

Chapter I

Introduction

This study is an effort to unravel the highly complex, often opaque evolutionary process of United Malays National Organization (UMNO) of Peninsular Malaysia. The methodological approach is by a multi-disciplinary study. Since this is, in effect, an attempt to provide a deeper understanding of UMNO's organizational transformation over time, I will rely heavily upon a typology of organizational evolution of political parties developed by Angelo Panebianco.¹ For present purposes, a political party is characterized by the following traits: (a) to designate an associative type of social relationship, membership in which rests on formally free recruitment, (b) the end to which its activity is devoted is to secure power within a corporate group for its leaders in order to attain ideal or material advantages for its active members, (c) these advantages may consist in the realization of certain objective policies or the attainment of personal advantage or both, (d) parties may have an ephemeral character or may be organized with a view of permanent activity, (e) they may appear in all types of corporate groups and may themselves be organized in any one of a large variety of forms, (f) they may consist of the following of a charismatic leader, of traditional retainers, or of rational adherents, that is, persons adhering from motives of expediency or of attachment to absolute values, (g) they may be oriented primarily to personal interests or to objective policies, (h) in practice, they may be officially or merely in fact solely concerned with the attainment of power for their leaders and with securing positions in the administrative staff for their

¹ See Angelo Panebianco translated by Marc Silver, Political Parties: Organization and Power (London: Cambridge University Press, 1988).

own members, (I) they may, on the other hand, predominantly and consciously act in the interest of a social group or a class of a certain objective policies or of abstract principles and finally, (j) the attainment of positions in the administrative staff for their members is, however, almost always secondary aim and objective programs are not infrequently merely a means of persuading outsiders to participate.²

The concepts developed by Angelo Panebianco essential to our analysis are, **genetic model** (the factors that, when combined, give an organization its mark, define its genetic characteristics) **institutionalization** (the way the organization solidifies) and **maturity**. We are therefore dealing with a three-phase model: genesis, institutionalization, and maturity. According to Panebianco, in the passage of institutionalization from the genetic phase to organizational maturity, we see the following transitions: (a) from a solidarity system to a system of interests, for example, from an organization forged to realize its participants goals to an organization bent on guaranteeing its own survival and mediating heterogeneous objectives and demands, (b) from a phase of manifest ideology to one in which organizational ideology becomes latent. A parallel modification in the incentive system accompanies this transformation – from primary collective identity to material-selective incentives in the form of regular remunerations to a bureaucratic body. This leads to a transition from a “social movement” type of participation to professional participation, (c) from a cautious and circumspect strategy of environmental adaptation to an expansive strategy of environmental domination, (d) from a phase in which the leaders have a restriction of

² Max Weber has conveniently listed the characteristics of political parties in Max Weber, The Theory of Social and Economic Organization translated by A.M. Henderson and Talcott Parsons (New York: The Free Press, 1947) pp. 407-408.

their freedom of choice and maneuverability to a phase where leaders have maximal freedom of movement.³

Further clarifications on the abovementioned concepts are needed. The genetic model is used in chapter 2 of this study because as Angelo Panebianco has successfully argued, a party's organizational characteristics depend more upon its history i.e. on how the organization originated and how it consolidated, than upon any other factor. The characteristics of a party's origin are in fact capable of exerting weight on its organizational structure even decades later. Hence, every organization bears the mark of its formation, of crucial political-administrative decisions made by its founders, the decisions that "molded" the organization. Therefore, each party's genetic model is historically unique. UMNO's formation consisted in the amalgamation of many heterogeneous political groups, specifically by re-establishing the various state centered organizations that had existed prior World War II. The re-establishment of these pre-war Malay State Associations was due to the upsurge of Malay political and ethnic consciousness that accompanied the Malayan Union (see chapter 2). It was also precisely at this time that UMNO developed its collective incentives of identity (official goal/ideology) that of maintaining the identity of the organization in the eyes of its supporters. The Malays, at this juncture, had in actual fact change their allegiance from that of the *kerajaan* to that of *bangsa* and *kebangsaan Melayu*. It was *bangsa* and *kebangsaan Melayu* that subsequently became the focal point of UMNO's political ideology.⁴ If we are to use Anthony D. Smith's definition of nationalism as an ideological

³ See Angelo Panebianco translated by Marc Silver, *Political Parties: Organization and Power* pp.164-165.

