

## Economics and Development: Socioeconomic Progress in Malaysia and FEA at 50

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**Abstract:** The history of the Faculty of Economics and Administration (FEA) at the University of Malaya, the oldest faculty of economics in Malaysia, is inter-twined with the history of the nation of Malaysia. In response to the nation's push for economic development, from modest beginnings in 1966, FEA has been growing from strength to strength. With remarkable agility, it has responded to changes both locally and globally. In fact, changes at FEA have also closely reflected the changing economic landscape of the nation. This special issue of MJES in commemoration of the 50<sup>th</sup> anniversary of the establishment of the faculty contains nine contributions on various topics and issues pertinent to Malaysia's socioeconomic development since independence.

Keywords: Capacity building, economics teaching and research, Faculty of Economics and Administration, socioeconomic development

JEL classification: A11, A22, A23, A31

### 1. Humble Beginnings

This special issue of the *Malaysia Journal of Economic Studies (MJES)* is published to celebrate the 50<sup>th</sup> anniversary of the Faculty of Economics and Administration (FEA) at the University of Malaya, the oldest faculty of economics in Malaysia. After half a century of existence and while charting its path into the future, it is timely for us to reflect upon our journey thus far and where we are today while we envision the future. The history of the faculty is intertwined with the history of the country. Even earlier, when Malaya (as Malaysia was formerly known) and Singapore were one nation, its beginnings, since it was formed in 1929, were at Raffles College in Singapore. Economics was then offered as an optional subject. Raffles College was merged with the King Edward VII College of Medicine to form the University of Malaya in 1949. The Department of Economics and Statistics was established as one of the five departments under the Faculty of Arts when the university was relocated to Kuala Lumpur in 1959. The first batch of economics undergraduates in the Faculty Arts was made up of only fourteen students.

It was evident that operating as a department of the Faculty of Arts was restricting its growth. The University of Malaya Senate in 1965 approved the formation of a new faculty, Faculty of Economics and Administration, fondly known as the FEA. In fact, FEA for a decade was the only faculty of economics in the country. The founding dean (1966), Professor Ungku A. Aziz (later awarded Royal Professor) was very clear of his mission, since the country had just achieved its independence (1957). Being located in the capital city of the newly independent nation, the dean felt that it was incumbent upon him to develop

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an economics syllabus that was suitable to equip young Malaysians with the appropriate economics knowledge, i.e. to offer an economics syllabus to young Malaysians taking into account the country's context and not relying solely on Western theories of economics. A total of 133, more than double the number when it was a department within the Faculty of Arts, were the first batch of students admitted into the faculty.

The Faculty was organised along a divisional structure instead of a departmental structure with the intention of giving the faculty a seamless arrangement both in terms of courses and administration, even though a divisional structure tends to be more centralised in terms of authority. Given the resource shortage (both human and financial) at this stage of the faculty's history, the divisional structure was deemed appropriate as it would allow a lecturer from a division to be able to teach a course in another division of a similar field. Furthermore, it was felt that various areas of economics were closely related with one another. Administratively, it reduced both capital and operational costs when the administrative office and staff were shared among the seven divisions. The idea seemed to work, for as more courses were introduced by each department, the rigidity problem crept in not long after that into its establishment.

Nevertheless, the focus of economics teaching was general economics, statistics and rural development. In fact, since Malaysia was 70% rural in the 1970s and rural development and agricultural development was the mainstay of the national development strategy, the rural development division became a very significant specialisation of an integrated faculty. The lecturers from the rural development division including Ungku Aziz had contributed extensively to the field of development studies. Subsequently, complete courses of business administration and public administration were designed, using local case studies for lectures and tutorials. Research then was very limited and stagnated in the initial stage since the focus was mainly on teaching.

