

**GOVERNING COMMON-PROPERTIES OF LOW-COST
FLATS IN SELANGOR: ISSUES AND CHALLENGES**

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**DEPARTMENT OF ESTATE MANAGEMENT
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KUALA LUMPUR**

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FLATS IN SELANGOR: ISSUES AND CHALLENGES**

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Wang Hong Kok
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ABSTRACT

Hardin's (1968) seminal paper "*The tragedy of the commons*" has generated so much attention on common-pool resource (CPR) management and whose findings are still valid today shows the inadequacy of human nature in dealing with collective action, and the unique nature of "public goods" that few policy makers appreciate. In Malaysia, the social phenomenon where many common-areas of strata buildings are badly managed by developers/ property management companies/ parcel holders under the existing institutional arrangements of self-governance, lends credence to Hardin's (1968) allegory.

The research explored the contributing factors that make self-governance such a challenge where the maintenance of the common-areas is outside the state government purview. In this endeavour, a mixed methods approach was employed using institutional analysis development (IAD) framework as the main theoretical framework, and new institutional economics (NIE) reasoning as rival theories.

Three qualitative studies that were conducted on four low-cost housing as recommended by the Selangor State Housing Board, provided insight into the varying degrees of success of self-governance: a phenomenological study; a narrative study; and a multi-case study. In the quantitative phase, a survey research was conducted on a sample of 633 respondents from a total population of 1,598 households. Three statistical procedures were later performed to explore the determinants, the inter-group membership differences, and the intra-group membership differences that shaped the state of health of the commons.

The study lent weight to the notion that a community with higher social capital tended to produce higher collective action (users' characteristics). But cultural factor which was part of an endogenous institution that shaped human conduct in daily settings had a role, as relying on court ordering was costly and cumbersome (rules-in-use). In a common area, the challenge had been on how to discourage free-riding habits of parcel holders (the nature of material condition). A more transparent style of governance certainly helped).

The endemic failure of the institution of self-governance in any low-cost housing in Malaysia is similar to any CPR management of natural resource in every corner of the world. The study concluded that the root cause is failure to appreciate the basic human nature of "methodological individualism and instrumental rationality", and the nature of the commons as "public goods". Every man is rational only in making his private decision for private goods and the dominant strategy in using public goods is to free-ride. The study recommended state intervention as parcel holders were incapable to fend for themselves, though there is likelihood that state-led governance may not deliver the result as envisaged.

ABSTRAK

Kertas penyelidikan Hardin (1968) bertajuk “The tragedy of the commons” telah menjana banyak perhatian dalam bidang pengurusan “common-pool resource” (CPR) dan masih relevan sekarang. Ini menunjukkan ketidakcukupan sifat manusia untuk berurusan dengan “collective action” dan kekurangan penghargaan pembuat dasar dengan sifat unik “public goods”. Di Malaysia, terdapat fenomena sosial di mana banyak kawasan umum bangunan strata tidak diuruskan dengan memuaskan oleh pihak pemaju/ pihak pengurusan/ pemegang tapak berdasarkan system tadbir urus sendiri. Fenomena ini mengukuhkan hujah-hujah Hardin (1968).

Tujuan penyelidikan ini adalah untuk meneroka faktor-faktor yang menyumbang kepada system tadbir urus sendiri boleh berjaya di mana penyelenggaraan kawasan umum adalah di luar bidang kerajaan negeri. Kaedah penyelidikan bercampur telah digunakan dalam penyelidikan ini, di mana rangka kerja “institutional analysis development” (IAD) digunakan dan “new institutional economics” (NIE) bertindak sebagai teori saingan.

Tiga kajian kualitatif telah dijalankan iaitu penyelidikan fenomenologi, naratif dan kes multi telah dijalankan berdasarkan pengalaman empat perumahan kos rendah yang disyorkan oleh Lembaga Perumahan Negeri Selangor. Perumahan-perumahan kos rendah ini mengalami perbezaan kejayaan dalam system tadbir urus sendiri. Dalam fasa kuantitatif, penyelidikan secara kaji selidik telah dijalankan ke atas 633 responden sebagai sampel dari jumlah populasi seramai 1,598 keluarga. Prosedur statistik telah dilakukan untuk meneroka penentu-penentu dan perbezaan antara perumahan-perumahan dan antara penduduk-penduduk dalam satu perumahan.

Penyelidikan ini menunjukkan bahawa komuniti dengan modal sosial yang tinggi akan menghasilkan tindakan kolektif yang lebih tinggi. Namun, faktor budaya juga memainkan peranan, jika bergantung kepada tindakan mahkamah, kos adalah tinggi dan amat merumitkan. Di kawasan umum, cabaran adalah untuk mengurangkan tabiat “free-riding” pemegang-pemegang tapak. Pentadbiran yang lebih telus boleh membantu dalam usaha untuk menguatkuasa peraturan.

Kegagalan endemik institusi tadbir urus sendiri dalam perumahan kos rendah di Malaysia adalah sama dengan pengurusan CPR sumber semulajadi di merata dunia. Penyelidikan ini membuat kesimpulan bahawa punca masalah adalah kegagalan untuk menghargai sifat semulajadi manusia yang berdasarkan metodologi individualisme dan rasional dan sifat kawasan umum sebagai “public goods”. Setiap insan menjadi rasional hanya dalam keputusan sendiri untuk barang-barang peribadi dan strategi dominan untuk menggunakan “public goods” adalah seolah-olah percuma. Penyelidikan ini mengesyorkan agar kerajaan memainkan peranan yang lebih besar kerana penduduk-penduduk perumahan kos rendah tidak mampu untuk melakukan kerja yang betul. Walaubagaimanapun, kemungkinan besar, kerajaan juga tidak mampu mencapai keputusan seperti yang dibayangkan.

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LIST OF ABBREVIATIONS

Act 318	Strata Titles Act with Strata Titles (Federal Territory of Kuala Lumpur and Putrajaya) Rules
Act 663	Building and Common Property (Maintenance and Management) Act 2007
ANCOVA	Analysis of covariance
ANOVA	Analysis of variance
APA	American Psychological Association
Augmented IAD	Improvements made to institutional analysis development (IAD) framework by including two more variables: historical development, and ethnicity
BN	Barisan National
CIM	Collective interest model
CML	Condominium Management Law
CPR	Common-pool resource
DS	Developmentalist state
EFI	Ethnic fractional index
FDI	Foreign direct investment
FMS	Federated Malay States
F-test	F-ratio statistic test for ANOVA
GC	Gated community
GDP	Gross development product
GLC	Government-linked company
H_a	It predicts that “the independent variable (treatment) does have an effect on the dependent variable” (Gravetter & Wallnau, 2009, p. 234)
HDB	Housing Development Board
HDI	Human development index
H_o	Null hypothesis, often stated as the opposite of the theory/ assumption one wishes to prove. It predicts that “the independent variable (treatment) has no effect on the dependent variable for the population” (Gravetter & Wallnau, 2009, p.234)
HOA	Home owners association
IA	Institutional analysis
IAD	Institutional development analysis
IBM	International Business Machine, early maker of personal computers
IMF	International Monetary Fund

IPE	International political economy
JMB	Joint management body
KMO	Kaiser-Meyer-Olkin measure
LDC	Less developing country
MC	Management corporation
MITI	Ministry of International and Trade
MM	Mixed research method
MNC	Multi-national company
NEP	New Economic Policy
NHP	National Housing Policy
NIE	New institutional economics
NLC	National Land Code
NPV	Net present value
OLS	Ordinary least square
PMC	Property management company
QUAL	Qualitative research method
QUAN	Quantitative research method
RCI	Royal Commission of Inquiry
RQ	Research question
SPSS	The statistical package for the social sciences
STEM	Science, technology, engineering, and mathematics
STPM	A public examination at the upper secondary school prior to enter a university
TC	Transaction cost
TCE	Transaction cost economics
UMNO	United Malays National Organization
VRSMO	Voluntary retail management ordinance

Chapter 1.0

Introduction

1.1 Background

Under the existing institutional arrangements, all forms of strata buildings once delivered to parcel holders under certain prescribed conditions, are to be self-governed initially by respective developers, later by Joint Management Bodies (JMBs), and still later by Management Corporations (MCs) according to two sets of law ("Act 663," 2007; "Act 318," 1985).

While more will be deliberated in later chapters, suffice to take note herein that this market-led arrangement has not been effective since the 1980s and as a result of human inadequacy, common-areas of many strata buildings are poorly maintained. The threat of producing urban slums¹ by strata buildings is glaring, especially in low-cost housing (Abdul, 1994; Fakhrudin, Suleiman, & Talib, 2011; Latif Azmi, 2006; Tiun, 2009). Thus, one witnesses the replay of Hardin's (1968) *The tragedy of the commons* in men-made resources, a social phenomenon that has grave consequences that runs counter to the spirit of economic development (Todaro & Smith, 2011, p. 5).

1.2 Statement of the problem²

The core of the thesis is about what caused the dysfunctional of the institution of self-governance in the management of common-areas. Apartment or strata living whether it is in higher-cost housing or low-cost housing is always a challenge from management perspective, depending on the quality of institutions (Williamson, 2000).

¹ An urban slum is often a thickly populated run-down squalid part of a city inhabited by poor people.

² Creswell (2012, p. 71) listed five elements to be included in writing "statement of the problem": i) topic; ii) research problem; iii) justification for the research problem; iv) deficiencies in the evidence; and v) relating the discussion to audience.

1.2.1 Research problem

Upon the completion of such projects, practical problems abound in the action arena as parcel holders, tenants, developers and property managers find themselves locked in a complicated relationship (Chen & Webster, 2005). Under the relevant sets of law, parcel holders are duty bound to abide by the rules to pay the requisite monthly maintenance charge towards the up-keeping of common-areas, but in practice, many find rule compliance difficult for whatever reason (Easthop & Randolph, 2009).

This social phenomenon of free-riding, more appositely termed as a part of “collective action” problem that individuals display in a group setting, exacerbates if the size of the developments gets bigger and the community gets more heterogeneous (Fakhrudin, et al., 2011; Latif Azmi, 2006; Olson, 1965). Due to poor collection of service charge, maintenance of common-areas is not at its optimal level. Asset degradation sets in and property values dissipate through time.

Despite the monumental challenges faced by parcel holders of these developments with little help from governments, the popularity of strata living (a vertical version of common-interest developments) along with the gated community living (a horizontal version of common-interest developments) receives tremendous response from the markets. Le Goix and Webster (2008) quoted McKenzie (2003, 2005, 2006) and argued that in America these “privately governed urban neighbourhoods” rose from 701,000 in 1970 to 16.3 million in 1998. By the year 2000, 15% of Americans’ housing stock would be found in common- interest developments (Le Goix & Webster, 2008).

1.2.2 Justification

In Malaysia by end of 2002, at least 780,176 units of strata units were handed over to parcel holders (Tiun, 2009). In the case of low-cost housing it is not a matter of choice,

but due to economic reasons. Due to a lack of fund, common-areas of many low-cost and medium-cost housing in Malaysia are poorly maintained (Abdul, 1994; Latif Azmi, 2006). From a survey involving 50 respondents who were property managers of high-rise condominiums and apartments in Malaysia, 66% of respondents found the collection of service charge the most excruciating experience for the lack of communal living spirit (Latif Azmi, 2006; Wan, 1994). As a consequence, low-cost housing is by and large not sustainable.

Lai (2006) argued that the Brundtland Report which was adopted by United Nation's World Commission on Environment and Development in 1987 has been too restrictive because it treated all resources as "non-renewable, irreplaceable and cynical about voluntary behaviour in developments". United Nation's second but related Rio Declaration adopted in 1992 was more suitable in Lai's (2006) mind, due to the recognition of the role of human beings in the equation.

Instead of focusing on the property management function at a lower level through the provision of cleaning services to common-property, ensuring rubbish collection at regular intervals etc, it should also encompass "planning, project appraisal, construction, estate management, and title succession" (Lai, 2006). Hence, the key element is about delivering a sustainable development through the lens of property management function—here, property rights governance as seen from new institutional economics (NIE)³ where parcel holders must be conscious of their rights and responsibilities in using common-areas.

³ The term new institutional economics (NIE) was first coined by Williamson (1975). Three best representatives of NIE proponents are: Coase, Williamson, and North. See Eggertsson (1990) for an overview treatment of NIE. A complete "must read" reading list on NIE, please see <http://www.coase.org/nierreadinglist.htm>, date of access: 6 October 2013 provided by Coase Institute.

In this sense, the pre-requisites of sustainable property management as defined by Jonathan Falkingham are: “the location, design and development of property which is economically viable, environmentally responsible and which has a positive, material effect on the quality of life” (Keeping & Shiers, 2004, p. ix).

John R. Commons had long argued in similar vein but put it differently as he opined that the task of governance in any transaction is to infuse order, mitigate conflict and realize mutual gain (Commons, 1932).

1.2.3 Deficiency in literature

The six contributions of the study as discussed in Chapter 9.0 are also the knowledge gap it seeks to address.

The first knowledge gap is met by embracing “institutional analysis development” (IAD) framework as the theoretical framework of the study in order to understand the complexity of the social phenomenon. As a result, housing researchers are accessible to a wealth of literature found in common-pool resources (CPR) management. Second, the ways to improve the state of health of the commons are by understanding the sources of friction in the action arena. Third, instead of solely relying on formal law; informal constraints (culture, norms, and beliefs) deserve another look. They are the endogenous institutions. Fourth, Third World states are characterized by the presence of weak institutions where enforcement is weak. Fifth, the roads to improve self-governance are to raise the social capital of parcel holders. The sixth knowledge gap is met by appreciating the effect of a social fact where certain ethnic groups have been disenfranchised.

1.2.4 Beneficiary

From the social economics perspective, the interest of the urban poor who are the parcel holders of low-cost housing should be given the attention they deserve (Lutz, 2009). If the institution of self-governance is not working as it should, it is a market failure, and hence institutional change is called for. Appreciating the determinants of the social phenomenon of collective action that gives rise to governance dilemma, and results in a poor state of health of the commons, are the first step in the right direction.

1.3 The research questions

Arising from the statement of the problem (about the dysfunctional of the commons in low-cost housing), broadly four main categories of research question is discernible without making any distinction to the nature of each question:

- i. Are there more factors to be considered beside the identified six factors toward the state of health of the commons (see the next section)? Of the six factors identified in the augmented institutional analysis development (IAD)⁴ framework that influence the state of health of the commons, can a ranking be provided? What is the relationship between various factors and the state of health of the commons?
- ii. Given that one's past experience shapes a person's behaviour in a given context, is change possible?
- iii. To what extent does group membership characteristic affect the state of health of each common? In what manner the results from survey research method tally with the observations of office bearers of JMBs/ MCs? Can some sort of classification be made?

⁴ IAD framework has been explained by Poteete et al (2010, p. 40) as a "metatheoretical, conceptual map that identifies an action situation, patterns of interactions and outcomes, and an evaluation of these outcomes".

- iv. To what extent do the effects of demographic factors impact the behaviour pattern of residents in a common?

1.4 The research objectives

In this section, IAD framework which is the theoretical framework, has its roots in Kiser and Ostrom (1982); Oakerson (1986, 1992); Ostrom (1990); and Thomson *et al* (1992) is briefly introduced. See also Edwards and Steins (1998).

Kontz (2003) gave an account of the components in Figure 1.1 citing explanation from Ostrom *et al* (1994) “starting from action arena as the unit of analysis and focus of investigation”. In a typical common, action arena is the place where actor-agents interact, exchange goods and services, solve problems, generate conflicts, or simply look for excuses to fight (Kontz, 2003; Ostrom, et al., 1994).

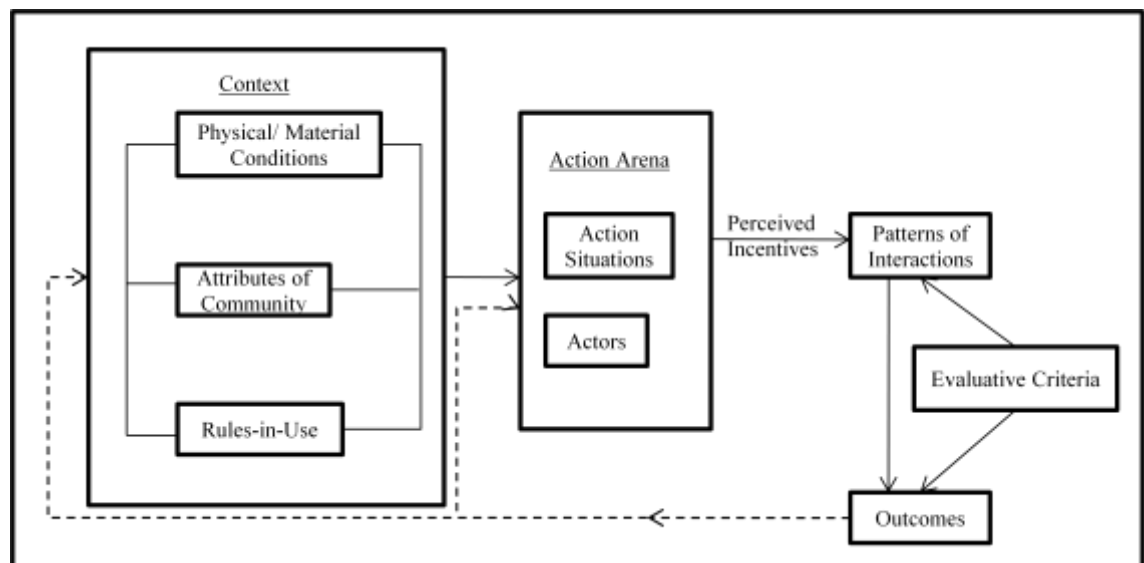


Figure 1.1 Components in IAD framework

Source: Adapted from Ostrom, Gardner, and Walker (1994)

Under the context of commons (itself is a variable/ factor), three independent variables (factors) take the form of: i) physical/ material conditions; ii) attributes of community; and iii) rules-in-use.

The physical world refers to the nature of the commons with its associated characteristics which may be in a natural state, or man-made that includes low-cost housing.

Next, the attributes of the community are the characteristics of resource users (such as the socioeconomic factors and the social capital) that shape their preferences. In his famous exhortation, North (1992) argued that if the institutional framework (the society) rewards for organization piracy, then through learning the society would produce better pirates in the end.

The rules are formal rules, or informal constraints more popularly known as institutions governing the conduct of individuals.

In addition to the four variables mentioned in an IAD framework, two other factors that determine the state of health as found in the literature are: Historical development; and ethnicity condition.

With that note, the aim of the study is equivalent to the grand purpose of the study, of which there are three types: exploratory, descriptive, and explanatory (Babbie, 2010; Drake & Jonson-Reid, 2008). In this study, it is obviously aligned to an exploratory topic, at least in the initial stage. In short the problem may be stated as: If the institution of self-governance of common-areas is ineffective, what causes the poor state of health of common-areas in low-cost housing in Malaysia?

The research objective following the acceptance of a given theoretical framework is to validate factors contributing to the outcome of a study (Cavana, Delahaye, & Sekaran, 2001, p. 39). Here is a list of four broad research objectives:

- i. To identify factors that contribute toward the dysfunctional of the institution of self-governance in managing common-areas in low-cost housing.

- ii. To ascertain the difficulty of parcel holders in adapting to a new environment where collective action is a challenge.
- iii. To appraise the role of users' characteristics in determining the success of self-governance from the social capital perspective.
- iv. To explore any specific historical development that has a bearing on the behaviour of parcel holders in a common.

1.5 Overview of governance issues

What follows is a brief discussion of four issues that give a bird's eye view of the challenges to self-governance. It is divided into four parts: the tragedy of the commons; property rights governance; the role of a government; and the challenge of the urban poor.

1.5.1 The tragedy of the commons

Hardin's (1968) allegory may be discussed in three ways: i) lack of rules; ii) population explosion; and iii) redefinition of property rights.

First, in a case involving herdsmen when rules are absent, each herdsman would try to increase his number of cattle in the commons (the commons collectively speaking is a cattle ranging ground for example, made available to all herdsmen unrestricted as common-pool resources to be used jointly).

Second, to Hardin, commons are only feasible in low-density condition. Once the users have grown out of control, commons are no longer technologically soluble. In that state, "the population problem has no technical solution; it requires a fundamental extension in morality", where it takes generations of education to inculcate the right human values or ideas of morality (Hardin, 1968).

Third, Hardin (1968) argued that as a common-pool resource (CPR) is overloaded, a redefinition of property rights is in order. In Hardin's (1968) view, a CPR may be converted into a private property, or it can be turned over as a public property with "allocated rights" redefined before using it: i) on basis of wealth; ii) by auction system; iii) by merit system; iv) by lottery; v) on first-come, first-served basis; and vi) by long queuing.

Many researchers did not agree with Hardin's (1968) propositions claiming that he had oversimplified the situation, pointing to the success of ozone emission control as CPR at the international level and the Maine oyster fishery in Canada at the national level (Dietz, Ostrom, & Stern, 2003).

Collective action refers to group action of persons who have common stake in any resource and actions taken to use it. Dietz *et al* (2003) offered three pre-requisites of collective action: i) proven local institutional arrangements⁵; ii) stable communities; and iii) the commons are shielded from outside forces.

1.5.2 Property rights governance

There are three views to property management function: i) the what view; ii) the how view; and iii) the strategic view (property rights governance as under NIE).

In the "what view", property management function is a mundane job involved in sweeping the floor, providing security and maintenance of the common-areas of co-ownership environment say (Cheng, 1998).

In the "how view" it toes the line of systems approach to operational management (Koontz, O'Donnell, & Weihrich, 1980, pp. 24-27) where in addition to the various managerial functions of planning, organizing, staffing, leading and controlling, one has

⁵ Institutional arrangement is a set of law comprising the formal rules and informal constraints.

to consider a given enterprise's position in the industry, environment and society. The outputs may take the form of products, services, profits, satisfaction, and goal integration. See Figure 1.2.

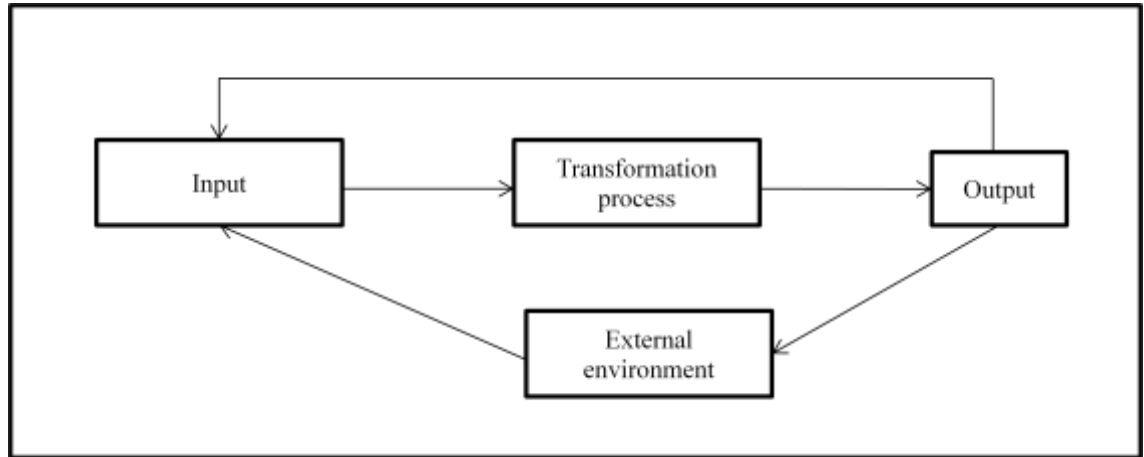


Figure 1.2 The system approach: Input-output model

Source: Adopted from Koontz et al (1980, p. 24)

In “the strategic view”, one takes a strategic look at things that emphasizes on adding value to the properties held by the management (Scarett, 1983, cited in Yiu, Wong, & Yau, 2006a). It has to do with “seeking to control property interests having regard to the short and long term objectives of the estate owner and particularly to the purpose for which the interest is held”. Looking from Scarett’s (1983) view, however, it is incomplete as it fails to address the dualism of rights and responsibilities, the basic tenets of the concept of fair and justice.

Thus Edwards and Ellison (2004, p. 4) had a slightly different approach by emphasizing “property as a concept is a social instrument, used to define a reservoir or flow of benefits”. Under this approach, the owner of a piece of property has the rights to use it, but he as a user has certain responsibilities pertaining to the way he uses the asset.

In managing efficiently for a given property, Yiu et al (2006a) introduced the concept of bringing down the costs of transaction for two tasks: i) costs of exclusion (costs that restrict non-residents from entry into the ground of a property); and ii) costs of internal

conflict resolution (costs of sharing, monitoring, and enforcement among co-owners). This way, as property management takes the role of management with rules in mind, strategic property management function is more appositely taken over by property rights governance.

1.5.3 The role of a government

So far, Malaysian government has steadfastly stayed out of “the poor maintenance condition of low-cost housing debate” by working on the premise that those are private properties.

Three commonly raised issues were: i) the amount of maintenance fees is not standardized; ii) inefficiently-run management corporations; and iii) lack of appreciation for community living spirit.

As a democratically elected government the Barisan National coalition (BN) has been at the driver’s seat since independence in 1957. It has discharged its duties by indulging in public housing development since the Second Malaysia Plan (1971-1975) under social sector, but overall, its expenditure is never more than 10% of the total national development expenditure (Agus, Doling, & Lee, 2002, p. 132).

In the light of a weak public sector delivery system in the field of low-cost housing provision, the question is why should it provide on an ad-hoc basis, RM500 million as budget for repair and maintenance of all low-cost housing as announced under the Tenth Malaysia Plan (2011-2015) wherein hitherto there has been no such practice if not for the ballot boxes?

The BN government must have considered at least two factors to placate residents of low-cost housing: i) the social contract consideration; and ii) meeting the social and economic rights of residents.

1.5.4 The challenge of the urban poor

After the Second World War and freed from their colonial masters, countries in South and East Asia took on economic development trajectories involving urbanization, higher housing standard, and developed housing and welfare systems (Agus, et al., 2002, p. 5).

Economic development is about conscientious efforts made by a government to improve the general well-being of its citizenry in terms of education, employment opportunities, housing and welfare systems. Kindleberger and Herrick (1977, p. 1) provided a more complete definition of economic development.

Kalarickal (2009, p. 11) quoted Rome (1986) as saying that economic growth is caused by externalities, increasing returns to scale in production of output under endogenous growth theory.⁶ As knowledge is a natural externality that produces increasing marginal products, cities' growth is the natural outcome (Henderson, 2000; Kalarickal, 2009). With economic growth, industries are located in cities and in the process created employment opportunities. Three reasons for the location of industries in cities are: i) due to location advantage, resources are readily available that allow cities to develop their own areas of specialization; ii) factories have economies of scale over production by individuals; and iii) due to agglomeration economies (Sullivan, 2007, pp. 34, 55).

On the other hand, Kalarickal (2009, p. 5) argued that cities that have not adhered to "productivity-enhancing means such as economies of scale and agglomeration effects", then urbanization will not result in increased per capita incomes. In fact, Ades and Glaeser (1995) identified three factors that retard per capita income: i) rent-seeking; ii) non-competitive market; and iii) authoritarian regime.

⁶ For a discussion of new endogenous growth theory, see Meier and Rauch (2005, pp. 79-80) wherein it argued "that new growth theory examines production function that show increasing returns because of specialization and investment in knowledge capital".

A regime under authoritarian rule would most probably have questionable judiciary system and that affects economic growth (Feld & Voigt, 2004; Voigt, 2008). Concurring with the above arguments, Olson (1996) argued that “poor countries on average have poor economic policies and institutions than the rich countries”.

This brings us to the challenge of meeting Malaysia’s stated goal of becoming a high-income nation by 2015 when the GNI per capita shall be US 12,139 (from the current one of US 8,256 in 2010) by assuming an annual growth rate of 6.0% (Tenth Malaysia Plan, 2011-2015, p. 54). Is the goal achievable? Does Malaysia have a good set of institutions?

1.6 Overview of methodology

In order to achieve a more holistic picture of the social phenomenon, mixed research method (MM) is employed. The qualitative part of MM allows greater depth of the social phenomenon to be explored, while the quantitative part tends to prove (or to disprove) a particular aspect of the social phenomenon. The data hence is collected on two fronts.

Along the qualitative research method (QUAL) front, “a narrative inquiry” that focused on the head of JMB’s life experience in running the common that is dysfunctional. At the same time, a focus group consisting of a panel of six experts explored all factors relevant to “the phenomenological study”. It is through the focus group interviews that the six factors as identified in the augmented IAD framework were subsequently confirmed for preparing the survey questionnaire. A second panel comprising the office bearers of four JMBs was set up to review the level of achievement in the light of feedback from the survey questionnaires that formed part of the “multi-case inquiry”.

On another front, three quantitative research methods (QUAN) were designed. In the first part, from the feedback of 633 respondents from a population of 1,598 households, factor analysis and multiple regressions were performed to explore the six variables (factors) as in the augmented IAD framework and to predict variables (factors) that impacted the state of health of the commons.

In the second part, ANOVA/ F-tests were executed to confirm whether inter group membership differences exist amongst four low-cost commons. As expected, the communities of Nursa Kurnia and Cemara I and II scored relatively high group means compared to the communities of Tujoh Ratus and Vista Subang. Poor service charge collection record in the last two housing communities made any rudimentary maintenance a challenge, and annoyed their parcel holders.

In the third part, Chi-square test was conducted to study intra group membership differences. The Chinese appeared to be the most satisfied lot, the Malays came in second, and the Indians were least satisfied with the condition of the commons.

1.7 Is this a theory-driven research?

The pros and cons of the two orientations were discussed in the context of Forscher's (Bordens & Abbott, 2008, p. 49) allegory in which scientists were treated as builders of brick edifices. So should the scientists concentrate building more bricks (which are facts) or building more theories (which are edifices)?

In the end, it was argued that to keep building bricks were not a wise move because there might come a time there would be too much facts out there waiting for the correct theories to match. A proper guidance from the established theories help scientists to focus only on certain aspects of facts (observations).

Likewise, this study works on the premise that IAD framework as applied to CPR management of which the theory says there are four determinants to look out for. Two additional determinants are added (historical development and ethnicity condition) because of evidence found in the literature for provision of public goods. Hence, this study is very much theory-driven, not data-driven.

1.8 Structure of the study

The outline of this study is as follows: Chapter 1.0 introduces catalysts that spur the study.

In Chapter 2.0, three main thrusts are discernible. First, this chapter introduces the concept of institutions (under the province of NIE) as formal rules and informal constraints that allow repetitive transactions amongst actors-agents in a market place (Williamson, 2000). Put in another way, “institutions are human-devised rules of behaviour that shape human interaction (North, 1990, p. 3). The failure of neo-classical economics when it assumes costless transaction provides growth opportunities to the rise of NIE. While the former talks about the ideal state (the end goal), the latter is concerned about the process and change orientated studies in order to achieve a stated goal (Martinussen, 1997, p. 251).

Second, over time, five strands of NIE were developed: property rights theory, law and economics, transaction costs, public choice theory, and new economic history (Grant & Brue, 2007, pp. 393-394). Each of these strands gives distinct insight into the working of institutions as men go about identifying ways to make the system more robust.

As an example, if property rights redefinition (as under NIE) is possible in Malaysian low-cost housing context, more revenue from car parks may be generated in the manner of Housing Development Board (HDB) of Singapore. Also, clear rules go a long way

towards reducing transaction costs and help build trust among parcel holders (Coase, 1960; Demsetz, 2002; Garrouste & Saussier, 2008; Polinsky, 1989).

Third, institutional analysis (IA) is incorporated into the research because NIE has been proven to be less robust in cases where polity matter. As North (1990, p. 131) argued, the incorporation of IA into economic history affords us with “consistent, logical account and be constrained by the available evidence and the available theory”.

Chapter 3.0 examines four major areas on NIE and IAD. Firstly, despite an edge over neo-classical economic theories, and old institutional economics, NIE failed to account for the presence of “polity” which is in effect the role of government in enforcing contracts so that transactions/ exchanges between two parties may go on seamlessly (Khan, 1995; Toye, 1995). That is why North (1990, pp. 55-60) opined that when the West has a good set of “polity”, the Third World does not.

Secondly, institutional theories explained why Third World states failed. Third World states are different due to their weak set of infant institutions known for weak enforcement of formal rules (Tiun, 2009). Therefore, a transplant of any law from the West to the Third World is no guarantee of a good outcome. In cases where state structural failures occurred, they may be analyzed via the rent-seeking analysis or transaction cost analysis (Khan, 1995).

As examples, many mega projects in Malaysia have been rent-captured by rent- seekers under direct negotiation contracts due to a weak/ compliance set of institutions.

Thirdly, a distinction is made between exogenous culture and endogenous culture drawing from the conduct of past colonizers of British and Spaniards as they treated their subjects (Engerman & Sokoloff, 2003).

Fourthly, the balance sections of the chapter are devoted to an appraisal of three IAD components: characteristics of the commons; collective action and failings of conventional theories; and institutional change (Demsetz, 2002; Kiesling, 2000; Olson, 1965; Poteete, Janssen, & Ostrom, 2010; Spulber, 2002). The fourth component of IAD framework (context) is left for Chapter 4.0.

Chapter 4.0 considers context matters to any social phenomenon (here it is about why collective action is not possible). As a start, put into the screen is Malaysia's history/ economic history especially those policies relating to growth and economic development. The New Economic Policy (NEP) implemented since 1971 because of the 13 May 1969 racial riot and its associated affirmative action are discussed (Leete, 2007; Poon, 2008).

Next, a tentative housing governance theory is proposed, that ethnic conflict may result in less provision of public goods if further investment by the state into the upkeep of commons is considered as one such goods (N.J Colletta, Lim, & Kelles-Viitanen, 2001; Easterly, 2006a; Yeoh, 2001, 2003).

Lastly, by relying on Almond *et al*'s (2008) structural-functionalism framework, the possibility of Malaysia getting involved in housing governance is assessed. The chapter ends by comparing Malaysia's worldwide governance indicators with those of the First World nations, the original Asian tigers, and its fellow small tigers, etc.

Chapter 5.0 deals with the challenges of self-governance in the action arena (in NIE parlance, it is called institutions of governance). One learns from history that urban squatters were not given high priority by colonizers or at later stage by the decision-makers after independence.

Also, field data both from the performance of self-governance of natural resources and men-made resources are presented.

Collectivism (to do with group action, or the lack of it) and activism (to do with degree of participation in the affairs of the commons) are then discussed. Next, the roles of Acts 318, and 663 are examined in relation to conflict resolution in action arena. Transaction cost (TC) explanation, being part of transaction cost economics (TCE), is used to explain a conflict and its resolution. More will be discussed later.

The chapter ends after cross-countries comparison on the practice of housing governance (housing estate management, or ad-hoc building management) of Singapore, Hong Kong, and Malaysia are assessed given the fact that they share the same colonial legacy (Pramanik, 2007; Sommer, 1969; Yeh, 1975).

In Chapter 6.0 on research methodology, it touches on three issues. First, the historical development of qualitative research method (QUAL) to challenge the pre-eminent position of quantitative research method (QUAN) is examined along with the rise of the third research paradigm that takes the form of mixed methods research (MM) (Denzin & Lincoln, 2005; Howe, 1988; Krantz, 1995; Lincoln & Guba, 1985; Morgan, 2007; Teddlie & Tashakkori, 2009).

Second, a road-map is proposed where four research questions are laid out for data planning, data collection, and data interpretation using a variety of qualitative, quantitative, and mixed methods in multi-cases studies (Yin, 2009, p. 46).

Third, the balance of the sections centre on univariate and multivariate statistics using a host of related statistical analysis such as analysis of variance, factor analysis, and regression analysis for studying variables related to the research questions (Kline, 2005; Manly, 2005; Raykov & Marcoulides, 2008; Tabachnick & Fidell, 2007).

In Chapter 7.0 Result, it addresses the outcomes of three qualitative research questions (using phenomenological study, narrative inquiry, and multi-case study) and three quantitative research questions (using factor analysis, multiple regressions, ANOVA, and Chi-square).

In Chapter 8.0 Discussion, results/ findings from Chapter 7.0 are discussed at a higher plane and their implications to the literature and the society are assessed.

In Chapter 9.0 Conclusion, it assesses the contributions of the thesis, possible future research direction, and limitations.

1.9 Significance of the study ⁷

On the opposite side of the coin, any effort to bridge the gap in knowledge that accounts for the dysfunctional of self-governance in men-made commons is also the study's uniqueness in research (Fox, 1984, pp. 187-194).

Foremost in the list is to recognize literature in the field of CPR management in its natural setting as appropriate to the study of collective action of un-cooperativeness in men-made commons (Baland & Platteau, 1996). As human nature applies across boards, much can be learned from CPR management of natural resources where institutions matter. The literature in the former is much richer than the latter.

Second, by relying on TC explanation (a strand of NIE), conflict in the action arena is explained by decomposing it into economics, law and organizational theory problems (Williamson, 1985).

⁷ A special note of appreciation is for Dr Norhaslina Hassan who made a suggestion to incorporate the uniqueness of the study at the special seminar on 28 May 2012.

1.10 Summary

This study holds a number of promises to housing governance research. The social phenomenon at hand would be better understood through NIE reasoning and the multi-levels and interdisciplinary study of IA (Repko, 2012). In the end, one walks away with the clear notion that “the tragedy of the commons” is as real in 1968 as it is today forty years later. It cannot be resolved in the short-term. Appreciating its complexity is the right step forward.

In the next chapter, NIE and IAD are introduced as frameworks to examine the failure of self-governance that results in asset degradation much to the chagrin of those parcel holders who are prompt payers of service charges.

Chapter 2.0

New institutional economics, and institutional analysis

2.1 Introduction

In this chapter, new institutional economics (NIE), and institutional analysis (IA) are introduced as together, they are the two theoretical frameworks employed in the research. More specifically, the dysfunction of the institution of self-governance will be studied using IA as the theoretical framework while NIE its rival theories (Yin, 2009, 2011). The historical development and the nature of five strands of NIE, and three schools of IA are explained.

In Malaysia, other than those public low-cost housing built by the government agencies for rental purposes, low-cost housing that are sold to individuals are deemed private properties under the law and therefore out of bound to any form of government assistance (Bromley, 1990; Shukri & Maidin, 2010).

However, the government finds itself uncomfortable as more stories emerge in the media exposing sordid condition of unkempt properties.⁸

The real problem is most management could not effectively collect maintenance fees from parcel holders to meet payment for various services such as the normal cleaning of common-areas, electricity bills and repair to lifts. Consequently, there is no surplus cash flow to talk about improvement works (Tiun, 2009). Five other issues were highlighted by Tiun (2009): i) lack of early planning; ii) ignorance of buyers; iii) lack of regulation

⁸ RM500 million to set up Housing Maintenance Fund to assist residents of both public and private low-cost houses for major repair and maintenance based on 50-50 matching grants from residents (see Key Points of 10th Malaysian Plan, <http://www.pmo.gov.my/ksn/?frontpage/news/detail/5831>, accessed: 24 April 2012).

on property managers; iv) insufficient legislation; and v) ineffective management practice.

Tiun's (2009) observations points to certain weaknesses in the current property management system where complex problem of collective action of a community in using common-pool resources (CPR) has been simplified. Put simply, it is a perennial problem happening everywhere in all corners of the world faced by every CPR user; hence it is not an issue belonging solely to housing, or low-cost housing (Lai, 2006; Ostrom, 1990, p. 1). By right one should treat property management in housing as a part of resource management and covers anything that creates or destroys values (Lai, 2006).

If common-area management in low-cost housing is a sub-field of common-pool resources (CPR) management of any natural resource, there are lessons learnt from the literature of the latter. The latter has been the active study of many researchers in the last four decades (Poteete, et al., 2010). The key to successful self-governance lies in the quality of institution adopted by parcel holders.

Institutions are formal rules and informal constraints in any common/ society that allow repetitive transactions between two parties at reduced costs. With that in mind, the nature of institutions that facilitate exchanges is deciphered through an understanding of NIE and IA. In the last section, the impact of Hardin's (1968) much quoted allegory "*The tragedy of the commons*" is discussed.

2.2 Institutions and common-pool resources

One needs to clarify two issues. What are institutions? Why are they related to rules? The other issue is: What are CPRs?

On the first question, institutions are "humanly devised rules of behaviour that shape human interaction" (North, 1990, p. 3, cited by Challen, 2000). Challen (2000) opined

that the purpose of institutions is to provide a set of rules for cooperation and competition and thereby adjust conflicting claims of different individuals and groups for scarce resources” in any transaction.

Following from this line of reasoning, NIE is about the economics of rules and hence institutions are a set of rules that facilitate exchange for the mutual benefits of transacting parties in economizing ways (Williamson, 2000). Williamson (2000) went further to argue that “institutions do matter and the determinants of institutions are susceptible to analysis by the tools of economic theories”.

On the second question, what are CPRs? An example may be found say an irrigation scheme in the researcher’s hometown: Sungei Besar, Selangor. Herein the water that flows through a well designed system of men-made canals, or elevated concrete channels which is tightly regulated for rice cultivation is a resource, or rather a common-property because the users are identifiable within the irrigation system. The difference between a CPR and a common-property lies in the formal rights, and/ or the informal rights attached to the control of their use (Ostrom, 1990, cited in Edwards & Steins, 1998, p. 348). Both the irrigation system and the common-areas in low-cost housing are common-properties shared by parcel holders concerned.

However, if the enforcement of rules is difficult, this results in poor maintenance, (a situation more aptly described as open access) ultimately leading to asset degradation, a sight which is commonly found in any low-cost housing. Hence a poorly maintained common-area is a common-property akin to a CPR due to the nature of “lawlessness” in governance. In the case of a river that meanders through towns and villages, as access to it is almost not inhibitive. A common-property is a subset of CPR where certain legal rights are embedded (Bromley, 1990, p. 14).

2.3 The emergence of new institutional economics

When Government leaves the management of the common-area to developer/ appointed property manager/ residents' committee a free reign of "self-governance" with no or little interference, the market failure is to be expected. Adam Smith's invisible hands seldom work in real life, much less in a Third World state where institutions are dysfunctional, or simply non existence.

Martinussen (1997, p. 251) provided an insight into the differences between NIE and neo-classical economics in three areas: i) the practitioners of NIE consider themselves as rightful extensions of neo-classical economics theory as they make adjustments to the latter's assumptions on individual behaviour; ii) NIE is more concerned with process and change oriented studies; and iii) the focus is on institutional arrangements (any set of law, rules whether formal or otherwise, that affect the behaviour of economic agents) than just the markets.

As argued in Martinussen (1997, p. 253) the differences in the afore-mentioned three areas are illustrated by Liebenstein (1989) in examining the roles of institutions in investment decision which if under neo-classical economics, considers only variables like income and interest rate. Hence, only under the scope of an NIE study will such questions be asked which include: i) how are banks organized? ii) to whom should the loans be offered and by what criteria? iii) in which firms will the investments be made; iv) how are these firms organized? and v) in what ways the nature of the organization of a firm determine the consequences of the investments?

Obviously the process and change-decision making are something not belonging to the domain of neo-classical economics theory as evidenced from their basic assumptions in everyday life situations (Martinussen, 1997, p. 253): i) household maximum utility; ii)

market shapes economic behaviour of demand, supply, and price of goods and services; and iii) firms maximize profit or utility function.

These basic assumptions have been rebutted by NIE proponents as inadequate since markets are part of other total incentive structures in the society. Besides this, Adam Smith's concept of "invisible hand" does not apply for transactions carried out inside the firms where under the internal organization of firms, the entrepreneurs dictate every decision making process.

North (1992) put it even more succinctly. Proponents of NIE pointed out that neo-classical economics erred in assuming that it is institution-free, and NIE built on the foundations of neo-classical economics of resource scarcity and hence assumes competition as in micro-economics as its "choice theoretic approach". To be sure, two erroneous assumptions have been made under an institutions-free society: i) that ideas and ideologies do not matter; and ii) the markets are efficient (North, 1992).

To the first assumption under institution-free society, one must bear in mind that in daily exchanges, human beings need to make choices from a set of options made available to them. Due however to their lack of complete information and limited mental capacity, chances are their choices may not be the optimal ones and hence the markets may be rendered anything but efficient (Simon, 1986a). The way they act in a particular condition is influenced by the "mental models" with which they interpret the world around them, and in turn shaped by their experience and training which may be passed down from generation to generation.

To the second assumption made under institution-free society, it is wrong because the world of zero transaction cost as assumed in neo-classical economics does not happen in a real world (Coase, 1960; North, 1992). To achieve such a state of zero transaction cost means keen competition and arbitrage activities and efficient information feedback for a

given transaction, a feat impossible to attain due to information asymmetry and the presence of institutional arrangements which are controlled by the groups most influential to protect their interest.

It follows that since the market is necessarily inefficient from the lens of NIE (such as self-governance of the common), the performance of an economy is depended on the political process on how it makes choices and sets rules for example.

2.4 Five strands of NIE, and their roles in governance

Given the diverse range of coverage under NIE, Grant and Brue (2007, pp. 393-394) in *The history of economic thought* identified at least five strands:

- i. Property rights theory in promoting economic efficiency;
- ii. Relationship between Law and economics;
- iii. Transaction costs in explaining the organization and behaviour of the firms;
- iv. Public choice theory including rent-seeking in society, interest groups and voting rules, and constitutional economics; and most importantly
- v. Institutional constraints in economic decision making under new economic history.

A brief description will be provided under each strand with the following questions to be answered wherever possible: i) origin of the theory/ concept; ii) major contributors and their ideas; iii) areas of applications; iv) current debate on the strengths and weaknesses; and v) future prospects.

2.4.1 Property rights theory

Under this strand, the manner in which a resource is held, the way it is managed, and the rules (institutions) under which it is governed for use will account for the efficiency in the management of the resource. As an example, in the literature it is held that a private property generally produces a far better efficient regime than a common-property does as the latter is deemed to be in a state of “flux-instability” to say the least (Demsetz, 2002). A more progressive society will avoid opting for common-property where self-governance kicks in given the pitfalls.

The purpose of studying property rights hence, is to compare and contrast types of resources and their associated rights regimes (common typologies) that come along, and their economic implications to the society.⁹

The notion of a right a man enjoys implies that someone appears to be made on the receiving end due to the fact of having to respect that right. In law, it is to do with one person having a relation with the next person with respect to the handling of certain thing, hence the term “relational”. In this way by accepting relational definition for legal property rights by institutions, three sets of variables are considered (Bromley, 1989; Challen, 2000):

- i. The nature and kind of rights that are exercised, and their correlative (mutual) duties and obligations;
- ii. The individuals or groups in whom these rights and duties are vested, and those who play the correlative (mutual) roles;
- iii. The objects of social value to which the property relations pertain.

⁹ A regime refers to a set of rules (institutions) under which the rights attached are defined and enforced by the state. Four resource regimes have been identified (Bromley, 1990, p. 14): i) state property regimes; ii) individual property regimes; iii) common-property regimes; and iv) non-property regimes.

Important as they are, such a notion of legal property rights has been taken lightly amongst many users of resources, be it in reference to the use of a river, or the use of a common-property in low-cost housing.

Therefore, while the concept of rights to use has been embraced with open-arms, few ever understand that rights always come with certain duties in a modern society. Otherwise what is the point of economic development that brings no higher standard of living in terms of hygiene and safety? The reality is, few understand the meaning of “property rules, liability rules, and inalienable rules” as embodied in the concept of property rights (Bromley, 1991, cited in Challen, 2000, p. 16).

Under the interpretation of “economic property right”, Grafton, Squires and Fox (2000) argued that the rights so ascribed will be influenced by the society of the day in a particular context. Indeed, some of these may be attenuated as a result judging from the following six parameters: i) duration; ii) exclusivity; iii) transferability; and iv) divisibility; v) quality of the title.

First, typically a freehold property is better than a leasehold property, unless of course one talks about commercial development for retail say, where strategic location plays greater role in its success. Second, the concept of exclusivity is a notion meant to exclude non-owners from using it. As with a niche product, the more exclusive it is the better. Clearly there is little exclusivity to talk about if defaulters are allowed access to park their cars in the common-area in low-cost housing. Third, from economic point of view, the ease of transferability of an asset provides the convenience to an economic agent, hence is preferred.

Fourth, in the same manner, the ease with which to further subdivide a property provides options to the asset-holder. Fifth, the next characteristic is somewhat problematic to discuss. For one thing, the quality of a title may be dependent on factors

exogenous to it. For example, a private property loses its meaning if the state is not there to police it (Demsetz, 1964), and to enforce the rights of its holder as in *Adorna Properties Sdn Bhd v. Boonsom Boonyanik* [2001]¹⁰.

In the same vein, low-cost housing loses value due to an ineffective system of governance and a weak public court to reprimand defaulters. See Section 7.2.1 on the views of an expert panel. Herein, the weaknesses can be seen to be in two areas: i) the system cannot exclude defaulters from entry; and ii) the system has not been able to mitigate conflicts from amongst the residents, and the residents/ management company (Ciriacy-Wantrup & Bishop, 1975). Either way, it weakens the quality of the title.

2.4.1 (a) Three views of property management function

On a different front, one way to add meaning to the sorry state of maintenance of a common is to understand three types of property management functions in relation to property rights theory: i) what view; ii) how view; and iii) strategic view.

“What view” refers to a function involving in mundane job of cleaning the common corridors, collecting rubbish, provide lighting to common area, etc (Cheng, 1998).

“How view” toes the line of system approach to operational management (Koontz, et al., 1980, pp. 24-27).

“Strategic view” takes a strategic look at things that emphasizes adding values to the properties held (Scarret, 1983, cited by Yiu, et al., 2006a).

Clearly, Malaysians are languishing in type (i) as in Tiun’s (2009) observation. Malaysia is not there yet to accept the “institution of self-governance” due to its complexity and human nature. Common properties are in a state of “flux”.

¹⁰ Please refer to Buang (2007), Malaysian Torrens system.

2.4.2 Law and economics

Law and economics may be taken to mean as the economic analysis of law. Law and economics is a discipline defined as “the application of economic theory and econometric methods to examine the formation, structure, processes and impact of law and legal institutions” (Mackaay, 1999; Richter, 2008). Legal institutions, under the framework of law and economics are not to be taken as outside the economic system, but rather, a part of it as variables to be analyzed.

Mackaay (1999) provided a comprehensive list of ten themes under which law and economics is assessed: institutions; history; comparative law; strategic behaviour; limited rationality; uncertainty, discovery and entrepreneurship; public choice; economic regulation; game theory; and links with the sociology of law. In this section however, only topics on: i) comparative law; ii) strategic behaviour; iii) limited rationality; iv) economic regulation; and v) game theory will be further discussed.

On the first theme, on comparative law, the conventional wisdom is that more such studies be made the way history is researched. Mattei (1997) warned against being American-centric and assume the backgrounds in the legal process in different contexts are similar to the American models. It is also commented that civilian countries (Malaysia and Singapore are examples) offered less freedom to their citizens than those subscribing to common law, as an example Hong Kong (Mackaay, 1999).

On the second theme of strategic behaviour, Williamson (2000) said it best when he disclosed that under the condition of opportunism, contracts which are incomplete breed opportunities—“which manifests itself as adverse selection, moral hazard, shirking, sub-goal pursuit, and other forms of strategic behaviour”. As Coleman (1989) argued all rules are there because they are expected to solve some kind of market failing.

On the third theme, Joskow (2008, pp. 14, 18) dealt with the topic of limited rationality (or bounded rationality) because of information asymmetry, and limited time allow for decision making. On the other hand, Mackaay (1999) argued that human beings can be considered as capable of making “rational choice” is doubtful (Mackaay, 1999; Simon, 1959, 1972, 1979, 1986a, 1986b).¹¹ A good insight into the development concept of Herbert Simon’s “bounded rationality and opportunism”, and its role as a tool in behaviour economics is given by Hardt (2009, p. 34).

Richter (2008) promoted the concept of bounded rationality “as the way real people make the majority of their inferences and decision”, the same concept Herbert Simon had worked on earlier.

On the fourth theme, it is about economic regulation “denoting legal restraints upon market actors’ behaviour, elaborated by legislators, courts or administrative agencies” (Mackaay, 1999). In US, examples of regulation abound: state-run utility companies, transportation, airlines, telecommunications industries, environmental protection, safety and drug regulation.¹² In Malaysia, economic regulations are seen in privatized highways constructed by concessionaires, rates fixed for independent power plants, and water rates levied by privatized companies etc.

Many of these regulated monopolies have later captured the regulatory agencies where the latter are supposed to supervise (Priest, 1993). There are success stories. From 1970s for example, deregulation of airlines in the US allow lower fares to be charged on travellers.

¹¹ Rational choice theory is a concept promoted by Becker, who won 1992 Noble Prize in Economic Science. At the heart of the concept, an economic agent would prefer more for less of a good. In instrumental rationality, one would seek the most cost effective means to achieve a goal, without bothering whether such a goal turns out to be something worth his effort.

¹² According to a report, the Supreme Court of Australia had upheld the original judgement of its lower court and thereby rejected an appeal from a group of tobacco companies against a recent bill passed in the parliament that constrained the packaging of cigarettes calculated to discourage smoking (*Oriental Daily News*, 16 August 2012, p. A50). Here law and economics manifested itself to protect larger societal good.

On the fifth theme, it covers game theory as “a set of ideas and principles that guides strategic thinking” (Png, 2005). In legal analysis, it was only brought in recently into the literature (Barnett, 1989). MacKaay (1999) listed two usefulness of game theory: i) as a way to understand certain patterns in human interaction, and later device models for property rights and contracts (Axelrod, 1984; Benson, 1994); and ii) use it in bargaining (Baird, Gertner, & Picker, 1994).

In a nutshell, law and economics under the overarching sphere of NIE is something practical. However, the full impact of it can only be realized through time as society evolves and the conducts of the businessmen/ politicians/ ruling elites are constrained by a more equitable set of law.

2.4.3 Transaction costs

Hardt (2009) argued that the terms “transaction costs” (TCs) had been used by economists for centuries to describe “frictions” existing in the market, representing conditions which were less than ideal (see also Walras, 1893). The concept of friction was used by Menger (cited in Hardt, 2009, p. 30) to explain “various difficulties of price formation” in the nineteenth century. Continuing with the tradition of friction as the metaphor attributing it to any economic model failure, Klaes (2000a, 2000b, 2001) explained why were people holding on to cash rather than investing in profitable assets at the beginning of twentieth century.

To Hicks (1935, cited by Hardt, 2009) however, market failure was due to its inability to convert asset from one form to another, nothing to do with friction of any sort. In the end, transaction costs as terms found in economic literature did not materialize until the work of Scitovsky (1940, cited by Hardt, 2006). At about that time, Coase (1937) published his seminal paper justifying the firm “to the cost of using price mechanism” thereby paving for a proper place of transaction costs in economics at a later date.

As a science from the lens of Arrow and Debreu (Hardt, 2009, p. 32), transaction costs' history is relatively short. It was not until the publication of *Transaction cost economics: The governance of contractual relations* that firmly qualified transaction cost economics (TCE) as a science subject (Williamson, 1979). Earlier, through the publication of *Markets and hierarchies: Analysis and antitrust implication*, Williamson (1975) earned the acceptance over the years as “father of NIE” since transaction costs relate to the study of institutions.

As discussed before, if neoclassical economics work seamlessly, man's urge for utility maximization would have been satisfied by Adam Smith's “invisible hands” as market works somehow to balance the demand and supply of every goods and service. If such is the case, how can one account for the existence of firms in the market?

The truth is zero transaction cost world as envisaged in the neoclassical economics world simply does not exist.¹³ For a better appreciation of the nature of transaction costs, see Coase (1960) and Polinsky (1989, pp. 11-14). As Garrouste and Saussier (2008, p. 27) put it, the firms are justifiably there because they have a role to play in providing solutions to many problems that exist in the positive transaction world where the market mechanism dictates at least three types of costs: costs of price discovering; costs of negotiation; and costs of enforcing the contracts. Hence a TC may be deemed as all costs that are required to be paid in the market place which include the costs of production for making the particular goods and service.

Williamson (1986, see also Coase, 1991) defined TCs as friction costs in the market. Furubotn and Richter (2000) viewed TCs as costs to search, gather information, bargain,

¹³ More popularly termed as Coasian world (or Coase Theorem) by George Stigler (1992, cited by Williamson, 1995), refers to the ideal state where it is costless to transact. On the other hand, the Coasian framework refers to decision making with respect to make (within firm), or to buy from market depends on the relative cost of selection in either one of the options available for transaction (see Williamson^(1975, 1985, 1996); Klein, Crawford and Alchian (1978); Grossman and Hart (1986); and Hart and Moore (1990), all cited in Klein (1999, pp. 464-465)).

decision-making, policing, and enforcement. TCs are institutional costs, as all costs “which do not exist in Robinson Crusoe economy” (Cheung, 1998, p. 515, cited by Musole, 2009). In CPR field, by far the most forceful definition comes from Allen (1999) when he declared that TCs are all costs to established and maintain property rights.

Due to limited space, the four stages of evolution of transaction cost economics (TCE) shall be skipped. How can a Third World state improve efficiency? A brief typology of transaction cost (TCs) in four areas is discussed (Musole, 2009): i) TCs in less developing countries; ii) TCs in land development; iii) lost in value due to neglect in TCs; and iv) inefficiency due to high TCs.

2.4.3 (a) TCs in less developing countries

TCs determine economic performance (North, 1991), and they are huge (Arvanitidis, 2003; Cheung, 1998), making up 50–60% of net national product of market economies (Furubotn and Richter, 2000; North, 1990, all cited in Musole, 2009). In Third World countries (Malaysia included), TCs in term of costs per exchange is comparatively higher than the West (North, 1990; Musole, 2009). As an example, a developer who is better connected to politicians and bureaucrats may be able to extract more favourable development conditions than one who is less equipped. What is worst to the latter group is, “sometimes no exchange occurs because costs are so high” (North, 1990).

2.4.3 (b) TCs in land developments

Due to the nature of land, high TCs are expected in its development. Invariably, greater use of non-market transaction costs may result in the exchange moving away from the accepted social values (Furubotn & Pejovich, 1972).¹⁴

2.4.3 (c) Neglect in TCs

It is easy to understand that the lower the TCs, the better will the economic efficiency be (Gu & Hitt, 2001). As an example, Musole (2009) in his study on private financing of urban infrastructure argued that “lowering transaction costs will reduce total costs and thus increase margins and sales, promoting economic growth and employment in the urban system concerned”.

2.4.3 (d) Inefficiency due to high TCs

Inefficiency in the market place is more often than not caused by the presence of high TCs, which in turn is the consequence of: i) weak enforcement of contracts; ii) insecure property rights where the full potential value of the asset is not realized; iii) corrupt bureaucrats; and iv) societal norms that discourage cooperation.

The market failure of self-governance in common points to the presence of high TCs. How can transaction costs be measured? Even if one accepts TCs as a science as discussed, it has a serious weakness, for measuring them are difficult (Musole, 2009). All the variables and their proxies which are of interest to TCs such as asset specificity, uncertainty, opportunism and frequency are easy to understand but difficult to measure.

¹⁴ Non-market transaction costs refer to high costs of searching for information which may have been deliberately withhold by bureaucrats, and compliance costs that involved bribing and cutting through red tape, something endemic in Third World countries. As an example, Malaysia's Transparency International (TI) Corruption Perception Index (CPI) has a free fall from 5.32 in 1996 to 4.50 in 2009. For more, see <http://www.malaysiakini.com/news/146769>, date of access: 29 October 2010.

Asset specificity gives rise to “safeguarding problem” to a firm because of opportunistic behaviour. As an example, a manufacturer may invest in training a distributor, but may find it hard to replace him even if the latter produces lacklustre performance.

Environmental uncertainty say, gives rise to “adaptation problem” to a firm. As an example, a manufacturer may wish to modify certain components made by its up-liners would have a lot of problems if the latter group are not cooperative to make changes.

Behaviour uncertainty is related to “performance evaluation problem” to a firm as it arises if a manufacturer is uncertain of a distributor whether the latter would keep to his promise of pre-sales services.

Finally, the issue of frequency is one of the dimensions of TCs. Higher frequency transactions would invariably suggest adopting hierarchical governance structure (Rindfleisch & Heide, 1997).

Appreciating where high TCs occur is the first step towards making the system more efficient.

2.4.4 Public choice theory

It is foolhardy to accept any promise from public figures as gospel truth. To Buchanan (2003a), men have wasted a full two hundred years of “intellectual folly” due to their own ignorance since the days of Adam Smith and of their American founders. Public choice “does little more than incorporate a rediscovery of this wisdom and its implications into economic analysis of modern politics”. To appreciate Buchanan (2003a), one has to visit history.

In 1863 at the Battlefield of Gettysburg, the near victorious Abraham Lincoln made a moving three minutes speech and emphasized that through war effort the principles of

“liberty and equality” would be achieved. The deaths of many soldiers would not be in vain, declared Lincoln, for they were the price to pay for the birth of democracy (Donald, 1996), that “the government of the people, by the people, for the people, shall not perish from the earth” (Wills, 1993). These are the same all too familiar catch phrase that would resonate again and again by many people-first politicians during elections.

One hundred years after Lincoln’s assassination, the so called democratic governments in America, in Britain or even in Europe have changed their characters. As put succinctly by Tullock, Seldon, and Brady (2002, p. x):

Lincoln would now see government not of, by, and for all the people but of, by, and for some kinds of people. He would see it not as of all the people but as of the political activists. He would see government not as by the people but as managed by the politicians and their officials. And he would see government not as for the ordinary people but as for the organized in well-run, well financed, and influential business organizations, professional associations, and trade unions.

The study of public choice theory hence is about the applications of “theories and methods of economics to the analysis of political behaviour” (Shugart, 2010). A text book on economics defined public choice as “an economic theory that proceeds on the assumption that the public officials who set economic policies and regulate the players act in their own self-interest, just as firms do” (Case & Fair, 1996). Grant and Brue (2007, p. 414) were more direct, “human nature is human nature; people maximize their utility subject to constraints whether operating in the marketplace, government service, or the political arena”.

As a starter to the subject, a public choice researcher had suggested “a must read” on five books: Downs (1957); Olson (1965); Buchanan and Tullock (1962); Lakatos (1978); and Gwartney and Wagner (1988). Three public choice researchers are discussed here

(Cinti, Shaw, & Torre, 2010; Shugart, 2010): i) Jean-Baptiste Say (1767-1832); ii) Duncan Black (1908-1991); and iii) James M. Buchanan (1919-).

Jean-Baptiste Say. Say was a Frenchman who was an advocate of the economic principles of Adam Smith's idea on the Continent. Say (1803/ 1880) understood the damage done onto the society by those "rent-seekers" whose behaviour may be privately rewarding, but counter-productive to the balance of the society. As he had put it clearly the consequence of such action (Say, 1803, pp. 161-162, cited in Grant & Brue, 2007):

If one individual, or one class, can call in the aid of authority to ward off the effects of competition, it acquires a privilege to the prejudice and at the cost of the whole community; it can then make sure of profits not altogether due to the productive services rendered, but composed in part of an actual tax upon consumers for its private profit; which tax it commonly shares with the authority that thus unjustly lends its support.

From the above passage, Say argued that arising from rent-seekers' action the society was made worse off by two: a) efficiency lost; and b) society's opportunity cost of rent seeking. Tullock's (1967, cited by Congleton, 2002) seminal paper revealed that these outcomes are more inefficient than those worked out by traditional welfare economics.

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Duncan Black. West (1990, p. 119) argued that in the 1940s and 1950s, economists were aware of "market failure" in private exchange processes due to humans' self-interested behaviour. A number of economic studies then converged on studying the rules as enacted. Three outstanding papers were produced by Arrow (1951), Black (1958), and Downs (1957) as theories of "government failure". In particular, Duncan Black's "median-voter theorem" shows that as centrist proposals are preferred, policies in a two-party system differ only slightly. The conditions enabling median voter are

¹⁵ According to Buchanan (2003a, p. 15) the term rent-seeking was discovered by Tullock in 1967, christened by Anne Krueger in 1974. Jean-Baptiste Say remained the first person who understood its many social ills (Grant & Brue, 2007, p. 129).

stringent, however: a) voters are all informed; b) their preferred outcomes are arrayed along one dimension; c) only one most-preferred outcome; and d) decisions are made by simple majority rule.

James M. Buchanan. If Lincoln were to be alive to this day, he cannot be made the father of 20th–21st century form of democracy. The so called democratic government is nothing but the government “of the busy (political activists), by the bossy (government managers), for the bully (lobbying activists)” (Tullock, et al., 2002). The contribution from Buchanan toward public choice theory lies in his ability to see the misdeeds in governance by the so called democratic governments with help from Knut Wicksell whose 1896 dissertation went largely unnoticed in the Chicago University library until Buchanan discovered it in 1948. Two issues need careful deliberation: a) to do with choice of rules; and b) unanimity rule.

On choice of rules, the idea behind Wicksell’s dissertation rhymed with Buchanan in 1948, and that in any economic reformation, the first step is to “change the rules under which political agents or representatives act” (Buchanan, 1986, cited by Garfield, 1987), in tune with the same line of thinking as in Williamson’s (2000, p. 597; Oppor, 2008) four levels of economic institutions.¹⁶ To Buchanan, decision of rules making should be done at a higher level, while working with the rules that are already in place should be done at a lower level.

Given Buchanan’s disappointment with majority voting, he was concerned with injustice and the inefficiency inflicted on the minority resulting from unrestrained

¹⁶ The concept of changing the rules first over expecting change of human behaviour find support from at least three other sources: i) Hardin (1968), who argued for either private property or public property, not open access; ii) Vanberg (1994, cited in den Hauwe, 1999, p. 636) referred to Hayek’s inquiry into the interaction between the order of rules and the order of actions; iii) Gunning (2004, p. 4, online) quoting Adam Smith as having said that if we design our institutions properly, we can redirect the propensity to act selfishly so that each person contributes to the benefit of human kind. At base therefore, do not expect human behaviour to change in short run. Change first the rule. But as we shall see, rules changes are insufficient in real life.

majority rule in parliaments. Wicksell saw the need to modify majority rule and introduce unanimity rule instead, endorsement requiring say five-sixths of the decision makers. Drawing faithfully ideas from Wicksell, Buchanan and Tullock (1962) incorporated Wicksellian criterion. In the said book, two levels structure of collective decision making: a) higher level “constitutional politics” wherein super majorities are required; and b) lower level “ordinary politics” wherein a simple majority in the assemblies suffices.

But who make rules? As always, it is for the people to elect into public offices their chosen leaders, remove them through ballot boxes if the leaders fail to measure up. Awareness of the situation is the first step.

2.4.5 New economic history

Why do we need economic, or history, or for that matter new economic history? Would it be more appropriate to concentrate studying on either economics, or history? In his book, renowned economic historian Cipolla (1991) was making an attempt to answer the question:

Economic history is an eminently interdisciplinary subject: it occupies an area of human knowledge at the crossroads of two other disciplines, history and economics, and cannot afford to ignore either of them. If it yields ground on either front, it becomes distorted and runs the risk of losing its identity. The problem is that the two disciplines that underpin economic history belong to two quite different cultures.

History has always been the humane discipline par excellence. Economics, ever since Ricardo, has progressively distanced itself from both history and the human sciences. For while remaining its foothold in the so-called exact sciences, through the use and misuse of mathematical logic as its fundamental analytical tool. As a result, economic history has come to occupy an awkward position from which it has to mediate between two cultures and two ways of thinking that regrettably remain quite foreign to one another.

In other words, we have a situation where we need both to make sense. Economic history may be defined as a field of study where the focus is on economic phenomena

that has evolved over a period of time. As is applicable to any economic phenomenon, given the scarcity of resources, a society is rightfully concerned with the efficiency of resources allocation and distribution.

Put it simply, Cipolla (1991) defined economic history as the study of past and present economic event in one or more countries. In a more general way, a co-winner for Nobel Prize in economics North (1993) in the prize lecture said economic history is about the performance of economics through time. To North (1993), by studying the past, one should hope to “contribute to economic theory by providing an analytical framework that will enable us to understand economic change”.

What about culture? How does it relate to economic history? North’s (1993) answer to it was positive; a society which closes its eyes to pirated tapes tends to produce more expert pirates.

In the West where they treasure innovativeness and reward their entrepreneurs create societies that encourage innovations. One of the celebrated case studies about culture and development was by Weber (1958) who argued that higher economic well-being of Protestant regions was due to Protestant work ethic. See Acemoglu (2009, pp. 122-123) for a discussion on “cultural hypothesis” and economic growth. Becker and Wossmann (2009) had a different idea. They found it was due to Bible studying that led the people to become better educated, and hence well-placed to contribute towards economic prosperity.

To the researcher, the most gratifying experience is the realization that past events affect culture (or norms of behaviour). Broadly speaking, Tabellini (2007, cited by Nunn, 2009) identified there were two channels where slaves showed their mistrust: i) culture (take it as endogenous institution); and ii) institutions (take it as exogenous institution).

Logically, if slave trade affected their culture and hence less trustful of others, a reliable answer might be deduced by studying the extent to which their ancestors were enslaved.

On the other hand, if the mistrust was caused by external elements such as environmental deterioration, one has to study whether the said environment was caused by the slave trade. Empirical results obtained by Tabellini (2007, 2008) revealed that in magnitude the culture channel was twice that of institutional channel. The “theory of mistrust” that slave trade in-built into individuals such culture was established (Schirmer, Chaudhary, Cosgel, Demonsant, & Fourie, 2010). Many of these helpless moved into areas of ruggedness (Nunn and Puga, 2009, cited in Schirmer, et al., 2010).

Thus, if culture exerts greater impact on the conduct of slaves and their descendents (endogenous institutions); the same may also is true in low-cost housing. Parcel holders who are not exposed to live in strata units would find it hard to “trust” a system that demands cooperative living because the rules are externally imposed upon them (exogenous institutions). Institutional change is always evolutionary.

2.5 Is institutional analysis a better tool in policy making?

In her book *Governing the commons*, Nobel Prize co-winner of 2009 in economic science Ostrom (1990, p. 1) lamented that not a week passed by “without a major news story about the threatened destruction of a valuable natural resource”. Catches of cod, say, was only a quarter of what it used to be in 1960s, pointing to serious overfishing in area 150 miles off New England, United States.

Ironically, though on a much smaller scale, the researcher shares the same agony as Ostrom (1990, p. 1) as one watches helplessly the destruction of men-made environment by over-exploitation and little re-investment due to collective action of low-cost parcel holders (H. K. Wang, 2009; H. K. Wang & Shia, 1994). Both social

phenomena, i. e. asset depletion, lie in the field of CPR management can be traced to their roots in human behaviour under collective action, best explained by Hardin's (1968) classic. Up to this point no full solution is insight. Is the trend reversible?

In this section, institutional analysis (IA) as an interdisciplinary field of study (Repko, 2012) will be used to study human behaviour in a particular setting (North, 1990, p. 3; Ostrom, 2007a). To Ostrom (2007a), this field has been built with inputs from economics, political science, and sociology—a subject that needs further clarification later.

As a field of study, Vanberg (1989) lamented that IA and its associated role in solving collective action as well as individual action has been excluded or ignored from Adam Smith to 20th century. Is it another case of intellectual folly?

IA involved “the study of how rules shape human behaviour” (Gibson, 2010). These rules or institutions can be formal and codified as law, or informal and exist as rules-in-use and norms. Researchers using an institutional approach focus on how individuals and groups construct institutions, how institutions operate, and the results generated by institutions.

Noam (2006) argued that it referred to “the systematic study of people's collective behaviour in institutions, its ability to explain major political, social, or historical events”. As an illustration, if IA is used to investigate the causes of Malaysian police' involvement in a spate of controversial incidents which saw victims brutalised (as in the case of Chia Buang Ting of Tanjong Sepat, Selangor), tortured until death in police custody (as in Kugan case), shot while driving in a car (as in the case of 15 years old Amirul from Shah Alam, Selangor), a more holistic methodology would be employed by studying all contributing forces well beyond the actions of individual policeman.

In this sense, “conspiracy theory” is inadequate to explain the social phenomenon. However, Noam’s (2006) argument is not new to any sociologist. Emile Durkheim, widely regarded as the father of sociology, claimed that in studying for any social event, the social dimensions of all human phenomena must be considered (Ritzer, 2008, p. 74). Therefore, to attribute social problems such as crimes, racism, pollution, and economic recessions to individuals are not correct. Durkheim (1895/1982), see Ritzer (2008, pp. 75-76; also cited in Traugott, 1978, p. 127) proposed that the relevant social facts be studied:

A social fact is every way of acting, fixed or not, capable of exercising on the individual an external constraint; or again, every way of acting which is general throughout a given society, while at the same time existing in its own right independent of its individual manifestation.

What is the justification of using it as an alternative to NIE? To this question, North (1990, pp. 131-132) proposed the incorporation of IA into “economic history” would allow the story told to be “consistent, logical account, and be constrained by the available evidence and the available theory”. As an example, Oakerson’s (1992, cited in Edwards & Steins, 1998, p. 354) basic framework has been popularly used by many researchers in CPR governance with a set of three variables: physical attributes and technology; decision-making arrangements; and patterns of interaction.

Arguing from need-base perspective, Edwards and Steins (1998) adopted it in the research on natural resource management (where governance of common-properties in low-cost housing found its roots). Three notable frameworks of analysis were mentioned by Edwards and Steins (1998): Oakerson (1986, 1992); Ostrom (1990); and Thomson *et al* (1992). More recently, Ostrom (2009) argued that “without a common framework to organize findings, isolated knowledge does not cumulate”.

Instead of refining the aforementioned analytical frameworks, Adams, Brockington, Dyson, & Vira (2002) designed a framework to deal with everyday decision-making

process amongst the stakeholders “in context where such resources are subject to contestation among multiple users and conflict between multiple uses”. In trying to provide business strategies for real estate, Edwards & Ellison (2004) designed a common framework to deal with a variety of situations for corporate real estate management.

In sum, IA enables a systematic and methodological way of research into any economical, political, and social phenomenon in ways where the findings are easily deciphered. Hence on a macro basis, IA is superior to NIE.

What follows is a discussion on the three schools of IA by developing a sociological view of institutions (new institutionalism) as they evolved since 1970s and 1980s, see Campbell (2007), and to end with a discussion on *The tragedy of the commons*.

2.6 Three schools of institutional analysis

As argued before, if institutional analysis (IA) is an interdisciplinary field of which sociology as a science subject plays a part, the position of sociology needs to be somewhat clarified. Blunden (1999) who transcribed Weber’s work had this to say:

Sociology (in the sense in which this highly ambiguous word is used here) is a science which attempts the interpretive understanding of social action in order thereby to arrive at a causal explanation of its course and effects. In “action” is included all human behaviour when and insofar as the acting individual attaches a subjective meaning to it. Action in this sense may be either overt or purely inward or subjective; it may consist of positive intervention in a situation, or of deliberately refraining from such intervention or passively acquiescing in the situation. Action is social insofar as, by virtue of the subjective meaning attached to it by the acting individual (or individuals); it takes account of the behaviour of others and is thereby oriented in its course.

Williamson (2003) could not have agreed more with the above, when he considered Lange (1938) had erred for not considering the greater threat of bureaucracy than the problem of inefficient allocation of resources. In Lange’s (1938) obtuse view, problem of bureaucracy came under the study of sociology and hence off limit to economic

theory. TCE after all, is also an interdisciplinary venture lying within the domain of institutional analysis.

What about the history of IA as a field? No coherent development of history of IA is available. Instead, as far as Ostrom (2007a) was concerned, the current status where the “potlatch” situation of economics and political science meets is due to respective party pleased with what brings to the common table in the last fifty years (Ostrom, 2007a). Scott (2004) was more forthright as he realized that institutional theory had multiple roots and was pursued in varied ways across the social sciences.

Arising from this cross-pollination a “new institutional analysis” has evolved since 1980s with a new focus to study how organizations and individuals within organizations make economic and managerial decisions. As a result, Stovel (2008) identified three schools out of this movement: institutions as incentive systems (from economics); institutions as cultures (from organization studies); and historical institutionalism (from political science).

However, Campbell (2007) provided a set of three schools as variants: rational choice institutionalism (economics and some strands of political science); organizational institutionalism (sociology); and historical institutionalism (comparative political economy tradition). The position taken by Campbell (2007) is adopted. Aside from this disagreement, most researchers agreed that the field benefited from the scholastic works of the late 19th and early 20th centuries namely: Marx, Weber, Cooley, Mead, Veblen, and Commons (Scott, 2004; see marxists.org).

In elaborating each of the schools, attempts are made to address four questions: meaning of institutions; from where do they appear; what keep them going on; and how do they spread, change, and collapse?

2.6.1 Rational choice institutionalism

Campbell (2007) opined that this school has the support of three great researchers of our time: Williamson (1975, 1985); North (1981, 1990); and Ostrom (1990, 1994). While the theoretical aspects will be discussed herein, the operation of rational choice institutionalism in the form of institutional analysis development (IAD) framework which is more associated with Ostrom (1990, 1994), and Ostrom *et al* (1994, cited also in Christensen, 2003; Kontz, 2003, p. 3) however, will be deferred until Chapter 3.0.

Briefly, the earliest IAD framework appeared to have been adopted by Kiser and Ostrom (1982, cited in Ostrom, 1982, pp. 179-222). Other similar meta-theoretical framework was Oakerson's (1986, 1992, cited in Edwards & Ellison, 2004, p. 16) framework. A more complete form of framework for analyzing multiple users and user-groups for CPR governance was proposed by Edwards and Steins (1998, p. 368; 1999) wherein contextual factors were considered. To Kontz (2003), IAD framework is superior to "stages heuristic" associated with Sabatier and Jenkins-Smith (1993).

How is a change made? From NIE perspective, it argues that efficiency can only be achieved over time, incrementally, and hence deemed evolutionary due to two considerations, see Campbell (2007): i) political elites are self-interested; and ii) the path- dependent nature of institutions as they evolve through time.

In the first case, as has been discussed under economic history, in former Spanish colonies in Americas where powerful ruling elites get to write rules, change rules, and interpret rules in manners which allow them to continue their grip over the operation of the governments, and cause the perpetuity of their benefit streams (Engerman & Sokoloff, 1997, 2002). For more about dominant landowners controlling sugar price in Maharastra, India see Hoff (2003).

In the second case, due to path-dependency once institutions are established, ruling elites who benefit from them would be reluctant to let go. As an example, in Malaysia when local authorities' elections were dropped in the 1960s, no amount of pleadings from any party would be able to bring them back. If ever there are improvements, they come more in evolutionary form.

From rational choice institutionalism, several modifications were made to neoclassical economics assumptions: i) the concept of methodological individualism wherein at micro-level, individual actions give rise to institutions (Rutherford, 1994, p. 31); ii) that actor-agent is motivated by instrumental rationality wherein he seeks maximum utility and iii) rational decision making is hampered by the non availability of information, and cognitive abilities of actor-agent (Langlois, 1986; Rutherford, 1994, p. 27).

Under rational choice theory argument, institutions once built actors-agents are there to advance their own interests within the constraints of the institutions.

On the other hand, the influence of sociology and political science are evidence on rational choice approach in three distinct ways: i) about the self-interested behaviour of actor-agent; ii) about choice within constraints; and iii) about the concept of bounded rationality.

2.6.2 Organizational institutionalism

As the name suggests, this school places greater emphasis on normative and cognitive ideas than the rational choice school. Indeed, an actor-agent is more constrained by what is deemed correct by the organizational environment around him (term as appropriate actions) than making decision base on rational thinking (term as official goal, normally work on efficiency).

Organizational institutionalism's roots can be traced to many sociologists of late 19th century, or early 20th century to Weber (well known for his "iron cage" metaphor that describes how bureaucrats behave "in self perpetuating rationalization and depersonalization"), and Durkheim (well known for his concept of social facts as discussed in Section 2.5). Hence, to study the behaviour of an actor-agent, one has to see beyond an event to fully appreciate the full picture of the contributing forces (Ritzer, 2008; see also marxists.org). Indeed, this is the early view of the school suggesting that "the core idea that organizational practices and structures are often either reflections of or responses to rules, beliefs, and conventions built into the wider environment" (Powell, 2007).

Powell (2007) in a revisit to Weber's (1958, 1968) "iron cage" phenomenon argued that common institutionalized practices are felt through three processes: i) coercive process; ii) normative process; and iii) mimetic process.

In the first case, reproduction is by way of state regulatory practices. In the second case, normative factors are result of external influence through education/ local leadership by example, say. In the third case, mimetic forces come into play by way of habit in uncertain situation as one learns how to cope with challenges. But what if there is coercive force from the State?

More recently, Scott (2001, cited in Powell, 2007) presented three pillars of institutional order: i) regulative; ii) normative; and iii) culture and cognitive. By regulative it is meant rule setting and sanctioning against rule breakers. By normative it is meant obligatory dimension for adherence. By culture/ cognitive it is meant the sharing of certain conception. In short, compliance is expected because it is how things are done. Choices are made as individuals can think of no alternative.

As an example, the local leadership of Nursa Kurnia must have fostered some kinds of “institutional order” that resulted in successful self-governance (Scott, 2001).

On the application side, the concept of an “organizational field” of relational and cultural memberships as the level of analysis, and comprise of a community of disparate organizations that engage in common activities was introduced (Powell, 2007). Similarly, a low-cost housing too may be considered as one organizational field of disparate organizations making up of say: developer, local authority, local political leaders, local NGOs, lawyers, consultants, property management company, service contractors, and resident-representatives.

As expected, as the field evolves through time, it has to go through four stages of organization (Powell, 2007): i) increased interaction amongst the diverse organizations; ii) a well defined set of hierarchy and coalition; iii) increased information load; and iv) consciousness that all are in for a common cause.

The future is always good for the proponents of this school.

2.6.3 Historical institutionalism

Before one dwells into historical institutionalism as the third school of new institutionalism in institutional analysis, a comparison of it with two other schools are helpful, because, as argued by Stovel (2008), the boundaries between them can be at times blurred.

While the rational choice approach stress on rules-like quality of institutions, and understood by all actors-agents about the meanings and intention of the rules, historical institutionalism approach views all rules are subject to interpretation and frequently re-interpretation (Hall, 2009). This shift in perspective implies that institutional change need not take place due to consensus. Change may be possible through reinterpretation

of actors-agents on the “meaning of the institutions and hence result in corresponding shifts in pattern of action” (Hall, 2009).

Therefore, actors-agents of this school view institutions as the instrument with which one may use to “negotiate in this complex world” (Hall, 2009). The case in point is illustrated by Slater (2006) using historical institutionalism approach to explain the development of dictatorship in Indonesia.

To operationalize the concept of historical institutionalism, a conceptual framework and empirical methodology, historical and comparative institutional analysis (HCIA) has been developed (Greif, 2001), comparable in the researcher’s mind the IAD framework used by rational choice school. Greif (2001) had this to say:

HCIA is historical in its attempt to explore the role of history in institutional emergence, perpetuation, and change; it is comparative in its attempt to gain insights through comparative studies over time and space; and it is analytical in its explicit reliance on context-specific micro models for empirical analysis.