⁴ See Ariffin Omar, *Malaya/Malaysia: State, Nation, Nationality, The Emergence of Nationhood in a Vacuum*, A Paper Presented At A Conference On "Concepts of State, Identity And Nationhood in Southeast Asia," At The National University of Singapore 8-11 December 1999 pp.6-8.

movement for the attainment and maintenance of autonomy, cohesion and individuality of a social group deemed by some of its members to constitute an actual or potential nation⁵ then UMNO was not a true nationalist party because the *kebangsaan* that UMNO fought for cannot be interpreted as nationalism. The term *kebangsaan* is derived from the Malay word *bangsa* that can mean race, people, community or even nation depending on the context. But in 1946 UMNO's struggle was more for ethnic solidarity since the Malays felt that the British through the Malayan Union had betrayed them by giving citizenship under very liberal terms to non Malays (chapter 2). Moreover, there was no discussion of forming a nation or of uniting the various Malay communities into one nation. At the same time the Malays rejected a "Malayan" nationality or even a united Malayan nation. UMNO also differed greatly from most nationalist parties and movements in other parts of Southeast Asia because it saw no need to fight for independence. On the other hand, it demanded continued British "protection" (*naungan*) for the disparate Malay entities.⁶ However, what is important for present purposes is how UMNO, at the genetic phase, developed its image as the "protector" of *bangsa Melayu* and that at its inception, UMNO was not a full-fledge political party in the true sense of the word for parties are the only organization which operate in the electoral arena. UMNO on the other hand was a social movement bent on preserving the status quo and advancing the Malay cause. When Britain announced her plan to introduce the Malayan Union Scheme, fear of being dominated politically and economically by the presence of large immigrant communities was uppermost in the minds of the Malays, and by

⁵ See Anthony D. Smith (ed.), *Nationalist Movements* (London and Basingstoke: The Macmillan Press Ltd., 1976) p.1.

⁶ See Ariffin Omar, *Malaya/Malaysia: State, Nation, Nationality, The Emergence of Nationhood in a Vacuum* pp. 7-9.

defeating the Malayan Union proposal that would have deprived the Malay community of its special status, UMNO had managed to ally these fears. Hence to the outside electorate or to that portion of the environment in which the organization stakes its claim (in this case the Malay community) UMNO has succeeded in presenting itself as the champion of the Malay community. Therefore at its genetic phase, UMNO's image as the champion of the Malay community increased the basis of its organizational loyalty. Moreover, it was this image that produced the incentives of identity (one participates because one identifies with the organization), incentives of solidarity (one participates because one shares the political or social goals of the other participants), and ideological incentives (one participates because one identifies with the "cause" of the organization) collectively known as collective incentives. And to its credit, UMNO at the very outset was also active in drafting programs for Malay progress in education and in economics⁷ - thus further strengthening its image as the champion of the Malay community. Collective incentives, as such, are always associated with activities aiming at the realization of official goals – identity and solidarity diminish if confidence in the realization of these aims is shaken, for example, when the organization's behavior clearly belies its official aims. In UMNO's case, when first party president Dato Onn Jaafar tried to open the party membership to the non-Malays he faced an open revolt. This further reiterates Panebianco's contention that at the genetic phase, the organization's official goal, that is, goals related to the formation of organizational identity prevails.

Chapter 3 and 4 of this study are essentially formulated to discuss UMNO's second phase, that is, institutionalization. Institutionalization designates the party's

⁷ See Ramlah Adam, *UMNO: Organisasi Dan Kegiatan: 1945-1951* (Kota Bharu, Kelantan: Mohd Nawi Book Store, 1978) pp. 68-80.

passage from a system of solidarity oriented to the realization of its official aims to a system of interests oriented toward its own survival. During the organization's formative phase, the leaders, whether charismatic or not, normally play a crucial role. They spell out the ideological aims of the future party, select the organization's social base, its "hunting ground," and shape the organization on the basis of these aims and this social base – taking into account, of course, available resources, different socio-economic and political conditions in different parts of the country. During this phase, the problem of the leadership, of the political entrepreneurs, is that of "selecting the key values and building an organization that is coherent with them".⁸ This explains the crucial role of that ideology normally plays in shaping the newly formed organization, in determining its collective identity (in this case, as the champion of the Malay cause). To its supporters, the organization is still a tool to be used to realize certain ends: their identity is defined exclusively with respect to the ideological aims selected by the leaders, not yet with respect to the organization itself. As institutionalization begins, we can note a qualitative leap. In the words of Angelo Panebianco, this process implies the passage from a "consumable" organization as a pure means to certain ends to an institution. Thus the organization slowly loses its character as a tool: it becomes valuable in and of itself, and its goals become inseparable and indistinguishable from it. In this way, its preservation and survival become a "goal" for a great number of its supporters.⁹

The organizational goals (the ideological aims) of the party's founders shape the organization's physiognomy; with institutionalization these objectives are "articulated" with respect to organizational needs. There are essentially two processes which develop

⁸ See Angelo Panebianco translated by Marc Silver, *Political Parties, Organization and Power* p.52.