The training and development of academic staff started almost immediately after the faculty was established in order to fill the need for local expertise to meet the rising demand for economics education. Under the staff training program, top graduates of the faculty were identified and sent abroad to do post-graduate programs and acquire professional qualifications in various fields in Canada, the United States and Europe. The training started with agricultural economics and cooperative studies in Canada and Sweden, followed by MBA and PhDs. Also, in 1966/67, financed by the Ford Foundation, a programme for the development of the public administration division was initiated. It was known as the Pittsburgh Program aimed at supporting capacity building to train civil servants, through the development of competent education and training programs within the division of public administration. By 1973 a total of 13 scholarships were offered to Malaysians to study at the University of Pittsburgh and several visiting professors from the University of Pittsburgh visited the department. The FEA-CIDA (Canadian International Development Agency) program in the Division of Accounting in July 1972 contributed to the development of the faculty especially the department of accounting. The Division of Accounting had from the outset been confronted with the problem of acute staff shortage as a result of the great demand for accountants in the private sector. The program entailed both curriculum development advice and granting of fellowships to 10 Malaysians to pursue postgraduate training in Canada. By 1978, 10 fellowships were offered. In that regard, the FEA-CIDA program contributed to the much needed support to overcome the deficit in professional accountants in the country.

Within several years, the number of academic staff was strengthened and FEA became a full-fledged Faculty of Economics and Administration with seven divisions: Analytical Economics, Applied Economics, Statistics, Rural Development, Accounting, Business Administration and Public Administration. More post-graduate courses were offered including Diploma in Public Administration (1969), Diploma in Accounting (1973), Diploma in Business Administration (1976), and courses designed to train civil servants. The Diploma in Accounting was part of the much needed training of accountants.

Ungku Aziz himself, the 'builder' of the faculty is an intellectual and a highly respected academic recognised not only for building a faculty that is a force to be reckoned with in the country and internationally but also for contributing to the economic thinking in the country which became the basis of many economic policies such as the New Economic Policy, *Tabung Haji* and *Koperasi* (Rasiah, Norma Mansor, & Chandran, 2015). Ungku Aziz was later acknowledged as the longest serving Vice-Chancellor of the University of Malaya (1968-1988).

The design of the building is noteworthy. The Kubah (dome) placed on the circular building and its geodesic design is considered to be perfect with regard to form and function. The six facets were mathematically calculated. The lecture halls can accommodate more than 1,000 students per sitting and all five halls are equipped with CCTVs.

## 2. Shouldering the National Agenda

In response to the nation's push for economic development, from modest beginnings in 1966 the faculty grew from strength to strength. To meet the demands of economics graduates of the country both in the public and private sectors, the FEA was then the sole economics training provider in the country, and maintained this role for almost a decade of its existence until Universiti Kebangsaan Malaysia (UKM), offered a similar program in 1977. Highly influenced by the country's economic scenario, in the 1970s and 1980s, the country witnessed a rise in the demand for high-level manpower, especially for the civil service. To fulfil the obligation, the faculty started to offer postgraduate programs. As mentioned earlier, the Diploma in Business Administration was the first program approved by the Senate in 1973, and catered to those with academic qualifications and working experience in the corporate sector. The second was the Master of Economics Program, a program by coursework and dissertation instead of solely by dissertation as was the case previously. Students could choose to do the Master of Economics (M. Ec.) course in General Economics, Public Administration or Business Administration. The M.Ec. degree was taught by the Analytical, Applied, Rural Development and Statistics Divisions. The students of M.Ec Public Administration could major in Development Administration, Financial Administration and International Affairs while the M.Ec Business Administration has its focus on business economics.

Between 1981 and 1982, in line with the manpower needs of the nation, these courses were converted to Master of Public Administration (MPA) and Master of Business Administration (MBA) respectively.

Research started to flourish covering many areas of economics and the social sciences. The initial focus was on agricultural development, primary commodities, rural development, poverty, income distribution, cooperatives, demography, economic statistics, accounting and econometrics. Later, the research areas expanded to include finance, business administration, international trade, industrial relations, land economics, man-

agement, planning, mathematical statistics, transport economics, sampling and welfare economics. FEA was highly consulted in the areas of public administration and political science, a clear reflection of the broad approach adopted by the faculty in its teaching and research activities. This reputation continues until today where faculty members are actively carrying out research and publishing their findings in highly reputable scientific journals. The scope of research has shifted, however, from rural development, agricultural and primary commodities to the modern sectors of the economy including monetary economics and finance, international trade, privatisation, technology policy, public policy, human resource development etc.

