially explosive. Fortunately, for Malaysia, the political structural arrangement between the races and, the fortuitous historical condition during the period of policy implementation has enabled the country to avoid any social disruptions at the collective level.

The achievement of the primary aim of the NEP is well documented by Crouch (Crouch 2001, pp.231-284). According to him, to overcome the lack of entrepreneurial skills among the Malays, the government acting 'on behalf of the Malays', 'expanded its commercial and industrial operations as a way of creating openings for Malay business' (Crouch 2001, p.232). State enterprises would often bring in Malay-owned firms as business partners and as suppliers or sub-contractors of services. State level economic corporations were also set up with the similar aim of generating business opportunities for the Malays (Crouch 2001, p.233). A state-own corporation, the National Corporation, was created as a vehicle both for establishing new businesses and 'to buy into established British and other foreign companies in the mining and plantations sector via the stock market rather than through nationalization' (Crouch 2001, p.232). In the first decade of the NEP, Malay 'share-ownership' rose from 2.4 in 1970 to 12.5 per cent, of which less than half were in private Malay hands, the remaining being held 'on behalf of the Malays' by state enterprises. A National Equity Corporation was then established, to which many of the most profitable assets of the National Corporation and the state corporations were transferred. Individual Malays were allowed to purchase its unit trust and thus 'acquire indirect stakes' in the assets of the National Corporation. This raised the Malay ownership in share capital to 20.3 per cent by 1990, of which 14 per cent were in the hands of private individual Malays.

Other strategies for increasing Malay share-owning included 'coercing' enterprises of certain size to '"restructure" its share ownership in accordance with national goals' (Crouch 2001, p.234), namely thirty per cent Malay ownership. Chinese businesses had difficulties obtaining licenses, financial loans and government contracts unless they took on Malay 'partners'. [13] The government also provided incentives, including training courses, 'easy loans with little or no collateral', and 'subsidized premises' for Malays to establish their won businesses, which were in turn given preferential access to government contracts and licenses and other business opportunities generated by the state. Obviously, such 'hot-housing' of share-ownership and enterprise building had its problems. Often, the foreign or Chinese owners of the 'restructured' or

new enterprises had to take on Malay partners who 'brought no financing to the business, in order to gain access to the necessary licenses, contracts, concessions, and credit' (Crouch 2001, p.234). In some instances of publicly listed companies, the Malay partners who were given the shares gratis turned around and sold the shares for immediate profit. Thus, undoubtedly the NEP created massive opportunities of corruption and political patronage, with the majority of benefits going to those 'Malays with good connections with the dominant party, UMNO' (Crouch 2001, p.235). Consequently, criticisms were often directed at UMNO: 'Starting up shell companies and "two-dollar" firms, inflating them with state contracts and license, and rotating capital under holding companies and investment arms, UMNO penetrated deeply during the 1970s into financial services, property development, light manufacturing, and media ownership', leading consequently to 'fusing government and business in Malaysia's distinct brand of money politics' (Case 1995, p.95). Opinions remain divided on whether all these process did in fact generate able Malay businessmen for the long term, when many private Malay enterprises either collapsed or had to be baled out by the government during the Asian financial crisis.

Concurrently with the changes in business ownership, there were strategies, particularly through education opportunities, to improve Malay participation in all professions to grow a Malay middle class. In all but the primary schools, where the Mandarin and Tamil schools with Malay language as a compulsory subject were permitted, the language of instruction for the education system was changed gradually from English or Mandarin to Malay. At the same time, the government expanded tertiary education rapidly at home with new universities and technical colleges. It also provided overseas scholarships, especially to Britain and US universities. These tertiary education opportunities went predominantly to Malay students by quota, resulting in a rapid expansion of Malay university students, from about 40 per cent in 1970 to 67 per cent in 1980. Subsequently, Malay employment in middle class professional occupations, reached 48 per cent at the end of the two-decades of NEP, in 1990 (Crouch 2001, pp.237-238).

Such massive 'redistribution' of share-ownership and education opportunities inevitably caused resentment among non-Malays. Indeed, at the individual level, one could ready find discriminated individuals who resent being 'robbed' of education and economic advancement. Many Chinese Malaysians migrated and made good in the 'meritocratic' system in Singapore are quick to tell of such personal stories of discrimination and exclusion.[14] However, at the societal level, Crouch points out that fortunately, 'the NEP was implemented during a period of extraordinarily rapid growth, enabling it to transfer resources to the affirmative action program without imposing unbearable burdens on the non-Malay communities' (Crouch 2001, p.239).[15] The share-transfer schemes affected primarily existing foreign-owned companies, although its negative effects on Chinese enterprises were inevitable. In Crouch's opinion, 'the NEP did not exclude the Chinese community from business opportunities; it simply made it more expensive to conduct business' (Crouch 2001, p.239). The difficulties and increased business costs were ameliorated by the buoyant economic expansion of the two decades, such that Chinese share holding expanded from 34.3 to 44.9 per cent, between 1970 and 1990; correspondingly, the share capital owned by foreigners, mainly British, fell from 63.3 to 25.1 per cent in the same two decades(Crouch 2001, p.240).