Two lines of analysis emerge within HCIA (Greif, 2001): i) impact of internalizing of specific traits through evolutionary process on the back of particular rules; and ii) impact of strategic interactions of both endogenous and exogenous formal and informal institutions. In the first case, an example may be found say the type of contractors which are emerging as a result of governmental policy favouring certain ethnic group not base on competitive tender. Under this condition, only the politically well connected companies would survive. Researchers of this school will also study their “institutional complementarities with financial systems, employment relation, and of course government regulations” (Greif, 2001, p. 81).

In the second case, examples to illustrate strategic behaviour are readily found in real world settings: organizations may alter the rules of the game by putting in new players; information may be released selectively; and revising the payoffs available to the

players (Greif, 2001, p. 81). As an example, when Malaysia favoured products from Japan, Mahathir announced Look East Policy thereby opening the door to Japanese.

This section shall end with two pertinent notes: i) Ostrom's (2007a) reminder that macro foundations of institutional analysis appear firmer than the micro, pointing to more works are required to be researched on governance of public economies at local level given "the importance of diverse institutional arrangements", not national or global levels; and ii) in HCIA, where Greif (2001) considered institutions as endogenous not requiring external enforcement.

2.6.3 (a) Knowledge gap

The above argument points to the knowledge gap and justifies the researcher's selection of low-cost housing as the centre of enquiry because it is local, and because it is about actors-agents acclimatizing to new form of rules in a new environment where the researcher may use the newly acquired toolkits from economic history (from NIE), and institutional analysis (IA).

In the next section we explore the social phenomenon of the tragedy of the commons that is real in any low-cost housing.

2.7 The tragedy of the commons

More than four decades ago, the man who popularized the phrase the tragedy of the commons appeared to have provided us with his version of solution to overcome the said social phenomenon as he declared at the end of the seminal article (Hardin, 1968, p. 1248)¹⁷:

¹⁷ But according to Baland and Platteau (1996, p. 25), Lloyd (1833) remained the first man who cautioned the limitation of employment opportunities caused by population growth that led to the "tragedy of the commons". See also Hardin and Baden (1977, p. 11).

The only way we can preserve and nurture other and more precious freedoms is by relinquishing the freedom to breed, and that very soon, “freedom is the recognition of necessity”—and it is the role of the education to reveal to all the necessity of abandoning the freedom to breed. Only so, can we put an end to this aspect of the tragedy of the commons.

Obviously, Hardin (1968) was not confident that men would be able to solve the tragedy of the commons. He bemoaned along the line of “Malthusian trap” where the only way out is to keep the population low, a view supported by Clark (2007). And Clark (2007) argued that unless there is a change in culture, work ethics, and as men learn to be more productive (in food), they would not produce fast enough to meet population explosion.

Was Hardin (1968) correct? Apparently, the problem at hand is more complex than mere competition for resources. Due to its impact on the quality of this thesis, Hardin (1968) deserves a closer scrutiny.

From Hardin’s (1968) lens, the tragedy of the commons can be seen from a brief discussion in: i) is Adam Smith correct? ii) the story of a herdsman adding additional cattle to a common grazing ground; iii) evidence of pollution; iv) who is to watch the watchers themselves? and v) why mutual coercion?

Is Adam Smith correct? Hardin (1968) argued that if Adam Smith’s invisible hand is at work, and based on rational analysis, any decision reach individually will, in fact, be the best decision for the entire society. Obviously it is not correct. If the opposite is true, individual freedom needs a rethinking.

The story of a herdsman. Hardin (1968) used the said metaphor to depict the picture of a herdsman adding cattle to a common grazing ground knowing that his utility was one because he could sell it and he alone stood to reap all the return. On the cost side, it was only a fraction of it because the land was shared by all. Since the incentive structure was good for the herdsman by adding more and more cattle, soon every other herdsman too

followed suit. Overtime the pasture was overused but poorly maintained, culminating in the tragedy of the commons.

Evidence of pollution. There are two categories of commons, one referred to earlier where resources were taken out unrestricted; the other involves putting things in unrestricted. Examples are: sewerage/ chemicals; radioactive substances; heat waste into waters; noxious and dangerous fumes into the air; and unpleasant advertising signs. To Hardin (1968), the concept of redefining property rights may be solved for commons relating to lands, it cannot for air and waters.

Watching the watchers. Hardin (1968) cautioned that pollution was situation-specific and therefore context-specific. He gave two examples to drive home the arguments. A man who polluted a river during frontier conditions might get away because there was no population to complain. Another example involved the practice of a hunter who slaughtered an ox for the tongue only for dinner, an ethic certainly not sitting well in this crowded, complex and changing world.

But then Hardin (1968) asked whether the people could rely on government to watch over their shoulders given the fact that they were singularly liable to corruption, producing a government by men, not law?

Why mutual coercion? Finally, Hardin (1968) argued that coercion was the product of society's institutional arrangements as seen from four examples: i) no society condones bank robbing as everyone refuses to allow the bank robbers to treat the banks as their commons; ii) self restraint might be introduced by charging parking rate increasingly higher and higher in down town; iii) reliance on mutual coercion when living in a commons; and iv) in real estate, the creation of private property right serves as a form of solving the commons problem.

In sum, would the right institutions evolved in time to ameliorate this aspect of human inadequacy? How would one view the social phenomenon twenty years later?

2.7.1 Twenty years after

One way to illustrate the strengths and weaknesses of Hardin's (1968) hypothesis/ model is through the review of his critiques that appeared two decades later: Wade (1987); and Feeny *et al* (1990). In which areas did both agree? Both agreed on six areas.

In consensus. First, that Hardin (1968) had made definitive insight into the likely degradation of resources held as commons, but deemed he had over-simplified in assuming that only through placing the resources under private property, or public property would resources be saved. Second, although Hardin (1968) complained about the ills of population explosion, its legacy was to do with its metaphor of common-pool resources (CPR) management.

Third, the dissipation of values of resources held under commons was due to their characteristics of excludability (control of access), and subtractability. Fourth, evidences abound which pointed to instances of successes for self-governed commons and hence a more comprehensive model is needed. Fifth, Hardin's (1968) hypothesis/ model would be more complete had he considered institutional arrangements, and cultural factors in the hypothesis/ model. Sixth, both appeared to have adopted rational choice approach in their analysis and supported Ostrom's IAD framework.

Incompleteness. Basically, to Feeny *et al* (1990), Hardin's (1968) model was insightful but incomplete. It was so largely due to the assumptions used in the hypothesis: open access; no institution to constrain individual behaviour; demand exceeds supply situation; and rules might not be altered by individuals. In reality, as can be observed from an institutional analysis, few resources are open access except perhaps rivers, seas,

and oceans. Institutional arrangements are likely there to control individual behaviour through time. Moreover, users' characteristics such as culture often play a part in deciding the outcomes (Feeny, et al., 1990).

As an example, a more homogenous grouping of users would allow better coordination efforts as they share common culture (see also Ostrom, Burger, Field, Norgaard, & Policansky, 1999, p. 279). The other determinants to consider are the nature of interactions amongst users and regulators (Oakerson, 1986; cited in Feeny, et al., 1990). If users are allowed to make their own rules in certain way, and elect their office-bearers to run resources create an environment for healthier interaction. Finally, the nature of the resource too determines the effectiveness of resource governance. As an example, a lake is easier than a river. A low-cost housing which is fenced is better than one which is not.

Examples of success stories. A number of reported cases pointed to common resources too could effectively block unauthorized individuals (Feeny, et al., 1990): a) fishing lands in James Bay, Canada, re-established communal-property regime at least twice in the 19th century; b) certain parts of Pacific Islands might have their communal-property regimes failed, but others continued to prosper; c) coastal fishing communities in Japan were perhaps good examples due to legal recognition of communal rights; and d) even in nations which believe in free access accepted community-based lobster fishing as in Maine, Canada.

Examples of enforcement of rules. Hardin (1968) had erred in assuming that individuals are not capable of setting rules thereby causing common resources degradation due to the nature of subtractability. The opposite is true. Some examples were given (Feeny, et al., 1990): a) strict control limiting the number of head each owner could graze in medieval English commons; b) a set of comprehensive rules were set by forest and

meadow commons in Japan which worked well; c) two property regimes co-existed as in Japan where the irrigation works were held as communal-property but the crop lands were held privately; and finally d) certain Turkish coastal fishing commons were working well in recent time.

To Feeny *et al* (1990, p. 12), placing the commons under state governance is not a guaranteed panacea as observed through a number of failures in less-developed countries. On the other hand, Wade (1987) introduced “collective action” as synonym for “common-pool resource” governance, which in turn comes under the subjects of: i) theory of public goods (Foldvary, 1994); and ii) theories of collective action (Ostrom, 1990; Reisman, 1990).

Only three theories of collective action will be briefly touched as commented by Wade (1987): i) Rapoport and Chammah’s prisoners’ dilemma; ii) Hardin’s tragedy of the commons; and iii) Olson’s logic of collective action.

In Wade’s (1987) view, Hardin (1968) erred because the latter had not considered the condition of repetitive play-outs, rules might change amongst players, and penalty agreed to for enforcement against defaulters—the insight given in the prisoners’ dilemma.

As a variant to Rapoport and Chammah’s (1965) prisoners’ dilemma, Hardin’s (1968) tragedy of the commons did not consider the availability of information to individuals, issue of resource pay-off, and that it applied only to open access.

In the same way, Olson’s (1965) collective action was another variant of the prisoners’ dilemma, its core proposition argued for external coercion when it assumed: a) voluntary collective action would not produce public goods; and b) collective action based on certain incentive structure might produce public goods.

In particular, from Wade's (1987) field data of 31 villages in Southern India, evidences adduced ran counter to three theories of collective actions, and also the normal advocacy of classic sociological variables. To Wade (1987), one should concentrate on the concept of net collective benefit if one expects co-operation amongst resource users, not selective inducements or punishments as Olson (1965) suggested. Still, Wade (1987) appeared to agree to the use of certain form of coercion for rules compliance, as no one wants to be made a sucker.

Working on Ostrom's (1985, cited in Wade, 1987) ideas, a list of six determinants for successful self-governance of CPR are : size of the resources; exclusion technology; users' dependency on resources; users' characteristics; ease of detection of rules-breaking; and state support of local rules.

Would one find better commons 10 years later?

2.7.2 Thirty years after

Compare to the history of mankind, 30 years are just too short a period to see any major shift in behaviour to deal with the complex subject of collective action in commons. On the whole Ostrom *et al* (1999) argued that there were fresh insights into Hardin's (1968) "tragedy of the commons" and that failures were also likely for state-held and private-held properties.

As an example, Ostrom *et al* (1999) showed a satellite image of large track of grassland in northern China abutting Mongolia and southern Siberia. The lands held by the governments of Russia and China were badly degraded (three-quarters on Russian side, one-third on Chinese side), while lands held in Mongolian side enjoyed a relative small damage (only one-tenth was seen degraded). In Ostrom *et al*'s (1999) words "Mongolia has allowed pastoralists to continue with their traditional group-property institutions,

which involve large-scale movements between seasonal pastures, while both Russia and China have imposed state-owned agricultural collectives that involve permanent settlements”.

Thirty years have lapsed since Hardin’s (1968) paper; the tragedy of the commons was real, but not inevitable (Ostrom, et al., 1999). Four successful examples bore evidence of solving CPR problems at local level: i) Wade (1994); ii) Ostrom (1999a); iii) Baland and Platteau (1996); and iv) McKean (1992).

By adopting rational choice approach, Ostrom *et al* (1999) identified a host of conditions favouring sustainable uses of CPR: i) attributes of resources and their users affecting the benefits and costs that users perceived, so the resources should not be allowed to degrade beyond repair; ii) the degree of dependency of resources mattered from users’ perspective; iii) potential benefits which flowed from the resources be made observable; iv) built-in initial trust in users; v) previous organizational experience and local leadership mattered as they reduced costs of acceptance; and vi) collective-choice rules affected future decision makings and that allowed wider participation of users in deciding future direction of CPR governance.

The truth is, men are not necessarily rational all the time, they show reciprocity tendency in kind too. In a departure from her earlier works, Ostrom *et al* (1999, p. 279) questioned her own rational choice approach that assumes “all individuals are selfish, norm-free, and maximizers of short-term results” by reviewing four types of CPR users.

Types of CPR users. For the first type, a rational being would not cooperate in dilemma situation. For the second type, those who are unwilling to cooperate with others unless assured that free-riders would not exploit the situation. For the third type, those please to extend initial reciprocal cooperation to others as they expect the rest would do

likewise. For the fourth type, a small group of genuine altruists who pursue group returns.

Field settings. In field settings however, the outcomes are dependent on users' characteristics and contexts as observed in the following (Ostrom, et al., 1999) four cases. The said model only applies to private goods, not public goods as assumed (McCabe, Rassenti, & Smith, 1991; Plott, 1986). Secondly, the rational choice model is not supported by field data, or laboratory experiments where the context is a lot different "in which individuals may communicate, sanction one another, or make new rules" (Bowles, Boyd, Fehr, & Gintis, 1997; Orbell, VandeKragt, & Dawes, 1988; Ostrom & Walker, 1997).

Thirdly, although "humans normally adopt a narrow, self-interested perspective in many settings", they may reciprocate kind gestures (Cosmides & Tooby, 1992). Finally, it is possible to build up inertia and maintain the momentum of cooperative spirit by a small group and later grow in size to reap the harvests of cooperative living (Axelrod, 1984; Nowak & Sigmund, 1992). The last argument is especially interesting in that all it takes is to identify a core group of enlightened local leadership.

Clearly, Ostrom *et al* (1999) had not lost hope entirely on Hardin's (1968) tragedy, they remained guardedly optimistic, an opinion shared by Dietz *et al* (2003) in which Ostrom was also an author of the team.

2.8 Summary

The fundamental difference between the First World states and those of the Third World lies in the nature of their respective institutions. As Tiun (2009) argued in the opening of the chapter, the institutions of many in the latter group are in their infancy, no

wholesale transplant of any set of law from the former to the latter will deliver the same degree of efficiency and effectiveness.

Insight from five strands of NIE helps policy-makers aware of the short-comings of formulation, implementation, and enforcement of formal rules as informal constraints struggle to evolve through time. North (1990) favoured incorporating institutional analysis into economic history (and which is NIE) since we are assured that the resultant story affords us with “consistent, logical account and be constrained by available evidence and the available theory” (North, 1990, p. 131).

But to compare NIE with IA may be unfair for they are not at the same level, one is micro and while the other is macro. It is worthwhile to re-state an important line of argument: IA enables a systematic and methodological way of research into any economical, political, and social phenomenon in ways where the findings are easily deciphered.¹⁸

In essence, this chapter explains the functionality of five strands of NIE and three schools of IA. They are however not exactly the same. If IA is akin to a hospital that cures any patient with an illness, NIE remains a specific medicine to cure an illness. In other words, knowledge of NIE may help alert policy-makers be aware of the symptom of a social ill such as rent-seeking, police brutality, or the tragedy of the commons, the panacea must quintessentially come from IA after due analysis.

For purpose of illustration, the rules-in-use is one of the four dimensions of IAD framework (see Figure 1.1), and IAD framework is the operating branch of IA (take it as the hospital), the insight into the poor state of health of a common can be explained by way of “property rights theory” under NIE (take it as the medicine) as the nature of

¹⁸ See Parsons (1995, p. 215) for a multi-disciplinary approach to policy process considering historic/geographic conditions, socio-economic composition, mass political behavior, government institutions, and elite behavior.

common-property has been well researched for decades by CPR researchers (Poteete, et al., 2010).

To put things in clearer perspective, property rights theory (as part of NIE) may explain the weaknesses of common-property as in a state of flux (an illness), but the panacea to overcome the lack of collective action requires a more rigorous study under IA/ IAD framework.

In the next chapter, we shall operationalize our toolkits acquired from NIE and institutional analysis in reducing the impact of the social phenomenon (on why parcel holders find collective action challenging, why the commons are left unattended, and why self-governance of the commons usually failed).

Chapter 3.0

Re-conceptualizing housing governance for urban poor: Institutional change, collective action, and the commons

3.1 Introduction

The aim of this chapter is to operationalize two theoretical frameworks (NIE and IAD framework) developed in the previous chapter so that issues associated with self-governance of the urban poor may be made comprehensible with respect to i) institutional change; ii) collective action; and iii) the commons.

As an example, if the current set of formal rules requires improvement, in what manner should it be improved? Will a change of formal rules bring about a change in actors-agents' behavior under NIE explanations? Has institutional capacity been upgraded in anticipation of rules change?

Given the current understanding of the concept of “bounded rationality and opportunism”, are there ways to improve collective action under repetitive games/transactions as opposed to Hardin's (1968) one-off transactions for herdsman?

Two theories (the theory of public goods, and the theory of externality) that drive home the characteristics of the commons will be discussed, and in the process allow “re-conceptualizing” governance problem closely associated with the lack of cooperation in collective setting (Poteete, Janssen, & Ostrom, 2009).

Grant and Brue (2007, pp. 58-59) gave credits to David Hume on his earlier works on “cooperation”. In repeated games, cooperation had been proven to be a better strategy.

Additionally, the issue of self-governance is seen as a sub-set of CPR management of natural resources wherein the same principles of human behaviour apply. Instead of confining the discussion to fisheries, air pollution, and water contamination in natural settings, we discuss the self-governance challenges in the context of Third World states. Expecting any state participation in housing governance is however unrealistic if the system is inefficient. Up to this point, this pathway (CPR management) of research is little travelled by Malaysian housing researchers; hence knowledge gap waiting in earnest to be filled.

Two issues need to be addressed. First, how can the institution of self-governance be studied using two separate theoretical frameworks? Second, between the two, which theoretical framework appears to be more appropriate to answer the various research questions?

The dilemma is solved by relying on Yin's (2009, 2011) rival theory explanation. Yin (2009, pp. 133-135) argued that in the event that there is a second theory that explains the situation better, one should adopt the second theory. Ostrom *et al* (1994, p. 49) also argued that in a situation where more than one theory may be used, then both may be considered.

As will be shown, NIE has its limitations and may not be holistic in its explanations; the task then falls on the second theory i. e. institutional analysis in two ways.

Missing from NIE is its lack of attention to the role-play by "polity" on final outcome, a field of political economy applicable to weak states (Khan, 1995, p. 71; North, 1990, 1995). In fact, the relative lack of enforcement mechanisms of formal rules for various reasons mark the distinction between First World nations and those of Third World states. In North's (1990, p. 44) view while formal institutions are decisive in nature,

their effectiveness depend on informal constraints, “something by which institutions evolve and hence is a source of path dependence”.

Institutional analysis (IA) provides a framework to economic history (under NIE purview) so that a story may be retold in “a consistent, logical account and be constrained by the available evidence and the available theory” (North, 1990, p. 131).

Arising from the discussion, four questions will be asked: i) what is a market failure, and how can it be overcome? ii) what is the origin and nature of the institutions of governance in Third World states? iii) how can a better access to knowledge bring about policy change? And iv) what are the dimensions of self-governance as in an IAD framework?

This chapter sets out in four parts. In the first part, the deplorable state in the common-areas (common-properties, or simply the commons) of low-cost housing may be explained in terms of market failure of the institution of self-governance. How can it be explained using neoclassical economics, old institutional economics, NIE, and IA?

In the second part, the presence of high transaction costs (TCs) serves as explanants to the inefficient system in Third World. In the third part, the current lopsided housing policy of “modes of delivery” advocated by United Nations and its allied writers is examined.

In the fourth part, by relying on Ostrom *et al's* (1994) institutional analysis development (IAD) framework, determinants (context, characteristics of the commons, attributes of the community, and rules-in-use) that shape the state of health of the common are discussed.

3.2 Overcoming market failure: From neoclassical economics to OIE, NIE, and institutional analysis

Housing is a product of economic growth and economic development. There will be no housing governance without housing provision. Housing governance is to do with management and maintenance of completed housing either by parcel holders as under the law (applicable to Malaysia) or by the state (as in public housing in Singapore). In the former case, self-governance is the term used.

The place to start a discourse on the merits and demerits of various schools of economic thoughts on housing governance is to first ask three questions: i) what is meant by economic growth, economic development, and their relationship to housing governance? ii) why are the West relatively richer than the centrally-planned Soviet bloc, and the Third World as judged by the quality of housing? and iii) what is a market failure with respect to housing governance?

On the first issue, Grant and Brue (2007, pp. 473-491) argued that economic growth “is the increase of a nation’s real output (GDP) that occurs over time” due to increased output of natural resources, human resources, and capital; achievements of a higher quality of resources; and attainment of technology that boost productivity. A higher GDP per capita implies a person’s standard of living is raised as he can buy a better house to live in (in terms of location, size, physical and maintenance quality), access to a better car, and frequent better eatery outlets at his discretion through time.

On the other hand, economic development is concerned with the study of the processes by which nations seek to improve the standard of living for their citizenry. Obviously, economic development is illusory to most nations as it is easier said than done.

Constrained by historical developments, culture, and basic human rationality, most powers-that-be would rather entertain rent-seekers (Wain, 2009, 2012).

On the second issue, North (1990) arguing from institutional perspective and said the basic function of institutions is to reduce transaction costs. The West is able to achieve that by their acceptance of the rule of law, transparent transaction between buyers and sellers, monitoring, and enforcement of property rights.

Countries under Soviet bloc are economically lacklustre because they ignore the basic nature of men by drumming on their people political ideology, and the correct incentive structure is not in place (Oppen, 2008, pp. 390, 393, and 400). As for Third World, it is a governance issue because they are efficient not in the realms of productive efficiency, but in the realms of allocative efficiency, a sign of busy allocating resources to themselves/ and their cronies rather than doing something productive and hence enlarging the economic-cake (North, 1990, p. 80).

On the third issue, one can view a dilapidated low-cost housing environment as a local environmental failure—a form of market failure in self-governance. Thomas and Callan (2007, p. 57) explained it as follows:

Classical microeconomic theory predicts an efficient outcome given certain assumptions about pricing, product definition, cost conditions, and entry barriers. If any of these assumptions fails to hold, market forces cannot operate freely. Depending on which assumption is violated, the result will be any of a number of inefficient market conditions, collectively termed market failures.

In short, market failure is a condition in which the market is showing that it is not operating well as planned, and as a result, consumers are made to pay certain products and services at a price beyond acceptable levels, or for a price the product is not meeting the expectation of consumers. In the researcher's thesis where its primary concern is about the quality of the environment of low-cost housing, market failure

may be explained by Thomas and Callan (2007, p. 57): i) public goods, a product problem; and ii) externality, a condition coming out of environment.

Public goods are hard to manage because of their nature which is accessible to everyone, a case of ill-defined property rights. In the case of low-cost housing, little investment (due to the lack of fund) and over-exploitation of the resources (due to free-riding) dissipate values through time. On the other hand, as a result of lack of care to the environment, negative externalities arise thereby exacerbating the maintenance problems further.

We now turn to the tenets of three economic schools and the meta-theory of institutional analysis to examine the strengths and weaknesses of each, and to see how each fits into the argument of economic growth and economic development.

3.2.1 Neoclassical economic theory

Adam Smith (1723-1790) was the founder of the classical school who wrote theory of economic growth in *Wealth of Nations* in 1776 (Grant & Brue, 2007, pp. 79-81). See Figure 3.1.

To Adam Smith, division of labour and specialization were keys to the wealth creation of a nation-state. He described in details how a worker was able to produce 4,800 pins per day because of division of labour, compared to a paltry 20 a day if there was no introduction of division of labour in his days. The increase in productivity, as argued by Smith (1877) was due to three contributing factors: i) as one worker performs the same task repeatedly, dexterity is enhanced; ii) time is saved since the task is confined to only one action; and iii) machinery is used to perform simplified work routine capable to be handled by less-skilful workers.

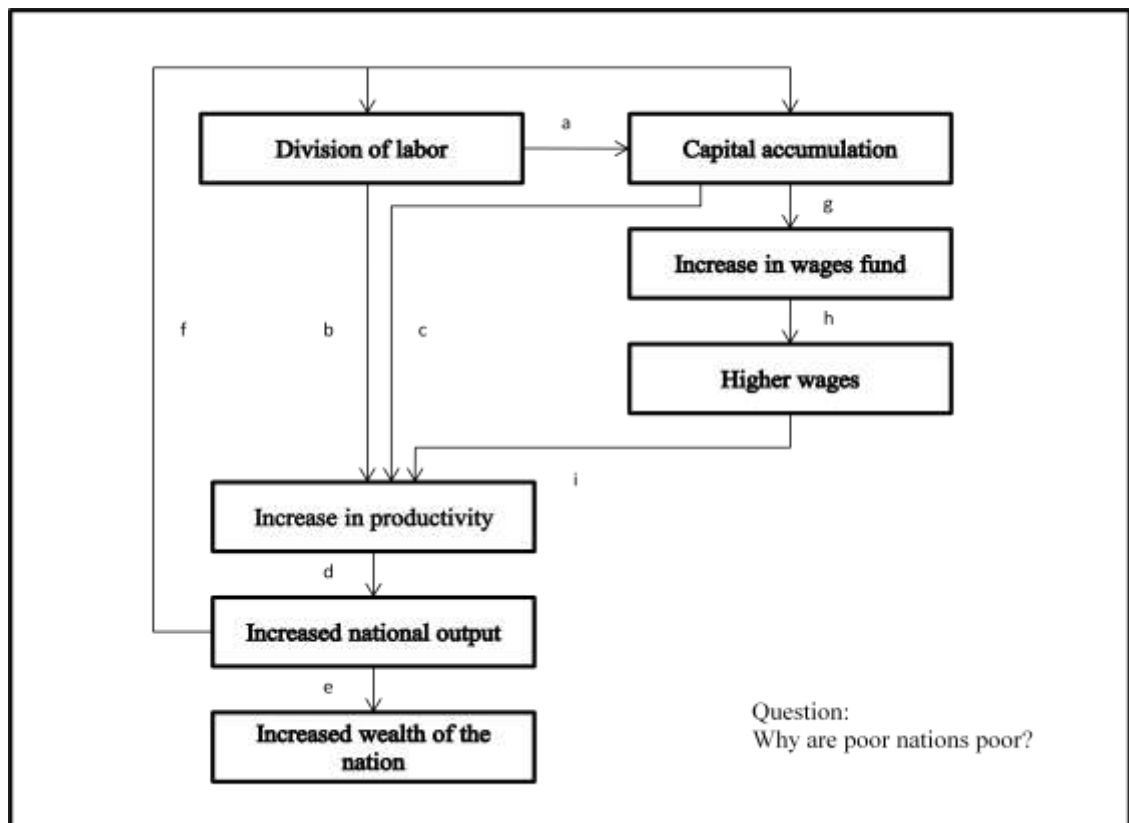


Figure 3.1 Smith's theory of economic development

Source: Adapted from Grant and Brue (2007, p. 80)

Therefore, over time as in Figure 3.1, division of labour brings about capital accumulation and together increase productivity as new machineries are added by the owner of the factory. A rise in labour productivity (see d) increased national output, and in turn causes further division of labour (see f). At another front, a labour who is productive will be rewarded with higher pay, and the reward enables him to be even more productive (see i).

Figure 3.1 works only if one assumes that there is a surplus labour waiting to be tabbed, a position similar to many Third World states before industrialization. W. Arthur Lewis' (1915-1991) two-sector model is a clear illustration of the benefits of rural-urban migration brought about by foreign direct investments (FDIs) into these nations. See Figure 3.2.

The labour demand curves are represented by D1, D2, and D3. As discussed, the abundance of rural labour is reflected by a perfectly elastic supply curve S whose

average urban rate is higher than the rural rate by 30% in developing countries. When S intersects $D1$, $Q1$ quantity of labour shall be employed at urban wage rate of W_u (which is higher than the rural rate). Profit and interests earned by the capitalist is in the area “b”, while “a” represents the wage accrued to the labour. “a+b” then is a measure of the total output.

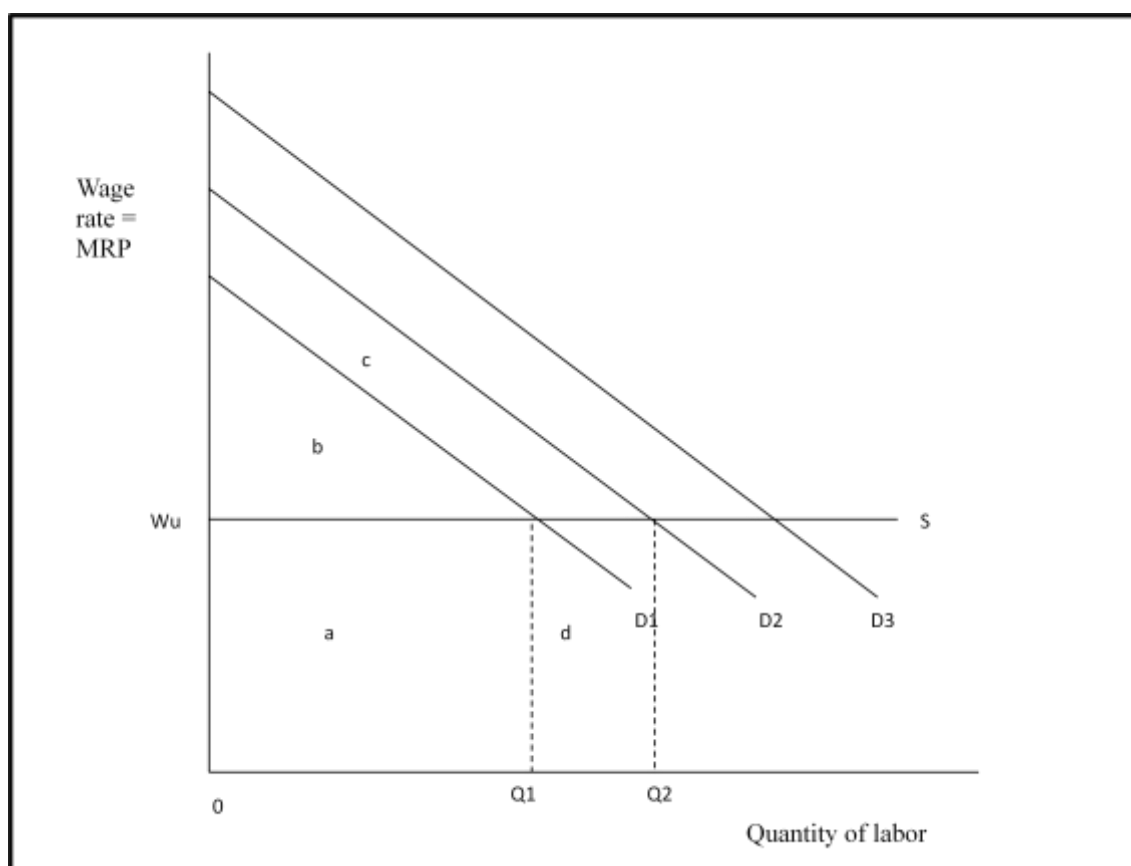


Figure 3.2 Lewis model of economic development: unlimited supply of labour

Source: Adapted from Grant and Brue (2007, p. 487).

Note: Lewis's model has broken “vicious circle of poverty” theory of Ragnar Nurke.

With profit, a capitalist re-invests into the business thereby causing more demand for labour equals to $Q2$ due to labour demand curve $D2$. The nation's output is now $a+b+c+d$ as more labour $Q1Q2$ is absorbed into urban labour force. And the process goes on and on until surplus labour in the rural is fully mobbed up.

Clearly, industrialization causes rural-urban migration and since on the average the labour earns more, together with what earns by the capitalist, overall economy of the nation expands. One surprise from Lewis's model in Figure 3.2 lies in its ability to

break Ragnar Nurke's (1907-1959) "vicious circle of poverty" theory (see Grant & Brue, 2007, pp. 482-483) in that as a worker is becoming richer he saves more, and the capitalist has greater incentive to invest as he can sell more of his products in an expanding market. As a result, capital accumulation as in Adam Smith's Figure 3.1 is assured.

Conditions necessary for Adam Smith's classical school to work are stringent; at least five may be considered (Grant & Brue, 2007, p. 47). First, the role of government should be confined to providing public goods such as the defence, and education. A free market will work on its own, and able to produce, exchange, and distribute competitively. Second, self-interested behaviour is a basic human nature. Third, by pursuing one's maximum utility, the society will ultimately benefit from the harmony of interests.

Fourth, both economic resources and economic activities contribute towards the wealth of a nation. Fifth, the "classicists believed that the laws of economics are universal and immutable" (Grant & Brue, 2007, p. 47).

As will be seen, such a perfect competition, and perfect information of a free market hardly exists in a real world. It will be a job left to old institutional economics.

3.2.2 Old institutional economics

Guided by the doctrine of neoclassical economics, capitalists in America flourished between the Civil War and World War 1 but at the expense of the workers. American government often used police and militia to suppress disgruntled workers who took part in protests (Grant & Brue, 2007, p. 369).

Today neoclassical economic theory has been used as an umbrella term encompassing a number of schools, except for institutional economics, historical schools, and Marxian

economics. In the olden day, neoclassical economics was synonymous with Austrian school, but drew a line with Alfred Marshall's marginalists.

It was in this historical context that the institutionalist school (old institutional economics—OIE) began around 1900 in America. Subsequent introduction of New Deal in the 1930s, was directly due to institutionalism under its proponent Thorstein Bunde Veblen (1857-1929) and others.

Four tenets are associated to this school (Grant & Brue, 2007): i) preference for collective action; ii) a focus in institutions as it recognizes group behaviour is part of culture of the group; iii) oppose to the concept of static economic analysis as in neoclassical theory, and a belief in evolutionary nature of economic change; and iv) a belief in collective control through government of the day to correct any deficiency in economic life.

Hence, this school appears to understand the notion of collective action better than others.

3.2.3 New institutional economics

This section covers those areas which are in conflict with OIE in three ways. First, while OIE rejects rational-maximizing self-seeking behaviour of individuals, NIE and neoclassical theory believe in it (Stein, 1995). Second, Stein (1995) took a different stand and argued that NIE placed less importance on the roles of institutions to economic development. This proposition however was not endorsed by North (1995), as he referred to “institutions as enduring qualities of different mental maps”. Third, OIE tends to be more descriptive in nature, and lacked theoretical framework in economic analysis (Toye, 1995).

But NIE and OIE share the evolutionary nature of progress of economic development, and therefore is process-inclined. NIE however, is concerned with property rights, public choice theory, empowerment of individuals, rent-seeking behaviour of economic-agents, and finally, any increase in transaction costs affect economic efficiency. On the other hand, while OIE seeks to correct market failure (as in America in 1930s); there is no guarantee that any government will do its job well. On this consideration alone, NIE appears to have an upper hand over OIE as NIE advocates minimal government interference into economic life. No doubt, the public choice theory must have left an indelible mark.

To the researcher however, the tenets of OIE in relation to holistic behaviour and collective approach in economic analysis are useful as the institution of self-governance is very much closer to this line of reasoning.

3.2.4 Institutional analysis

Two issues beg answers: i) why NIE fails to live up to its promises? and ii) how institutional analysis justifies its roles?

To the first issue, for all intends and purposes, NIE is only effective at micro-level development problems in specific context (Toye, 1995, pp. 64-66). At macro-level, NIE is ill-suited to explain transaction costs, especially with respect to political transaction costs (Khan, 1995; Toye, 1995). The core of the problem appears to be NIE's inability to account for the presence of "polity" which is in effect the role of government in enforcing contracts so that transactions/ exchanges between two parties may go on seamlessly.

North (1990, pp. 55-60) argued that in a stateless society, self-enforcement of contracts is possible under three conditions. Knowledge of the exchanging parties is there.

Repeated dealings are common. All exchanges take place in small communities (as in tribal and primitive societies). In such conditions, one relies on exchange-of-hostage, and ostracism of merchants who reneged on agreements. As of now, North (1990, p. 54) contended that there is no simple answer to it to explain how the West seems to have a good set of polity (lawyers, arbitrators, and mediators), which is absent in the Third World.

To Khan (1995, pp. 76-78), the way polity is formed matters to the economic efficiency. As an example he contrasted the political structure of Britain during Industrialization Revolution and America during early part of industrialization (characterized by power dispersed and low transaction costs), with that of Taiwan and Korea in 1960s (characterize by power centralized and high transaction costs).

Along the same line of argument, Bates (1995, p. 45) echoed similar sentiments of Khan (1995) for NIE's lack of political analysis, a field in political economy. As an example, in Coase's (1960) the real determinant that gets to decide how property right is to be distributed is the structure of politics, not institution. If it is in favour of the railway, farmers along the railway track will bribe the railway to have less runs so as to cause less damage to their farms. On the other hand, if the property right is in favour of the farmers, less runs are expected from the railway. Either way, regardless of the outcome, both situations create less incentive for the railway to have more runs. The solution to a social problem lies in politics, not Coase's institutional postulate.

To the second issue, on how institutional analysis justifies its roles to solve a complex social-economic and political phenomenon (un-cooperativeness of residents in self-governance), North (1990, pp. 131-132) is insightful in at least two ways. Institutional analysis allows a regimented framework upon which economic history may be

recounted. And in earlier days cliometric economic history lacked consistency and coherence in structure.

In the next section, state failures of the Third World would be examined.

3.3 Governance in Third World states, and developmentalist states

If countries in the world were deemed more even in economic development in 1500, it was not so in 1870. The situation worsens in 1990s. Table 3.1 shows the GDP (per capita per year) differences from 1500-1998 for different regions in the world (Engerman & Sokoloff, 2003).

Table 3.1 Levels of per capita GDP and interregional differences, 1500-1998 (1990 international dollars)

	1500	1820	1870	1913	1950	1973	1998
Western Europe	774	1232	1974	3473	4594	11534	17921
Western Offshoots	400	1201	2431	5257	9288	16172	26146
Japan	500	669	737	1387	1926	11439	20413
Asia(excl. Japan)	572	575	543	640	635	1231	2936
Latin America	416	665	698	1511	2554	4531	5795
Eastern Europe	483	667	917	1501	2601	5729	4354
Africa	400	418	444	585	852	1365	1368
World	565	667	867	1510	2114	4104	5709
Interregional Spreads	2:1	3:1	5:1	9:1	15:1	13:1	19:1

Source: Adapted from Maddison (2001, cited in Engerman & Sokoloff, 2003, p. 39)

Why is the disparity so glaring between Western Europe/ Western Offshoots and Asia (excluding Japan)? Why does Latin America pale in comparison with Western Offshoots? Worse, why has Africa stagnated?

Obviously, Western Europe and Western Offshoots must have put in place a set of sound economic, cultural, political, and institutional practices that drive their economic growth and economic development.

First, to pin-point the causes of slow economic growth and economic development in Third World (generally refers to countries other than the West and the Soviet bloc). See Meier and Rauch (2005, p. 2). Second, to identify the general characteristics of Third World nations as such revelation will go to explain areas that require improvements. Third, to draw a preliminary conclusion on the origin of institutions that favours or impedes economic growth and development. The finding of the last part incidentally, may well be the clues to approach housing governance issues in the next section.

In order to address the three questions adequately, this section is divided into three parts: i) measures of economic development; ii) institutional explanations of state failures; and iii) economic and political explanations of state failures.

3.3.1 Measures of economic development

One has to be precise of the terms “how poor is poor”, and “what is the currency” to measure poverty across countries. It follows that two issues need to be addressed: i) definitions of the term Third World and Human Development Index (HDI); and ii) the debate on the ideology of Washington Consensus.

To the first issue, one has to explain the computation of HDI, the international currency to measure development—how poor they are of various countries. As for the

second issue, Washington Consensus, the ten-point agreement was arrived at the conclusion of Bretton Woods Summit held at Mount Washington Hotel in Bretton Woods, New Hemisphere, America in 1944, presented ways to help poverty eradication amongst less developing countries (LDCs).

In the first place, the terms LDCs, developing countries, and Third World may be used interchangeably (Meier & Rauch, 2005, p. 2). In all fairness, they refer to countries in Latin America, North Africa, Middle East, Sub-Sahara Africa, Asia (minus of course Japan), and members of ex-Soviet Union. On the other hand, HDI refers to the development of LDCs/ Third World by taking into account three dimensions (Meier and Reach, 2005): i) life expectancy; ii) adult literacy rate (two-thirds weight), secondary and tertiary gross enrolment ratio (one-third weight); and iii) decent standard of living as measured by GDP per capita in PPP\$.

In computing HDI, GDP in purchasing power parity dollars are used over GDP in US dollars is due to the recognition that purchasing power of US dollars is greater in poorer countries. See Table 3.2.

Table 3.2 Selected list of countries based on HDI

	Real GDP per capita (US\$) 2001	Real GDP per capita (PPP\$) 2001	HDI value
Low-human development countries:			
Sierra Leone	158	470	0.275
Ethiopia	121	810	0.359
Nigeria	257	850	0.463
Zimbabwe	559	2,280	0.496
Medium-human development countries:			
Indonesia	1,034	2,940	0.682
Philippines	1,165	3,840	0.751
Thailand	2,853	6,400	0.768
Saudi Arabia	6,614	13,330	0.769
Malaysia	4,708	8,750	0.790
High-human development countries:			
Mexico	3,739	8,430	0.800
South Korea	13,502	15,090	0.879
Singapore	27,118	22,680	0.884
America	31,592	34,592	0.937
Australia	24,203	25,370	0.939

Source: Human development report 2003, cited in Meier and Rauch (2005, pp. 8-11).

In the second place, the workable solutions of the American financial crises of 1970s were adopted wholesale for Third World with dismal results (Waeyenberge, 2006, cited in Jomo & Fine, 2006, pp. 21-45).

Proponents of Washington Consensus favour a more liberal approach of trickling down benefits that limits governmental intervention into economy, whereas in the pre-Washington consensus era, Bretton Woods twins (The World Bank and the International Monetary Fund—IMF) recognized governmental role in direct poverty eradication.¹⁹ Washington Consensus was declared dead in 2009. See Table 3.3.

¹⁹ See more of Washington Consensus by Williamson (1990) in <http://www.iie.com/publications/papers/paper.cfm?researchid=486>, date of access: 24 June 2011.

Table 3.3 The rise and fall of Washington Consensus

	Measurement of economic development*	Fate of development economics	Level of State intervention
Pre-Washington consensus, before 1980	GDP per capita in US dollars	A recognizable role	A recognizable role
Washington consensus, 1980-2009	HDI	Side- lined	Minimal
Post-Washington consensus, after 2009	HDI	Uncertain future	A recognizable role

Sources: Waeyenberge (2006, pp. 21-45); Fine (2006, p. xv); Dowling and Valenzuela (2010, pp. 3-9).

Note: For a discussion on the evolution of measures of development, see Meier and Rauch (2005, pp. 12-15).

3.3.2 Institutional explanations of state failure

Why is a state mal-functional and hence not efficient in managing its economy for growth and for development? In this part, state failure is discussed as follows: i) the big picture in terms of state structural failure, and transition failure (Khan, 1995); and ii) sources of institutional inefficiency—inadequate of property rights regime, and excessive transaction costs in the system (De Soto, 2000; Olson, 1996; Oppen, 2008; Platteau, 2008).

3.3.2 (a) (i) Big picture

First, Khan (1995, p. 72) likened a state failure (or governance failure) is similar to an institutional failure where “it refers to some judgment about the potential improvement in performance if institutions could be restructured”. Base on certain criterion such as utility, net output, or growth, a chosen institution is compared with another institution. The chosen one is deemed structurally fail if the alternative can deliver a far better outcome for the benefits of the society.

One example comes to mind. Many mega projects in Malaysia have been rent-captured by cronies of the powers-that-be under direct negotiation contracts (J. Tan, 2008).

State structural failure may be explained by rent-seeking analysis or transaction cost analysis (Khan, 1995).

3.3.2 (a) (ii) Transition failure

Transition failure refers to works in progress/ in transition when say a structure of institution is under performed. Khan (1995) pointed out that transition can be overcome by relying on knowledge in “political transaction costs” as it invariably is hampered by political elements. This phenomenon may be explained in three ways: i) due to insufficient time; ii) lack of correct knowledge; and iii) differences in political objectives in society.

To the time factor, Khan (1995) argued that it is a relatively flimsy excuse as most autocrats used to enjoy long period of rule. On the wrong knowledge claim, the argument is equally weak especially it could not account for the persistency of the same mistakes in many weak states. Finally, Khan (1995) found transition failures are caused mainly by the initiators of change who could not compensate potential losers if the change takes effect.

3.3.2 (b) (i) Sources of inefficiency—property rights theory

Second, to many well known researchers, this very institution sets Third World apart from First World (De Soto, 2000; North, 1990; Williamson, 2000). See Figure 3.3. Though formal rules in First World are enforceable; they are not in Third World. One of the contributing factors is weak judiciary; the other is due to under-performing bureaucrats.

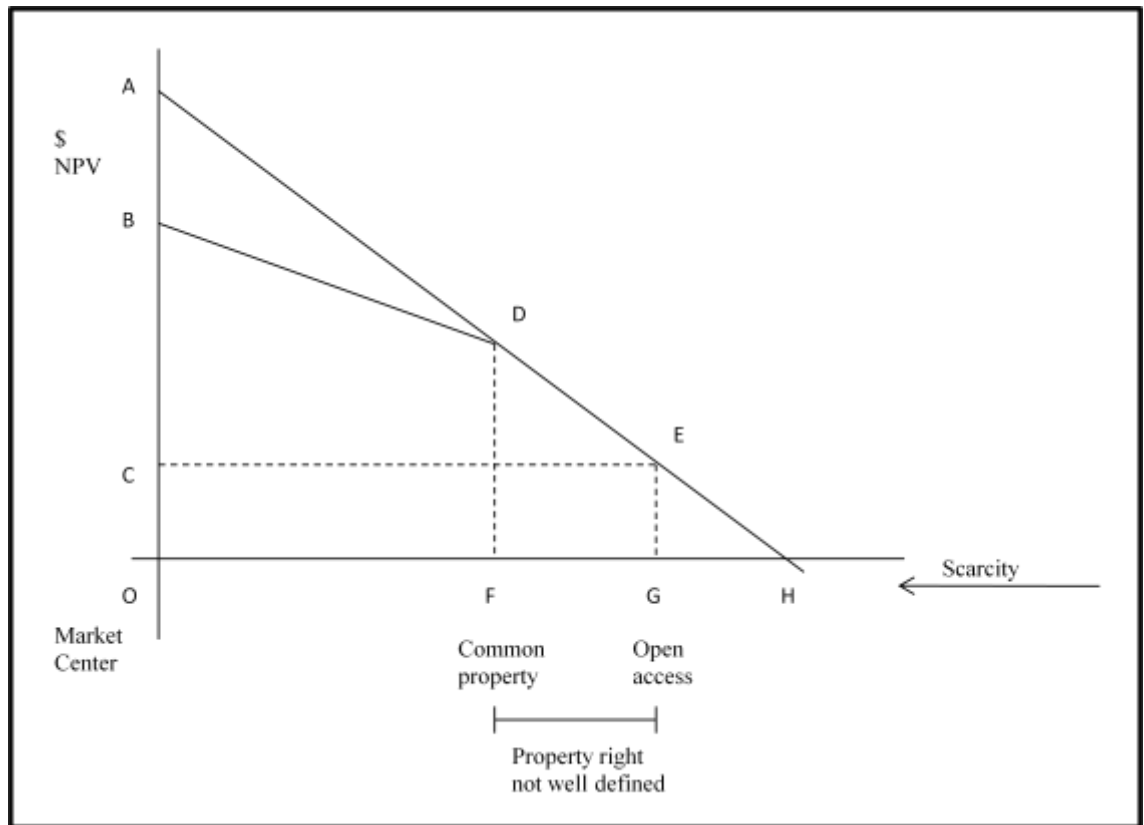


Figure 3.3 The demand for, and evolution of, property rights

Source: Alston (2008, p. 106)

If OH in Figure 3.3 is the distance furthest from the town centre, it represents the frontier condition. At G, more people find the place attractive and begin to live there. Region FG depicts condition ranging from open access and commons, and even more people find their way to earn a living there represented by increased land values (take the form of net present values). Area ABD shows the full land value for private property is not achievable because of sharing of people in commons.

Therefore, while area OFDA represents the value of private property rights and hence commanding highest net present value (NPV), a lesser amount is secured under common-property regime, as shown in area OFDB. Figure 3.3 shows that through time, lands nearest to the town centre invariably fetch the highest NPV and are in most demand. The simple conclusion is if the property is not fully secured, then one expects its value not to reach the highest potential.

The truth is that a Third World nation is characterized by its weak set of the “rule of law”, often allowing the “rule by man” to take over governance. In First World, they are relatively more transparent and open about the approving conditions, hence a lesser transaction cost in business.

Many Third World states often adopt privatization as a means to distribute state assets to their cronies, often resulted social turmoil example Indonesia under Suharto’s rule (A. Chua, 2003; Meier & Rauch, 2005; Wain, 2009). At the heart of the issue is their failure to appreciate the complexity of building complementary institutional capacity (Oppen, 2008, p. 393). In this regard, Russia is a classic example of failing in her attempt in many privatizations.

In Malaysia, notable privatization projects that failed include national sewerage system, Kuala Lumpur light rail transit, Malaysia Airlines, and Proton—the national car (J. Tan, 2008). The lack of ex post political capacity has been cited as the main source of problem in privatization.

3.3.2 (b) (ii) Sources of inefficiency—transaction costs economy

Due to the fact that it is only human to behave opportunistically when confronted by choices, transaction costs are unavoidable. Figure 3.4 illustrates the source of transaction costs.

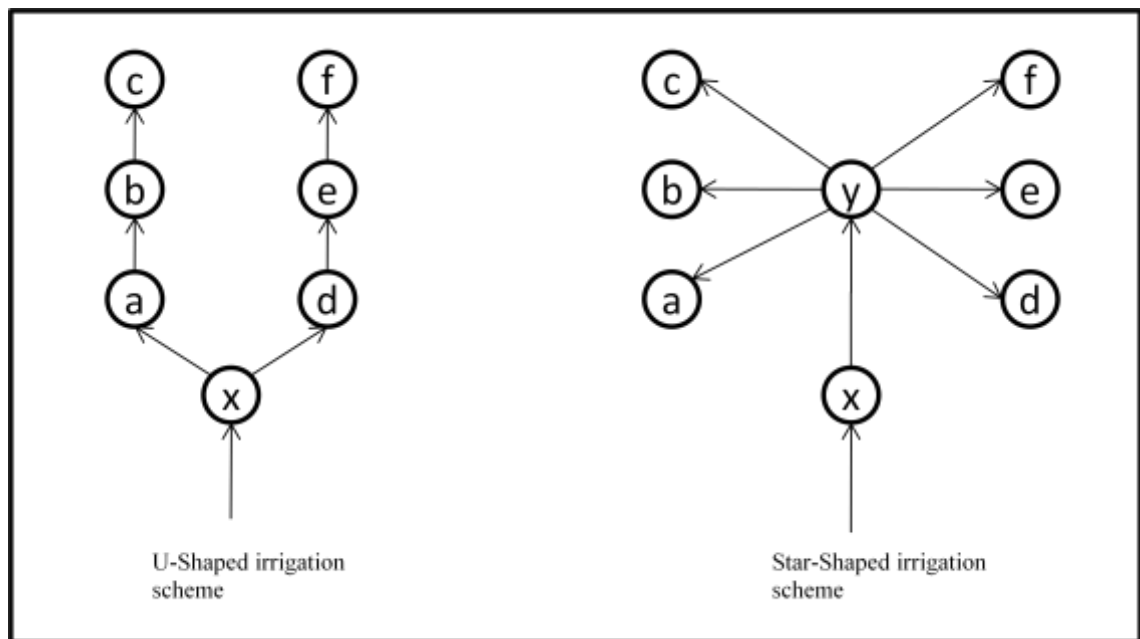


Figure 3.4 Production costs and transaction costs

Source: Adapted from Platteau (2008, p. 446)

Production costs-wise, U-shaped channels in Figure 3.4 would cost less to implement in any irrigation for community purpose. However, for reliable supply of water, the attitudes of persons “a” and “d” may cause havoc. On the other hand, star-shaped irrigation scheme may cost more, but it needs not put itself into the difficult position of tackling at times unpredictable nature of humans.

On the other hand, De Soto (2000) argued at great length about the inability to convert trillions of dollars dead capital in Third World due to poor property rights definition as most assets (in the form of informal housing) are not tradable the way houses are in the West. In addition, the lack of proper financial institutions, planning guidelines, infrastructure, and legal system all contribute toward higher transaction costs.

Finally, do consider three other factors (Engerman & Sokoloff, 2003, p. 14): i) institutional structures must be adaptable to situations; ii) similar to the role of technology, institutions too must be seen in broader perspective—that no single institution is omnipotent; and iii) that the nature of political power determines which institution is preferred.

In effect, reduction of transaction costs in economy requires skill as well as political will.

3.3.3 Economic and political explanations of state failure

Engerman and Sokoloff (2003) identified seven economic/ political factors (which are not institutional in nature) and the lack of them caused economic stagnation: i) natural resources; ii) opportunity to trade at a lower cost; iii) climate that enhances productivity; iv) colonial empire of high private/ social returns to investment; v) role of population change; vi) labour supply in the early stage of industrialization; and vii) nature of political organization and democracy.

In the strictest sense, it is inconceivable that a state may operate without some kinds of institutions. Institutions, after all are about formal rules and informal constraints. They are man-made. No matter how rudimentary such institutions, they do influence outcome to development albeit feebly. This part concerns economic and political factors that caused state failures. A developmentalist state failure is a typical example in the category (in Section 4.4, the role of a developmentalist state will be cast differently).

Under that circumstance, most states fail for their over-zealousness in pursuing certain socio-political goals that end up producing weak state capacities, thereby facilitating rent-seekers to rent-capture state resources (Embong, 2008). What then is a developmentalist state (DS)? Embong (2008, pp. 31-32) defined a DS this way:

A DS has to be seen as a product of a matrix of historical forces, emerging only at a certain stage of economic development that demands an active and specific state role. Very importantly, the state must be helmed by a national elite committed to a strong sense of nationalism and urgency for nation-building, with economic development as its top priority goal, as a means for national self-empowerment and to project itself internationally.

Embong (2008) had an insight on DS. Japan, the pioneer of a DS has been successful after World War II through its commitment to progress aided by a superior set of bureaucracy. In addition, their Ministry of International Trade and Industry (MITI) steered the economic development on course (Vogel, 1979).

Little wonder that the four Asian tigers (Korea, Taiwan, Singapore, and Hong Kong) too emulated Japan's success from 1970s-1990s. Hot on their heels, other newly industrialized nations, "Little tigers" (Malaysia, Thailand, Indonesia, Philippines) tried to replicate the same strategies with varying degrees of success (Yusuf & Nabeshima, 2009, p. 4). Already the "tiger economies" no longer are enjoying the economic growth as experienced in 1970s-1990s.

A look at the Malaysian model is timely. Embong (2008, pp. 37-47) argued that of the eight tenets DS subscribed, state intervention into the economy via active participation by state-led enterprises since May 13, 1969 racial riot under New Economic Policy (NEP) is the most important factor that account for its success in eradicating poverty, and in rectifying imbalance distributions of jobs associated with ethnic groups.

As expected, given that a strong state is tasked to propel the economy forward; will it turn into a predatory state? As a DS, Malaysian experience has shown that the actual outcome is far from its stated goal (to take as Vision 2020) and the system is now infested by "corruption, opaque practices, wastage of resources, and sweeping power of the executive" (Embong, 2008, pp. 52-53).²⁰

Many nations failed because they have the misfortune of having a set of plunderers as their ruling elites (Evan, 1992, cited in Meier & Rauch, 2005, p. 541). For more see

²⁰ For an explanation of the nine goals in Vision 2020, see <http://www.pmo.gov.my/?menu=page&page=1898>, date of access: 18 July 2011.

Easterly (2006b, p. 99). At the extreme, Zaire an African country is many times worse than any DS in South East Asia. Evan (1992, cited in Meier & Rauch, 2005, p. 544) gave a vivid account of Mobutu (president of Zaire) Administration:

At the pinnacle of power is the presidential clique, which consists of 50-odd of the president's most trusted kinsmen, occupying the most sensitive and lucrative positions such as the head of the Judiciary Council, secret police, Interior Ministry, President's office and so on. Next is the presidential brotherhood who was not kin, but whose positions still depend on their personal ties with the president, his clique, and each other.

It is remarkable for Mobutu to confide that: "Everything is bought in our country. And in this traffic, holding any slice of public power constitutes a veritable exchange instrument, convertible into illicit acquisition of money or other goods" (Meier & Rauch, 2005, p. 544).

No investment will trickle in if there is no respect for rule of law, and private property rights. Three studies are insightful. First, in their research, Oppen (2008, p. 401) found that weak protection of property rights regime negatively affected per capita growth. Second, more direct evidence was produced from a study of 157 countries whose political institutions were badly managed (Oppen, 2008, p. 401). Third, in a 57 countries study, Feld and Voigt (2003) argued the importance of states keeping their judiciary independent, as not doing so would cause them in terms of economic growth.

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3.4 Re-conceptualizing housing governance

If *the tragedy of the commons* (Hardin, 1968) refuses to subside, and if a state continues to play limited role in the management and maintenance of low-cost housing, and consequent from this policy the commons are left to rot due to dysfunctioning of

²¹ In Malaysia, one wonders to what extent Lingam video fiasco is going to cause Malaysia in attracting foreign direct investments, when it is known that the post of the head of the judiciary can be bargained and traded. As at 23 June 2011, V. K. Lingam is filing for judiciary review as he has been implicated in a Royal Commission of Inquiry.

the institution of self-governance, the right questions to ask are: What kind of a paradigm shift in mental thinking is required? What need to be changed? If a policy change is possible, how is a new policy made?

The discourse in this section is in four parts: i) understanding the origin of institutions; ii) current United Nations' housing policy; iii) levels in the acquisition of knowledge; and iv) models of policy change.

3.4.1 Understanding the origin of institutions

If institutions matter to economic development, an understanding of their origin would provide some clues in the area of governance. To Engerman and Sokoloff (2003, see also Acemoglu, 2009, pp. 109-143), the culture that the colonizing powers (Spain, Portugal, Britain, France, and Holland) brought to New World colonies in the 17th and 18th centuries presented a natural laboratory to study the interplay, and inter-relationship of factor endowments, institutions, and economic growth in the New World.

The popular explanation in the literature has been placed on “English heritage” or “Protestant ethics” made by North (1990, pp. 135-137). By the time the British came to New World, the heritage they brought was not just economic (explained how to create efficient market), but also political and intellectual. At the local level, town meetings, colonial assemblies for self-government, etc were organized. One reminder, what were the damages done when local elections were scrapped in 1970s in Malaysia?

At the political front, the American people were exposed to Hobbes and Locke's philosophies and that paved the direction of America in the ensuing years. As earlier settlers were Protestants, their way of life (frugality, hard-working, eager to seek knowledge, etc) came to dominate over local culture. See Figure 3.5 on Type 1

exogenous culture. Type 2 exogenous cultures explained resultant Spanish culture took roots in Latin America as Spain has a set of socio-economic and political institutions which is in sharp contrast to that of the British (Engerman & Sokoloff, 2003).

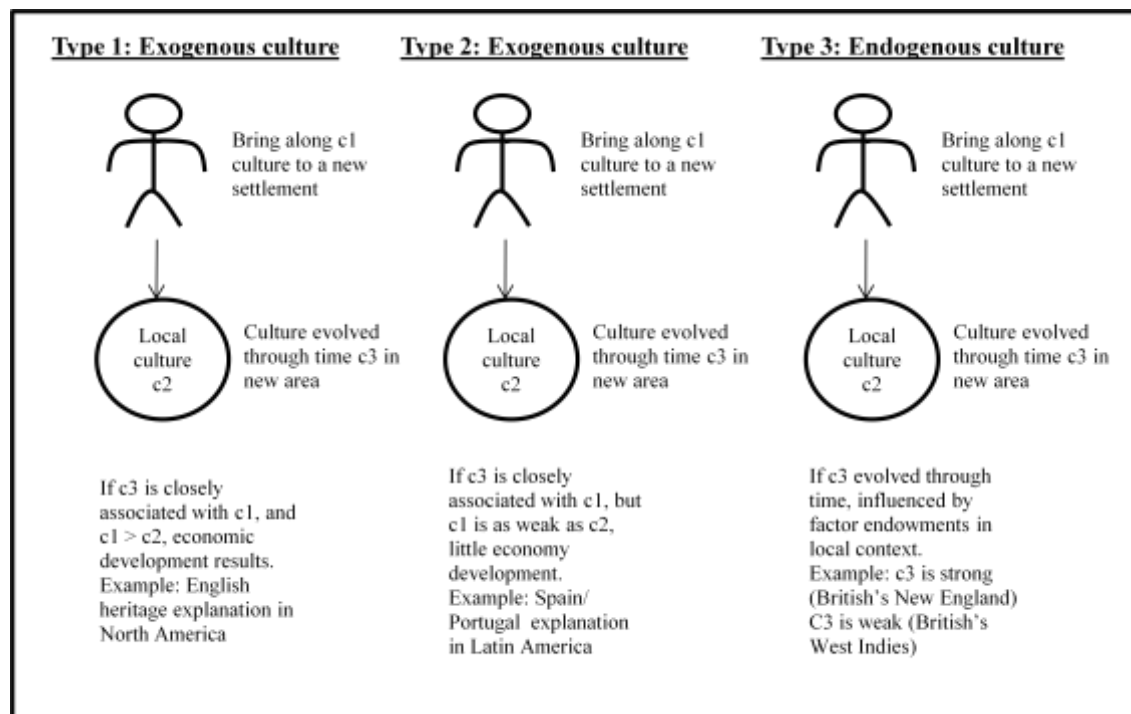


Figure 3.5 Origin of institutions shapes economic development

Source: Adapted from Engerman and Sokoloff (2003, pp. 15-20)

Notes: i) understanding the situation of housing governance is key to ameliorate governance issues of collective action in a common; and ii) policy makers may introduce appropriate measures to help residents adapt to the new habitat.

But the factor endowments too played a role in determining subsequent economic development (Acemoglu, 2009; Todaro & Smith, 2011). That is why places settled by the same metropolitan powers, examples New England and British West Indies had different impact on economic structures and performances.

Armed with this new finding, an attempt will be made to ascertain whether there is a way to explain the shortcomings in self-governance in terms of the influence of culture in a given context. By referring again to Figure 3.5, one may be able to deduce that the kind of culture in-coming residents bring to a scheme matters to the maintenance quality (state of health) as culture determines the Type 1, and Type 2 outcomes. If that

is the case, having a more pluralistic mix of residents help, assuming everything else is held constant subject to group size, local leadership quality, and access to employment.

Dowling and Valenzuela (2010, pp. 369-370) argued that it is about whether the dominating group has characteristics such as cooperation, altruism, and ethics. To measure them however is difficult. As always, institutional change takes time. It makes sense if a suitable non-government organization (NGO) adopts some schemes to guide them along.

Another way is to be conscious of culture, a point to be made clear long before parcel holders move into low-cost housing about rules compliance. Figure 3.6 shows the analogy made between governance at state level, and housing governance at meso level. As to be seen in subsequent chapters, low-cost housing heavily dominated by a single ethnic group would be facing more self-governance problems (example, Vista Subang, in Ara Damansara, Selangor).

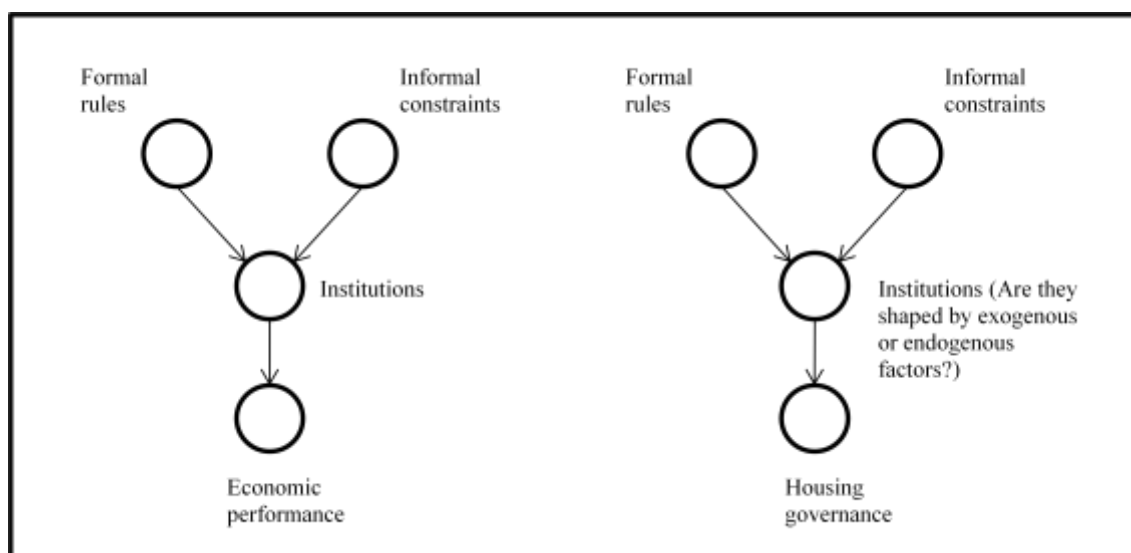


Figure 3.6 An analogy

Source: An inspiration from Engerman and Sokoloff (2003)

Note 1: On the process of “endogenizing institutions” (Eggertsson, 1990; North, 1981, 1990; North & Thomas, 1973; Rutherford, 1994).

Note 2: If the resultant culture is shaped by in-coming culture, it pays to beef up the belief system of in-coming residents. But the system is doing nothing in Malaysia.

If informal constraints are panaceas to the social dilemma, what about the formal rules?

This will be discussed in the next section.

3.4.2 The United Nations' housing policy: Lacking ambition

Given the wide disparities in the stages of economic development across-nations, it is not at all a surprise that the United Nations' sponsored Habitat II Summit (held in Istanbul in 1996) concerned mainly with the provision of adequate shelters for the poor in Third World.

The exception was perhaps found in Chapter II of the draft agenda wherein “the conference would adopt the goals and principles of adequate shelters for all and sustainable development in an urbanizing world”. But what exactly is meant by “sustainable development”? As acknowledged in Habitat I (held in 1976 in Vancouver), the poor of Third World needed to be protected from the bully of “ruthless urbanization of the last century whose internal structures are the physical manifestation of the dual society inherited from a situation of dependence and exploitation”.

Cheered along by the United Nations, policy makers of Third World are contented with providing adequate shelters to their poor, both rural and urban with little effort made on the issues of their sustainability (Agus, et al., 2002; Cagamas, 1997; Keivani & Werna, 2001a, 2001b). In Asia, only two nation-states belonging to First World (Hong Kong and Singapore) played active role in providing housing for the poor while at the same time steadfastly maintaining the completed units under their respective housing boards (Choo, 1997; Doling, 2002; Yuen, 2005).

As an example, Housing Development Board (HDB) of Singapore was set up by the victorious People's Action Party immediately after the general election held in 1961, committed to build low-cost housing for the poor, and at the same time went to great

length in ensuring the sustainability of such housing, a case of state-led institution (K. Y. Lee, 2000). See Table 3.4. In contrast, the management of common-areas of any low-cost housing in Malaysia is outside state purview, a case of market-led institution.

Table 3.4 Asian housing policy approaches

State provision	Selective intervention	Supported self help
Hong Kong Singapore	Japan Korea Taiwan	Indonesia Malaysia Thailand

Source: Doling (2002, p. 184, cited in Agus, et al., 2002, eds).

3.4.3 Levels of knowledge, and policy change.

Is it a case of affordability as in Table 3.1 for Third World earning less than GDP per capita of 3,000 international dollars? Or is it more of a case of low or medium HDI of less than 0.8 as in Table 3.2 (about income, health, and education)? Suppose budget is not an issue, can it be that in the absence of dire external forces (both Hong Kong and Singapore squatter-colonies were swept away by big fire that made tens and hundreds thousands of families homeless overnight), Third World nations lack knowledge to pursue higher goals of making development sustainable?

Not all nations think alike. Even in matters as obvious as global warming, developed countries differ in their response as some may have other agenda/ priorities.²² Through time, education is men's only hope to ride them out of global calamity. This view rings resonance of North (1990, p. 80) who argued how higher moral values for cooperation may be cultivated through education when students are young.

²² Professor Lee Yuan Tseh, a Nobel Prize winner for Chemistry in 1986, gave a lecture to the students of University of Malaya, Kuala Lumpur on the many challenges of global warming and environmental degradation on 29 June 2011. To a question raised by the researcher, he argued that basic human nature can change, but only incrementally. As an example, due to the installation of a comprehensive health system in Taiwan, parents are less insistence that their children do medicine in universities.

The path to acquisition of knowledge is arduous however (Pojman, 1999, pp. 13-16). Pojman (1999, p. 13) quoted the story of the allegory of the cave to show how Socrates discussed four levels to knowledge acquisition. Level 1 depicted men to be chained in a cave and their view on matters is constrained by images they see. In the next level, they are guided by their senses and that help them shape their belief system. If these ex-cavemen have the chance to be liberated and promoted to third level, they gain intelligence from knowledge in mathematics and sciences. The highest level however is about truth. At that stage (men can be equated to philosophers), men are equipped to rule the countries (Pojman, 1999, p. 6). If Socrates' view is still valid today, it explains why good leaders are the exception, not the norm (Figure 3.7).

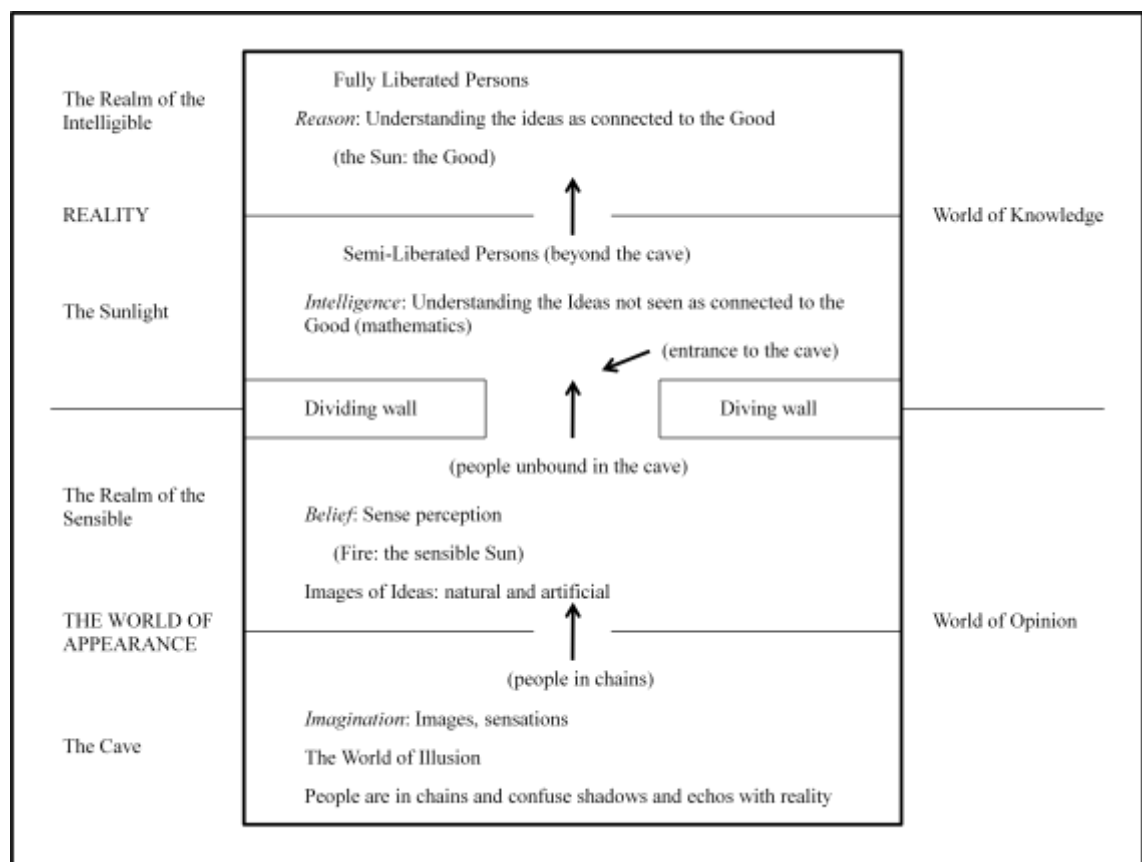


Figure 3.7 Four levels of knowledge

Source: Pojman (1999, p. 16)

Dunn (2008, p. 34) argued that the true worth of knowledge is reflected in the quality of policy-making. Pojman (1999) discussed in ancient time, policy-relevant knowledge occurred in Mesopotamia (the southern Iraq). In the city of Ur for example, legal codes existed two thousand years before Aristotle (384-322 B. C.), Confucius (551-475 B. C.), and Kautilya (ca. 300 B. C.).

Policy making and policy analysis then was deemed a serious endeavour in the eyes of the enlightened rulers as access to knowledge was limited to a few wise-men. Six types of decision criteria for policy change are: effectiveness, efficiency, adequacy, equity, responsiveness, and appropriateness (Dunn, 2008, p. 221).

3.4.4 Policy change models

Can rulers claim ignorance or lack of perfect knowledge for inaction? What follows is a review of four categories of policy change models adopted by decision-makers (Dunn, 2008, pp. 48-56), institutional change in North's (1990, p. 112) term (Table 3.5).

Table 3.5 Policy change models

Types of models		Remarks
Comprehensive rationality (or simply institutional analysis—IA)	<ul style="list-style-type: none"> Institutional analysis development framework (IAD). See Section 3.5. 	Originators include: Kiser and Ostrom (1982); Oakerson (1986); Ostrom <i>et al</i> (1994); Ostrom (2005); Edwards and Steins (1998, 1999); Poteete <i>et al</i> (2009, pp. 56-72).
New institutional economics (NIE related models)	<ul style="list-style-type: none"> Second-best rationality 	Critical of rational economic model. Arrow's Impossibility Theorem. See Public choice theory.
	<ul style="list-style-type: none"> Bounded rationality 	Also critical of rational economic model. See transaction costs.
Mixed model	<ul style="list-style-type: none"> Mixed scanning 	A compromised model which combines elements of comprehensive rationality and disjointed incrementalism.
Others	<ul style="list-style-type: none"> Disjointed incrementalism 	Challenge rational economic model.
	<ul style="list-style-type: none"> Errotetic rationality 	Refers to a process of questioning and answering.
	<ul style="list-style-type: none"> Critical convergence 	Policy makers must recognize "policy window".
	<ul style="list-style-type: none"> Punctuated equilibrium 	Reacting to external perturbation, and exogenous shocks.

Source: Adapted from Dunn (2008, pp. 48-56)

Note: Knight (2000) had his own rational choice and non-rational choice approach.

As observed from Table 3.5, IA and its operating branch IAD framework remains as the most popular choice for decision-makers, being ahead of NIE. It is also not entirely puzzling why neoclassical economic theory is not considered by decision-makers.²³ In formulating the New Economic Policy (NEP) for Malaysia in 1971, decision-makers essentially adopted a form of NIE model over neoclassical economics model (Faaland, Parkinson, & Saniman, 1990) as NIE model is effective for change oriented studies.

²³ Kiesling (2000, pp. 1-26) gave an overview on why neoclassical economic theory has neglected explaining "collective goods" due to methodological failures. Buchanan (1968, cited in Kiesling, 2000, p. 1) bemoaned at human folly for discovering theories to "private goods" in mid-nineteenth century, but leaving out the entire theories to "public goods".

3.5 The IAD framework in self-governance

This section is the heart of the theoretical framework, i. e. how institutional analysis development (IAD) framework is used to explain self-governance in the commons. Is there a ray of hope to a problem largely deemed insoluble as it involved human nature in collective setting (Gordon, 1954; Hardin, 1968; Poteete, et al., 2010)? A short answer to it is, for solution—no, but they are ways to reduce the full impact of resource dissipation.

Given the fact that Table 3.5 clearly lends legitimacy to IAD framework as the operating branch of institutional analysis (or rational choice institutionalism) over a list of myriad analytical tools (Dunn, 2008, pp. 48-56), the balance of this chapter addresses its three components: i) characteristics of the common; ii) collective action and failings of the conventional theory; and iii) the working parts of institutional change. See Figure 3.8.

In the last part, yet another framework uses to predict the state of health of any common involving self-governance in CPR management—the diagnostic framework (Basurto & Ostrom, 2009).

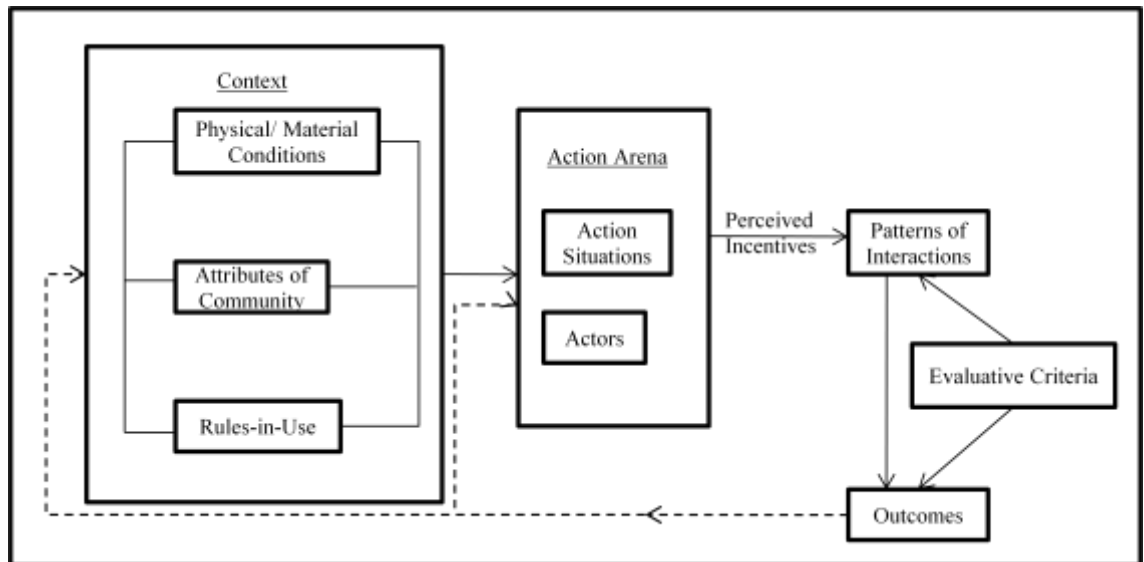


Figure 3.8 The IAD framework in self-governance

Sources: Ostrom, Gardner and Walker (1994, p. 37, cited in Christensen, 2003, p. 26); Poteete et al (2009, pp. 56, 72); Poteete et al (2010, p. 41).

3.5.1 Characteristics of the commons

The common-property (in short, the common) as found in a low-cost housing is a form of CPR with a difference. The difference is with respect to the rights attached to it as discussed in property rights regime (see Section 2.4.1). A river that flows through many villages is a CPR which allows villagers open-access to fish, to bath, and to indulge in recreational activities with few formal rules constraining them. As an example, villagers should not pour toxic chemicals into the river. On the other hand, the self-governance of low-cost housing is subjected to a host of formal rules and informal constraints, a topic to be taken up more closely in Chapter 5.0 in the action arena.

This section covers two theories: i) the theory of public goods; and ii) the theory of externality. Together both drive home the characteristics of the commons as a unique form of public goods used either in open-access or within certain boundary (Frank, Bernanke, Gan, & Kang, 2009; Mankiw, 2009; Spulber, 2002).

3.5.1 (a) *The theory of public goods*

At one end of a continuum, a pure private goods is “one for which non-payers can easily be excluded and for which each unit consumed by one person means one less unit available for others” (Frank, et al., 2009, pp. 416-417). A private house is a pure private goods, say. At the other end, a pure public goods is “one whose supply is non-rival and non-excludable” (examples, access to air and national defence). Between the two extremes lie common goods. In low-cost housing, defaulters cannot be excluded from their units as owners, but continue to park their cars in the commons although the rules have been breached, thus presenting it as public goods as if consumption is non-rival (non-divisible).

The term common goods however may also take to mean “collective goods”, “public goods”, or “social goods” (Kiesling, 2000, p. 14). An insight into the characteristics of common goods was given by Kiesling (2000, p. 15):

Social goods...are not divisible into units that can be the unique possession of individuals. Rather, they tend to become part of the general environment—available to all persons within that environment. Consequently, these goods cannot easily be sold to individual consumers and the quantities available to different individuals cannot be adjusted according to their respective tastes. The amount of the goods must be set by a single decision applicable jointly to all persons.

The drawback of most common goods is attributable to its lack of enforcement. When compliance or breach of rules makes no difference to the users of common goods, free-rider problem sets in giving rise to public goods dilemma. One must bear in mind that “public goods generate a market failure because the non-rivalness and non-excludability characteristics prevent natural market incentives from achieving an allocative efficient outcome” (J. M. Thomas & Callan, 2007, p. 63).

In Hong Kong and Singapore, governments respond to the dilemma of free-ridership through direct provision of public goods by their housing boards, a position which may

well lead to the tragic necessity of “Leviathan” however, if it is not well managed (Ostrom, 1990, p. 8).

Spulber (2002, pp. 1-12) gave two examples of economic fables that show on the surface the successful operation of public goods but funded privately, which upon closer examination, was accrued to some other factors. In the case of lighthouse in United Kingdom, though the service is provided by Trinity House (a private concern), free-ridership is avoided because it carries with it “a patent guarantee to the enterprise an exclusive right, can invoke the powers of the Crown”—hence relying on third party enforcement (Spulber, 2002).

Similarly, car drivers need not pay for any toll to use the privately constructed highway in America because the projects “were financed through stock subscription granted companies monopolies over routes” (Spulber, 2002). As Demsetz (2002) had said it: Any common goods which characterized a public goods would be in a state of disequilibrium, or “flux”.

3.5.1 (b) The theory of externality

“An externality is spill over associated with production or consumption that extends to a third party outside the market” (J. M. Thomas & Callan, 2007, p. 65). In the case of low-cost housing, due to over-exploitation and lack of re-investment of the units and the commons, neighbouring developments suffer as a result. Hence, the price paid for the units near low-cost housing should have been lower than the purchasers paid for originally.

3.5.2 Collective action, and failings of the conventional theory

This section covers three metaphors followed by a discussion on the failings of conventional theory that describe the collective behaviour of men under two subjects: i) collective action; and ii) failings of the conventional theories.