It is with pride that we note that our faculty lecturers have been actively working as consultants with various agencies, both with the government and the private sector, local and international. The Economic Planning Unit and the Department of Statistics provided grants to study on topics ranging from broad surveys of the social sciences to very specific topics like value orientations of Malaysian peasants as input for government planning. Further, FEA lecturers have carried out studies with international agencies such as ESCAP, UNESCO, ILO, SEAMEO, as well as foreign institutes (e.g. Institute of Developing Economies in Japan) and other universities. FEA became a training ground not only for students but also emerged as a provider of human resource for the country as reflected in the trend of its staff joining politics, the private sector and international agencies such as the World Bank, the IMF and the ILO. The tradition continues unabated, with consultancy work flourishing among faculty researchers in support of the government ministries, government-linked companies (GLCs), multinationals and local companies.

Along with the development of the faculty, the FEA leadership soon felt there should be a platform to discuss economic issues faced by the country. This led to the establishment of the *Persatuan Ekonomi Malaysia* (PEM) or Malaysian Economic Association (MEA). The Secretariat of the MEA is housed in the FEA, and the office bearers are mainly staff of the FEA. This is another milestone in the history of the FEA: the crucial role it continues to play until today by bringing together academics, practitioners and policy makers in the country to discuss topical economic issues affecting the nation. The MEA has been organising the annual post-budget dialogues and a series of seminars and talks to instil greater interest in the fields of economics, political economics and finance. Being a member of the Federation of ASEAN Economic Associations, the MEA provides a means for networking with scholars in the region. The association is also the publisher of this journal, *Malaysian Journal of Economic Studies* (MJES) currently abstracted/indexed in Scopus, EconLit/JEL and ABI/Inform, with the aim of elevating research work at the faculty into academic papers of international standard.

### 3. Growing from Strength to Strength

The third decade of its establishment, the 1990s, saw many changes at the faculty. The changes were also a reflection of the changing economic landscape of the nation when the country's economic growth was at an unprecedented average rate of 8% for a decade from 1987 to 1997. The private sector was the growth driver; hence the unparalleled demand for business management and finance skills in the private sector. Courses such as business and accounting became very popular. On the other hand, courses like rural development and public administration suffered from poor demand. More so, when the world over was influenced by the neo-classical thinking underlying the programs of the World Bank and the International Monetary Fund (IMF) and forced upon some countries

under the structural adjustment programs, following the mid-1980s global economic crisis. Malaysia under Prime Minister Mahathir Mohamad had to restructure the economy through privatisation and the government policies then were pro-business. Consequently, FEA reinvented itself in order to appear more appealing to prospective students who aspired to join the lucrative and booming private sector. As a result, two courses were re-branded.

The new economic phenomenon, the change in the landscape of the Malaysian economy, a shift from government to business and the modernisation of the Malaysian economy led to the expansion of the Business Administration and Accounting Divisions to become a new faculty in 1997. Meanwhile, the five remaining divisions were upgraded to departments though administratively managed as one faculty with no devolution of authority, and some departments were rebranded as the Department of Analytical Economics, Department of Applied Economics, Department of Rural Development (later renamed Department of Development Studies), Department of Public Administration (later renamed Department of Administrative Studies and Politics), and Department of Statistics (later renamed Department of Applied Statistics). The departments became more independent in terms of programs, staffing and research. The Department of Statistics offered a Diploma in Applied Statistics and Master of Applied Statistics by coursework in 1997.

Research was further intensified with the increase in funding provided by the government. The new funding from the government was through the Ministry of Science; the Intensified Research Priority Areas (IRPA) funding started in 1986 and ended in 2005. In 2006, within the Ninth Malaysia Plan period, funding for research was directly administered by the Ministry of Higher Education (MOHE) under Fundamental Research allocated for public institutions of higher learning and several other sources of funding, both local and international, were made available to researchers. More faculty members now undertake collaborative research with other faculties and universities in the country and abroad on critical areas of research.