⁹ Ibid. p.53

simultaneously to bring about institutionalization: (a) the development of interests related to the organization's preservation (those of the leaders at the different levels of the organizational pyramid), and (b) the development of diffuse loyalties. Both processes are tied to the formation of an internal incentive system. In order to survive, an organization must, from the very start distribute selective incentives to some of its members (prestigious positions, "internal" career possibilities) and this leads to the development of organizational interests. The development of diffuse organizational loyalties, on the other hand, depends on the distribution of collective incentives (of identity) to the organization's members (its activists) as well as to a part of its external supporters, i.e. the "electorate of belonging", it is related to the formation of a "collective identity" that is guided and shaped by the party's founders. The consolidation of an incentive system – comprising both selective and collective incentives is thus very much tied to institutionalization. If such a system does not consolidate, institutionalization does not take place, and the organization cannot guarantee its own survival. The organizational loyalties which make the party a community of fate (for its activists and many of its supporters) and the organizational interests which help the organization become more autonomous vis-à-vis its external environment - these loyalties and interests provide the basis for permanent activity geared towards organizational self-preservation.¹⁰

UMNO's evolution towards institutionalization closely resembles the abovementioned typology of organizational institutionalization process. As such, it denotes UMNO's evolution from an organization of the social movement type to a political party *par excellence* and it is based on the sociological distinction between

¹⁰ Ibid. p.54.

“systems of solidarity” and “systems of interest”.¹¹ A system of solidarity is based on the concept of a “community” of equals in which the participants’ ends coincide. A system of interest, on the other hand, is a “society” in which the participants’ ends diverge. While the system of solidarity is a system of action based on the solidarity between the actors, a system of interests is a system of action based on the interests of the actor. In the former, cooperation in the realization of a common end prevails. In the latter, competition between diverging interests prevails. When a political party is founded, it is an association amongst equals created to realize a common end, and can thus be considered as a system of solidarity. In time, however, the party tends to evolve from a system of solidarity into a system of interests. Through its bureaucratization and progressive involvement in daily routine, the organization diversifies from within, and creates – on the ashes of the initial equality – new inequalities. Participation tends to decline, and we see here a passage from a social movement type of participation to a professional type of participation. What do these two parallel theories indicate? That parties, in the course of their organizational development tend to go from an initial period in which certain needs prevail to a subsequent period in which different needs prevail. As such, in well-established organizations, a process of “substitution of ends”¹² comes about (the official ends are abandoned and the organization’s survival becomes the real end). The fundamental internal and external roles that the official aims continue to play – even in well established organizations - allow us to redefine the above thesis in the following

¹¹ See C.B. Macpherson, “Social Conflict, Political Parties and Democracy” in Political Parties and Political Behavior edited by William J. Crotty, Donald m. Freeman and Douglas S. Gatlin (Boston, Massachusetts: Allyn and Bacon, 1971) pp.22-27.

¹² See Robert Michels, Political Parties: A Sociological Study of the Oligarchical Tendencies of Modern Democracy translated by Eden and Ceder Paul (Gloucester, Mass., Peter Smith, 1978) p.221.

terms: whereas the official aims of the party may give way to other official aims (a process usually defined as succession of ends)¹³ as a result of consistent organizational transformations, no party can effect a genuine substitution of ends without such transformation. In well-established organizations a different process takes place, a process that Robert Michels calls articulation of ends.¹⁴ The organization's official aims are never abandoned, nor do they become a mere façade. They are adapted to organizational needs – the rule seems to be that goals are somehow maintained but lose a little something in being translated into organizational requirements.¹⁵ The organization continually engages in certain activities related to those aims, for it is precisely upon these activities that the party's collective identity and the leadership's legitimacy are based. In the course of their articulation, official aims becomes with respect to the genetic phase of the party – vaguer. The organizational ideology (official aims), which was manifest (involving explicit and coherent objectives) often, if not always, becomes latent (involving implicit and contradictory objectives). More importantly, a permanent gap opens between official aims and organizational behavior. The relation between aims and behavior never completely disappears – it attenuates. The correspondence of a party's behavior to its official aims is constantly reaffirmed by its leaders, but only those courses of action amongst many possible that the party may choose to achieve its official aims – which are compatible with the organization's stability will be selected. For instance, the recurrent pattern we find in UMNO's second phase (institutionalization) of organizational

¹³ Angelo Panebianco translated by Marc Silver, Political Parties: Organization and Power pp. 14-17.

¹⁴ See Robert Michels, Political Parties: A Sociological Study of the Oligarchical Tendencies of Modern Democracy p. 125.

¹⁵ Ibid.

development could be formulated in the following terms. UMNO's second phase was characterized by an evolution from an organization that was based on a "system of solidarity" to one of a "system of interests". When UMNO's first president Dato Onn b. Jaafar decided to call it quits and formed a "non-communal" party – the Independence of Malaya Party (IMP) UMNO's organizational stability was at stake. In the Kuala Lumpur Municipal elections of February 1952 UMNO had to face the IMP and due to the serious threat posed by the IMP and to check a non communal approach to politics, UMNO formed an *ad-hoc* alliance with the Malayan (later Malaysian) Chinese Association (MCA), an organization founded in 1949 by some of the most vociferous spokesman of the community on citizenship. Obtaining *jus soli* was a major goal of the MCA and UMNO was established in 1946 to oppose the granting of citizenship to non-Malays on very liberal terms (chapter 3). When UMNO decided to compete in the electoral arena the party had in effect become an end in itself and this mark a passage from an organization of the social movement type to a political party. Thus the political survival of the party had in actual fact became a paramount concern for its leaders.