In education, as a result of a seven-fold increase in student places, the absolute number of non-Malay students also increased, in spite of the quota. However, when the proportion of non-Malay students dropped to around 25 per cent, the non-Malay protested; during the 1978 national election, 'many Chinese voters turned against the government' (Crouch 2001, p.242). The result was that the government agreed to reduce the quota gradually in subsequent years. Nevertheless, by 2002, many places reserved for Malays were not taken, while qualified Chinese were excluded. Since then, such places were to be given to qualified non-Malay students rather than left vacant; furthermore, in 2003, moves were apparently afoot to base entrance on academic merits rather than race.

The overall result of 20 years of NEP has been dramatic: There emerged a Malay entrepreneurial class who is close to UMNO, the single-dominant party in government. A Malay middle class across the spectrum of professions is now in place. Occupational

opportunities for the Malay working class have improved, with rising income. Although economically these developments were in part funded by the revenues derived from the discovery of oil in the 1970s, the relatively open market that invited foreign investments in the industrial sectors and the replacement of colonial British share capital in the resource industries, the redistributive effect in favor of the Malays would not have happened if not for the affirmative action of the NEP.

Politically, it was critical that the NEP was carried out with the political coalition of *Barisan Nasional* intact, thus preserving political participation of the non Malay communities. In its 'incorporation' of the minority groups, particularly the Chinese, the UMNO led single-party dominant state was able to demonstrate that it was responsive to the demands of the majority, namely the Malays through the NEP, while at the same time mindful of the interests of the minorities. The overall economic redistribution was to have its effects on this political arrangement.

According to Jesudason, the emergence of a Malay entrepreneurial group has been welcomed by the Chinese, as its emergence has changed Malay perceptions of economic inequality and poverty: 'Many Chinese businesspersons see the emergence of the new Malay tycoons (*orang korporat*) as a positive development: the growth of this class will favor destatization, talented Chinese will be recruited into their organizations, and in bad economic or political conditions the Malay capitalist class is more likely to be targeted than the Chinese' (Jesudason 2000, p.90). This doubled effect could be seen in the political development after the 1997 Asian regional crisis, when there was massive unemployment and spectacular failures of Malay businesses. Jesudason noted that there was no racist-styled Malay criticism of Chinese business interests. He concludes, '[it] showed that Malays had developed a new understanding of the dynamics of the capitalist economy and saw that the inequality and poverty were not the simple outcome of one ethnic group's stealing from another' (Jesudason 2000, p.90).

The political perceptions and orientation of the Chinese were also changed during the financial crisis. Differences between the Prime Minister, Mohammed Mahathir and

his deputy Anwar Ibrahim, which led to the jailing of the latter on sodomy charges, split the Malay community. The political fallout provided opportunities for the coalition of different oppositional forces, including opposition parties and civil society groups, into a '*Reformasi*' movement (Weiss 2003), which confronted the police in violent street demonstrations. In the run up to the 1999 general elections, the emergent opposition political forces coalesced to form a new political party, the *Parti Keadilan Nasional* (National Justice Party), which entered into coalition with the other two major opposition parties, the PAS and DAP, to form a *Barisan Alternatif* (Alternative Front) to contest the election (Case 2003). Disgruntled with UMNO and its economic cronyism the Malay ground split into two approximately equal halves, leaving the Chinese electorate to determine the election outcome. Fear of the expressed interest of PAS to establish an Islamic state in Malaysia, a majority of the Chinese voted for UMNO led *Barisan Nasional*. The result was that *Barisan Nasional* retained its two-third parliamentary majority; UMNO lost 22 seats and two states, while PAS formed the formal opposition in parliament for the first time (Funston 2000).

Finally, it should be noted that the election results also signified significant changes in the relationship between race, economy and politics in Malaysia; the class structure is increasingly indistinguishable by race, resentment against economic manipulations are directed as much to Malay entrepreneurs, particularly those who are deemed to have benefited from affiliations with UMNO, as to Chinese capitalists, the civil society is increasingly multiracial in composition and the electorate appears to be shifting from voting along racial divides to being issue oriented. Perhaps in recognition of these shifts, in the twilight of his years as Prime Minister, Mohammed Mahathir has raised the possibility of a 'Malaysian Malaysia' in his conception of '*Bangsa Malaysia*', the Malaysian race. All these portend well for further democratization of the political sphere, although too early for optimism.