In the new millennium, in July 2005, the faculty went through a further consolidation exercise when the five departments were merged into four larger departments. Historically, the two economics departments, Department of Applied Economics and Department of Analytical Economics, during inception were designed on the premise that the Analytical Economics Division focuses on economic theory and the Applied Economics Division emphasises the application of economic analysis to such problems as the management of the economy, allocation of resources and transport policy. However, in terms of research and consultancies, the division was rather unclear. The separation between macro- and micro-economics and other courses between the two departments had resulted in overlaps and inefficient utilisation of resources. These considerations led to the merger of the two departments into what is now known as the Department of Economics. The merger has resulted in more efficient utilisation of expertise in the faculty. Hitherto, students had a very narrow syllabus, specialising rather early in their program. Under the faculty's rationalisation exercise, all economics students have sufficient exposure to core economics micro and macro, and applied statistics throughout the 6 or 8 semesters. To broaden the syllabus, students are required to study liberal courses such as sociology, management, political sciences etc. Students have the option to follow a track, from among 10 tracks, ranging from Monetary and Financial Economics, International Economics, Labour Economics, Enterprise Development, Development Studies, Public Administration, Human Resource Management, Political Economy and Applied Statistics. In line with the strength-

ening of the Malaysian financial sector, subjects such as monetary and financial economics soon became popular with the students.

#### 4. Present and Future

Currently, FEA offers the Bachelor of Economics degree and four programs at the postgraduate level: Master of Economics, Master of Public Administration, Master of Applied Statistics and Doctor of Philosophy. The student enrolment population saw greater fluctuation when the University of Malaya was awarded a Research University status. While less undergraduate students were admitted into the faculty, post-graduate intake has increased. More international students are enrolled from various countries such as South Korea, Gambia, Indonesia, Iran, China, Nigeria, Vietnam, Pakistan, Myanmar, Tanzania, Palestine and Sri Lanka. Until today FEA has produced about 15,000 graduates. Many of them have made their mark in politics and administration, various industries, trade and the academia. The current Central Bank Governor, several senior Government officials, senior Cabinet Ministers and a few CEOs of Malaysia's conglomerates are alumni of the faculty.

FEA is intensively engaged in enhancing academic excellence specifically, among others, in the fields of monetary and financial economics, poverty and development, and old-age protection and social security. The earliest research centre is the Population Studies Unit (PSU) that was set up in 1979 as part of the Population and Family Health Project funded by the United Nations Fund for Population Activities. Research and training on population-related issues are conducted under the auspices of the PSU. PSU had its ups and downs; nonetheless, it is still active. In August 2000 the Tun Ismail Ali Chair in Monetary and Financial Economics was established with an endowment fund from Bank Negara Malaysia, the country's central bank. Thus far, there have been five distinguished holders of the Chair: Professor Ronald McKinnon from Stanford University, Professor Yilmaz Akyuz (formerly from UNCTAD), Dato' Seri Panglima Andrew L.T. Sheng (former chairman of Hong Kong Securities Commission) and Professor Takatoshi Ito from Tokyo University, and the late Professor Ajit Singh from the University of Cambridge.

In November 2006, the Royal Professor Ungku Aziz Chair was launched to honour the contributions of Royal Professor Ungku Aziz in the fields of education and economic development. In conjunction with the establishment of the Chair, the Centre for Poverty and Development Studies was formed at the Faculty to serve as a focal point for academic work, research, consultancy and technical assistance in areas related to poverty and development. Professor Jeffrey D. Sachs was the first holder of the Royal Professor Ungku Aziz Chair.

The Employees' Provident Fund (EPF) established an endowment fund called the Old-Age Financial Protection Fund in 2011 to finance a Chair and a research centre, the Social Security Research Centre (SSRC). The Chair and the SSRC are to initiate and carry out research, teaching and dissemination of evidence-based knowledge in the area of social security and old-age financial protection. A better understanding of social protection is envisioned to promote economic development and social cohesion in Malaysia. The holders have been Professor Sara Harper from Oxford University and Dr. Robert Holzmann (former section director of the World Bank).

In upholding its research stance, in 2009 the faculty published a journal called the *International Journal of Institutions and Economies* (IJIE) which was later renamed *Institutions and Economies* (IE). The journal currently publishes four issues annually and is now abstracted/indexed in Scopus, EconPapers, Ideas, MyCite and UDLedge.

Going forward, the faculty is working towards strengthening its teaching, research and contribution to the community. The faculty takes pride in its agility to respond to changes both locally and globally. It undertakes a periodical curriculum review to equip students with relevant economics knowledge. The Ph.D. program has been further strengthened with courses that equip students with analytical tools for research.

## 5. Contents of the Special Issue

This special issue exhibits the research output of faculty members, representing five decades of academic work since the establishment of the faculty and consists of research articles focussing on various topics important to Malaysia.