The UMNO-MCA *ad-hoc* alliance was proven a success. Therefore in August 1953 the two parties reached definite agreements on setting up a National Alliance Organization and in 1954 an Indian component was added to the Alliance when the Malayan (later Malaysian) Indian Congress joined the coalition. One could surely see that in the interest of political expediency UMNO had to make certain adjustments to its official goal of advancing the Malay cause. Forging an alliance with other ethnic-base political parties was the first of many compromises that UMNO had to make. The political landscape of the country was as such that UMNO had to acknowledge the

presence of a large immigrant communities and make the necessary adjustments to its official goal. Tunku Abdul Rahman, UMNO's second president never attempted to justify this sudden preparedness to work with non-Malays in terms of a conversion to non-communalism, or even trans-communalism. Dr. Ismail b. Dato Abdul Rahman, then a senior UMNO official, admitted establishing the Alliance was inconsistent with the Tunku's earlier attitude towards communal issue (Chapter 3). This further reiterates Panebianco's thesis that organizational development tend to go from an initial period in which certain needs prevail to a subsequent period in which different needs prevail. Thus in the second phase of UMNO's organizational development we also witnessed a process of "substitution of ends" because UMNO had to mediate heterogeneous demands coming from the environment. After defeating the Malayan Union, UMNO's *raison de etre* seemed ceased to exist and the party therefore had to promulgate different forms of *modus operandi* to ensure its relevancy and to generate interest in organizational participation. This entails UMNO diversifying its aims and in 1951 the party changed its slogan from *Hidup Melayu* (long live the Malays) to *Merdeka* (Independence). The British through its Colonial Office Secretary, Mr. Lyttleton, however, warned that Malaya would be granted independence only after various races in the country could live and work together. Nevertheless to some its supporters, UMNO was still seen as a means to an end (chapter 3). Panebianco has noted that in the course of its evolution a party goes through a passage from a "consumable" organization as a pure means to certain ends to an institution. Thus the organization slowly loses its character as a tool: it becomes valuable in and of itself, and its goals become inseparable and indistinguishable from it. This also marks the change from a phase of manifest ideology to one in which

organizational ideology becomes latent. It is apparent that a sudden desire for independence must be accompanied by compromises between UMNO and its partners. What this basically translates into was the creation of a “Malayan” identity that was anathema to UMNO’s original position on citizenship (see chapter 3). At this stage we see UMNO moving towards a system of interest in which the participants’ ends diverge. In this context, we could now explain that even though some sections of the party were opposed to the creation of a “Malayan” identity, yet the leadership had to choose the course of action that would ensure maximal organizational stability. Though UMNO had to concede on matters pertaining to citizenship, the party nevertheless stood firm on matters relating to Islam, language and special position of the Malays. Here we see the remnants of organizational characteristics developed during the genetic phase continue to play a role in UMNO’s official goal. This is due to the fact that the party’s legitimacy and collective identity depend upon UMNO’s ability to demonstrate to the Malays that the party was continuously working towards that goal. Nevertheless the official goal was somewhat vaguer in the second phase of organizational development compared to that of the genetic phase.

Another factor that is essential in our understanding of UMNO’s institutionalization is the relationship between the organization and the environment. This stage is dealt with in detail in chapter 4. Throughout the analysis, we have referred to two different aspects of the organization-environment relation: the effects of pressures and environmental changes on the organization; and the importance of its hunting ground, i.e. the part of the environment targeted by the organization’s ideology, which the organization must control if it is to maintain its identity. The degree of adaptation to the

environment depends on two factors: (a) environmental characteristics; certain environments demand adaptation, while others allow for manipulation, (b) the level of institutionalization; the greater the institutionalization, the less the party tends to passively adapt itself to the environment, and the more it is able to dominate it and vice-versa – the weaker the institutionalization, the greater its passive adaptation tends to be. It follows that organization-environment relations must be considered relations of interdependency.¹⁶ It could arguably be said that in the post-colonial period, UMNO was operating in a hostile environment. Since UMNO was functioning in a plural society, it was operating in a complex environment that is usually unstable. Therefore, complexity, instability and hostility are interrelated. Beyond a certain threshold, a very complex and unstable environment becomes or is perceived by the organization's members as being hostile as it threatens not only the organization's order but also its survival. In addition, two other important factors necessary for our understanding of organization-environment relations are, (a) organizations not only adapt to but also have their autonomous effect on the environmental changes and pressures, to some extent, (b) a crucial aspect of party environment relations concerns the conquest/ defense of the "domain" from which the party gets its identity.¹⁷ In other words, with respect the environment, the party has two option, (a) that the organization tends to "adapt" itself more or less passively to its environment, or (b) that the organization tends to dominate its environment, to adapt and transform it in accordance with its own needs. Hence, the hostile post-colonial environment in which UMNO function presented the party with a dilemma. Being an organization set on assuring its own survival, UMNO had to balance the demands of its

¹⁶ Angelo Panebianco translated by Marc Silver, Political Parties: Organization and Power pp.204-205.