Conclusion

Singapore and Malaysia are by now two exemplary cases of how social policies and economic development are inextricably tied. In both instances, the rapid transformation of the economy from relative backwardness at the point of decolonization to developed nation status took place under single-party dominant regimes which are less than democratic; governments which combined democratic procedures and institutions with authoritarian constraints. The curtailment of certain democratic rights is generally seen as being compensated by the improved financial conditions and expansion of material life of the entire population; what may be called performance legitimacy. Furthermore, in both instances, the regimes have been sufficiently responsive to the needs of the majority of population, often before the majority makes explicit demands. In the case of Malaysia, after 1969, the demands of the Malay majority were privileged over those of non-Malays. In Singapore, the entire national housing program, which is the center piece of both social policy and political legitimacy of the PAP government, would not be possible if the property rights of individual land owners were not violated by the draconian land acquisition activities of the government. Hence, regardless of critique of their anti-democratic, authoritarian practices, the legitimacy of these single-party dominant regimes among their respective electorates is not in doubt.

Arrival at the developed status nevertheless changes the political equations between the electorate and the single-party dominant regime. In spite of their legitimacy, there are continuing desires among the majority of the respective electorates for greater democratization. Small population segments continue to actively struggle for greater liberalization in different, specific spheres of social life. Since the 1990s, civil society activities in both countries have expanded. As the 1999 general elections showed, the Malaysian groups are politically more penetrating and effective in articulating the need for political structural changes. The Singaporean groups are more engaged in the liberalization of specific issues and arena of practices, such as gender equality, environmental protection and artistic freedoms. In each of these issues the regime has been making liberalization, without conceding any ground in the formal political sphere; there has been ‘liberalization’ without democratization (Chua 2003). The political trajectories of the two countries appear to be set for the immediate and medium terms.

[1] The term 'race', instead of the more politically correct term 'ethnicity', will be used in this essay because 'race' is the political term used in both countries by their respective leaders, citizens and in everyday conversations.
[2] The concept of 'plural society' was coined by J.S. Furnivall, a Dutch civil servant in Indonesia to characterize the racial and economic configurations in the Dutch and British colonies in Southeast Asia.
[3] For the most recent national history of Malaysia, see Cheah (2002).
[4] Indeed, the politics of Malaysia has increasingly shifted to intra-party contestations within UMNO and intra-Muslim community contestation between UMNO and PAS; see Case (1995). For a discussion of the roots of politics of Islam and its effects on race relations and development in Malaysia, see Muzaffar (1988).
[5] The multiracial composition of the political parties was probably the consequence of the fact that the overwhelming majority Chinese population was not indigenous to the island, while the 'indigenous' Malays was a minority population unable to gain political majority.
[6] As a result of this entrenched hegemony, many PAP leaders are wont to believe that the history of independent Singapore is synonymous with the history of the PAP party and leadership; for example, the two-volume autobiography of Lee Kuan Yew (1998, 2000), who was Prime Minister for the first thirty-one years, is entitled, The Singapore Story. For more critical political analysis of the ascendancy and hegemony of the PAP, see Rodan (1989), Chua (1995) and Tremewan (1994).
[7] The ideological foundation of Singapore is 'pragmatism', however, to the extent that the effects of pragmatism includes possible extreme self-interest in exclusively materialist terms, it is insufficient as the 'moral' basis of society, hence, over the past two decades, the PAP government has been experimenting with different 'national' ideologies, including the present preference for 'communitarianism'; for details of this ideological trajectory, see Chua (1995)
[8] Khong (1995) has listed the PAP government's incorporation of the various non-state sectors into its ideological embrace through the idea of the 'collective' good, thereby enhancing the government's political legitimacy to rule.
[9] 'Relatively' because the colonial administration in Singapore, through the Public Works Department and the Singapore Improvement Trust had built more housing and infrastructure compared to other British colonial territories elsewhere in the world.
[10] The CPF has progressively become a primary instrument of social policy beyond housing. It is now used to finance part of the household's medical care, education needs and ultimately, retirement. The literature on CPF is extensive, for a sampling see, Asher (1994) and Low and Aw (1997).
[11] Pro-family social policies are extensive in Singapore, including very substantial tax breaks for children, especially the third and fourth child, children bearing the costs of hospitalization of their parents through the use of the children's CPF medisave funds, and finally, the law that allows parents to sue children for old age maintenance.
[12] Other criminal activities are also policed through public housing tenancy. For example, if the any member of the family was caught conducting illegal activities, such as gambling or prostitution, in the flat, the entire family could face eviction.
[13] Such Chinese-Malay partnership is known colloquially as 'Ali Baba' companies, 'Ali' the Malay gets the license and 'Baba' – a term for local born Chinese – provides the capital and know-how to run the business.
[14] In 1998 the Malay community constituted 62.3 per cent and the Chinese 27 per cent of the total population, compared to 55.5 per cent and 34 per cent respectively in 1970.
[15] The most negatively affected were the small minority of Indian population, which saw a decline in its average income relative to the Chinese, from 77.6 to 74 per cent (Jesudason, 2000: 90).

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