3.5.2 (a) *Collective action*

Collective action, i. e. group behaviour is something researchers of social science have yet to find answers. Simon's (1986a, pp. 210-211, cited in North, 1990, p. 23) concept of "bounded rationality and opportunism" may be a closer approximation to describe an individual's rationality or more accurately irrationality when comes to decision-making on private goods, there is no development in research to explain group decision-making since 19th century. Why are public goods neglected? Buchanan (1968, cited in Kiesling, 2000, p. 1) made the same observation:

In the early and mid-19th century, when laissez faire served as an intellectual model for social order, few intellectual historians should have expected a theory of public goods to parallel the development of the theory of private goods. But why was such a theory absent later?

As if men are made to pay for this folly, human societies are facing the collective action problem due mainly to men's inability to cooperate with one another on matters concerning "shared goods" for the greater societal benefits. Clearly Adam Smith's proposition that every man needs only to mind his own business does not hold water when comes to collective goods. Here are three metaphors that explain this social phenomenon of non-cooperativeness (Ostrom, 1990, pp. 2-7): i) the tragedy of the commons; ii) the prisoners' dilemma game; and iii) the logic of collective action.

3.5.2 (a) (i) *Metaphor 1—The tragedy of the commons*

Hardin's (1968) seminal paper still dominates the literature after four decades of publication that reminds societies the perils of over-population. Ostrom (1990, p. 2) argued that the paper "has come to symbolize the degradation of environment to be expected whatever many individuals use a scarce resource in common". Indeed, as Gordon (1954) declared a decade earlier than Hardin (1968):

There appears then, to be some truth in the conservative dictum that everybody's property is nobody's property. Wealth that is free for all is valued by no one because he who is foolhardy enough to wait for its proper time of use will only find that it has been taken by another... The fish in the sea are valuables to the fisherman, because there is no assurance that they will be there for him tomorrow if they are left behind today.

3.5.2 (a) (ii) *Metaphor 2—The prisoners' dilemma game*

Closely related to the earlier metaphor is found in the prisoners' dilemma. The metaphor illustrated the fact that when comes to making collective decision for group benefits, the outcome is always sub-optimal as individual interest prevails (Frank, et al., 2009). While earlier researchers associated with this model remain unknown, Rapoport and Chammah (1965, cited in Poteete, et al., 2009, p. 40) appeared as fore-runners.

Imagine two persons arrested on suspect of a small crime for which the police has no definite evidence. Under separate interrogation, each of the suspects is enticed to reveal the truth so that formal charges may be pressed against them. Figure 3.9 depicts the payoffs of various scenarios.

		<u>Jasper</u>	
		Confess	Remain silent
<u>Horace</u>	Confess	5 years for each	0 year for Horace 20 years for Jasper
	Remain silent	20 years for Horace 0 year for Jasper	1 year for each

Figure 3.9 The payoff matrix for a prisoner's dilemma

Source: Frank et al (2009, p. 290).

Note: Since the dominant strategy is for each player to confess, the result as a group is unattractive. Had each remained silent, the outcome would be good for both.

If collective action means working cooperatively in a group, both suspects Jasper and Horace will remain silent and walk away with minimal sentence of one year each. Being self-centric, the dominant strategy here is for each suspect to confess his crime.

Tabellini (2007, cited by Nunn & Puga, 2009) had argued that past events are a foundation of trust. Only through repetitive transactions will trust be built up. Likewise, if the social dilemma of collective action can be solved, the Organization of Petroleum Exporting Countries (OPEC) would have cornered the oil market by working as a cartel (Png, 2005, p. 357).

3.5.2 (a) (iii) Metaphor 3—The logic of collective action

This is a major work of Olson (1965) who conceded the “difficulty of getting individuals to pursue their joint welfare, as contrasted to individual welfare”. Olson went on to challenge the conventional wisdom of the day as inaccurate to describe human behaviour (Olson, 1965):

The idea that groups tend to act in support of their group interests is supposed to follow logically from this widely accepted premise of rational, self-interested behaviour. In other words, if the members of some group have a common interest or object, and if they would all be better off if that objective were achieved, it has been thought to follow logically that the individuals in that group would, if they were rational and self-interested, act to achieve that objective.

To Olson (1965, cited in Poteete, et al., 2010, pp. 32, 52, 231, 278) cooperation in collective action is possible under certain stringent conditions: i) group size must be small; ii) heterogeneity of group; and iii) use of external coercion as enforcement. More will be discussed of them in Chapter 7.0 under data collection. It helps if the groups share similar mental model (Streit, Mummert, & Kiwit, 2000, p. 15).

3.5.2 (b) Failings of the conventional theory

Although a complete answer to collective action is still a long way to go, materials from the three metaphors and a host of findings from related research are sufficient to provide an initial sketch on the evolving “general theory of human behaviour” in collective setting. Combined, the three metaphors represent the conventional theory which may be described in the following (Poteete, et al., 2010, p. 219): Due to the nature of economic-actors (those who are utility maximizers and opt for short-term benefits to selves) invariably the outcomes are always sub-optimal due to no cooperation as in a common, one way out of this social dilemma is to allow enforcement by the state (example, housing boards in Hong Kong and Singapore). Obviously a new approach to account for human behaviour in collective action is now in order (Poteete, et al., 2010, pp. 31-33, 220-227). See Fig Figure 3.10.

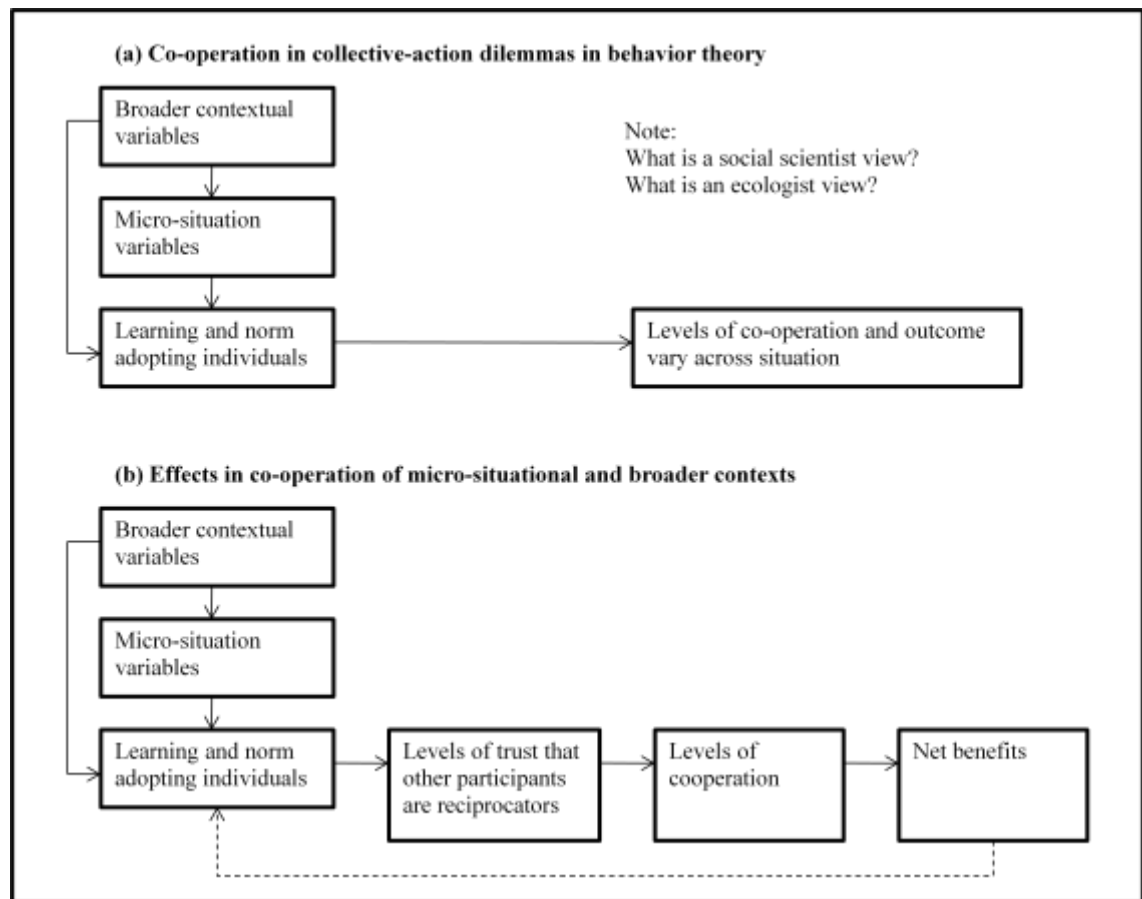


Figure 3.10 A general behaviour theory of human action

Source: Adapted from Poteete et al (2010, pp. 31-33, 220-227)

Where are the points of departure from the conventional theory? Figure 3.10 shows that economic-actors do learn from people they come into contact with and adapt to their immediate environment as they live. In a recent case in Hong Kong where local leadership has been effective in organizing residents in the common and everyone is cooperative and sympathetic towards building a respectable community and so one expects self-governance is no issue (Yau, 2011).

Other than the broader contextual factors and the micro-situational variables, how can one explain if free-riding acts persist? So far, the externally imposed rule-based solution (exogenous institutions) that influences human behaviour in collective action is associated with the acceptable practice of social scientists. Ecologists have their own opinions. They argued that as men are capable of learning, they tend to accept those

norms which they feel are beneficial to them as well as to the community (endogenous institutions).

The modularity design of human brains and the rationality of human minds were discussed by Arrunada (2008, cited in Brousseau & Glachant, 2008, pp. 83, 84). With modularity design, human beings can process complex set of information without conscious thinking called instinct, a task made possible because of past learning experience. Human minds are powerful, economical, and ecological. The minds help us to adapt to our ancestral environment, and learning environment. But as always, any change requires that we take time to learn. Given our hunter-gatherer background, men are comfortable under three conditions: i) to live in small nomadic tribes; ii) hunting and gathering of fruits; and iii) to live in a world of little technology.

Thus, rapid environmental change brings mal-adaptation, the very root-cause of the social dilemma. It explains why most parcel holders find living in a common stressful (Yeh, 1975).

3.5.2 (b) (i) Emergence of evolutionary theory

More recently, both ecologists and social scientists find that evolutionary theory explains animal behaviour as well as human behaviour. Evolutionary models consist of factors which are constant in nature (genes), those that are in variation, and they apply to the entire population (North, 1990, p. 20). Table 3.6 provides clues into two kinds of evolutions.

Table 3.6 An ecologist's view on learning

Inherited elements		Variations
Biological evolution—explains survival rate and reproduction from one generation to the next.	<ul style="list-style-type: none"> • Genes 	<ul style="list-style-type: none"> • Genetic copy errors • Recombination of genes in sexual reproduction • Natural selection
Sociological evolution— explains growth rate and survival pattern of social organization.	<ul style="list-style-type: none"> • Social inertia • Taught tradition 	<ul style="list-style-type: none"> • Copying errors as we learn tradition • Natural selection • Imitation • Rational thought

Source: Adapted from Hirshleifer (1987, cited in North, 1990, pp. 20-21)

That a human being is not always a utility maximizer may be seen from the cordiality that exists amongst church members, or members of a social grouping. Trust and reputation are traits that are called for in such social settings. Likewise, many societies have learned over thousands of years that to be successful, a businessman's man word must be his bond. In fact, since businesses have their ups and downs, many witnessed too that those who survived are invariably the fittest because they care for their reputation even in the direst operating environment. A process of self-selection would have wiped out weaker players.

Figure 3.10 rewrites a new theory of human behaviour in collective action that considers broader contexts, micro-situational variables, men's inherent ability to learn (both due to heredity genes, and other endogenous elements) that can be used to explain the social dilemma. Trust then remains the key consideration that ultimately decides the level of cooperation in a common.

3.5.3 The workings of institutional change

The social dilemma faced by users of CPR has been the concern of many researchers. The persistence of collective action problem was due to non-cooperativeness of resource-users in many fields and across many regions.

Not until in mid-1980s did one witness a more coordinated effort by the National Research Council of America to promote a framework that was applicable to all. IAD was, and still is such a framework credited largely to Elinor Ostrom—the co-winner of the 2009 Nobel Prize in economic science (Poteete, et al., 2009, p. 72). See Figure 3.8.

As an ontological framework, IAD framework shall be discussed in the following manner: i) historical developments; and ii) components, and action arena.

Four issues need to be addressed at the outset before going into the main subject: i) what is an ontological framework and what are the differences between a model, a theory, and a framework? ii) what are human behaviour assumptions in IAD framework? iii) what are major challenges of IAD framework? And iv) what are the units of analysis? In writing this sub-part, contributions from Elinor Ostrom (1933-2012) are clearly immense.

First, a model is one in the form of a diagram laying out elements and outcomes under certain situation that may be made predictable by a theory and its associated assumptions (Ostrom, et al., 1994). A theory at a higher plane is more general in nature which provides explanation to a phenomenon. An example is the general conventional theory that covers all three metaphors of non-cooperative attitudes of users in collective action (see Figure 3.10).

At the next level, a framework in the form of a diagram laid-out all the elements in a coherent fashion and indicates inter-connectedness of various elements so that research

questions may be answered. It is ontological because it is about something that is real, and has been tested in the laboratories as well as in the fields (Poteete, et al., 2010, p. 216).

Second, in condition where communication is encouraged, users tend to pick up useful norms, learn from one another, and in the process, build trust in their transactions. In the literature, “methodological individualism”, and “bounded rationality” have often been used. Methodological individualism refers to the concept of an individual remains as the decision-maker on aims and interests etc (Rutherford, 1994, pp. 31-32). To Simon on bounded rationality (1955, 1957b, 1959, cited in Rutherford, 1994, p. 70) it is “not that rationality is absent, but that it is bounded by cognitive constraints” (Figure 3.11).

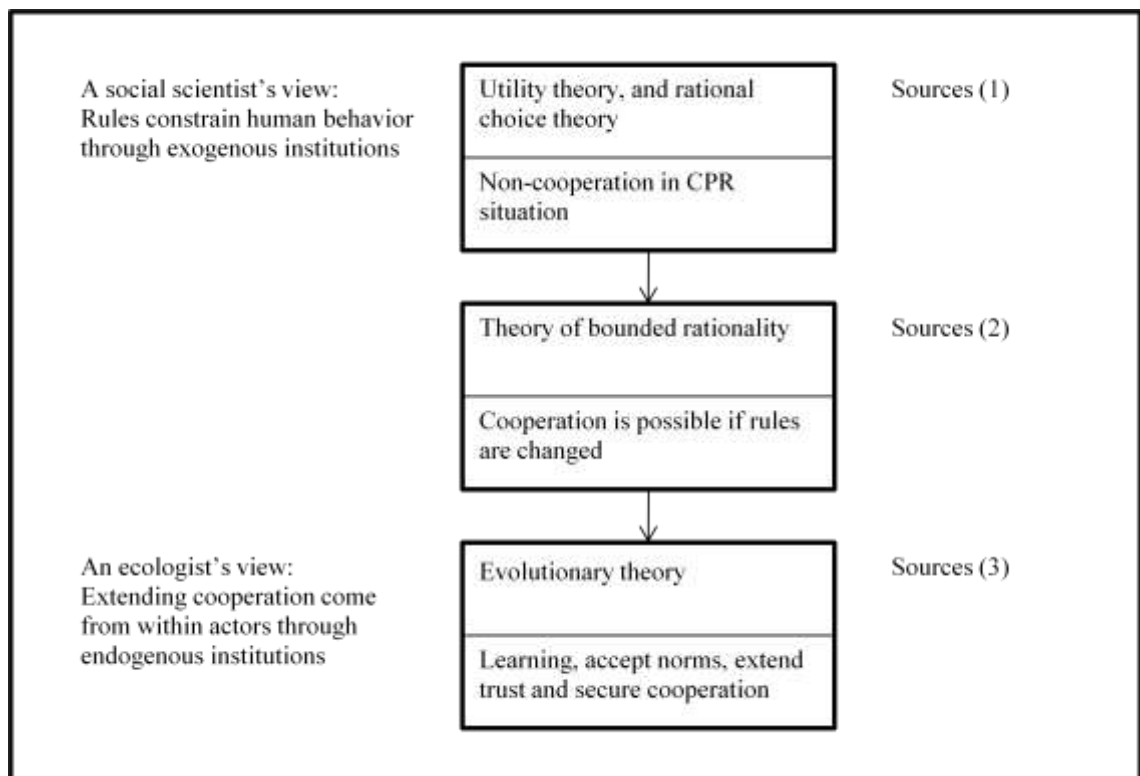


Figure 3.11 Assumptions of human behavior embedded in IAD framework

Sources (1): Ostrom (1990, pp. 2-8); Poteete et al (2010, p. 220)

Sources (2): Simon (1945, cited in Dunn, 2008, p. 51, footnote 46); Ostrom, et al (1994, p. 35, footnote 8).

Sources (3): North (1990, pp. 20-21); Poteete et al (2010, p. 10).

Third, IAD framework earns its place in the study of collective action in a CPR situation because exclusion of defaulters is not possible to common goods which have become an open-access, see(Ciriacy-Wantrup & Bishop, 1975), cited in (Poteete, et al., 2010, p. 42). As a first step, IAD is essentially a framework that studies the effects of rules-change have on the outcomes (a social scientist's view as one strives for better efficiency). As a second step, due to a host of other elements at work such as contextual factors (both micro-situational and broader socio-economic and political factors), and adaptation of users in the action arena of the commons through time, mutual trust may be inculcated as posited in evolutionary theory (an ecologist's view who views changes of behaviour come from within users).

Fourth, as in the earlier studies, individual is the unit of analysis which predicts aggregated outcomes based on individual behaviour (Kiser & Ostrom, 1982, p. 181). As time goes on however, the "action arena" has replaced individual as the conceptual unit of analysis from where data are collected, analyzed and presented (Ostrom, et al., 1994; Poteete, et al., 2010; Yin, 2009). As explained in Yin's (2009, p. 31) case on the new computer developed by Data General Corporation, the unit of analysis depends on the level of enquiry, and in turn, depends on the research question. In the social dilemma situation, action arena is obviously the unit of analysis in the natural setting of a common.

3.5.3 (a) Historical developments: IAD framework

The way patterns of human behaviour are constrained by a set of rules and results in certain patterns of outcomes is the study belongs to the fields of political science and economics (Kiser & Ostrom, 1982). It is micro because it assumes the individual as a basic unit of analysis. It is institutional because it is a "rules-based inquiry" on human

behaviour. Institutional analysis hence is about analysing a complex social situation relating to human decision-making.

Under the encouragement of National Research Council, a selected panel of experts on the management of natural resources met in Annapolis in 1985 and discussed their findings using Oakerson's (1986) model drawing on Kiser and Ostrom's (1982) earlier works. From that point onwards, researchers from many fields (fisheries, wild-life, pastures, clean-air, forests) of natural resources and from diverse regions are able to communicate with one another using a common language, and to adopt a common framework in presenting their data (Poteete, et al., 2009, p. 63). Inspirations were later drawn from IAD framework for corporate real estate management (Edwards & Ellison, 2004, p. 18).

3.5.3 (b) Components, and action arena

Rules change (Figure 3.8), if effectively implemented are favoured by policy-makers to shape the desired human behaviour because the result is immediate. On the left hand column of Figure 3.8 are elements which are grouped under a broader term context: about the attributes of a physical world (say the commons), attributes of the community, and rules applicable for use.

The variable of rules has been discussed in many parts of Chapter 2.0; more generally refer to as "institutions" which are a set of formal rules and informal constraints. Rules are something that "actions are required, prohibited, or permitted, and the sanctions authorized if the rules are not followed" (Crawford & Ostrom, 1993; Ostrom, et al., 1994). Informal constraints refer to "culture" and acceptable "norms" of behaviour (North, 1990, p. 36).

Formal rules may be disaggregated into seven types in the governance of a common (Ostrom (1986, cited in North, 1990, p. 46; Ostrom, et al., 1994)): i) position rules; ii) boundary rules; iii) authority rules; iv) aggregation rules; v) scope rules; vi) information rules; and vii) payoff rules.²⁴

Of the seven formal rules, only aggregation rules, scope rules, and the payoff rules need to be discussed. Aggregation rules specify the manner under which important decision may be taken to effect changes. As an example, a simple majority of those paying-residents at an annual meeting of a common may vote in the election of the executive committee, say. The number of share units is determined by either the purchased price, or the built-up-areas of the unit concerned.

Scope rules defined in effect the responsibility range of the participants. If the sewerage pipe of the unit below is clogged, the unit above it is deprived of using the toilet. The scope rules dictate that the unit below to do the necessary. Payoff rules tell the participants what he can and he cannot do with their units. To lease out a room for additional income is in order. But it is not in order if the tenant creates unnecessary noise in the middle of the night, say.

As discussed before, action arena is the unit of analysis wherein actors interact, socialize, solve problems, be friend to one another, or fight if two of them do not see eye to eye over on certain matter.²⁵ In the action arena of Figure 3.8, two sets of variables interact to create a pattern of outcomes: i) the action situation; and ii) the actors. An action arena is the focus of “any analysis, prediction, and explanation” and so is the heart of study of collective action (Ostrom, et al., 1994, p. 28). See Table 3.7.

²⁴ North (1990, p. 52) argued that formal rules may be divided into: political rules, property rights, and individual contracts. Constitutions are political rules. Property rights that specify the bundle of rights associated with owning properties are statute. When one buys a low-cost housing unit, he is to abide by the sale and purchase agreement that tells him his duties and responsibilities with respect to the wellbeing of the common.

²⁵ In Section 2.6.2 under organizational institutionalism, the term “organizational field” has been introduced, which takes to mean action arena (DiMaggio and Powell, 1983, cited in Powell, 2007).

Table 3.7 Variables in action arena

Action situation	Actors
<ul style="list-style-type: none">• Participants• Positions• Actions• Potential outcomes• Transformation outcomes• Information• Payoffs	<ul style="list-style-type: none">• Individual preference• Individual information-processing capabilities• Individual selection criteria• Individual resources

Source: Ostrom et al (1994, pp. 29-35)

All the seven elements as shown in Table 3.7 are applicable in any action situation (examples: a CPR, a committee, a market, or a hierarchy). As expected, a change in any of them may affect the outcomes (Ostrom, et al., 1994, p. 32).

As discussed before, the beauty of IAD framework lies in its ability to present the working of various elements that transcend across multiple levels. Figure 3.12 shows the three levels of governance, the interconnectedness of various components, and the feedback loops. Note the terms used may be slightly different from those in Figure 3.8. S1 refers to institutional arrangements, S2 the events, and S3 the community (at the constitutional choice level). Similarly, T1 refers to institutional arrangements at collective choice level, while R1 refers to institutional arrangement at the operational level, and so on.

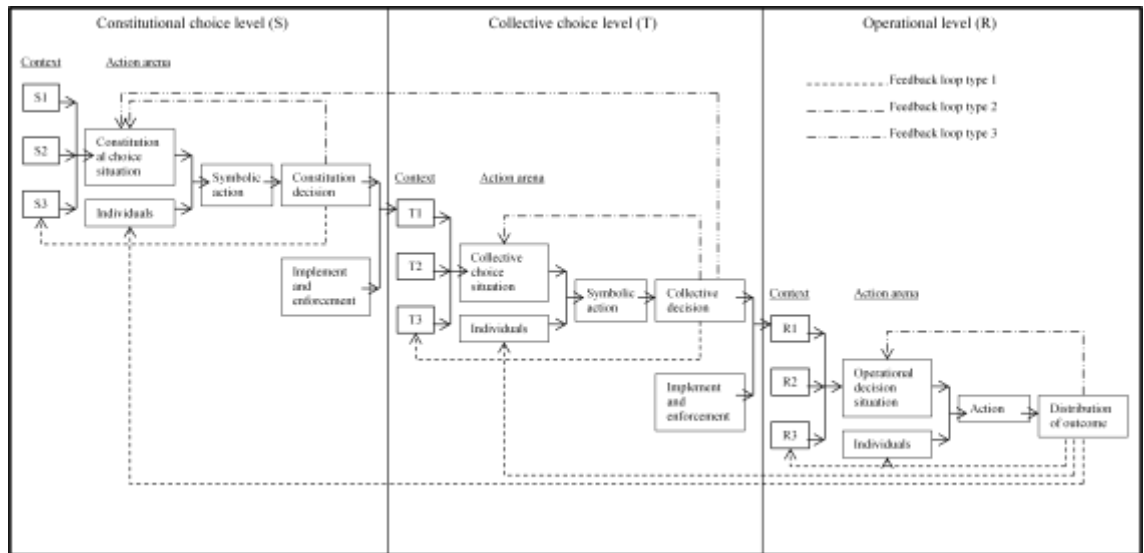


Figure 3.12 Three levels of institutional analysis

Source: Kiser and Ostrom (1982)

Notes: i) An example at the constitutional level—laws are debated, discussed, and enacted; ii) An example at the collective choice level—by-laws and regulations may be issued by the Ministry of Housing and Local Government; and iii) An example at the operational level—units- shareholders may pass any house rule at the general meeting.

The pattern of interactions in Figure 3.12 is systematic at all three levels. Please note the repetitive patterns. In a real world, complicated human interactions may be solved by an enlightened local leadership who will contribute immensely toward the governance of the common simply out of altruistic consideration. In this regard, a community with a higher social capital (to read as having higher education) tends to do better.

Most IAD framework relies on the concept of efficiency and Pareto optimality as the criteria to determine outcomes. But others may also base their decision-making on learning from past mistakes, and the concept of fairness. In the next sub-part, diagnostic framework is discussed and as the name implies, can predict the success or otherwise of the self-governance. IAD framework and the diagnostic framework is a pair of twins that explains the workings of collective action.

3.6 Diagnostic framework

Basurto and Ostrom (2009) had conducted a case study on three fishing villages in the Gulf of California in Mexico (Puerto Penasco, Seri Village of Punta Chueca, and Kino

Bay) guided by the diagnostic framework. The findings concluded that a host of factors are affecting the success of any fishing village as the sustainability of the catch depends on the manner they manage the natural resources.

The diagnostic framework enables a systematic way of analysing and identifying a myriad of elements at work. Hence instead of treating every CPR problem as similar and ended in “panacea analytical trap”, or “my case is unique” due to differing institutions, local and ecological settings, it is used to explain social dilemma straddled between the two extreme positions on a continuum (Agrawal, 2008). See Figure 3.13.

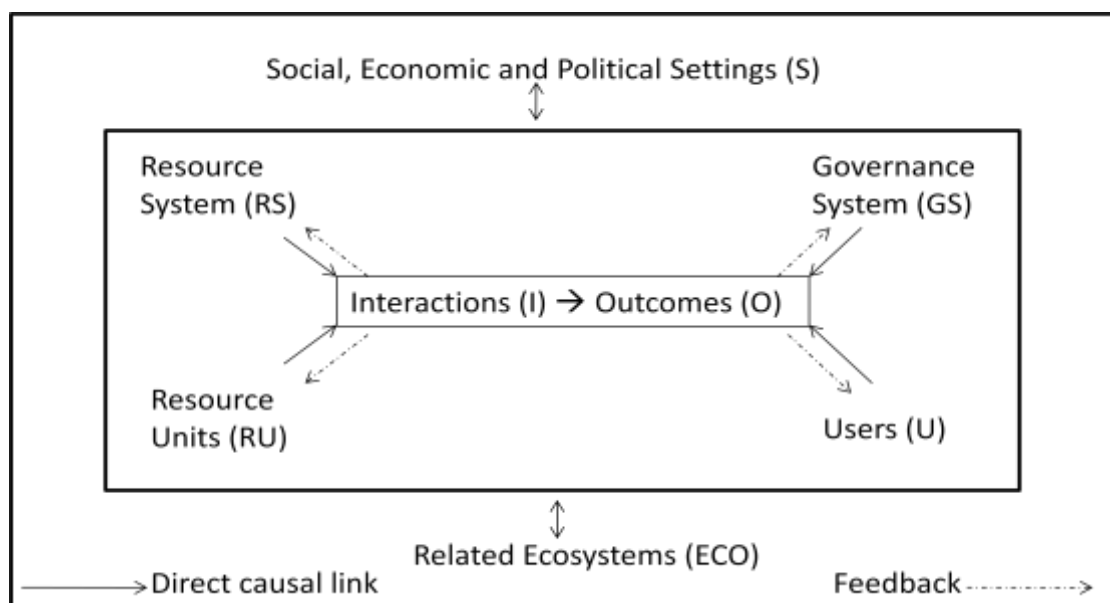


Figure 3.13 First-tier of a framework for analyzing a social-ecological system

Sources: Basurto and Ostrom (2009) ; Poteete et al (2010, p. 235)

As a fairly recent framework developed in biology, medicine, and informational fields, it enables researchers “to understand causal processes within complex, nested system” (Poteete, et al., 2010, p. 233). If questions are answered to initial queries, more probing questions are raised until satisfactory explanations presented themselves, the way a doctor diagnoses his patients looking for unknown illnesses.

A better understanding of Figure 3.13 may be achieved in three ways. Firstly, it embraces IAD components (governance system—to take as rules-in-use, users—

community, and resource system and resource units—the physical world). Secondly, it includes socio-economic and political elements, and ecological elements into the analysis—the context.

Thirdly, note that at the core of the diagram sits “interactions to outcomes” which is nested inside the micro-situational elements, and they are in turn, further nested by broader contextual elements.

As an example, housing boards in Hong Kong and Singapore have been able to overcome the non-cooperativeness of users because of their active intervention by further investments into the commons, and through their enforcement of rules. Through time, an external environment which shows care to the well beings of the commons would have shaped the general attitudes of the users. The latter then learn to trust the authorities and subsequently are more willing to cooperate in collective action. Preliminary data collected from interviewing senior officers of Selangor state government by the researcher lends weight to this argument.

Figure 3.13 highlights only elements in the first-tier.

3.7 Summary

In a modest way, Chapter 3.0 has met its stated goal; i. e. it has served as a bridge linking Chapter 2.0 to Chapters 4.0 and 5.0 by setting out the theoretical framework of the thesis using IAD framework along with its four dimensions: Context; physical/material conditions; attributes of community; and rules-in-use. What about addressing the four questions set at the start of the chapter?

To the first question, what is a market failure, and how can it be overcome? Any deviation from the ideal state of frictionless transaction between two transacting parties may be termed a market failure. On the suitability of tools used to understand or solve

a market failure such as the failure of the institution of self-governance, no doubt institutional analysis (and its operating branch IAD framework) emerged as the best with NIE being a close second.

To the second question, what is the origin and the nature of the institutions of governance in Third World states? Engerman and Sokoloff's (2003) model traced the origin and the nature to historical developments as they are path dependent. As institutions evolve slowly through time, institutions in most Third World states are deemed weak. Many Third World states are contended to play supportive roles in housing provision.

To the third question, can knowledge bring about policy change? Knowledge is something that will not fall from the sky and few leaders of the Third World states are liberated persons (Pojman, 1999). It is a rare commodity waiting to be explored.

To the fourth question, what are the dimensions in the IAD framework? Four dimensions namely: context; physical/ material conditions; attributes of community; and rules-in-use were explained (Figure 3.8). An understanding of a social phenomenon through IAD framework is an interdisciplinary (Repko, 2012) and multi-levels endeavour (involving knowledge in economics, sociology, political science, and social psychology).

Moving beyond rules-based frameworks, the chapter ends by endorsing ecologists' approach in appraising human behaviour in collective setting since it concerns behaviour change from within due to learning, norms acquisition, trust created through socializing, and cooperation.

In Chapter 4.0 the context where collective action is played out in the commons shall be studied under the umbrella of Malaysia (the unit of analysis), and about its nature of governance.

Chapter 4.0

Malaysia: Socioeconomic and political factors in development

4.1 Introduction

The quality of the institution of self-governance in any community is dependent on the “nature of the state” even if the latter may not be under the law, given much role to play. The purpose of this chapter is to examine the nature of the state in governance as it affects the smooth management of common-areas. As an example, are the formal rules enforceable by the state through its judiciary system on defaulters? As another, is the state inculcating social capital that made collective living possible? As a Third World state, what is Malaysia’s priority in the provision of public goods? The unit of analysis in this chapter is hence Malaysia (and therefore is about the context of self-governance), and understanding it demands multi-levels and interdisciplinary approaches (Hunt & Colander, 2011, p. 21; Repko, 2012).

One aspect of the institutional analysis development (IAD) framework with respect to the social phenomenon will be covered in this chapter, i.e. the broader context (socioeconomics and political factors). In this connection, the nature of a democratic government (or pseudo-democratic government) will be examined (Wain, 2009, 2012). The governance of Malaysia as a developing state will be examined (Embong, 2008).²⁶

Four questions beg for answers. First, what is the history and economic history of Malaysia? Second, what is the record of Malaysia in terms of economic development? Third, Malaysia as a multi-cultural and pluralistic state, is social cohesion possible for

²⁶ In a seminar “5th Annual Malaysian Student Leaders Summit” held on 31 July 2011, Jomo argued that Malaysia cannot continue to rely on cheap labour and foreign direct investments (FDIs) as means to achieve high income nation by 2020. The missing ingredient is technology. See <http://www.malaysiakini.com/news/171579>, date of accessed: 2 August 2011. See Yusuf and Nabeshima (2009, p. 11). See also Todaro and Smith (2006, pp. 97-101) on components of economic growth: capital, labour, and technology.

the sake of economic development? And finally, what is the effect of politics on governance?

Arising from the four questions, the first part shall be devoted to the mundane issues of history and economic history of Malaysia. Without a grasp of them, how can the present day issues be understood, let alone solved? In the second part, Malaysia's state-led policies in economic development in the post-13 May 1969 racial riot are discussed.

In the third part, the issue of ethnic fragmentation is addressed along known characteristics, such as the effect on public expenditure. In the fourth part, if politics is synonymous with the process of governance (and which is institution in North's (1990) term), the outcome of politics in Malaysia is discussed. It is the last part that provided a hint to the likelihood, or otherwise, of a change (institutional change) on the quality of governance.

4.2 Malaysia: History

To understand modern capitalism of Malaysia, one has to read history. In this section, the legacy of colonizers is discussed as they dominated over Malacca and other states in Peninsula Malaysia.

4.2.1 Islam and the golden age of Malacca (1400 AD-1511 AD) ²⁷

Until the 15th century, Srivijaya was the dominant kingdom which ruled a sizable portion of Peninsula Malaysia with support from China and Orang Laut (Library of Congress, 2006). The kingdom declined after it lost Chinese support and faced

²⁷ First, both Proto-Malays (who came to live in Peninsula Malaysia between 2500 BC and 1500 BC), and Deutero-Malays (who displaced Proto-Malays in 300 BC) were people who came from Yunnan of southern China. Through time, the ancestors of the Malays are said to have been the combined stock of immigrants from Java, Sumatra and other islands in the archipelago (Wegelin, 1978a, p. 14). Second, Kua (2012, p. 48) made a distinction of the Malays and Jakuns, considered to be Mongoloid race, while Indonesians and Polynesians belong to the Mediterranean race. Third, the review on history is based on materials drawn from: geographia.com; Columbia Electronic Encyclopaedia (2007); and Wegelin (1978a, pp. 11-19). Lim et al (2009) is another source to study historical roots of identity in Malaysia.

competition from other states who wanted to partake of the trade routes in the 14th century.

With the demise of Srivijaya, a fleeing prince from Palembang named Parameswara founded Malacca in 1400 AD. Within a span of 50 years, he made Malacca the most influential port in Southeast Asia due to his business acumen and his ability to contain the menace of the Straits area—the pirates. In 1444 AD, Muzaffar Shah, the ruler of Malacca proclaimed it as a Muslim state. But the Malacca Sultanate came to its demise when the Portuguese led by Alfonso de Albuquerque opened fire with cannon in 1511 AD (Ryan, 1976).

4.2.2 Colonial Malaya (1511 AD-1957 AD)

Despite the defeat in the hands of Portuguese, the Sultan of Malacca did not give up his hope of regaining the city. In fact, frequent military conquests led by Malacca's ruler Mahmud Shah and his sons were conducted throughout the 16th century from Johor and Aceh in Indonesia. In 1641 the Dutch, with the help of Johor overpowered the Portuguese and took control of Malacca (Wegelin, 1978b).

In 1795, France captured Netherlands and the Dutch government in exile handed Malacca to Francis Light of British East India Company who had built Penang into a fort in 1785. In 1819 the British led by William Raffles founded Singapore, and in 1824 the British took over Malacca from the Dutch. Together the three areas of Penang, Malacca, and Singapore came under one administration called Straits Settlement in 1826, see Mills (2003).

Towards the end of the 19th century, conflicts in three areas precipitated in the British assuming a greater role (Wegelin, 1978b): i) conflicts between the Chinese settlers; ii) civil wars among the Malays; and iii) piracy in the western part of Peninsula Malaysia.

As a result a “British Resident” was appointed to oversee the affairs of four Federated Malay States in 1896 (Perak, Selangor, Pahang, and Negeri Sembilan). The British’s control over the entire Peninsula Malaysia was completed when in 1909 made similar arrangement with the sultans of the balance five states that came to be called Unfederated Malay States (Kedah, Kelantan, Perlis, Terengganu, and Johor).

By the end of the 19th century, tin and rubber became the main income earners of Peninsula Malaysia. The prosperity attracted attacks from Japan in World War Two (WW2). In particular, the Chinese were treated harshly by the invading Japanese armies; presumably they were punished for supporting China which was invaded by Japanese earlier (Chin, 2003). See also Lee (1998, p. 79) on 50,000 to 100,000 Chinese were killed in Singapore by the invading Japanese armies during WW2. Many Chinese hence fled into jungles and organized resistance against the Japanese, and when the war ended they were to become the main force of communist insurgency (Chin, 2003).

After the war, the victorious British wanted to put all states under one administration—Malayan Union in 1946. The Malays opposed this move because they feared of losing their special position due to the presence of large number of Chinese and Indian population in Penang and Malacca. The British backed down and formed the Union of the Federation of Malaya instead. But there was no common citizenship (Snodgrass, 1980).

The period 1946-1960 was “The Emergency” where the British fought the communist uprising. In order to cut-off the food supply to communists by their sympathizers, some 500,000 rural Chinese were resettled into 450 new villagers in urban areas under “The Briggs Plan”, which were protected by barbed wire (Abdullahi & Abdul Aziz, 2011). Shennan (2000) gave an account on the rise and fall of British Malaya.

4.2.3 Independence and onwards (1957-Present)

Malaya became independent in 1957, with Tunku Abdul Rahman as the first prime minister. Four years later, Malaysia was formed to include Sabah, Sarawak, and Singapore (Brunei had agreed to join the federation, but chose to opt out).

As a part of the Cold War era, there was a brief period of uneasiness due to attacks on Malaysia, organized by Sukarno of Indonesia who accused the newly formed nation of thwarting his expansionary plans. The hostilities ended after Sukarno was deposed in 1965. In the same year, Singapore seceded from Malaysia when Lee Kuan Yew failed to improve the position of minority Chinese within the Malaysian Federation (Ryan, 1976).

The task of managing a pluralistic society had not been easy right from the start. Ethnically and culturally different, the Malays, Chinese, and the Indians found themselves having little in common with each other (N.J Colletta, et al., 2001, p. 226).

²⁸ The constitution gave the politically influential but economically less well off Malays prominent spots in the government, recognized Islam as the national religion, and accepted Malay as the national language. The Chinese, though commercially better equipped, was far from happy with this arrangement. When the opposition party who claimed to represent the Chinese won sizable seats in the 1969 general election, riots swept through the capital city of Kuala Lumpur that claimed 2,000 lives (Wegelin, 1978b). A distraught Tunku stepped down and Tun Razak took over the helm.

Razak then placed the country under a state of emergency for two years. During that period, a number of important laws calculated to further enhance the political and economic status of Malays (Bumiputras—the sons of the soil) were planned and passed later in parliament when the state of emergency ended. In 1971, a law that had far

²⁸ Though challenging, they are researchers who believe that a multinational state is possible given that the majority of the people “have practiced patience and held on to their faith, see Lim et al (2009).

reaching effects on the wellbeing of future generations was adopted—the New Economic Policy (Faaland, et al., 1990). When Tun Razak died in 1976, Hussein Onn succeeded him.

Dr. Mahathir Mohamad became Malaysia's fourth prime minister in 1981.²⁹ By far the most controversial leader, he stepped down in 2003 after leading the Barisan Nasional (BN, a coalition of many parties where United Malays National Organization—UMNO—is the dominant party) through a total of five consecutive general elections (1982, 1986, 1990, 1995, 1999). The most lasting outcomes from Mahathir era, according to Gomez (2004) “were the rise of a large middle class, conspicuous infrastructure and technological development and considerable rural-urban migration”. However the downside, Gomez (2004) argued include:

The monarchy, judiciary and parliament are reputed to have lost the capacity to check the executive, while the bureaucracy, military and police have apparently become extremely subservient to the office of the prime minister where enormous power has come to be concentrated.

On the rule of law, clearly the condition had deteriorated under Mahathir. In fact, “law enforcement agencies have been responsible for a litany of abuses with impunity” (Kua, 2012, ed, p. xvii). In the mean time UMNO, the party that Mahathir helmed, “had become riddled with corruption as it went into business in a major way. Bereft of ideas, the party directed its efforts, not at addressing the changing needs of a more complex Malaysia, but at maintaining its hold on power and pursuing policies that primarily benefitted a small and privileged circle” (Arope, 2013; Wain, 2009, p. 346).

A leader who was so different from his predecessor, Abdullah Badawi became Malaysia's fifth prime minister, and who led the coalition to resounding success in 2004 general election, see Lee (2008). Abdullah administration was characterized by inaction

²⁹ For a good understanding of Mahathir, see three books: Khoo (1995, 2003); Wain (2012). He may be seen an energetic implementer of plans, as a thinker however “Mahathir appears to be a bundle of opposites which are sometimes amusing, at times alarming but frequently confusing” (Khoo, 2003, p. x).

with little accomplishments to shout about. There were not much efforts made towards improving a system, largely perceived as inefficient (Welsh & Chin, 2013). Unable to secure cooperation from the bureaucrats and helpless to fight the increasingly ultra Malays, inter-ethnic relation deteriorated during Abdullah's reign (Kabilan, 2013; Willford, 2013). Specifically, the Indians were frustrated by three incidents (Willford, 2013, cited in Welsh & Chin, 2013, p. 213): i) Kampung Medan racial riots 2001 where the Indians claimed to have been wrongly blamed ; ii) demolishment of many old Hindu temples in Selangor by the then chief minister Khir Toyo; and iii) questionable conversion of M. Moorthy (a Mount Everest climber) from Hindu to Islam without the knowledge of his family members.

Many Indians felt that they were marginalized by the state, "like oranges, sucked up and spat out as pips" (Kabilan, 2013, cited in Welsh & Chin, 2013, p. 211).

In addition, Abdullah failed to combat crimes, fought corruption and to introduce reform in police and judiciary to right the wrongs of his predecessor, see Lee (2008), and Welsh and Chin (2013, p. 351). Expectedly, the coalition did badly in the 2008 general election. In the process, it lost two-thirds majority in parliament seats it used to command, and also lost five states to the opposition (Saravanamuttu, 2009). Najib Razak, son of Malaysia's second prime minister was chosen to succeed Badawi.

4.2.4 Location and demographic trend

4.2.4 (a) Location

Malaysia (329,847 sq. km), as seen from Figure 4.1 consists of three geographically separated parts: Peninsular Malaysia (132,000 sq. km), Sabah where the state capital is Kota Kinabalu (76,000 sq. km), and Sarawak where the state capital is Kuching (125,000 sq. km). The capital of Malaysia is Kuala Lumpur.



Figure 4.1 Malaysia

Source: Owl & Mouse (2007): www.yourchildearns.com, date of access: 8 October 2012

Straddled between 1 degree and 8 degree north of Equator, Peninsula Malaysia is cut-off from Sabah and Sarawak (commonly referred to as East Malaysia) by the expanse South China Sea. To the north of Peninsula Malaysia, it shares a common boundary with Thailand, but connects to Singapore through a causeway in the south.

Sumatra (which is part of Indonesia) lies to the west of Peninsula Malaysia separated from it by one of the world's busiest sea routes—the Straits of Malacca. The two states of East Malaysia share common boundary with Indonesian Kalimantan in the south. Being near to the Equator and the sea, tropical climate comes with it high humidity (the source of frequent complaint by families of early colonizers), high rainfall (250-300 cm annually), and a rather uniform temperature throughout the year (29-32 degree C in the day, and 22-24 degree C in the night).

4.2.4 (b) Demographic trend

Contrary to popular belief, the demography of a country is not a host of numbers about the population across time and space as Voon's (2011) argued:

It is a multi-dimensional and a highly dynamic phenomenon that involves the biological processes of birth, ageing and deaths as well as social processes such as marriages, family formation, movements, and inter-ethnic relations. It is also subject to the economic processes of employment, production and consumption, and administrative–political processes such as provision of social services, electoral contestations, and the allocation of resources.

As examples, why should Malaysia in 1984 aim for 70 million populations in 2100?

More recently, is influx of little-skilled foreign workers into Malaysia consistent with Vision 2020 aspirations? Hence, demographic change entails attention to the quantitative and qualitative dimensions (Baginda, 2011, ed., pp. 1, 2, 14). In this section, three areas will be examined (population growth, population distribution, and ageing) with reference to Malaysia in general, associated with the process of urbanization.³⁰

4.2.4 (b) (i) Malaysia's population growth

The population of Malaya was 6.3 million at independence but shot to 9 million when Malaysia was formed in 1963. Since then, the population growth has been gradual with 13.7 million as in Census 1980 and grew to 28.3 million three decades later as in Census 2010. Census 2010 was the fifth decennial census conducted since 1963. Earlier censuses were conducted in 1970, 1980, 1991, and 2000 (Figure 4.2).

³⁰ The demographic change in Selangor requires a closer study because that is where four case studies on low-cost schemes are located (Nursa Kurnia, Cemara I and II, Tujoh Ratus, and Vista Subang low-cost schemes). The earlier three are located in Ampang district, while the fourth in Petaling district. See Chapter 6.0.

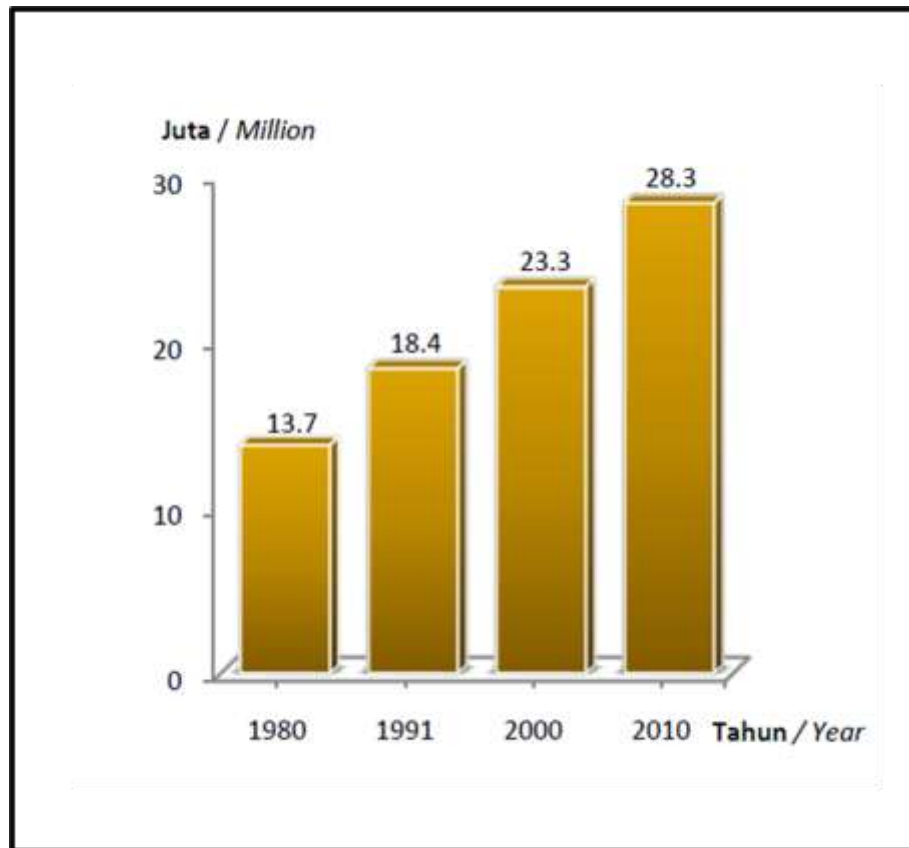


Figure 4.2 Total population of Malaysia, 1980, 1991, 2000 and 2010

Source:

(http://www.statistics.gov.my/portal/download_Population/files/census2010/Taburan_Penduduk_dan_Ciri-ciri_Asas_Demografi.pdf, date of access: 5 July 2012).

In terms of average annual growth rate, there was a decrease to 2.0%, compared to 2.6% in Census 2000. Area-wise, W.P. Putrajaya recorded the highest growth rate (17.8%), followed by Selangor (2.7%). See Figure 4.3.

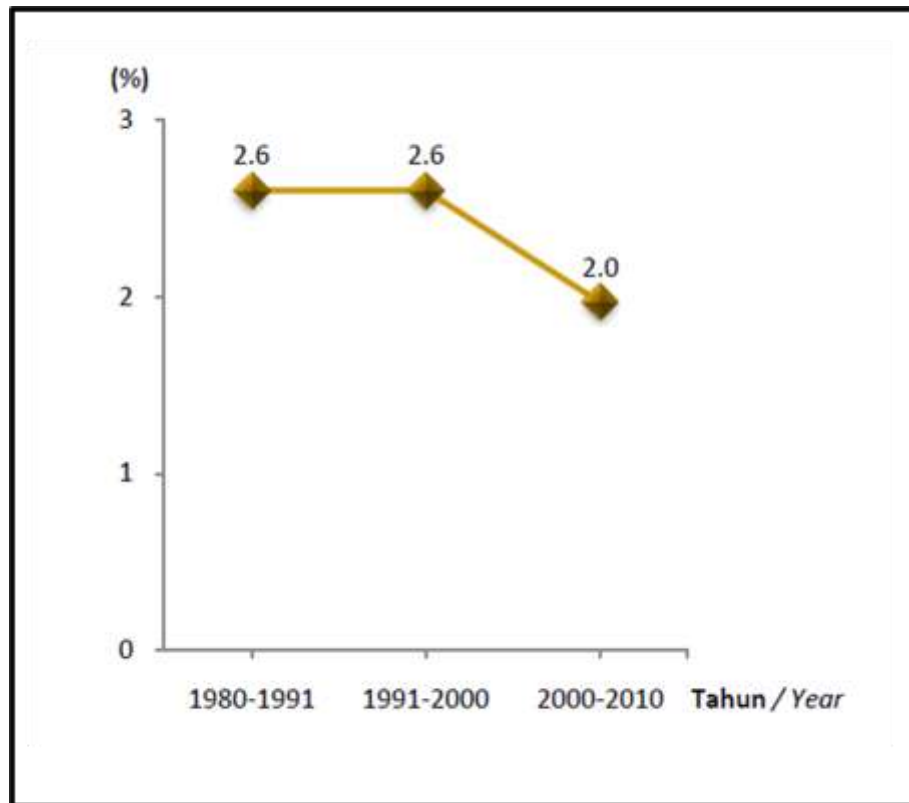


Figure 4.3 Average annual population growth rate Malaysia, 1980-1991, 1991-2000 and 2000-2010

Source:

(http://www.statistics.gov.my/portal/download_Population/files/census2010/Taburan_Penduduk_dan_Ciri_ciri_Asas_Demografi.pdf, date of access: 5 July 2012).

4.2.4 (b) (ii) Malaysia's urbanization process

Urbanization is synonymous with development as more people move into urban centres, or the existing ones grow to satisfy the criteria. In 2010, the proportion of urban population stood at 71%, compared to 62% in 2000 (Figure 4.4).

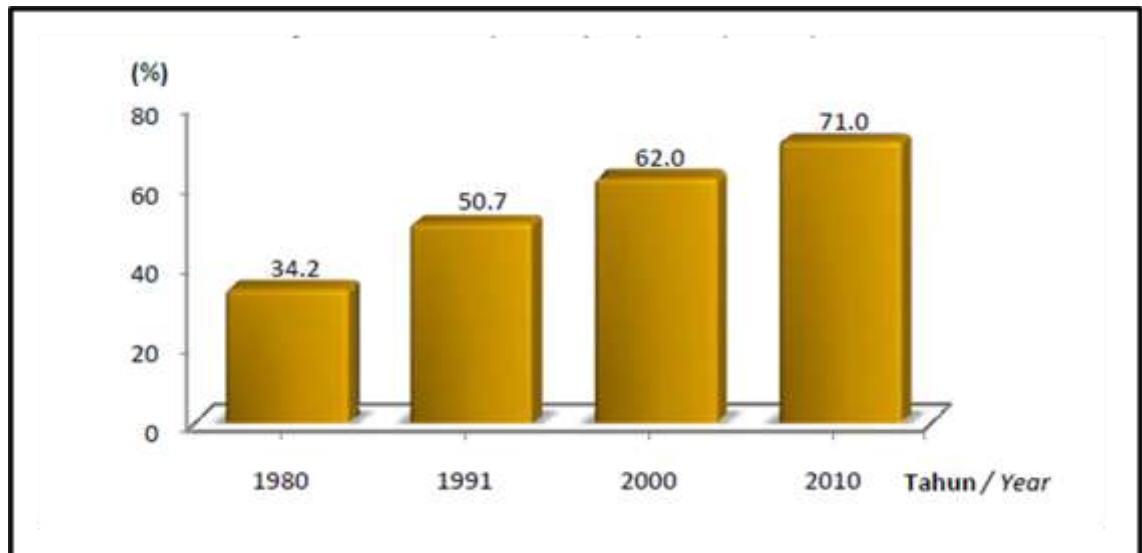


Figure 4.4 Level of urbanization Malaysia, 1980, 1991, 2000 and 2010

Source:

(http://www.statistics.gov.my/portal/download_Population/files/census2010/Taburan_Penduduk_dan_Ciri-ciri_Asas_Demografi.pdf, date of access: 5 July 2012).

4.2.4 (b) (iii) Ageing

On the whole, Malaysian population is ageing rapidly (see Figure 4.5): i) the proportion of working age population (15-64 years) has rose from 62.8% in 2000 to 67.3% in 2010; ii) the proportion of aged population of 65 years or more rose to 5.1% in 2012, from 3.9% in 2000; and iii) thus the median age increased from 23.6 years in 2000 to 26.2 years in 2010. Given this trend of population ageing, does it mean providing a higher budget is required for health care and lesser budget for other sectors in state governance?

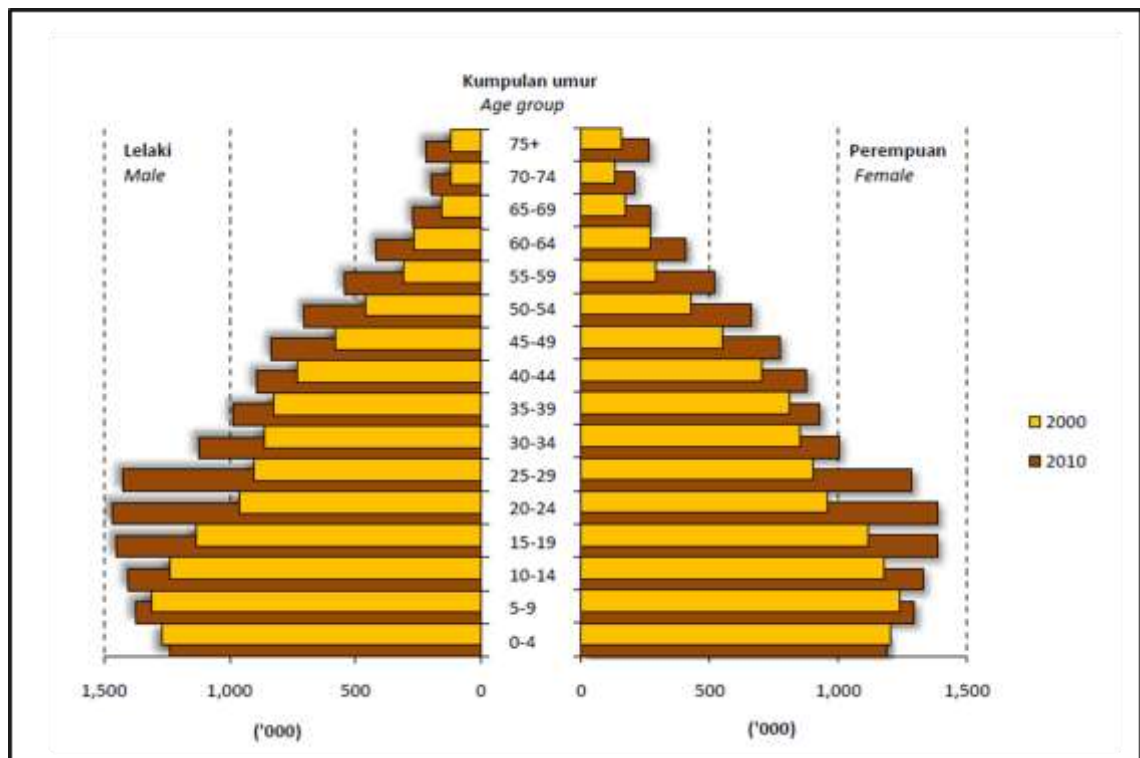


Figure 4.5 Number of population by sex and age group, Malaysia, 2000 and 2010

Source:

(http://www.statistics.gov.my/portal/download_Population/files/census2010/Taburan_Penduduk_dan_Ciri-ciri_Asas_Demografi.pdf, date of access: 5 July 2012).

4.3 Malaysia: Economic history

Put simply, economic history is about the history of economic growth and development of a country detailing the pathways, milestones, and challenges as a country progresses, or regresses (Cipolla, 1991). Economic history is studied with a view to improve efficiency using established economic theories (Section 2.4.5).

On the whole, many researchers gave high marks to Malaysia for the pace of its development in the last five decades since gaining independence from the British in 1957, see Lim (2011).³¹ A small nation comparatively it is a success story of economic growth judging by most measures (Leete, 2007).

³¹ Originally, the British granted independence to Malaya in 1957. A merger of Sabah, Sarawak, and Singapore into Malaya (comprising 11 states) took place in 1963, and a new nation called Malaysia was born. Due to differences in view about development and governance, Singapore was expelled in 1965. Singapore became an independent state thereafter.

Since 2000 however, it has experienced “deindustrialization” due to a number of factors generated both internally and externally (Rasiah, 2011, p. 104).

4.3.1 Income and growth

The process of growth as applicable to Malaysia may be explained in four ways. First, it bears testimony to the validity of Rostow’s stages of growth, see Lim (2011). Indeed, five distinct development stages are discernible: i) pre-1957, classical export economy; ii) 1957-1969, modernization and diversification; iii) 1970-1986, state-led development; iv) 1987-1999, trade liberalization; and v) 2000 onwards, human capital development.

Second, for period 1965 to 1985 and to 2005 for example, the GDP by economy activity saw the rapid reduction of agriculture from 31.5% to 20.8%, and to 8.4% respectively. Conversely, manufacturing was playing an increasingly important role as % of GDP in this period thus validate Lewis’ model of structure change as more rural/ urban migration took place in search of higher pay in urban centres: 10.4% (1965); 19.7% (1985); and 29.6% (2005). For a discussion on de-industrialization, refer to Rasiah (2011, p. 11).

Third, is dependence school relevant? Whether or not Malaysia is a victim of the northern countries in its quest to be fully industrialized is debatable. As it is, some researchers posited that due to its weak ex-ante contract anticipation, and an equally weak ex-post contract monitoring, technology transfer had not been successful (J. Tan, 2008, pp. 180-186). In addition, local economy appeared to lack absorptive capacity to benefit from technology and spill over effect of multinationals (Rasiah, 2011, p. 155). The case in point is Proton car (J. Tan, 2008, p. 180).

Fourth, following 13 May 1969 racial riot, Malaysia turned into a developmental state by putting into motion New Economic Policy (NEP) in 1970 (Poon, 2008, p. 17) with

dual objectives. The first goal was to eradicate poverty irrespective of race; and the second goal was to restructure the society so that eventually identification of race with function is eliminated (Poon, 2008, p. 18). The down side of state-led economy was it opened itself to rent capture by rent-seekers as happened in many Third World states through privatization projects, among other things (Wain, 2012).

Judging by its growth rates, Malaysia qualified as a developmental state as it achieved an average of 6%-7% per annum except for 2001-2007: 6.5% (1961-1970); 7.9% (1971-1980); 6.1% (1981-1990); 7.2% (1991-2000); and 4.8% (2001-2007). For the period 2001-2007, only Indonesia and Thailand were ahead of Malaysia recording a growth rate of 5.9% and 5.1% respectively (Embong, 2008). Figure 4.6.

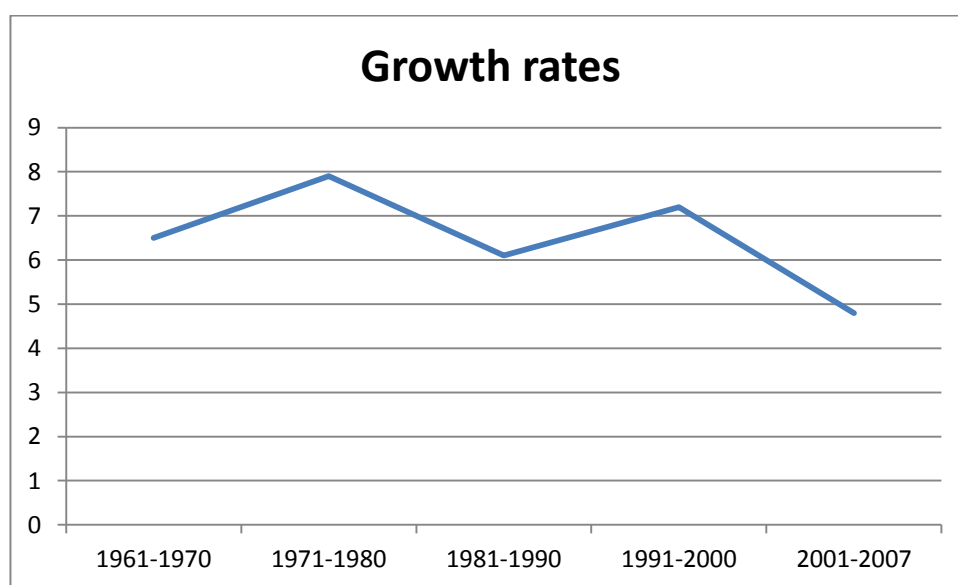


Figure 4.6 Decade growth rates for Malaysia, 1961-2007

Source: Dowling and Valenzuela (2010, p. 26)

In terms of GDP per capita in PPP\$ and HDI, Malaysia took the lead in 2005 amongst the small tigers: Malaysia (10,882, 0.811); Thailand (8,677, 0.781); Philippines (5,137, 0.771); and Indonesia (3,843, 0.728)(Dowling & Valenzuela, 2010, p. 6).

4.3.2 Social indicators

Since HDI figures have been embedded into them consideration of health and education as discussed in Chapter 3.0, Malaysia leads the pack amongst the small tigers in terms of life expectancy and literacy. As expected, all countries concerned showed improvements over the years.

In literacy for women for example, Malaysia's record showed healthy signs: 60% (1980); 83% (2000); and 90% (2007). Due to better living condition, life expectancy rates at birth too showed vast improvement: 54.3 years (1960); 66.9 years (1980); 72.5 years (2000); and 73.0 years (2005)(Dowling & Valenzuela, 2010, p. 284).

Other social dimensions such as justice, judiciary independence, freedom of speech and freedom of association shall be discussed in Section 4.6 under politics.

4.3.3 Poverty and the Indian dilemma: Sucked up and spat out

By far the most authoritative source of reference on poverty and income distribution is Ragayah (2008, pp.116-158; 2011). Resulting from NEP, substantial funding had been allocated for poverty eradication in rural areas since the Second Malaysia Plan (1971-1975) as more incidence of poverty were found in the rural Malay community.

Overall, there had been a steady drop of incidence of poverty in rural areas showing better result: 14.8% (1999); 11.9% (2004); and 7.9% (2007). Correspondingly, the number of poor households in the rural areas was: 323,200 units (1999); 219,700 units (2004); and 132,600 units (2007).

Statistics on the urban poor were less successful: 3.3% (1999); 2.5% (2004); and 2.0% (2007). Worse, in absolute figures, there were more urban poor households in 2004 (91,600 units) than in 1999 (86,100 units). The trend however was reversed in 2007

(76,400 units). What was not apparent from Ragayah's (2008, 2011) studies was the lack of details due to urban development, with the consequence that estate workers of Indian origins were displaced from their habitat.

Poverty remains an issue amongst the Indians. Specifically, due to five decades of marginalization under the New Economic Policy (NEP) and the associated affirmative action since 1971, the Indians as an ethnic minority had the greatest disgruntlement that resulted in 30,000 to 40,000 of them taking part in mass rally against the state on 25 November 2007 (Nagarajan, 2009; Willford, 2013). As a group the Indians were treated "like oranges, sucked up and spat out as pips" (Jomo, 1986, p. 192; Kabilan, 2013). But the root cause of the problem may be traced to colonial times when indentured Indian labour was brought into Peninsula Malaya (Jomo, 1986, p. 185).

For generations the Indians worked in the plantations, their children received poor education, and ill-equipped later on to face the modern world. Indeed, as Nagarajan (2009, cited in T. G. Lim, et al., 2009, p. 371) "the Indian plantation workforce was Malaysia's forgotten people who remained locked in time and space as victims of a vicious cycle of poverty". There was/ is no official plan on how the poverty faced by the Indian community may be overcomes (Nair, 2003).

4.3.4 Inequality

Interestingly, the Gini coefficient, which is a measure of disparity of income between rich and poor, shows uneven distribution since 1970 (Leete, 2007, p. 169). It was 0.51 in 1970, dropped to 0.446 in 1990, only to rise to 0.462 in 2004. Ragayah's (2011, p. 233) showed that it dropped to 0.427 in 2007.

On the other hand, the top 20% income group had been making progress since 1970, 55.7% of income in 1970, dropped to 50% in 1990, and rose to 51.2% in 2004. The

lowest 40% income group captured 11.4% in 1970, increased to 14.3% in 1990, but dropped to 13.5% in 2004 pointing to greater social disparity (Leete, 2007, p. 169). See Figure 4.7. Figures from Dowling and Valenzeula (2010, p. 242) was more adverse, showing the share of poorest quintile (bottom 40%) capturing only 6.1% in national consumption in 2007.

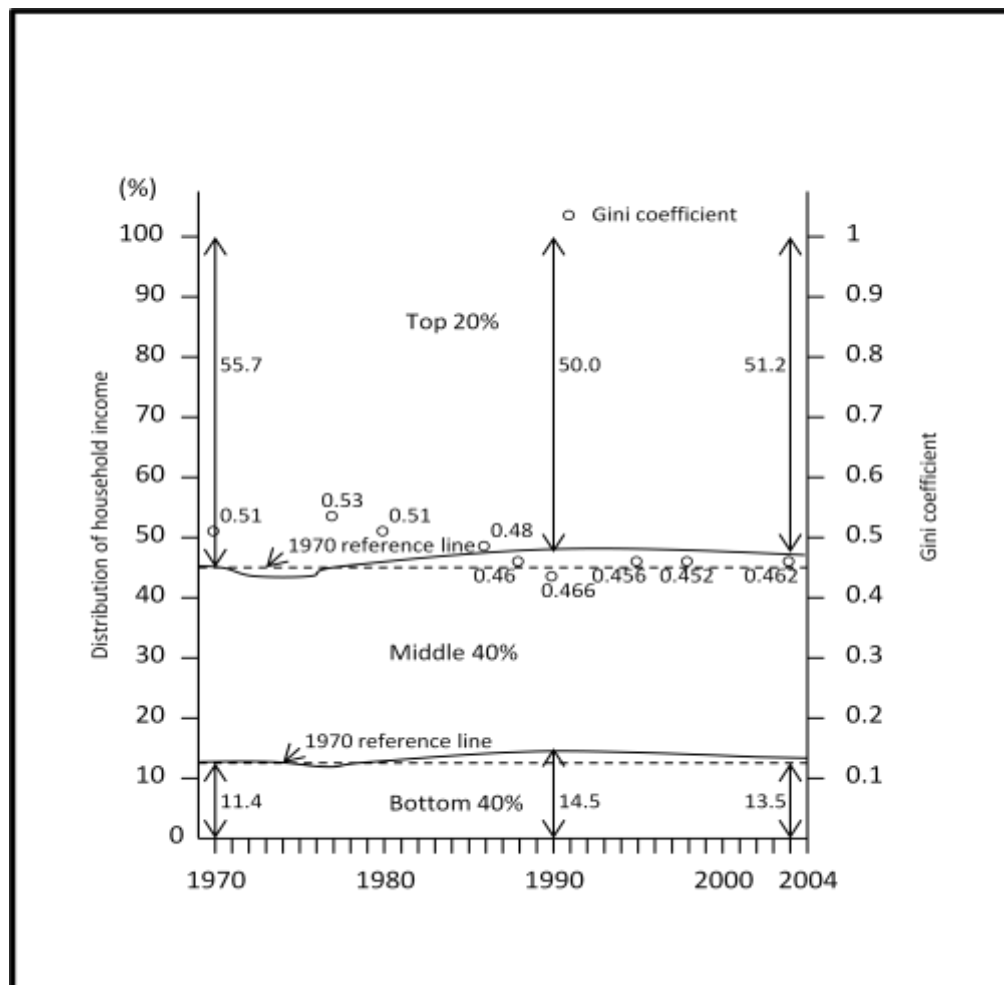


Figure 4.7 Household income distribution and Gini coefficient in Malaysia, 1970-2004

Source: Leete (2007, p. 169)

4.3.5 Affirmative action

Affirmative action is a social phenomenon indicating the presence of discrimination by the society on certain group being disadvantaged, and remedial actions are instrumented

by the government to rectify the situation.³² A more lucid definition was given by Lee, H. A (2011, cited in Rasiah, 2011, ed., p. 253) is as follows:

Preferential measures to redress systemic disadvantages faced by a population group in socially esteemed and economically influential position where they are substantially under-represented.

The period of independence 1957 to 1969 characterized a period of uneven growth amongst different ethnic groups (Faaland, et al., 1990; Nesiah, 1997; Snodgrass, 1980). Hence the subsequent introduction of the New Economic Policy (NEP) and its associated affirmative action was taken by many researchers in positive lights. Various measures are implemented to ensure the politically dominating, but economically under-represented group is accessible to tertiary education, given employment in public service, and showered with company shares at deep discount.

Forty years had passed and many felt the time has arrived to rid the said policy so that Malaysia may move forward efficiently, see Lim (2011). Some cautioned that “Malaysia needs to negotiate a steady and systematic transition away from the status quo”, see Lee (2011). Indeed Tables 4.1, 4.2, and 4.3 indicate the rate of success of affirmative action for Malays, where Table 4.1 shows an overall improvement of labour force with tertiary education across-board, the Bumiputras registered a much higher figure of 22.0% compared to non-Malay Bumiputras at 12.9%.

³² Other researchers linked to affirmative action are (H. A. Lee, 2011, p. 250); Sowell (2004); Fryer and Loury (2005); Weisskopf (2004); ILO (2007); Lee, H. G (2005); and Crouch (2001, cited in N.J Colletta, et al., 2001, eds., p. 227).

Table 4.1 Percentage of labour force with tertiary education, within race group, 1995-2007

Ethnic group	1995	1999	2007
Bumiputras	11.4	13.8	22.0
Malay	13.1	15.7	24.1
Non-Malay Bumiputras	4.4	6.4	12.9
Chinese	12.0	15.1	22.6
Indian	9.5	11.9	18.8
Malaysian	11.1	13.2	21.8

Source: Labour force survey report, various years (cited in H. A. Lee, 2011, p. 263)

Bumiputras achieved a phenomenal improvement in work opportunities in administrative and managerial category for 1970-2000: +14.6%. See Table 4.2. In professional and technical category, they showed +16.3% increases. However, this feat was made possible at the expense of Chinese and Indians; both showed reduction in this period for two job categories.

Table 4.2 Distribution of occupation by ethnic group, percentage of Malaysian, 1970-2000

Occupational group	1970			1990		
	Bumiputra	Chinese	Indian	Bumiputra	Chinese	Indian
Admin and managerial	22.4	65.7	7.5	30.3	65.5	4.2
Prof and technical	47.2	37.7	12.7	62.2	29.9	7.9
Excl teachers and nurses	n.a	n.a	n.a	58.0	33.2	8.8
Teachers and nurses	n.a	n.a	n.a	68.8	24.7	6.4
Clerical workers	33.4	51.0	14.3	52.6	38.8	8.6
Sales and service workers	n.a	n.a	n.a	46.4	45.0	8.6
Agricultural workers	68.7	20.8	9.6	76.5	15.3	8.1
Production workers	31.3	59.9	8.6	46.6	42.1	11.5
Overall	51.4	37.0	10.7	56.3	34.6	9.1

Occupational group	1995			2000		
	Bumiputra	Chinese	Indian	Bumiputra	Chinese	Indian
Admin and managerial	36.8	52.5	4.8	37.0	52.3	5.5
Prof and technical	64.4	25.7	7.0	63.9	25.8	7.6
Excl teachers and nurses	60.0	28.5	7.2	59.3	29.5	7.9
Teachers and nurses	72.3	20.5	6.6	73.2	18.4	6.9
Clerical workers	57.5	33.8	7.4	56.8	32.9	8.6
Sales and service workers	47.0	35.8	7.2	47.9	35.3	7.7
Agricultural workers	61.2	11.9	6.9	61.2	10.3	6.9
Production workers	44.2	33.7	9.6	44.7	33.8	10.0
Overall	51.4	29.6	7.9	51.5	29.7	8.3

Sources: Third Malaysian Plan (cited in Jesudason, 1989); Seventh Malaysian Plan; Eighth Malaysian Plan. All cited in Lee, H. A (2011, p. 265)

Note: Rows do not total 100 due to the omitted category termed “Others”; n. a-- not available.

In share capital ownership, again Bumiputras performed splendidly, registered a rise of 17% for 1970-2006. See Table 4.3. The growth rate for non-Bumiputras was lethargic.

Table 4.3 Share capital ownership (at par value) by ethnic group, 1970-2006

Ethnic group	1970	1980	1990	1995	1999	2006
Bumiputras	2.4	12.5	19.3	20.6	19.1	19.4
-individuals	1.6	5.8	14.2	18.6	17.4	15.1
-trust agencies	0.8	6.7	5.1	2.0	1.7	4.3
Non-Bumiputras	28.3	44.6	46.8	43.4	40.3	43.9
-Chinese	27.2	n.a.	45.5	40.9	37.9	42.4
-Indian	1.1	n.a.	1.0	1.5	1.5	1.1
-Others	-	-	0.3	1.0	0.9	0.4
Nominees	6.0	-	8.5	8.3	7.9	6.6
Foreigners	63.4	42.9	25.4	27.7	32.7	30.1

Sources: Jomo (2004); Mid-term review of the Ninth Malaysia Plan, cited in Lee, H. A (2011, p. 268)

But to assume that the NEP and the associated affirmative action can placate every quarter in the dominant-majority is incorrect. As observed in the mass rallies organized by Bersih (a civil organization) in 2007, 2011 and 2012 they were attended by multi-ethnic composition of the crowd (Mohamad, 2012). The discontent after a long period of one-party rule since 1957, the system had bred a strong government with wide-ranging powers unchecked by people and opposition party (Wain, 2009). The increased incidences of state abuse, rent-seeking activities, docile judiciary, inefficient bureaucracy, general mediocrity culture as found in all social institutions, etc may trace their roots to affirmative action introduced 1970 (Gomez, 2005).

But affirmative action comes with heavy social costs. Gomez and Saravanamuttu (2013), Tan (2008) and Wain (2009) are three books that provided more empirical data and assessments. At least eight drawbacks have been identified, see Lee (2011, p. 254): i) it invalidates meritocracy; ii) it dampens the spirit of those who could have progressed without it; iii) it stigmatizes the recipients as a group; iv) it breeds failures in the system; v) it creates dependence mentality; vi) it alienates non-recipients; vii) by far the greatest beneficiary is the middle class; viii) it increases inequality within the recipient group, “while the accelerated paths to riches, especially through licenses and asset distribution requirements, induce profiteering and corruption”.

In the mean time, the World Bank has the panacea on how to resuscitate a system that is grinding to a halt.

4.3.6 Four proposals from the World Bank

More than a decade ago, policy makers had taken notice of the de-industrialization in Malaysia as evidenced from signs of stagnation in manufacturing industry. The situation did not appear to show any sign of improvement for the period 2000-2009 (Mahadevan, 2007; Wade, 2010).³³ In an analysis of average annual growth rates in employment by sector in Malaysia, 1967-2005, manufacturing experienced a decidedly downhill trend: 1990-1995 (5.8%); 1995-2000 (3.5%); and 2000-2005 (-1.3%), as in Leete (2007, p. 99). Similarly, Lim (2011, p. 29) posited the situation as follows:

The finding that there had not been a consistent and rapid rise in TFP growth in Malaysia over time is consistent with observations that she lags behind the newly-industrialized economies of East Asia in human capital development and R & D efforts, and that compared to them, she has a passive technology strategy that is too reliant on FDI (Lall, 2003).³⁴

³³ In particular, Wade (2010, p. 153) argued that Malaysia is now caught in middle-technology trapped, and engage in activities other players can do more cheaply.

³⁴ In growth accounting, three sources of growth are: i) labour; ii) capital input; and iii) technology progress which are a combination of labour and capital in productivity (total factor productivity, TFP).

As a percentage, share of manufacturing started to decline from 30.9% (2000), to 29.6% (2005), and to 26.6% (2009). Why is manufacturing losing its vitality (Table 4.4)?

Table 4.4 Structure of Malaysian GDP by economic activity, 1965-2009 (%)

	1965	1970	1975	1980	1985	1990	1995	2000	2005	2009
Agriculture	31.5	29.0	27.7	22.9	20.8	15.2	12.9	8.6	8.4	9.5
Mining	9.0	13.7	4.6	10.1	10.5	11.8	6.2	10.6	14.4	12.9
Manufacturing	10.4	13.9	16.4	19.6	19.7	24.2	26.4	30.9	29.6	26.6
Construction	4.1	3.5	3.8	4.6	4.8	3.9	6.2	3.9	3.0	3.3
Electricity, gas, and water	1.1	1.1	2.0	1.4	1.8	2.2	2.6	3.0	2.7	2.6
Services	43.9	38.8	45.5	41.4	42.4	44.3	47.8	46.2	44.0	48.3

Source: Malaysia, Economic Report, various issues (Rasiah, 2011, p. 11)

Table 4.5 depicted a pathetic picture of Malaysia in R & D expenditure of 0.69% of GDP. Without a conscientious effort, Schumpeterian creative destruction may not take place and the firms will continue to languish in delivering average profit (Mahadevan, 2007, p. 65).

Table 4.5 Comparison of research intensity (Malaysia and selected countries)

Countries	R & D expenditure/ GDP
Malaysia, 2002	0.69
USA, 2002	2.72
Australia, 2001	1.53
Finland, 2001	3.42
Japan, 2002	3.07
South Korea, 2002	2.53
Taiwan, 2002	2.30
Singapore, 2002	2.15
China, 2001	1.09
India, 2001	0.78

Source: UNESCO Institute of Statistics, and Taiwan 2003 Annual Statistics, cited in Mahadevan (2007, p. 80).

If governments/ firms have been acting responsibly, any effort made in R & D should bring in ample reward. When the original Asian tigers started investing in R & D, the harvest is seen through the number of patents registered, which given time would end

up innovative products that will set them apart from the rivals. Malaysia appears to be miles apart from the pack (Table 4.6).

Table 4.6 U. S. patents granted to Malaysian and NIE applicants, 2000-2007

	2000	2001	2002	2003	2004	2005	2006	2007
Malaysia	42	39	55	50	80	88	113	158
South Korea	3,314	3,538	3,786	3,944	4,428	4,352	5,908	6,295
Taiwan	4,667	5,371	5,431	5,298	5,938	5,118	6,361	6,128
Singapore	218	296	410	427	449	346	412	393

Source: Chandran and Rasiah (2011) .

In their comprehensive review, Yusuf and Nabeshima (2009, pp. 7-14), gave four reasons why on comparison to original Asian tigers, Malaysia “has been less dynamic and innovative”: i) multi-national-companies’ (MNCs) disappointed performance; ii) Malaysia lacks a culture of excellence; iii) structure of company discourages creativity; and iv) a wrong choice to depend on government-linked-companies (GLCs) to lead innovation.

4.3.6 (a) Multi-national-companies

First, as argued by Reinert (2008, p. 232), to expect the West, and their associated MNCs to hand over technology on a silver platter is both childish and naïve. The analogy, “everyone knew that a slave who could read and write was a useless slave—he would try to escape” (Reinert, 2008, p. 232) is revealing. Even by assuming MNCs would do just that, do Malaysian companies that deal with them possess the absorptive capacity? To Yusuf and Nabeshima (2009) hence, MNCs are guilty of not able to allow deepening of backward links, and to generate knowledge spill over to benefit local industries and supplies.

4.3.6 (b) Culture

Second, unfortunately to Malaysia, the original Asian tigers, and China for that matter acknowledged the importance of human capital as it contributes to the culture of excellence and innovativeness. In particular, in these economies the emphasis is on science, technology, engineering, and mathematics (STEM) and through a system of training provided by universities and vocational training facilities, the skills of the workforce are raised.

If Malaysia has been half-hearted to rely on STEM, handicapped since full utilization of its manpower is not exploited, the matter is made worse by its over reliance on low-graded foreign labour. As Lim (2011, pp. 30-31) argued:

*There have been examples of short-sighted policymaking, which are now having a serious impact on the economy. A good example is the delay in upgrading the skills of the labour force and relying for too long migrant workers, which have left Malaysian manufacturing stuck in no man's land, unable to compete with more advanced developing countries in the market for more sophisticated manufactured goods and with the less advanced ones for the products they made so well in the past.*³⁵

China sees technology in different light. The seriousness of China for example in recognizing the handsome reward derivable from Microsoft's state-of-the-art laboratory in Beijing, is reflected in its action by facilitating its brightest and best 400 IT professionals to work there (Buderi & Huang, 2007).

On the other hand, how competitive is Malaysia's labour may be deciphered through a comparison of it with four original Asian tigers in terms of the mathematics and science proficiency for grade 8 (form 4) in TIMSS (Cheong et al, 2011, cited in Rasiah, 2011, ed., p. 175)? See Table 4.7.

³⁵ Mr David Jones, chairman of EU-Malaysia Chamber of Commerce and Industry concurred at Deloitte TaxMax Seminar on Budget 2013 held in Kuala Lumpur on 9 October 2012 (*The Sun*, 10 October 2012, p. 16). Indonesia consumed 75% of its products manufactured domestically, whereas Malaysia exported 75% of its products overseas. Malaysia will be in deep trouble should Indonesia decide to invest in technology.

