

## BOOK REVIEW

Sultan Nazrin Shah (2017). *Charting the Economy: Early 20th Century Malaya and Contemporary Malaysian Contrasts*. Shah Alam: Oxford University Press.

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Malaysia has been heralded as a development model that not only saw the country integrating smoothly into the capitalist world economy, but the development path taken is considered by global organisations, such as the World Bank, as reasonably adaptable for other latecomer countries to follow. Despite the voluminous historical dissection available of the Malaysian economy, this book by Sultan Nazrin Shah has produced a gem that not only opens up a refreshingly novel account of early 20th century colonial Malaya and comparing it with post-independent Malaysia, but in doing so it also dwarfs past works on colonial Malaya by gathering, refining and analysing Malaya's integration with the world economy through meticulous research. The evidence amassed offers the ammunition to examine Malaysia's economic history against the development economics theories of resource curse and Dutch disease.

Presented in six chapters, this book provides an excellent analysis of Malaya's economic history over the period 1900-1939, and contrasts it with Malaysia's economic development over the period 1970-2009 after a lucid and stimulating overview of the theories of Dutch Disease (advanced by Max Corden and James Neary) and Resource Curse (formulated by Jeffrey Sachs and Andrew Warner), which have often been used to explain underdevelopment. In chapter two, the book introduces the historical origins of the different geographical lands and how their amalgamation into one national polity took place during British rule, and subsequently when Sabah, Sarawak and Singapore joined Malaya in 1963 to form Malaysia. Chapter two also discusses British colonial rule in Malaya during which time the first set of modern roads and railways, ports and other infrastructural facilities, including telecommunications, utilities, health facilities, and schools, were built that drove urbanisation and demographic change, and made Malaya the world's leading exporter of tin and rubber.

Chapter three rigorously deploys national accounts methodology to derive GDP estimates, in current and constant prices, which would have made the Scottish economic historian, the late Angus Maddison proud. It is from this exercise that Malaya's long series of GDP, and its sectors were prepared using the best available assumptions, deflators and data. Chapter four analyses the historical series to show how the Malayan economy grew, albeit with volatile fluctuations over the period 1900-1939. It was during this time that tin and rubber production, with the latter contributing the most, grew strongly in Malaya. The book arguably provides the first tangible evidence of why so little was accumulated domestically during this period when trade grew on a massive scale, i.e. investments had remained low as the colonialists and

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foreign operators repatriated back most of their profits. Also, since the focus was on colonial and foreign interests, little was done to shield the country from economic slumps so that the Malayan economic growth rates swung wildly as the vicissitudes of volatile fluctuations in demand for rubber and tin derailed the economy.

Chapter five compares the economic volatility experienced by Malaya over the period 1900-1939 with Malaysia over the period 1970-2009. The rich and robust data series constructed helps explain why economic growth was less volatile in the latter period than in the former period, albeit the base was smaller in the earlier period than in the latter period. Indeed, the David Dawe's coefficient calculated shows that exports was far more stable during 1970-2009 than in 1900-1939, which offers the basis to argue why economic growth was less impressive and more uneven in the 1900-1939 period than in the 1970-2009 period. The chapter also offers a qualified assessment of the sources of economic growth using growth accounting but with a focus only on the 1900-1939 period. Sultan Nazrin Shah steers clear from drawing major conclusions from this exercise by pointing to the limitations associated with such a framework.

The final chapter provides a balanced comparison of economic performance of Malaya in 1900-1939 and Malaysia in 2000-2009 largely contrasting them with the former as targeted to meet colonial interests while the latter focused on engendering the conditions for national development. This chapter ingeniously explains the higher performance and distribution achieved during the latter period compared with the earlier period as being a consequence of the role played by the independent government of Malaysia to support higher investment levels, and focus on national development policies that expanded sharply education and health provision targeted at stimulating domestic accumulation. A case in point is on how the colonial and independent governments countered the economic depressions that faced Malaya and Malaysia respectively in 1929-1932 and 2008-2009. Not only did the earlier world depression last longer, it also severely crippled economic activity and people's livelihoods compared to the latter. In contrast, the national government quickly launched a large fiscal stimulus to counter the sharp fall in exports to successfully stimulate a recovery by the end of 2009. In addition, the chapter also helps explain how independent Malaysia managed to escape the resource curse argument by diversifying its exports and introducing export-oriented industrialisation.

Overall, this book is a marvelous contribution to our understanding of the Malaysian economy over the 20th century and the early 21st century that helps explain in clear terms that Malaya got integrated into the world economy largely through exports of tin and rubber during British colonial rule, which laid the foundations for the independent government later to pursue proactive economic development and distribution policies from 1970. Prepared through the use of a wisely collected and constructed data series, the analysis is carefully crafted to offer a coherent and cogent account of economic development in colonial Malaya and post-colonial Malaysia. This brilliant and balanced account of colonial Malaya and post-colonial Malaysia is a must read for graduate students, and policymakers whose concerns are not only to prepare a robust set of instruments and methodologies to construct and analyse economic growth data series and its sources, but more importantly to also configure development policies to counter economic crises and create the conditions for economic development.