¹⁷ Ibid.

numerous actors and thereby guaranteeing the interests of organizational continuity. Thus the party must either reach a “compromise” with its external environment or must adopt a strategy of domination. Since the party is also an instrument for the realization of its official aims – upon which the loyalties nourished by collective incentives depend – the party cannot passively adapt to its environment, but must inevitably develop domination activities. The party moreover, pushed in this direction by its organizational ideology, which defines its specific “hunting domain”, i.e. the portion of the environment in which the organization stakes its claims, and with respect to which organizational identity is defined both “internally” (in its members’ eyes) and “externally” (in the eyes of its electorate). In the interests of self-preservation and loyalties tied to organizational official goal (collective incentives) the organization is often push to dominate the environment.¹⁸ In this instance, UMNO was push to adopt a strategy of domination vis-à-vis the environment due to increasing ethnic polarization in the 1960s that culminated in the May 13th race riots (chapter 4). There were various challenges coming from the environment such as increasing demands by the non-Malays for greater political equality first from the Singapore based People’s Action Party (PAP) then by Democratic Action Party (DAP). The DAP in particular called for the implementation of the principle of racial equality at all levels of national life and all fields of national endeavor- political, social, economic, cultural and educational. It laid great emphasis on demolishing the idea of racial hegemony by one community for it was not only desirable but also impractical because of the composition of the population in the country. It maintained that each community in Malaysia, by itself, is outnumbered by the others so as to make the idea of racial hegemony completely impractical. It then took exception to the classification of

¹⁸ Ibid. , See in particular chapter 11 pp.208-217.

citizens into *bumiputeras* and non-*bumiputeras* and rejected the system of discrimination against citizens in matters of appointments and promotions, particularly in the public sector on grounds of race.¹⁹ This was in essence a clear attack on the Malay special position guaranteed by the Constitution of Malaysia hitherto never been challenged by any political party, except the Perak-based People's Progressive Party (PPP). Even the PAP, when it had introduced the slogan "Malaysian Malaysia", did not attack the special position of the Malays as contained in the Constitution of Malaysia, but had publicly committed itself to uphold these privileges.²⁰ On the other hand, as Malay frustration increased over insignificant changes in ethnic patterns, the UMNO leadership came under severe criticism from within its own ranks for the government's non-interventionist policy. Many of these criticisms were voiced during two *Bumiputera* Economic Congresses held in 1965 and in 1968 that was organized by Malay politicians and civil servants. In addition, UMNO was also concerned about Pan-Malayan Islamic Party (PMIP) gaining political mileage at its expense especially since the formation of Malaysia in September 1963 particularly since the worsening of relations between Kuala Lumpur and Singapore and the exit of Singapore from the Federation of Malaysia in mid-1965 (chapter 4). This period had seen a significant revitalization of the PMIP and a substantial increase in its appeal among the Malay masses. After the 1964 general elections there had been a considerable intensifications of communal antipathies. The Singapore and Bukit Mertajam (Penang) communal riots, the exit of Singapore from Malaysia, the domination of the Labor Party and the Socialist Front by the Chinese

¹⁹ Democratic Action Party, DAP General Elections Manifesto, Our Triple Objective Towards a Malaysian Malaysia (Kuala Lumpur: Democratic Action Party, 1969) p.17

²⁰ See R.K. Vasil, The Malaysian General Election of 1969 (Singapore and Kuala Lumpur: Oxford University Press, 1972) p.16.

educated chauvinists, and the national language controversy in the early 1967, all had greatly contributed to this. As a result of these developments, the Malays had come to feel strongly that UMNO and through the Alliance government concept of inter-communal cooperation, had failed to protect them against the non-Malays. They had become disillusioned with the Alliance policies and had started looking for alternatives to protect their community and its interests. This is where the attraction of the PMIP came in. Even though the PMIP had failed badly in achieving rapid economic development in Kelantan, where it retained the control of the state government in the 1964 general elections, the party continued the support of the Malays. It was less the lack of rapid economic growth that stirs the Malay community than the basic fear of the non-Malays and their growing role in the administration, politics, government and economy, and the anxiety that unless it is stopped it would inevitably lead to their being reduced to the status of Red Indians striving to live in the wastelands of America.²¹ This is where the PMIP assumed a far greater attraction than UMNO for it was felt that only PMIP went to the root cause of Malay predicament, that is, the presence of large numbers of non-Malays in the country and the great freedom they enjoyed in the political and economic spheres. This new mood of the Malay masses was seen as a great threat to UMNO and in turn to the Alliance, to UMNO's organizational identity both internally and externally. UMNO, therefore, could afford to suffer serious electoral reverses at the hands of the PMIP. It is against this backdrop that UMNO's post-1969 strategy of domination should be analyzed. Following the shock of 1969 and in order to reduce uncertainties coming from the environment, UMNO introduced new economic, cultural and political

²¹ Letter to the Editor by "Kampong Malay", *The Straits Times*, July 7 1951. For an excellent analysis of election issues and campaign in 1969 see R.K. Vasil, *The Malaysian General Election of 1969* *ibid*.