Table 4.7 TIMSS grade 8 scores for selected Asian countries, 1999-2007

Subject/ country	Average score			% of students reaching high benchmark (score 550)		
	1999	2003	2007	1999	2003	2007
Mathematics						
Malaysia	519	508	474	36	30	18
Hong Kong	582	586	572	70	73	64
Singapore	604	605	593	77	77	70
South Korea	587	589	597	70	70	71
Taiwan	585	585	598	67	66	71
Science						
Malaysia	492	510	471	24	28	18
Hong Kong	530	556	530	40	58	45
Singapore	568	578	567	60	66	61
South Korea	549	558	553	50	57	54
Taiwan	569	571	561	61	63	60

Source: Martin, Mullis and Foy (2008), Tables 1.3 and 2.3 (both volumes), cited in Cheong et al (2011, p. 175)

4.3.6 (c) Structure of companies

Third, due to the nature of Malaysian companies dominated by a few but well connected families who are contented with current situation, entry barriers for new entrants are high. As a result, the extreme low turnover of leading firms in Malaysia as well as in other Southeast Asian countries points to low dynamism of business environment (Yusuf & Nabeshima, 2009, p. 12).

4.3.6 (d) Government-linked-companies

Fourth, in any state-owned company anywhere in the world, creativity and innovativeness are traits that hardly exist. It is unwise to expect change and innovation in any oligopoly, much less if it is dominated by GLCs.

Taken as a whole, the prospect of Malaysia catching up with its original Asian tigers looks bleak due to a weak set of human capital, made harder by NEP/ affirmative action, and paralyzed by a culture that breeds mediocrity.

4.4 Malaysia: The making of a developmentalist state

This section intends to review the origin, nature, and implication of being a developmentalist state (DS). The success or otherwise of Malaysia as a DS will be dealt with in Section 4.6.2.

4.4.1 New economic views on development (1950s, 1960s)

Economic growth rate may be referred to income per capita to account for its growth rate of population (Todaro & Smith, 2006, p. 15). In Chapter 3.0, it was learned that The World Bank had introduced the concept of Human Development Index (HDI) to account for health and education of the target groups using purchasing power parity (PPP) dollars so that the actual spending power of the people are considered across countries.

Economic development goes beyond what are measured from economic growth. It was argued in Bryant and White (1982, p. 3), that “development is a normative concept; it implies choices about goals for achieving the realization of the human potential”.

That being the case, income as a proxy to development is way off the mark since it does not consider “health, or education, or social equality, or self respect, or freedom from social harassment” (Jameson & Wilber, 1996, p. 19). In short hence, achieving an economic growth rate of exceeding 7% is a battle half won if there are pockets of income inequality, poverty, and unjust practices in the society.

4.4.1 (a) Pre World War II

In his efforts to explain why mainstream economics have been disastrous to account for the slow growth in less developed countries (LDCs), Reinert (2008, p. 33) traced the roots of classical development economics of 1945 to the following heritages: Friedrich

List (1841); German Historical School (1848); Verein für Sozialpolitik (1872-1932); Marx; and Keynes.

From Reinert's (2008) finding, classical development economics was the fore-runner of the economic model adopted by Japan, and later by the four Asian Tigers (Korea, Taiwan, Hong Kong, and Singapore).³⁶

Most authors of development economics viewed the period after World War II as its formative years when demand were raved on new independent states to take destinies into their own hands (Fine, 2006, cited in Jomo & Fine, 2006, eds., p. 101). The newly found confidence amongst decision-makers was the result of a number of external factors and developments.

Grant and Brue (2007, p. 473) identified five factors: i) the uneven economic growth among nations; ii) success of developed nations in overcoming their worst depression in 1930s; iii) previous colonies gaining independence; iv) collapse of Marxian socialism in eastern Europe; and v) the West deemed improvements in the developing countries was in their interest. Following this set of historical developments, LDCs welcomed development economics.

4.4.1 (b) Development economics in 1950s, 1960s

To Bryant and White (1982), despite an intense debate on the course, causes, and sources of economic and political development, it was at the end the economists' call (over political economists) given the fact that they were more articulate with figures.³⁷

³⁶ Fine (2006) posited that the role of states in economic development could be traced to Friedrich List and German industrialization in the 19th century. See also Chang (2002). See also Leftwich (1995, cited in Rigg, 2008, ed., pp. 31-34) gave a more comprehensive picture on the history of developmental state. See List (1885, cited in Reinert, 2008, p. 345). Jomo (2005, p. viii), however did not regard Friedrich List as belonging to the fraternity.

Two approaches to industrialization were adopted: i) by relying on dualist approach, fledgling industrial sector was given a boost by necessary imports to help productivity, while taking the traditional economy as competitors; and ii) a less travelled path, emphasis was made to utilize excess rural labour to industrialization but no attempt was made to bring in Western technology. See Chapter 3.0, surplus rural labour has been solved by Lewis model in economic development.

But the manner industrialization is being carried out depends on the nature of the state and the roles they perceived. Fine (2006, p. 101) identified two. The first approach is modernization through the state being benevolent, pluralistic, and capitalist-friendly. The second approach is through the state getting involved in class conflicts for the ultimate welfare of the working people. In this regard Malaysia obviously adopts the first approach.

As an externally imposed social exercise, industrialization process had its side effects on societies that were not ready (Bryant & White, 1982). First, it disrupted the existing social arrangement and demanded a change in behaviour of the labour. Second, since initial period required heavy investment in productive activities, thus assuming only an authoritative regime could cope with the transition to industrialization. Ruled by military rulers, industrialization made many Latin American countries paid for high human costs due to autocratic rules.

To make matter worse, empirical evidence gathered during this period showed that though some countries might have attained the economic growth, the level of living

³⁷ Fine (2006, p. 103) posited there are two distinct schools when come to interpret the roles of developmental state: i) the political school; and ii) the economic school. That is why political science, political economy, and sociology knowledge is required in this endeavour. This view is shared by many authors (Sen, 1999; Seers, 1969; Goulet, 1971, all cited in Todaro & Smith, 2006, pp. 33-36).

condition of the masses remained unchanged.³⁸ Obviously, a redefinition of development is in order (Todaro and Smith, 2006, p. 16).

4.4.2 Neoclassical counter-revolution (1970s, 1980s)

At the heart of discontent by many researchers was that in the state-led economies, the states had been opened to individuals with self-interest to rent capture state resources with impunity (Tarling, 2005, p. 214) .

In the light of the shortcomings, two propositions were being considered. First, a minimalist state was preferred. Second, development should come from market forces if there was liberation. Along this line of argument hence, a developmentalist state is meant to be given only a short lifespan as prolonging it is to court danger of attracting more rent-seeking.

Another determinant is state capacity. Effective state capacity improves production, but the benefits will not reach the target groups unless the distribution is closely watched. The depiction of Taiwan bureaucrats may also apply to Malaysia as “politicians reigned and the state bureaucrats ruled”, see Rigg (2008). This leads to the issue of good governance, the very heart of the thesis. As Ocampo and Vos (2008, p. 147) explained:

*Ideally, governance promotes the public interest by, inter alia, promoting social cohesion, making the society more fair and stable, guaranteeing an adequate provision of public goods, ensuring the functioning of markets, and encouraging risk-taking behaviour by individuals and businesses leading to innovations.*³⁹

Note the similarity of the meaning of governance with North’s (1990) use of the word “institutions”. “Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shaped human interaction” (North, 1990, p. 3).

³⁸ As an example, Bryant and White (1982, pp. 8-9) argued that Brazil might have achieved a GNP of 5.6% since 1965, the poor was worse off as the share of national income to the top 5% rose from 29% to 38% in this period.

³⁹ The term “good governance” does not come by accident. Previously, some researchers attributed economic success in Pacific Asia to “Asian values”. The 1997 Asian economic crisis silenced this line of thought, and replaced it with a globalized good governance discourse (Mahbubani, 1995; Rigg, 2008).

Hence, governance may be used interchangeably with institutions (if the unit of analysis is the state). Note also the concern on the nature and the capacity of the state are the tenets of the political school.

Two different schools of thoughts see things differently. In interpreting the proper role for a DS, the economic school appears to be supportive of state intervention based solely on economic consideration as it subscribes to “the notion of market imperfections and by an antipathy to neoliberalism” (Fine, 2006, p. 105). The short-comings of the economic school however, are easy to see. Somehow, it cannot see the existence of conflicts in any society. Benefits from growth would not trickle down as planned with those holding on to the lever of power zealously guarding their forte.

In short, the political school and the economic school is a pair of Siamese twin, one cannot do without the other because each addresses only half the social problems. Put it in another way, one is a spider, while the other is a spider web (Fine, 2006, p. 106).

By 2009, Washington Consensus was made history (Todaro & Smith, 2011). But if free-market economy is not workable, so is state-led economy. Clearly, there is no standard formula to drive economic growth; each individual country would have to think deeply for a mixed set of solution that suits it. Economic variables are only a subset of an entire range of solutions with political variables as contenders for attention.

4.5 Malaysia: Ethnic fragmentation and public expenditure

The common sense is for Malaysia to progress, it needs social cohesion. In a multi-culture and multi-ethnic setting, does it have that? In studying public policy relating to ethnic relation, positive approach is adopted here by asking the question: Why does government do what it does (Weil, 2009, p. 341)?

Four areas will be covered: i) the colonial legacy had on social cohesion; ii) theories of ethnicity and ethnic conflict; iii) ethnic inequalities; and iv) effects of ethnic fragmentation had on public expenditure.

4.5.1 Colonial legacy to Cold War: Rise of nationalism, and ethnic conflict

Social uneasiness, or worse, upfront tension and physical contestation between two or more culturally, religiously, and language-wise different sets of people with sometimes differences in physical appearance was the deliberate works of superpowers/ colonizers who were more concerned about perpetuating their economic interests than the subjects over whom they ruled (Gurr & Harff, 1994; Rabie, 1994).

Cordell and Wolff (2010, p. 5) put ethnic conflict this way:

Ethnic conflicts are a form of group conflict in which at least one of the parties involved interprets the conflict, its causes and potential remedies along an actually existing or perceived discriminating ethnic divide. In other words, the term ethnic conflict itself is a misnomer-it is not the conflict that is “ethnic” but at least one of its participants.

Arising from the need for recognition, victors of two World Wars partitioned the lands they won over in the post-1919 and post-1945 eras along two camps based on two political and ideological camps. To further their long term interest, America and Soviet signed the Yalta Accord that ensured both states would recognize each party's interests and hence preserving the status quo, especially in Europe (Rabie, 1994, p. 162).

From that point, in the ensuing years of Cold War witnessed the Third World was used by the two super powers as their battlefield. Therefore, in Asia, one would not be surprised of the Vietnam War, the Korean War, and even the fight between pre-Malaya authorities with Malayan communist insurgency was a proxy war of two super powers (Gurr & Harff, 1994, p. 129). The consequences of this mindless struggle for ultimate supremacy were more perceive than real.

Since only economic consideration of the colonizers mattered, many states were forcibly divided not based on ethnicity, or tribal affiliation. As an example, Kurds were dispersed into a few newly created states with the result that the new states were no longer homogenous in ethnicity, a sure recipe for later territorial disputes, and ethnic conflicts (Gurr & Harff, 1994, p. 27).

When the colonial masters decided to call it a day at the urging of super powers, naturally the former would select local agents who would most likely to perpetuate the former colonial interests as in the case of Malaya. But before that, the colonizers would plan their departure by ensuring that once they leave, the colony in which they ruled would stand little chance of achieving social cohesion due to fragmented ethnic groupings. Chinese were brought into mining industry and Indians into plantations. That explained why by 1957 when independence was granted, Malays constituted 50% population, Chinese 37%, and Indians 12% (N.J Colletta, et al., 2001, p. 227)

On the surface, as argued by Jesudason (2001, cited in N.J Colletta, et al., 2001, pp. 68, 73-75), ethnic fault-lines were recognized due to “economic differences and stereotypical understandings”. At least three more issues made any effort to encourage social cohesion difficult with the rise of Malay nationalism (Abraham, 1997; Roff, 1967): i) the emergence of a group of journalists and scholars that promoted Malay culture and Islam as a means to create an “imagined community” that was to be the forerunner of nationhood; ii) the Malays were co-opted by the Japanese during the occupation to fight anti-Japanese guerrilla activity by the Chinese; and iii) aghast by the British’s inclusive policy, the formation of United Malays National Organization (UMNO) as a counter measure to British-sponsored Malayan Union Plan of 1946, the latter was designed to allow equal citizenship to the Chinese after World War II.

4.5.2 Theories of ethnicity, and ethnic conflict

The much quoted phrase that “unity is possible in diversity” is a myth; at least it is to researchers of ethnic relation and ethnic conflict. If there is anything, the opposite is true.

In an unprovoked situation, social tension amongst ethnic groups appears looming below the surface, a phenomenon which is common in a plural society. Why is that so?

In this section, this issue will be addressed as follows: i) Tajfel experiment—the concept of in-groups and out-groups; ii) theories of race, and ethnicity; and iii) theories of ethnic conflict, and how ethnic conflicts affect economic growth.

4.5.2 (a) *Tajfel experiment*

Consider an experiment conducted by social psychologist Henri Tajfel on English school children (M. Hughes & Kroehler, 2009, p. 35). In that experiment, Tajfel first asked the students to estimate the number of dots drew on the board. Students were told to which category each belonged: over or under estimated category. Later, each student was grouped by random and continued with other games.

When the opportunities arose for a student to mete out a reward to his fellow students, the experiment showed that he would give more to students belonging to his category along the line of over or under estimated category, identified at the start of the experiment. As Hughes and Kroehler (2009, p. 105) observed warily:

The Tajfel experiments are now referred to as the minimal group paradigm. This research showed that bias against an out-group does not depend on a history of enmity between the groups, competition, and aggression due to frustration, physical differences, religious differences, or any important value differences at all.

4.5.2 (b) Theories of race, and ethnicity

If social construct of an imaginary group can create prejudices in members of an in-group against those of out-groups, what more to expect if members are from different ethnic groups? Two terms need to be distinguished: race and ethnicity before discussing the effects of it on social cohesion and its implication on economic growth.

Many authors reject the use of race as the basis of classification (Hunt & Colander, 2011; Husin Ali, 2008). Where race is used to describe the physical appearance related to a person who in turn relates to biological factors, ethnicity includes common ancestry and cultural heritage as well.

On the nature of ethnicity, three ethnicity theories are popular (Cordell & Wolff, 2010, pp. 14-16): i) primordialism; ii) constructivism; and iii) ethnosymbolism.

First, as an endogenous concept, primordialism held that ethnicity should be looked at from historical perspective and viewed it as given. Second, as an exogenous concept, constructivists argued that ethnicity is adaptive and malleable. Third, between the two opposing stands, proponents of ethnosymbolism took the middle ground. The third concept often explains how collective identity along ethnic line in terms of “the role of descent and historical memories”, and something tangibles that make ethnicity differences such as “religions, customs, language, or institutions” (Cordell & Wolff, 2010, p. 17).

Naturally Malays may trace their ancestors to the history of an Arabic country, Thailand, India, or Indonesia, while Chinese to China. In addition, the sharp difference in their respective religion, culture, and language further weakens whatever unity that may exist.

The mass demonstrations organized by Hindu Action Force (HINDRAF) in 2007 showed the low priority of the government in addressing the plights of Malaysian

Indians; they were not threats of communalism as alleged (Husin Ali, 2008, p. 5). Countries that do not respect justice, equity, and human rights resulted in more than two fold increase in the risk of civil war ("World Development Report 2011," 2011). See Figure 4.8.

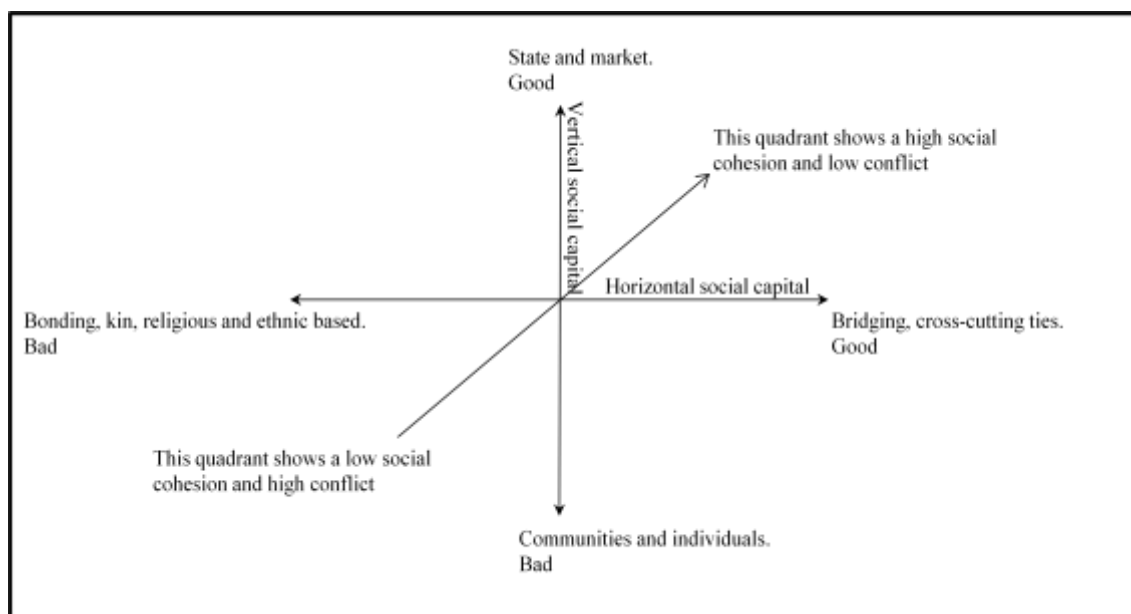


Figure 4.8 Social cohesion: The integration of vertical linking and horizontal bridging social capital

Source: Colletta and Cullen (2000, cited in N.J Colletta, et al., 2001, eds., p. 3)

- Notes: i) In the first quadrant, we have inclusion, rule of law, access and equality of opportunity, efficient, non-corrupt bureaucracy, open society.
ii) In the third quadrant, we have exclusion, oppressive, authoritarian state, inequity/ inequality, corrupt, inefficient bureaucracy, close society.

4.5.2 (c) Theories of ethnic conflict, and growth

Why a multi-ethnic state encounters less social cohesion, and in turn retards growth?

This subsection will be discussed in two parts.

4.5.2 (c) (i) Theories of ethnic conflicts

While prejudice is a matter of state of mind, discrimination is seen in action. More often than not, a minority group is denied of political power of participation, legal rights, equal protection of law, and other social benefits that are available to members of

dominant group (Nagarajan, 2009). As an example, the high deaths of Malaysian Indians in police custody points to unequal protection of law.

How can ethnic conflict be reduced, or if possible, be prevented? Jesudason (2001, cited in N.J Colletta, et al., 2001, eds., p. 70) in his 2 x 2 matrix, made a cross-country comparison of Malaysia and Indonesia, and identified two key issues: i) responsiveness of the state to the majority; and ii) the political incorporation of the minority.

Indeed, the minority's tolerance of various discriminatory policies imposed on them is seen as their investments in the country in return for enjoying a relatively long period of peace, quite unlike the situation in Indonesia (Varshney, 2010, pp. 1, 37). See Table 4.8.

Table 4.8 A model of majority-minority interactions

		State response to the majority	State response to the majority
		Strong	Weak
Political incorporation of the minority	Effective	<p>Likely to be free of violence and overt ethnic politicization.</p> <p>Regime may take steps to reduce ethnic understandings of the polity.</p> <p>Example: Malaysia in the 1990s prior to the Asian crisis</p>	<p>Minority can be scapegoat as a source of unresponsiveness of the state.</p> <p>Salient conflict over ethnic distributional issues.</p> <p>Minority political organizations have some collective power to ward off excesses.</p> <p>Assimilative tendencies contained.</p> <p>Example: Malaysia in the late 1960s; some signs during Asian crisis.</p>
	Weak	<p>Benign neglect of minority.</p> <p>Minority rather than majority resentment of polity, but minority unlikely to be subject to scapegoating.</p>	<p>Scapegoating of minority groups.</p> <p>Assimilative tendencies in the polity.</p> <p>Minority seek the protection of patrons on an individual basis.</p> <p>Example: Indonesia under the New Order, especially in the 1990s.</p>

Source: Jesudason (2001, cited in N.J Colletta, et al., 2001, eds., p. 70)

4.5.2 (c) (ii) Social cohesion, institutions, and growth: The relationship

By now the notion that good institutions lead to economic growth is something indisputable (North, 1990). After all, the difference in the quality of institutions between the First World and the Third World provides a compelling reason that accounts for the former's general prosperity (Easterly, 2006b).

How does social cohesion lead to growth? The answer is somewhat more complicated. It is explained in Easterly's (2006a) two stage hypothesis where he found that "more social cohesion leads to better institutions, and in turn better institutions leads to higher growth" (Figure 4.9).

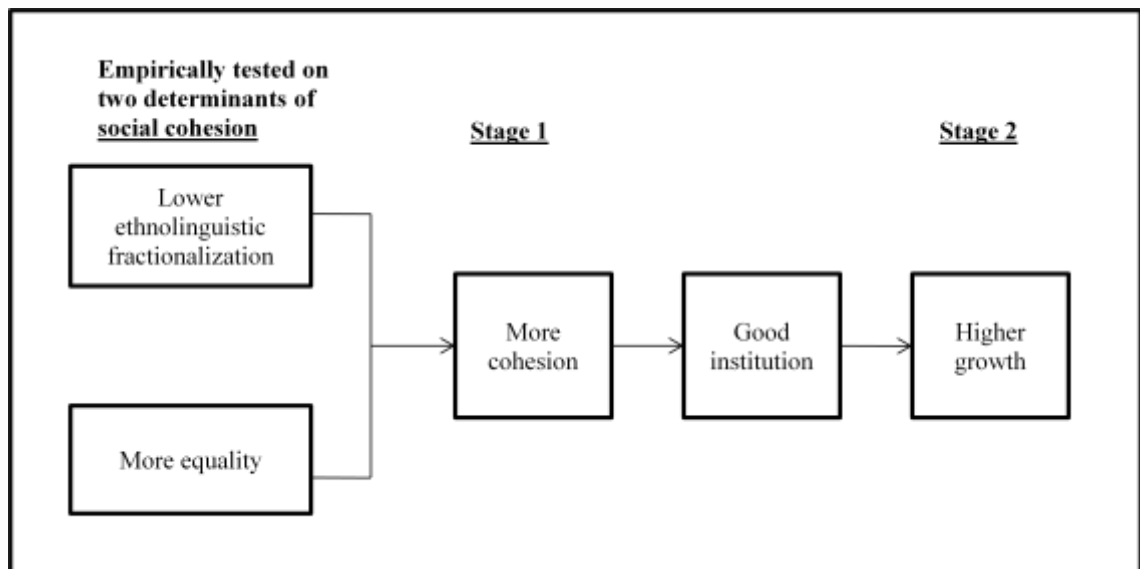


Figure 4.9 Two stages hypothesis of social cohesion, institutions, and growth

Source: Adapted from Easterly (2006a)

- Notes: i) Higher quality institutions as measured by the rule of law are positively associated with higher average growth rates (Kaufmann, Kraay, & Mastruzzi, 2003).
 ii) But higher quality institutions are associated with lower level of inequality as observed by the share of the middle 3 quintiles in income (Kaufmann et al, 2000, cited in Easterly, 2006a, p. 8). Gini-coefficients would produce similar result.

Looking at Easterly's model, while ethnolinguistic fractionalization is endogenous in nature, the same is not true for the inequality (result from state governance) as it is in the hands of the government, which is exogenous in nature.⁴⁰

4.5.3 Ethnic inequalities: Three sociological perspectives

In the previous section, ethnic conflict was discussed from economic and political perspectives as actors-agents go for the scarcity of resources and in the process depending on their relative strengths, determine the outcome of distribution. In this section, ethnic conflict is seen from sociology lenses (Table 4.9).

⁴⁰ In Easterly (2006a, p. 10), some of the least cohesive countries are: Malaysia, Myanmar, Nepal, Nigeria, Peru, Philippines, Thailand, etc. Countries regarded as most cohesive are: France, Germany, Republic of Korea, Japan, etc.

Table 4.9 Major theoretical perspectives in sociology

	Functionalist	Conflict	Interactionist
Primary level of analysis	Macro	Macro	Micro
Nature of society	A set of interacting part	A set of competing interest groups	A social reality that is created and re-created in social interaction
Foundation of social interaction	Consensus of shared beliefs and values	Conflict, coercion, and power	Shared meanings
Focus of study	Social order	Social conflict and social change	The dynamic interplay between the individual and society

Sources: Hughes and Kroehler (2009, p. 23); Ritzer (2008, p. 205); Farganis (2000, pp. 225, 263-265, 349).

On its own (Table 4.9), none of the sociological perspective can adequately explain a social phenomenon.

In Malaysia as an example, a functionalist may view the lack of police protection to the Indians as something predictable because of higher rate of crimes committed by this ethnic group, a conflict theorist would study the cause of prejudice and discrimination against the Indians that land them in police stations. On the other hand, an interactionist may ask what shape the character of the Indians that make them more prone to police's lack of tenderness.

4.5.4 Ethnic fragmentation: Effects on public expenditure

Two issues must first be made clear at the outset: ethnic fragmentation; and public expenditure. First, Yeoh (2001) produced a pioneering table of 240 countries in terms of ethnic fractionalization index (EFI) based on three non-class cleavages in society: racial (phenol-typical), linguistic, and religions.⁴¹

⁴¹ Yeoh (2001) argued that earlier research of ethnic fractionalization by Mueller and Murrell (1986) used linguistic as units of measurement, while McCarty (1993) employed religions only. In Yeoh (2001), only

Second, defence, public health services, and education are deemed public goods, which are normally supplied in uniform quantity to all residents. In this regard hence, Housing Development Board (HDB) of Singapore in providing subsidies to maintain common areas, regular facility maintenance, and upgrading of housing is deemed providing public goods for the enjoyment of the flat-dwellers.

In general term, as in Table 4.10, it is clear that advanced developed countries committed more resources to public goods, a mean score of US\$ 6,379.34 per capita where N=23, whereas for the poorest countries, public expenditure per capita where N=38, can be as low as US\$ 107.02 (Yeoh, 2003, cited in Gomez & Stephens, 2003, eds., p. 77).

Table 4.10 Public expenditure per capita (US\$)

	Mean	Max	Min	CV
All countries (N=119)	1,806.88	12,270.00	23.00	1.55
Advanced industrialized countries (N=23)	6,379.34	12,270.00	2,962.80	0.42
Upper-middle and high-income developing countries (N=20)	2,342.20	10,025.00	519.00	0.95
Lower-middle income countries (N=38)	457.44	1,897.45	79.06	0.75
Lower-income countries (N=38)	107.02	452.92	23.00	0.84

Source: Yeoh (2003)

Though based on a new set of units of analysis, Yeoh's (2003) findings were consistent with earlier research (McCarty, 1993, cited in Yeoh, 2003). But there is a twist. A high income country may not deliver "high local public education" to residents due to ethnic fragmentation in the community. Alesina *et al* (1999) had this to say:

We test the implication of the model with three related data sets: U. S. cities, U. S. metropolitan areas, and U. S. urban counties. Results show that the shares of spending on productive public goods—education, roads, sewers and trash pickup—in U. S cities are inversely related to the city's ethnic fragmentation, even after controlling for other socioeconomic and demographic determinants.

the most distinct ethnic marker in a country was used as the unit of measurement. As examples: race (phenotype) in Rwanda, language in India, and religion in Bosnia-Herzegovina.

The comparison made by Alesina *et al* (1999) between two Washington suburbs of Prince George's County (a fragmented DC suburb) and its next door neighbour Montgomery County (a much larger white majority DC suburb) is insightful. While the former passed a law limiting the use of property tax to finance schools in 1978, the latter rejected similar law on a number of occasions. Being richer, Montgomery residents collected 2.4 times more local education revenue per pupil than does Prince George County.

Similar findings were found but based on cross-countries comparison study conducted by Easterly and Levine (1997, cited in Meier & Rauch, 2005, p. 525) between ethnic diversity as measured by language and indicators of public goods (number of telephones, percentage of roads paved, efficiency of electricity network, and years of schooling).

Perhaps Yeoh (2003) brought out the relationship of ethnic fractionalization and government expenditure best through two graphs, one for the developed countries, and the other for the developing countries. In the former group, developed countries of low ethnic fractionalization (between zeros to 0.25) tend to spend between US\$ 4,000 per capita to US\$ 12,000 per capita. On the other hand, developing countries of high ethnic fractionalization (between 0.70 to 0.90) spent a paltry sum of US\$ 50 to US\$ 100 per capita. Indeed, as reaching consensus is difficult in a pluralistic society, they are prone to competitive rent-seeking by different groups (Easterly & Levine, 1997).

Is Malaysia's not committing to a more pro-poor low-cost housing governance policy due to: i) its current development stage as a Third World state; and ii) ethnic fractionalization?

To this puzzle, first, there is little to suggest that Malaysia cannot afford this policy due to funding. Singapore after all, was slightly richer than Malaysia in the 1960s when it

embarked on massive supply of public housing to meet the need of its poor (Maddison, 2003, p. 185). See Table 4.11.

Second, a more plausible explanation lies in the EFI, where Singapore's level of public expenditure was US\$ 3,223 per capita (a lower EFI=0.479), while Malaysia's level of public expenditure was US\$ 782 per capita (a much higher EFI=0.694). See Yeoh (2003).

Table 4.11 Per capita of Malaysia, Hong Kong, and Singapore, 1950-2000 (1990 international Geary-Khamis dollars)

	Malaysia	Hong Kong	Singapore
1950	1,559	2,218	2,219
1960	1,530	3,134	2,310
1970	2,079	5,695	4,439
1980	3,657	10,503	9,058
1990	5,132	17,541	14,365
2000	7,872	21,499	22,207

Source: Maddison (2003, p. 185)

Note: By 1970s, Malaysia was very much close to Singapore's financial position in the 1960s when the latter introduced the pro-poor housing governance policy.

Combining Easterly's (2006a) model and Yeoh's (2001, 2003) findings, a tentative housing governance theory may be seen through Figure 4. 10.

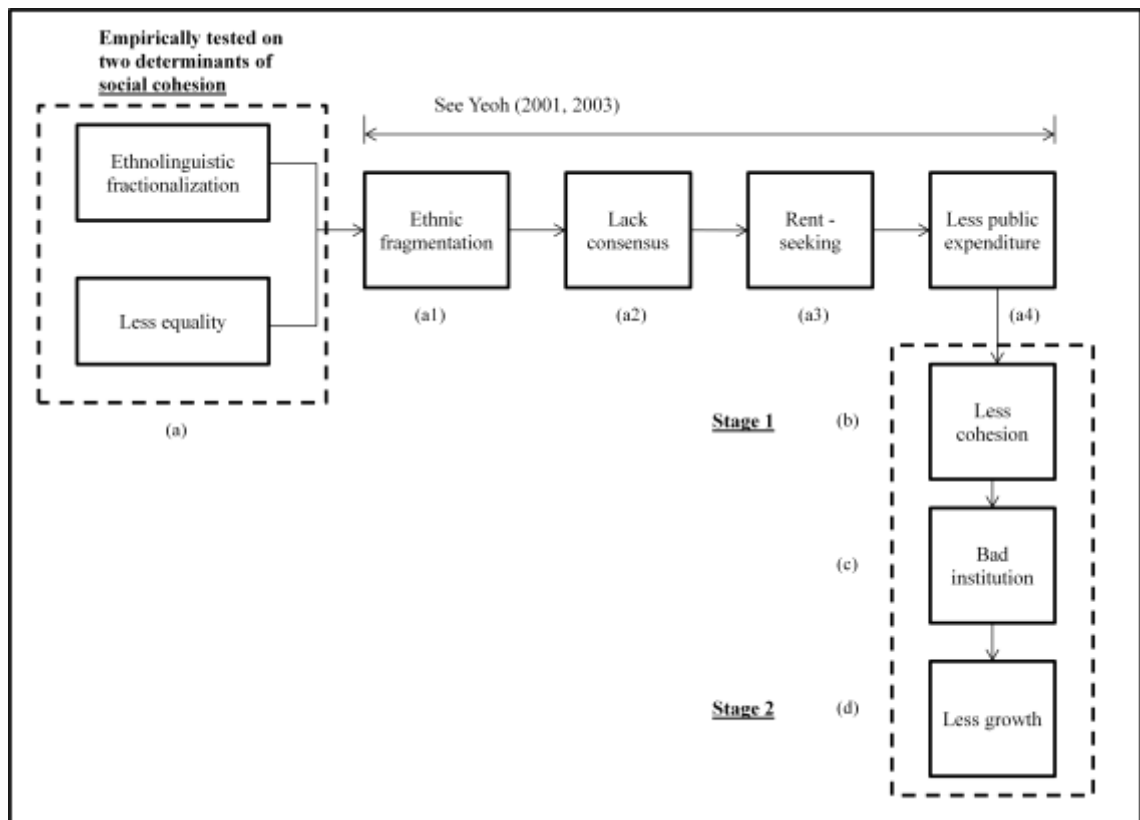


Figure 4.10 Ethnic fractionalization, public expenditure, ethnic conflict, and growth

Sources: Adapted from Easterly (2006a); Yeoh (2001, 2003).

- Notes: i) Processes in boxes: (a), (b), (c), and (d) were explained in Figure 4.9
 ii) Processes (a1) to (a4) were essence of Yeoh (2001, 2003).

4.5.4 (a) A tentative housing governance theory

At this juncture, a tentative housing governance theory may be stated as: That if further investment into low cost flats as a form of public goods is not possible for Malaysia (but where Singapore HDB does the opposite), it is so because of political realities of ethnic fragmentation consideration.

Here is the logic. Ethnic composition in Singapore HDB flats is more homogenous than any low-cost housing in Malaysia. As discussed, a parallel pattern is observed in Prince George's County (in United States) where the local residents capped on public education financing from local property taxes due to ethnic fragmentation (Alesina, et al., 1999). At national level, Easterly and Levine (1997, cited in Meier & Rauch, 2005, p. 525) came to similar conclusion.

4.6 Malaysia: Effects of politics on governance

Sections 4.4 and 4.5 essentially covered socioeconomic factors that affect growth and economic development for Malaysia. In this section, the workings of various political institutions from the lens of Almond *et al* (2008) are examined. The section ends by reviewing the worldwide governance indicators for Malaysia (Kaufmann, Kraay, & Mastruzzi, 2009).

4.6.1 Comparative politics

If it is true that in Malaysian context, provision of public goods (which takes the form of funding for the maintenance of common-properties the way Singapore's HDB does) is less likely due to ethnic fragmentation, the next question to ask is: What are the plausible explanations that make it so from political consideration?

As politics is about the process of governance/ institutions, it determines the allocation of resources (more so in a Third World state that bents on developmentalist mentality), two issues are discussed: i) the roles of a government; and ii) the working of its political institutions.

4.6.1 (a) Roles of a government

In general, the roles of a democratically elected government are six (Hunt & Colander, 2011, pp. 258-261): i) community and nation building; ii) security and order; iii) protecting rights; iv) promoting economic efficiency and growth; v) social justice; and vi) protecting the weak.

As a government is often controlled by the dominating group, values of minority groups may be sidelined. Second, as seen in Third World states, many regimes would use state apparatus to safeguard their own interests rather than the larger societal interests

(Platteau, 2008, cited in Brousseau & Glachant, 2008, p. 443). Third, many developing nations are characterized by their inability to adequately guarantee property rights if compare to First World. In addition, protection of social and political rights too left much to be desired.

Fourth, the provision of public goods is an important function expected of a government. But the widely held view is that given the nature of such goods, people will not voluntarily pay for them, unless they are assured others to do likewise (De Jasay, 1989; Loehr & Sandler, 1978; McTaggart, Findlay, & Parkin, 2007). If one appreciates the “social fact” of low-cost common-areas as necessarily public goods, it makes sense for a government to bear the costs—for as parcel holders no solution seems insight.

As for the last two roles of a government, a new deal may be required in cases where inequalities threatened the orderliness of the society as the weak may have no means to defend themselves.

4.6.1 (b) Working of political institutions

What is a structural-functionalism framework at meso level? Please see Figure 4.11 and Figure 4. 12 (Almond, et al., 2008; Rasmussen, 2007) are the structural-functionalism framework of comparative politics which, in turn, found its roots to the works of Merton (1968, cited in Allison, 1971) on rational actor behaviour. In particular, Merton (1968) emphasized that the unit of analysis should be kept at meso level, not the grand plan of a typical structural-functionalism of Talcott Parson (Ritzer, 2008, p. 251).

Hence, Merton (1968, cited in Allison, 1971, p. 32) criticized the general structural-functionalism methodology on three areas: i) the postulate of the functional unity of society is wrong; ii) the postulate that all standardized social and cultural forms, and

functions are there to play positive roles are wrong; and iii) the postulate of indispensability is wrong.

To the first issue, only in small tribal society can one expect unison in thinking and action. To the second issue, some of the social structures are dysfunctional and co-exists with others. In America, discrimination against blacks continues to this day. At a higher level, out of pride, many of them advocate nuclear arms race.

To the third issue, to assume all structures and functions are functionally necessary for society is incorrect for they serve only the interests of certain segments.

In Malaysia, the prime minister may choose to maintain the status quo in sync with the current policy of minimalist. If he decides to finance it by treating the maintenance of common-areas as a form of public goods through taxes, his political foes within the party may decide to challenge him in the next party election. Besides, many are of the view that social stratification (in terms of wealth and class) is an acceptable phenomenon. Preserving the current status quo then, is of primary importance. Clearly to a structural-functionalist, maintaining status quo is the dominant strategy.

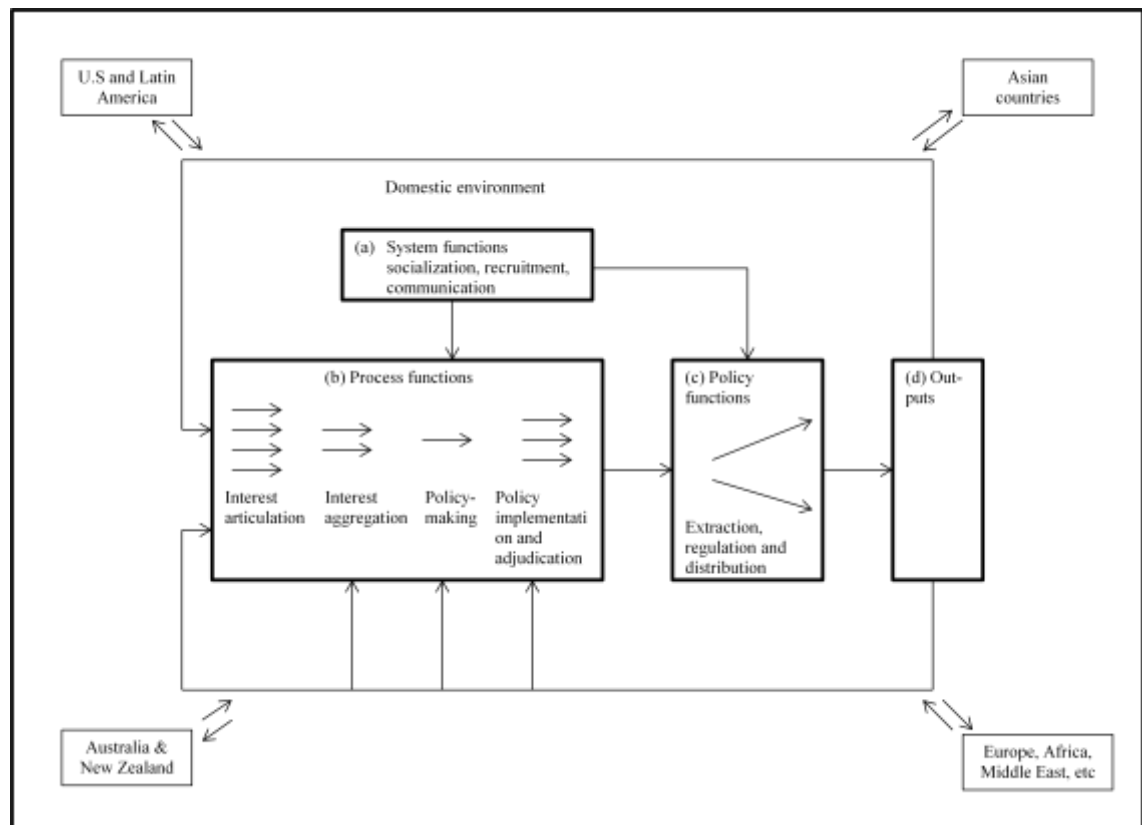


Figure 4.11 The political system and its functions for Malaysia

Source: Adapted from Almond et al (2008, p. 34)

Briefly, Figure 4.11 illustrates the functions of the political process to compare all political systems. As in system function box (a), the kind of political culture⁴² are jointly shaped by social institutions such as families, schools, mass media, religious bodies, and all other political structures (political parties, interest groups, legislatures, executives, bureaucracy, and courts). In turn, it is dependent on the manner the people in the system is selected. In a pure democracy, a government is formed through election.

Under a more autocratic regime however, consensus amongst ruling elites suffices. As communication is key to keep everyone in place, authoritarian rulers never fail to use this to their maximum benefits. As an example, freedom to assembly is limited. As another example, all major newspapers are owned or controlled by people friendly to the decision-makers.

⁴² The term political culture was coined by Gabriel A. Almond in 1950s. See more at <http://news.stanford.edu/news/2003/january8/obitalmond-18.html>, date of access: 7 December 2011.

Box (b) explains the process functions. It shows the steps taken beginning with idea generation, idea formation, policy-making, and policy implementation. In a quasi-democratic system, only specific interest groups are in control of the means to policy process. In Malaysia, if the ruling elites have interests in independent power plants (IPPs), no policy that takes away their interests is permitted, see Mills (1956).

	Social institution	Organized interest groups	Independent parties	UMNO	Parliament	Mass media	Bureaucracy	UMNO president/ Prime minister
Socialization	H	H	H	H	L	H	H	L
Recruitment	H	H	H	H	L	L	H	H
Communication	L	H	H	H	L	H	H	H
Interest articulation	L	L	H	H	L	L	H	L
Interest aggregation	L	L	H	H	A	L	H	H
Policy making	A	L	A	H	A	L	H	H
Policy implementation	A	A	A	H	A	L	H	L
Policy adjudication	A	A	A	H	A	A	H	L

H heavily engaged
 L less heavily engaged
 A a little involved, or not at all

Figure 4.12 The structural-functional system: Housing governance, Malaysian experience

Source: Adapted from Almond et al (2008, p. 36)

Note: The current policy of housing governance in Malaysia.

Figure 4.12 brings home in details the role of each political structure (similar to political institution) in shaping the final outcome. As an example, one uses two structural-functional frameworks to compare the involvement of bureaucracy in Singapore and Malaysia in housing governance, say. The former will show heavier commitment, whereas the latter is less heavily engaged. Hence, the said framework, as popularized by Gabriel A. Almond (1911-2003) more than four decades ago (Rasmussen, 2007, p. 183)

enabled us with a more systematic way of comparing a policy as it worked its way in different political systems.⁴³

4.6.2 Politics and Worldwide governance measures

With the collapse of Berlin Wall in 1989, and the end of Cold War, Western capitalism leaves no doubt its superiority over communism as the only currency to “wealth” and “happiness” (Figure 4.13).

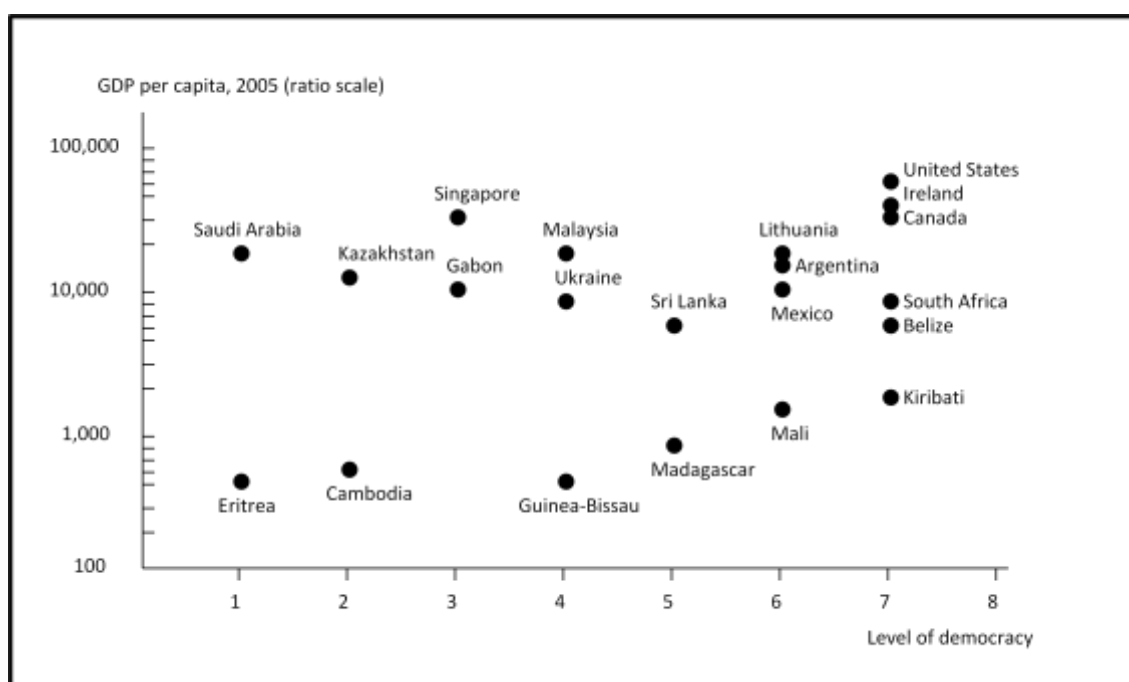


Figure 4.13 Democracy and GDP per capita

Source: Freedom House (2005, cited in Weil, 2009, p. 365)

Note: Singapore is not a democratic nation (Easterly, 2006b; Leftwich, 1995)

Three observations may be made from Figure 4.13: i) Malaysia’s score is 4, placing it exactly at the mid-point category amongst all countries; ii) Singapore’s score is 3, is comparatively worse than Malaysia; and iii) the developed countries of the West occupy the upper right side of the figure, thus sending the signal that countries that are rich are more democratic.

⁴³ For more, see London (2011), structural-functionalism, <http://www.scottlondon.com/articles/almond.html>, date of access: 7 December 2011. While London (2011) used structure and institution interchangeably, Rasmussen (2007, p. 179) argued that structure sits in a higher level than institution.

Obviously the third observation is problematic, however. As an example, India is more democratic (score: 6) with a small growth rate of 3.5% per year for the period 1970-2005 while China is less democratic (score: 1) with an impressive 6.9% per year for the same period under review (Weil, 2009, p. 364). So income is not directly proportional to the level of democracy. Another set of explanation is required which points to the role of governance/ state.

In a study involving 100 countries from 1960 to 1990, Barro (1996) produced the following figure (Figure 4.14). First, democracy encourages growth up to the mid-point, beyond which more democracy slows down growth. Second, beyond certain level, democracy may retard growth as witnessed in the West.

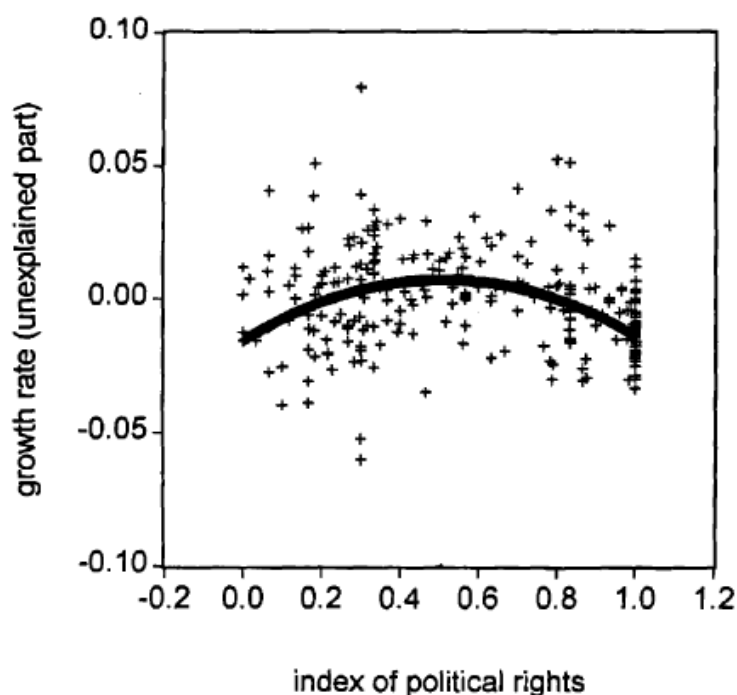


Figure 4.14 Growth rate and indicator of democracy

Source: Barro (1996), see <http://www.iedm.org/uploaded/pdf/robertjbarro.pdf>, date of access: 21 September 2011.

4.6.2 (a) Traditional and extractive political institutions arguments

While many accept the fact that poor countries invariably have bad governments, the real cause is anything but certain. For example, does low incomes lead to a bad government, or does a bad government results in making people poor?

First, on traditional argument, consider that as recent as 1871, in U. K. “the main method through which important army posts were appointed or promoted was by purchasing their position” (Acemoglu & Robinson, 2012; Weil, 2009, p. 360). If this is the case, V. K. Lingam video tape incident should not have surprised anyone granting that Malaysia was doing something which the West was found doing 120 years earlier.

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As for the second argument on “extractive political institutions” argument, it is argued that due to colonial legacy, extractive policies of the colonizers might have caused poverty to their subjects. Thus the poor people remained poor due to looters and plunderers extracting national resources (Acemoglu & Robinson, 2012, pp. 79-83; Arope, 2013). In Malaysia, Arope (2013) provided compelling evidence on the state’s abuse of power in the issuance of independent power plants licenses, a clear example of the working of “extractive political institutions”. As part of the second argument, Weil (2009, p. 363) posited that colonizers used divide and rule tactic with ethnic mixes that made good governance difficult. The second argument applies more aptly to colonial Malaya (Abraham, 1997; Gurr & Harff, 1994, p. 27).

⁴⁴ A Royal Commission of Inquiry (RCI) was established after much public uproars prior to 2008 general election that certain judges were found discussing with prominent businessmen and political leaders on the fixing of chief justice post. Subsequently, the RCI found six of them guilty and recommended that they be charged for criminal offence. So far there is no action taken against anyone of them.

4.6.2 (b) Comparative data

The World Bank Institute has produced a set of worldwide governance indicators for Malaysia, 1996-2009 based on six democratic measures: i) voice and accountability; ii) political stability and absence of violence; iii) government effectiveness; iv) regulatory quality; v) rule of law; and vi) control of corruption. Only data on items (iii), (v), and (vi) will be shown (Figure 4.15)

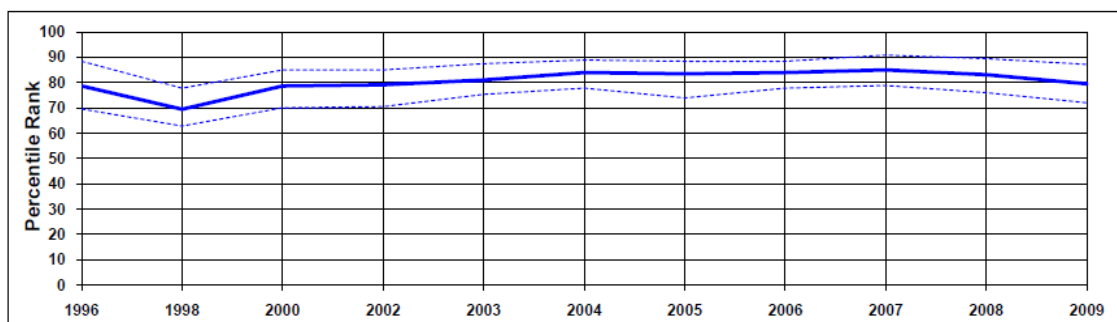
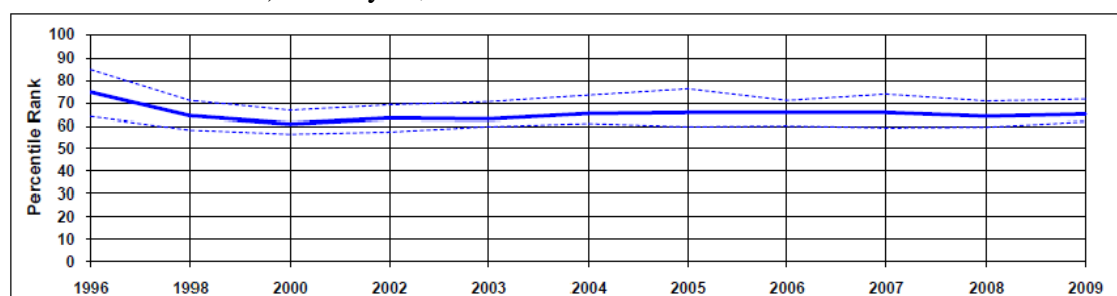
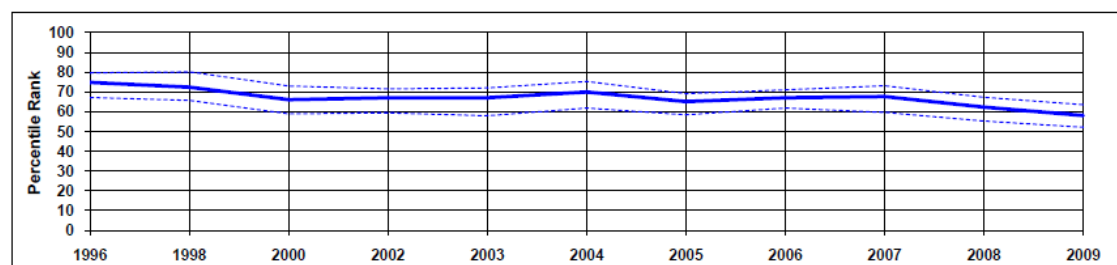


Figure 4.15 Worldwide governance indicators, Malaysia, 1996-2009.⁴⁵

a) Malaysia, 1996-2009: Government effectiveness



b) Malaysia, 1996-2009: Rule of law



c) Malaysia, 1996-2009: Control of corruption

If there is a trend that can be drawn from the three figures, it is the unmistakable southward bound slope in every case. This trend is worrying which may be seen in the light of sluggish growth in terms of GDP per capita PPP\$ in the last decade.

⁴⁵ Visit <http://info.worldbank.org/governance/wgi/pdf/c155.pdf>, date of access: 19 September 2011. Note the original authors are: Kaufmann, Kraay, Mastruzzi (2009), Governance Matters VIII. See http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2009/06/29/000158349_20090629095443/Rendered/INDEX/WPS4978.txt, date of access: 20 September 2011.

Or is it the quality of governance that is in trouble? Table 4.12 may be examined by comparing Malaysia with selected countries in different income groups: i) First World nations; ii) original Asian tigers; iii) Malaysia and its allied Asian tigers; iv) emerging industrialized nations; v) Latin America; and vi) African nations.

Table 4.12 GDP per capita (2008 PPP\$), and selected worldwide governance indicators, 2008

	Countries	HDI ranking, 2008	GDP per capita (2008 PPP\$)	Government effectiveness, 2008	Rule of law, 2008	Control of corruption, 2008
1	United States	4	46,350	1.65	1.65	1.55
2	Iceland	17	36,902	1.58	1.91	2.32
3	Singapore	27	49,321	2.53	1.73	2.34
4	Mexico	56	14,570	0.18	-0.64	-0.26
5	Brazil	73	10,304	-0.01	-0.30	-0.03
6	Thailand	92	8,066	0.26	-0.03	-0.38
7	China	89	5,971	0.24	-0.33	-0.44
8	Egypt	101	5,425	-0.37	-0.09	-0.67
9	India	119	2,946	-0.03	0.12	-0.37
10	Nigeria	142	2,099	-0.98	-1.12	-0.82
11	Ethiopia	-	869	-0.43	-0.60	-0.66
12	Malaysia	57	14,215	1.13	0.49	0.14

Sources: Taken from <http://hdrstats.undp.org/en/indicators/62006.html>. Other was taken from http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2009/06/29/000158349_20090629095443/Rendered/INDEX/WPS4978.txt, both date of access: 20 September 2011.

Clearly, rich nations appear to enjoy higher level of democratic measures as evidenced from United States and Iceland (perhaps not Singapore). In the next rung, new Asian tigers are a group which is world apart from the First World with dismal governance indicators generally less than 0.5. Malaysia may be effective in providing public goods; the same is not for rule of law.

China and India are just as bad in governance indicators, pointing to a weak set of institutions for quite different reasons. Latin American countries (Mexico and Brazil) are laggards due to colonial legacy and subsequent rent capture of national resources by

ruling elites. African nations (Nigeria and Ethiopia) gave no surprises.⁴⁶ In particular, Nigeria is uninspired in governance due to ethnic fragmentation and colonial legacy (Yeoh, 2003, cited in Gomez & Stephens, 2003, p. 74).⁴⁷

Malaysia seems to be in an awkward position. It is ocean apart compared to the First World, but maintains a little elegance in the seas of Latin American and African nations. More recently, an ex-chairman of National Electricity Board provided a glimpse of the nature of state governance that encouraged rent-seeking (Arope, 2013). As an example, although the in-house production cost of electricity in the 1990s was 8 cents per unit of kWh, the state allowed independent power plants to charge them 23 cents per unit (almost three times the right price), hence a clear case of rent-seeking and crony capitalism often taking place under “extractive political institutions” that encouraged “extractive economic institutions” (Acemoglu & Robinson, 2012; Easterly, 2012). As argued by Acemoglu and Robinson (2012, p. 68), “poor countries are poor because those who have the power make choices that create poverty. They get it wrong not by mistake or ignorance but on purpose”. Indeed, “badly governed countries are poor countries” (Easterly, 2006b, p. 115).

4.7 Summary

The nature of the state determines its governance quality and provides the context for the performance or otherwise of the institution of self-governance. In this chapter, the context, or rather the larger socioeconomic and political factors, refers to Malaysia and

⁴⁶ In the past year, Mo Ibrahim Foundation’s (African’s equivalent of Nobel Prize) indicators of rule of law and human rights on Nigeria, Egypt, Kenya, and South Africa worsened (The Star, 30 October 2012, p. 25).

⁴⁷ See Chua (2003) on the effects of dominant market minority. Other problems exist beside ethnic fragmentation in LDCs. Huntington (1968, cited in Handelman, 2011, p. 14) warned that as a country industrialized; demands made by people may not be met quick enough that creates unstable system. On the other hand, O’ Donnell (1973, cited in Handelman, 2011, p. 14) cautioned the rise of bureaucratic-authoritarian states as states show over-zealousness in attracting and promoting FDIs at the expense of the masses.

how it is run. In IAD framework, the context means Malaysia, about its competency in governance. The unit of analysis hence is country specific. Are there clues that explained the dysfunctional of the institution of self-governance?

Have the four questions raised at the beginning of the chapter answered?

First, about history and economic history, Malaysia is made up of people with different ethnicities through a scheme engineered by its colonizers who have their own agendas.

Second, what is the record of Malaysia as a developmentalist state in economic development and social engineering? As an elitist state which is characterized by a coalition of parties that ruled over the land since 1957 (Barisan National—BN in this case), the performance of the government is at best judged as lackadaisical going by worldwide governance indicators of the World Bank, see also Mills (1956). As argued by Stark (2007, p. 426), “whenever only a single political party is permitted and when rule is passed on by power struggles within the one-party elites, that state is elitist, even if it calls itself a democracy or a people’s republic”, or people-first government.

Third, is social cohesion possible in a multi-cultural and pluralistic state? In terms of social engineering where the New Economic Policy (NEP) speaks of eradication of poverty and removal of the identification of race with vocation or location, its performance is more credible (Faaland, et al., 1990). But the resultant social costs are high due to the difficulty of creating a more cohesive society (N.J Colletta, et al., 2001; Easterly, 2006a; Nagarajan, 2009; Nair, 2003).

Fourth, what is the effect of politics on governance? Judging from comparative politics, the likelihood of Malaysia adopting a more pro-poor policy is remote due to the presence of “extractive political institutions” (Acemoglu & Robinson, 2012). Unless

electoral competition prevails, current structural-functionalists would insist on maintaining status quo (M. Hughes & Kroehler, 2009).

In the next chapter, the focus is on Malaysia's housing policy that centres on housing provision, while at the same time deals with the functioning of the institution of self-governance in low-cost housing at a lower level--in the action arena, hitherto not covered (see Figure 3.8 on IAD framework).

Chapter 5.0

Malaysia: The possibility of moving from housing provision to housing governance

5.1 Introduction

Working on the premise that it is in the interests of every democratic government to strategize its development plan in line with the wishes of the masses and especially those who are at the disadvantaged, housing the poor (whether rural or urban settings) should be accorded the highest priority. This is often said but not true in real practices. Despite its often pronounced exhortation of “house owning democracy”, Malaysia as a developing country has been judged as giving insufficient attention in the provision of public housing by a number of pioneering researchers (Agus, 1989; Agus, et al., 2002; Drakakis-Smith, 1980, 1987; Endau, 1984; Johnstone, 1980, 1983a, 1983b; Sirat et al., 1999; Thalha, 1980).

Politics and institutional incapacity (Drakakis-Smith, 1980; Thalha, 1980) have been identified as the two main factors. Hence, the primary goal of this chapter is to examine the nature of politics and institutional incapacity and to show how they relate to public housing policy.⁴⁸

To understand Malaysia’s public housing policy, this chapter first distinguishes three political philosophies (communism, welfare, and capitalism), and pointed out that under its adopted capitalist ideology due to colonial legacy, dependency theory has wrecked havoc on public housing policies due partly to the nature of its ruling elites (Drakakis-

⁴⁸ What is housing as a basic need? See the argument from Podger (1982, cited in RIHED, 1982, eds., p. 8).

Smith, 1986).⁴⁹ This chapter also covers a review made on the recently published “National Housing Policy 2012” and its anticipated role with respect to meeting the needs of the poor.

So far the production aspects of housing were discussed, what about problems relating to consumption of housing after delivery? Given the bleak outlook as evidenced by few successfully self-managed commons (see discussions in Chapters 2.0, 3.0 and 4.0), the question to ask is whether Malaysia has a chance to move up the next ladder where other needs of the poor are met in the broader framework of housing policy?

Instead of concentrating on the production aspects of low-cost housing (of which the public sector is not fully committed), will the state cast its net wider by playing a more active role in housing governance than allowing the current practice of self-governance by residents themselves?

More specifically, six questions are asked: i) what were the three types of political philosophies? ii) what was the colonial legacy with respect to the treatment of urban poor in housing provision; iii) how successful were past Malaysia Plans on housing provision for urban poor? iv) how did collectivism, activism, and conflict affect self-governance in the commons? v) could self-governance work? And vi) in what ways were Singapore and Hong Kong different from Malaysia in their commitment of housing governance towards urban poor?

This chapter addresses six major issues. First, ideology affects the degree of commitment in housing low-income group. Second, little efforts by policy-makers are made to provide decent housing for urban poor. Third, there is a big gap in planning and actual result in public housing provision for urban poor. Fourth, the institution of self-

⁴⁹ For a discussion about dependency theory, please see Handleman (2011, pp. 19-21); Todaro and Smith (2011, pp. 70-71); Balaam and Dillman (2011, pp. 94-95); Cohn (2008, p. 100).

governance is not working as it should. Fifth, self-governance works only under very stringent conditions. Sixth, Singapore is exceptional in its commitment to pro-poor housing governance policy.

5.2 Policies and development philosophies

Resource distribution by a state such as in public housing provision does follow certain pattern along two lines: i) it is a function of the state's economic progress; and ii) it depends on the adopted political ideology. Two models are introduced: Wheaton and Wheaton (1972), and Drakakis-Smith (1980). Malaysia's initial reluctance and its laissez-faire stance to help the poor in this area are explained (Drakakis-Smith, 1980; Johnstone, 1977, 1983b; Wegelin, 1978b).

5.2.1 Resource distribution

What determines the decision by a sovereign state to invest in low-cost housing provision? Basically, Drakakis-Smith (1980, pp. 198-199) produced a comprehensive framework that depicted the degree of a state commitment in public housing is a function of its political ideology (Figure 5.1).

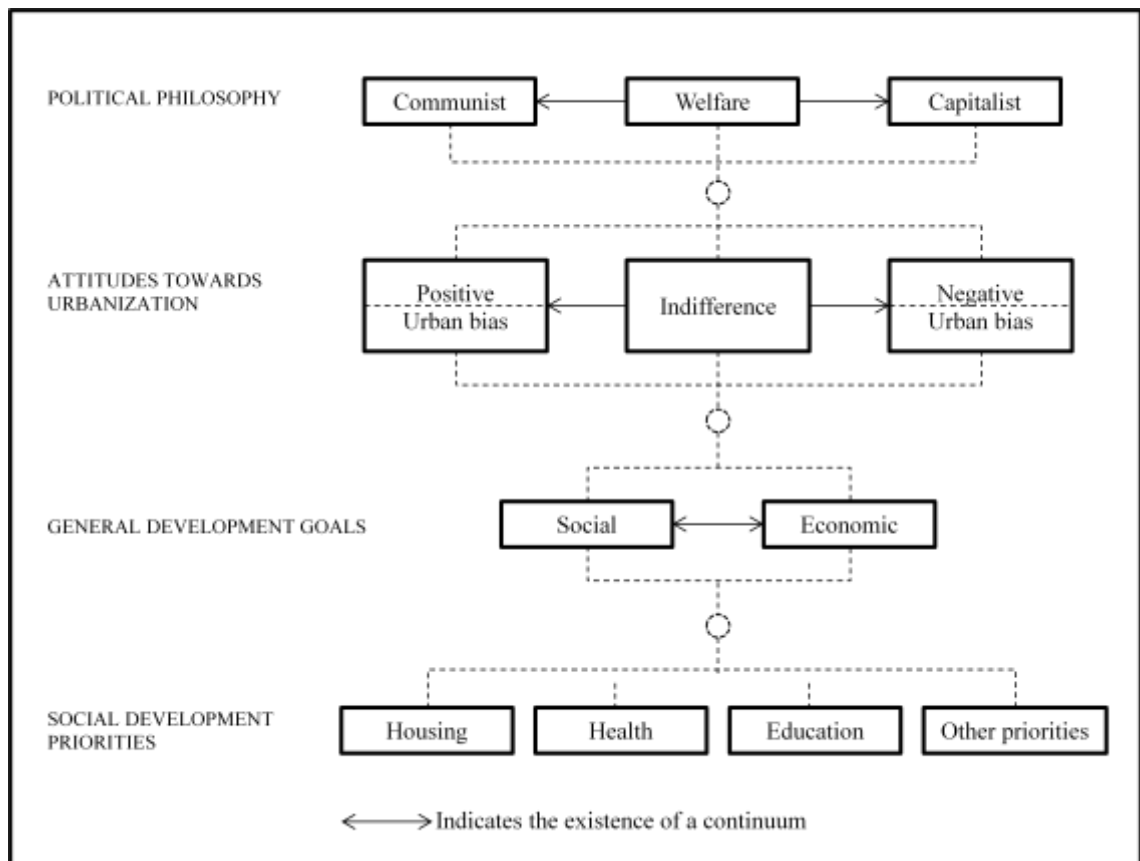


Figure 5.1 The influence of policies towards housing

Sources: Drakakis-Smith ((1980). See also Drakakis-Smith (1979, cited in Murison and Lea, 1979, eds., p. 23)).

If political ideology may be divided broadly into communism, welfare, and capitalism, one is able to see that communist states would invest in general the most resources on public housing as personal assets are not encouraged. Left on its own, capitalism inevitably failed. Consider the founding father of Singapore Lee's (2000, p. 116) observation:

We believe in socialism, in fair shares for all. Later we learnt that personal motivation and personal rewards were essential for a productive economy. However, because people are unequal in their abilities, if performance and rewards are determined by the marketplace, there will be a few big winners, many medium winners, and a considerable number of losers. That would make for social tensions because a society's sense of fairness is offended.

Hence, Malaysia as a capitalist state is seen as not paying sufficient attention on public housing provision, something that bears out from the data as evidenced in many Malaysia Plans. On the other hand, Singapore and Hong Kong are considered welfare states whose investments in public housing for the poor are exceptional.

Capitalist states are urban biased as seen from the arguments on modernization theory for Third World (Handelman, 2011, pp. 15-19). After accounting for urbanization biasness, the social and economic goals of each state may be laid out depending on the stage of development and political consideration. As will be discussed in Section 5.6.1, Singapore gives heavy emphasis on public housing provision due to electoral competition aggravated by inner-city congestion. On the contrary, in Malaysia public housing provision ranks low in priority due to colonial legacy (Johnstone, 1983b) where electoral competition is absent in an “elitist state” of one party rule since independence in 1957 (Stark, 2007).

Likewise, the budget sets for public housing has been a miniscule sum under general housing provision where demand from other sectors takes a lion share. As an example, the ratio of public low-cost housing to institutional quarters was 1: 3.2 under Eight Malaysia Plan (1996-2000, p. 503). In addition, housing is usually being treated as a small component of social and economic sectors in many Malaysia Plans (Agus, 2002; Endau, 1984). As observed by Drakakis- Smith (1980, p. 199), most discourse on Third World housing centres on the “identification of specific goals and the methods by which these are to be achieved” (Abdul Aziz, 2007). Thus any serious gap between a stated goal and achievement in housing provision in a given Malaysia Plan reflects a lack of enthusiasm by policy-makers.

5.2.2 Communism, welfare and capitalism in housing policy

It is logical to deduce that as each state made strides in economic growth, allocation of housing resources will also change in tandem. Wheaton & Wheaton’s (1972, cited in Drakakis-Smith, 1980, pp. 199-200) model gave an appraisal of housing resource distribution as a state made progress economically under different conditions (Figure 5.2).

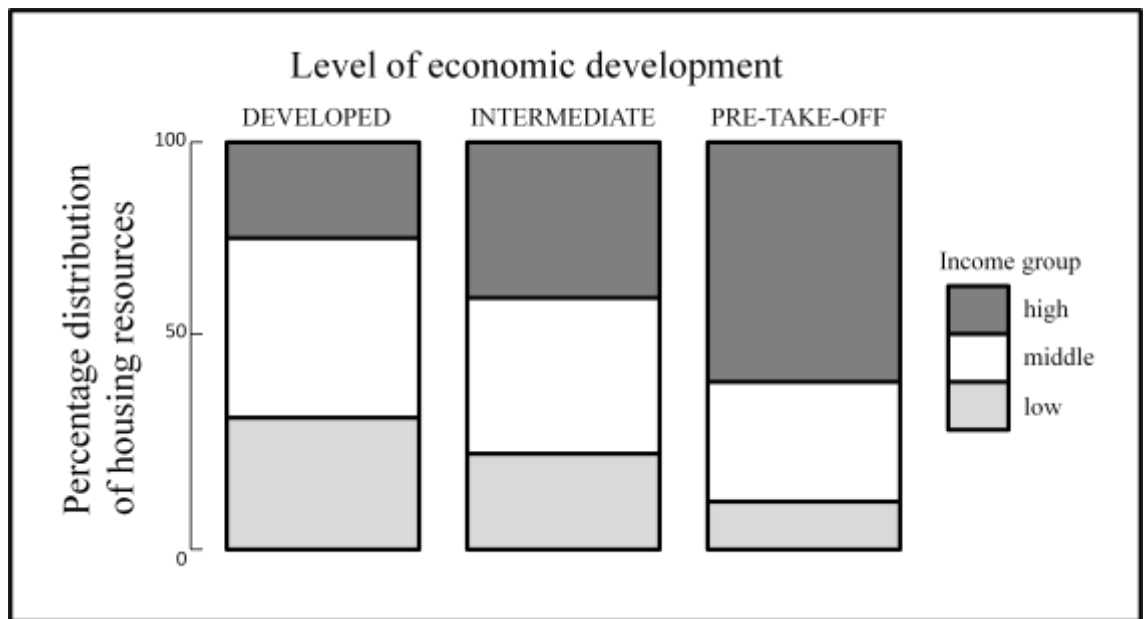


Figure 5.2 Housing resource distribution and economic development

Source: Wheaton and Wheaton (1972, cited in Drakakis-Smith, 1980, p. 200)

It is a simplified model very much in line with modernization theory argument suggesting only one path for housing provision. In the extreme right of Figure 5.2, a state which is in the pre-take-off stage, the high income group dominates the housing sector with little left for the poor. As a state achieves some progress (higher GDP per capita say), the low income group would fare better as resources are channelled toward them. See the intermediate stage. Finally, when a state achieves its developed stage, both low income and the middle income groups expand their share of economic cake.

Importantly Drakakis-Smith (1980, pp. 200-201) made some improvements to Wheaton and Wheaton's (1972) model in two ways (Figure 5.3): i) by making allowances for various economic situations; and ii) by incorporating development philosophies.

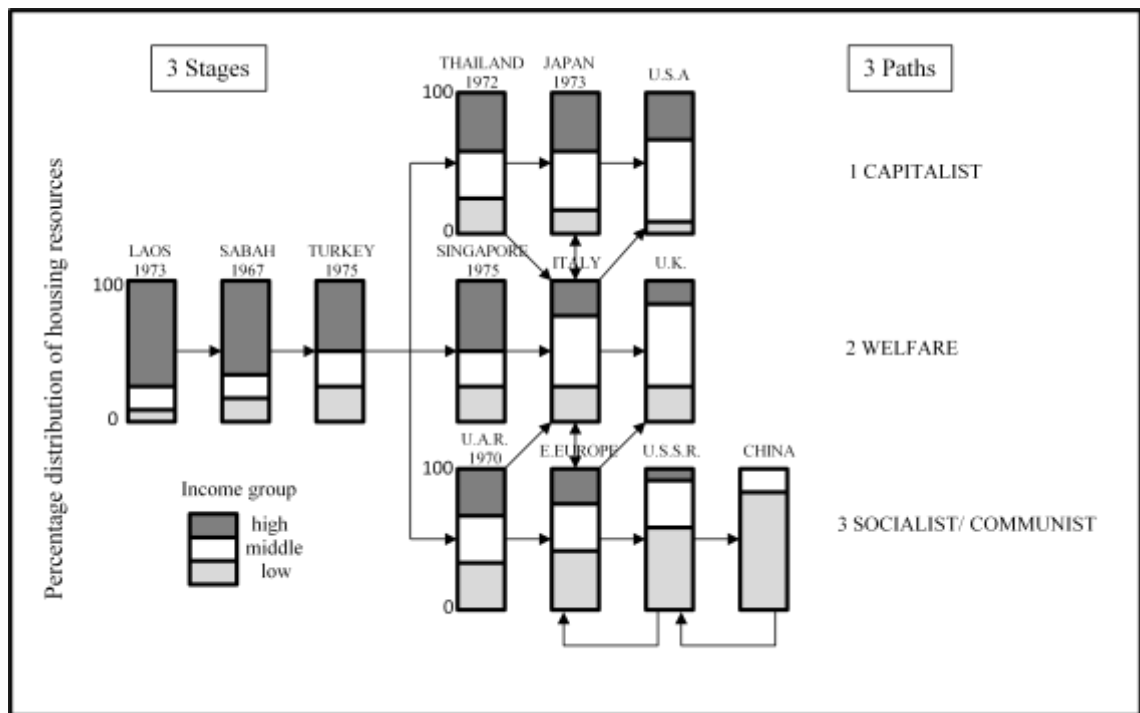


Figure 5.3 An exploratory model on housing resources distribution and development philosophies

Source: Drakakis-Smith (1980, p. 201)

5.2.2 (a) Explanation of the model by stages

Stage one represents a state's early involvement in urbanization with little commitment to public housing provision, if there is, it is meant for government and quasi-government employees. The dominance of high income group in housing provision reflects the active working of private firms on profit-making. In stage two where the condition of Sabah is taken as an example, housing demand is met by private sector as population increase that came with economic growth.

Stage three represents the condition of most developing states, where it is similar to the one depicted by Turkey in 1975. As newly migrants families arrived at the urban centres in search of economic opportunities, their sheer numbers were beyond the capability of both the private and public sectors to cope. When help came too slowly to their liking, many low income groups used their own resources to build temporary housing.

5.2.2 (b) Explanation of the model by paths

Beyond the initial three stages, some form of state commitment began to emerge and the way each state viewed the importance of public housing provision differed in line with its political ideology.

Path one is characterized by a capitalist state whose main concern is on commercial expansion that might not be accompanied by low-cost housing replacements (example, forced eviction of squatters). Under this capitalist system, the main thrust of development is for the benefits of middle and high income groups. Johnstone (1983a, 1983b) gave a vivid account of Malaysia's initial experience in dealing with urban squatters in the period 1960-1980.

In path two, United Kingdom is exemplary in its track record of being a successful in the provision of public housing to its low-income group. For path three, socialism dictates that the living condition of the proletariat be looked after, all at the expense of high income group.

5.3 Malaysia: Housing development

Similar to the experience of other Third World states, Malaysia is torn between two schools of thoughts (Wegelin, 1978b, p. 1). One school believes that as a nation achieves a certain degree of economic growth, the trickling down effects would somehow uplift the lives of the poor, and the condition of their habitat shall be taken care of (Currie, 1971, cited in footnote Wegelin, 1978a, p. 2). This was the Economic Planning Unit's (EPU) view when the New Economic Policy (NEP) was mooted (Faaland, et al., 1990).

The other school embraces "humanist" view and believes in social justice and argues for more state funding on housing provision. A review of literature on state provision of

low-cost housing in various Malaysia Plans shows that the former's development strategy appears to gain an upper hand due to elitist control by existing bureaucrats which is part of the manifestation of institutional incapacity (Drakakis-Smith, 1980, p. 31; Thalha, 1980). This humanist school however, prevails over the EPF school in implementing NEP in Malaysia (Faaland, et al., 1990).

This section sets out to examine the nature of Malaysia's housing policy by tracing the historical developments (and politics), demographic change, and social economics under which the policy is shaped with respect to squatter settlements up to Third Malaysia Plan.

5.3.1 Social economics

Broadly, social economics maybe referred to the use of economics in the study of society (Eatwell, Milgate, & Newman, 1987, p. xii). In the words of Lutz (2009), social economics is "a discipline studying the reciprocal relationship between economic sciences on the one hand and social philosophy, ethics, and human dignity on the other towards social construction and improvement. Social economics is value-driven, justice-driven, ameliorative, reconstructive, holistic and pluralistic in nature".

Closely related to humanists' view, the subject of socioeconomics (or social economics) is social justice driven, is a field within heterodox economics whose main contention is different from mainstream economics because the latter strives merely for efficiency sake.⁵⁰

Another approach which is very much in line with this view is "historical structuralism" that sees weaknesses in the current capitalist system, with the capitalist class (*the bourgeoisie*) exploiting the workers (*the proletariat*). See Cohn (2008, p. 95). The issue

⁵⁰ For a discussion on the nature of heterodox economics, see Lawson (2005).

of exploitation/ appropriation was brought home by Jomo (1986, p. viii) wherein he argued about class formation in the colonial and post-colonial Malaya:

Class formation is the continuous process through which the social relations of production are reproduced. In the process of production, class relations involve the appropriation by the dominant (non-producing) class of a social surplus produced by the dominated (producing) class. Class relations are necessarily contradictory and class contradictions give rise to contention between classes.

5.3.2 A historical perspective of rural–urban migration

In-line with social justice view, Johnstone’s (1983a) posited that the act of rural-urban migration (dislocation or uprooting from places of birth) is a manifestation displaying distinct social and economic inequalities as ill-equipped and poorly trained migrants moved to urban centres in search of economic opportunities.⁵¹ There, further inequalities await them as they seek refuge in squatter settlements devoid of most amenities normally enjoy by urban dwellers.

Johnstone (1983a) listed five sources of dislocation: i) top on the list is the expansion of capitalist agricultural and mining activities, and the associated pro-capitalist political and administrative framework, see also Drakakis-Smith (1987, pp. 61-64); ii) conduct of local and regional political elites, and the national political system, see Tan (2008); iii) “regional differences in pre-extant economic systems and their resilience to colonial activity”; iv) the effects from Chinese entrepreneurs; and v) natural resources.

In the end, Gulati (1985, cited in van Vliet, Huttman, & Fava, 1985, pp. 206-221) argued that the cause of squatter settlements was structural in nature that resulted in dual economies in Third World cities. The dislocation process shall be discussed next as in Table 5.1 (Johnstone, 1983a).

⁵¹ Jaafar (2012) gave a good account on the definition of urban centres.

Table 5.1 The woes of migrating and squatting

Period	Events
1 After 1920	<p>Squatting became firmly established in Kuala Lumpur. By 1931, one-sixth of the population (18,000) was housed in villages (kampongs) of the city.</p> <p>Between 1929-1932, use of technology by plantation owners, estate employment fell from 258,000 in 1929 to 125,000 in 1932. The “capital” would prevent the wages from rising too high, would however do nothing if it fell due to external factor (Jomo, 1986, pp. 193-194). Earlier, more landless rural peasants were produced as estates increased their size.</p> <p>Similarly, between 1922-1938, employment in tin mining fell from 82,000 to 58,000 due to the deployment of capital intensive method instead of Chinese labour.</p> <p>During the Depression of 1930s, many unemployed Chinese turned to cultivate cash crops in rural areas but near existing cities. They were others who did farming in remote areas and moved to the periphery of towns and continued their farming. Both processes resulted in squatting.</p>
2 1921-1935	<p>Several squatter colonies such as Salak South, Sungei Besi, Gombak, and Setapak were encouraged by colonial government to produce fresh food for the towns without solving the legal status of the lands used for farming with respect to the land tenure.</p>
3 Japanese invasion 1942-1945	<p>The brutality of invading Japanese armies during the war caused migration out of the city to periphery towns. Kp. Bukit Mati and Dato Keramat were two Malay communities, while Chan Sow Ling was a Chinese community formed from this upheaval. See also Chin (2003).</p>
4 1946-1957, and the Emergency	<p>From 1946-1957, Kuala Lumpur population rose five folds from 18,000 to 100,000 due to extension of municipal boundaries and growth of the city as the administrative centre (McGee, 1971, cited in Johnstone, 1983a). By 1954, some 35% of the Kuala Lumpur population lived in squatter settlements. Ten years later, the number of squatters stood at 22% of the total population but rose to 30.5% in 1973 (Wegelin, 1978a, pp. 96-98).</p> <p>The Emergency covered the period of 1948-1960. Some 600,000 (12% of the total population) were forcefully moved into New Villages established by the government. The impact of such a move was tremendous. The Chinese were dislocated from rural areas into New Villages located near major towns where they were housed in rudimentary structures. Jinjang was one such village of 13,000 people. When Jinjang was co-opted into Kuala Lumpur at a later date, it also contributed to the amount of unconventional housing targeted for demolition for development purposes..</p> <p>On the other hand, the Emergency made Malay smallholders landless, and young Malays were drafted into armies (Caldwell, 1977, cited in Johnstone, 1983a). When communist insurgency subsided, these two groups made their way into cities as squatters.</p>

Sources: Johnstone (1983a); Wegelin (1978b, p. 96); McGee (1971, p. 149)

Note: The discussion of squatter settlements in Kuala Lumpur is relevant to the case studies in Chapter 7.0 because the latter are in Selangor and are close to the capital city.