The first article, "Working for Welfare: Inequality and Shared Vulnerability among the Malaysian Middle Classes", by Shamsulbahriah K.A. Rodrigo, argues that employment-based social protection strategies adopted by Malaysia is inadequate considering the problem of inequality and vulnerability. She makes a case for a universal social protection.

The second article, "Gender, the Status of Women and Family Structure in Malaysia", by Charles Hirschman discusses the question of whether the relatively high status of women in precolonial South-east Asia is still evident among Malay women in the twentieth-century Peninsular Malaysia. Compared to patterns in East and South Asia, Malay family structure does not follow the typical patriarchal patterns of patrilineal descent, patriarchal residence of newly married couples, and preferences for male children. Empirical research, including ethnographic studies of gender roles in rural villages and demographic surveys, shows that women were often economically active in agricultural production and trade, and that men occasionally participated in domestic roles.

R. Thillainathan and Kee-Cheok Cheong in their paper, "Malaysia's New Economic Policy, Growth and Distribution: Revisiting the Debate", contend that while hasty judgments are unhelpful, an argument may nevertheless be made that, in common with the experience in many developing countries, a trade-off between growth and distribution exists where affirmative action is translated into ethnic discrimination.

The article by Chor Foon Tang and Eu Chye Tan, "Do Savings Matter for Economic Growth? A Meta-Analysis", is a test on causal relationships between savings and economic growth. A meta-analysis is performed on 214 sets of results extracted from 47 independent research articles published from 1992 to 2012 to examine the major factors for conflicting causality outcomes. The results reveal that model specification, the level of financial development, and the level of foreign capital inflows affect the savings-led growth outcomes, while income level does not affect the outcomes.

Shyamala Nagaraj, Kiong-Hock Lee, Kim-Leng Goh and Nai-Peng Tey in their paper, "Malaysian Adolescents Not in School: The Nexus of Education, Work and Gender", posit that unless education reform policies are directed at the black box of the learning dynamics in the classroom, Malaysia will find it difficult to maintain its competitiveness in the world economy because there is a significant attrition in secondary school despite the provision of universal secondary education, with male attrition exceeding female attrition. The study finds that this has contributed not just to an under-qualified labour force but to a reduction in the potential for a tertiary educated one.

Kee-Cheok Cheong and Kiong-Hock Lee in their paper, "Malaysia's Education Crisis – Can TVET Help?" discuss the role of technical and vocational education in upgrading Malaysian human capital. This is a prerequisite to move up the production value chain. Although there have been some improvements during the recent decade, more has to

be done especially to tackle the lack of coordination among key stakeholders, be they the public and private sectors, training providers and their clients, or training institutions under a myriad of ministries.

The paper “Challenges of Implementing Build-Then-Sell Housing Delivery System to Tackle Abandoned Housing Problem in Malaysia” by Siew-Nooi Phang and Teck-Hong Tan discusses the issues and challenges related to the Build-Then-Sell (BTS) Housing Delivery System, a move by the Malaysian government to address the problem of abandoned housing in the country. The paper proposes that the interests of all stakeholders are to be considered. This is to ensure that the housing delivery system is technically feasible and acceptable and the problem of abandoned housing is resolved to the benefit of all parties.

The article by Poh Ping Lee, “Comparing the Applicability of the Japanese and Chinese Models to Malaysia”, attempts to find an explanation of why Malaysia did not emulate China in its development plan. He argues that there are two main reasons: firstly, the Chinese model is not ‘original’ in that it is a derivative of the Japanese model, and secondly, Japan as an industrialised nation shares a similar one-party dominant system.

This special issue of the *Malaysian Journal of Economic Studies* thus showcases a group of research articles, well represented both in content and in authorship, of the five decades of the Faculty of Economics and Administration, University of Malaya, in combining excellent undergraduate and postgraduate teaching and distinguished research performance. They also reflect well the spectrum of expertise across the early divisional and today’s departmental academic specialisations both in economics and administrative studies. As mentioned earlier in this introductory article, the history of the faculty is intertwined with the history of the country. At this 50<sup>th</sup> anniversary of the establishment of the faculty, this special issue with a collection of research articles from the faculty on topics and issues truly pertinent to Malaysia’s economic and social development today thus represents an important contribution towards understanding the development of Malaysia since independence as the nation advances to achieve its year 2020 vision of economic prosperity, social well-being and political stability.

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