arrangements that emphasized its Malay nature even more strongly, most notably through the New Economic Policy which provided a huge increase in business, educational and employment opportunities for Malays. These contributed to making the Malaysian political system more Malay-oriented. Thus the *quid pro quo* arrangement: the non-Malays would not make too many encroachments on the preserve of the Malays and the Malays in return would not make serious incursions into the spheres of activity of the non-Malays established during 1956 and 1957, just before independence was terminated. After 1969, UMNO's institutionalization process gave rise to a strong institution and was able to exert a great deal of control over its environment. Being a governmental party that directly controls its own exchange process with the environment UMNO was able to a form of "latent imperialism" which reduces the organization's areas of environmental uncertainty. The more control a party exercises over its environment, the more it can autonomously generate resources for its own functioning. This corresponds to the "ideal type" of the mass party described by Panebianco that has considering its autonomy vis-à-vis the environment institutionalized as much as possible. Such a party directly controls its financial resources, dominates its collateral associations – extending through them, its hegemony over the *classe gardee* – possess a developed central administrative apparatus (i.e. is strongly bureaucratized), and chooses its leaders from within, its public assembly representatives are controlled by the party's leaders – the party's organization remain autonomous regardless of the degree of institutionalization of parliamentary assembly.²²

The final phase, that is, maturity is dealt with in chapter 5. As we shall see in chapter 5, the post-1969 period saw UMNO playing a bigger role and thus was able to exert much weight and dictate the policies of the government. This was made apparent

²² Angelo Panebianco translated by Marc Silver, Political Parties: Organization and Power pp.53-55.

with Tun Razak's pronouncement that "the government is a government which is shouldered by UMNO, and to UMNO I hand the responsibility of determining the pattern of government that will emerge".²³ UMNO's hegemony in the Barisan Nasional gave the party leverage to pursue affirmative action policies strongly in favor of *Bumiputeras*. Since the race riots (chapter 4) were mainly ascribed to the inequitable distribution of wealth between Malays and the Chinese, the NEP was introduced in 1970. The NEP entailed partial abandonment of the previously more *laissez-faire* style of economic management in favor of greater state intervention, primarily for ethnic affirmative action, including the accelerated expansion of the *Bumiputera* middle class, capital accumulation on behalf of the *Bumiputeras* and the creation of Malay capitalists.²⁴ In the 1970s, the Malaysian business sector witnessed the emergence of several government-sponsored and assisted "corporate *bumiputera*" – *Bank Bumiputera*, the Urban Development Authority (UDA), *Perbadanan Nasional* (Pernas), *Bank Pembangunan* and State Economic Development Corporations to name just a few – to assist in the achievement of creating Malay capitalists. Through its domination of governmental machinery, UMNO's appeal in fact lay in its patronage-dispensing function. In this context, we can put into perspective the theory of voluntary associations – organizations whose survival depends neither upon paid nor coercively based participation – participation is attributed to the "offering", be it manifest or hidden, of incentives (benefits or promises of future benefits)

²³ Tun Razak as quoted in James Morgan "The Challenge Ahead" *Far Eastern Economic Review* September 26, 1970 p.29.

²⁴ For an academic analysis of the NEP see Donald K. Snodgrass, *Inequality and Economic Development in Malaysia* (Kuala Lumpur: Oxford University Press, 1980) ; Jomo K.S., *A Question of Class: Capital, the State, and Uneven Development in Malaysia* (Singapore: Oxford University Press, 1988); Jomo K.S., *Growth and Structural Change in the Malaysian Economy* (London: MacMillan, 1990).

by the organization's leaders.²⁵ There are two versions of the incentive theory: in the first, the incentives that the organization must distribute in order to assure necessary participation are above all collective incentives, that is, benefits or promises of benefits that the organization must distribute equally to participants; in the second, the organizational incentives are selective incentives – benefits that the organization distributes only to some of the participants and in varying amounts. According to Panebianco, only the second kind of incentive can account for organizational participation. The theory of selective incentives aptly explains the behavior of party elites which compete for organizational control, and more generally for power, as well as of party clients who exchange votes for material benefits and of some members who seek career benefits.²⁶ This is more pertinent to UMNO because in Malaysia, politics and business have traditionally been closely linked and UMNO's empire is among the biggest conglomerates in Malaysia. In 1987 for instance, the party corporate holdings includes control of a bank, finance company, merchant bank, hotel chain, newspaper group, TV station, property and venture in tin mining, manufacturing and trading. By conservative reckoning, UMNO assets in 1987 were close to a billion ringgit.²⁷ This battle for selective incentives will be discussed in detail in chapter 5.

Organizational Structure and Centralization

An attempt will also be made to assess the relevance of certain theories concerning the nature of political parties of which perhaps the most provocative and interesting is that elaborated by Robert Michels in his Political Parties; a Sociological

²⁵ Angelo Panebianco translated by Marc Silver, Political Parties: Organization and Power p.25-30

²⁶ Ibid.