Thus, it can be deduced from the data of Table 5.1 that the dislocation process was externally induced with factors mainly coming from the Depression, Japanese

Occupation, the forced migration into New Villages by the colonial masters, indifferent governments at different times, and a weak set of land laws. While an estimate of 62% of total population had moved from rural to New Villages and later became part of urban centres, there was no corresponding measure to help them (Caldwell, 1963, cited in Johnstone, 1983a).

If the aforementioned is political in nature in accounting for the dislocation, subsequent events would point to institutional incapacity when inadequate housing was provided under various Malaysia Plans due to the nature of ruling elites.

5.3.3 Socioeconomic characteristics of early urban squatters

In Johnstone (1983a), nine squatter settlements had been surveyed as case studies for their socioeconomic characteristics. However, only three of them which are situated in Kuala Lumpur are presented herein (Table 5.2). Some forms of meaningful comparison are possible to the multi-case study covered in the thesis later.

Table 5.2 Socioeconomic characteristics of three squatter settlements, Kuala Lumpur

	Maxwell	Chendana	Selamat
Demographic data			
Average household size	5.6	5.6	5.0
Median age household size	38.0	36.0	34.0
No. of dependent children	2.6	2.9	3.1
% household heads			
Residence since 1970	20	22	31
Since before 1965	46	40	45
Born in the city	10	13	2
Of rural origin	32	27	26
Year of kampong formed	1930	1950	1965
No. inhabitants	1,625	1,972	1,600
Occupation/ income (Note a)			
% low status (Note b)	47	40	40
% informal sector (Note c)	37	18	34
% adults unemployed	10	7	4
Median income RM (Note d)	350	412	290
% households below poverty line (RM 300 p.m)	28	16	51
% of housing			
Owner- occupied	82	83	74
Self- built	53	37	71

Source: Johnstone (1983a)

Note a: Applicable to household only.

Note b: Low status occupation, regular wage earners: driver, guard, clerk, cook, messenger, tradesman, factory and construction workers.

Note c: Informal sector: Often casual or irregular self-employment, labourer, hawker, trishaw- rider, gardener, and fisherman.

Note d: In October 1976, US\$1= RM 2.90.

Table 5.2 indicated the average household size was uniform. The median age of household head was 38 for Maxwell settlement, which could be explained by the longer years in existence (1930). The number of dependent children appeared low, ranging between 2.6 and 3.1. On the characteristics of the household heads, about one-third found rural origin, thus lending weight to the thesis of rural-urban migration.

On occupation, many surveyed found themselves landed in low-status jobs (40% to 47%). Except for Chendana settlement, a large proportion was engaged in informal sector. Relatively speaking recently established settlement, i. e. Selamat, had almost half the households earning below the poverty line of RM 300 per month.

Lastly, most household stayed in their own units (74% to 83%), and they tended to build their own houses as evidenced from Selamat settlement (71%).

5.3.4 Government response to squatter settlements.

Thirty years have passed since Johnstone's (1983b) first gave his insight on the ill-treatment of urban squatters; it remains valid to this day. See also Wegelin (1978b, pp. 96-116). A closer look at how policy was shaped will no doubt show its biasness towards capitalist system. The perennial gap between planned and delivery of units on public housing provision in various Malaysia Plans is testimony of the long-held laissez-faire stance of ruling elites (Endau, 1984; Jomo, 1986; Thalha, 1980). Is it a case of institutional incapacity? ⁵²

5.3.4 (a) *Eviction and resettlement (1956-1969)*

After the Japanese surrender, the government regarded the overcrowding condition of squatter colonies a form of security threat as it grappled with problems under the Emergency (1948-1960). The Chinese majority in squatter settlements were natural targets of eviction for their likelihood of being communist elements. Therefore, the haphazard planning of the squatter colonies made police supervision challenging and getting rid of them was logical under the Emergency (Johnstone, 1983a).

In 1956 there was a big fire that engulfed 275 squatter homes in Gombak, and made 2,000 people homeless (Johnstone, 1983a). By way of RM 10 million loan given by the Federal to the State through Housing Trust, low-cost housing was built for the fire victims. Subsequent performance of Housing Trust was poor due to a lack of funding from the Federal. Beside the schemes meant specifically to house the Gombak fire victims (Ayer Panas, Kp Data Keramat, Ulu Klang, and Sulaiman Court), two other

⁵² Where is the evidence of institutional incapacity? As an example, although Petaling scheme was conceived as a project to relieve Kuala Lumpur of its squatter problems, little resettlement of squatters took place. See also Concannon (1955, cited in Johnstone, 1983b). Instead, the Petaling began to build houses for white-collars workers. Fifty years later, more such practice deviating from stated goals by the government continues unabated. See how PKNS--a state government organization--scheme in Kota Damansara was parcelled up and given to private developers. Instead of building houses that catered to the low, and middle income earners, its targets are high income earners. Worst, many big time developers are often spared the pain of having to meet certain quota on low-cost housing thus allowing them to make more profit.

squatter resettlement schemes built in 1955-1963 were Jalan Sungei Besi (168 units high-rise), and Jalan Loke Yew (392 units high-rise).

5.3.4 (b) Post-1969: Clearance and re-housing

After the 13 May 1969 incident, the welfare of urban squatters continued to rank low (Johnstone, 1983b). As echoed by a report in the New Straits Times in 1972, it argued that squatter colonies were not doing justice to the city skyline, and should be replaced by modern structures (Johnstone, 1983b).⁵³

The way squatters were treated however, was different in other Asian cities (Bernido, 1968; Morell and Morell, 1972; Payne, 1971, all cited in Johnstone, 1983b). That explained why in the three years following squatters eviction exercise in the city (1969-1972), only 2,800 families were resettled out of a total of 6,000 families evicted. But the majority of public low-cost housing went to low level government civil servants, a recurrent theme found in Malaysia Plans (Johnstone, 1983b).

5.3.4 (c) Initiatives (1976-1980, Third Malaysia Plan)

The Third Malaysia Plan continued with feeble response to housing need of the poor. As an illustration that characterized the government's emphasis in providing housing to civil servants, RM 1,191 million was budgeted on housing for police and armed services in the Third Malaysia Plan (Johnstone, 1983b, p. 251). Correspondingly, a small sum of RM 212 million was set aside to meet the housing need of the urban poor, or 11% of the total housing budget although 60%-70% of the population was in need of it (Endau, 1984; Johnstone, 1983b; Thalha, 1980).

⁵³ A more thorough discussion on squatters' clearance policy initiated by the Sub-Committee of the National Operation Council on squatter re-housing and resettlement was found in Johnstone (1983b, p. 259).

In his analysis, Johnstone (1983b) pointed out the lack of interest by policy-makers to meet public demand in low-cost housing as probably, there were other social issues to be attended to as seen from public low-cost housing budget to total budget allocation: 2.1% (1966-1970, First Malaysia Plan); 1.6% (1971-1975, Second Malaysia Plan); 1.1% (1976-1980, Third Malaysia Plan). A declining trend is clearly discernible.

Though public housing programs were virtually non-substantial, the government had done something. Johnstone (1983b) identified three new initiatives for public housing in the Third Malaysia Plan: i) kampong improvement schemes mainly to cater for the urban Malays; ii) site and services schemes (example, 316 units of core houses were sold to squatters displaced by a highway project near Salak South New Village in 1980); and iii) building 800 units of transitory quarters in 10th mile Sungei Way, and 676 units of clustered-linked houses in Cheras where in both cases attractive finance arrangements were made available.

Is the same feeble response continues to plague policy-makers from the Fourth Malaysia Plan onwards?

5.4 Malaysia: Housing provision from the Fourth Malaysia Plan (1981-1985) and beyond

Recall how by adopting social economics perspective relating to public housing provision, a more inclusive view looking beyond GDP per capita is encouraged. The conventional economists' view of "treating financing housing without raising productivity was thought to be throwing money into a bottomless pit" is flawed (Strassman, 1970, p. 505, cited in Johnstone, 1980). Where has Malaysia erred (Figure 5.4)?

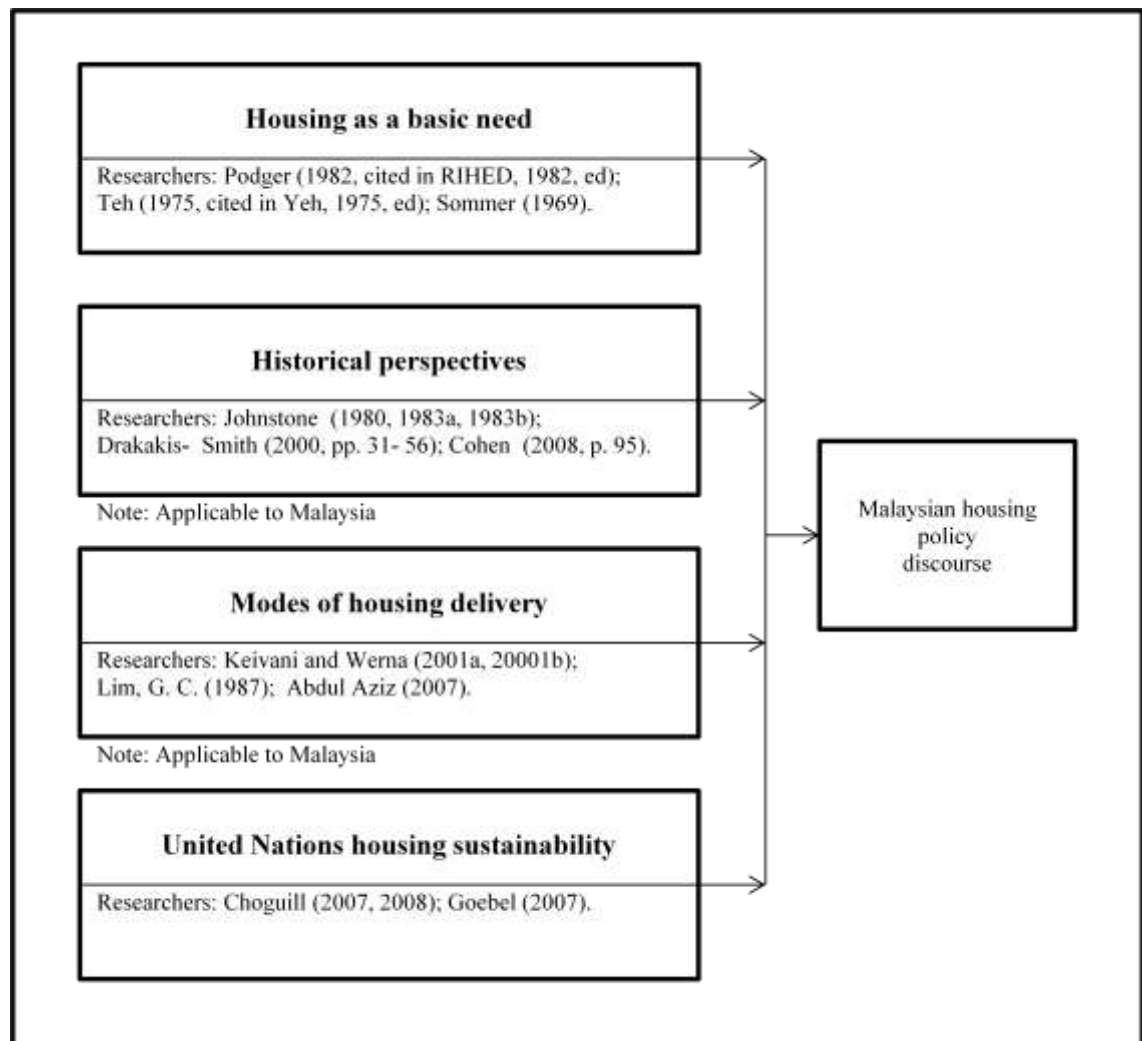


Figure 5.4 Types of Malaysia housing discourse: A summary

Briefly, public housing policy may be discussed in four ways: i) housing as a basic need; ii) the historical perspectives; iii) modes of housing delivery; and iv) United Nations' housing sustainability.⁵⁴ At the end, witness Malaysia's public housing provision is limited to second and third, rendering the other two with little role to play.

5.4.1 Institutional incapacity

Policy-makers had been uncertain about their contribution in housing provision for the poor right from the earlier days of national development. That uncertainty, as argued by Thalha (1980, p. 43) was reflected in the housing policy document "that showed a

⁵⁴ All have been discussed in parts of Chapters 4 and 5, except for the United Nations' housing sustainability. See Lai, L. W. C (2006) for an interesting comment on the hard sustainability approach as in the Brundtland Report 1987, and the weak sustainability approach as in the Rio Declaration 1992.

disjointed, fragmented and sometimes inconsistent brief statement on housing which must be pieced together to form a policy mosaic”.

Expressing the same sentiment, Endau (1984, p. 2) posited that Malaysia’s public housing policy was often deemed vague, inconsistent, and incoherent thus giving rise to a plethora of housing statements that sounded hollow.

As an example, the Ninth Malaysia Plan (2006-2010, p. 437) emphasized “providing affordable and quality houses, particularly for the low-income group with better urban services and a healthy living environment”, and “building sustainable development, promoting greater community participation and social integration of the population”, but no concrete program was put into motion. See also the Tenth Malaysia Plan (2011-2015, p. 278) for a repeat of the rhetoric.

There is yet another example that shows the inconsistency in thought (Tenth Malaysia Plan, 2011-2015, p. 27). While it admits that it is an uphill battle to avoid “the tragedy of a common”, it proposes to leave it to the local community to solve it as if the current practice of self-governance is a proven success. The truth is in every housing scheme, low-cost housing has been pushed to the worst spot, next to the sewerage treatment plant, or industrial lots, or far away from other forms of social amenities as if it is a misfit.

Therefore, small wonder that housing as a portfolio was assigned to no less than ten government departments/ ministries over the period 1951-1981 (Endau, 1984). However, Thalha (1980, p. 45) did come to the government defence by pointing out that perhaps there were other social issues demanded the latter’s attention. What follows is a critical assessment of past state provision on low-cost housing and the short falls in two areas: the gap; and the allocation of housing provision in various Malaysia Plans (4th-9th).

5.4.1 (a) The gap

The lack of any solid commitment to solve housing shortage by policy-makers is evident from Figure 5.5 where public sector as a rule, would not deliver low-cost housing units as planned from 1981 to 2010 except for the period 1996-2000 where it wisely set low target.

Under most Malaysia Plans, one would be lucky to find the public sector could deliver 60% of the target. Correspondingly, a dynamic private sector was far more goal-getter and delivered far more low-cost housing units than planned: 182% (1991-1995); 93% (1996-2000); and 243% (2001-2005). One of the reasons why the private sector was able to perform was the result of regulatory role played by the government that specified that 30% of the total units to be developed in any scheme must be low-cost housing. The period 1986-1990 was a low point for the private sector due to recessionary pressure.

To Agus (1989, 2002, cited in Agus, et al., 2002, pp. 132-136) the deterioration of public sector in housing production in the period from 1971-1985 was unmistakable. Specifically, Agus (2002, p. 135) pointed out the huge gap that existed in target set and result achieved for low-cost housing over the period: 30% (1971-1975); 36% (1976-1980); and 40% (1981-1985).

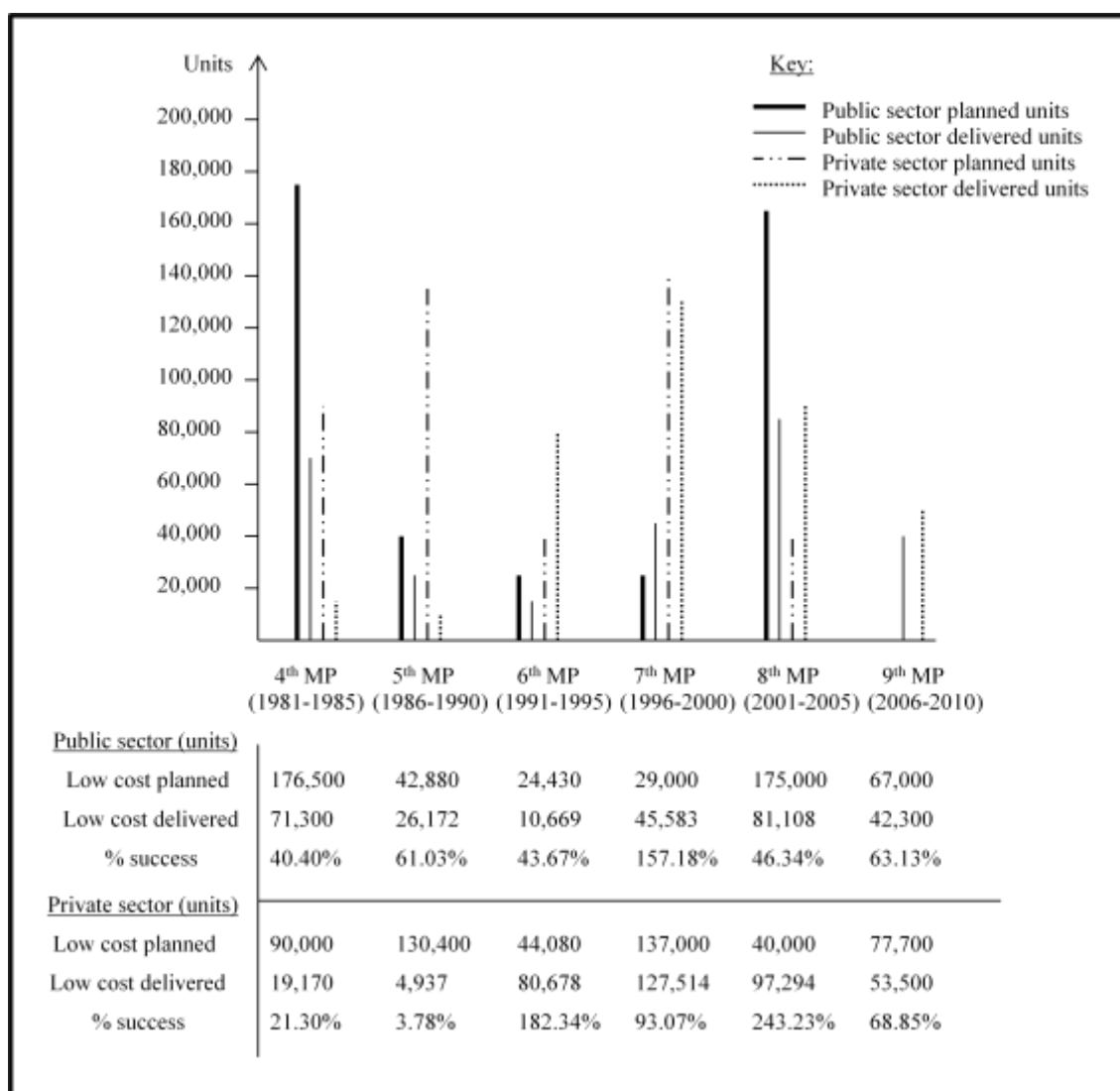


Figure 5.5 Low-cost housing planned and delivered by public and private sectors

Sources: 4th MP (1981-1985, p. 584); 5th MP (1986-1990, p. 365); 6th MP (1991-1995, p. 557); 7th MP (1996-2000, p. 557); 8th MP (2001-2005, p. 503); and 9th MP (2006-2010, p. 463).

5.4.1 (b) Allocation in public housing provision

The truth is despite its proclamation of treating the provision of affordable housing to meet the demands of lower-income groups as crucial (Tenth Malaysia Plan, 2011-2015, p. 277), the budget set aside for public low-cost housing is pathetic as a percentage of total public sector housing (which comprises a host of other components such as rural low-cost programs, housing by land schemes, and housing for police and military personnel). See Table 5.3. In the period under review, the worst record was registered in 1991-1995 where public low-cost housing delivered was only 12.47% of the total housing delivered.

In the period 1996-2000 (see the Eighth Malaysia Plan, p. 503) no low-cost housing was built for police and armies. All housing built was either in the middle or high income brackets.

Table 5.3 Public low-cost housing delivered and total public sector housing delivered (in units)

	4 th MP (1981-1985)	5 th MP (1986-1990)	6 th MP (1991-1995)	7 th MP (1996-2000)	8 th MP (2001-2005)	9 th MP (2006-2010)
Total public sector housing delivered in units, (i)	201,900	97,126	85,542	121,624	188,669	197,805
Public low-cost housing delivered in units, (ii)	71,310	26,172	10,669	45,583	81,108	42,300
(ii)/ (i)x 100	35.31%	26.94%	12.47%	37.47%	42.98%	21.38%

Source: Various Malaysia Plans

In addition, the lackadaisical performance of policy-makers with respect to public housing provision is seen in the budget allocation from Fifth to Ninth Malaysia Plans (no corresponding figures were available in the Fourth Malaysia Plan, 1981-1985 for comparison). See Table 5.4.

Except for period 1991-1995, the budget allocation for public low-cost housing was 32.07% of the total for housing and other social services (where social services include expenses for local government, fire services, sports, culture, library services, information and broadcasting, community development, and family development), lower figures were recorded. See the Seventh Malaysia Plan for a typical breakdown (1996-2000, p. 585).

Table 5.4 Allocation for public low-cost housing and total allocation for housing and other social services (RM in millions)

	5 th MP (1986-1990)	6 th MP (1991-1995)	7 th MP (1996-2000)	8 th MP (2001-2005)	9 th MP (2006-2010)
Original total allocation for housing and other social services (M\$, in million). (i)	1,923	1,777	6,125	8,677	18,445
Original allocation for public low- cost housing (M\$, in million), (ii)	374	570	742	1,980	2,256
(ii)/ (i)x 100	19.44%	32.07%	12.11%	22.81%	12.23%

Sources: Various Malaysia Plans.

Note: See Agus (1989) for an appraisal on the Second Malaysia Plan to the Fifth Malaysia Plan.

If Johnstone (1983b) was disheartened by the lack of commitment from policy-makers on public housing provision for the poor in the context of total budget allocation (examples: 2.1% for 1966-1970, 1.6% for 1971-1975, and 1.1% for 1976-1980), the figures in the following speak volumes. Indeed, public low-cost housing continues to be miss-treated in various Malaysia Plans (Table 5.5).

Table 5.5 Public low-cost housing allocation and total allocation in Malaysia Plans (RM in millions)

	4 th MP (1981-1985)	5 th MP (1986-1990)	6 th MP (1991-1995)	7 th MP (1996-2000)	8 th MP (2001-2005)	9 th MP (2006-2010)
Total allocation in MP, in million, (i)				67,000	110,000	200,000
Public low-cost housing budget, in million, (ii)		374	570	742	1,980	2,256
(ii)/ (i)x 100				1.1%	1.8%	1.1%

Source: Various Malaysia Plans

Finally, if the discussion thus far is disheartening to the urban poor, is change possible from the National Housing Policy 2012? ⁵⁵

⁵⁵ A total of 92,269 squatter families are in need of conventional accommodation (Tenth Malaysia Plan, 2011-2015, p. 278). In many districts in Selangor, the issue is to do with the location of low-cost schemes,

5.4.2 Malaysia's National Housing Policy 2012: Little change

The National Housing Policy (NHP) 2012 is a letdown to anyone who expects Malaysia to move away from the laissez-faire stance to that of more poor-centric. Indeed, there is nothing in NHP that inspired hope that the urban poor and the squatters will be given any better treatment than in the past.

It is an official document that has plenty of rhetoric but of little substance. The identified six (6) thrusts with the accompanying twenty (20) policy statements do not give the impression that the government is serious in its pledge, has prioritized the issues, and given commitments to achieving them.

Solid commitment appears lacking in many parts of NHP. As an example, Thrust Sixth (NHP policy statement 6.2) states that after due recognition of certain weaknesses, the policy is “strengthening the management mechanism and maintenance of stratified building and common properties”. One wonders what is meant by strengthening. And what kind of budget change is in the offing?

On the surface, the government appears to acknowledge the generally deplorable state of any common in low-cost housing. A special housing fund of RM 500 million has been budgeted to cover the maintenance of such schemes during 2011-2015 on a one to one basis (The Tenth Malaysia Plan, p. 279; NHP). But beyond this point, little clue is given as to the implementation.

The issues relating to housing consumption in the action arena (Poteete, et al., 2010, pp. 40-41), a component of Ostrom et al's (1994, pp. 29-35) model not previously covered will be discussed in Sections 5.5 and 5.6 in two ways:

many are badly placed that robbed residents of decent environment. Many too are remotely located that increased transport costs for residents (H. K. Wang, 2009).

1. the self-governance dilemma involving collectivism (group action by parcel holders), activism (participation by parcel holders), and conflict in the action arena by tracing the roots of natural and men-made resources management held as common-properties at international level, and to self-governance of low-cost housing in Malaysia in the action arena; and
2. the state-led HDB Singapore model that serves as a contrast to existing market-led Malaysia model of self-governance.

5.5 Malaysia: The self-governance dilemma in the action arena

Basically the art of expecting the poor to fend for themselves goes against natural justice. Remember it is usually the rich and the mighty who dictate the rules in any resource allocation situation. Hence, Knowles (2001, pp. 215-220) appealed for a visit to John Rawls's theory of justice on fairness.

5.5.1 Collectivism, activism, and conflict: Tracing the roots

Many researchers hailed at the emergence and success of “privately governed urban neighbourhoods”, and “common interest housings” throughout the world in the form of gated communities (Easthope & Randolph, 2009; Le Goix & Webster, 2006, 2008). Despite the excitement it generated, many issues are pending to be solved: Collective action; free-riding of the commons; unwillingness to partake in the institution of self-governance; occurrences of conflict when residents could not agree with one another; and finally, unwillingness to contribute towards the payment of service charge.

This section will be discussed in four sub-sections: i) providing the conceptual foundation for collective action in the action arena; ii) self-governance in natural resource commons; iii) self-governance in men-made commons; and iv) Yau's (2011) common-interest model that provides practical guide.

5.5.1 (a) *Collective action in action arena*

What makes the collective action a near impossible task? Is it not in everyone's interest to work towards a common goal? Fortunately, though no real solution is around the corner, Harvard University professor Olson (1965, p. 2) had almost five decades ago provided some insights into the limits of human co-habitation:

Indeed, unless the number of individuals in a group is small, or unless there is coercion or some other special device to make individuals act in their common interest, rational, self-interested individuals will not act to achieve their common or group interests.

Thus, Olson (1965, p. 2) had resigned to “the customary view that groups of individuals with common interests tend to further those interests appears to have little if any merit”. By right the proper thing to do in a collective setting is to reduce transaction costs by (Williamson, 2002, cited in Oppen, 2008): i) relying on governance to infuse order; ii) so that conflict is relieved; and iii) ultimately achieve mutual gains for everyone.

Kiser and Ostrom (1982, cited in Ostrom, 1982, pp. 184-189) identified three determinants that shape the quality of outcome in any collective setting as each plays out in the action arena: i) attributes of individual; ii) attributes of decision situation; and iii) actions and strategies.

At the operational level, an individual acts in such a way as to achieve certain outcome in his favour. As perfect information is not possible in a real world, an individual will not seek maximized utility but he is happy with reaching a “satisficing value” (Williamson, 1975).

Next, the manner in which an individual reacts to a problem is dependent on the decision situation. Is the problem repetitive in nature? Is it complex? Is communication possible with other individuals? Are choices available? Hence, where a community is

large and rules are hard to enforce, Olson (1965) argued that free-riding is a known strategy.

Lastly, Olson (1965) differentiated between action and strategy. While a reaction often follows an action, a strategy obviously has a higher design that has longer perspective view. All said, since an individual is different from another and he is a decision-maker on his own accord, not the group he is affiliated to, the challenge to collective action is omnipotent.

In the next section, empirical evidence with respect to collective action in action arena is examined in the field of natural resources (for CPR management), and housing (for common-area management).

5.5.1 (b) Self-governance in natural resource commons

Experience gained from the study of CPR management on natural resources opens the door to a wealth of knowledge on collective action for housing researchers, specifically Malaysian housing researchers.⁵⁶

Three books provided a number of examples where CPR management on natural resources are relevant: Baland and Platteau (1996); Ostrom (1990); and Ostrom *et al* (1994). See also examples on how natural resources such as Ozone, CO₂, Maine lobster fishery, fisheries in Gulf of California, Mexico, and forests in Indian Himalaya are managed (Agrawal & Chhatre, 2007; Cinti, et al., 2010; Dietz, et al., 2003).⁵⁷ This section covers the discussion of four communities that practiced self-governance with

⁵⁶ This is the researcher's humble contribution. Housing researchers in Malaysia are conspicuously inactive in CPR management research involving collective action using institutional analysis or NIE. On the contrary, researchers from United Kingdom and Hong Kong are active (Chen & Webster, 2005, 2006; Chu, Chang, & Tien, 2013; Hastings, Wong, & Walters, 2006; Lai, 2006; S. Lee & Webster, 2006; Yau, 2011; Yiu, et al., 2006a).

⁵⁷ See Ostrom (2008) on how institutions evolved to cope with the collective action in diverse sectors and countries. In many cases, old practices proved to be far more effective than ways prescribed by engineers and scientists. An example is found in "padi" farming in Bali.

materials drawn from Ostrom (1990, pp. 61-68, 144-146): high mountain meadows and forests in Switzerland and Japan that were successful; and two Turkish inshore fisheries that failed.

In the first case, Torbel of Switzerland with a population of 600 had a history of running the common dated back to 1224. In most parts founded on steep slopes, four-fifths of its land was owned in the form of common-property, the balance was owned by Torbel peasants who planted bread grains, garden vegetables, fruits trees, and “hay for winter fodder”. Cheese was produced from cattle pastured on communally owned alpine grassland during summer months. CPR in Torbel village included: grazing grassland, forests, waste lands, irrigation systems, and roads/ paths connecting private plots to the common. There was a unique rule that forbade a foreigner from acquiring any rights in the common. Finally, there were rules that kept resources in the common under control and free from conflict.

In the second case, the topography of three Japanese villages was similar to that of Torbel. The three Japanese villages (Hirano, Nagaike, and Yamanoka) were located on steep mountains that enabled many microclimates since Tokugawa period (1600-1867). Peasants laboured on private lands by cultivating rice, garden vegetables and horses. As for the common, timber, “thatch for roofing and weaving”, animal fodder of various kinds, and decayed plant for fertilizer, etc were produced. There was a strict method by which resources in the common might be used through household units, not individuals. A more elaborate procedure was devised that dictated how winter fodder could be extracted from the common.

In the third case, until 1970s, some 400 fishers in Bordrum, Turkey were the happy lots until the Turkish government allowed bigger trawling vessels to fish without enforcing the three-mile limit. From that point, the economic rent quickly dissipated, made worse

by the entry of part-time fishers. By 1983, revenues from the fleet were lower than the costs of fishing.

In the fourth case, since the number of fishers in the Bay of Izmir, Turkey was much larger (1,800 fishers) they had to meet the demand of over one million people for fresh fish; soon one found that they were too many fishers chasing too few fish. The CPR problem was one characterized by a lack of a set of rules that prevented resources from dissipation due to aggressive harvesting.

Clearly, the failures of two Turkish fisheries were the consequence of having too many users (Wade, 1987), slack in rules enforcement as found in a Third World state, and heterogeneity of user community (Olson, 1965). On the other hand, the success of CPR management in Switzerland and Japan was due to historical development and uniform ethnicity peculiar to local contexts.

5.5.1 (c) Self-governance in men-made commons

The history of housing governance (a form of CPR management on man-made resource) is relatively short. Though not definitive, one version about the root of modern housing governance may be traced to the development of New York City following Dogan Charter in 1686 when landownership was conferred on the local authority, see Lee & Webster (2006).

By 19th century, due to development needs, the majority of lands were in the hands of private owners who then planned their development according to the famous grid of street and property lines. In the process, housing governance evolved through time as more private properties were subdivided and sold to individuals.

In the gated communities (GCs) literature, three approaches to the discourse are possible (Atkinson & Flint, 2004): i) GC's internal social-legal foundation; ii) about

governance; and iii) impact on residents. This section discusses certain aspects of governance, particularly those on collective action (collectivism), lack of residents' participation (activism), and conflicts amongst actors by producing four case studies: i) resolving conflicts in Sydney, Australia; ii) lack of activism in Taiwan; iii) overcoming free-riding in Taiwan; and iv) degradation of CPR and regeneration in Leisure World, U. S.⁵⁸

How do you resolve conflicts? Easthope and Randolph (2009) reminded the similarity of strata title laws in New South Wales, Singapore, and elsewhere. Each strata development is managed by a body democratically elected by parcel holders annually. As the fourth tier of urban governance structure after federal, state, and local authorities, the challenges it faces are formidable (a case of wholesale transfer of law from a First World nation to a Third World state).

Firstly, it is a huge organizational field involved with a number of actors-agents: resident owners; investor owners; property manager; maintenance companies; real estate agents; lawyers; financiers; local authorities; state officers and etc.

Secondly, in the Sydney case, some 70% of the units had been sold to investors. Their preference/ requirement on the governing body are not the same as owner-occupiers. Thirdly, since not all owners are in the same socioeconomic status, their needs differ. Fourthly, due to density, conflicts amongst neighbours may be generated more often than landed properties. Finally, although rule-defaulters may be referred to NSW Consumer, Trader and Tenancy Tribunal, the practical aspects invariably dictate that this course of action be dropped.

⁵⁸ To many researchers, CPR management is always challenging (Dietz, et al., 2003). While failures are plenty, successes come only sporadically. Dietz *et al* (2003) argued that CPR management is a new field of "human ecology", or "second environmental science" akin to co-evolutionary race.

Giving incentive structure to PMCs. Chen and Webster (2005) highlighted the fallacy of assuming the same group action simply because they belong to a community. Due to the lack of incentive structure where participation in collective action is voluntary with no fees, few residents in condominium developments in Taiwan volunteer their services. As an example, only 848 home owners associations (HOAs) were formed out of 3,039 new condominium communities completed in the period 1995-2000, a paltry 22.57%. Similar experience was observed in California, U. S. (Chen & Webster, 2005).

But following the enactment of Condominium Management Law (CML) of 1995 in Taiwan, several features were added in to help homeowners cope with living in multiple co-ownership environments where the role of property management companies (PMCs) was also enhanced (Chen & Webster, 2005). Instead of invoking coercion to deal with defaulters, PMCs often fall back on positive inducement to gain allies since they are involved in providing a number of services to residents for a fee: calling taxis, ordering flights, ordering theatre tickets, and consulting services relating to real estate investment.

With that note, Chen and Webster (2005) echoed the proposition of Barzel (1997) that owners of the scarcest factors of production tend to organize co-operative activity by i) forming firms, ii) organizing governance; and iii) building cities.

How do you deal with free-riders? Chen and Webster (2006) put into focus the challenges faced by owners of reshaping retail street (RRS), who formed on their own initiative and facilitated by the passage of a new law in Taichung, Taiwan—Voluntary retail street management ordinance (VRSMO) 2002 that modelled after Nelson (1999, 2002, cited in Chen & Webster, 2006).

Although the enclosure made sense in the face of competition from large and environmentally conducive shopping mall, the presence of some detractors presented a problem. On its own, VRSMO did not have the power to manage the behaviour of non

participating retailers. As examples, one surgery shop and a motorcycle shop in Ji-Guang Street refused to pay for their share of service charges by claiming that the new arrangement of joint maintenance and promotion did not benefit them.

Two solutions are possible according to Chen and Webster (2006). One is for the majority to buy out the minority; the other is to spent time in educating the two defaulters in Ji-Guang Street, so that hopefully, both learn to appreciate the benefits of RRS.

How to avoid asset degradation? Le Goix and Webster (2006) examined 219 GCs in Los Angeles area in U. S. and concluded that private governance of GCs lead to unsustainable local urban political economies. As in the case study of Leisure World showed, this particular GC was built in 1964, where 19,500 people called it their homes but with majority of them exceeded 55 years old. Due to mismanagement over the years, it had no fund to replenish the aging infrastructure which was in the region of US\$ 30.0 million. In the end, it had no choice but to allow incorporation into the City of Laguna Woods for the much needed upgrading fund. It is not known however, whether residents would lose their lifestyle after the incorporation.

Is collective action illusory and too abstract to grasp? In the next section, Yau (2011) has some practical advice to improve participation.

5.5.1 (d) Yau's (2011) collective interest model: Predict participation

While the origin of collective interest model (CIM) is not clear, the purpose of CIM is to “incorporate the demand for the public goods into an individual’s utility calculus without violating the logic of free-riding” (Finkel et al, 1989, cited in Yau, 2011).

Thus, proponents of CIM argued that the anticipated individuals’ participation in the affairs of the common would be high if they perceived their efforts of participation

bring more benefits than costs. See Table 5.6 for the independent variables and the measuring elements (Cavana, et al., 2001, p. 193).

Table 5.6 Variables hypothesized to influence homeowner participation in housing governance

	CIM variables	Operationalized elements
	Dependent variable:	
	Expected value of participation (EV)	Level of participation (<i>PART</i>)
	Independent variables:	
i	Group efficacy (<i>Pg</i>)	Expected reciprocity (<i>EXRE</i>) Group cohesion (<i>COHE</i>)
	Personal efficacy (<i>Pi</i>)	Outcome influence (<i>INFL</i>)
ii	Perceived value of collective good (V)	Discontent level (<i>DIST</i>)
iii	Selective costs (<i>C</i>)	Gender (<i>MALE</i>) Age (<i>AGE</i>) Education level (<i>EDU</i>) Household income (<i>HINC</i>)
	Selective benefits (<i>B</i>)	Management value (<i>MVAL</i>) Life enjoyment (<i>LIFE</i>)

Source: Yau (2011)

Note: CIM has been used to explain individuals' participation in mass political activities, institutional collaboration, and environmental activism. Hence Yau (2011) posited that CIM is a good tool to predict collective action in housing governance.

In order to validate the hypothesis, 346 homeowners who resided in 53 private multi-storey residential buildings in the Western District of Hong Kong were interviewed in 2009 (Yau, 2011). The sample was selected for its range of buildings (some built since 1842), for varieties of design (some low-rise, others high-rise), and for conditions they were in (from run-down to more decent structures).

Based on ordinary least square analysis (OLS), the results indicated that the three independent variables (group efficacy and personal efficacy; perceived value of collective good; and selective costs and benefits) are directly and positively related to the level of housing governance.

Three findings are possible. Group effects may be enhanced in the presence of a set of enlightened local leaders. Residents will respond the call to participate if incremental results are shown through efforts of governance body. Lastly, a more transparent governance style will help reduce the transaction costs. Otherwise, trust will be something difficult to inculcate.

5.5.2 Collectivism, activism, and conflict: Malaysian experience

Since collective action problem in the natural resource management (a CPR management) is the same in Malaysian setting, it will not be repeated in this section (Latif Azmi, 2006). Only four areas will be discussed: i) the nature of the existing institutional arrangement in Act 318 and Act 663; ii) transaction cost economizing approach of overcoming conflict; iii) the adaptability of residents as reflected in satisfaction surveys in the commons; and iv) knowledge gap arising from recent researches in the related field at doctoral level.

5.5.2 (a) Conflicts, Act 318, Act 663, and the two nirvana worlds of Law and economics

Since collectivism (to do with group action, or the lack of it) and activism (to do with degree of participation in the affairs of the common) are issues relating to conflicts, their possible resolutions shall be discussed. Indeed, the only purpose of enacting Act 318 (the Strata Titles Act 1985) and Act 663 (the Building and Common Property (Maintenance and Management) Act 2007) is to provide an institutional arrangement for self-governance of all strata properties by parcel holders after the certificate of fitness is issued by the relevant local authority.⁵⁹

These laws absolve the state any role in maintenance and management of common property in any strata scheme and confine it to provide a legal framework when conflict

⁵⁹ Strata Titles Act with Strata Titles (Federal Territory of Kuala Lumpur and Putrajaya) Rules, 2008, Tenth edition, Act 318, MDC Publishers Sdn. Bhd. See also Building and Common Property (Maintenance and Management) Act 2007, Act 663, 2007, International Law Book Services.

surfaces. Hence the two goals of discussion in this section are: i) to examine how conflicts can be resolved under the umbrellas of Act 318 and Act 663; and ii) to examine why self-governance always fail to deliver the desired result due to the assumptions of the nirvana worlds of Law and economics embraced by the rules (Section 2.4.2).

Conflicts are always expected when there is a large group of people living together in close proximity not by their choice but due to economic reasons. As many residents who may be owner-occupiers or tenants are new to each other, rules that are in the form of Act 318 and Act 663 help to shape their behaviour. The mal-adaptation of people to rules in a collective setting gives rise to conflicts. Before the issues are addressed, the origin of Act 318 and the three phases of management are discussed.

5.5.2 (a) (i) The origin of Act 318

Arising from a demand for large multi-storey buildings in urban centres due to rural-urban migration and a recognition that purchasers required a form of titles in such buildings in mid-1960s, the Federated Malay States Land Code 1926 (FMS Cap 138) then in force, had been found to be inadequate (Shukri & Maidin, 2010). A new law, the National Land Code 1965 was introduced to address the shortcomings so that subsidiary titles might be issued after the subdivision of buildings.⁶⁰ Soon, certain weaknesses emerged.

Buildings whose lands were smaller than 5,000 square feet were not permitted to subdivide into parcels. In addition, if the land was large, all buildings ought to be fully completed before subdivision could take place. Then, some developers used the original

⁶⁰ Shukri and Maidin (2010) is an excellent book to start learning about strata laws. They also introduce three other books: Wong (1975); Sihombing (1981); and Teo (1987).

titles and went for more finance without the knowledge of purchasers, in doing so put the latter group in jeopardy.

Thus, modelled after the Australian New South Wales Conveyancing (Strata Titles) Act 1961, and Singapore Land Titles (Strata) Act 1967, Malaysian Act 318 took effect on 1 June 1985 was calculated to displace Part Nine, Chapter Four of National Land Code 1965 (NLC 1965) on subdivision of building (Sections 151-157 of NLC 1965). As one will see, Act 318 was effective only in setting out the procedure of registration of strata titles. It failed in the areas of management and maintenance of common-properties due to incompleteness of rules and in enforcement (Abdul, 1994; Fakhrudin, et al., 2011; Tiun, 2009; Wan, 1994). Also, as we will see Act 318 was not meant for the poor and who were ill-prepared.

To expect any law to be complete is incorrect from NIE/ transaction cost economics perspective. Since 1 June 1985, Act 318 has gone through four major amendments (Table 5. 7).

Table 5.7 Major amendments in Act 318

	Act/ date of commencement	Amendments introduced to overcome any weakness
i	National Land Code 1965, Act 56 (1.1.1966)	Subsidiary titles
ii	Strata Titles Act 1985, Act 318 (1.6.1985)	Strata titles
iii	Act 318, Act A753 (23.2.1990)	Provisional strata titles for phased development, and provisional blocks.
iv	Act 318, Act A951 (2.8.1996)	Qualified title with approved certified plan may apply for strata titles.
v	Act 318, Act A1107 (1.12.2001)	Strata Titles Board, etc
vi	Building and Common Property (Maintenance and Management) Act 2007, Act 663 (12.4.2007)	Land parcel and other amendments. Land parcels in the form of gated community were introduced. Compare this to parcels in the “air” as is normal in any strata scheme.

Source: Adapted from Shukri and Maidin (2010, p. 28)

Note: The Strata Titles Board allowed for in Act 318 only came into force in 1.12.2001. So far only Penang has established it to mediate conflicts between parcel holders, and between any parcel holder and the management. See Sections 67A-67X of Act 318.

5.5.2 (a) (ii) The three phases of management

The other aspect of Act 318 that needs to be addressed is the phase under which a conflict occurs (Table 5.8).

Table 5.8 Phases in the maintenance and management of common property

Initial phase	Interim phase	Final phase
From the date of vacant possession and until Joint Management Body formation	Not later than twelve months from the date of delivery of vacant possession, but before Management Corporation formation	1 st meeting of Management Corporation
Maintenance by developer	Maintenance by Joint Management Body	Maintenance by Management Corporation

Sources: Act 318, Act 663

During the initial phase, the developer acts as the “Management Corporation, or the Body” (Act 318, s 43; Act 663, s 22 (4)) and the purchaser shall pay service charge to the Management Corporation/ Body so demanded (Act 663, s 23 (1)). Any conflict

arising from disputes between two parcel holders can be referred to the developer who plays the role of Management Corporation (Act 318, s 43 on duties and power of Management Corporation), or Body (taken to mean Joint Management Body (JMB), Act 663, s 8 on duties and power of JMB).

During the interim phase, a JMB comprises of developer and at least five but not more than twelve purchasers shall be established (Act 663, s 4 (1b)). If there is a conflict involving parcel holders with respect to the functioning of common property, JMB as under the law is the correct party to preside over a conflict (Act 663, s 8 (1a, 1h, 1i)).

During the final phase (see Act 318, s 39 (1)), the Management Corporation so formed shall comprise of a Council of Management Corporation of not less than three and not more than fourteen parcel holders who shall be elected at each annual general meeting (Act 318, Second Schedule 2 (1)). Any conflict during this period should rightfully be forwarded to them. From this point, parcel holders can lay claim of self-governance of their common property.

Prior to the introduction of Act 663 in 2007, many developers had been accused of taking advantage of the situation by not being transparent in their governance during the initial phase.⁶¹ The early entry of JMB overcomes this weakness. In addition, note the responsibility expected of members of JMB/ MC. While their services are purely voluntary, they can be sued for any mistake made in their course of work as members of its council (Act 318, s 44 (7a, 7b), p. 53).

⁶¹ There were reports that pointed to a new act “Strata Management Act” is to replace Act 663 together with amendments to Act 318 so that a better self-governance environment for the commons may be materialized. Since the effects remain pre-mature to judge at this stage, no discussion covers this area.

5.5.2 (a) (iii) System of conflict resolution

What had been identified were the parties to mediate conflicts during the three phases. But what should parcel holders do if they are dissatisfied over the rate charged or they are not happy with the performance of the developer/ Joint Management Body/ Management Corporation who manages the common property? As a preliminary step, parcel holders may bring their grievances to the office of state appointed Building Commissioner (Act 663, s 3 (1)), or if they choose, refer their grievances to Strata Titles Board (Act 318, s 67 (N)), but unfortunately no Strata Titles Board is there except for Penang. As a last resort, any aggrieved party, be it a parcel holder or the Management Corporation may seek redress from a court of competent jurisdiction (Act 318, s 44 (7)).

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5.5.2 (a) (iv) The two nirvana worlds

While there are various options available to address conflicts in the action arena, these options are invariably too costly to pursue. Williamson (1985) argued that if the transaction cost is high, private ordering is preferred over court ordering (to include the Strata Titles Board/ Courts), a subject to be discussed later. In this section however, the assumptions made behind policy-makers' frame of mind on Law and economics are examined.

Law and economics is about the application of economic principles to law in the tradition of NIE. See Chapter 2.0. Recent findings by Nicita and Pagano (2008) led them to define the role of Law and economics as the study of "institutional rules, including informal and customary ones, and the wide range of institutions performing

⁶² According to a news report on 14 December 2011, Act 663 is now under review by the Ministry of Housing and Local Government with the view to establish a tribunal at the Ministry to hear and resolve conflicts (<http://www.propertyguru.com.my/property-news/2011/12/1994/ministry-to-revise-building-and-common-property-ac>, date of access: 27 July 2012). Is the proposed Tribunal replacing the Strata Titles Board?

private orderings and enforcement”. Instead of treating court ordering as the only recourse in seeking redress, transacting parties ought to be aware of the benefits of devising and relying on private ordering methods in resolving conflicts.

In the traditional approach to economics nirvana as in neoclassical economics, the pre-conditions are: “internal consistency, efficiency of all decentralized and perfectly rational decisions” (Nicita & Pagano, 2008). Such a state is not realizable because there is no complete right to enforce the use of each resource. On the other hand, the idealized state of legal nirvana means law may be applied to human behaviour as they follow rules. Due to opportunistic consideration, no legal nirvana may ever be achieved. It follows that to expect economic nirvana is wrong.

Therefore, in Nicita and Pagano’s (2008) words, the enterprise of “subjecting human behaviour to rules is too costly to be carried out solely by a centralized ordering system”, in this case, it may be taken to mean court ordering (Williamson, 1985, p. xii). In the self-governance of the common, it pays to re-examine the current practice of relying on court ordering.

5.5.2 (b) Transaction cost economizing explanation on conflict

Consider a real case where market failure occurred:

*Cik Rani, an official from Suara Merdeka had on 5th August 2009 pleaded with the guards at the Perak State Government Building to allow her and her delegation of six entries to see the State Chief Minister. She claimed that due to poverty, residents of the 280 units low-cost flats at First Garden Flats could not afford to pay for the monthly maintenance charges. The situation was so bad that 160 families had reportedly fled the said project (completed a few years ago) as it had turned inhabitable and unsafe. Cik Rani’s mission on that day was to convince the State Government into bearing some, if not the full cost of maintenance in order to stop the decay. (<http://www.malaysiakini.com/news/109971>, date of access: 12th August 2009).*⁶³

⁶³ Similar problem of maintenance surfaced in public low-cost housing owned by Dewan Bandarraya Kuala Lumpur (DBKL) meant for renting to urban poor. See the case of Intan Baiduri People’s Housing scheme (*The Star*, 26 July 2011, pp. 2-3, News; bavanim@thestar.com.my).

If there is no assistance coming from the State, and in line with the rules of self-governance, the defaulters could be taken to courts. But due to the nature of default, court/ public ordering (or legal centrism) is not a practical move.

Is there a private ordering worth the while in self-governance? If “iron-rules” in contract do not work, what are “yielding rules” where private ordering is preferred? Llewellyn (1931, pp. 736-737, cited in Williamson, 1985, p. 5) clarified the differences between the two:

.... the major importance of legal contract is to provide a framework for well-nigh every type of group organization and for well-nigh every type of passing or permanent relation between individuals and groups.... ---a framework highly adjustable, a framework which almost never accurately indicates real working relation, but which affords a rough indication around which such relations vary, an occasional guide in cases of doubt, and a norm of ultimate appeal when the relations cease in fact to work.

Williamson (1985, p. xi) argued that market failures had transaction cost origin but related to governance cost orientation. This field though actively researched under three independent subjects (economics, law and organizational theory) in 1930s, took a hiatus from 1930-1960 at the onslaught of neoclassical economics. The research regained its momentum in 1970s when neoclassical economics failed to deliver what it pledged in real world. From the researcher’s understanding of his argument, the conflict may be decomposed into three separate problems of economics, law, and organizational theory (Figure 5.6).

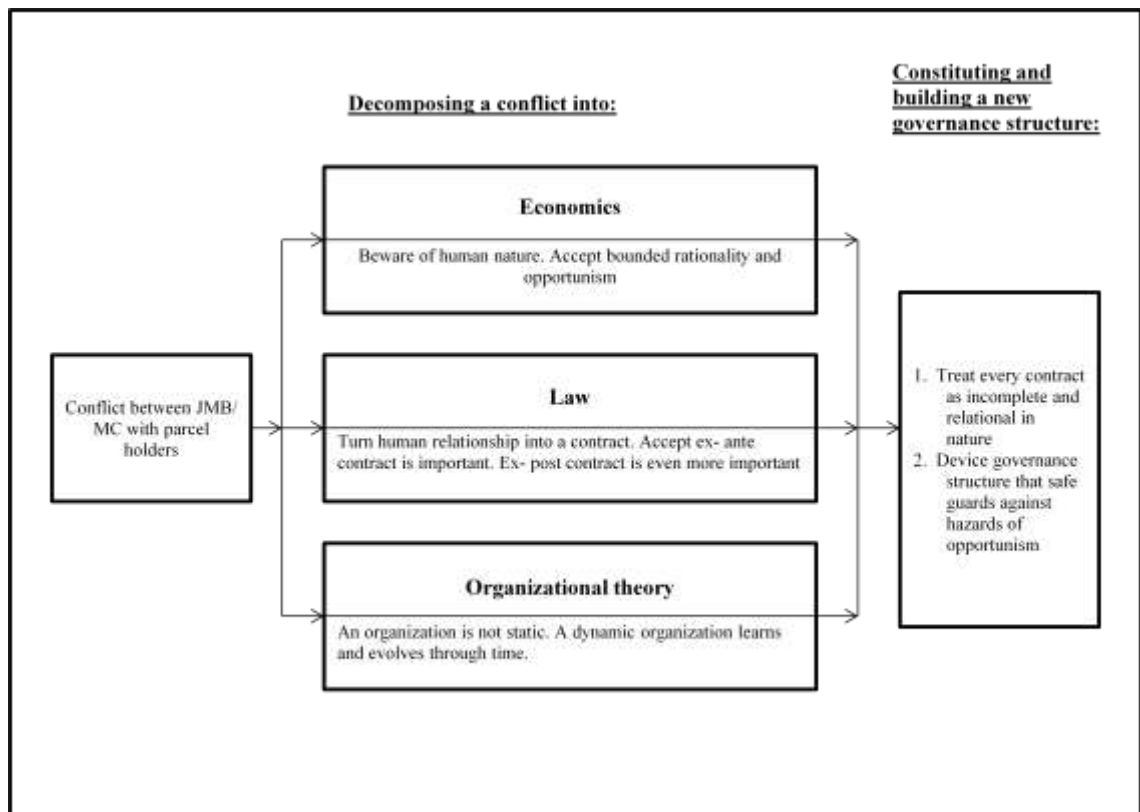


Figure 5.6 A transaction cost economizing model in overcoming a conflict

Source: Adapted from the arguments of Williamson (1985, pp. 1-12, 43-67, 68-84).

Note: See also Brousseau (2008, cited in Brousseau & Glachant, 2008, pp. 52, 57-59).

Here is how a conflict may be re-interpreted in three parts from JMB/ MC perspective:

- i. Accept human nature as given, one that is constrained by bounded rationality and opportunism, hence time is required to re-align parcel holders' preferences. Show sincerity and commitment to them, and be transparent in one's operation (transaction cost reduction);
- ii. While accepting the importance of ex-ante contract of incentive alignment, assign more emphasis to ex-post contract management in view of the nature of relational contract (see Brousseau, 2008, cited in Brousseau & Glachant, 2008); and
- iii. Accept JMB/ MC as a form of governance structure, not a production unit of floor sweeping and rubbish disposal. To do that, the governance structure must allow the evolution of good norms and behaviour in parcel

holders. It is an organization of learning, adaptable to changing times with a clear purpose.

Hence, constituting and building a governance structure is paramount in “transaction cost economizing approach” of overcoming a conflict by being conscious of two dimensions: i) that every contract is incomplete but relational in nature, private ordering is preferred (Brousseau, 2008); and ii) put in measures that safeguard against hazards of opportunism.

Firstly, through time people will have a better appreciation of the terms of the contract as they learn to accept it, or to modify it.

Secondly, JMB/ MC will be viewed in different light under the new approach. As a practical way, the management may encourage parcel holders to pay the service charge in one lump sum one year in advance with special discount. For defaulters, help must go to the poor while laggards are to pay a penalty for late payments.

But can Malaysia’s JMBs/ MCs appreciate this transaction cost economizing approach in conflict resolution?

5.5.2 (b) (i) Placing property management under registered valuers

The recent development (though not near implementation stage) is the proposed expansion of professional services of registered valuers under Section 19(c) of Act 242 so that property management function falls within their portfolio in a new regulatory framework.⁶⁴

⁶⁴ Valuers, Appraisers and Estate Agents Act 1981, Act 242, International Law Book Services (as at 5 January 2012). For a description of “Malaysian property management standards”, see the Board of Valuers, Appraisers and Estate Agents, Malaysia’s publication in 2010.

Of course in general term, a professional firm is expected to perform better than amateurish parcel holders in governing the commons (Chen & Webster, 2005). But the concern is this new move does not do away with the institution of self-governance, where by its existence the state plays little role. However, if this move is deemed a part of “political transaction cost”, state involvement is likely in future as discussed in Section 3.3.2 (Khan, 1995).

In the next section, the quality of self-governance in Malaysian context will be assessed by parcel holders of low-cost and medium-cost housing in the action arena.

5.5.2 (c) Parcel holders’ assessment: Satisfaction surveys in Malaysian context

Tellingly the chance of its success in the current form is only remotely possible. If there are instances of success, there are few and far in between. Leaving the parcel holders to fend for them; it results in a classic case of market failure where the government has absolved itself any role in governance.⁶⁵

For a start, there is no such kind of community where households (unknown to each other) by the hundreds are forced to live together and manage their own business. Hence to facilitate a continuation of the institution of self-governance is to ignore Dietz *et al*’s (2003) observation that CPR management in general term is in fact a new field of “human ecology”, or “second environment science” akin to co-evolutionary race, a feat not achievable in the short-run.⁶⁶ Indeed, as Arrunada (2008) observed about the new role of institutions in the light of human nature: “A new view of institutions thus emerges which sees their function as that of filling the gap between our biology, which

⁶⁵ See Weil’s (2009, pp. 342-343) argument on two grounds why government interventions are expected: i) provision of public goods; and ii) externalities (on R & D and education). Where services under the institution of self-governance fail to deliver, these services may be classified as local public goods that demand government budget. In effect, this is the core argument of the thesis.

⁶⁶ For a discussion on how humans adapt to new environment through time, see Arrunada (2008, cited in Brousseau & Glachant, 2008, p. 81).

is still adapted to our ancestral environment as hunter-gatherers, and the demands of our relatively new environment”.

Given the hindsight of history and from experience gained in cross-countries studies, Malaysia’s policy-makers may have miss-stepped on five areas. Firstly, Act 318 is only good for registration of strata titles and inadequate to cope with self-governance issues. Secondly, though far from complete, Act 663 (introduced in 2007) should have been enacted at the same time as Act 318 first emerged in 1985. Thirdly, both Acts 318 and 663 are ill-equipped to overcome the menace of collective action for the urban poor since parcel holders’ demographic profile and socio-economic variables matter (Ariff and Davies, 2011; Mohit *et al*, 2010).

Fourthly, there is little education/ campaign conducted for the benefits of parcel holders by the state to cope with living in a community. See Arrunada’s (2008) arguments about mal-adaptation to new environment and on why “reverse engineering” is required, a field in modern cognition sciences. Fifthly, to allow a market failure to continue inflicting pain on urban poor does not make sense if welfare of the people is paramount.

Efforts are now made to review recent literature on self-governance for low-cost and medium-cost housing based on housing satisfaction survey (Table 5.9), and to identify the knowledge gap based on a “partial list” of researches done at doctoral level (see Table 5.10 of Section 5.5.2 (d)).

Table 5.9 Housing satisfaction survey: Malaysian experience

	Researcher	Title	Is self-governance functional?	Other limiting condition
i	Tan, T. H. (2012)	Housing satisfaction in medium- and high-cost housing: The case of Greater Kuala Lumpur.	Not applicable	--
ii	Ariff and Davies (2011)	Multi- owner low-cost housing management in Malaysia: Effects of owner-occupant characteristics and occupancy rates.	Yes/ No	19 out of 34 schemes in Selangor under study were state- funded projects (walk-up flats). Balance by private-state joint ventures. Only one was high-rise low-cost housing with lifts.
iii	Fakhrudin <i>et al</i> (2011)	The need to implement Malaysia's Building and Common Property Act 2007 (Act 663) in building maintenance management.	No	--
iv	Sibly <i>et al</i> (2011)	Enhancing house buyers' protection through development warranty system: Tackling housing problems in Malaysia.	No	--
v	Mohit <i>et al</i> (2010)	Assessment of residential satisfaction in newly designed public low-cost housing in Kuala Lumpur, Malaysia.	No	The selected case study was state- funded low-cost housing meant for rental only, and therefore state- maintained. ⁶⁷
vi	Salleh (2008)	Neighborhood factors in private low-cost housing in Malaysia.	Yes.	Projects were located in the states of Penang and Terengganu. Result of self-governance requires more studies. ⁶⁸
vii	Latif Azmi (2006)	The study of problems faced by property management in managing the high-rise condominium in Malaysia.	No	--

Of the total number of 1,181 complaints received by Consumers Association Penang (1992-1996), only 6% came under the category of maintenance problems and delay in

⁶⁷ Similarly, Nor' Aini Yusof *et al* (2012) identified factors deemed most crucial to tenants in public housing in Penang, but the issue of tenants satisfaction or otherwise is not addresses.

⁶⁸ See Tiun (2009, cited in Fakhrudin, *et al.*, 2011). Tiun (2009) had a much larger sample size of low-cost and medium- cost housing that spread out in Penang, Kuala Lumpur, Selangor, and Johor, but produced a distinctly different outcome where arrears in maintenance fees could be as high as 60% in Penang.

strata titles issuance (Fakhrudin, et al., 2011; Raman, 1997). This small figure should not be taken to mean the problems relating to self-governance were not serious. The series of amendments to Act 318 from 1985 to 2007 (Table 5.7) is a reflection that showed rules-in-used had been inadequate.

Table 5.9 shall be divided into three groups for a pattern of convergence.

In group 1, Tan (2012) is not appropriate in the assessment because most of the housing types in the survey came from 269 landed-properties owners.⁶⁹

In group 2, most of the schemes in Selangor as examined by Ariff and Davies (2011) were managed by state-linked developer until only recently. Due to the poor collection of sinking fund, one can deduce that the service charge collected must have been equally bad. Also, built during the 8th Malaysia Plan, the 1,896 units Sungai Bonus low-cost housing in Kuala Lumpur was a publicly funded project meant for rentals only (Mohit, et al., 2010). Kuala Lumpur City Hall is the property manager.

Lastly, there was no discussion by Salleh (2008) on outcome of self-governance even though the privately built low-cost housing for sales in Penang selected by him comprised 93% flats.

In group 3, first, both Fakhrudin *et al* (2011) and Sibly *et al* (2011) posited that among other things, the main objective of introducing Act 663 in 2007 was to wrestle back the power of governance from a developer so that it may be given to parcel holders at a date not more than twelve months from the date of vacant possession (Act 663, s 4 (1b)).

⁶⁹ In Tan (2012), local amenities, social capital investment, neighborhood stability of homeownership, demographic and socio- economic variables contributed to housing satisfaction. To the researcher, its framework is similar to Ostrom *et al's* (1994) model except in at least three areas: i) the impact of institution is not pursued; ii) the concept of “bounded rationality and individual opportunism” that relates to human nature is also not pursued; and iii) it examines housing satisfaction from “housing as a basic need” perspective, hence treating it as non- governance issue. For more, see Wu (2010) on quality of housing environment: i) physical dimensions; ii) social dimensions; and iii) symbolic dimensions.

Clearly, if self-governance is well-oiled, no social agitation will result in the introduction of Act 663.

In addition, in a survey involving a total of 50 respondents who were the property managers of high-rise condominiums and apartments in Malaysia, 66% of the respondents retorted that the collection of service charge was the most excruciating experience (Latif Azmi, 2006, pp. 67-70, 88, 104-105).

If at all there is still a lingering of doubt about the issue at hand, consider the report in *The Star* that claimed 70% of the high-rise condominium and apartment in Malaysia were badly maintained (Latif Azmi, 2006). No doubt, the enterprise/ institution of self-governance have fallen on hard-rock even for higher end products.

Despite the odds and success a rarity, how do the few commons overcome the impossible task of self-governance? The clue lies in the nature of local leadership, an area within organizational theory of transaction cost economics of NIE. Of the four case studies undertaken by the researcher, only local leadership of Nursa Kurnia low-cost housing displayed the same characteristic.⁷⁰

In Selznick's (1975, cited in Peters & Waterman, 1982, pp. 98-99, 281) *Leadership and Administration*, he argued that it was the consequence of a distinct set of organizational culture that some companies out-performed their competitors. The four traits are: Organizational character; competence, institutional values; and leadership.

But a company's employees are paid to do certain jobs, whereas parcel holders are the "clients" of the JMB/ MC, who under the rules, are to pay their service charge promptly.

⁷⁰ This topic will be elaborated further in Chapter 7.0. An example however is timely. Nursa Kurnia has a cohesive management team made up of people who had been residing in Kampong Cheras Bharu for decades. When development came, the same 120 households formed the backbone of the common. The local leadership obviously understood the benefits of creating a clean and harmonious community as they faced various challenges in collective living. In the earlier days, the culprits of rubbish thrown everywhere would be traced until identified. Their commitment must have convinced the detractors, if there was any.

Thus, local leadership in a common are faced with many times more challenges than those who are given the tasks to run companies.

In the next subsection, after perusing recent doctoral theses one quickly learns that rules-based IAD framework remains an under-explored framework on the study of the dysfunctional institution of self-governance of common-areas in low-cost housing by Malaysian researchers, much less employing NIE reasoning as rival theories (Sections 3.2.3, and 3.5).

5.5.2 (d) Gap in the literature in doctoral research ⁷¹

Table 5.10 shows there exists a deficiency in research on the dysfunctional institution of self-governance of low-cost housing by Malaysian researchers at doctoral level.

Table 5. 10 A partial list of Ph. D theses undertaken on low-cost housing, Malaysia

	Name	Ph. D thesis title/ University	Scope/ research area	Methodology	Knowledge gap to fill by the thesis
1	Ariff, M (2011)	Effective housing management framework for multi-owners low-cost housing in Malaysia, Deakin University, Australia.	Stratified development and physical obsolescence of building and residential environment.	Quantitative research method where analysis involved descriptive, univariate and multivariate, and structural equation modelling.	Provided insights into the conflictual relationships between stakeholders.
2	Thalha, M (1980)	Policy formulation and institution building for public housing in Peninsular Malaysia, University of Wisconsin-Madison, USA.	Institution building for public housing.	A mixed research method involved establishing seven dimensions by experts and then through factor analysis determined which were relevant.	Provided insights into why the lack of public housing policy to meet the housing demands of low income groups.

⁷¹ A word of appreciation goes to Professor Dr Dasimah Bt Omar for suggesting the inclusion of this table on 23 August 2013.

Table 5.10 A partial list of Ph. D theses, continued

3	Endau, I (1984)	Public housing policy in Peninsular Malaysia, Texas A & M University, USA.	Macro-level policy questions in formulating public housing policy.	Qualitative research method through face-to-face interviews.	An understanding why housing problems are dealt with in an ad hoc manner. Also, why housing is not given the same degree of importance as economic development.
4	Che Ani, AI (2007)	Model keberkesanan pengurusan fasiliti perumahan bertingkat bukan kos rendah di Malaysia (Effective model of facilities management of multi-storey non-low-cost housing in Malaysia), University of Malaya, Malaysia.	Facility management model.	Quantitative research method using AMOS and SPSS in interpreting data.	Provided insights into the model where financial position, maintenance priority, and parcel holders characteristics are found relevant.
5	Abdul Aziz, W. N. A (2007)	Low-cost housing policy in Malaysia: The challenge of delivery, Dundee University, UK.	Low-cost housing policy and the challenge of delivery.	Qualitative research method using three case studies.	Understanding the perception of implementing agents in achieving the desired housing policy.
6	Hamzah, H (2012)	State intervention in housing the urban poor in the developing state of Terengganu in Malaysia: An institutional analysis of low-cost housing regulations and their impact on low-cost housing provision, Auckland University, New Zealand.	State intervention in the provision of low-cost housing in Terengganu.	Qualitative research method involving three tiers of analysis (macro, meso, and micro levels) using secondary data, interview participants, and case studies.	Two knowledge gaps: i) understanding the actual operation of institutions; and ii) understanding the regional differences in policy implementation.

Table 5.10 A partial list of Ph. D theses, continued

7	Tan, S. H (1995)	Urban housing market in Petaling Jaya and the impact of government intervention, University of Malaya, Malaysia.	Urban housing market and impact of government intervention.	Qualitative research method using two comparative case studies.	Impact of government intervention arising from New Economic Policy (NEP) on housing developers, price levels, market stability, speculation, and home-owners.
8	Ibrahim, M (2009)	The planning system and land development in Malaysia: Dominant town planning factors affecting private housing development, University of Malaya, Malaysia.	Land development and urban planning.	Quantitative research method. Conducted using face to face interview, later analyzed to identify main factors and components with respect to town planning process.	Effectuated components of land development and urban planning.
9	Rosli Said (2010)	Analysis of the inter-relationship between the housing market and housing finance system in Malaysia, University of Ulster, Ireland.	Inter-relationship between housing market and housing finance system.	Quantitative research method employing statistical techniques and time series regression.	Provided insights into the relationships of housing market and housing finance system in emerging economies.

In the order of relevance to the research endeavour, Table 5.10 maybe grouped into three categories.

In the first category, Muhamad Ariff (2011), Thalha (1980), Endau (1984), and Che Ani (2007) were close to the researcher's thesis on the self-governance of common-areas in low-cost housing. While Muhamad Ariff (2011) found conflicts were real that hindered effective housing management, the role of institutions was not explored. Both Thalha (1980) and Endau (1984) recognized early the necessity to improve institutional

capacity in the delivery of public housing. Che Ani (2007) attempted to build a model for facilities management for non-low cost housing from non-institutional perspective.

In the second category, both Abdul Aziz (2007) and Hamzah (2012) focused on delivery issues of public housing and challenges faced in the capital city of Kuala Lumpur and Terengganu State respectively, a case of housing provision.

In the third category, one finds that the three identified theses (Tan, 1995; Ibrahim, 2009; Rosli Said, 2010) were located even further away from the researcher's area of focus (self-governance of common-areas in low-cost housing). All the three covered the entire spectrum of housing industry, from low-cost to high-cost housing in terms of state intervention in the supply to meet demand, and the financing of housing units.

Recall the approach of the researcher's thesis is unique because it adopted institutional analysis development (IAD) framework as the theoretical framework used widely in the common-pool resources (CPR) management of natural resources in the last four decades where it recognized two assumptions: i) inadequacy of basic human nature in attending to collective action; and ii) inherent weaknesses in the nature of "public goods", in which common-areas in any low-cost housing maybe classified as one.

5.6 Estate management functions: A cross-countries comparison, an IPE perspective

Constrained by space, this section can only provide an outline of the estate management functions as applicable (or otherwise) to Singapore, Hong Kong, and Malaysia.

Briefly, international political economy (IPE) is a new field of study involving NIE as it applied to politics when a comparison is made between two or more countries relating to a specific public policy (Balaam & Dillman, 2011; North, 1995). To Pramanik (2007, p. 1), IPE is concerned with the mechanisms of adding to or creating the wealth of

nations. The roots of IPE may be traced to moral philosophy first developed in the 18th century as the study of economics and politics. Depending on the development strategies adopted by Singapore, Hong Kong, and Malaysia, the level of commitment in the provision of public goods such as the maintenance of common-areas in low-cost housing differs.

5.6.1 Singapore in estate management functions

Singapore is a mercantilist but socialist-inclined (Peebles & Wilson, 2002, p. 20). Thus, it is easy to understand the nature of estate management function of Housing Development Board (HDB) Singapore that is known for its depth and breathe (Liu, 1985; Chong et al, 1985, cited in A. K. Wong & Yeh, 1985, eds., pp. 20-22, 263-304). King (2008, p. 329) made the same observations. As noted by Podger (1982, cited in RIHED, 1982, eds., p. 5), Singapore is one of the few countries that appreciated the meaning of housing as a basic need.

Since inception in 1 February 1960, HDB has built 850,000 units of public housing for sales as well as for rental, where it housed 85% of Singaporeans; of this 85% was owners-occupied (B. H. Chua, 1996). In terms of estate management functions, they can be viewed along three dimensions: i) physical dimension (repair and maintenance, and environment and services); ii) service support and enforcement; and iii) social dimension (supportive role).

Whatever happens, HDB Singapore would treat the business of retaining the economic value, and preventing obsolete of units as its job long after they have been sold, a practice not commonly found in other countries where laissez-faire rule (Tables 5.10, 5.11, 5.12).

Table 5.11 HDB regular and on-going maintenance (first type)

	Item	Frequency	Workload in 1984
1	Conservancy	Daily sweeping, fortnightly washing	-
2	Refuse removal	Domestic refuse-daily Bulk refuse-weekly	548,000 tons 13,000 tons
3	Grass cutting and maintenance	Twice monthly	1,400 hectares
4	Landscaping: Maintenance and planting	On-going	138,900 trees 17,300 fruit trees 28,000 shrubs
	Propagation		6,000 trees 76,900 shrubs
5	Fast repair: To buildings and equipment	On-going	-
6	Emergency services: Emergency maintenance service unit	On-going	48,600 jobs
	Lift emergency unit		12,700 rescues

Source: Wong & Yeh (1985)

Table 5.12 HDB cyclical preventive maintenance (second type)

	Item	Frequency	Workload in 1984
1	Building repairs and redecoration		68,000 dwelling units
2	Re-surfacing car parks	Every 7 years	35,000 lots
3	Re-roofing	Every 10 years	240 blocks
4	Re-wiring	Every 15-20 years	60 blocks
5	Lifts Servicing	Every 2 weeks	7,300 lifts
	Testing	Quarterly inspection Yearly testing 5-yearly full load testing	
	Automatic rescue device	Quarterly	
6	Water pump-sets and storage tanks:		5,400 pump-sets 7,000 storage tanks
	Servicing	Every 45 days	
	Flushing and sterilization	Every 15-18 months	
	Pump-sets replacement	Every 10 years	
7	CATV system servicing	Half-yearly	3,800 CATV systems
8	Public lighting points checks	Every 2 weeks	498,000 points

Source: Wong & Yeh (1985).

Note: Singapore is known for its efficient institutions, and enforcement is firm. Short-fall from service charge collection, and costs for improvement works are financed by the government.

Table 5.13 HDB improvements to old housing estates, 1979-1986 (third type)

Item	Type of improvement	Units
1	Buildings	Casement windows to old flats with open back balconies
		48,000 dwelling units
	Compartmentation of staircases to old shop houses	4,200 shop houses
2	Water installations	Conversion of refuse chutes to old blocks
		22 blocks
	Improvement to water tanks and pipes	1,950 blocks
	Booster pumps	3,550 blocks
3	Lifts	Replacement of unlined galvanized iron pipes
		5,400 blocks
		Upgrading pump-houses to JTC estates
		45 blocks
	Additional lifts to old blocks with only one lift	280 blocks
	Installation of anti-crime sirens in lifts	4,930 lifts
4	Electrical installations	Installation of automatic rescue devices in lifts
		4,450 lifts
		Conversion of Hitachi AC1 to AC 2 control
		260 lifts
		Provision of emergency battery power to old lifts
5	Facilities	1,140 lifts
		Tele-monitoring system
		6,500 lifts
	Installation of CATV in old blocks	810 blocks
	TV reception for channel 12	3,500 blocks
6	Facilities	Construction of bus and lorry parks
		2,200 lots
		Car park extension
		14,400 lots
		Improvement to old dustbin compound
7	Facilities	150 compounds
		Kiosks on void decks of old blocks
		83 kiosks
8	Facilities	Wash areas on void decks of old blocks
		450 blocks

Source: Wong & Yeh (1985)

5.6.2 Hong Kong in building maintenance

Hong Kong embraces economic liberalism as its development strategy (Balaam and Dillman (2011, p. 274). Hence eradication of poverty and promotion of equitable income distribution rank second to overall economic growth.

For a good account of Hong Kong's housing history, see Yung (2008), and Pryor (1983, pp. 3-39). If earlier periods were seen as *laissez-faire* in terms of housing provision, period after 1982 could be deemed as transformation due to the implementation of "Long Term Housing Strategy" (LTHS) in 1987. By 1996, the Housing Department could take pride that it had housed 50% of its total population of six million into a stock of 800,000 as rental units, 220,000 units for owners-occupiers (Choo, 1997).

The sophistication of building maintenance was quite low by HDB Singapore standard, however. By 2007, 109 out of 171 public housing estates were outsourced to private companies amid numerous complaints, see Lee (2006).

5.6.3 Malaysia in building maintenance

Malaysia is a mercantilist state where the state comes first before all else. Tan, S. H and Sendut (1979) eds had an account of Malaysia's housing history.

As for maintenance of the commons for low-cost housing, a grasp of big picture is important. Private developers in Singapore produce higher end products for the relatively well to do people. After completion of the units, the building management comes under a set of laws which are different from those meant for HDB flats. Residents may in this case, appoint their own agents to carry out maintenance function. Due to their efficient system, enforcement has been firm to deal with any delinquent residents (Wan, 1994).⁷² So the institution of self-governance for private housing works in Singapore.

⁷² Strata units developed by private developers are subjected to two sets of law in Singapore: i) Land Titles (Strata) Act; and ii) Buildings and Common Property (Maintenance and Management) Act— BCP Act.

The irony is, Malaysia's laws (Act 318 and Act 663) resemble those used in private development of Singapore.⁷³ In short, if such laws work only for the relatively well to do Singaporeans, there is little surprise if they do not work in Malaysia, particularly as applied to low-cost housing. In Malaysia, the institution of self-governance for low-cost housing does not meet its expectation, a conclusion that can be drawn from Table 5.9 and from the observations of a number of researchers (Fakhrudin, et al., 2011; Latif Azmi, 2006; Sibly, et al., 2011; Tiun, 2009).

As repeatedly stressed throughout the thesis, for effectiveness of self-governance any institutional change must go beyond formal rules. It must also consider the role of informal constraints. To merely focus on formal rules change (formal law or new Act) is completely missing the argument from IAD framework perspective for policy formulation as discussed in Table 3.5 (Policy change models) and Figure 3.10 (A general behaviour of human action).

5.7 Summary

The chapter started by drawing from the experience of common-pool resources (CPR) management of natural resources at international level, then to men-made commons both at the international and in the Malaysian context. Were the six questions raised in the beginning of the chapter answered?

First, the impacts of three ideologies applied to developments had been addressed. As a capitalist state, Malaysia is unlikely to step up her efforts to be more pro-poor by increasing the public goods provision budget.

⁷³ Strata units developed for sales are subjected to a set of laws in Malaysia: i) Strata Titles Act 1985; and ii) Building and Common Property (Maintenance and Management) Act 2007—BCP Act 2007. See Shukri and Maidin (2010, pp. 149-200). The system is widely seen by critics as inefficient.

Second, urban squatters were largely marginalized by policy-makers since colonial days. The same policy continues to this day as seen from various Malaysia Plans. Third, Malaysia's record of public housing provision was dreary due to a lack of commitment as a capitalist state. Evidence adduced from 4th Malaysia Plan (1981-1985) to 9th Malaysia Plan (2006-2010) shows a consistent pattern of not adhering to stated plans (see Figure 5.5). In most of the said Plans, the state achieved only 40% to 60% of the units planned.

Fourth, collectivism, activism, and conflict are issues that require long term solutions in self-governance situation. Yau's (2011) model called for effective local leadership and responding parcel leaders in the affairs of the community under the institution of self-governance. Fifth, the question was, could self-governance work in Malaysia? From the literature review, successful self-governance is a rare commodity (see Table 5.9). Sixth, Singapore is in a class of its own when comes to estate management, a case of state-led housing governance. Few Third World leaders understand the concept of housing as a basic need (Podger, 1982).

But the central issue to be addressed in the chapter is: Is Malaysia ready to move away from housing provision to housing governance as the institution of self-governance does not appear to work?

Since high transaction costs are culprit that inhibit smooth transactions and create conflicts in the action arena, to overcome them will mean one needs an effective local leadership to realign the behaviour of parcel holders by reducing transaction costs/frictions (see Figure 5.6). But the state has a role too. For a state to invest in housing governance is, after all, to provide a form of local public goods for the urban poor. Any measure taken by the state that improves the economic growth and the living condition

of its people is to acknowledge the former as the proximate cause of well being of the people (Acemoglu, 2009, p. 109).

As argued by Acemoglu (2009), many societies remain relatively poor because they fail to invest in technologies, invest in physical capital, and accumulate human capital (the proximate factors of economic growth). The real causes of economic growth are attributable to “fundamental factors”. Of the four fundamental factors that affect country income and economic growth, “the institutional hypothesis” comes closest to explain Malaysia’s position. The others are the luck hypothesis, the geography hypothesis, and the culture hypothesis (Acemoglu, 2009, p. 110).

In any given situation, the nature of political power determines the type of institution selected (Engerman & Sokoloff, 2003). Hence, a pertinent question to ask would be: What are the chances of an imminent institutional change regarding housing policy under the same elitist state rule who has embraced a capitalist stance of laissez-faire of over five decades?

Chapter 6.0

Methodology and data collection strategies

6.1 Introduction

In a scientific enquiry following from literature review, a set of knowledge gap is identified with the social phenomena. In this research the social phenomenon is the dysfunctional institution of self-governance in a common that results in poor state of health of a common. From there, research questions may be formulated so that research efforts are organized systematically to solve the challenges. In social research, the means to achieve the stated goals scientifically is referred to as research methodology. On the other hand, data collection strategy is the manner through which any data is obtained, analyzed, and interpreted under certain sets of rule as part of the process in the study.

Some questions may be raised: i) what is a scientific research? ii) why must social research be scientific? iii) what are the major differences between methodology and methods? And iv) what are the three major approaches to social research?

Firstly, a scientific research is an enquiry conducted in a prescribed manner guided by the research community. As a starter, consider how a chemist conducts an experiment in a laboratory if he wants the result to be taken seriously.

Secondly, in Neuman's (2006, p. 2) words, "social research is a collection of methods and methodologies that researchers apply systematically to produce scientifically based knowledge about the social world".

Thirdly, Babbie (2010, p. 4) described methodology as "the science of finding out; procedures for scientific investigation". In other words, research methodology is the

science of making inquiry; prescribed procedures for scientific investigation on anything so selected.

Drake and Jonson-Reid (2008, p. 2) took the position as Kuhn (1962) did, and assumed that since social science is a pre-paradigmatic field, social science research is about an endeavour “to use the best method to answer a question related to some sort of applied intervention or policy”.⁷⁴

Methods are “a set of specific techniques for selecting cases, measuring and observing aspects of social life, gathering and refining data, analyzing the data, and reporting on the results” (Neuman, 2006, p. 2).

Fourthly on major approaches to social research, taking the cue from Teddlie and Tashakkori (2009, p. 21), there are three major approaches to social research: Qualitative research method (QUAL); quantitative research method (QUAN); and mixed research methods (MM). More will be discussed in later sections.

There are three objectives to this chapter: i) to provide the rationale to account for the emergence of MM research; ii) to explain and justify the research methodology used in the thesis; and iii) to clarify how various approaches are used as part of MM research in answering the four research questions identified in Chapter 1.0.

Hence, three questions may be asked. Being relatively new why is MM research employed in this research endeavour? What is the research methodology as used in the research? And finally, how are data designed, collected, analyzed, and interpreted in order to answer the four major research questions?