²⁷ See "The Billion-Dollar Party" Asiaweek May 3, 1987 p.16

Study of the Oligarchical Tendencies of Modern Democracy.²⁸ In this study, Michels devoted his attention mainly to those political organizations (particular social democratic parties and trade unions) which had set out seriously to challenge the establish order of society and which, initially at least, had made a sincere attempt to ensure that their own internal organization was fully democratic.

After an intensive analysis in which he drew primarily on the experience of German Social Democratic Party and German trade unions, Michels concluded that these organizations fall victim to what might be termed the “iron law of oligarchy”. Michels nowhere defines his law very precisely, but he appears to mean by it that individuals who hold positions of authority within an organization are not and in the nature of things cannot be controlled by those who hold subsidiary positions within the organization.²⁹ Michels, however, did not mean to imply that the leaders of an organization could completely ignore the wishes of their followers. Leaders are restricted in the sense that sculptors are restricted by the nature of the material with which they work; but the material which for the political leader is the mass membership of his organization can have no more than a somewhat remote and negative influence on the activities of the leaders. Michels identifies two main groups of causes of this state of affairs; he suggests that there are both “technical” and “psychological” reasons for the strong oligarchical tendencies in all organizations. The “technical” causes relate to what might be termed the inevitable division of labor within any large-scale organization. Certain individuals must

²⁸ This study was originally published in Germany in 1911. The first English translation was published in 1915; the latest edition by Collier Books (New York, 1962) has a valuable introduction by Seymour Martin Lipet.

²⁹ For a useful analysis of Michels’ ideas see C.W. Cassinelli, “The Law of Oligarchy,” in The American Political Science Review, Vol. XLVII, September 1953, pp.773-84.

be accorded the right to act in the name of mass membership; they come to devote most if not all of their time to the affairs of the organization and become, in this sense, professional leaders. The mass membership is capable of no more than “yes” or “no” responses to initiatives which come from their leaders. Michels concluded that the “psychological” causes related to the widespread sense of need among members of a large organization for direction and guidance and to the sense of gratitude with which they respond to those who guide and direct them. Over a period of time leaders win recognition for what they readily assume is their indispensability and they tend inevitably to devote themselves to consolidating their own positions of power; they come to regard both the organization itself and their own role in it as more important than the professed goal of the organization.³⁰

These views would appear to be of particular relevance to our analysis of UMNO. The most striking feature of UMNO’s organizational structure is the enormous power which appears to be concentrated in the party’s Central Executive Committee (later renamed Supreme Council; particularly in the hands of the party president). In this study, however, we seek to chart in stages, how this consolidation of powers came about. In chapter 2, for instance, we look at UMNO’s formation process that consists in the amalgamation of many heterogeneous state associations. As Panebianco has observed, a party’s organizational development – the organization’s construction, strictly speaking – is due to territorial penetration, to territorial diffusion, or to a combination of these two. Territorial penetration occurs when the “center” controls, stimulates, or directs the development of the “periphery”, for example, the constitution of local and intermediate

³⁰ See C.W. Cassinelli, “The Law of Oligarchy,” in *The American Political Science Review*, Vol. XLVII, September 1953, pp. 779-783.

party associations. Territorial diffusion occurs when development results from spontaneous germination: local elites construct party associations which are only later integrated into a national organization.³¹ This corresponds to Maurice Duverger distinction of “direct” and “indirect” structure. This distinction for political parties coincides with the unitary and the confederate state at the national level. In the unitary state there is a direct link between the citizen and the national community: in the same way, in the “direct” party the members themselves form the party community without the help of other social groupings. On the other hand, in a Confederation, the citizens are joined to the nation through intermediary of the member states; similarly the “indirect” party is made up of the union of the component social groups (professional or otherwise).³² In this instance, UMNO at its inception was a mere umbrella for the various Malay state-centered associations because at that point in time the Malays were far from united as revealed by the various state organizations that arose to oppose Malayan Union. UMNO, as such, evolves through a “mixed” type of organizational development: initially took place through diffusion – a number of local associations autonomously sprung up in various parts of the country later they unite to form a national organization. The national organization then went on to develop local associations where there were still absent (penetration). A significant step in the process of “nationalization” of UMNO was the development of the national committee from an *ad hoc* group to a continuously operating party headquarters. At its inception, national party committees were committees of correspondence composed of representatives from the Malay states and charged with

³¹ See Angelo Panebianco translated by Marc Silver, Political Parties: Organization and Power pp.50-51.

³² See Maurice Duverger, Political Parties: Their Organization and Activity in the Modern State, translated by Barbara and Robert North (London: Methuen & Co. Ltd., 1954) pp.6-7.

keeping various elements of the party in touch, and they party alive. In time, however, nationalization and integration emerged as a dominant characteristic of UMNO's evolutionary process rather than the hitherto prevalent model of decentralized and diffuse party structures (chapter 2). Nationalization entails, (a) increasing uniformity of norms for state party participation in national party processes, (b) decreasing range of differences in structures and processes of the state parties, and (c) greater interdependence between the state and national party organizations.³³ Through the process of nationalization, the "branch" designates UMNO's most basic unit. A branch, therefore, is only a part of the whole, and its separate existence is inconceivable. According to Duverger, parties founded on branches are more centralized because the profound originality of the branch lies in its organization, and not in its connection with the other branches.³⁴ As such, the hierarchy of the branch is similar to that of the central organization and the divisions of duties are very precise.

In the passage to institutionalization, organizational size, environment, and technology are among the factors influencing organizational dynamics. According to the so-called contingency theory, organizational functioning is essentially a product of one or more of the three variables just mentioned; variations in organizational physiognomy thus depend on contingent variations arising in relations with the environment, in the state of technology, or in the size of the organization.³⁵ According to Michels, the party's magnitude is the primary independent variable explaining the formation of an oligarchy.

³³ See Charles Sellers, "The Equilibrium Cycle in Two-Party Politics" in Political Parties and Political Behavior edited by William J. Crotty, Donald m. Freeman and Douglas S. Gatlin (Boston, Massachusetts: Allyn and Bacon, 1971) pp. 61-70.

³⁴ Maurice Duverger, Political Parties: Their Organization and Activity in the Modern State pp.20-23.

³⁵ Angelo Panebianco translated by Marc Silver, Political Parties: Organization and Power p.183.

Being the biggest political party in Malaysia, UMNO would inevitably succumb to Michels' contention. In Michels' perspective, organizational size both directly and indirectly affects power relations within the party. Directly because the organization's growth influences its leaders' degree of maneuverability. In theory, the leader is merely an employee bound by the instruction he receives. He has to carry out the orders of the man, of which he is no more than the executive organ. But in actual fact, as the organization increases in size, this control becomes purely fictitious. The members have to give up the idea of themselves conducting or even supervising the whole administration, and are compelled to hand these tasks over to trustworthy persons specially nominated for the purpose, to salaried officials.³⁶ Above a certain numerical threshold, any assembly inevitably succumbs to control by the few and this explains the necessity of the delegate system. In addition, Michels pointed out that an increase in organizational complexity also leads to centralization of the decision making process.³⁷

In UMNO's evolutionary process, we shall witness the tendency towards centralization. According to Duverger, centralization defines the way in which power is distributed amongst the different levels of leadership. In this instance, it entails the subordination of local UMNO branches and divisions to the wishes of the Central Executive Committee. The critical dimension that distinguishes centralization in UMNO is the development of the national party headquarters as a body that have sufficient autonomy to enable the Central Executive Committee to define and pursue their own programs. The dispensing of federal patronage enables the Central Executive Committee

³⁶ See Robert Michels, *Political Parties: A Sociological Study of the Oligarchical Tendencies of Modern Democracy*, translated by Eden & Cedar Paul (Gloucester, Mass., Peter Smith, 1978) p.71.

³⁷ Ibid.

to exert greater discipline over their respective state and local organizations because the method of financing is also important. In middle-class parties, where election expenses are the most part defrayed by the candidates or their local backers, the caucuses at the base are richer than the center and therefore independent. On the other hand, if the financial backers have acquired the habit of directly subsidizing the center, it can exercise greater pressure upon the local groups.³⁸

Keeping the preceding remarks in mind, we must nonetheless take account of the established fact (established by a lot of empirical research on parties) that the principal power resources tend to be concentrated in the hands of small groups. Michels' oligarchy, Duverger's "inner circle," Ostrogorski and Weber's "caesaristic-plebiscitarian dictatorship" and Panebianco's "dominant coalition" are just a few examples that bring this phenomenon to mind. This phenomenon, according to Panebianco, could be attributed to the fact that power resources tend to accumulate. For example, financing may in certain cases take place through channels which are controlled by the ruling elite, and formal rules could thus be modified at the whim of the elite (even though in most cases they depend on the party's organizational tradition and history – see chapter 5 of this study for instances where UMNO formal rules were change so as to benefit the incumbents). Thus, UMNO's Central Executive Committee would tantamount to Duverger's "inner circle" into which it is difficult to penetrate. From this point of view, however, the formation of "inner circle" can be divided into several kinds. In UMNO, the formation of the ruling class took the form of what Duverger calls a "camarilla" that is, a small group which makes use of close personal solidarity as a means of establishing and retaining its influence (chapter 5; Razak's "gang of four"). It takes the form of a

³⁸ Maurice Duverger, *Political Parties: Their Organization and Activity in the Modern State* p.59.

clique grouped around an influential leader (in this case party president). The president's retinue has a monopoly of the positions of leadership and takes on the characteristics of an oligarchy. In UMNO, the president is empowered to appoint the secretary-general, the treasurer, the information head, head and deputy head of state liaison committees and not more than ten members of the party's central executive committee. Hence as UMNO grows older, power tends to become more and more concentrated which perhaps reached its apex in 1987. In the party, there has been a tendency to make changes for expeditiousness and convenience, even if they have restricted discussion and consultation. As a result, the party president has benefited from this concentration of power and by virtue of his office he could influence voting behavior for top party posts, accelerate or decelerate the rise of aspiring UMNO leaders through his control of various resources.