⁷⁴ Kuhn (1962) was well known for his argument about the incompatibility thesis of paradigms. According to Drake and Jonson-Reid (2008, p. 2) social science is not in the rank of physics for example which has been accepted as a paradigmatic science where the manner on how heat is measured (say) has been accepted. The reverse is true for social science as it is still looking for unifying principles, and hence the term pre-paradigmatic. Creswell (2003, p. 7) added that when studying human behavior, one can never be certain about it and therefore “paradigms--knowledge claim” is not complete. Competing paradigms exist only in immature science such as human sciences (Teddlie & Tashakkori, 2009, p. 84).

This chapter is discussed in three parts. In the first part, QUAL and QUAN debate, the history of MM provide the background to the emergence of MM as the third research approach. In the second part, the overall research methodology is explained in terms of how research questions are framed and answered using QUAL, QUAN or in combination of the two approaches. In the third part, specifically it explains the steps used to address the four research questions using at times a combination of QUAL-QUAN or QUAN-QUAL sequential MM research as in research questions 1 (RQ 1) and research question 3 (RQ 3). See Table 6.7 in later section.

6.2 The emergence of mixed methods (MM) research

Before proceeding, the inadequacy of quantitative method (QUAN) research must first be addressed (Myrdal, 1969). What are the tenets of positivism as accepted by naturalists? ⁷⁵ They are three: i) science is essentially an empirical enterprise; ii) scientific inquiry produces causal explanation grounded in law-like regularities; and iii) science is value neutral.

It was Karl Popper (1902-1994) who introduced the hypothetico-deductive view into social science by introducing the concept of empirical falsifiability, see Smith (2000, pp. 9-13). ⁷⁶ To do that, one needs to carry out a social inquiry systematically and precisely in order to measure the phenomenon. That was exactly what social scientists did in the good part of 20th century looking for tools to operationalize social phenomenon. As an example, Cavana *et al* (2001, pp. 188-194) provided an example on how to

⁷⁵ Philosophers and social scientists who argued for and adopted the methodologies of natural science in their enquiries of social world. Positivism was first coined by Auguste Comte (1798-1857) that says knowledge is something grounded in experience and observation. It is the building block of QUAN.

⁷⁶ In the hypothetico-deductive method, hypothesis come first and observations follow (P. K. Smith, 2000, p. 9). This concept is different from the traditional view of hypothesis follows observation, as in practice no one can verify true theories. One cannot verify something that is beyond observation due to human limitation. Thus the inductive sequence of data-theory view, a view held by John Stuart Mill (1806-1873) is not correct (Neuman, 2006; P. K. Smith, 2000).

operationalize the concept of learning into dimensions (understanding, retention, and application), and finally into elements that are measurable (Figure 6.1).

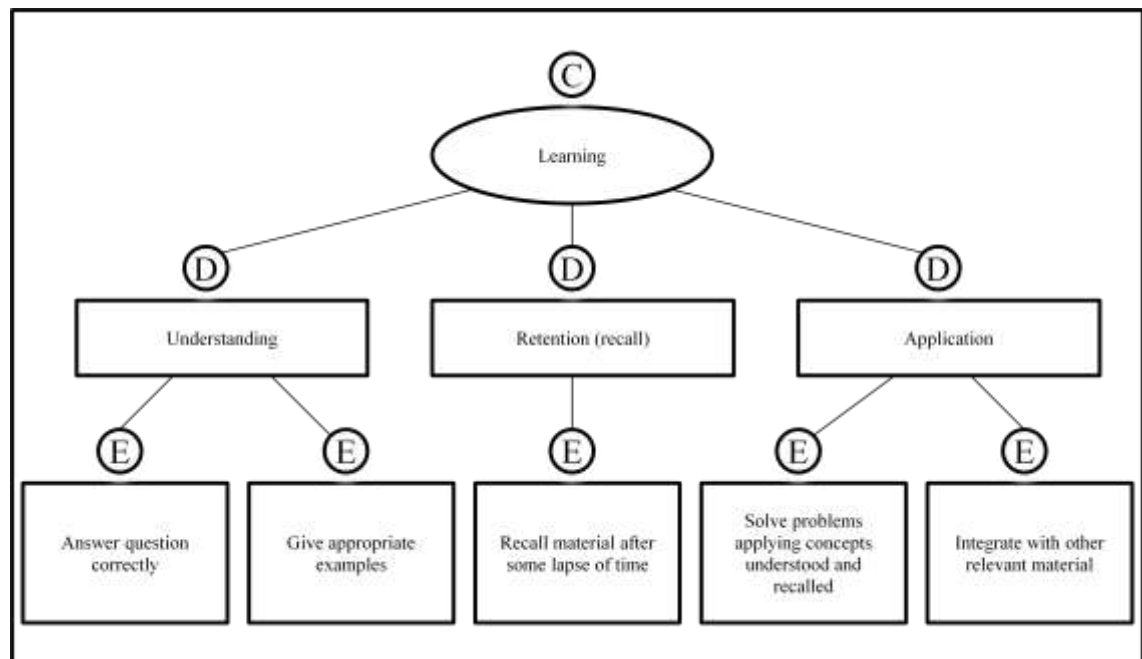


Figure 6.1 Concept (C), dimensions (D), and elements (E)

Source: Adapted from Cavana et al (2001, p. 193)

The end result was among other things, the creation of institutional frameworks which the social science community can test each other's theories. And in this regard, plainly it illustrates the role of research methodology in any scientific inquiry because it conforms to the three characteristics of science: the data is empirical; it is logically structured; and the knowledge is in the public domain (Drake & Jonson-Reid, 2008, p. 3). Hence, a truly scientific social research is meant for the entire humanity, and therefore borderless.

Secondly, to naturalists who subscribe to positivism, requiring a theory to start with in a social world or a natural world is to look for a "covering law model", thus adhering to the structure of deductive argument. Therefore, uncovering the laws of social phenomena should be a primary goal of social inquiry, and indeed it represents the *sine quo non* for achieving genuine scientific social investigation.

Thirdly, its value neutrality concept may be seen by the contrast between fact and value. Example, a biologist may conclude that violence and competition are all part of human traits. In the same way, social scientists may identify a list of factors that promote democracy. In order to be treated as a scientific inquiry; a researcher should be concerned about the fact, not his own preference.

In America, naturalism was highly influential in the middle of 20th century especially in economics and political science (Gorton, 2010). Soon however, their position was being questioned. Critics pointed out the absence of law-like regularities at the social level, complexity of social environment, difficulty of conducting controlled experiments. Also, critics from Interpretist School argued for more meanings of social works, not superficial causal relationship. Also, critics cast doubt on the concept of value neutrality.

In the end, by the middle-third of 20th century, positivism lost much of its previous lustre, its pre-eminence position was eventually overtaken by four other schools: post-positivism (a variant of QUAN), constructivism, advocacy/ participatory (under QUAL), and pragmatism (as represented by MM). For more see Creswell (2003, 2009). The next section explains how QUAL makes inroad into the research community.

6.2.1 The QUAL and QUAN debate

The debate between proponents of QUAL and QUAN communities had been going on since 1970s and for some reasons losing its steam in 1990s (Guba & Lincoln, 1994; Tashakkori & Teddlie, 1998; Teddlie & Tashakkori, 2009). The root cause can be traced to Kuhn's (1962, 1970, 1996, cited in Teddlie & Tashakkori, 2009, pp. 14, 84) "incompatibility thesis" wherein he questioned whether competing paradigms could be used to conduct the same research since in the history of scientific revolution, older paradigms were often replaced wholly by their younger ones (and therefore non-evolutionary), a term called paradigm shift.

In Kuhn's mind, competing paradigms might be compatible in social science due to its short history and by extension, not a full science. One way to describe QUAL and QUAN debate is as follows:

It is a conflict between the competing world views of positivism (and variants, such as post-positivism) and constructivism (and variants, such as interpretivism) on philosophical and methodological issues (Gage, 1989; Guba and Lincoln, 1994; Howe, 1988, Reichardt and Rallis, 1994; Tashakkori and Teddlie, all cited in Teddlie & Tashakkori, 2009, p. 15).

There is a long line of researchers calling for a truce to the debate as they generally feel that the real difference between the two communities lies at the level more of philosophical in nature, not methodological or method (Bryman, 1984; Firestone, 1987; Krantz, 1995; Poteete, et al., 2009; Sale, Lohfeld, & Brazil, 2002), and Krantz (1995) took notice that there were pockets in certain quarters where "rapprochement was the hallmark of current debate". Hence there is a consensus amongst research communities to work towards adopting pragmatism as in mixed methods research (MM) as each community (QUAL or QUAN) can complement the effort of another in collaborative environment (Poteete, et al., 2009, p. 18).

Since the time of Comte and Durkheim, a social survey has long been accepted to be quantitative in nature. Over times however, the ability of QUAN to explain the reality in nature is doubtful. At stake is the long-held view of Trow (1957, cited in Bryman, 1984, p. 76) whose sound advice was that "the problem under investigation properly dictates the methods of investigation". For a while hence, QUAN appeared to be untouchable. More recently, a long list of books and journal articles exclusively deal with QUAL methodology appeared, obviously pointing to QUAN's inability to explain certain

phenomena fully (Berg, 2009; Creswell & Clark, 2007; Denzin & Lincoln, 2005; Merriam, 2009).⁷⁷

To the QUAL community, many social phenomena cannot be accounted for by QUAN research methodology simply because of their inappropriateness of their world view about the reality. By far the most influential proponents of QUAL community are Lincoln and Guba (1985, p. 37, cited in Teddlie & Tashakkori, 2009, p. 86) who provided a table highlighting the contrast in paradigms (Table 6.1).

Table 6.1 Paradigm contrast: QUAL and QUAN

Dimension of contrast	Constructivist (natural) paradigm, QUAL	Positivist paradigm, QUAN
Epistemology: the relationship of the knower to the known; the nature of knowledge and its justification	Knower and known are interactive, inseparable.	Knower and known are independent, a dualism.
Axiology: the role of values in inquiry	Inquiry is value bound.	Inquiry is value free.
Ontology: the nature of reality, being, and truth	Reality is multiple, constructed, and holistic.	Reality is single, tangible, and fragmented.
The possibility of causal linkages	All entities are in a state of mutual, simultaneous shaping so that it is impossible to distinguish cause from effects.	There are real causes, temporally precedent to or simultaneous with their effects.
The possibility of generalization	Only time-and-context-bound working hypotheses (ideographic statements) are possible.	Time-and context-free generalizations (nomothetic statements) are possible.

Source: Lincoln and Guba (1985, p. 37, cited in Teddlie & Tashakkori, 2009, p. 86)

To Krantz (1995, p. 90), he drew parallel of the current QUAL and QUAN debate to the debate between romanticism and empiricism which had its root in ancient Greeks involving the conflict between Dionysians and Appolonians, a conflict not settle between opposing camps at present time (Table 6.2). Given that the latter debate took

⁷⁷ Bryman (1984) gave a long list showing the steady emergence of acceptance of QUAL by the research community: Filstead (1970); Lofland (1971); Bogdan and Taylor (1976); Douglas (1976), etc. Another sign of QUAL taking a firm root shows up as evidenced from Babbie (1992, 1995, 2004, and 2010, 2013) a popular text book on research methodology who, over the years, steadily gives prominence to QUAL in his discussion. See also Morgan (2007, p. 55).

“taste and style for a matter of moral and cognitive significance”, the current QUAN and QUAL debate is not easily resolvable (Krantz, 1995).

Table 6.2 Attributes of romantic and empiricistic paradigms

Romanticism	Empiricism
Person centred	Environment centred
Individual creative	Individual reactive
Behaviour is purposive	Behaviour is reactive
Man—inherently good	Man—inherently neutral or bad
Social system constrains individual's nature	Social system defines individual
Reality—indeterminate, complex, mysterious, constructed	Reality—determinate, discoverable
Behaviour is free, spontaneous	--
Reality is apprehended, knowable through intuition	Behaviour is controlled
	Reality is investigated by observation and rational thought

Source: Encyclopedia of philosophy (1976, cited in Krantz, 1995, p. 90).

Note: Krantz (1995) made reference to Reichardt and Cook's (1979) world view on QUAL and QUAN, and compared them to romanticism and empiricism paradigms.

The situation is not completely beyond redemption. Rather than dealing with issues at philosophical level, the debate of QUAL and QUAN may be resolved at a lower methodological term (Reichardt and Cook, 1979, cited in Krantz, 1995). This was what Firestone (1987) did when he introduced two separate methodologies to study the same problem on whether leadership made any difference in organizational outcomes in schools in New Jersey area.

The current position is, neither QUAL can replace QUAN totally, nor can QUAN continue the way it used to dominate many decades ago in any scientific inquiry. As Sale *et al* (2002) summed up the debate neatly: “Because the two paradigms do not study the same phenomenon, QUAL and QUAN cannot be combined for cross-validation or triangulation purposes. However they can be combined for complementary purposes”. From this position, the development towards a mixed methods (MM) research hence is understandable as it takes middle ground and offers a better insight in an inquiry, rather than adopting polemical views of constructivism (QUAL) or positivism (QUAN).

With QUAN losing its pre-eminent position as the gold standard in social research, the door is opened to QUAL and a host of other possibilities. In the next section, a closer look is on how MM research earned its place as the third research approach in social science.

6.2.2 The history of MM

Although MM is the new kid on the block, its history may be traced to developments taking place since 1860 and in a way quite independent of the QUAL and QUAN debate (Mertens, 2010). As a paradigm for discussion, it can be divided into two periods (Mertens, 2010, p. 35): i) period from 1860-1930; and ii) period after 1960.

More aligned to constructionists, earlier period researchers of pragmatism included Charles Sanders Peirce (circa 1877), William James, John Dewey, George Herbert Mead, and Arthur F. Bentley who distrusted that the “truth” about the real world could only be obtained from a single scientific method (Mertens, 2010; Ritzer, 2008).

Current advocates of pragmatism differed slightly from their earlier counterparts who emphasized that the “lines of action are methods of research that are seen to be most appropriate for studying the phenomenon at hand” (Mertens, 2010; Ritzer, 2008).⁷⁸

6.2.3 The birth and paradigm of MM

For MM to be accepted as the third community of social science research fraternity, it must pass two tests: i) that the Kuhn’s (1962) incompatibility thesis is wrong; and ii) that QUAL and QUAN may be combined in any single study.

⁷⁸ As part of symbolic interactionism, further subdivision of pragmatism is possible (Ritzer, 2008, p. 348): i) nominalist pragmatism; and ii) philosophical realism. The former believed that macro-level phenomena do not have effects upon individuals, whereas the latter believed so.

To the first challenge, Howe (1988) came out with his compatibility thesis and argued that both QUAL and QUAN are compatible to each other at the levels of practice and that of epistemology. Huberman (1987), cited in Howe (1988) observed at practice level:

In any study, there are only bits and pieces that can be legitimated on “scientific” grounds. The bulk comes from common sense, from prior experience, from the logic inherent in the problem definition or the common space. Take the review of the literature, the conceptual model, the key variables, the measures, and so forth, and you have perhaps 20% of what is really going into your study..... And if you look hard at that 20%, if for example, you go back to the prior studies from which you derived many assumptions and perhaps some measures, you will find that they, too, are 20% top soil and 80% landfill.

The conclusion drew by Howe (1988) from the above was that many components of research (examples, data, design, analysis, and interpretation) were result of non-mechanical judgment and the line between QUAL and QUAN was in fact less distinct and therefore QUAL and QUAN could be regarded as compatible to each other.

To the second challenge, whether both could be combined into a single study at the epistemological level, Howe (1988) posited the views of two researchers: i) Giddens’s (1976) “double hermeneutic” concept; and ii) Geertz’s (1979) “dialectical tacking” concept. Double hermeneutic concept refers to the communication of back and forth between “scientific vocabulary of social science and the workaday, natural vocabulary of social conduct”, while dialectical tacking refers to “human behaviour requiring continuous dialectical tacking between the most local of local detail and the most global of global structure” (Howe, 1988, p. 14).

In short, instead of taking either the extreme position of positivism as in QUAN or constructivism as in QUAL, a middle ground is proposed for the newly coined “pragmatism”, the paradigm associated with mixed methods. The views of Giddens and Geertz hence paved the way for a combination of two methods in a single social study at epistemological level.

As the third research community in social science since 1990s, how does MM's associated paradigm compare to QUAL and QUAN paradigms? Further insight into the new paradigm was suggested by Morgan (2007) when he compared it with those from QUAL and QUAN (Table 6.3).

Table 6.3 Comparison of paradigms with respect to key issues

	QUAL approach	QUAN approach	MM approach
Connection of theory and data	Induction	Deduction	Abduction
Relationship to research process	Subjectivity	Objectivity	Inter-subjectivity
Inference from data	Context	Generality	Transferability

Source: Morgan (2007, p. 71)

In Table 6.3, abductive reasoning refers to the flexibility of moving back and forth between induction and deduction (or vice versa) as seen from the researcher's research question 1, wherein output of qualitative data (induction in first stage) serves later as input into quantitative research (deduction in the second stage). While a QUAN researcher maintains a detached posture in an inquiry (being objective), a QUAL researcher is more immersed in an inquiry (being subjective).

On the other hand, an MM researcher takes middle ground yet again believing the importance of "communication and shared meaning that are central to any pragmatic approach" (Morgan, 2007, p. 72). Additionally, Morgan (2007) argued that the knowledge obtained in an inquiry may only be applied to other settings upon further investigation, although such knowledge assumed application to certain contexts (as in QUAL), or generally application to all situations (as in QUAN).

If one were to put behind the MM debate as it has earned its place in the research community, how can one identify which is a MM research? A simple definition came from Teddlie and Tashakkori (2006, cited in Greene, 2008, pp. 13-14) who argued that

“a study that does not integrate methods in at least one inquiry phase is really a quasi-mixed methods study”.⁷⁹

Research question 1 (RQ 1) and research question 3 (RQ 3) are considered MM because in both cases, integration of methods occurred after data collection and analysis. In RQ 1, a QUAL explores the determinants that cause the social phenomenon and follows by a QUAN to identify the correlational relationships of the determinants. In RQ 3 the process is reversed. From a QUAN’s survey research, the socioeconomic profile of parcel holders are established follows by a QUAL’s multi-case study on local leadership.

6.2.4 Families of MM

In conducting a research, different researchers may choose from a plethora of MM designs. Morgan (1989, cited in Hesse-Biber & Leavy, 2011, pp. 282-286) argued that there could be four designs depending on sequencing (time ordering) and relative importance (priority): i) qual followed by QUAN; ii) quan followed by QUAL; iii) QUAN followed by qual; and iv) QUAL followed by quan. The lower case indicates the said process is not on equal footing. As an example, in case (iv), QUAL dominates, while quan plays a minor role.

More varieties of MM designs have been identified by Creswell (2009, pp. 208-216) that include in addition to sequencing methods as discussed to include two more categories: sequencing transformative strategy and three concurrent strategies (concurrent triangulation strategy, concurrent embedded strategy, and concurrent transformative strategy). In addition to being a mixed method, sequencing transformative strategy is concerned by the theory that underpins the study.

⁷⁹ The eight phases of social science methodology (inquiring logics) are: purpose; design; sampling; methods choice; analysis; quality criteria; writing up; and reporting.

In the three concurrent strategies, the purpose is to use mixed methods to offset the weakness in any individual method. The data are pulled from two methods at the interpretation phase (Creswell, 2009, p. 217).

Creswell and Clark (2007, cited in Teddlie & Tashakkori, 2009, p.162) presented yet another set of MM designs (Table 6.4).

Table 6.4 Typology of MM designs and variants

Design type	Variants	Notation	Remark
Triangulation	Convergence Data transformation Validating QUAN data Multilevel	QUAN+ QUAL	
Embedded	Embedded experimental Embedded correlational	QUAN (qual) Or QUAL (quan)	
Explanatory	Follow-up explanations Participant selection	QUAN to qual	Research question 3 in the thesis
Exploratory	Instrument development Taxonomy development	QUAL to quan	Research question 1 in the thesis

Source: Creswell and Clark (2007)

Creswell and Clark's (2007) made further improvements to their model by introducing a sub-set model for transformative design (Figure 6.2).

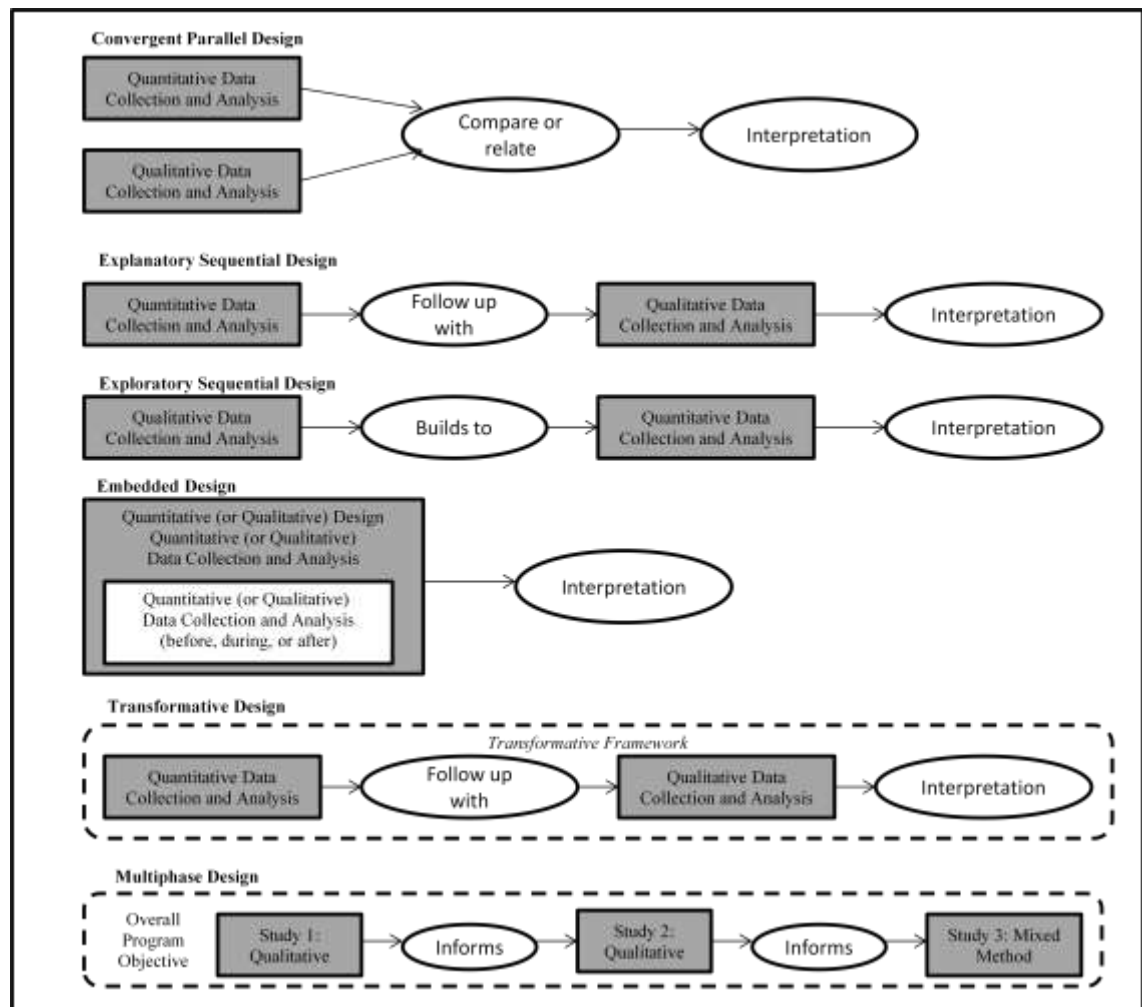


Figure 6.2 Six types of MM designs

Source: Creswell and Clark (2011, cited in Creswell, 2012, p. 541)

On the other hand, Teddlie and Tashakkori (2009, p. 151) identified five types of MM designs: i) parallel mixed design; ii) sequential mixed design; iii) conversion mixed design; iv) multilevel mixed design; and v) fully integrated mixed design.

In this research however, only sequencing mixed design will be adopted for practical reasons, exploratory sequencing for answering research question 1 (QUAL to QUAN), and explanatory sequencing for answering research question 3 (QUAN to QUAL).

The balance of the chapter is discussed in two levels.

In level 1, under the adopted MM process, “an overview” mainly on the methods used to address data design, data collection, data analysis, and writing the report is laid out.

In level 2, “exact procedure” on how each research question is answered in terms of QUAL or QUAN data collection is explained. From this point, results would be presented in the next chapter.

6.2.5 The adopted MM process: An overview

Johnson and Christensen (2008, pp. 23-26, 449-451) gave an orderly account of the process in conducting a MM research: i) select a research topic; ii) establish a research problem; iii) determine the research purpose; iv) formulate a set of research questions; and v) identify the research objective (s).

Following from the above, there were five research objectives one could focus on to study the social phenomenon (the dysfunctioning of self-governance in the commons): exploration; description; explanation; prediction, and influence. Clearly more than one objective, if not all of them, might be required.

6.2.5 (a) *Design appropriateness*

Was MM an appropriate choice? See step 1 of Figure 6.3. Only Steps 1-6 would be discussed as “applied” to the research.

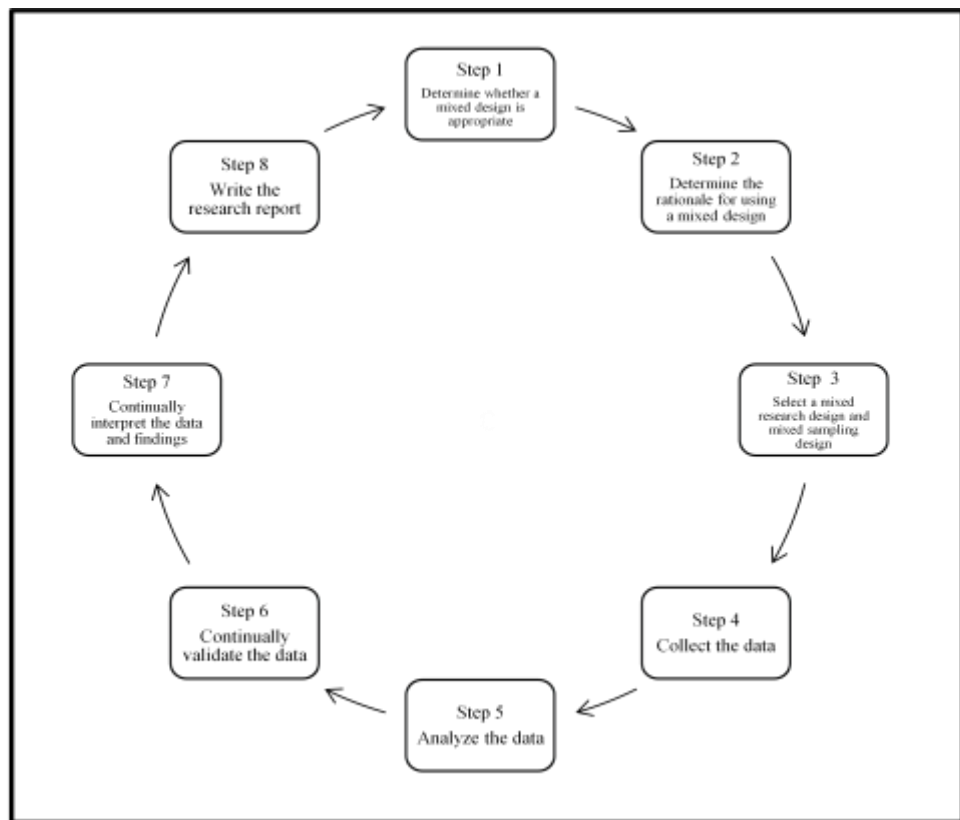


Figure 6.3 The process of MM

Source: Johnson and Christensen (2008, p. 450)

Teddlie and Tashakkori (2009, pp. 163-164) considered the following criteria before making any decision:

- i. Decide whether a mono-method can deliver the result. If not MM is the choice.
- ii. Beware of a number of choices available in MM designs.
- iii. In certain condition, the researcher may have to initiate his own design.
- iv. Decide on the criteria of design before selecting it. As an example, in using sequencing MM model, only time and priority are crucial in decision making.
- v. Select first the criteria before design selection.
- vi. If the criteria so chosen have to consider the influence of ideology, a transformative design is preferred.
- vii. Allow flexibility and creativity in the decision making.

Since mono-method was ill suited to address the complexity of social phenomenon, beside the use of pure QUAL and QUAN procedures both exploratory sequencing and explanatory sequencing of MM were adopted.

6.2.5 (b) Design rationality

In Step 2, the rationality of using MM was addressed. MM was only considered when neither QUAL nor QUAN working on its own was able to fulfil the several purposes one had in mind. Greene, Caracelli, and Graham (1989, cited in Johnson & Christensen, 2008, p. 451) listed five purposes for using MM design. In this MM research, the complementarity and development purposes were met (Table 6.5).

Table 6.5 Five purposes of using a MM design

	Purpose	Explanation
1	Triangulation	From the results of different methods, seek convergence
2	Complementarity	From the results of one method, seek elaboration, enhancement and illustration with the results of another
3	Development	Use the results of one method and apply them on another
4	Initiation	Discover a new perspective of seeing thing and continue with it on another method
5	Expansion	Starting from the results of one enquiry and expand the horizon and depth of enquiry using another method

Source: Greene, Caracelli, and Graham (1989, cited in Johnson & Christensen, 2008, p. 451)

6.2.5 (c) Types of MM design and sampling design

In Step 3 specifically one had to perform three tasks after deciding that MM was the choice of enquiry: Select one of the several MM designs identified in Figure 6.2; select the appropriate sampling design, and determine sample size.

First, sequential mixed sampling designs were chosen; see Figure 6.2 on the second and third method. More would be discussed in the next section.

Second on sampling method, QUAL and QUAN determined the choice of sampling methods in their own way. In QUAL, the number of people under study was very small, the selection criteria was based on criterion/ purposeful sampling where the aims were “to look at the process or the meanings of individuals attribute to their social situation” (Hesse-Biber & Leavy, 2011, p. 45). As an example, only an individual was interviewed for the narrative inquiry for his in-depth knowledge in a disenfranchised situation.

In QUAN, four major probability sampling methods were distinguishable (Ary, Jacobs, Razavieh, & Sorensen, 2006, pp. 169-174): simple random sampling; stratified sampling; cluster sampling; and systematic sampling.

The most popular of QUAN sampling method was simple random sampling where every member of the population had an equal chance. Stratified sampling was used because of sub group formation due to historical development on culture, or ethnicity condition (say). Incidentally stratified sampling was the sampling method selected in the research in order to reflect the percentage composition of Malays, Chinese and Indians population in each low-cost housing.

When certain groups in a society possessed characteristics that explained the social phenomenon, cluster sampling was the choice. In a way only four low-cost housing were selected in this research endeavour pointed to cluster sampling, as each came with it certain degree of success in self-governance. As an example Nursa Kurnia’s service charge collection was 85%, Cemara I and II was 60%, and Tujoh Ratus and Vista Subang were both 40%. Implementation wise, the most difficult sampling method was systematic sampling since the sample was taken from a pre-fixed way of selection (but it was not the sampling method used). Cooperation from the designated respondents in this case was always the challenge.

Third on sample size, since the purpose of QUAL was not to generalize on the population, the sample size was small. In the narrative inquiry the sample was an individual (Ary, et al., 2006, p. 456). When one used an expert panel to explore the overall picture of a social phenomenon, the size of the panel was secondary to seeking the “saturation of ideas” obtained by the right kind of target group (Johnson & Christensen, 2008, p. 247).

The sample size selection after the population was determined for a QUAN was relatively straight forward since it was read from a table: Creswell (2012, pp. 610-611); Johnson and Christensen (2008, p. 242).

On the other hand, Ary *et al* (2006, pp. 186-187) showed a more elaborate computation of sample size by proposing two steps: “specify a meaningful effective size; and determine the desired probability of rejecting the null hypothesis at a given level of significance”.

6.2.5 (d) Data collection

In Step 4, as all data was information relating to the social phenomenon under study regardless of QUAL or QUAN, its manner of collection was crucial in a scientific research. Different authors had their ways of classification. As an example, Mertens (2010, p. 352) named six data collection methods: questionnaire; interviews; documentation reviews; observation; focus groups; and case studies. However, to Kumar (2011, pp. 138-165), observation and interview were the two main data collection methods. This was also the data collection strategy in this research.

In QUAL data collection, three types of interviews were conducted. One, several face-to-face interviews were conducted with an expert panel for a phenomenological study (May 2012 to July 2012). Two, interviews (three in number) were held with the head of

JMB of Vista Subang low-cost housing for a narrative inquiry (7 August 2012, 2 September 2012, and 20 December 2012 respectively). Three, panel meetings with officer-bearers of four JMBs were held that formed part of multi-case study (May 2012 to October 2012).

Questionnaire face-to-face interviews were used in the case of QUAN's survey research on 633 parcel holders/ tenants at the back of 1,598 population of four low-cost housing (Nursa Kurnia, Cemara I and II, Tujoh Ratus, and Vista Subang) commencing on 8 September 2012 and ending in end October 2012 wherein a pilot test involving twenty respondents was conducted on 4 September 2012. From the feedback of the respondents in the pilot study, the questionnaire were analyzed and confirmed to be error-free since there was no queries raised by them.

6.2.5 (e) Data analysis

In Step 5, one readily observed that the procedure to analyze the data after collection was specific depending on whether it was a QUAL, or QUAN. Due to space constrain, only a brief discussion was attempted.

In QUAL, "interim analysis" in data analysis involved a cyclical data collection and analysis process of six stages (Hesse-Biber & Leavy, 2011; Johnson & Christensen, 2008): i) data collection; ii) data entry and storage; iii) segmenting coding, and developing category systems; iv) identifying relationships; v) constructing diagrams, tables, matrices, and graphs; and iv) corroborating and validating results.

Typically in a QUAL study, there was a lot of going back and forth as one interviewed the target or the target group since making sense from the interviews required time.

In a QUAN data analysis, it was best to discuss it in the context of research questions where it was employed on four occasions.

In the first case, factor-led correlational statistics used a host of tools such as factor analysis to explore factors that contributed to the outcome—the state of health of the commons based on augmented IAD framework (Manly, 2005; Tabachnick & Fidell, 2007).

In the second case (and following from the first case), used multiple regression to determine the relationship of the dependent variable and a set of independent variables and later applied it to predict/ validate similar case (Creswell, 2012; Johnson & Christensen, 2008).

In the third case, under inferential statistics, used ANOVA/ F-tests to compare group means of four groups (inter groups comparison), example, why as a community Nursa Kurnia appeared to show greater social capital/ collective action than Tujoh Ratus (Ary, et al., 2006; Johnson & Christensen, 2008)?

In the fourth case, used non-parametric Chi-square/ contingency table to compare the group differences of three groups (intra group comparison), example, response differences of Malays, Chinese, and Indians to certain question (Ary, et al., 2006; Coakes & Ong, 2011; George & Mallery, 2008; Johnson & Christensen, 2008).

6.2.5 (f) Reliability and validity tests

In Step 6, for any scientific research to be taken seriously, it must satisfy two sets of test: reliability tests and validity tests. The outcome of a study is reliable if the study can be replicated. Put it in another way, “if a research tool is consistent and stable, hence predictable and accurate, it is said to be reliable” for replication (Kumar, 2011, pp. 181-184).

On the other hand, it is valid if it measures the “truth” as it claims. But to measure the truth one must devise appropriate and accurate procedures so that quality is assured (Kumar, 2011, pp. 177-181). See Table 6.6.

Table 6.6 Reliability and validity of an instrument

	QUAL	QUAN
Reliability tests	Credibility Transferability Dependability Confirmability	External consistency procedures (test and retest, parallel forms of the same test) Internal consistency procedures (the split-half technique)
Validity tests	Credibility Transferability Dependability Confirmability	Face and content validity Concurrent and predictive validity (criterion validity) Construct validity

Source: Kumar (2011, pp. 177-187)

Other references: Creswell (2012, pp. 160, 163); Babbie (2010, pp. 150-156); Salkind (2009, pp. 117-122); Neuman (2006, pp. 188-198)

In QUAN, the reliability of an instrument can be verified through two methods: external and internal consistency procedures as in Table 6.6. The same instrument under repeated tests should deliver the same result in the former case. In the latter case, create two separate forms (test 1 and test 2) and apply each to two similar populations. At the end, results from one test are compared to the results of other test.

In QUAN, face validity shows logical link between questions and objectives. The questions asked must cover the whole range of issues at hand. In practice, one relies on literature review to guide the researcher along. If the coverage of the issue is balance in the items, content validity is established.

Predictive validity concerns the ability of an instrument in forecasting an outcome. As an example, social capital measures are used to determine the level of collective action. Concurrent validity is established if a new instrument compared well with another instrument that is well accepted.

In construct validity, statistical procedures are used to assess the contribution of each factor to the total variance of a construct. Higher variance attributable to the construct indicates higher construct validity.

In QUAL, reliability and validity are represented by four indicators: credibility, transferability, dependability and confirmability (Guba and Lincoln, 1994, cited in Kumar, 2011, p. 184).

6.2.6 Limitations in MM

Given all the promises as a new approach since 1990s, four limitations are discernible (Johnson & Christensen, 2008, p. 456).

Due to the complexity both in planning and execution, MM need more resources compare to mono-methods of QUAL or QUAN. Second, MM demand higher level of competency and hence more than one researcher is recommended. Third, conflicts do emerge between QUAL and QUAN phases that deserve careful mediation. Lastly, the relative merits of different MM designs are still unknown.

6.3 MM research in action

In this section, an overall picture of MM research methodology is given, follows by a road-map, the four main research questions (and the sub-questions), and ends with the location plans and front elevations of four low-cost housing.

6.3.1 An overall picture

Figure 6.4 gives an overall picture. The exact procedure of data design, data collection, and data analysis would be introduced under level 2.

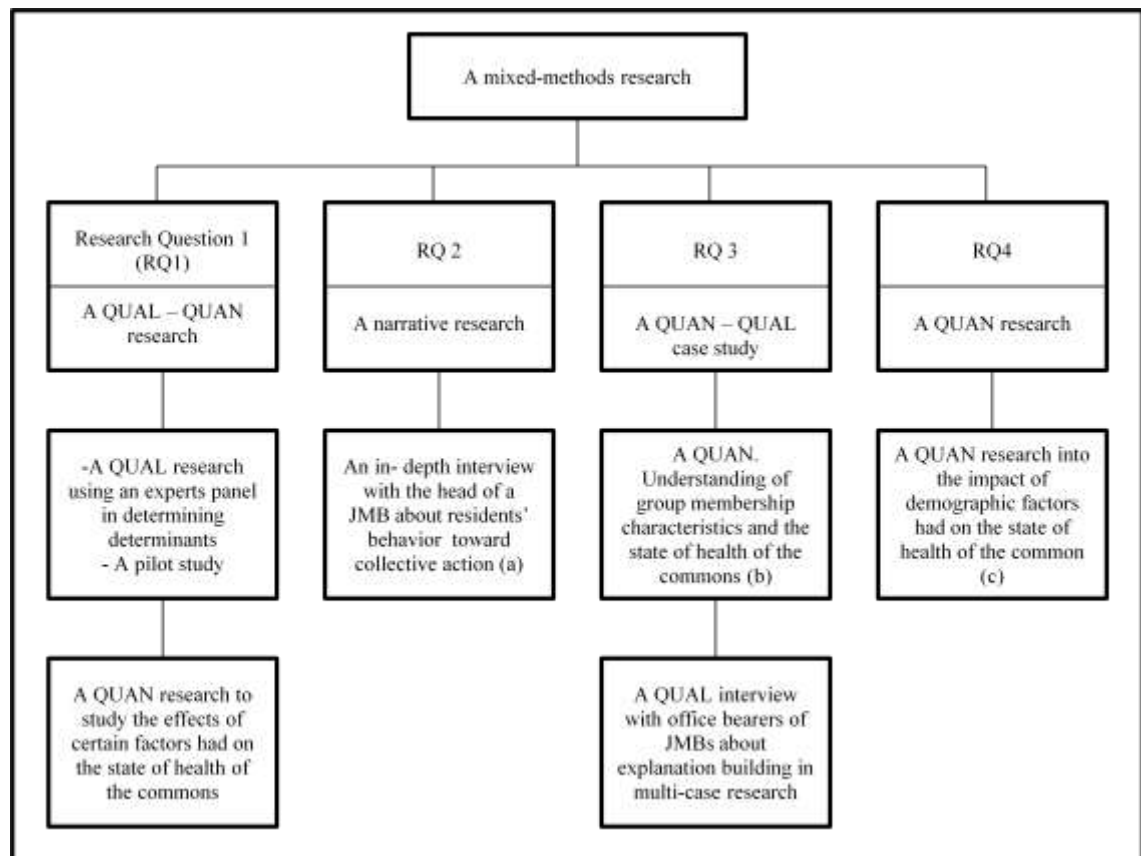


Figure 6.4 MM research in the self-governance of the commons

Notes:

- a. The case study may be part of a larger mixed method study (Yin, 2009, pp. 173-175)
- b. ANOVA would be used
- c. Culture is something embedded in residents and hence endogenous, externally enforced rules are exogenous (Williamson, 2000)

In essence, four main research questions (RQs) were introduced that would be discussed in Table 6.7. As a consequence, six sub-research questions would be the focus of the research, three in QUAL, and three in QUAN. The areas of investigation of the three QUAL research questions are: i) factors exploration and a phenomenological study; ii) life experience of the head of a JMB, and a narrative inquiry; and iii) about the role of local leadership, and a multi-case study. In essence, in QUAL the research questions identify the issues to be investigated (Cavana, et al., 2001, p. 96). As an example, through the expert panel, a phenomenological study explores what contributed to the poor state of health of the common. In a narrative inquiry, it explores all the factors concerned through the life experience of someone who is closely involved with the social phenomenon.

The areas of investigation of the three QUAN research questions are: i) identifying factors that shape the state of health of the commons; ii) understanding the group differences amongst the four low-cost housing communities (on why Nursa Kurnia appeared to display better collective action for example); and iii) understanding the intra group differences amongst Malays, Chinese, and Indians. In QUAN, one has to operationalize a concept into dimensions, and then to measurable elements (to be included into the questionnaire. See Figure 6.1 for an example. In this thesis, “Appendix D” illustrated how the concept of state of health might be measured: physical/ material conditions; attributes of community; rules-in-use; context; historical development; and ethnicity condition.

6.3.2 A road-map: Data collection and analysis

A road-map that covers the topics for balance three Chapters 7.0, 8.0, and 9.0 is shown in Figure 6.5. Notice that the main task of this chapter is to explain how data may be collected under QUAL and QUAN so as to deliver the results in Chapter 7.0. Data analysis/ interpretation with respect to the literature would be left to Chapter 8.0, while Chapter 9.0 would conclude the thesis.

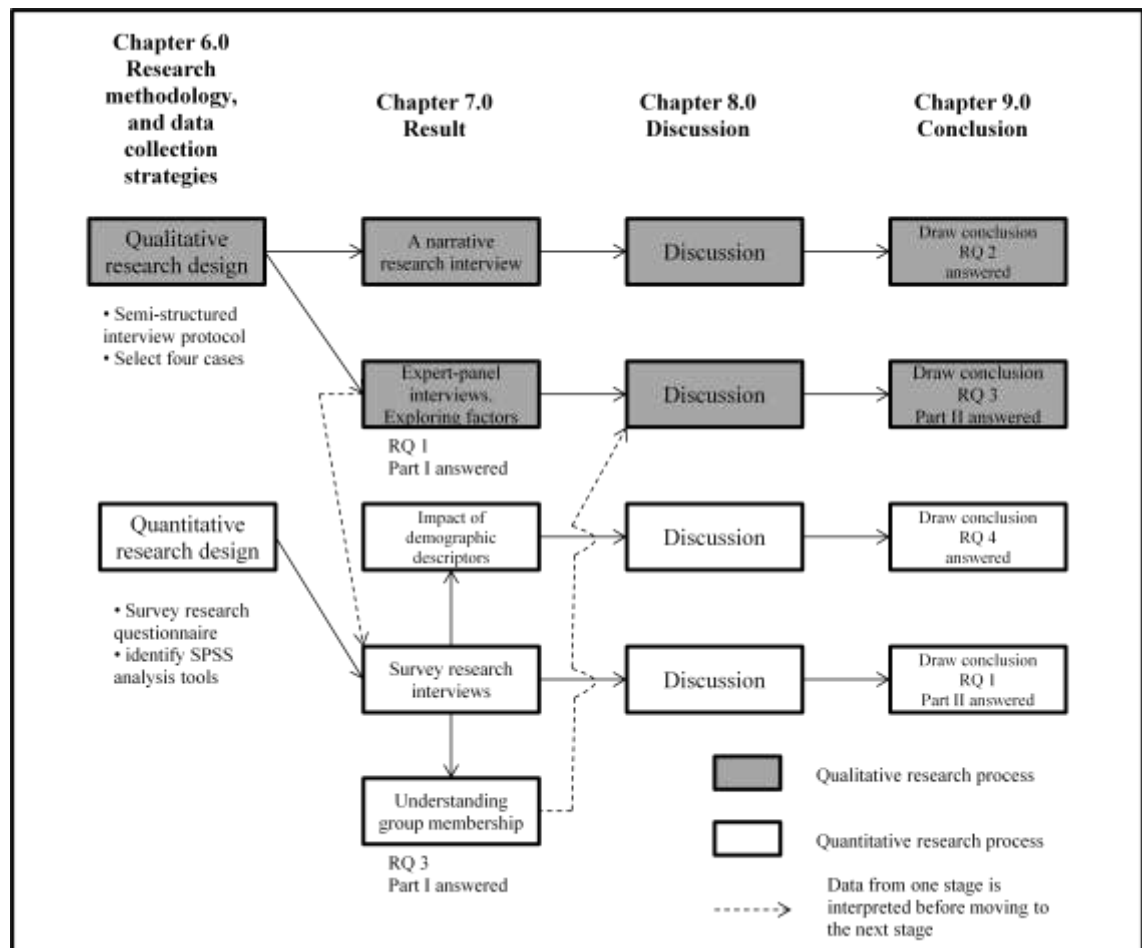


Figure 6.5 A road-map on data collection, analysis, and interpretation for Chapters 7.0 8.0 and 9.0

In MM research, data collected from one phase would be analyzed before moving on to the next phase. The two examples are seen in research question 1 (RQ 1), and research question 3 (RQ 3). Under QUAL, the narrative study as in research question 2 (RQ 2) may proceed independently of RQ 3. But the same is not true for QUAN where data for research question 4 (RQ 4) and RQ 3 Part I came from the survey research questionnaire. Similarly, the QUAN part of RQ 1 could not proceed until the QUAL part of RQ 1 Part I was completed.

6.3.3 Four broad research questions, QUAL and QUAN

For the sake of clarity, participation, instruments and data collection would be discussed under QUAL and QUAN approaches separately as seen in each of the four main research questions (Table 6.7).

Table 6.7 QUAL and QUAN research questions

Research questions	QUAL research questions	QUAN research questions
RQ 1	Part I Are there more factors to be considered beside the identified six factors (physical/ material conditions; attributes of community; rules-in-use; context; historical development; and ethnicity condition) toward the state of health of the commons? See Note 1.	NA
	Part II (a)	Of the six factors (physical/ material conditions; attributes of community; rules-in-use; context; historical development; and ethnicity condition) identified in the augmented IAD framework that influence the state of health of the commons, can a ranking be provided? See Note 1.
	Part II (b)	What is the relationship between various factors and the state of health of the commons?
RQ 2	Given that one's past experience shapes a person's behaviour in a given context, is change possible (behaviour change in collective action)?	NA
RQ 3	Part I NA	To what extent group membership characteristics affected the state of health of each common?
	Part II In what manner result from the QUAN was seen to tally with observations of office bearers of JMBs/ Management Corporations? Can some sorts of classification be made?	NA
RQ 4	NA	To what extent the effects of demographic factors impacted on the behaviour pattern of residents in a common? See Note 2.

Note 1. For a discussion on survey research instrument design based on augmented IAD framework, see Section 6.7.5.

Note 2. Demographic factors are “[socioeconomic characteristics](#) of a [population](#) expressed statistically, such as age, [sex](#), [education](#) level, [income](#) level, marital [status](#), [occupation](#), religion, [birth rate](#), [death rate](#), [average](#) size of a [family](#), average age at marriage. A [census](#) is a [collection](#) of the [demographic factors](#) [associated](#) with every member of a population”.

<http://www.businessdictionary.com/definition/demographic-factors.html#ixzz2dhPCMCzS>, date of access: 2 September 2013

The processes to address individual research question in QUAL and QUAN are shown in Tables 6.8 and 6.9 respectively.

Table 6.8 QUAL research process

Research question	QUAL process				
	Sampling	Population	Instrument	Data collection	Data analysis
RQ 1 Part I	Purposive and stratified sampling	NA	Semi-structured questionnaire	Interview/ observation	Data reduction, data display, and conclusion verification (Miles & Huberman, 1994, pp. 10-12)
RQ 2	Key informant	NA	Open-ended questionnaire	Interview/ observation	“Memo- ing”, and path dependent analysis (Neuman, 2006, p. 476)
RQ 3 Part II	Purposive sampling	NA	Open-ended questionnaire	Interview/ observation	Data reduction, data display, and conclusion verification
RQ 4	NA	NA	NA	NA	NA

Table 6.9 QUAN research process

Research question	QUAN process				
	Sampling	Population	Instruments	Data collection	Data analysis
RQ 1 Part II (a) and (b)	Stratified random sampling, 633 respondents	1,598 households	Survey research questionnaire	Interview	(a) Multivariate correlational statistics to explore factors; and (b) Multivariate multiple regression to predict the state of health of a common
RQ 2	NA	NA	NA	NA	NA
RQ 3 Part I	From RQ 1 Part II	From RQ 1 Part II	From RQ 1 Part II	From RQ 1 Part II	ANOVA/ F- tests on inter group membership differences
RQ 4	From RQ 1 Part II	From RQ 1 Part II	From RQ 1 Part II	From RQ 1 Part II	Non-parametric Chi-square/ contingency table in intra group differences

Before proceeding, the sample size and population for QUAN is shown below (Table 6.10). The composition of various ethnic groups is shown in the last three columns. For example for Nursa Kurnia, from its JMB Malays formed 60% of the households of 200,

Chinese 30% and Indians 10%. The sample size of 114 was read from the table (Johnson & Christensen, 2008, p. 242) but reflecting ethnic group composition when face-to-face questionnaire was administered.

Table 6.10 Sample size, population, and ethnic breakdown in percentage

Four projects	Total units	Sample size for RQ 1	Amount collected on billed (%)	Malays	Chinese	Indians
Nursa Kurnia	200	114	85%	60%	30%	10%
Cemara I and II	488	188	60%	60%	30%	10%
Tujoh Ratus	700	214	40%	30%	48%	22%
Vista Subang	210	117	40%	80%	12%	8%
	1,598	633				

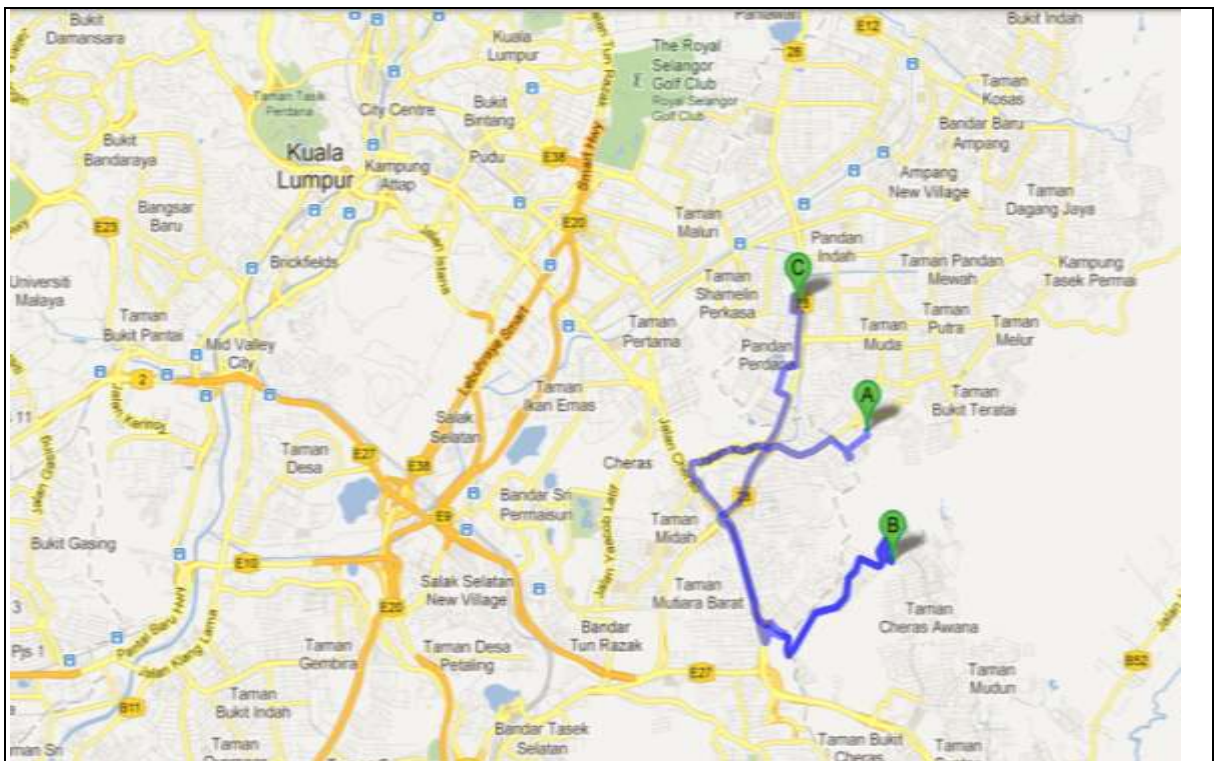
Note: For sample size based on certain population, see Cavana et al (2001, p. 278)

6.3.4 Four low-cost housing: Location and elevation

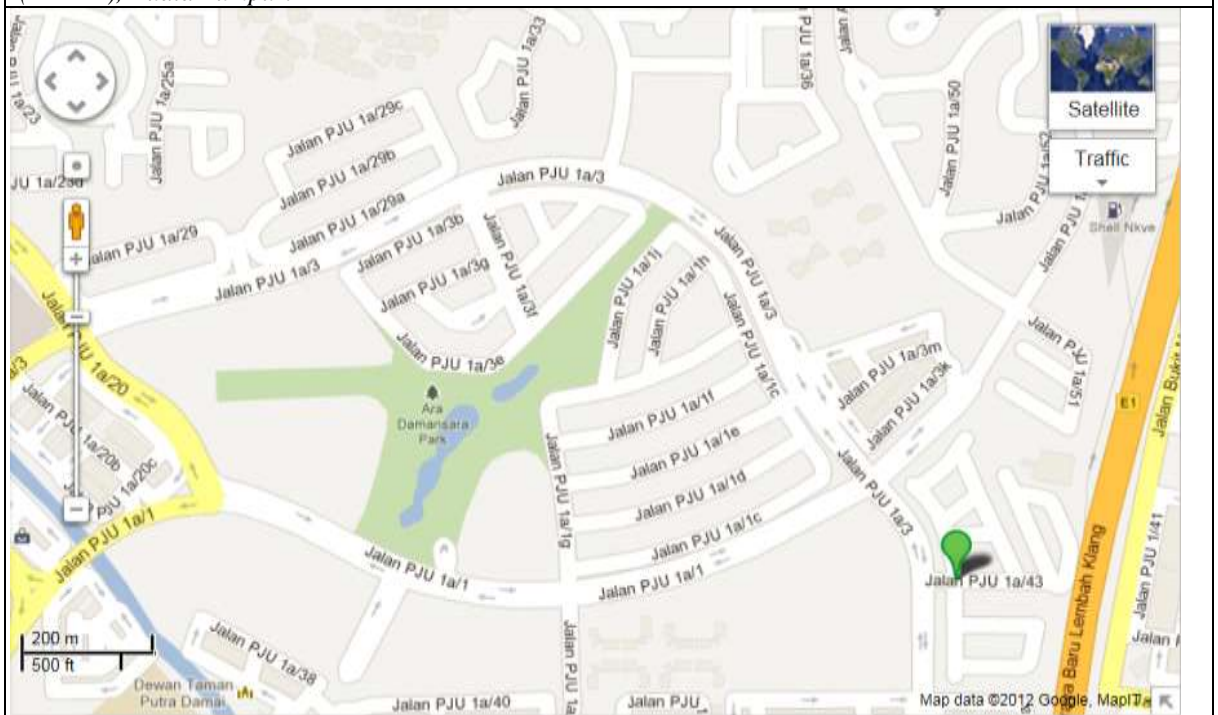
6.3.4 (a) Location plans

Figures 6.6a is the location plan of Nursa Kurnia, Cemarah I and II, and Tujoh Ratus in Ampang, Selangor where access is from Kuala Lumpur Middle Ring Road II. Figure 6.6b is the location plan of Vista Subang, Petaling. All the four housing projects are in urban settings and therefore parcel holders are accessible to employment opportunities.

For their elevations see Figure 6.7, and Figure 6.8.



Note: Nusa Kurnia (A), Cemara I & II (B), and Tujoh Ratus (C). All are accessible from Middle Ring Road II (MRR II), Kuala Lumpur.



Note: Vista Subang, Jalan PJU 1a/ 43, Petaling Jaya. Accessible from Ara Damansara, via Subang Airport Road.

Figure 6.6 (a, b) Location Plans

Nursa Kurnia is a walk-up low-rise 200 units development made up of four building blocks with a central car park. Cemara I and II is a 488 units two blocks high-rise eleven storey with lifts situated in a foothill, but facing a high-cost gated terrace house development.

Tujoh Ratus is a 700 units four blocks ten storey low-cost housing with lifts located adjoining to Kuala Lumpur Middle Ring Road. Finally, Vista Subang is a 210 units twenty storey point block with half the cars kept in the adjoining elevated car park. As expected for such a project, a central sewerage treatment plant is built in its vicinity.



Note: Nusa Kurnia is adjoining to Taman Industri Bukit Permata, off Jalan Kuari (and accessible from MRR II). Service charge collected on billed: 85%.



Note: Cemara I & II is in the vicinity of Bukit Segar Jaya 2, Ampang. Access is from Jalan Manis/ Jalan Lemak, near Cheras Leisure Mall. Service charge collected on billed: 60%.

Figure 6.7 Nursa Kurnia, Ampang and Cemarrah I and II, Ampang



Note: Tujoh Ratus is adjoining to Shamelin Perkasa, and is accessible from Jalan Perdana 9/5, Ampang. Service charge collected on billed, about 40%.



Note: Vista Subang is accessible from Jalan PJU 1a/ 43, Petaling Jaya. It is in the vicinity of Ara Damansara. Service charge collected on billed, about 40%.

Figure 6.8 Tujoh Ratus, Ampang, and Vista Subang, Petaling

In the next section, QUAL research questions would be addressed in three ways: i) used of focus group interviews on a panel of experts to conduct a phenomenological study to explore factors that might contribute toward the state of health of the commons; ii) used of interviews to conduct a narrative inquiry with the head of a JMB to learn from him his life experience; and iii) assembled a panel comprising office-bearers of four JMBs in order to secure their views on the degree of success with respect to self-governance as part of multi-case study. Please refer to Table 6.7 for a complete listing of research questions.

6.4 Exploring factors on the state of health of the commons: A phenomenological study (RQ 1 Part I)

Are there more factors to be considered beside the identified six factors toward the state of health of the commons?

6.4.1 A phenomenological study

Why does one select a phenomenological study? Patton (1990, p. 69) argued that a phenomenological inquiry is about answering the question: “What is the structure and essence of experience of this phenomenon for these people?” To Ary *et al* (2006, p. 461), a phenomenologist would be interested to show “how complex meanings were built out of simple units of direct experience”.

6.4.2 Participants

QUAL research emphasizes “in-depth understanding of a social phenomenon from a small sample who can fulfil the given task” (Hesse-Biber & Leavy, 2011, p. 45). Thus non-probability sampling strategy was adopted and purposive sampling technique was used to identify the initial candidates.

As a start, the researcher approached the Selangor State Housing Board and Cik Azlina as the officer in-charge of the housing maintenance was interviewed on 2 May 2012. Initial meeting with her focused on the system widely accepted as ineffective. Through her good office, a list of three projects were drawn up based on the level of service charge collected per month on billed, and the physical evidence of the level of maintenance.

Based on this criteria, Nursa Kurnia (85% paid), Cemara I and II (60% paid), and Tujoh Ratus (40% paid) were selected for research, all located in Ampang area. By snowballing method, the researcher was then introduced to En Isman by Cik Azlina, the Building Commissioner of Ampang Municipal Council for his enthusiasm on the topic.

Secondly, the next wave of participants targeted for interviews came from the researcher's personal contact since he had been involved in the property development business in the last three decades. In this way, Ir Tey and Ir Lau were recruited. Both were engineers by profession and earned post-graduate degrees, had worked/ are working for large developers for decades.

Thirdly, Dr Ir Suntoro (a National University of Singapore graduate, who earned his doctorate from Asian Institute of Technology, Bangkok is an engineer by profession and is the COO of a large property management company), and Mr Alvin Woon (who has been in charge of low-cost housing maintenance for developers) were recommended by the researcher's Master Real Estate classmate (Mr Kwong) in the University of Malaya (see Table 6.11).

Incidentally, the fourth project Vista Subang, in Petaling Jaya (40% paid) was also recommended by the office of Cik Azlina.

Table 6.11 Expert panel: The participants

	Name	Position/ Organization	Date of interview	Years of working experience in housing industry
1	Cik Azlina	Senior officer/ Selangor State Housing Board	2.5.2012, 27.6.2012	10
2	En Muhamad Noor Isman	Commissioner of Building, Ampang Municipal Council	3.5.2012	5
3	Dr Ir Suntoro Tjoe	Chief Operating Officer, Meadow Facilities Sdn Bhd	15.5.2012	15
4	Mr Alvin Woon	Property Manager, OSK Bhd	8.6.2012	25
5	Ir Tey Kim En	Ex-General Manager, IJM Bhd	8.6.2012	35
6	Ir Lau Keat Hoo	General Manager, Pristana Sdn Bhd	25.5.2012	25

Note: Each interview session lasted between 90 to 120 minutes.

6.4.3 Interviews

Data was collected through the help of structured questionnaire interviews held with the six participants on face-to-face basis (Appendix A).

As one can see, this is not wholly a qualitative interview because augmented IAD framework had been used as a guide. Ideally, “a qualitative interview is an interaction between an interviewer (akin to a miner) and a respondent in which the interviewer has a general plan of inquiry, including the topics to be covered, but not a set of questions that must be asked with particular words and in a particular order” (Babbie, 2010, p. 318; N. King & Horrocks, 2010).

But the structured interview “eliminates fluctuations in the data that result from differences in when and how questions are asked” (Bordens & Abbott, 2008, p. 264). Besides, structured interviews enabled easier data summary and analysis as themes had been identified.

6.4.4 Data analysis

In order to make a participant at ease during interview, no mechanical recording of any sort was used. The researcher relied on his memory and major points jotted down during interviews and transcribed the essence of the interviews into field notes. From there some 19 significant statements (Moustakas, 1994, cited in Creswell, 2007, p. 80 on writing a phenomenological report) were identified and grouped into six themes (Creswell, 2012, p. 248). As the themes (dimensions) had been identified at the start of the interviews, the purpose was to seek participants' views on them.

Quite a number of participants pointed out that "location" mattered to the state of health and therefore should be on its own as a theme. As an example, proximity to employment opportunity is a function of satisfaction on housing. Upon seeking clarification from the researcher, all agreed that it could park under the theme of context.

6.4.5 Confirmability⁸⁰

Mertens (2010, pp. 255-263) gave a list of five elements as criteria to judge the quality of a qualitative research: Credibility; transferability; dependability; confirmability; and transformative. Confirmability was one of the elements, and was akin to objectivity.

The concept is whatever the finding; there must be evidence to show that it is not "a figment of the researcher's imagination" (Mertens, 2010, p. 260). Hence in order to be objective, the final findings were sent back to all six participants for their concurrence and endorsement (for credibility check).

Also, all the direct quotes had the blessings of six participants (a part of confirmability audit). In addition, thick descriptions (for transferability) were dutifully recorded so that

⁸⁰ Patton (1990, pp. 460-494) spent a whole chapter to discuss on ways to improve the credibility of a qualitative research by addressing three issues: i) the techniques and methods mattered; ii) the integrity of the researcher mattered; and iii) the paradigm orientation and assumptions undergird the study mattered.

the conclusions drawn might be taken as dependable as they reached the conclusions as they should—a part of dependability audit—Yin (2009, cited in Mertens, 2010, p. 260); Creswell (2009, pp. 190-193).

6.4.6 Limitation and scope of study

In this qualitative research, the validity might be affected due to at least four limitations. First, as augmented IAD framework that consisted of six themes/ dimensions was introduced to each participant, unnecessary boundary was set. Second, some participants might not have fully understood the true meanings of augmented IAD framework.

Third, no parcel holder/ resident were included into the list of participants thereby making generalizability of the finding a challenge. Fourth, although the team assembled was heterogeneous in nature, other stakeholders in the organizational field such as local politicians, state political leaders, or non-governmental organizations (NGOs) were not invited to participate.

6.5 Life experience of the head of a JMB: A narrative inquiry (RQ 2)

Given that one's past experience shapes a person's behaviour in a given context, is change possible?

6.5.1 A narrative inquiry

A narrative “might be the term assigned to any text or discourse, or, it might be text used within the context of a mode of inquiry with a specific focus on the stories told by individuals” (Creswell, 2007, p. 54). A narrative inquiry “is a method of investigation and data collection that tries to retain narrative-like quality that exists in social life”

(Neuman, 2006, p. 475). For more on narrative inquiry, see King and Horrocks (2010), and Elliot (2005).

Before quoting Aristotle, Bernard and Ryan (2010, p. 247) argued that a narrative was a story told. And since human beings are good story-tellers, to tell a story is to speak of event past and gone—nobody could narrate what had not yet happened.

But the boundary of a narrative can be expanded. “Any social phenomenon must be understood in its historical context” (Mertens, 2010, p. 269).

Can it be deemed a case study? The term “case study” is a definitional morass (Gerring, 2004). Gerring’s (2004) version of a case study is “an intensive study of a single unit for the purpose of understanding a larger class of (similar) units. Babbie (2010, p. 309) shared similar line of reasoning as he proposed that a case study was an “in-depth examination of a single instance of some social phenomenon, such as a village, a family, or a juvenile gang”. Hence in this case, a narrative study is also a case-study.

6.5.2 Participant

In this research, if Vista Subang was selected by the Selangor State Housing Board for its success or failure in self-governance, who else was better than the head of the JMB? Hj Muswan was not selected as key informant by virtue of him as the head of a JMB. He was chosen because after the initial contacts he appeared to be one who could converse and tell his stories despite the handicap of not receiving higher education. Additionally he possessed the trait of someone who was full of ideas, ideals, and eagerness to improve the current situation (Hesse-Biber & Leavy, 2011, p. 46).

6.5.3 Interviews

In a narrative inquiry, only semi-structured questionnaire was used (Appendix B). Here, a broad list of six questions was prepared before the interview, meant to serve only as guidance.

“By asking general questions and having participants provide answers in their own words, you may gain more complete information” (Bordens & Abbott, 2008, p. 264). The number of topics was deliberately kept small to maintain a conversational flow from one topic to another (Babbie, 2010, p. 321).

6.5.4 Data analysis

No mechanical recording device was used during the two face-to-face interviews held with Hj Muswan. The researcher again relied on memory and notes taking to produce field notes after interviews.

The question was: In what manner he found himself being constrained over past decades that explained he was what he was? While Denzin (1989), cited in Creswell (2007, p. 158) biographic narrative writing provided an over-arching framework, Neuman’s (2006, p. 476) path dependency guide was the means to narrative analysis.

6.5.5 Confirmability

In essence, the confirmability rules were fully complied (Mertens, 2010, pp. 255-263). The final findings in the form of stories/ epiphanies were shown to the key informant duly translated into “Bahasa” for concurrence and endorsement on 6 December 2012 (see Appendix E). The researcher met Hj Muswan for the third time on 20 December 2012. Next, thick descriptions were ensured for transferability sake, and acted as a way for dependability check.

6.5.6 Limitation and scope of study

Since little guidance was given, it was the least structured form of procedure (Creswell, 2007, p. 164). Would the key informant miss telling a few key stories/ epiphanies? In all fairness, of course there was a likelihood that it would happen.

Consider the following comment (Huberman & Miles, 2002, p. 228): “Meaning is fluid and contextual, not fixed and universal. All we have is talk and texts that represent reality partially, selectively, and imperfectly”. Particularity rather than generalizability is the hallmark of qualitative research”, more so if the stories were narrated by one person.

6.6 Role of local leadership: A multi-case study (RQ 3 Part II)

In what manner result from the QUAN was seen to tally with observations of office bearers of JMBs/ Management Corporations? Can some sorts of classification be made?

Due to the nature of case-study, certain aspects of its methodology would be discussed.

6.6.1 A multi-case study

Subsequent to obtaining QUAN data from RQ 3 Part I on the inter group characteristics of four low-cost housing via ANOVA/ F-test, a team of office bearers of JMB/ Management Corporation was assembled by purposive sampling (Neuman, 2006, p. 220). The objective was to explain the different outcomes/ patterns in maintenance due to group differences (Yin, 2009, p. 141; 2011). As observed by Bernard and Ryan (2010, p. 109):

Analysis is the search for patterns in data and for ideas that help explain why those patterns are there in the first place. Analysis starts before you collect data—you have to have some ideas about what you are going to study—and it continues throughout the research effort.

In this research, the four cases were selected on the recommendation of Selangor's State Housing Board according to a given set of criteria in terms of the level of maintenance of the common areas and the level of collection of service charge. Nursa Kurnia came out top on the list for both categories with 85% service charge collected on billing. Cemara I and II were the next in performance (60% collected on billed). The balance two cases Tujoh Ratus and Vista Subang were equally bad. From site inspection it was easy to differentiate which case was good and which case was bad. To unearth the causes however, the challenge was formidable.

The term "case study" conveys different meanings to different researchers. Some argued that it is a data collection strategy, while others thought it is a full blown research method on par with any scientific research method such as the survey method (Yin, 2009, 2011). More recently, Thomas (2011, p. 23) defined a case study as:

Case studies are analyses of persons, events, decisions, periods, projects, policies, institutions or other systems which are studies holistically by one or more methods. The case that is the subject of the inquiry will be an instance of a class of phenomena that provides an analytical frame-an object-within which the study is conducted and which the case illuminates and explicates.

In Thomas' (2011, p. 9) view, a case study is befitting a scientific inquiry because it is as Einstein had once argued "it supplied answers to questions with good evidence and good reasoning". Concurring with Stake (2005), Merriam (2009, p. 40) argued that case study is less of a methodological choice than "a choice of what is to be studied".

So far a good account of a case study can be found in Cohen *et al* (2011, pp. 289-302). A concise introduction to a case study is given in Gerring (2007, p. 172).

From the above, a case study appears to cover a wide range of tasks and naturally attracted many detractors. Going by its nature, it is good at answering the "how" and the "why", it is ill-equipped to make an inference about "what cause what" (Elmes, Kantowitz, & Roediger III, 2006, pp. 95-96).

In Mitchell and Jolley's (2010, p. 511) view, case study "researchers who use single-n designs do not rely on randomization and statistical tests to rule out the effects of non-treatment factors". Were they correct? Perhaps Graziano and Raulin (2007, p. 129) were more helpful, as a "low-constraint method", case study is more productive at the early stage of a research area.

6.6.2 Participants

In this multi-case study, the information was obtained from the gate-keepers of four low-cost housing, i. e., the office bearers of JMBs. In particular the researcher spoke to Cik Nor Salfizah/ En Zainol Omar Ali of Nursa Kurnia, Cik Ayu Aziz/ Mr Steven Loh of Cemara I and II, En Azman/ Mr Chong/ Ms Candy of Tujoh Ratus, and Hj Muswan of Vista Subang for the period that spanned from May 2012 to December 2012.

6.6.3 Overcoming five prejudices

One of the case study's foremost proponents recounted the concerns of case study detractors as a research method (Yin, 2009, pp. 14-16). Many argued that case study researchers lacked rigor, a weakness although real can be overcome by more methodological books made available in the market.

A question raised by critics was: How can you generalize from a single case? The short answer to it, in Yin's (2009, p. 15) view was to treat each case as an experiment, and as any experiment "it should generalize to theoretical propositions and not to populations or universe". See also Yin (2011, p. 100) on Cuban missile crisis in 1962 as a case study of two superpowers in confrontation.

Third, the claim by critics that case studies take too long a time to complete is not valid. A case study is not ethnography.

Fourth, on allegation that case studies cannot establish “causal relationship” as a true experiment does, Yin (2009, p. 16) argued that they should be valued “as adjuncts to experiments”.

Lastly, as a new method, the quality of case study researchers is something that needs upgrading. To a group of five Harvard statisticians, case study received “a good deal of approbation it does not deserve” (Hoaglin et al, 1982, cited in Yin, 2009, p. 16).

6.6.4 Replication logic and sampling logic

Each case in a case study research is different from sampling units as in a survey research. Each case is like a new experiment. Therefore, replication logic is achieved if many cases support the same theory which results in analytic generalization.

In the thesis, when Tujoh Ratus (40% of service charge collected on billed) was compared to Vista Subang (also 40% of service charge collected on billed), an attempt was made on replication logic. Yin (2009, p. 38) posited that researchers should aim for level two in Figure 6.9.

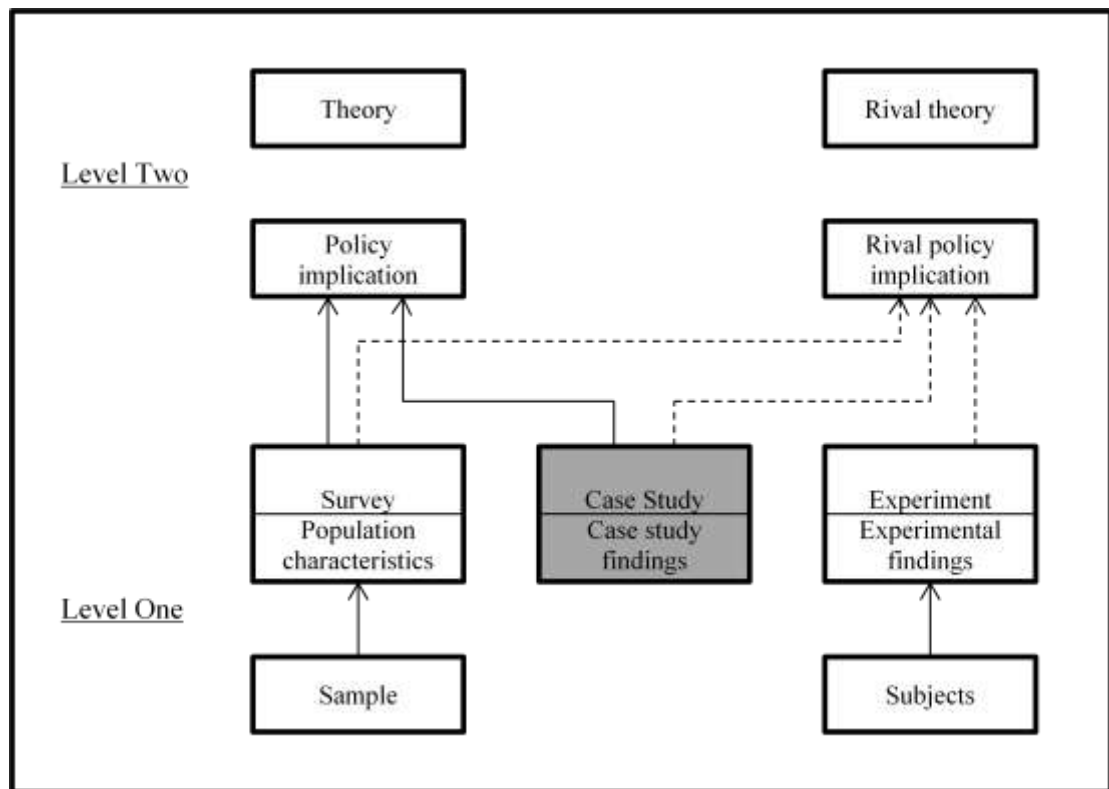


Figure 6.9 Making inferences in a case study: Two levels

Source: Yin (2009, p. 39)

6.6.5 Literal replication and theoretical replication

The condition to conduct a good case study is stringent in that it must have a design that allows effective data analysis in the end.

As an example, when the Housing Board of Selangor identified the presence of a set of good local leadership as possible reason for the functioning of self-governance in Nursa Kurnia, other cases (such as Cemara I and II, and Tujoh Ratus) were selected based on their abilities to show contrast, a term called theoretical replication (Szanton, 1981, cited in Yin, 2009, p. 54). See Figure 6.10

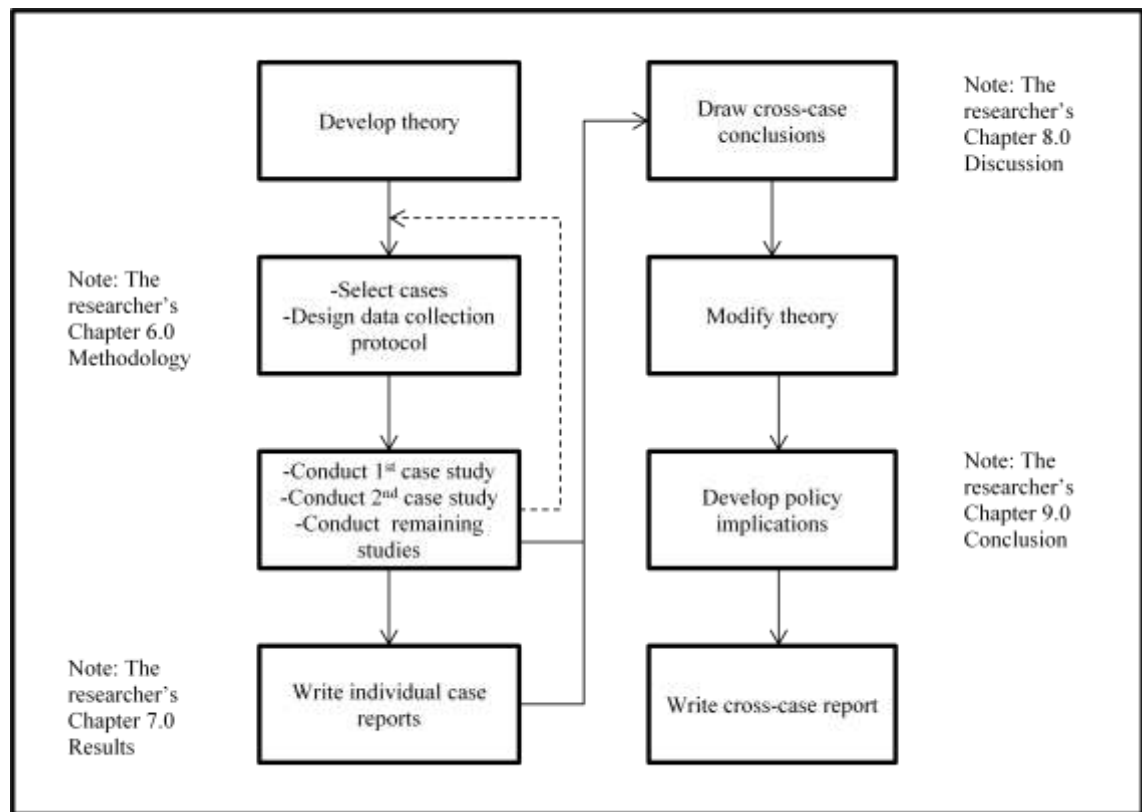


Figure 6.10 Case study method

Source: Adapted from Yin (2009, p. 57)

Hence, the selection of cases in a case study design was paramount in that it allowed a theory to emerge as anticipated by the researcher from the onset (Bernard & Ryan, 2010, p. 109). See Yin (2009, p. 136) on five analytic techniques.

6.6.6 Embedded case study design: Local leadership

In the thesis, the design adopted was that of embedded multiple-case type because the unit of analysis in each case was about the community, and the embedded unit of analysis was about the quality of local leadership (Yin, 2009, p. 46). Baland and Platteau (1996, p. 79) acknowledged the role of leadership in the unregulated common-property.

The influence of local leadership was discernible from transaction costs economy perspective (Williamson, 1985). Good leadership reduced transaction costs because the operation was transparent (that was economic). Good leadership allowed fair play due to the presence of formal law and informal constraints (that was law). Lastly, good

leadership was about humility, a trait not commonly found (that was organizational theory).

On the last issue, both Daft (2011, p. 88), and Robbins and Judge (2011, p. 173) argued that the model of personality as qualities should encompass the following traits: i) extroversion; ii) agreeableness; iii) conscientiousness; iv) emotional stability; and v) openness to experience. Has the leadership of Nursa Kurnia possessed the traits?

Firstly, extroversion promoted better interpersonal skills. Secondly, agreeableness people were well-liked. Thirdly, conscientiousness entailed good planning skills. Fourthly, emotional stability ensured little outbursts under the most stressful condition. Fifthly, openness to experience facilitated a learning organization, a trait useful under transaction costs economy.

The case study protocol was used to guide data collection through interviews conducted with key informants of each case who were also the office bearers of JMBs/ Management Corporations from May 2012 to August 2012 (Yin, 2009, p. 79). See Appendix C. In Chapter 7.0 the analytic findings would be presented.

6.7 Exploring factors: Factor analysis and multiple regression (RQ 1 Part II)

Of the six factors identified in the augmented IAD framework that influence the state of health of the commons, can a ranking be provided?

This section will be discussed in five parts: i) introduction to the emergence of correlational research in 1970s and 1980s; ii) a brief history on correlational research; iii) factor analysis as the statistical method to reduce the number of measurable variables and grouped them under a new set of super-variables in determining the state of health of the commons; iv) multiple regression analysis as the statistical method as a means to

predict the state of health of the commons from a set of variables; and v) the survey research questionnaire explained.

6.7.1 What is a correlational research?

If prove of causality is uncertain in a social science inquiry, the alternative is to understand the relationship between variables. Typically in this design the researchers do not attempt to control or manipulate the variables as in an experiment, so that the data that are related are also called “*ex post facto*” data, or “*after the fact*” (Creswell, 2012; Elmes, et al., 2006).

If prove of causality is out of question, correlational researchers may contribute in two areas (Graziano & Raulin, 2007, p. 146). Any consistent relationship can be used to predict future event. As an example, although Ptolemy (AD 140, cited in Graziano & Raulin, 2007, p. 146) was wrong in predicting that all planets moved round the earth, his prediction of the planets movement was accurate. Next, if correlational research cannot prove a theory, it can negate one.

Thus, a correlational researcher is “in the realms of probabilistic causation, inferring causes tentatively rather than being able to demonstrate causality unequivocally” (Cohen, et al., 2011, p. 303).

6.7.2 The history of correlational research

Creswell (2012, pp. 338-339) gave an account of the history on correlational research which can be traced to the work of Pearson in 1895 on how heredity and natural inheritance were associated. Yule (a student of Pearson) advanced the theory of regression in 1897 and introduced the concept of correlation coefficients. But the field took a hiatus in the next 50 years until Fisher (1935) pioneered significance test and ANOVA.

A giant step for correlational research was taken by Campbell and Stanley (1963) when it was considered a quasi-experimental design although they conceded that this method was less rigorous than an experimental design. Aided by the availability of advance computers in the 1970s and 1980s, correlational researchers were able to study the relationship among many variables and to see the outcome by removing some away from the data set. Factors analysis, regression analysis, and path analysis belonged to the family of correlational statistics under multivariate techniques (Babbie, 2013, p. 480).

6.7.3 Exploratory factor analysis

In this research, one intends to learn from a total 633 respondents from four low-cost housing on their responses to the close-ended questionnaire (Appendix D) on a variety of questions on 36 elements that determined the state of health of the commons. Hence, it is about the structure of replies (Howitt & Cramer, 2011, p. 285).

Factor analysis using principal component method was performed under IBM SPSS Version 17 (Coakes & Ong, 2011; George & Mallery, 2008; Howitt & Cramer, 2011). The output from factor analysis later became the input into multiple regression in studying the relationship between the dependent variable (criterion variable) and a set of independent variables (predictors).

6.7.4 Multiple regression

The prediction of the value of one variable from the value of another is called a regression (Graziano & Raulin, 2007, p. 112). When there is criterion variable whose value may be predicted by a set of known predictors, it is a multiple regression (Elmes, et al., 2006, p. 121). In this research, multiple regression was used to study the correlation relationship of the state of health (criterion variable) to a number of known

predictors (physical/ material conditions; attributes of community; rules-in-use; context; historical development; and ethnicity condition) as in the augmented IAD framework (Table 6.7).

The most comprehensive introduction on multiple regression came from Howitt and Cramer (2011, pp. 318-319), and Howell (2008, pp. 245-278). Interestingly, Howitt and Cramer (2011, p. 319) noted that in a standard multiple regression, the inter-relationship between a set of predictors and a criterion variable are fully established. The predictor having the highest standardized regression coefficient with the criterion has the most variance (Howitt & Cramer, 2011, p. 319).

6.7.5 Survey research instrument: Designing elements

The structured survey questionnaire was conceived based on three levels of reasoning: i) the construct was “the state of health under the institution of self-governance”; ii) six dimensions (factors) were identified, where four came from IAD framework (physical/ material conditions, attributes of community, rules-in-use, and the context), and two were the result of literature review (historical development, and ethnicity condition); and iii) thirty six (36) measurable elements where six are assigned to each factor.

In preparing for questions used to answer each element, earlier similar studies had been considered such as what constituted purchasers’ satisfaction (T. H. Tan, 2008, 2012). Since social capital determined the level of cooperation/ participation/ collective action in a common, much was learned from Grootaert *et al* (2004) in measuring users’ attributes.

In Malaysia, Act 318 and Act 663 applied across board. The difference, if any, was due to the effectiveness of the quality of “local leadership” as evidence from Nursa Kurnia’s

experience. So the rules-in-use by right should be more aptly termed “informal constraints”.

Two issues required some clarifications: The logic of stratified random sampling; and justification of the size of sampling.

The concept of simple random sampling was embraced because “each member of the population had an equal and independent chance of being selected to be part of the sample” (Salkind, 2009, p. 90). It was also a stratified sampling because due to the guidance from literature review, one of the factors under inquiry was ethnicity condition that might influence public policy (Alesina, et al., 1999; Easterly, 2006a; Yeoh, 2001, 2003).

In the end, in computing the sample size of each housing, ethnic composition was considered. As an example, 69 Malays (60%), 34 Chinese (30%), and 11 Indians (10%) formed the sample size of 114 for Nursa Kurnia. To be a respondent, he/ she must be the head of a family, be a Malaysian, could be either an owner-occupier or a tenant. The selection of respondents, as discussed, was based on simple random sampling.

From Table 6.10, how did one decide on the total sample size of 633 given a population of 1,598? In this regard, the table from Cavana *et al* (2001, p. 278) came in handy. From the said Table, total sample size would have been 733. Further total sample size was reduced to 633 after taking into account input from Neuman (2006, p. 242).

6.8 Inter group membership differences: ANOVA/ F-test (RQ 3 Part I)

To what extent group membership characteristics affected the state of health of each common?

In this section, the issue of how group memberships (housing communities, and highest education attained groups, say) determined the state of health of the commons are discussed in three parts: i) what is a causal-comparative research; ii) what are the limitations of causal-comparative research; and iii) findings of ANOVA on effects of group memberships had on the state of health of the commons.

The importance of the nature of group membership will be discussed in Section 7.4 Role of leadership and Section 7.5.3 Interpreting demographic profile. A community with a higher level of education achievement tends to possess higher level of social capital (Grootaert, et al., 2004; Hardin, 1968; North, 1990). See also in Section 1.5.1 on morality development.

6.8.1 What is a causal-comparative research?

Also known as “*ex post facto*” research, this research typically “begins with subjects who differ on an observed dependent variable and tries to determine the cause of the difference” (Ary, et al., 2006, p. 371). Hence, the basic causal-comparative study “begins with a noted difference between two groups and to look for possible causes for, or consequences of, this difference” (Fraenkel, Wallen, & Hyun, 2012, p. 367).

6.8.2 Limitations of a causal-comparative research

Several weaknesses have been identified by many authors for its lack of rigour the way an experimental design can achieve. At least five are identifiable (Cohen, et al., 2011, p. 309). The most problematic one is to do with removing any confounding variable (covariate).

6.8.3 ANOVA on effects of group memberships

In this sub-section, several terms need to be discussed before we perform analysis of variance (ANOVA) on group memberships (housing communities and education groups) that explained the state of health of the commons. The four terms are: i) cause-effect concept; ii) hypothesis testing; iii) ANOVA; and iv) ANCOVA.

6.8.3 (a) *Concept of cause-effect*

In a real-life situation however, the sheer presence of a factor that causes the effect on another factor is not a sufficient condition due to the absence of a control group. Three kinds of evidence are necessary (Ary, et al., 2006, p. 358): X and Y are related statistically; X preceded Y in time; and other factors do not determine Y.

Clearly the third condition is hard to apply. Could other variables yet to be identified also determined (covariate/ confound) the outcome?

6.8.3 (b) *Hypothesis testing*

How can a hypothesis testing be conducted? In science, Jackson (2012, p. 184) said researchers are more apt to disprove what they set out to prove (Popper, 2002). If the hypothesis is group memberships have effect on the state of health of the commons, researchers would predict there is no relationship between group memberships and the state of health of the commons. The latter is called the null hypothesis (H_0), and the former the alternate hypothesis (H_a).

The criteria is if $p < 0.05$, we say H_0 is rejected, go for H_a , implying that the relationship among variables is declared significant, probably not due to chance alone (Gravetter & Wallnau, 2009; Mitchell & Jolley, 2010). Conversely if $p > 0.05$, we say H_0 is supported, and it means group memberships have no effect on the state of health of the commons.

6.8.3 (c) ANOVA

It is an inferential statistical test for comparing the means of three or more groups (Coakes & Ong, 2011; Jackson, 2012). A clearer definition came from two other researchers (Agresti & Finlay, 2009; Gravetter & Wallnau, 2009):

When the mean of the quantitative response variable is compared among groups that are categories of the explanatory variable, the inferential method used for comparing several means is called ANOVA (Agresti & Finlay, 2009, p. 369).

In this thesis, three levels of treatment had been identified at the outset when Nursa Kurnia, Cemara I and II, Tujoh Ratus, and Vista Subang were selected.

F-Ratio is the statistical test used for ANOVA (Gravetter & Wallnau, 2009, p. 397). Operationally, F-Ratio is equal to (systematic treatment effects+random, unsystematic differences)/ (random, unsystematic differences).

If systematic treatment effects produce between-treatments variance, then random, unsystematic differences produce effects within-treatments. Combined, the two terms represent the basic components of analysis of variance. Hence, F-Ratio is 1 when there is no treatment effect. Conversely, if F-Ratio is greater than 1, treatment effects are present amongst group members.

To conduct ANOVA, the manual of Coakes and Ong (2011, pp. 79-82) had been followed (after the dependent variable was turned into scale by data transformation).

6.8.3 (d) ANCOVA

The last issue is about ANCOVA. It is a statistical tool “to reduce systematic bias as well as within-group error, in the analysis” (Coakes & Ong, 2011, p. 116). For a more elaborate discussion on ANCOVA, see Agresti and Finlay (2009, pp. 413- 433).

Thus, if we suspect financial well being as potentially an independent variable that is having an effect on the state of health as a covariate, it must be controlled during the analysis using ANCOVA (Howitt & Cramer, 2011, p. 247). Here, “the number of years to move into another house” would be used as proxy to financial well being.

Coakes and Ong’s (2011, pp. 117-122) manual had been followed in conducting ANCOVA. The findings would be presented in Chapter 7.0.

6.9 Intra group membership differences: Chi-square test (RQ 4)

To what extent the effects of demographic factors impacted on the behaviour pattern of residents in a common?

In the previous section, the effect of different levels of treatment in each housing community (due to local leadership) was readily deciphered. How about the differences due to intra group memberships?

Logically due to variations in the demographic profile in various ethnic groups, intra group differences would dictate variation in their respective attitude in key areas as they displayed differing social capital attributes (N. R. M. Ariff & Davies, 2011; Grootaert, et al., 2004). As examples, will they recommend their friends to buy units, or are they happy with self-governance?

6.9.1 Chi-square test

The statistical tool to study the relationship between two or more categorical variables in tabular format is crosstabulation, or contingency table, or simply Chi-square test (George & Mallery, 2008; Howitt & Cramer, 2011; Tabachnick & Fidell, 2007). Hence, the researcher used Chi-square test to determine whether the two categorical variables (ethnicity and attitude to buy) for relatedness or independence testing. IBM SPSS

Version 17 would be used to conduct such a test (Coakes & Ong, 2011; George & Mallery, 2008).

To put it more succinctly, the question in a Chi-square test is “whether the variables are independent of one another and whether the distribution of one variable is contingent or conditional on a second variable” (Howell, 2008, p. 470). As an example, Howell (2008, p. 470) gave an example through a 2x2 contingency table involving treatment levels (drug, placebo) and outcome (success or relapse). Both were categorical scale.

Perhaps a real-life example would put things in clearer perspective. In the thesis, if the same question was put to each respondent of each ethnic group in each level of treatment (three levels of treatment: excellent local leadership, acceptable, and bad) on whether he would recommend his friend to buy a unit, demographic consideration alone would produce differing outcome.

6.9.2 Chi-square hypothesis testing

In terms of hypothesis testing, the goal of a Chi-square test was to answer the following:

H_0 = Within each housing community, the attitude to recommend a friend to buy a housing unit WAS NOT depended on ethnicity.

H_a = Within each housing community, the attitude to recommend a friend to buy a housing unit was depended on ethnicity.

The entire purpose of cross-tabulation was to verify this assumption of group differences. Cross-tabulation was “a table displaying information in cells formed by the intersection of two or more categorical variables” (Johnson & Christensen, 2008, p. 484).

6.10 Summary

As in any pre-paradigmatic science, MM research as a methodology of social science must be executed according to appropriate standard endorsed by the research community (Drake & Jonson-Reid, 2008). In combining QUAL and QUAN in MM research however, the challenge to a researcher is greater. Have the three questions raised at the beginning of the chapter answered?

First, why is MM employed? To this day if the conflict between Dionysians and Appolonians about the “taste and style for a matter of moral and cognitive significance” could not be resolved, an issue to do with the attributes of romantic and empiricistic paradigms, QUAL and QUAN debate too is likely to continue unabated.

But by holding on to either QUAL or QUAN is not being pragmatic as each paradigm is different, and on its own incapable of addressing the complex social phenomenon that demanded many angles of looking. So in adopting MM research, the researcher explores in depth the social phenomenon using a variety of QUAL methods (example, phenomenological study), to be followed by QUAN methods to confirm the validity of variables (example, multiple regression).

Second, what is the MM research methodology as used in the research? This chapter had explained it by recounting the history of MM as the third research approach through the early works of George Herbert Mead and John Dewey (Ritzer, 2008, pp. 347-348), the rise of QUAL, families of MM research, and subsequently how a new research community was created since 1990s. In sum, MM research methodology is about the “general approach to scientific inquiry involving preferences for broad components of the research process” (Teddlie & Tashakkori, 2009, p. 21). A major part of MM process was discussed.

Third, how are data designed, collected, analyzed and interpreted? Again, by dividing the four research questions into QUAL and QUAN parts, the said questions had been answered suffice to add that QUAL demanded a lot more efforts from the researcher while QUAN required special skills in IBM SPSS Version 17 and knowledge in statistics. If the only option was to stick to a mono-methodology, the learning experience would not have been that rich, and by inference, the result would have been less than ideal in scope and in depth.

In the next chapter (Chapter 7.0), three sets of results from QUAL would be presented: i) a phenomenological study held with the expert panel on exploration of factors; ii) a narrative inquiry held with the head of a JMB of Vista Subang about his life experience; and iii) a cross-case study of explanation that accounted for differentiation in collective action of four communities and what contributed to it (Yin, 2009, p. 141).

In addition, four sets of results from QUAN would be presented: i) demographic characteristics of four housing communities; ii) a report on correlational statistics on factors that contributed to the state of health of the commons; iii) a report from ANOVA/ F-test that explained group membership differences (on why Nursa Kurnia was different from Tujoh Ratus, say); and iv) evidence that institution mattered and it affected group behaviour in a new environment (on why the Indians were the least happy lot).

Chapter 7.0

Results

7.1 Introduction

The manner through which knowledge is acquired depends on the view of a researcher—it is to do with his conception of social reality (Cohen, et al., 2011, pp. 5-7). One may assume that knowledge is something “hard, objective, and tangible” and he takes on an observer’s role (the positivist stance). On the other hand, knowledge may be something “personal, subjective, and unique” to a person, in which case he immerses himself with the subjects of investigation (the interpretist stance).

The position one holds will determine what methods of data collection and analysis (Creswell, 2003, 2009). In a research where both qualitative method (QUAL) and quantitative method (QUAN) are used, it is a clear manifestation of one trying to build a more multifaceted picture of social reality and as a consequence used mixed methods. In this case, it is about the dysfunctioning of the institution of self-governance of the commons.

Thus in this chapter, three QUAL questions are asked: What are the three QUAL strategies that answered the research questions (a phenomenological study, a narrative inquiry, and a cross-case study that produced the final outcomes)? The results of a QUAL shall be in the forms of tables, figures, and text.

In the same manner, three QUAN questions are asked: What are the three QUAN methods that answered the research questions (multivariate factors analysis and multiple regression that explore factors, ANOVA/ F-tests that differentiate inter group means,

and Chi-square test that differentiate intra group means)? The results of a QUAN shall be in numerical form.

7.2 Exploring factors on the state of health of the commons: A phenomenological study (RQ 1, Part I)

The research question was: *Are there more factors to be considered beside the identified six factors toward the state of health of the commons?*

In this section, the results from focus group interviews held individually with a panel of six industry experts are presented after adhering to the qualitative research procedure (Creswell, 2012, pp. 42-56; Krueger & Casey, 2009; Padgett, 2008).

In general, Creswell (2009, p. 174) was concerned with asking three questions under management: Has coding been used with the data? Have the codes been developed to form a description or to identify themes? Are the themes interrelated to show a higher level of analysis and abstraction?

Data analysis is not a straight forward procedure in qualitative research. Creswell (2007, p. 151) maintained that data analysis is spiral in nature because it is moving in analytic circles, not a linear fashion. This observation is also shared by Miles and Huberman (1984, pp. 22-23). For more on qualitative data analysis, see Creswell (2012, pp. 237-238).

More specifically, Creswell (2007, pp. 60-62) highlighted the procedure of conducting a phenomenological study by Moustakas (1994). The results of a phenomenological study,

a method of distinctive qualitative inquiry made popular by Hesserl are produced in three parts (Husserl, 1931, 1964): Six themes; other themes; and generalizability rule.⁸¹

Under the augmented IAD framework as discussed in Chapters 3.0 and 4.0, the six factors/ themes are: Attributes of community, physical material condition, rules-in-use, context, residents' previous strata living experience, and ethnicity condition. The last two factors are from the literature, not part of the original IAD framework. Appendix A shows the structured interview questionnaire.

7.2.1 Six themes

Theme 1: Attributes of community

From the response collected, the ability of education alone to inculcate a good social capital value is doubtful. See Figure 4.8 on the role of the state in social capital creation. Some feel that culture, religion orientation, up-bringing, and exposure to other environment are also necessary.

Ms Azlina: I agree with the statement that the lack of enforcement on service charge defaulters is a weakness in the system. As it is, there are provisions in Act 663 to take them to court, attached on movable properties, etc, but the process to be initiated by JMBs/ Management Corporations is arduous, costly, and cumbersome.

Ir Lau Keat Hoo: I agree that education plays a role in shaping the level of social capital, but I do feel other factors influence the conduct of the parcel holders, such as the location. The income level too dictates whether they have the extra money to pay for service charge.

⁸¹ The key Husserlian concept is to do with "bracketing" the researcher's own view when conducting interviews with the target/ targets, so as not to impose the former's views on the latter (N. King & Horrocks, 2010, pp. 175-182).

Ir Tey Kim En: While education is important, other attributes are also relevant: culture, religion, and up-bringing. I note that certain religion treats every person as a brother; some religions are more tolerant than others. A good education in itself is inadequate for a person to live in this complex environment. To me, by exposing a person to a more advance environment helps.

Theme 2: Physical material condition

Olson's (1965) model does not appear to work in strata units, that the higher the density the more challenging it is to manage the properties. Thus, there is a great disparity of view expressed by participants. Professional property management companies prefer large projects because economic of scale is assured. However, parcel holders who opted for self-governance may choose a different path.

Mr Isman: From my observation, the statement is correct. A large project that comes with hundreds of units is difficult to manage. From practice, any project with lifts is costly to maintain.

Dr Ir Suntoro Tjoe: My company is currently managing some 15,000 units of strata units in the Klang Valley. As scale of economy is not there if the project is small, I do prefer large project. As an example, I have managed successfully Pelangi Damansara which comprises three blocks of 21-storey buildings.

Mr Alvin Woon: From my experience, the success of managing strata units is not a function of density, high-rise or otherwise, and with or without lifts. One has to consider other factors, such as the composition of the

residents. Any building occupies by a single ethnicity is bad from my experience.

Theme 3: Rules-in-use

Most participants agreed that the system is rather weak in law enforcement and the consequence is grave. One participant pointed out that in New Zealand; a tenant pays only two weeks deposit for rent, pays his utilities deposit and usage because the system has low transaction costs, and the trust between landlord and tenant is high.

The lack of enthusiasm by parcel holders to indulge in self-governance is reflected in the level of maintenance, the commons hence would be more like open access resources.

Yet there is the issue of developers delivering sub-quality products. Once shattered, for years after handing over the units, the trust towards the authority would not be there.

Ms Azlina: If possible we should start a civic course in school so that the children take care of public properties. To me, enforcement is to be regarded as something that strengthens the process of education.

Dr Ir Suntoro Tjoe: Actually “the mother” of all troubles can be traced to the quality of products delivered by the developers. From my observation, half of the purchasers are not happy with the units delivered and they continue to complain years after moving into the units. They seek revenge by not being cooperative.

Ir Tey Kim En: Yes. If errant property owners cannot be brought to book, the normally law-abiding property owners too will be discouraged to comply with any house-rule. Eventually we have a high cost system due to bad behaviour of bad residents/ tenants.

Mr Isman: Formal rules are under the law, while informal rules are something depending on the management. As I see it, there is a reluctance to form JMBs/ Management Corporations by residents. From my records, only 204 and 139 of the JMBs and Management Corporations are formed respectively as at March 2012 in Ampang area (which is 48.80% and 33.25% respectively of the projects completed).

Theme 4: Context

In trying to uncover the low level of cooperation existed in the commons, some participants went beyond parcel holders and look for the social facts. Perhaps it is the overall system that requires re-thinking.

The inaction of the government continues to plague the system and many parcel holders are either ignorant of their duties or choose to side-stepped the issue.

Ir Lau Keat Hoo: Household's income level plays an important part in a person's education, thinking, and his willingness to contribute to service charge.

Dr Ir Suntoro Tjoe: The source of problem is awareness. From my experience, some ex-squatters have no clue that under the law they are obliged to pay service charge.

Ir Tey Kim En: Some residents are reluctant to complain because no results are coming their way. Simple matters ought to be dealt with by small committees manned by volunteers and attend to promptly, no corruption, just plain transparency, follow guide book.

Theme 5: Historical development/ adaptation to new environment

One dimension appears to stand out but not deliberated in the literature review is to do with politics, something not addressed at all by new institutional economics (NIE) advocates.

If politics determine resource allocation, then the beneficiaries would turn to politics for more goodies as an easy way out of their daily problems.

Lastly, due to cultural differences, each ethnic group appears to display different weaknesses. Small wonder that when an ANOVA is performed, inter-group membership differences are apparent in the group means scores.

Ms Azlina: I beg to disagree with the statement. As an example, a good set of local leadership may bring about cohesiveness, understanding, and cooperation amongst residents even if most of them came from squatter colonies. Nursa Kurnia is a living testament.

Mr Alvin Woon: I prefer to look at this problem in another way. Many residents are attracted by Court Mammoth's easy payment schemes and over-indulged in buying too many household items. In general some Chinese have gambling habits, some Malays want face and tend to acquire more items than necessary, and some Indians have many family problems to solve.

Ir Tey Kim En: I do not agree with the statement. From my understanding, certain people were allotted low-cost housing by virtue of the fact that they were party members of a ruling coalition. To this particular group of residents, they expect free service charge, free re-painting of

buildings, free repairs etc. In other words, political affiliation may encourage certain parcel holders more depending on hand-outs.

Theme 6: Ethnicity condition

Most participants missed the essence of the question. The original question was: Whether there is a chance that the government may change the current policy from hands-off to hands-on if there is single dominating ethnic group found living in low-cost housing? The latter is best represented by HDB model where the units are public funded in the event of short-falls.

Ir Lau Keat Hoo: I agree if the majority of the parcel holders are Bumiputras. For votes the government may place the task of maintaining low-cost housing under its arms directly.

Mr Alvin Woon: From management perspective, the problem of collection would magnify several folds if there is a single ethnic group occupying the block.

Ir Tey Kim En: Why not? If the selection process is transparent and not racially and politically motivated, I think the public would not mind if government subsidies go to help the less privileged group.

7.2.2 Other themes

There is a general consensus that location is a dimension to be reckoned with. Properly sited low-cost housing would improve the living condition of the parcel holders, raise their income levels, and make them generally happier.

The second dimension not mentioned by any participant but becomes glaringly clear as survey research gets underway at the point of typing out the transcripts, is to do with the

effects of tenants on the state of health of the commons (local and foreign tenants). Will more tenants to owners-occupiers ratio create self-governance problems? This knowledge gap may have to be addressed by future researchers (N. R. M. Ariff & Davies, 2011).

7.2.3 Generalizability rule

Notice no action was taken to compute the means of the participants on each of the themes surveyed (see Section 4.4, Appendix A of the structured interview)? Since the sample size was small, generalizability rule does not apply. So to turn it into a QUAN data analysis does not make any sense, a methodological flaw if one were to do it.

7.3 Life experience of the head of a JMB: A narrative inquiry (RQ 2)

The QUAL research question was: *Given that one's past experience shapes a person's behaviour in a given context, is change possible?*

Only the results section of Creswell's (2012, pp. 42-56) model would be produced here since data collection and data analysis sections had been covered in the previous chapter.

In preparing the narrative, reference was made to Angrosino (1994) cited in Creswell (2007, pp. 251-263) On the bus with Vonnie Lee. Also, Chan (2010), cited in Creswell (2012, pp. 521-533) illustrated a narrative study that involved a lot of researcher's own reflections on various topics, personal immersion of sort.

Please see Appendix B on the semi-structured interview questionnaire.

7.3.1 A narrative inquiry

The story of Hj Muswan: Why self-governance does not work in Vista Subang?

First encounter with Hj Muswan

Cik Azlina of Selangor State Housing Board arranged for me to see Cik Jasmina, the Commissioner of Building, Petaling Jaya Municipal Council, and who in turn introduced me to see En Mohd Zulhairi, the officer in-charge of all strata buildings in Ara Damansara area. The decision to pick 210 units Vista Subang as the target of my fourth case was not difficult since in Zulhairi's view, it fit the criteria of selection. One, it had a poor record of service charge collection. And two, it faced daunting challenges in keeping the site fit for human habitation.

It was several minutes before 4 pm on 7 August 2012 afternoon, the appointed time I was to meet Hj Muswan that I strolled into the tiny ground floor lift lobby. While waiting for him, I saw a few residents walking into the lift carrying bags-full of daily necessities. Another lift appeared not functioning; as the lift door was shut all the time. Within the lift lobby, several of the 210 aluminium letter boxes were seen damaged. Next to the two lifts, the wall was vandalized with graffiti. At the other end of the lift lobby, water dripping sound was heard, obviously the result of a leaking pipe. On the whole, the sight was unpleasant. The floor was littered with paper while spider-webs made their homes in the ceiling. On the ground floor, the double-barrelled design corridor was dark; as very few ceiling lights were working.

If the lift lobby was judged as unkempt, the situation was equally bad outside. Rubbish was seen thrown not into the open-air bins but outside of them. Old furniture was discarded and left beside the bins. Due to lack of regular watering, shrubs that lined the roads were found withering under the hot sun. The impression one gathered was, either the maintenance workers were on long leave, or the residents paid scant attention to the environment.

Earlier years in a Felcra scheme

A few minutes after 4 pm, I met Hj Muswan and he brought me into a unit at the ground floor, switched on the air-conditioner and began asking me the purpose of the visit. At 55, Hj Muswan looked much older in person. I asked, and he said his father had delayed the registration.

Hj Muswan said Bukit Gambir, Muar (in the State of Johor) was his hometown. His father supported a big family from the produce of six-acres rubber smallholding which was part of the Felcra Land Development Scheme conceived by the government to help low-income families. As the eldest son, he

had twelve siblings. Hj Muswan received only six years of primary school education. He helped his father in attending to the rubber trees after he ceased schooling.

At the age of seventeen, he felt it was unfair to depend on aging parents for livelihood, and after consulting with other siblings, a few of them strode out of hometown, and went to Kuala Lumpur in search of job opportunities. He said he would accept any job that came his way.

In 1969, he began squatting in Kampong Baru and Damansara before settling at the SS2 squatter colony, Petaling Jaya in 1975.

Solidarity in SS 2, Petaling Jaya squatter colony (1975-2005)

SS2 was a sprawling sub-urban middle-class housing estate in the 1970s. Hj Muswan said he spent RM500 then to build his informal housing on a vacant lot along the river bank. As a few of them began building their temporary structures thinking that the 30 acres land belonged to the government, very quickly others soon followed. By 1980, the whole area was infested with 500 squatting huts making 1,800 people their homes.

In order to look after the welfare of the community, a local branch of UMNO was set up (the head of a coalition of parties that has ruled the country since independence). Hj Muswan was elected the deputy president. They elected a non-squatter from the neighbourhood as president for his networking ability.

When the state government became serious to achieve “zero squatters” in 2000s, arrangement was made to relocate them into formal low-cost housing projects. As a result, by 2005, the SS2 “Kampong Damansara Dalam” (as they coined it) was returned to its rightful land owner, and each family could purchase a unit of low-cost housing in nearby housing estates at below the market price. Some went to Sri Damansara, and about 160 families followed Hj Muswan to Vista Subang.

Management under the developer (October 2005-August 2011)

Not long after the certificate of fitness was issued to Vista Subang in October 2005 residents moved into their respective units. Management of common-areas was satisfactory in the initial few years where service charge collection was in the region of 80%. The situation soon deteriorated mainly due to lack of support from the developer concerned. Hj Muswan lamented that the person who was assigned to oversee

the maintenance was not on full time basis. Most of the time, the staff came in to collect money, not attending to complaints of the residents. In addition, many residents had the wrong perception that the maintenance was ultimately the responsibility of the developer.

Things went from bad to worse after the General Election in March 2008. A second force entered the scene and as a result the residents became divided. As an example, a separate “Rukun Tetangga” unit (neighbourhood watch group) was formed in open affront to Hj Muswan’s leadership. When prodded further, Hj Muswan said he estimated some 20% to 25% of residents were Pakatan Rakyat supporters, while the majority sat on the fence.

Self-governance under JMB (September 2011-Present)

Following the enactment of Act 663 in April 2007, Vista Subang’s Joint Management Body (JMB) came into force a year later.

Thus, from April 2008, the residents were technically on their own in managing the affairs of the common-areas. When asked, Hj Muswan said many parcel holders knew little about the benefits of well-managed low-cost housing. He claimed that he was different because of his exposure by working in the private sector. In fact, as an executive committee member of a trade union, he used to attend international seminars held overseas. His short living experience in Japan impressed him.

Hj Muswan said he had a team of hard working committee members. Still, he said more could be recruited if better results are expected. Despite this claim, the researcher had not met any of his JMB committee members in the three meetings held with Hj Muswan.

Except paying directly to sweepers and a gardener, all property management functions were done by the JMB.

Hj Muswan said at times when the funding became extremely low; he went back to his political networking for help. Of late, he was more concerned about searching for avenues to increase income. As an example, he said he could consider letting out the advertisement space at the roof-top. Also, mobile hawkers could be allowed in to do business if fees are paid to JMB.

Personally Hj Muswan appreciated the benefits that could be accrued to parcel holders if the place was to be better managed. He recounted a story where a potential tenant approached him for advice. The deal

could not proceed due to frequent breakdown of lifts even though the enquirer acknowledged Vista Subang's strategic location in the vicinity of Ara Damansara, Petaling Jaya, an upper-middle class housing estate.

Was politics real?

On the average, Hj Muswan said he collected 40% of the service charge billed per month. Of course, it was hardly sufficient to run a proper property management office. Theoretically if 160 families had been known to Hj Muswan since SS2 days, collection of service charge should not become an issue. Homogeneity of a single ethnic group in Vista Subang did not help either (80% of parcel holders were Malays). Could the differences in political affiliation act as a damper that causes disunity in self-governance?

Epilogue

I last met Hj Muswan on 20 December 2012 in a Mac Donald outlet. Similar to the two meetings I had with him (one on 7 August 2012, the other on 2 September 2012), I spent about 90 minutes with him. On the way home the thoughts of three explanations on the consequence of self-governance kept resonating in my mind. Was Vista Subang languishing despite having an enthusiastic captain? Second, was self-governance simply beyond the means of parcel holders as organizational theories tell us (Daft, 2011, p. 88)? Third, plainly was it the case where it was the entire system that was in need of an overhaul (Latif Azmi, 2006; Ostrom, 1990; Tiun, 2009)?

(For Bahasa version, see Appendix E, translated by En Muhamad Nur Akramin Bin Sulaiman)

1,435 words
By Wang Hong Kok
27 December 2012

7.4 Role of local leadership: A multi-case study (RQ 3 Part II) ⁸²

The research question was: *In what manner result from the QUAN were seen to tally with observations of office bearers of JMB/ Management Corporations? Can some sort of classification be made?*

This section is discussed in two parts. In the first part, a summary is presented on group membership differences for projects under review. In the second part, multi-case data analysis using analytic generalization is presented. Please see Appendix C for case-study protocol that helped data collection on individual case (Yin, 2009, p. 79).

7.4.1 A summary of demographic profile

One has to move forward by referring to Sections 7.5 for a discussion on how data is derived from survey questionnaires conducted on 633 respondents from a population of 1,598 households (Table 7.1). First, the four cases (Nursa Kurnia, Cemara I and II, Tujoh Ratus, and Vista Subang) were selected based on the levels of service charge billed and collected, in these cases: 85%; 60%; 40%; and 40% respectively. Second, the population in each case is the total number of households, and the sample size was determined from Cavana et al's (2001, p. 278) table. The total sample size would have been 733. Further reduction was made possible to 633 after considering Neuman's input (2006, p. 242). See Section 6.7.5.

For ease of comparing, only a summary of the data is presented here.

⁸² Reference is made to Yin's (2009) Chapters 2 and 5 in making analytic generalization.

Table 7.1 A summary of projects

	N	Nursa Kurnia	Cemara I and II	Tujoh Ratus	Vista Subang
Population, count	1,598	200	488	700	210
Sample size, count	633	114	188	214	117
Number of blocks		4	2	4	1
Stratified sampling	-	-	-	-	-
Malays, count/%	340/53.7%	69/60.4%	113/60.5%	64/29.9%	94/80.3%
Chinese, count/%	207/32.7%	34/29.9%	56/29.8%	103/48.6%	14/13.7%
Indians, count/%	86/15.5%	11/9.6%	19/9.6%	47/21.5%	9/6.0%
Total, count/%	633/100%	114/100%	188/100%	214/100%	117/100%
Level of treatment of independent variable: Local leadership	-	high	medium	low	low
Percentage of service charge collected monthly on billed	-	85%	60%	40%	40%

This section covers the findings of individual case by relying on Yin's (2009, pp. 136, 141) case study analytic techniques of pattern matching and explanation building. On locations/ front elevations of Nursa Kurnia, Cemara I and II, Tujoh Ratus, and Vista Subang, see Chapter 6.0.

7.4.2 Nursa Kurnia: The role model

The four blocks four-storey walk-up low-cost housing (200 units) was built by Talam Berhad in 2004 as part of the plan to redevelop Kampong Cheras Baru where nearly half of parcel holders had been residing there as squatters for two decades.

By 2006, Talam Berhad was in dire financial difficulties and could hardly complete the project. When the buildings were due to hand over to ex-squatters/ purchasers, the peripheral drains remained undone. It was through the teamwork of the local leadership that the State government came to their aid. Malays formed the largest ethnic group (60%), while Chinese came second (30%) and Indians holding the balance (10%).

But Nursa Kurnia's success in self-governance was not something to be taken for granted. Littering and throwing rubbish everywhere other than the rubbish-bin centre was not an uncommon practice. Some children too were fond of vandalizing the walls

by drawing all sorts of picture. Both Cik Nor Salfizah/ En Zainol Omar Ali of JMB said it took them nearly a year of hard works to realign the behaviour of these delinquent residents.

Cik Nor recalled the days the management committee met informally and went through those rubbish bags that were placed anywhere but the bin centre. They would meticulously traced the origin of the rubbish as used envelopes or utility bills were found inside them. Every weekend, the committee would wash the bin centre by themselves without seeking payment. At close intervals, they would hold residents' campaigns to trim the trees or to wash the roof-top water storage tanks, etc.

Nursa Kurnia won the gold medal as the 2010 best managed low-cost housing project in Selangor, having consistently collected 85% of service charge every month.

7.4.3 Cemara I and II: Passable local leadership

In terms of self-governance, the records of Cemara I and II were deemed mediocre at best as only 60% of service charge billed per month was collected.

Outwardly Cemara I and II were distinct from Nursa Kurnia in three ways. First, it was a relatively large low-cost housing project with lifts that made maintenance costly.

Second, half of the parcel holders came from a site along Jalan Ampang that made way for the development of Ampang Tesco (a hypermarket). In other words, adapting to this new site which was far away from city centre was probably a challenge.

Third, the payment pattern towards service charge contrasted sharply between Cemara I and Cemara II. In Cemara I where Chinese formed the biggest group and despite many of them rented out the units the records of service charge were more than satisfactory in the words of Cik Ayu Aziz/ Mr Steven Loh of JMB (90% collected on billed). On the

other hand, Cemarah II was mainly occupied by Malay ex-squatters from Jalan Ampang who displayed resistance to collective action (50% collected on billed).

What had gone wrong? In terms of ethnic composition, both Cemara I and II and Nursa Kurnia shared the same ratio: Malays (60%); Chinese (30%); and Indians (10%). In terms owners-tenants ratio, again both were approximately the same: Cemara I and II (40%-60%); and Nursa Kurnia (47%-53%).

Perhaps higher density made management difficult (Olson, 1965). Also, relocation to the current site (in Taman Bukit Segar 2, Ampang) that was far away from their original habitat along Jalan Ampang displeased them. Lastly, absence of conspicuous local leadership made management a challenge.

When prodded further on this topic, Cik Ayu said the current leadership was in fact doing fine. The condition was worse when they took over from earlier management. She admitted however that local politics could have wreck havoc as she could not secure whole hearted support from the ex-squatters' faction. The level of participation for any activity organized by JMB is hence limited (Yau, 2011). To illustrate her argument, Cik Ayu lamented that there was a duplication of duty when a group established "neighbourhood watch" organization within Cemara I and II.

7.4.4 Tujoh Ratus: Languishing

Service charge collection for Tujoh Ratus hovered in the region of 40% per month, a reflection of typical low-cost properties in Malaysia (Tiun, 2009). An insight into the sordid state may be possible by contrasting it to Nursa Kurnia where both were accessible from Kuala Lumpur Middle Ring Road II in four ways.

Tujoh Ratus was completed in 1996, a full ten years earlier than Nursa Kurnia and built by the same developer Talam Berhad. Secondly, not as lucky as Nursa Kurnia who

enjoyed being managed by a core set of local leadership, Tujoh Ratus was managed by Talam Berhad until June 2010. According to En Azman (whom the researcher interviewed to on 7 May 2012), outstanding service charge yet to be collected was RM100, 000.00 when the management was passed to the Management Corporation.

Thirdly, in terms of density and building designs, Tujoh Ratus was put into a disadvantage position due to the large number of units (700 units), and due to high cost of lifts maintenance.

Finally, the ethnicity groupings showed considerable differences wherein the Malays formed 30% of parcel holders, the Chinese 48%, while the Indians 22%. Contrary to the findings in Cemara I, higher Chinese representation did not improve collection in Tujoh Ratus.

At least two explanations may be offered to account for the failure of self-governance in Tujoh Ratus. One possibility was, weak institution of governance had taken root since day one as there was no incentive for Talam Berhad to overwork.

On the second possibility, Tujoh Ratus had a late start to establish its own local leadership. The current management Mr Chong/ Ms Candy took over the helm in June 2012. From transaction cost economics explanation, the friction costs continued to be high (Williamson, 1985, p. 2).

The trust level between the management and parcel holders remained low. It may rise in future if there is an enlightened set of local leadership that shows the way forward by reducing opportunistic behaviour of any transacting party (that is economics).

Another explanation for high transaction costs is, to expect the court to take action on defaulters is wrong (Williamson, 1985, p. 5). Private ordering will solve the problem but it takes time to evolve (that is law).

The other explanation is, JMBs/ Management Corporations are all economic institutions with limited knowledge in management (Chen & Webster, 2005). Accepting Simon's concept of bounded rationality and individual opportunism is key to managing the common. But a self-learning governance structure (such as the JMB/ MC) may take a long time to emerge. In this regard, by appointing a professional property management company helps (that is organizational theories).

7.4.5 Vista Subang: Languishing

Going by Yau's (2011) prediction of participation model, and Basurto and Ostrom's (2009) comparison of three fishing communities (Kino, Penasco, and Seri), both Vista Subang and Tujoh Ratus can be categorized into the same league for "literal replication" of poor self-governance, but with some differences.

In Tujoh Ratus, the opportunity was not there for the development of an effective local leadership. In Vista Subang, a conspicuous leadership was in place long before 80% of parcel holders moved there.

Next, Tujoh Ratus was a high density project (700 units) while Vista Subang was a single block of 210 units. Olson's (1965) theory did not appear to apply.

As another, unlike Tujoh Ratus, Vista Subang was a homogenous community as evidenced from the ethnic composition: Malays (80%); Chinese (12%); and Indians (8%). Again, transaction cost economics explanation also failed here even though the situation allowed for better inter-personal communication and promoted trust.

Interestingly, as in Cemara I and II, a rival group in Vista Subang formed their own "neighbourhood watch" organization in direct affront to the roles of a JMB provided under the law. This could be the reason why the level of service charge collected monthly was low, at 60% for Cemara I and II, and 40% for Vista Subang.

7.5 Demographic profile of four housing communities

Before the demographic profile is presented from survey involving a total of 633 respondents, the nature of a survey research and its limitations are addressed. “Survey research is one of the modes of observation in social sciences” (Babbie, 2013, p. 229). It is an old form of method used thousands of years ago. As an example, consider this in the Old Testament (Babbie, 2013, p. 229):

After the plague the Lord said to Moses and to Eleazar the son of Aaron, the priest, “Take a census of all the congregation of the people of Israel, from twenty old and upward.” (Number 26: 1-2)

To some researchers, survey research could have higher designs. From the findings of a survey research, although causal inference is not permitted, still certain correlational inferences may be made (Bordens & Abbott, 2008, p. 279). As an example, Graziano and Raulin (2007, p. 306) classified survey research as a high-constraint field research and therefore may be considered a quasi-experimental design.

Quoting Campbell (1969), Graziano and Raulin (2007, p. 306) argued that in a field setting, a quasi-experiment was better than no experiment at all. Typically, such design involved a comparison of at least two or more levels of “treatment” of an independent variable. In the same vein, one may consider “local leadership” as an independent variable but given different levels of “treatment”. Thus this survey research was also a quasi-experimental design with a purpose.

7.5.1 Limitations of a survey research

The expected high sample size gives rise to data collection problem in a survey research (Drake & Jonson-Reid, 2008, p. 216). A response rate of less than 60% from the planned figure may render the data invalid. In this research, the researcher was lucky

that help came from the Selangor State Housing Board as otherwise data collection would be a challenge.

In Babbie's (2013, pp. 262-264) view, four weaknesses existed in a survey research: i) superficial in covering complex subject; ii) context of respondents inadequately covered; iii) inflexibility; and iv) it cannot measure social action.

Babbie (2013, p. 263) advised that several research methods be employed for a given topic. Now it explained why a multitude of methods, both QUAL and QUAN were used in this research endeavour.

7.5.2 Demographic profile

The general demographic profile of four housing communities in certain format is presented below (N. R. M. Ariff & Davies, 2011; Creswell, 2012; Ismail & Tan, 2011).

See Table 7.2. See also Appendix D for survey research questionnaire.

Table 7.2 Demographic profile

	N	Nursa Kurnia	Cemara I and II	Tujoh Ratus	Vista Subang
Population, count	1,598	200	488	700	210
Sample size, count	633	114	188	214	117
Stratified sampling	-	-	-	-	-
Malays, count/%	340/53.7%	69/60.4%	113/60.5%	64/29.9%	94/80.3%
Chinese, count/%	207/32.7%	34/29.9%	56/29.8%	103/48.6%	14/13.7%
Indians, count/%	86/15.5%	11/9.6%	19/9.6%	47/21.5%	9/6.0%
Total, count/%	633/100%	114/100%	188/100%	214/100%	117/100%
Level of treatment of independent variable: Local leadership	-	high	medium	low	low
Percentage of service charge collected monthly on billed	-	85%	60%	40%	40%
Mean values					
Age of the head of household, yr		39.72	45.54	48.37	42.93
Number of dependents		4.08	3.88	4.29	4.93
Number of children		2.43	2.43	2.51	3.29
Years of residence in current unit		3.48	4.33	11.12	5.52
Plan to move to another house, yrs		4.21	4.80	8.34	6.58
Gross monthly income, RM		2,064.20	1,753.51	2,111.68	1,880.84
Purchase sum of the unit, RM		54,780.49	72,985.29	63,910.34	66,094.59
List number of non-housing loans		2.29	1.75	1.60	1.56
Gender	-	-	-	-	-
1Male	77.5%	80.7%	74.6%	76.2%	77.8%
2Female	22.5%	19.3%	25.4%	23.8%	22.2%
Occupation	-	-	-	-	-
1Civil servant	8.4%	16.1%	1.8%	7.5%	4.3%
2Private sector	53.2%	46.3%	58.8%	44.9%	74.4%
3Retired	4.1%	.5%	2.6%	10.3%	0%
4Self-employed	31.6%	35.6%	29.8%	36.0%	18.8%
5Unemployed	2.7%	1.6%	7.0%	1.4%	2.6%
Highest education	-	-	-	-	-
1None	5.5%	16.1%	3.5%	.5%	0%
2Primary school	9.7%	.5%	8.8%	12.1%	20.5%
3PMR	30.1%	20.4%	27.2%	34.6%	40.2%
4SPM	42.5%	40.3%	57.8%	43.0%	29.8%
5STPM	3.2%	7.5%	0%	1.4%	2.6%
6College/ university	9.0%	15.1%	2.6%	8.4%	6.8%
I would recommend my relatives	-	-	-	-	-
1Yes	65.9%	74.2%	97.3%	53.1%	46.2%
2No	34.1%	25.8%	2.7%	46.9%	53.8%
Previous type of residence	-	-	-	-	-
1Squatter	65.4%	39.7%	83.9%	74.3%	71.8%
2Rented room in a flat	7.3%	10.3%	.9%	8.4%	6.8%
3Rented room in a house	9.6%	8.2%	1.8%	11.7%	15.4%
4Others	17.7%	41.8%	13.4%	5.6%	6.0%
My hometown is Greater KL	-	-	-	-	-
1Yes	25.3%	21.3%	13.2%	39.3%	17.9%
2No	74.7%	78.7%	86.8%	60.7%	82.1%
Residence status	-	-	-	-	-
1I am a tenant	37.9%	52.1%	40.4%	26.6%	33.3%
2I am the owner	62.1%	47.9%	59.6%	73.4%	66.7%

Table 7.2 Demographic profile, continued

Finance					
Loan period, yr	-	-	-	-	-
1 Less than 5 years	2.0%	5.6%	4.4%	0%	0%
2 Five to ten years	19.9%	42.7%	30.9%	11.4%	1.3%
3 More than 10 years	78.1%	51.7%	64.7%	88.6%	98.7%
Financing margin	-	-	-	-	-
1 Less than 50% of purchase sum	3.1%	10.1%	4.4%	0%	0%
2 Between 50% to 59%	5.6%	19.1%	7.4%	0%	0%
3 Between 60% to 69%	4.1%	6.7%	1.5%	5.7%	0%
4 Between 70% to 79%	4.6%	4.5%	5.9%	4.4%	3.9%
5 Between 80 to 89%	63.5%	34.8%	72.1%	75.3%	64.9%
6 More than 90%	19.1%	24.7%	8.8%	14.6%	31.2%
Knowledge of people lost house	-	-	-	-	-
1 Yes	71.8%	71.3%	85.3%	66.5%	71.4%
2 No	28.2%	28.7%	14.7%	33.5%	28.6%
Satisfaction of service charge amt	-	-	-	-	-
1 Yes	87.7%	96.6%	100%	99.4%	42.9%
2 No	12.2%	3.4%	0%	.6%	57.1%

Note: For analysis, see the next section.

7.5.3 Interpreting demographic profile

The demographic profile of four housing communities would be discussed in three parts as they combined did provide some useful insights into the contrast: i) about the mean values of income, and purchase price; ii) about education, and residents status; and iii) financing margin, and loan period. Demographic factors are a set of users' characteristics under the IAD framework (Figure 1.1) and since the four case-studies displayed different outcomes in the state of health of a common, much could be learned from the data. See the concept behind theoretical replication (Yin, 2009, p. 54).

Due to the age of respective housing, the age of the head of household reflected in unison the age of housing. The mean value of the age of Nursa Kurnia was the youngest (39.72 years) compared to Tujoh Ratus (48.37). When asked when they planned to move to another house, Nursa Kurnia parcel holders appeared more confidence (4.21 years), a sign of stronger financial standing. Generally, all communities displayed little differences in monthly gross household income (ranged from RM1,753.51 for Cemara I and II, to RM 2,111.68 for Tujoh Ratus), thereby confirming they belonged to the same

socioeconomic bracket. On purchase price, the mean values varied from project to project and they were applicable to secondary markets and were location specific.

Next, the majority of parcel holders appeared to be gainfully employed in private sector, rather than in civil service (46.3% in Nursa Kurnia, and 74.4% in Vista Subang). In terms of highest education attained, there were sharp differences, however. For example, 22.6% of Nursa Kurnia received STPM/ university education, whereas it was about 9.4% and 9.8% for Vista Subang and Tujoh Ratus.

On housing satisfaction, clearly Tujoh Ratus and Vista Subang were weak, showing 53.1% and 46.2% approving rates. Asked if the previous residence was squatting, Nursa Kurnia had the lowest percentage (39.7%), compared to Tujoh Ratus (74.3%) and Vista Subang (71.8%).

They were areas of anomaly. Cemara I and II parcel holders emerged more pleased to recommend housing to their friends (97.3% compared to 74.2% of Nursa Kurnia). When asked on their hometowns, a high score of Tujoh Ratus indicated they were squatters in Kuala Lumpur/ Klang Valley (39.3%), thus confirming earlier researchers' findings (Johnstone, 1983a). See Table 5.2. A high percentage of respondents from Nursa Kurnia said they were tenants (52.1%, compared to Tujoh Ratus's 26.6%). Despite this weakness, Nursa Kurnia was considered the best in self-governance.

On the other hand, with respect to housing loan repayment, only 51.7% of Nursa Kurnia indicated they needed more than 10 years. The situation was contrasted by higher percentages in Tujoh Ratus and Vista Subang (88.6%, and 98.7% respectively). Similarly, 59.5% of parcel holders in Nursa Kurnia required 80% or more on financing margin. It was 90% or more for Tujoh Ratus and Vista Subang on financing margin.

In sum, although all parcel holders might come from the same socioeconomic bracket, there were subtle differences. Each was different from the other. Nursa Kurnia appeared to show a number of positive attributes that explained its higher social capital attainment: better education; stronger financial standing; less number of squatting back ground.

7.6 Exploring factors on the state of health of the commons: Factor analysis and multiple regression (RQ 1 Part II)

Factor analysis/ multiple regression using principal component method under IBM SPSS Version 17 was discussed in the last chapter (Coakes & Ong, 2011; George & Mallery, 2008; Howitt & Cramer, 2011).

In data analysis, data interpretation, and data report on factor analysis/ multiple regression, certain format was followed (Ismail & Tan, 2011; T. H. Tan, 2009). Broadly the discussion is in five parts: i) results of factor analysis; ii) interpreting factor analysis; iii) principal components/ super-variables explained; iv) results of multiple regression; and v) interpreting multiple regression.

7.6.1 Results of factor analysis

The results are presented herein and clarifications are made (Tables 7.3, 7.4, 7.5, 7.6), the findings in relation to the literature would be left to the next chapter.

Table 7.3 KMO and Barlett's Test

Kaiser- Meyer- Olkin Measure of Sampling Adequacy	.850
Bartlett's Test of Sphericity	Approximate Chi- Square
	9382.397
	df
	406
	Sig
	0.000

Table 7.4 Total variance explained

	Initial Eigenvalues			Extraction of sums of squared loadings			Rotation sums of squared loadings		
	Total	% of Var	Cum %	Total	% of Var	Cum %	Total	% of Var	Cum %
F1	7.247	24.988	24.988	7.247	24.988	24.988	4.017	13.851	13.851
F2	5.080	17.516	42.504	5.080	17.516	42.504	3.304	11.392	25.243
F3	2.414	8.325	50.829	2.414	8.325	50.829	3.153	10.872	36.115
F4	1.959	6.754	57.583	1.959	6.754	57.583	2.968	10.233	46.348
F5	1.608	5.546	63.129	1.608	5.546	63.129	2.493	8.598	54.945
F6	1.138	3.925	67.054	1.138	3.925	67.054	2.465	8.500	63.445
F7	1.101	3.796	70.850	1.101	3.796	70.850	2.148	7.405	70.850

Table 7.5 Rotated component matrix and factor loadings

	Component						
	F1	F2	F3	F4	F5	F6	F7
D4.3. Local politicians have been supportive of problems raised by the residents.	.607						
D4.4. The Local authority/ Office of the Commissioner of Building have been supportive to many activities organized by the residents.	.732						
D4.5. The State government has been paying attention to our welfare.	.817						
D4.6. The Federal government has been paying attention to our welfare.	.850						
E2.1. I am happy because the same law applies to everyone regardless of ethnicity.	.645						
E2.3. I have close friends who belong to other ethnic groups.	.527						
E2.2. Despite the difference, people with different ethnic groupings live well together.		.492					
E2.4. I feel safe when I am alone at home.		.683					
E2.5. Realizing the sensitivity of culture one has, I try not to do anything that hurts other ethnic groupings.		.750					
D3.6. Officially the law is there to enforce the payment of service charge.		.752					
D4.1. The average household size is reasonable here ranging from 1 to 5 children.		.611					
C1. I would recommend my friend to buy a unit.			.803				
C2. I would recommend my friends/ relatives to move into my neighborhood.			.760				
C3. My life happiness is higher as a homeowner.			.803				
C4. I like to stay longer as I am satisfied with the environment in my community.			.764				
D1.1. The total number of units in the scheme is just about right.				.800			
D1.2. The common facilities are adequate				.782			
D1.3. The standard of workmanship of the unit is acceptable to me.				.784			

Table 7.5 Rotated component matrix and factor loadings, continued

D2.1. I trust the people I come into contact with in the community.								.823
D2.2. Whenever I need some forms of help, I can always expect help to come.								.882
D2.3. If there is a common problem facing the community; we will put our heads together.								.767
D3.1. I hold the community leaders in high esteem because they are capable of managing the common-area.								.716
D3.2. I observe house rules because I know everyone else follow them too.								.814
D3.3. The house rules are reasonably set because they are good for us.								.468
D1.6. Where applicable, the lifts are working well most of the time e good for us.								.484
E1.3. I find it hard to adapt to living in a flat environment.								.529
E1.4. Living in a flat is not compatible with my culture.								.671
E1.5. I do not follow the advice of my local leadership most of the time.								.728
E1.6 Since paying service charge is a private matter; I decide to pay, or not to pay entirely on my own.								.442
Eigenvalues	7.247	5.080	2.414	1.959	1.608	1.138	1.101	
% of variance explained	24.988	17.516	8.325	6.754	5.546	3.925	3.796	
Cumulative % of variance explained	24.988	42.504	50.829	57.583	63.129	67.054	70.850	
Cronbach's Alpha (Reliability test)	.856	.790	.917	.862	.889	.683	.805	

Note: Extraction method: Principal component. Rotation method: Varimax with Kaiser Normalization.

7.6.2 Interpreting factor analysis

Certain technical terms deserved explanation (George & Mallery, 2008, p. 278). From Table 7.3, first, a value for KMO test showed the distribution of values was adequate for conducting factor of analysis. Second, Bartlett's test was a measure of multivariate normality of distribution. When the significance was less than 0.05, proof of normality was present.

Table 7.4 was the resultant seven principal components/ super-variables that accounted for 70.850% of the variance after alignment, and where each factor whose Eigenvalue was greater than 1. From here, the seven principal components were used in multiple regression exercise (Tabachnick & Fidell, 2007, p. 608).

Also in Table 7.5, the fourth last row showed Eigenvalues in reducing order where component 1 recorded a value of 7.247, with a % of variance of 24.988%. Eigenvalues

were the variance of the principal component (Manly, 2005, p. 80). But component 1 consisted of original factors D4.3, D4.4, D4.5, D4.6, E2.1, and E2.3 as seen in column 1. After standardization, the original variables all had variance of 1.0 (Manly, 2005, p. 80). The figures in Table 7.5 indicated the factor loadings of each component.

After the principal component analysis, any component whose Eigenvalue was less than 1.0 would be ignored, hence that explained why only seven principal components were retained. In essence, factor analysis was used as screening exercise to eliminate elements of lesser impact, and to realign each element into new groups (Table 7.6).

Table 7.6 The seven principal components/ super-variables after alignment

Component	Construct measured	Original elements as in the survey questionnaire (Appendix D)
F1	Context/ governance	D4.3, D4.4, D4.5, D4.6, E2.1, and E2.3
F2	Ethnicity condition	E2.2, E2.4, E2.5, D3.6, and D4.1
F3	The state of health of the commons	C1, C2, C3, and C4
F4	Physical/ material conditions	D1.1, D1.2, and D1.3
F5	Attributes of community	D2.1, D2.2, and D2.3
F6	Rules-in-use	D3.1, D3.2, D3.3, and D1.6
F7	Historical development/ adaptation to new environment	E1.3, E1.4, E1.5, and E1.6

7.6.3 Principal components/ super-variables explained ⁸³

Of the 36 elements designed to measure six original dimensions, only 29 survived the screening exercise of principal component. Those loadings having less than 0.4 were discarded. The constructs of principal components/ super-variables would be further explained (see Table 7.6).

F1 measured mainly context as seen from four out of six measuring elements. The highest loading (.850) was from element D4.6 “the Federal government has been paying

⁸³ Tan (2009) was the format adopted in this section Online <http://mpira.ub.uni-muenchen.de/34906/>, date of access: 29 October 2012.

attention to our welfare”. Close at the heel, element D4.5 showed (loading .817) “the State government has been paying attention to our welfare”. Though to a lesser extent, respondents appeared also pleased with the performance of the local authority (element D4.4) and local politician (element D4.3).

F2 measured ethnicity condition accounting for three out of five elements. In terms of loading, however, some of them were not high. Element E2.5 showed (loading .750) “Realizing the sensitivity of culture one has, I try not to do anything that hurts other ethnic groupings”. Element E2.4 (loading .683) “I feel safe when I am at home” recorded a low score, pointing to concern for neighbourhood safety. Lastly, element E2.2 (loading .492) “despite the difference, people with different ethnic groupings live well together”, clearly showed rooms for improvement in inter-ethnic relation.

F3 measured the dependent variable of the state of health of the commons. High loading for four measured elements showed the augmented IAD model was robust. As an example element C1 (loading .803) “I would recommend my friend to buy a unit” showed on the whole respondents were happy to live there, where the alternative option could be worse. Element C3 (loading .803) “My life happiness is higher as a homeowner” made sense as otherwise house-democracy was wrong.

F4 measured physical/ material condition with three elements recorded high loading figures. The highest element was D1.1 (loading .800) “the total number of units in the scheme is just about right”. Next element D1.3 measured (loading .784) “the standard of workmanship of the unit is acceptable to me”. Lastly, element D1.2 (loading .782) showed “the common facilities are adequate”. Hence, on the whole, respondents appeared happy with the products.

F5 measured attributes of community where social capital was used as proxy. At the end only three elements were left with passable scores. As an example, respondents appeared positive that help would come in times of need (element D2.2, loading .882).

F6 measured rules-in-use with three elements scored reasonable well (D3.2, D3.4, and D3.3). In particular element D3.2 (loading .814) “I observe house rules because I know everyone else follow them too” made sense.

F7 measured historical development which was an indication of respondents’ adaptability into the new environment of strata living. In line with the literature, respondents seemed agreeable that adaptation was difficult. As an example, element E1.4 (loading .671) showed “Living in a flat is not compatible with my culture”. As another example, element E1.3 (loading .529) indicated that “I find it hard to living in a flat environment”.

7.6.4 Results of multiple regression

In order to obtain robust results from the regression analysis, various assumptions must be not violated (Coakes and Ong, 2011, pp. 140, 145).

Assumption 1: Linearity. From the scatterplot (Figure 7.1) of residuals against predicted values, there was no clear relationship between the residuals and the predicted values; hence there was no violation in satisfying the assumption of linearity.

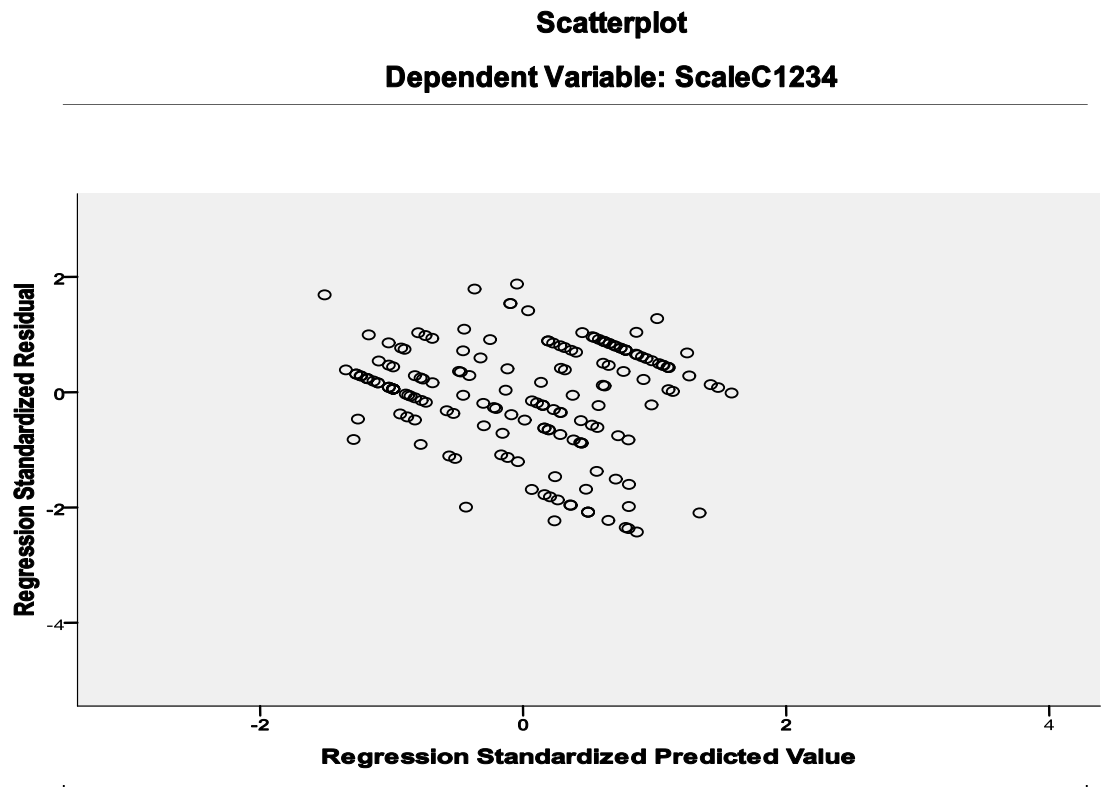


Figure 7.1 Scatterplot

Assumption 2: Normality. Incidentally, the normal plot of regression standardized residuals for the dependent variable indicated a relatively normal distribution (Coakes and Ong, 2011, p. 145). See Figures 7.2, 7.3.

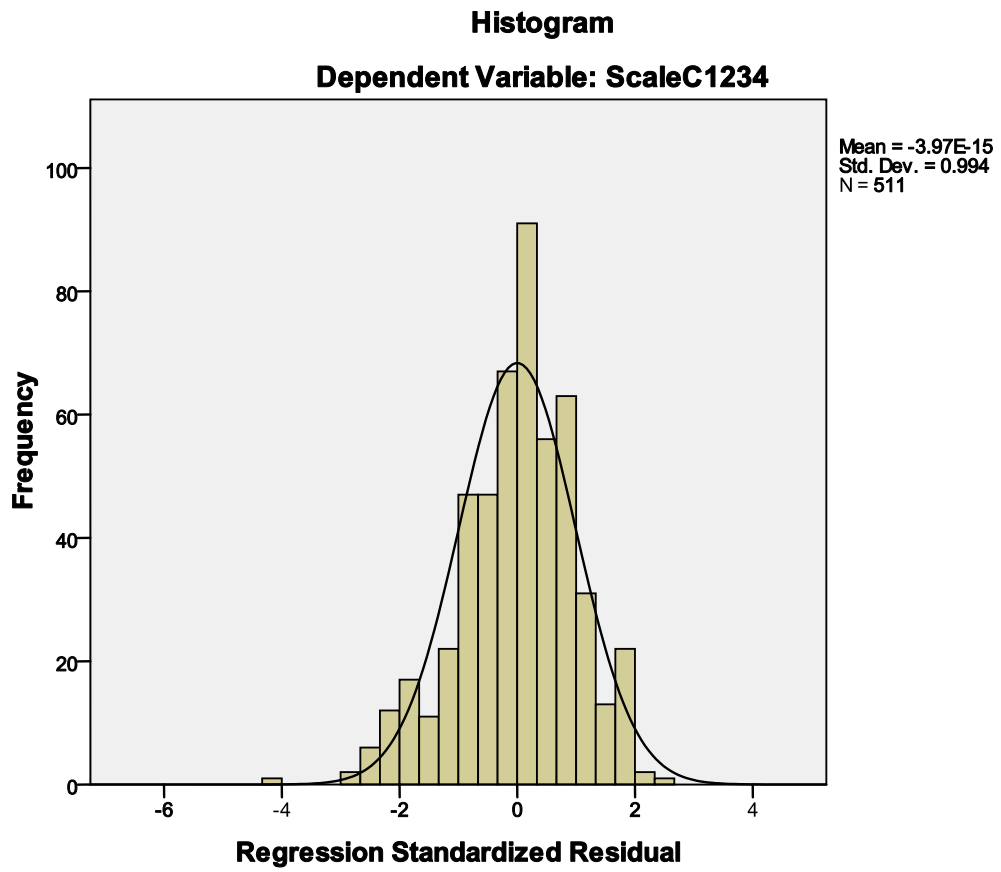


Figure 7.2 Histogram

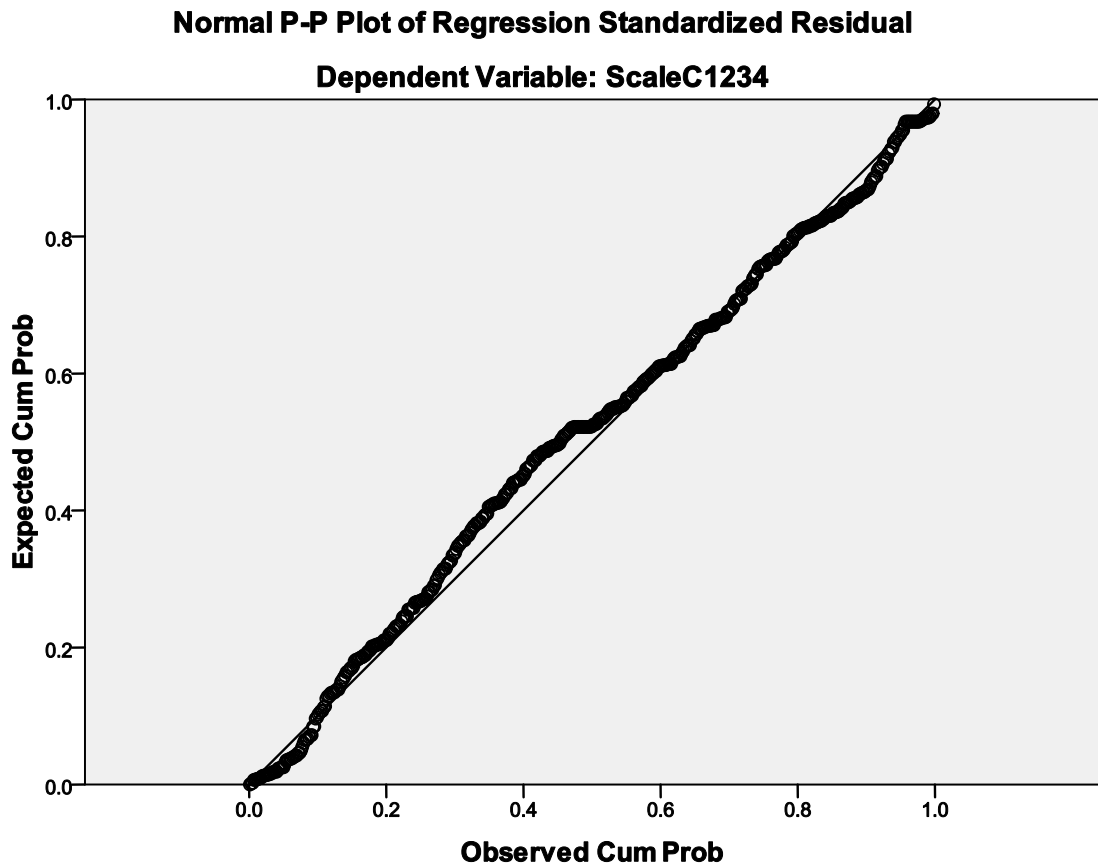


Figure 7.3 Normal P-P plot

7.6.5 Interpreting multiple regression

In performing multiple regression analysis based on the data set from factor analysis, the manual from Coakes and Ong (2011, pp. 139-150) was followed.

Some key terms need explanation. Under the Table 7.8 Model Summary Table, coefficient of multiple correlation ($R=.681$) was the extent to which the seven predictors predicted final score (Agresti & Finlay, 2009; Babbie, 2013), meaning that $.681^2=.463$, or 46.3% of the variance was explained by the seven super-variables acting in concert.

Based on the Table 7.10 Table on Coefficients, one way to report the output is as follows (Howitt & Cramer, 2011, p. 328): In a standardized multiple regression, the three (F1 (context/ governance), F6 (rules-in-use), and F4 (physical condition)) had the strongest significant standardized regression coefficient with the criterion of the state of

health of the commons were beta .292, .271, and .264 respectively and accounted for 8.5%, 7.34%, and 6.96% of the variance in the state of health of the commons.

Also, Table 7.10 showed both elements in the realigned predictors F2 (ethnicity) and F5 (attributes of community) were not significant (but also having negative coefficients) in the state of health of the commons. Studenmund (2006, pp. 27, 29) explained the circumstances under which regression coefficients are negative.

F2 was supposed to measure ethnicity condition, a measure of social cohesiveness by various ethnicities. If it was insignificant, there were rooms for improvement.

If F5 was insignificant, it meant that respondents placed little trust in the community, a sign of low social capital for collective action.

F7 (historical development) though fared better than F2 and F5, paled in comparison to other predictors.

In addition, “a tolerance level of above 0.1 means that the predictor may be entered into the multiple regression” (Howitt & Cramer, 2011, p. 327). As VIF was less than 10, multicollinearity was not considered serious, where it was a measure of correlation among the independent variables (Howitt & Cramer, 2011, p. 327).

Table 7.7 Variables Entered/Removed^b

Model	Variables Entered	Variables Removed	Method
1	F2, ethnicity (ScaleE2.2453.64.1) F4, physical condition (ScaleD1.123) F1, context/ governance (ScaleD4.34562.12.3) F5, attributes of community (ScaleD2.123) F7, historical development (ScaleE1.3456) F6, rules-in-use (ScaleD3.1231.6 ^a)	.	Enter

a. All requested variables entered

b. Dependent Variable: F3, state of health (ScaleC1234)

Table 7.8 Model Summary ^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.681 ^a	.463	.457	.65032

Table 7.9 ANOVA ^b

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	183.861	6	30.643	72.457	.000 ^a
Residual	213.152	504	.423		
Total	397.013	510			

Predictors: (Constant), F2 (ScaleE2.2453.64.1), F4 (ScaleD1.123), F1 (ScaleD4.34562.12.3), F5 (ScaleD2.123), F7 (ScaleE1.3456), F6 (ScaleD3.1231.6)

c. Dependent Variable: F3 (ScaleC1234)

Table 7.10 Coefficients ^a

Model	Unstd. Coefficients		Std. Coefficients			Collinearity Stat	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1 (Constant)	-1.528	.312		-4.899	.000		
F4, physical condition	.293	.042	.264	6.910	.000	.729	1.373
F5, attributes of comm	-.062	.057	-.040	-1.096	.274	.812	1.232
F6, rules- in- use	.396	.064	.271	6.181	.000	.554	1.805
F1, context/ govern	.446	.055	.292	8.169	.000	.835	1.198
F7, historical develop	.236	.053	.191	4.444	.000	.577	1.733
F2, ethnicity	-.100	.063	.064	1.581	.114	.652	1.533

a. Dependent Variable: F3, state of health (ScaleC1234)

As shown in Table 7.10, F4 (physical condition) was a predictor of state of health of the commons (where $p < 0.05$), and so were F6 (rules-in-use), F1 (context/ governance), and F7 (historical development).

On the other hand, F5 (attributes of community) and F2 (ethnicity condition) were not statistically and significantly related to the state of health of the commons (where $p > 0.05$). Further discussion would be made in Chapter 8.0 Discussion.

7.7 Inter group membership differences: ANOVA/ F-test (RQ 3 Part I)

The QUAN research question was: *To what extent group membership characteristics affected the state of health of each common?*

Recall from the previous chapter that IBM SPSS Version 17 was used to conduct ANOVA and ANCOVA respectively (Coakes & Ong, 2011, pp. 79-82, 117-122).

It is time to present the findings of ANOVA/ ANCOVA in four parts (results of ANOVA, interpreting ANOVA, results of ANCOVA, and interpreting ANCOVA), but based on two sets of hypothesis tests.

The first set of hypothesis testing is as follows:

H_0 = Due to differing treatment levels, housing community characteristics DID NOT affect the state of health of the commons.

H_a = Due to differing treatment levels, housing community characteristics affected the state of health of the commons

7.7.1 Results of ANOVA

Table 7.11 to Table 7.14 were the output of SPSS where the dependent variable was the state of health. Appendix D (Section C) listed six measurable elements related to the concept of state of health. As examples, element under QC 1 was listed as “I would recommend my friend to buy a unit”, while element under QC 2 was listed as “I would recommend my friends/ relatives to move into my neighbourhood”, etc. Since the level of treatment of “local leadership” for each case was different, a fact observed from the collection of service charge at the outset, one would expect the characteristics of parcel holders to vary across four cases. The best outcome should come from Nursa Kurnia.

The group means of the dependent variables (the state of health) were (Table 7.11): Nursa Kurnia (3.6083); Cemara I and II (4.5398); Tujoh Ratus (2.7173); and Vista Subang (2.7500). There was an anomaly in the figures of Nursa Kurnia, which appeared to be lower than Cemara I and II.

Table 7.11 Group means comparison

SofH

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Nursa Kurnia	187	3.6083	.99324	.07263	3.4650	3.7516	1.00	5.00
Cemara I & II	113	4.5398	.39326	.03699	4.4665	4.6131	3.75	5.00
Tujoh Ratus	214	2.7173	.53359	.03648	2.6454	2.7892	1.00	4.00
Vista Subang	117	2.7500	.77125	.07130	2.6088	2.8912	1.00	4.25
Total	631	3.3138	.99990	.03981	3.2356	3.3920	1.00	5.00

Table 7.12 Test of homogeneity of variances

SofH

Levene Statistic	df1	df2	Sig.
39.565	3	627	.000

Table 7.13 ANOVA

SofH

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	299.409	3	99.803	189.361	.000
Within Groups	330.461	627	.527		
Total	629.870	630			

Table 7.14 Multiple comparison

SofH

Tukey HSD

(I) Project Name	(J) Project Name	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Nursa Kurnia	Cemara I & II	-.93153*	.08650	.000	-1.1544	-.7087
	Tujoh Ratus	.89100*	.07267	.000	.7038	1.0782
	Vista Subang	.85829*	.08558	.000	.6379	1.0787
Cemara I & II	Nursa Kurnia	.93153*	.08650	.000	.7087	1.1544
	Tujoh Ratus	1.82253*	.08442	.000	1.6051	2.0400
	Vista Subang	1.78982*	.09575	.000	1.5432	2.0365
Tujoh Ratus	Nursa Kurnia	-.89100*	.07267	.000	-1.0782	-.7038
	Cemara I & II	-1.82253*	.08442	.000	-2.0400	-1.6051
	Vista Subang	-.03271	.08347	.980	-.2477	.1823
Vista Subang	Nursa Kurnia	-.85829*	.08558	.000	-1.0787	-.6379
	Cemara I & II	-1.78982*	.09575	.000	-2.0365	-1.5432
	Tujoh Ratus	.03271	.08347	.980	-.1823	.2477

Note: The mean difference is significant at the level of 0.05 level.

7.7.2 Interpreting ANOVA

For the first set of hypothesis (see the opening remarks of Section 7.7), figures show that $p < 0.05$ for between groups, that is, between Nursa Kurnia, Cemara I and II, and Tujoh Ratus. See Table 7.14 where p are zeros. In other words, the communities in these three cases were different from one another probably due to differing “local leadership” treatments as parcel holders responded to the questionnaire about how they viewed the state of health of their respective commons (QC 1 to QC 6 measurable elements). See Appendix D, Section C.

Since $p < 0.05$, rejected H_0 , went for H_a , implying that the relationship among variables was declared significant, probably not due to chance alone (Gravetter & Wallnau, 2009). In terms of state of health from “the treatment of leadership”, Nursa Kurnia, Cemara I and II belonged to two classes, while Tujoh Ratus and Vista Subang were in the same class of their own. See more explanation in Section 6.8.3. Table 7.13 shows that since

F-Ratio is greater than 1, treatment effect was felt amongst group members. See Section 6.8.3. Here $F(3, 627) = 189.361, p < 0.05$. See Table 7.13.

On the other hand, Table 7.14 shows that group means of Tujoh Ratus and Vista Subang were similar, where $p > 0.05$, H_0 was supported, implying that group memberships had no effect on the state of health of the commons, as they both had lower level of leadership treatment.

7.7.3 Results of ANCOVA

The second set of hypothesis testing is as follows:

H_0 = There was NO significant relationship between the state of health and “the number of years to move into another house”.

H_a = There was significant relationship between the state of health and “the number of years to move into another house” (to test whether “the number of years to move into another house” cofounded with housing community).

Tables 7.15, 7.16, 7.17 showed ANCOVA based on: i) dependent variable, the state of health (in scale); ii) the factor, housing community (ordinal); and iii) the number of years as covariate (in scale).

Table 7.15 Group means comparison

Dependent Variable:SofH

Project Name	Mean	Std. Deviation	N
Nursa Kurnia	3.5700	1.06546	100
Cemara I & II	4.5000	.36361	53
Tujoh Ratus	2.6831	.59606	71
Vista Subang	2.6368	.71483	53
Total	3.3421	1.04976	277

Table 7.16 Levene's test of equality of error variances

Dependent Variable:SofH

F	df1	df2	Sig.
23.627	3	273	.000

Tests the null hypothesis that the error variance of the dependent variable is equal across groups

a. Design: Intercept + yrtomove + Project

Table 7.17 Tests of between-subject effects

Dependent Variable:SofH

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared	Noncent. Parameter	Observed Power ^b
Corrected Model	138.403 ^a	4	34.601	56.781	.000	.455	227.123	1.000
Intercept	958.778	1	958.778	1573.380	.000	.853	1573.380	1.000
yrtomove	4.951	1	4.951	8.124	.005	.029	8.124	.811
Project	137.330	3	45.777	75.121	.000	.453	225.362	1.000
Error	165.750	272	.609					
Total	3398.063	277						
Corrected Total	304.153	276						

a. R Squared = .455 (Adjusted R Squared = .447)

b. Computed using alpha = .05

7.7.4 Interpreting ANCOVA

Levene's test was significant ($p < .05$), indicating that homogeneity of variance assumption had been violated due to sample size of the largest to the smallest was greater than 1.5 but stayed in the borderline case of 1.8. The output indicated effects ($p < .000$) for housing community, and a borderline relationship existed between the state of health and "the number of years to move to another house", $F(3, 272) = 8.124$, $p = .05$.

The conclusion was after statistically controlling for "the number of years to move to another house", the perception of parcel holders across Nursa Kurnia, Cenara I and II, and Tujoh Ratus "on the state of health" remained distinct. In other words, the between groups differences held. As shown in Section 7.5.3 on the demographic profile of communities, the communities were different in many other demographic factors other

than “the number of years to move to another house” (education, social capital, and financial standing).

7.8 Intra group membership differences: Chi-square test (RQ 4)

The research question was: *To what extent the effects of demographic factors impacted on the behaviour of residents in a common?*

It is pertinent to recall where the discussion ended in the last chapter. As discussed, IBM SPSS Version 17 was used to conduct the Chi-square test (Coakes and Ong, 2011, p. 166). This section would be deliberated in two parts: SPSS outputs; and interpretation.

7.8.1 Results of Chi-square test

See Table 7.18 for a crosstabulation table.

Table 7.18 I would recommend my relatives/ my friends to buy units in this project
* Ethnic group Crosstabulation

			Ethnic group			Total
			Malay	Chinese	Indian	
Q12	yes	Count	221	151	41	413
		Expected Count	222.0	137.7	53.4	413.0
		% within I would recommend my relatives/ my friends to buy units in this project	53.5%	36.6%	9.9%	100.0%
		% within Ethnic group	65.6%	72.2%	50.6%	65.9%
		% of Total	35.2%	24.1%	6.5%	65.9%
	no	Count	116	58	40	214
		Expected Count	115.0	71.3	27.6	214.0
		% within I would recommend my relatives/ my friends to buy units in this project	54.2%	27.1%	18.7%	100.0%
		% within Ethnic group	34.4%	27.8%	49.4%	34.1%
		% of Total	18.5%	9.3%	6.4%	34.1%
Total		Count	337	209	81	627
		Expected Count	337.0	209.0	81.0	627.0
		% within I would recommend my relatives/ my friends to buy units in this project	53.7%	33.3%	12.9%	100.0%
		% within Ethnic group	100.0%	100.0%	100.0%	100.0%
		% of Total	53.7%	33.3%	12.9%	100.0%

Table 7.19 Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.177 ^a	2	.002
Likelihood Ratio	11.883	2	.003
Linear-by-Linear Association	1.833	1	.176
N of Valid Cases	627		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 27.65.

7.8.2 Interpreting Chi-square test

From the Crosstabulation (Table 7.18), of the 413 respondents who said yes, by percentage the figures were Malays (53.5%), Chinese (36.6%), and Indians (9.9%).

However, if one were to look into percentage within ethnicity, Chinese (72.2%) were more satisfied than the other groups (Malays, 65.6%, and Indians, 50.6%). Thus Indians were the unhappy lot.

In Chi-square test (Table 7.19), three observations may be made (Coakes & Ong, 2011, p. 169). First, Pearson had a value of 12.177 with a significance of 0.002, a figure that was well below $p < 0.05$ and therefore significant, rejected H_0 , went for H_a , implying the intra-group membership differences were significant. Second, the main assumptions of Chi-square were not violated since the minimum expected cell frequency is 27.65, which was > 5 .

Third, in examining the observed cell frequencies, the contrast across ethnic groups were drastic. More Chinese (72.2%) and Malays (65.6%) approved the institution of self-governance and happy to recommend friends to buy units than Indians (50.6%). $X^2(2, N = 627) = 12.177, p < 0.05$.

7.9 Summary

This chapter distinguished major differences between QUAL results and QUAN results. The former were in narrative text, while the latter normally expressed in numeric form. In many instances, one acted as a compliment to the other. In research question 1 (RQ 1) for example, without the findings from phenomenological study—an exploratory research (a QUAL), factor analysis (a QUAN) could not proceed—establishing the correlational relationship amongst six variables as in the augmented IAD framework (Section 7.2).

As far as the QUAL findings were concerned, the phenomenological study showed the complexity of the social phenomenon. The problems were multi-dimensional. Hj Muswan's narrative illustrated that problems were mainly contextual, but local politics

could not be ignored. State assistance, if any, was minimal. Had decision-makers been fair to expect HJ Muswan could self-govern a complex form of social institution? The multi-case study was interesting in that the analytic explanations provided an insight into the differences in local leadership effectiveness. Nursa Kurnia was in effect possessed higher local leadership due to better education, financial standing, and background.

As far as the QUAN findings were concerned, exploratory factors analysis realigned the original elements into a smaller set of seven super-variables. Multiple regression threw some surprises in that context, rules-in-use, physical condition, and historical development were significant to respondents, but not users' characteristics and ethnicity. F2 (measured ethnicity) was insignificant and had negative coefficient, pointing to a lack of social cohesiveness in community (see Table 7.10). F5 (measured attributes of community) was also insignificant and had negative coefficient, pointing to a lack of trust amongst parcel holders (see Table 7.10).

ANOVA had no surprise. It proved that "differing treatment of local leadership on four cases--housing communities" had an impact on the state of health of the commons. ANOVA confirmed the findings of multi-case study.

Finally, taken as a whole, Chi-square showed the subtle differences amongst ethnic groups. Relatively the Indians were the unhappy lot as they were more reluctant to recommend their relatives/ friends to buy units (see Table 7.18).

In Chapter 8.0 Discussion, the findings from this chapter will be discussed in the context of the literature.

Chapter 8.0

Discussion

8.1 Introduction

In Chapter 6.0, a road map had been laid out for the present chapter in mixed method design (Figure 6.5). In Chapter 7.0, three QUAL research methods were used to investigate different aspects of the social phenomenon, about the malfunctioning/ dysfunctioning of the institution of self-governance in low-cost housing (phenomenological study, narrative study, and multi-case study). In addition, three QUAN research methods were used to investigate other aspects of the same social phenomenon (survey research, correlational research, and causal-comparative research).

While the results/ findings had been discussed briefly in Chapter 7.0 in the light of narrative texts and numeric for QUAL and QUAN respectively, the findings/ results in relation to literature review in broader sense was the main task assigned to the present chapter (Fraenkel, et al., 2012, p. 627). In this regard, Babbie (2013, p. 517) cautioned against reviewing every specific finding, “but review all the significant ones, pointing once more to their general significance”. Many authors shared this view arguing to the need to link results with previous research, to ponder whether hypotheses were supported, and to offer researcher’s own interpretation in larger context (Johnson & Christensen, 2008; Mitchell & Jolley, 2010; Salkind, 2009).

Graziano and Raulin (2007, p. 374) had a different idea. To them, the goal for the chapter was “to find answers to the questions, or to suggest questions to be answered”.

Overall, the best treatment on how to approach the “discussion section” came from Cozby (2006, pp. 299-300) who challenged researchers to be more holistic in approach

and be critical on the subject matter, thereby contributed to the body of knowledge. Due to the relevance, Cozby's (2006, pp. 299-300) nine propositions are briefly discussed.

Firstly, begin by summarizing the original purpose and the expectations of the study. Second, state the results/ findings and ask are they consistent with the study's expectations? Third, if the findings support the expectations, state in what ways they will contribute to existing knowledge? Fourth, compare the findings with past research or theories. Fifth, however, if the findings do not support past research explain how they can happen? Sixth, provide researcher's own criticisms. Seventh, state the limitations of the study. Eighth, state whether the findings lead to some forms of generalization of knowledge. Ninth, state in what direction the findings help to steer future research?

In this chapter, how did one propose to do it? Figure 8.1 depicted the six steps involved.

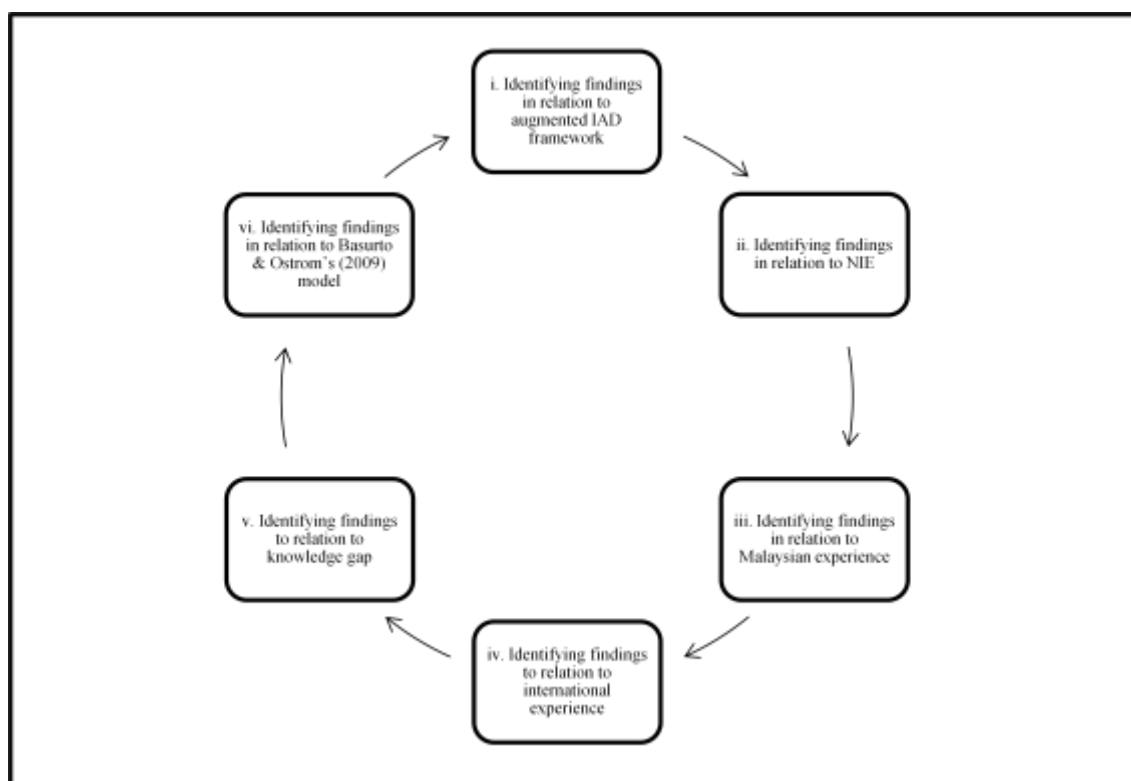


Figure 8.1 A road-map for discussion

Basically, to each research question raised in Table 6.7, results/ findings obtained from Chapter 7.0 would be deliberated further through a process of six steps, its findings in relation to: i) augmented IAD framework explanation; ii) new institutional economics

(NIE) explanation; iii) Malaysian experience; iv) international experience; v) knowledge gap; and vi) Basurto and Ostrom's (2009) model (see Section Figure 3.13). Bearing in mind Babbie's (2013, p. 517) reminder, not all steps would be mindlessly followed in addressing individual research question.

If hitherto the researcher had covered the topic of self-governance from general-to-specific in APA-style, this chapter (Figure 8.2) would do the reverse by restating major findings/ the hypothesis and to link them to literature for applicability and support in larger context, far beyond the confine of the parcel holders (Bordens & Abbott, 2008, p. 502).

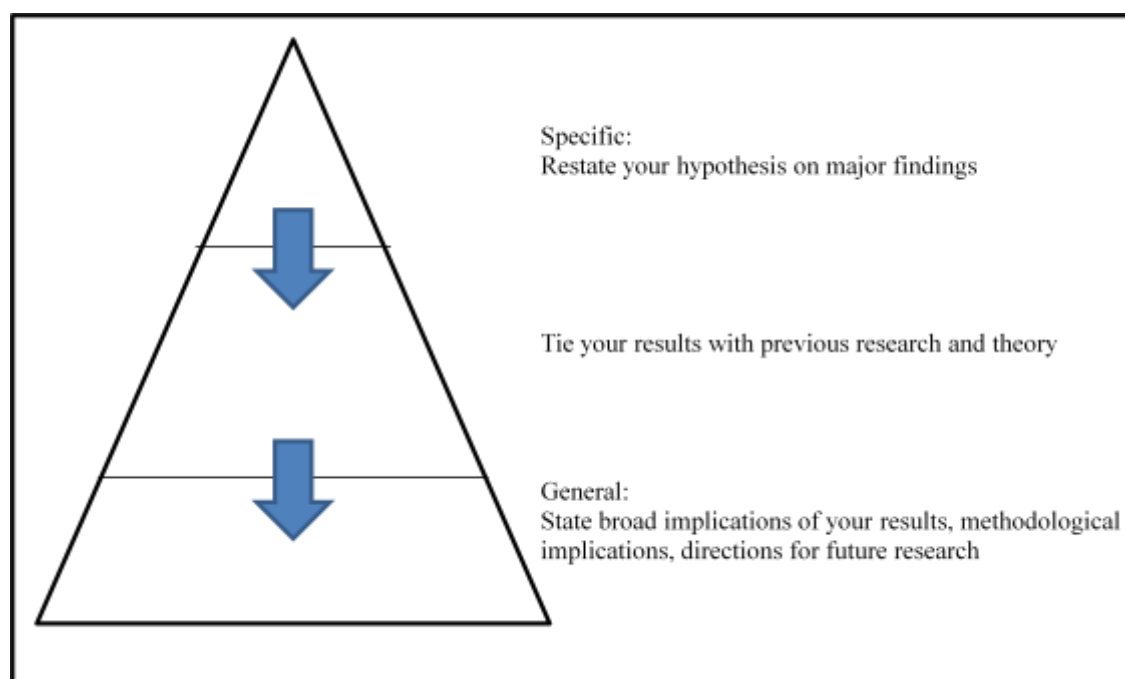


Figure 8.2 Specific-to-general organization of an APA-style discussion section

Source: Bordens and Abbott (2008, p. 502)

Figures 8.3 and 8.4 served as a refresher to readers on the augmented IAD framework and five strands of NIE as discussed in earlier chapters. Recalled the four factors discussed that dictated the outcome of self-governance in any common-pool resource (CPR) in Ostrom *et al* (1994): physical condition; attributes of community; rule-in-use; and the context. Two additional factors were added to the original IAD framework due to evidence in literature review (historical development, and ethnicity condition).

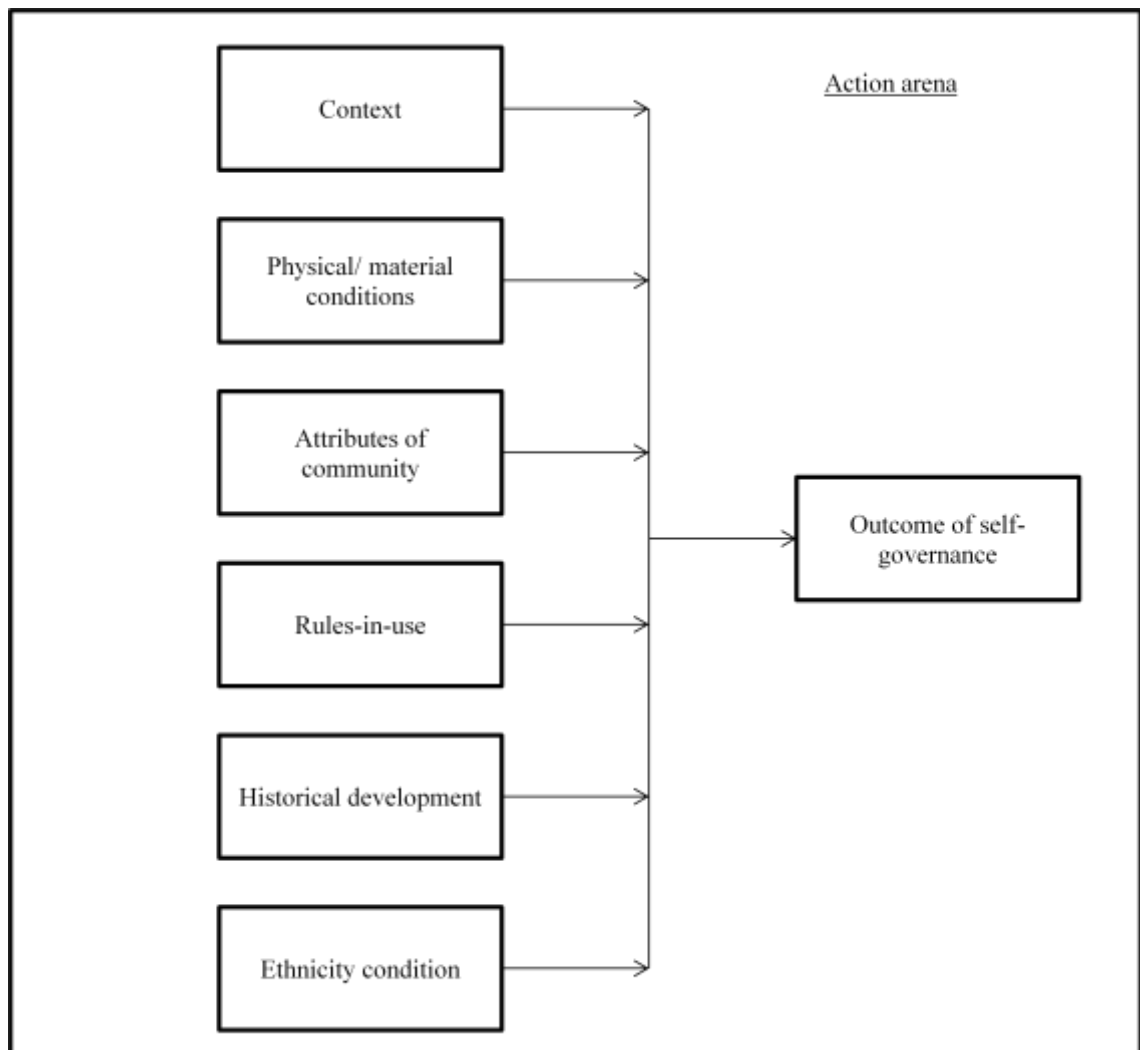


Figure 8.3 A simplified augmented IAD framework for self-governance

Note 1: Refer to Section 3.5 The IAD framework in self-governance for common-pool resources

Note 2: On IAD framework, see Poteete et al (2010, p. 41)

By itself, IAD appeared inadequate to explain fully the social phenomenon. That explained the rationality of retaining NIE explanation in the event where clarity was sought (Yin, 2009, p. 160; 2011). As an example, how could the conduct of public officers explained by public choice theory that had an impact on the interest of the poor? As another example, did one need a redefinition of property rights to solve the non-compliance behavior of parcel holders?

The truth was IAD was a framework, not a theory that provided a systematic analysis of a problem under study. It was highly recommended for policy-makers if it involved multi-levels and interdisciplinary fields (Dunn, 2008, pp. 48-56). As an example social issues involving racism could be made comprehensible using IAD. On the other hand,

NIE explanation was more suitable to solve problems at daily transactional level between two parties.

Therefore, as one examined the findings/ results of each research question the five strands of NIE would be revisited (property rights theory, law and economics, transaction costs economy, public choice theory, and economic history).

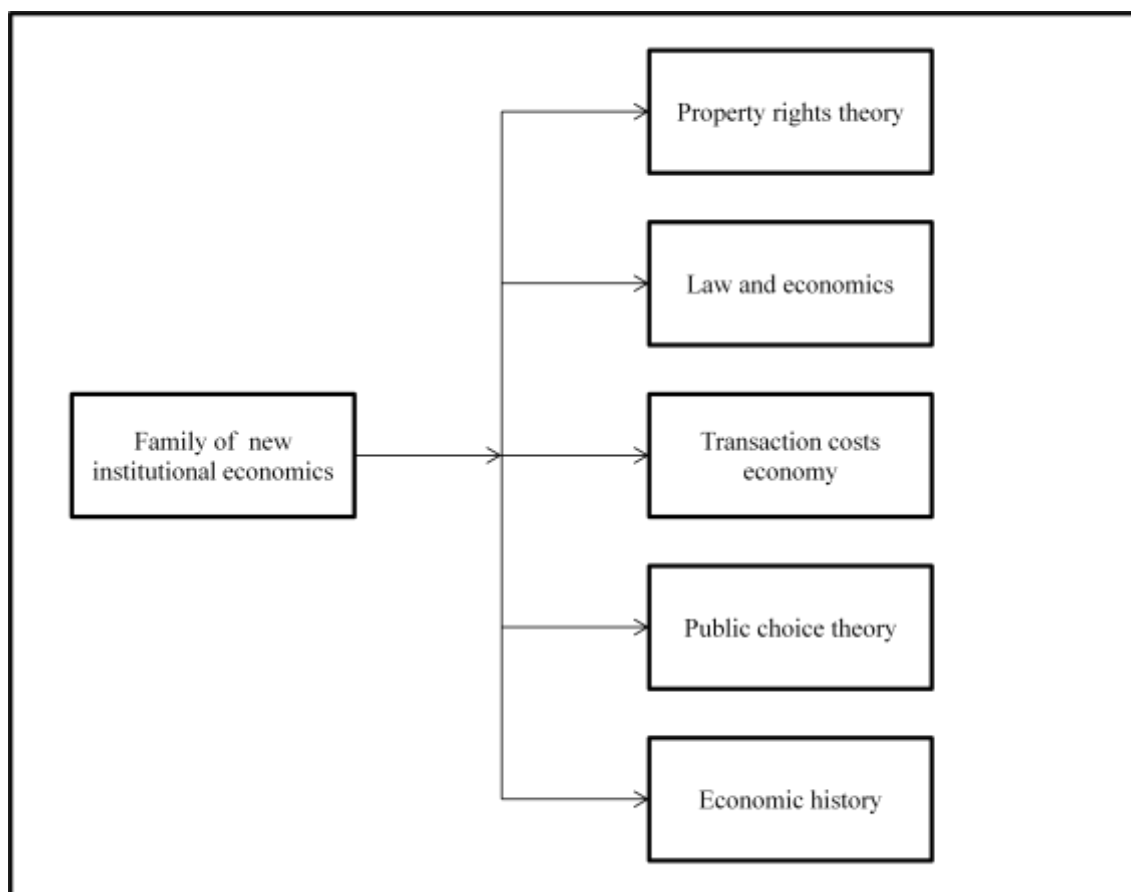


Figure 8.4 Five strands of NIE

Note: Refer to Section 2.4 on the five strands of NIE, and their roles

The format of this chapter has been influenced by two journal articles where mixed methods research was employed: Igo, Kiewra, and Bruning (2008, cited in Creswell, 2012, pp. 561-575); Edwards and Lopez (2006, cited in Fraenkel, et al., 2012, pp. 566-586).

There were differences in emphasis, detail, and approach between “a story-telling qualitative structure” and “a scientific qualitative structure” (Creswell, 2012, pp. 275-276). In the former, the style was more fluid where the focus was on individual/ event,

while in the latter, the overall structure was regimented where the drive was to find answers to a specific research question. The latter structure was adopted.

8.2 Complex social phenomenon: A phenomenological study

The research question was: *Are there more factors to be considered beside the identified factors toward the state of health of the commons?*

8.2.1 Augmented IAD framework explanation

Evidence adduced from six members of expert panel suggested that basically the augmented IAD framework was sound as it systematically helped to discuss a complicated social phenomenon in an orderly fashion. By its exploratory nature, the phenomenological study helped set the stage that allowed subsequent studies to stay on course. There were five key findings.

First, on attributes of community, many doubted the effectiveness of education alone could inculcate social capital—the ingredient that facilitated collective action rather than self-interest. In addition, one might also wish to add the quality of education mattered. Was there concerted effort to promote collective living in a pluralistic society where ethnic fractionalization index (EFI) was high at 0.694 (see Section 4.5.4)? Did the school system promote the right value system so that public goods were protected through building social capital (Figure 4.8)? Clearly the state has a role in building cross-cutting ties amongst its people of various ethnicities (N.J Colletta, et al., 2001, p. 3). In this sense, other considerations such as religion orientation, up-bringing, and exposure too could not be ignored.

Second, the apparent reluctance of parcel holders to comply with both formal rules and informal constraints maybe traced to the relatively short period of living in the strata

environment, a case of mal-adaptation. Endogenous institution takes a long time to evolve (Engerman & Sokoloff, 2003).

Third, since the wellbeing of the commons had nothing to do with authority, the parcel holders were to fend for themselves. The context hence was that little assistance came to the group that most deserved the help. But in terms of governance quality, Malaysia as a Third World country had no surprise to offer for providing abysmal budget on public goods.

Perhaps a reminder from Chapter 4.0 was timely: In general term, it was clear that advanced developed countries committed more resources to public goods, a mean score of US\$ 6,379.34 per capita where N=23, whereas for the poorest countries, public expenditure per capita where N=38, could be as low as US\$ 107.02 (Gomez & Stephens, 2003; Yeoh, 2003). For clarity, see Table 4.10, introduced as Table 8.1.

Table 8.1 Public expenditure per capita (US\$)

	Mean	Max	Min	CV
All countries (N=119)	1806.88	12270.00	23.00	1.55
Advanced industrialized countries (N=23)	6379.34	12270.00	2962.80	0.42
Upper-middle and high-income developing countries (N=20)	2342.20	10025.00	519.00	0.95
Lower-middle-income countries (N=38)	457.44	1897.45	79.06	0.75
Lower-income countries (N=38)	107.02	452.92	23.00	0.84

Source: Yeoh (2003)

As an upper-middle and high income developing country, Malaysia was in the bracket whose public expenditure per capita was US\$2,342.20, which was a third of the budget spent by advanced industrialized countries. Could it be that Malaysia has no means to afford such a high level of public expenditure budget? But a closer examination of income per capita of Malaysia, Hong Kong and Singapore for period 1950-2000 (1990 international Geary-Khamis dollars) quickly dispelled the myth (Table 4.11).

Table 4.11 showed that Singapore's per capita income when it introduced HDB flats for their low income earners was US\$2,310 in 1960. Malaysia's per capita for 1970 and 1980 were US\$2,079 and US\$3,657. In other words, it was not exactly a preposterous suggestion that Malaysia could afford to implement HDB kind of flats with the attendant "welfare benefits" as in Singapore as early as 1975. Where had the resources gone to? One plausible explanation was: Either the resources were diverted elsewhere other than on public goods, or the system of governance was weak as reported annually by the World Bank, or for that matter as reported annually by the Auditor General, Malaysia.

Another plausible explanation, the lack of pro-poor attitude was explained by following the argument of Acemoglu and Robinson (2012, pp. 73-76) about the effects of "extractive economic institutions" implemented by a few chosen elites under the influence of "extractive political institutions".

Indeed, the quality of state governance was given a glimpse by Arope (2013) on how rent-seekers made millions at the expense of the masses as seen in the lopsided agreements signed between independent power plants and the state.

For more, please refer to Figure 4.15 Worldwide governance indicators, Malaysia, 1996-2009 (Kaufmann, et al., 2009).

Fourth, as evidence from the experience of local management bodies of Cemara I and II, and Vista Subang, local politics too affected the institution of self-governance (Agrawal, 2008). The setting up of "neighborhood watch" in the two housing communities was in direct competition to the self-governance of the local management bodies (see Section 7.4.3 on Cemara I and II leadership). Due to its potentially destructive nature, only certain kind of local leadership who could rise above certain level thrived in handling community affairs (R. L. Hughes, Ginnett, & Curphy, 2009). Given the high bar to

cross in any self-governance situation, did that prove the decision-makers had been wrong in allowing the situation to persist?

Fifth, was there evidence that showed ex-squatters found adapting to modern strata living a challenge? Many panel members did not think so. For example more than half of parcel holders for both Cemara I and II and Vista Subang were ex-squatters but displaying entirely different characteristics in collective action. In both cases the problem of self-governance was plagued by local politics. Due to this consideration, Mr Alvin Woon, an experienced property manager, rightly cautioned against having a homogenous ethnic group in a collective setting. Probably, Vista Subang failed due to homogeneity of parcel holders, and in the process disproved Olson's (1965) theory of homogeneity.

8.2.2 NIE explanation

If IAD framework was apt to explain social phenomenon at meso level, it failed to account for events at local level/ action arena. From the study, at least three areas of weaknesses relating to the conduct of actors-agents might be explained by NIE reasoning.

Firstly, they were three views to property management functions under "property rights theory" arguments: i) the what view; ii) the how view; and the iii) strategic view.

At the lowest level (the what view), decision-makers might accept that property management was a mundane job it involved the sweeping of common-areas and ensured lifts were working, etc. Tiun (2009) was not wrong when he argued that Malaysia's property management was at this level. Other than Nursa Kurnia, all the other three had characteristics closely related to this school of thought (see Section 7.4 on multi-case study).

At the next level (the how view), decision makers were more ambitious (Koontz, et al., 1980, p. 24). Property managers or office bearers of JMBs/ MCs strived to provide more comprehensive services since the collection records were satisfactory. The emphasis at this stage was to do with providing better services at the back of a strong support from parcel holders, the way experienced in Nursa Kurnia.

At the highest level, Edwards and Ellison's (2004, p. 4) argument that "property as a concept was a social instrument, used to define a reservoir or flow of benefits" deserved closer attention. As owners of a property, there were rights as well as duties pertaining to the use of any asset. Thus, in addition to ensuring that the asset values were maintained through good practices, the dualism of rights and responsibilities were emphasized—the basic tenet of the concept of fair and justice.

Obviously the pre-condition of achieving the highest level was stringent. In practice, it was literally next to impossibility to have a set of enlightened local leadership, matched by equally enlightened parcel holders. If it could be achieved, Hardin's (1968) allegory of *The tragedy of the commons* would not enjoy that kind of scholastic attention and in the process produced at least three Nobel Prize winners (Coase, R; Ostrom, E; and Williamson, O. E) in the field of theory of public goods.

More specifically, North (1990) argued that in practice it could be achieved. But how did the West achieve such a feat—such a level of institutional arrangements? Institutions were formal rules and informal constraints existed in a society through hundreds of years of development. The West recognized the advantages of having a good system of institutions since it allowed two transacting parties to trade at low friction costs. Consider a situation in a common when a defaulter refused to accept the rules and disfigured the walls? When the institutions were weak, there would be no

means to enforce the rules (see Section 7.2 on phenomenological study, Ms Azlina's remark).

It is timely to revisit the role of a democratically elected government (see Section 4.6.1 (a)). Of the six roles, foremost in the list is to build communities and the nation-state. Could the government accept the fact that we were far from living in a Coasian World (institution-less world)? Put simply, the institution of self-governance cannot be left on its own, and outside of government influence.

Secondly, NIE's explanation based on "the principle of law and economics" was most interesting. A naïve transfer of a full set of law from a First World nation to a Third World state would expectedly produce different outcome (Williamson, 2000). Hence passing the relevant law was insufficient condition if informal constraints were not put in place (norms, belief system, and culture). As argued by Azlina of Selangor State Housing Board while the law might permit the attachment of movable properties of the defaulters, the process was just too cumbersome to enforce (Section 7.2).

Thirdly, conflicts in the action arena were often the result of the management style of the Management Bodies (JMBs)/ Management Corporations (MCs). Given the basic human nature of "bounded rationality and individual opportunism" (Simon, 1972, 1991), few enlightened local leadership would avail themselves. If the local leadership of Nursa Kurnia was deemed the role model, its duplication would be an affair hard to be copied. But there was hope from NIE reasoning.

8.2.3 Reflection from Basurto and Ostrom's (2009) framework

Diagnostic framework, found popularity in medicine, biology, and informational fields is often used as a complement to IAD framework. The strength of this framework is its prediction ability of an outcome based on the understanding that outside of actors-

agents' interaction, social, economic, and political settings do play a part (see Figure 3.13).

As an example, a more caring local authority whose interests are aligned to the poor would improve the outcome of self-governance. In responding to survey questionnaire D 4.3 of Appendix D, parcel holders of Tujoh Ratus and Vista Subang returned low score in their perception of support from members of the local politicians.

8.3 Eager to perform but ill-equipped: A narrative inquiry

The research question was: *Given that one's past experience shapes a person's behavior in a given context, is change possible?*

In NIE parlance, institutional change refers to rule change to restrain human conduct. Only through time that a firmer institution evolves that enables actors-agents to interact, transact, and to cooperate with one another. Hence institutional change reduces transaction costs and builds trust in a community.

In the narrative of Hj Muswan, the findings showed a breakdown of local leadership incapable of leading the institution of self-governance as he was not equipped to take the challenge.

8.3.1 Augmented IAD framework explanation

The narrative inquiry on Hj Muswan revealed the multi-faceted aspects of human nature that could be explained in certain context and yet failed in other contexts.

As an example on users' attributes, Olson's (1965) theory of homogeneity failed to account for the lack of collective action in Vista Subang where 80% were Malays. By itself, IAD relied on the embedded human behavior assumptions of "bounded rationality and individual opportunism" that people were not irrational but rational only to the

extent of his cognitive power. People were expectedly self-serving, self-interested, and selfish. What IAD lacked was a more in-depth understanding of the role of ideology associated with NIE explanation in the action arena.

Second, Olson's (1965) also failed to explain why a relatively low-density Vista Subang (210 units) failed.

Third, if historical development mattered in self-governance and Vista Subang's failure was due to the presence of high ex-squatters (80% of parcel holders were ex-squatters), how could one explain the success of Nursa Kurnia which was in the same bracket?

Lastly, if Hj Muswan was not given the support he deserved due to local politics, then augmented IAD was the wrong choice to furnish any insight. A more informed explanation might come from Almond *et al's* (2008, p. 34) model referred to in Section 4.6.

Without going into political ideology, political party affiliation and competition for votes would affect the level of cooperation in a common. Hj Muswan, was after all, a local politician aligned to the ruling coalition. With the emergence of Pakatan Rakyat coalition after the March 2008 General Election, the competition for votes had been strong. And possibly that was the cause of the appearance of two forces representing two political camps.

8.3.2 NIE explanation

If one suspected that the quality of local leadership such as JMBs/ MCs was the source of trouble, transaction cost economics (TCE) explanation was a superior choice to decipher the lack of collective action (Levi, 2000). In the case of housing community in Vista Subang where parcel holders had been known to each other for more than two decades, "high friction costs" existed in transaction would explain failure in any self-

governance effort. Williamson's (1985) TCE model as discussed in Figure 5.6 is reproduced herein as Figure 8.5.

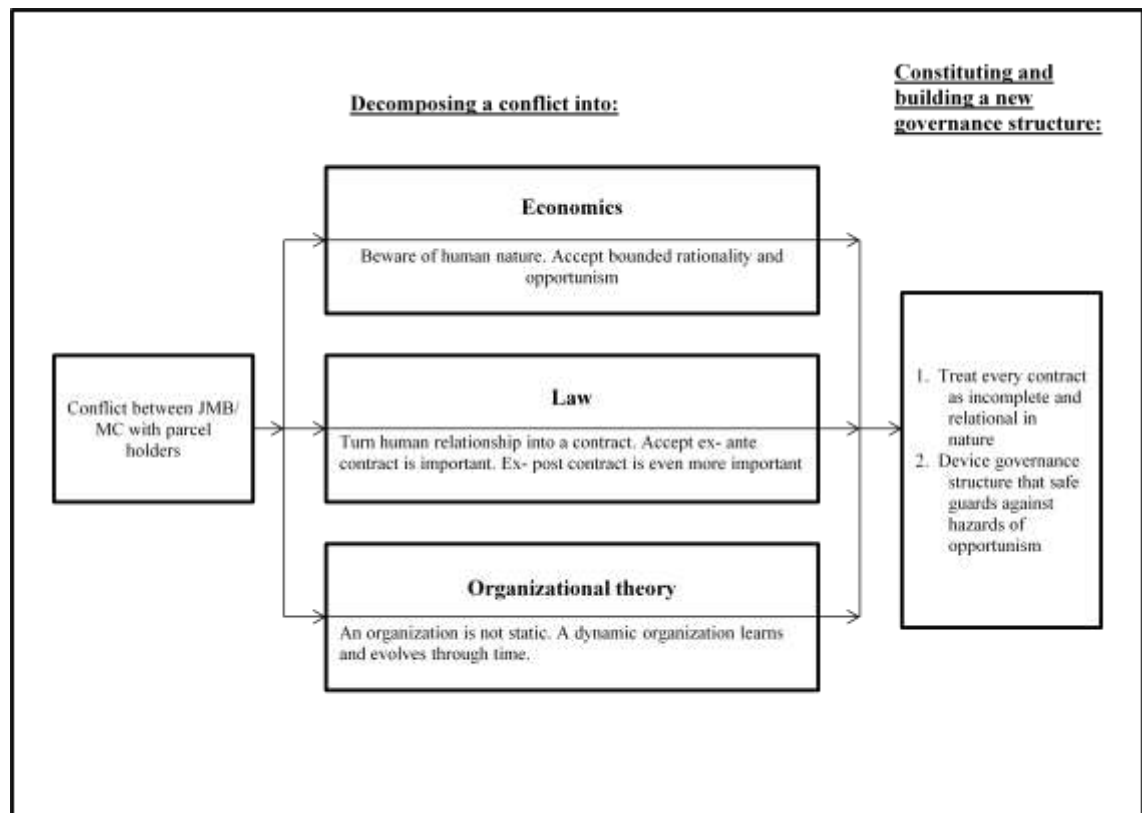


Figure 8.5 A transaction cost economizing model in overcoming a conflict

Source: Adapted from the arguments of Williamson (1985, pp. 1-12, 43-67, 68-84)

Williamson's (1985) high friction costs in daily transaction between two parties, say between JMB and a parcel holder was explained in three parts from JMB's perspective.

On economics, the operation of JMB must be transparent if it wishes to gain the trust of parcel holders. Trust in the old society was not a problem because people lived in small communes. In modern days however, land scarcity and job opportunity forced people to live in high density housing without worrying whether it was against human nature. Therefore, as the head of any JMB, the challenge was to build trust.

As an example, the JMB of Nursa Kurnia was able to show that they were sincere in providing superior service to parcel holders. Without asking for any return, the small band of JMB leadership toiled under hot sun cleaning the central rubbish bin. Without also asking for any return, they went from house to house looking for owners of the

plastic bags that contained household waste but placed them at non-designated spots (see Section 7.4.2 on Nursa Kurnia). As they showed they meant business, the JMB of Nursa Kurnia demonstrated that they could be trusted. If trust was there between two transacting persons, then friction costs of doing business would reduce. Appendix D (Section D3) tried to assess the level of trust in a community.

On law, beware of the nature of relational contract as every contract was not something cast in stone (Brousseau, 2008). Under the Act 318, and Act 663 it is required of a parcel holder to pay the service charge, a JMB would sit and wait for a parcel holder to visit him. If defaults occurred, a typical JMB would consider instituting legal action through courts. But to NIE, self-governance of a common was different from selling an item over the counter. Parcel holders were the stakeholders of a common. One could not bar them entry to their homes in the event of defaults (H. K. Wang & Shia, 1994). No doubt court ordering (legal centralism) was a legitimate means to recover any debts owed to JMB, it was both costly and time consuming to invoke (see Ms Azlina's comment in Section 7.2.1).

Hence, in such a condition, private ordering was preferred (Brousseau, 2008). Under this concept, the idea of relational contract was proposed. Since neither a JMB could run away from doing its work, or a parcel holder could ignore his obligation. Both could learn to co-exist by being more accommodative and cooperative.

But a change of mind-set was not going to be easy. So the lesson was: While ex-ante contract was important, ex-post contract was even more important in self-governance. In this connection, Nursa Kurnia management appeared to come close to private ordering, while Tujoh Ratus and Vista Subang had little clue.

On organizational theory, accepted that a JMB/ MC was a social entity and therefore capable of learning through time. The greatest challenge obviously came from the

attitude of local leadership. Were they capable of learning through time? Was it fair to expect them to manage in the first place?

Self-governance was a complex management concept for CPR. Who would accept that a supposedly mundane job of sweeping the floors, making sure corridor lights were on each night, and the lift services were not interrupted would turn out to be such a complex operation? At the heart of this concept, it was to find ways to understand human nature. In a situation where it involved repetitive transactions, a JMB and parcel holders had much to learn from each other.

The concept of private ordering requires some explanations. A revisit to Section 5.5.1 might help. As Llewellyn (1931, pp. 736-737, cited in Williamson, 1985, p. 5) pointed out the nature of “yielding rules” in private ordering:

....the major importance of legal contract is to provide a framework for well-nigh every type of group organization and for well-nigh every type of passing or permanent relation between individuals and groups... --- a framework highly adjustable, a framework which almost never accurately indicates real working relation, but which affords a rough indication around which such relations vary, an occasional guide in cases of doubt, and a norm of ultimate appeal when the relations cease in fact to work.

One puzzle required to be addressed. If Williamson (1985) had successfully provided the cause to conflicts in transactions as due to high friction costs, and the way to overcome them was so complicated, were policy makers prudent to expect parcel holders of low-cost housing to manage such a complicated operation (self-governance of a common)? At the heart of the argument was about the challenge to manage a kind of public goods where free-riding was taken for granted (Baland & Platteau, 1996, p. 79; Ostrom, 1990, pp., pp. 30-33).

8.3.3 Malaysian experience

There was a long line of Malaysian researchers pointed out the malfunctioning of the institution of self-governance in strata buildings (Fakhrudin, et al., 2011; Latif Azmi, 2006; Mohit, et al., 2010; Sibly, et al., 2011; Tiun, 2009).

In particular, Latif Azmi was more insightful when he conducted a survey involving 50 strata titled property managers throughout Malaysia wherein more than 66% retorted that the collection of service charge was the most excruciating experience (Latif Azmi, 2006, pp. 67-70, 88, 104-105).

8.3.4 International experience

But the poor performance of self-governance in Malaysia was not an isolated experience. Given its short history in housing governance under the umbrella of common-pool resources management, there were many reports in journals pointing to the generally lack of success under the discussion of gated communities, common-interest housing, condominiums, etc.

As an example, there might be conflicts amongst parcel holders/ tenants as in Sydney, Australia (Easthop & Randolph, 2009).

As another example, the lack of any incentive structure given to a property management company (PMC) would discourage its performance (Chen & Webster, 2005). Rather than treating a PMC in the Taiwan context as doing merely maintenance functions, its role was expanded.

8.4 Local leadership mattered: A multi-case study

The research question was: *In what manner result from the QUAN was seen to tally with observations of office bearers of JMBs/ MCs? Can some sorts of classification be made?*

By claiming that Nursa Kurnia was blessed with a set of effective local leadership, self-governance was expectedly the natural outcome was akin to stating the obvious. Such a simplified cause-effect explanation could be found in any management book on leadership (Daft, 2011; Robbins & Judge, 2011). A better explanation comes from social psychology literature of group behavior, example Hollander (1978), but it is beyond the scope of current research on “institution and governance”.

Although Section 7.4 had driven home the success of concepts of theoretical replication design (Nursa Kurnia compared to Cemara I and II and Tujoh Ratus) and literal replication design (Tujoh Ratus and Vista Subang), the fundamental element that produced the causal change in behavior amongst parcel holders remained a mystery. Hence one then turned to IAD framework and looked for clues that made behavioral change possible in the context of common-pool resources management.

8.4.1 Augmented IAD framework explanation

The crux of the problem was to understand human behavior in collective action. While it was understood that every human being was basically a utility maximizer when deciding on private goods since the days of Adam Smith, no parallel theory explained how decision was made when one decided in a collective setting on matters regarding public goods (Buchanan, 1968, cited in Kiesling, 2000, p. 1).

As if men were made to pay for their ignorance and folly since 19th century, environmental degradation was a common sight in every corner of the world (Section 3.5.2). As a result three metaphors that depicted human beings' folly in dealing with collective goods were useful: i) Hardin's (1968) *The tragedy of the commons*; ii)

Rapoport and Chammah's (1965) *The prisoners' dilemma*; and iii) Olson's (1965) *The logic of collective action*.⁸⁴

8.4.1 (a) *General interpretation of behavior theories*

Combined, the three metaphors represented the conventional theory of social scientists where they believed that rules change would result in behavioral improvements, an exogenous institutional change (Poteete, et al., 2010, p. 219). More recently, the emergence of evolutionary theory argued that human beings were capable of learning and they tended to accept those norms which they felt were beneficial to them as well as to the community (an endogenous institutional change). As an example, noticed how cordial the relationship was when a man met another man in a temple, mosque, or a church. Did he not reciprocate in kind?

Hence, Figure 3.10, renamed Figure 8.6 explained men were capable of learning under a set of broader context, and micro-situational variables.

⁸⁴ Lloyd (1833) may be the earlier proponent of the allegory "the tragedy of the commons" (Hardin & Baden, 1977, p. 11), cited in Baland and Platteau (1996, p. 25).

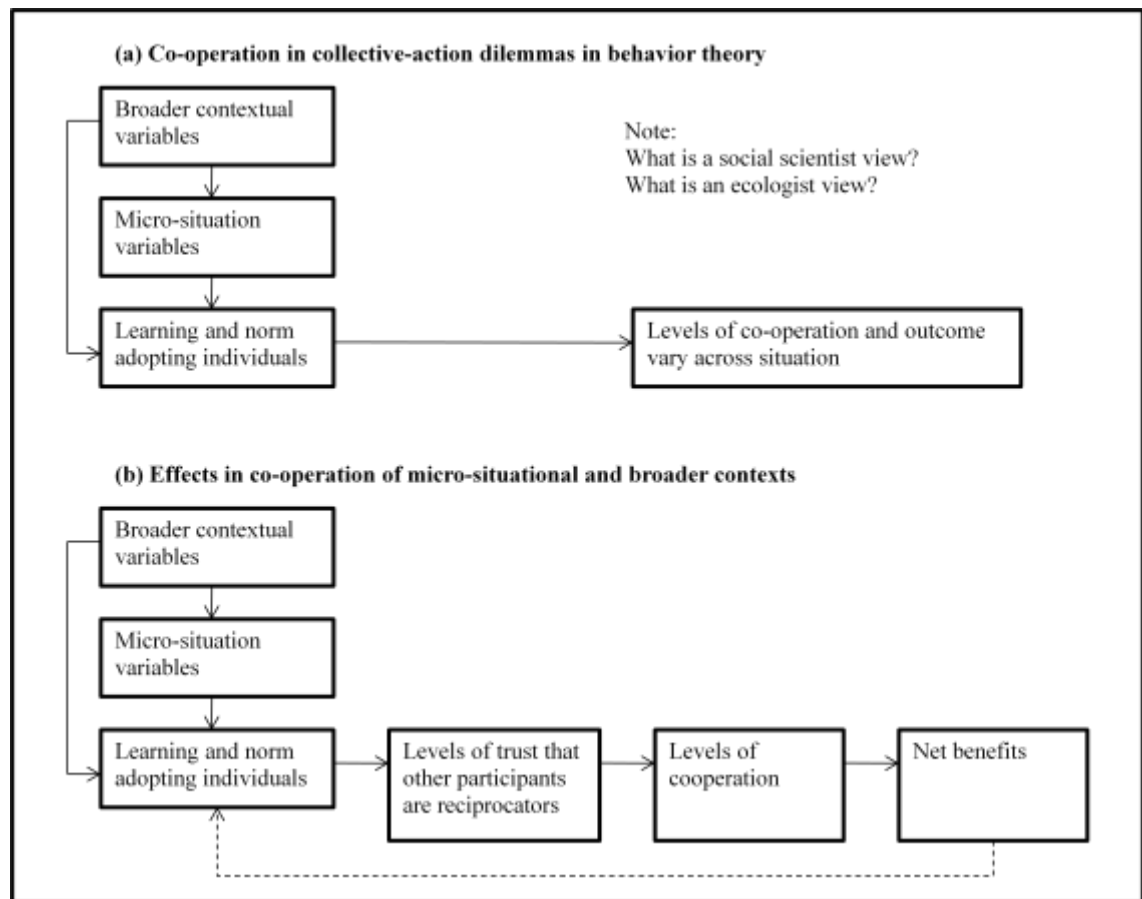


Figure 8.6 A general behavior theory of human action

Source: Adapted from Poteete et al (2010, pp. 31-33, 220-227)

Following from the above, the causal explanation was: Arising from institutional change, certain communities (such as Nursa Kurnia and Cemara I and II) enjoyed a relatively stronger set of institutions as informal constraints played their part in shaping collective action.

The next question to ask is: Was institutional change come first as seen in the acceptance of informal constraints, or the real cause was due to effective local leadership? In practice, to claim that either one working on its own would have produced the result was flawed. Without a change in culture or social capital amongst parcel holders, local leadership would remain weak (Hollander, 1978).

In the case of Nursa Kurnia, local leadership persevered for one full year and impressed upon defaulters the benefits if all behaved according to law (formal rules or informal

constraints). The gradual change over time was noticeable as more and more defaulters turned to embrace collective action (Yau, 2011).

8.5 Robustness of augmented IAD framework: Factor analysis and multiple regression

The research questions were in two parts: (a) *Of the six factors identified in the augmented IAD framework that influence the state of health of the commons, can a ranking be provided?* (b) *What is the relationship between various factors and the state of health of the commons?*

Arising from the above, the discussion would be in three parts: i) outcome from factor analysis; ii) outcome from multiple regression; and iii) augmented IAD framework explanation.

8.5.1 Outcome from factor analysis

For ease of illustration, Table 7.6 was reproduced herein as Table 8.2.

Table 8.2 The seven principal components/ super-variables after alignment

Component	Eigenvalues	% of Variance explained	Construct measured	Original elements in the questionnaire (Appendix D)
F1	7.247	24.988	Context/ governance	D4.3, D4.4, D4.5, D4.6, E2.1, and E2.3
F2	5.080	17.516	Ethnicity condition	E2.2, E2.4, E2.5, D3.6, and D4.1
F3	2.414	8.325	The state of health of the commons	C1, C2, C3, and C4
F4	1.959	6.754	Physical/ material conditions	D1.1, D1.2, and D1.3
F5	1.608	5.546	Attributes of community	D2.1, D2.2, and D2.3
F6	1.138	3.925	Rules-in-use	D3.1, D3.2, D3.3, and D1.6
F7	1.101	3.796	Historical development/ adaptation to new environment	E1.3, E1.4, E1.5, and E1.6

From Table 8.2, an attempt would be made to account for the impact of each principle component in reducing order of Eigenvalues, F1 (7.247) through to F7 (1.101) as in the findings.

F1 measured context/ governance. One could say that parcel holders appeared to appreciate the role of federal government (D4.6 of Table 7.5, factor loading 0.850) more than those of state government (D4.5, factor loading 0.817) and the local authority (D4.4, factor loading 0.732). On the other hand, local politicians were least appreciated, apparently for their lack of performance (D4.3, factor loading 0.607). In Malaysia, urban squatter eviction policy decided whether the squatters would get the chance of purchasing low-cost housing at great discount from the market price. The government's record to look after the interest of urban squatters was not strong due to the long held laissez-faire stance (Section 5.3.4).

F2 measured the ethnicity condition, that is, social cohesion. As a multi-cultural society, respondents were sensitive and took steps not to hurt other ethnic groupings (see E2.5 of Table 7.5, factor loading 0.75). However, many felt social cohesion was unsatisfactory

in the multi-cultural society (see E2.2, factor loading 0.492). Recall Yeoh's (2003) ethnic fractionalization index (EFI) of Malaysia (0.694) and that of Singapore (0.479) that explained Malaysia's minimal effort on the provision of public goods that led to less social cohesion. See also Figure 4.10.

F3 measured the state of health of the commons, that is, parcel holders' view on the performance of the institution of self-governance. On the whole, house-ownership was important to them (see C3 of Table 7.5, factor loading 0.803), and in turn, they would recommend their friends to buy units there (see C1, factor loading 0.803).

F4 measured the physical/ material conditions. On the whole, parcel holders appeared to have little complaints on the density, facilities, and workmanships (D1.1, D1.2, and D1.3 of Table 7.5, factor loadings of 0.800, 0.782, and 0.784 respectively). In sum, the self-governance issue was more to do with maintenance than product design, which was the heart of the thesis.

F5 measured the attributes of community. Respondents appeared positive and eager to help one another as they led their lives without the influence of politicians (D2.1, D2.2, and D2.3 of Table 7.5). However, as could be observed in the multi-case study, the formation of neighborhood watch groups in Cemara I and II, and Vista Subang caused division amongst parcel holders and endangered the functioning of the institution of self-governance (Sections 7.4.3 and 7.4.5).

F6 measured rules-in-use. Clearly rules compliance appeared difficult as many parcel holders failed to appreciate their relevance (D3.3 of Table 7.5, factor loading 0.468). Also, high frequency of lifts breakdown caused annoyance (D1.6, factor loading 0.484). The findings confirmed the dysfunctional institution of self-governance due to poor maintenance of common-areas.

F7 measured historical development/ adaptation to new environment. There was sufficient evidence to show difficulty in adapting to new habitat as culturally strata living was beyond parcel holders (E1.4 of Table 7.5, factor loading 0.671). Also, the habit of paying service charge appeared to be externally induced, not a decision made by them as seen from a low score of E1.6 (factor loading 0.442). The finding lent weight to the literature as the role of local leadership exerted influence on the conduct of parcel holders (Hollander, 1978). See Section 7.4.2 multi-case study on the success of Nursa Kurnia on leadership.

8.5.2 Outcome from multiple regression

Results from Table 7.8 indicated that 46.3% (R square), and 45.7% (adjusted R square) was explained by six factors of the augmented IAD framework. Individually on the coefficients (Table 7.10), only four factors (F4 physical condition, F6 rule-in-use, F1 context/ governance, and F7 historical development) were found to be significantly related to the state of health of the commons (where $p < .000$). Two other factors (F5 attributes of community, and F2 ethnicity condition) were insignificant. From Table 7.10, the regression equation was:

$$Y^{\wedge} (\text{state of health}) = -1.528 + 0.293 (\text{F4 physical condition}) + 0.396 (\text{F6 rules-in-use}) + 0.446 (\text{F1 context/ governance}) + 0.236 (\text{F7 historical development}) - 0.100 (\text{F2 ethnicity condition}) - 0.062 (\text{F5 attributes of community}).$$

One way to interpret F5 and F2 was to revisit the elements under the two groups. As pointed out by Babbie (2013, pp. 262-264), many respondents might not reflect the true thinking.

In addition, other weaknesses from survey research were discernible. Survey research suffered from weak validity due to participants' self-reporting on why certain things

happened (Babbie, 2013; Mitchell & Jolley, 2010). Unlike the case of experiment, survey depended on the conduct of field investigators whose appearance, tonality, voice, and question wordings affected respondents (Neuman, 2006, p. 301).

8.5.3 Augmented IAD framework explanation

By and large, the state of health would improve by 1.0 unit if one could improve the governance by 0.446 unit by holding other factors constant. In the same manner, 0.396 unit of rules-in-use would produce 1.0 unit of state of health if one could hold other factors constant. Hence, parcel holders collectively viewed context/ governance, rule-in-use, physical condition, and historical development as determinants that decided on the state of health of the commons.

Going by Kiser and Ostrom's (1982) three level of analysis, the performance at the operating level was affected by decision-makers both at collective and at constitutional levels (Figure 3.12). But as a developing state Malaysia's quality of governance had not been its strong forte if compared to the First World nations, and original Asia tigers (Embong, 2008; Gomez, 2005; Kaufmann, et al., 2009; J. Tan, 2008; Wain, 2012). To expect it to claim ownership of the institution of self-governance was not being realistic in the foreseeable future. Table 4.13, was renamed Table 8.3.

Table 8.3 GDP per capita (2008 PPP\$), and selected worldwide governance indicators

	Countries	HDI ranking, 2008	GDP per capita (2008 PPP\$)	Government effectiveness, 2008	Rule of law, 2008	Control of corruption, 2008
1	United States	4	46,350	1.65	1.65	1.55
2	Iceland	17	36,902	1.58	1.91	2.32
3	Singapore	27	49,321	2.53	1.73	2.34
4	Mexico	56	14,570	0.18	-0.64	-0.26
5	Brazil	73	10,304	-0.01	-0.30	-0.03
6	Thailand	92	8,066	0.26	-0.03	-0.38
7	China	89	5,971	0.24	-0.33	-0.44
8	Egypt	101	5,425	-0.37	-0.09	-0.67
9	India	119	2,946	-0.03	0.12	-0.37
10	Nigeria	142	2,099	-0.98	-1.12	-0.82
11	Ethiopia	-	869	-0.43	-0.60	-0.66
12	Malaysia	57	14,215	1.13	0.49	0.14

Sources: GDP per capita (2008 PPP\$) were taken from <http://hdrstats.undp.org/en/indicators/62006.html>, date of access: 20 September 2011

Other selected worldwide governance indicators were taken from http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2009/06/29/000158349_20090629095443/Rendered/INDEX/WPS4978.txt, date of access: 20 September 2011

As observed from Table 8.3, Malaysia's record on government effectiveness was acceptable (1.13). On both rule of law (0.49) and control of corruption (0.14) the performance was dreary. In Malaysia when the institution of self-governance is dysfunctional, the state could play a greater role in enforcement of rules, say. But why were the institutions in a Third World state typically weak (Platteau, 2008)? Again, a paragraph from Section 3.2 was worth repeating: North (1990) argued that from institutional perspective, the basic function of institutions was to reduce transaction costs. The West was able to achieve that by their acceptance of the rule of law, transparent transaction between buyers and sellers, monitoring, and enforcement of property rights. Indeed, most Third World states were engrossed not in the realms of productive efficiency, but in the realms of allocative efficiency (North, 1990, p. 80).

If "English heritage" and "Protestant ethics" had been the panaceas that differentiated the British from the Spaniards in sound institutional building, one had to appreciate what the former brought to the New World (North, 1990, pp. 135-137). The heritage they brought was not just economic, but also political and intellectual. At the local level,

town meetings, colonial assemblies for self-government, etc were organized. A recurrent question is: Could the situation be improved had local elections that were scrapped in 1970s by the UMNO-led government be re-installed?

8.6 Attributes of Nursa Kurnia from effects of treatment: ANOVA/ F-test

The research question was: *To what extent group membership characteristics affected the state of health of each common?*

Since the selection of Nursa Kurnia for study had been known for its “local leadership” quality by Selangor State Housing Board and judged the best in service charge collection, and to varying degrees Cemara I and II, and Tujoh Ratus, the state of health of the commons should reflect this trend. The group means score on the state of health across the three communities in ANOVA came with an anomaly however: 3.6083 (Nursa Kurnia); 4.5398 (Cemara I and II); 2.7173 (Tujoh Ratus). The fourth project Vista Subang whose group mean of 2.7500 was also not a surprise because it shared the same selection criteria with Tujoh Ratus, well before study started (Table 7.11 represented herein as Table 8.4).

In the same manner as outcomes from Eyenck’s (1974) recall of material experiment, and Craik and Lockhart’s (1972) model of memory experiment predicted, the expected outcomes across four housing communities were the consequence of deliberate “treatments” of the sample population in three levels through “local leadership” (both experiments were mentioned by Howell (2008, p. 375)).

Table 8.4 Descriptive

SofH

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Nursa Kurnia	187	3.6083	.99324	.07263	3.4650	3.7516	1.00	5.00
Cemara I & II	113	4.5398	.39326	.03699	4.4665	4.6131	3.75	5.00
Tujoh Ratus	214	2.7173	.53359	.03648	2.6454	2.7892	1.00	4.00
Vista Subang	117	2.7500	.77125	.07130	2.6088	2.8912	1.00	4.25
Total	631	3.3138	.99990	.03981	3.2356	3.3920	1.00	5.00

Other than the anomaly mentioned in the earlier paragraph where the score of Nursa Kurnia was lower than Cemara I and II, the varying score in group means (Table 8.4) could be further explained by a study of the demographic profile in Table 7.2. As discussed in Section 7.5.3, community in Nursa Kurnia appeared to possess better education background, stronger financial standing, and less number of squatting experience than its counterparts in Cemara I and II, and Tujoh Ratus. The fact that the group means score of Nursa Kurnia was lower than Cemara I and II probably pointed to the weaknesses in survey research, discussed in Section 7.5.1 (Babbie, 2013, pp. 262-264). That explained why a multitude of methods were used in this research endeavor, both QUAL and QUAN.

In the next section, instead of focusing on the study on the levels of treatment, a more fruitful insight could be obtained if the questions were rephrased to: Why were the failure rates so high in self-governance?

8.6.1 Augmented IAD framework explanation

What is the origin of institutions? How can one explain failure in self-governance?

8.6.1 (a) The nature of local public goods

Consider challenges of the head of JMB in self-governance versus a general manager who headed a business enterprise. The former was elected by parcel holders of a common whose cooperation he needed for payment and whose compliance with rules would ensure a smooth operation of self-governance. The head of JMB was similar to a politician who drew authority from his supporters.

On the other hand, in a business enterprise, the general manager answered to the shareholders. The people he needed cooperation were his subordinates whom he could dismiss for non-performance. Looking from this perspective, the head of JMB required much more people-skills to succeed beside the expected property management functions. Yet, there was another dimension one needed to be aware of: It was about the nature of common-pool resources (CPR).

As the head of JMB, management of common-area was the same as CPR management (Ostrom, 1990, cited in Edwards & Steins, 1998, p. 348). As the name implied, a CPR was not a private property, rather, it had characteristics somewhere between a private property and a public property (Bromley, 1990, p. 14). A pure public property was accessible to anyone without worrying about rules (the littering of public roads, and pollution of the Klang River).

Hence, the logic was invariably, few parcel holders bothered to subscribe to house rules by paying monthly service charge. Other forms of misbehavior would ensure asset degradation through time due to asset exploitation and little reinvestment. That was, in sum, the theory of public goods (Baland & Platteau, 1996; Bromley, 1990; Challen, 2000; Frank, et al., 2009; Spulber, 2002; J. M. Thomas & Callan, 2007).

8.6.1 (b) *The nature of human beings*

So far the characteristics of the common that became open-access due to poor enforcement had been described. But the culprit could be traced to parcel holders themselves who failed to appreciate the importance of maintaining an asset. As conventional theory of behavior (three metaphors: *The tragedy of the commons*; *The prisoner's dilemma*; and *The logic of collective action*) illustrated that human nature was such that they were guided by the logic of “bounded rationality and individual opportunism” (Simon, 1986a, cited by North, 1990, p. 23). They were rational only on matters that affected them, not on matters that concerned the community (Buchanan, 1968, cited in Kiesling, 2000, p. 1).

As a result, trust was something beyond everyone except to the most enlightened among them. That was the problem of collective action (Png, 2005, p. 357). As a forerunner of collective action, Gordon (1954) declared a decade earlier than Hardin (1968):

There appears then, to be some truth in the conservative dictum that everybody's property is nobody's property. Wealth that is free for all is valued by no one because he who is foolhardy enough to wait for its proper time of use will only find that it has been taken by another... The fish in the sea are valuables to the fisherman, because there is no assurance that they will be there for him tomorrow if they are left behind today.

8.6.1 (c) *The conventional theory of human behavior*

There was yet a third dimension. It was to do with rules. Social scientists had long believed in setting proper rules to shape proper conduct of parcel holders in the commons (Figure 8.7).

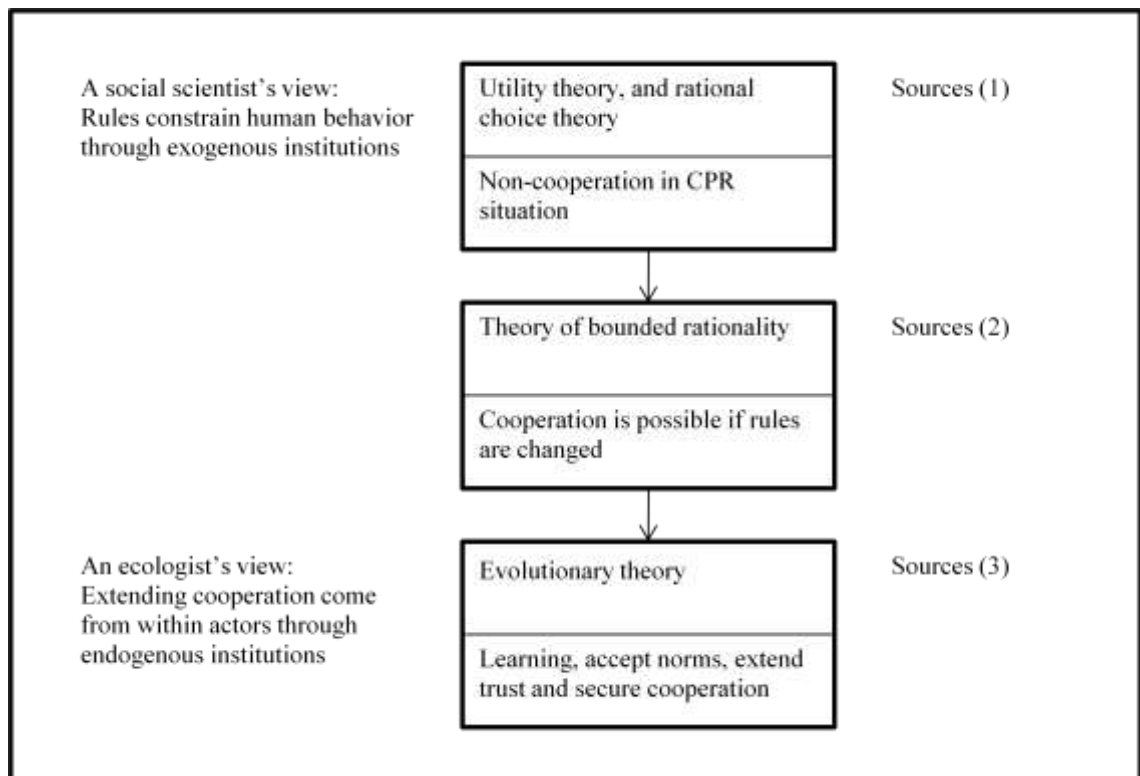


Figure 8.7 Assumptions of human behavior embedded in IAD framework

Sources (1): Ostrom (1990, pp. 2-8); Poteete et al (2010, p. 220)

Sources (2): Simon (1945, cited in Dunn, 2008, p. 51, footnote 46); Tversky and Kahneman (1990, cited in Ostrom, et al., 1994, p. 35, footnote 8).

Sources (3): North (1990, pp. 20-21); Poteete et al (2010, p. 10)

IAD framework was also a rules-based framework. But for effective implementation one needed the state to enforce the rules on defaulters. In the absence, the rules remained rules where rules were not followed. That was the challenge of institutional change. Who would willingly subscribe to the rules if he knew that the defaulters were not punished? In the first place, was the head of JMB a good enough role model? How sincere was the head of JMB in discharging his duties in self-governance? Through time hence, ecologists' view for change to occur from within (endogenous institutions) appeared to gain greater currency than rules enforced externally (exogenous institutions).

If leadership had a role to inculcate endogenous institutions for cooperative living, one could take a leaf from history. What was the origin of institutions and the leadership quality of colonizers (Engerman & Sokoloff, 2003, pp. 15-20)?

8.6.2 Leadership and the origin of institutions

A good treatment about long-run causes of comparative development was given by Todaro and Smith (2011, pp. 83-91). The authors cited Acemoglu, Johnson, & Robinson (2000) that after accounting for institutional differences, geographic variables (example closeness to Equator) had little influence on per capita today. Hence, it is pertinent to revisit to Figure 3.5, renamed herein as Figure 8.8.

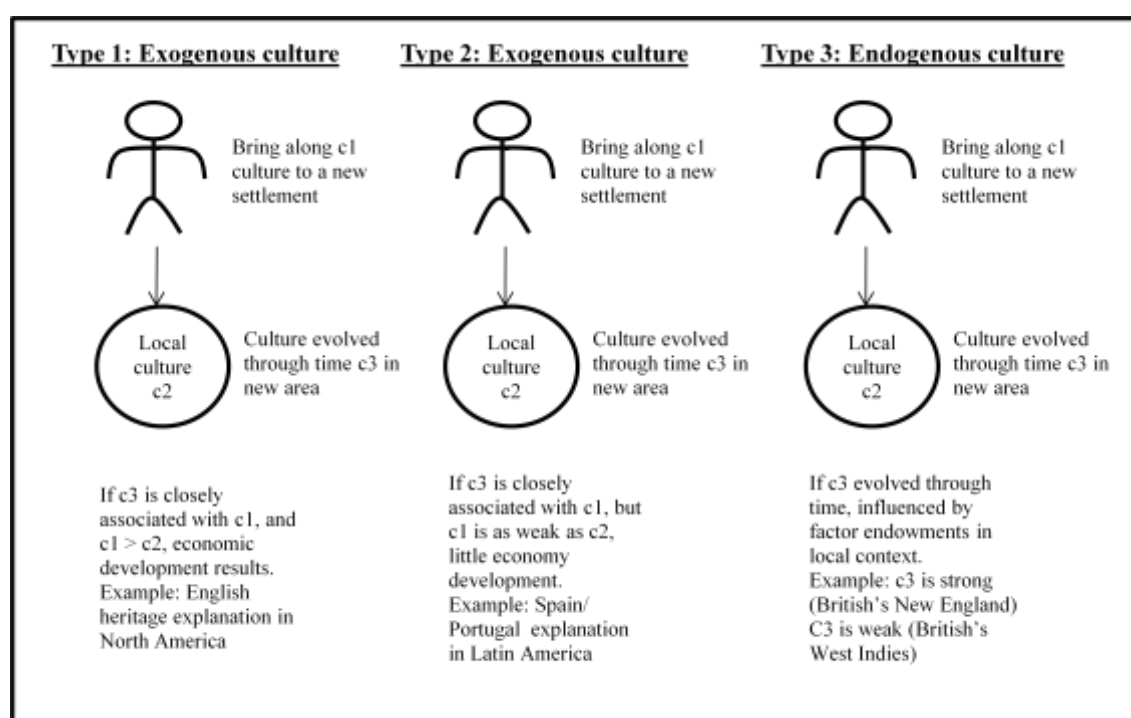


Figure 8.8 Origin of institutions shapes economic development

Source: Adapted from Engerman and Sokoloff (2003, pp. 15-20). For a discussion about how extractive political institutions influence extractive economic institutions, see Acemoglu and Robinson (2012).

Notes: i) understanding the situation of housing governance is key to ameliorate governance issues of collective action in a common; and ii) policy makers may introduce appropriate measures to help residents adapt to the new habitat.

As could be observed from Figure 8.8, countries that were subjected to British's colonial rules were a lot luckier than those put under Spaniards, as the former brought with them "English heritage" and "Protestant ethics" (Type 1 exogenous culture in North America). Was it also an explanation for the earlier proficiency of Malaysia's civil service? Through time however, the character of institutions might change

depending on the dominating group as colonial power departed (Dowling & Valenzuela, 2010, pp. 369-370).

A weak set of institutions prevailed if the state paid scant attention to its development. After all, institutions were “humanly devised rules and behavior that shaped human interaction” which the state had a role (Challen, 2000; North, 1990).

In summary, the high rates of failure in self-governance were something expected given the nature of the commons and the nature of collective action. The persistence of the social phenomenon was the result of an indifferent state leadership in not seeing the problem of self-governance due to errors of omission or errors of commission, perhaps better explained by Malaysia as capitalist state—Section 5.2 (Martinussen, 1997, p. 300).

8.7 The disenfranchised Indians: Chi-square test

The research question was: *To what extent the effects of demographic factors impacted on the behavior pattern of residents in a common?*

The objective of this section was to study what caused intra-membership/ ethnic groups differences (Section 6.9). What explanation could one offer to account for the attitude differences in the Malays, the Chinese, and the Indians on “recommending friends and relatives to buy units in the project” (Table 7.18, Section 7.8.1)?

Table 7.18 on ethnic groups cross-tabulation confirmed the widely held view about the contrast across ethnic groups was drastic even though all belonged to the same socioeconomic status. In particular, the Indians were generally less satisfied with the self-governance arrangement than other ethnic groups. The marginalization of the Indian community could be traced to theories of ethnicity and ethnic conflict (Section 4.5.2). Instead of encouraging cohesiveness, unity, and sameness amongst ethnic groups,

there was no change in governance structure in the past five decades since independence in 1957 as politicians abuse ethnicity differences to mobilize support (Gomez, 2008; T. G. Lim, et al., 2009, p. 6). Unhappy for leaving behind in economic development and their religious requirements ignored by the state, literally “every Indian is burning inside” (Willford, 2013). To Kabilan (2013), the mistreatment of the Indians is similar to “oranges, sucked up and spat out as pips” by the British colonizers as well as their heir the UMNO-led government.

As argued by Husin Ali (2008, p. 5), the mass demonstration of 30,000 to 40,000 Indians organized by HINDRAF (Hindu Action Force) in 2007 showed the inaction of decision makers in addressing the plights of Malaysian Indians. If a state promotes “extractive political institutions”, can it be inclusive in its policies (Acemoglu & Robinson, 2012)? At least three other explanations were plausible to explain intra ethnic groups’ differences: income; poverty; and inequality.

8.7.1 About income—intra ethnic groups comparison

As information on income was in scale in the questionnaire, they were classified into four categories for intra membership comparison in Table 8.5 (less than RM750; RM751 to RM1500; RM1501 to RM2500; and more than RM2501).

On percentage within ethnic group-wise, it was noted that 38.0% Malays, 25.3% Chinese, and 50.6% Indians earned RM1500 and less (Table 8.5). On percentage within ethnic group whose income was less than RM2500, one found 87% Malays, 72.2% Chinese, 95.0% Indians. On percentage within ethnic group earning more than RM2501, the data showed 12.4% Malays, 27.8% Chinese, and 4.9% Indians. Thus, Indians were earning a lot less than other ethnic groups.

Table 8.5 Gross monthly income of the household * Ethnic group Crosstabulation

		Ethnic group			Total
		Malay	Chinese	Indian	
Less than RM750	Count	3	3	1	7
	Expected count	3.7	2.4	.9	7.0
	% within gross monthly income of the household	42.9%	42.9%	14.3%	100.0%
	% within ethnic group	.9%	1.4%	1.2%	1.1%
	% of total	.5%	.5%	.2%	1.1%
RM751 to RM1500	Count	122	50	40	212
	Expected count	122.8	71.5	27.7	212.0
	% within gross monthly income of the household	57.5%	23.6%	18.9%	100.0%
	% within ethnic group	37.0%	23.9%	49.4%	34.2%
	% of total	19.7%	8.1%	6.5%	34.2%
RM1501 to RM2500	Count	164	98	36	298
	Expected count	158.6	100.5	38.9	298.0
	% within gross monthly income of the household	55.0%	32.9%	12.1%	100.0%
	% within ethnic group	49.7%	46.9%	44.4%	48.1%
	% of total	26.5%	15.8%	5.8%	48.1%
More than RM2501	Count	41	58	4	103
	Expected count	54.8	34.7	13.5	103.0
	% within gross monthly income of the household	39.8%	56.3%	3.9%	100.0%
	% within ethnic group	12.4%	27.8%	4.9%	16.6%
	% of total	6.6%	9.4%	.6%	16.6%
Count		330	209	81	620
Expected count		330.0	209.0	81.0	620.0
% within gross monthly income of the household		53.2%	33.7%	13.1%	100.0%
% within ethnic group		100.0%	100.0%	100.0%	100.0%
% of total		53.2%	33.7%	13.1%	100.0%

For those earning less than RM750, 42.9% were Malays, 42.9% Chinese, and 14.2% Indians. The Chinese were over represented by 9.2% (42.9% minus 33.7%) while the Indians were over represented by 1.1%. In other words, the poor were found in every ethnic group. For percentage within income bracket earning more than RM2501, 39.8% were Malays, 56.3% Chinese, and 3.9% Indians. Clearly, the Chinese were over represented by 22.6% (56.3% minus 33.7%), while the Malays and the Indians were under represented by 13.4% (39.8% minus 53.2%) and 9.2% (3.9% minus 13.1%) respectively.

There was evidence to support group differences among ethnic groups on income (Table 8.6). The group means were RM1729.62 (for Indians), RM1,893.33 (for Malays), and RM2,229.66 (for Chinese) respectively.

Table 8.6 Gross monthly income and ethnicity

Gross monthly income of the household

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
malay	330	1893.3333	728.54381	40.10502	1814.4387	1972.2280	500.00	5000.00
chinese	209	2229.6651	951.35550	65.80664	2099.9316	2359.3986	500.00	5000.00
indian	81	1729.6296	560.90205	62.32245	1605.6040	1853.6553	700.00	3000.00
Total	620	1985.3226	812.47983	32.62998	1921.2437	2049.4014	500.00	5000.00

A comparison of the above figures and the data from Ragayah (2011, cited in Rasiah, 2011, p. 233) confirmed that the entire group belonged to the bottom 40% of household income for urban population where the mean was RM1,648.00 in 2007.

Another way of understanding group means is from Tukey's HSD test. Table 8.7 indicated that the Malays and the Indians were in the same bracket, they had no significantly different group means (Coakes & Ong, 2011, p. 82).

Table 8.7 Multiple comparisons

Dependent Variable:Gross monthly income of the household

	(I) Ethnic group	(J) Ethnic group	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Tukey HSD	malay	chinese	-336.33174*	70.10770	.000	-501.0414	-171.6221
		indian	163.70370	98.33834	.220	-67.3304	394.7378
	chinese	malay	336.33174*	70.10770	.000	171.6221	501.0414
		indian	500.03544*	103.79699	.000	256.1769	743.8940
	indian	malay	-163.70370	98.33834	.220	-394.7378	67.3304
		chinese	-500.03544*	103.79699	.000	-743.8940	-256.1769
Dunnett t (2-sided) ^a	malay	indian	163.70370	98.33834	.150	-49.6260	377.0334
	chinese	indian	500.03544*	103.79699	.000	274.8641	725.2068

*. The mean difference is significant at the 0.05 level.

a. Dunnett t-tests treat one group as a control, and compare all other groups against it.

8.7.2 On poverty—intra ethnic groups comparison

Although there was a steady drop of incidence of poverty in rural areas showing better results (Ragayah, 2011) : 14.8% (1999); 11.9% (2004); and 7.9% (2007). Statistics on urban poor were less successful: 3.3% (1999); 2.5% (2004); and 2.0% (2007). But Ragayah's (2008) studies did not reflect on the consequence of development that displaced Indian estate workers (Gomez & Stephens, 2003, pp. 188-193), one of the catalysts that propelled HINDRAF to national prominence (Kabilan, 2013).

8.7.3 On inequality—intra ethnic groups comparison

The unhappiness of the Indians on the institution of self-governance in the four low-cost housing communities must be seen as part and parcel of the overall experience of the Indians in Malaysia where the New Economic Policy (NEP) and affirmative action did not assist them (along with the Chinese) since 1971 (see Section 4.3.5).

As a consequence, Table 8.8 showed the improved standing of the Malays in relation to both the Chinese and the Indians for period 1970-2000 in administrative and managerial positions, and professional and technical positions. As an example, in administration and managerial category, the Malays jumped from 22.4% (1970) to 37% (2000), a rise of 14.6%, while both the Chinese and the Indians declined in the same period (the Chinese dropped from 65.7% to 52.3%, a minus 13.4%, and the Indians dropped from 7.5% to 5.5%, a minus 2.0%).

Similar pattern was repeated in professional and technical positions for the period 1970-2000 (Table 8.8): the Malays (a rise of 16.7%); the Chinese (a drop of 11.9%); and the Indians (a drop of 5.1%).

Table 8.8 Distribution of occupation by ethnic group, percentage of Malaysian, 1970-2000

	1970			1990		
Occupational group	Bumiputra	Chinese	Indian	Bumiputra	Chinese	Indian
Admin and managerial	22.4	65.7	7.5	30.3	65.5	4.2
Prof and technical	47.2	37.7	12.7	62.2	29.9	7.9
Excl teachers and nurses	n.a	n.a	n.a	58.0	33.2	8.8
Teachers and nurses	n.a	n.a	n.a	68.8	24.7	6.4
Clerical workers	33.4	51.0	14.3	52.6	38.8	8.6
Sales and service workers	n.a	n.a	n.a	46.4	45.0	8.6
Agricultural workers	68.7	20.8	9.6	76.5	15.3	8.1
Production workers	31.3	59.9	8.6	46.6	42.1	11.5
Overall	51.4	37.0	10.7	56.3	34.6	9.1
	1995			2000		
Occupational group	Bumiputra	Chinese	Indian	Bumiputra	Chinese	Indian
Admin and managerial	36.8	52.5	4.8	37.0	52.3	5.5
Prof and technical	64.4	25.7	7.0	63.9	25.8	7.6
Excl teachers and nurses	60.0	28.5	7.2	59.3	29.5	7.9
Teachers and nurses	72.3	20.5	6.6	73.2	18.4	6.9
Clerical workers	57.5	33.8	7.4	56.8	32.9	8.6
Sales and service workers	47.0	35.8	7.2	47.9	35.3	7.7
Agricultural workers	61.2	11.9	6.9	61.2	10.3	6.9
Production workers	44.2	33.7	9.6	44.7	33.8	10.0
Overall	51.4	29.6	7.9	51.5	29.7	8.3

Source: Third Malaysian Plan (cited in Jesudason, 1989); Seventh Malaysian Plan; Eighth Malaysian Plan. All cited in Lee, H. A (2011, p. 265). See also Lee, H. A (2013)

For the less glamorous occupation such as the production workers, a different pattern in percentage change was observed for the period 1970-2000 (Table 8.8): the Malays (a rise of 13.4%); the Chinese (a drop of 26.1%); and the Indians (a rise of 1.4%). One explanation was attributed to huge influx of foreign workers into Malaysia to meet the demand of manufacturing sector (Soon, 2011). But the set-back of this policy was little skilled foreign labor might depress further the already low monthly wages of local factory workers, thereby exacerbated the economic conditions of the poor Malays and the Indians working as production workers. See Table 8.9 on the 414,600 foreign workers in manufacturing in 2004.

Table 8.9 Employment distribution of foreign workers by sector 1990-2004

Sector	1990	1995	2001	2003	2004
Agriculture	115.9	173.0	284.2	185.9	335.8
Mining	1.5	1.9	1.7	n.a	n.a
Construction	25.2	64.7	99.3	265.9	269.2
Manufacturing	23.7	115.5	213.4	354.9	414.6
Services	75.7	124.1	265.2	320.0	339.9
Numbers (‘1000)	242	479.3	863.8	1,126.8	1,359.5

Source: Soon (2011)

The Malays performed remarkably well in share capital ownership, registered a rise of 17% for period 1970-2006, while the Chinese rose by 15.2%, and the Indians stagnated at 1.1% in the same period (Table 8.10).

Table 8.10 Share capital ownerships (at par value) by ethnic groups, 1970-2006

Ethnic group	1970	1980	1990	1995	1999	2006
Bumiputras	2.4	12.5	19.3	20.6	19.1	19.4
-individuals	1.6	5.8	14.2	18.6	17.4	15.1
-trust agencies	0.8	6.7	5.1	2.0	1.7	4.3
Non-Bumiputras	28.3	44.6	46.8	43.4	40.3	43.9
-Chinese	27.2	n.a.	45.5	40.9	37.9	42.4
-Indian	1.1	n.a.	1.0	1.5	1.5	1.1
-Others	-	-	0.3	1.0	0.9	0.4
Nominees	6.0	-	8.5	8.3	7.9	6.6
Foreigners	63.4	42.9	25.4	27.7	32.7	30.1

Sources: Jomo (2004); Mid-term review of the Ninth Malaysia Plan, cited in Lee, H. A (2011, p. 268)

Hence the sidelined of the Indian community in economic sectors should be seen from their overall experience (Jayasooria, 2013; Willford, 2013). As a minority ethnic group, the Indians had been the target of marginalization in the last few decades (T. G. Lim, et al., 2009, p. 381). As lamented by Nagarajan (2009), cited in Lim et al (2009, p. 381) that “the Indian community’s discontent has been building up for years over its socio-economic neglect and discrimination in various spheres of public life”.

On the other hand, there was little to suggest that social cohesion was of paramount importance if various public policies were designed not to promote unity but in open

defiance of human rights (N. J Colletta & Cullen, 2000; Welsh & Chin, 2013). Allport's (1958, cited in Kendall, 2011, p. 320) "contact hypothesis" had slim chance to succeed due to absence of four pre-conditions: i) equal status in ethnic groups; ii) pursue the same goals; iii) cooperate with one another to achieve their goals; and iv) receive positive feedback when they interact with one another in positive, non-discriminatory ways.

There is a distributional problem amongst the dominant-majority, however. As observed by Maznah Mohamad (2012), cited in Brown et al (2012, p. 179), discontentment was also expressed through the participation of many Malays in the Bersih-organized (a civil organization) mass rallies in 2007, 2011, and 2012 against the state on governance issues with increasing number.

8.8 Summary

Taking the cue from Cozby (2006, pp. 299-300), this chapter brought the discussion to higher plane. Here is a summary of the arguments that related the results/ findings to higher societal relevance (Table 8.11).

Table 8.11 Key societal relevance/ implications

	Qualitative research question	Quantitative research question	Key societal relevance
1	RQ 1 Part I	--	The augmented IAD framework had been proven to be valid. The final outcome about the state of health in a common was far from simple.
2	RQ 2	--	Williamson's (1985) transaction cost economizing model was discussed to solve conflicts between two transacting parties. It was beyond the ability of an ordinary person to helm the common.
3	RQ 3 Part II	--	Both the local leadership and the parcel holders of Nursa Kurnia deserved to win the best managed low-cost housing in 2010. But this feat would be difficult to replicate due to the nature of public goods, and the nature of human beings.
4	--	RQ 1 Part II	What made the institution of self-governance ended in failure? It was so due to the nature of Third World states where weak institutions abound. Enforcement of rules was lax (Platteau, 2008).
5	--	RQ 3 Part I	What constituted group differences? As discussed, Nursa Kurnia was lucky in that they appreciated the nature of the commons, human beings, and institutional change. But as a community they had better education and higher financial standing (Section 7.5.3).
6	--	RQ 4	The Indian community was less happy with the institution of self-governance where the root-cause might be traced to four decades of state neglect (Nagarajan, 2009; Willford, 2013).

In the phenomenological study, the complexity of managing commons was confirmed, and augmented IAD framework supported by empirical data. Since the development of institutions is at its infancy, self-governance remains an uphill battle.

In the narrative inquiry, the presence of high friction costs between two transacting parties made the system inefficient.

In the multi-case study, although effective local leadership appeared to lend weight to the institution of self-governance as in Nursa Kurnia, the contributions of parcel holders should be given due credit. The latter might have learned how to adapt to a new environment of collective action (Hollander, 1978).

The role of Third World states in governance was assessed after performing factor analysis and multiple regression. Typically, Third World states are weak in enforcement

of rules due to a docile set of institutions which have roots in history (Acemoglu, 2009; Acemoglu, et al., 2000; Barzel, 2000; North, 1990).

In the study of inter group membership differences, the crux of the problem appeared to be a failure to appreciate the nature of a common-pool resource (CPR). CPRs were no ordinary goods and services. The people-skills and property management skills demanded of a JMB were tremendous.⁸⁵

Lastly, in addressing intra group membership differences, the predicament of Indian community was addressed. Affirmative action, which was part of New Economic Policy (NEP) might proved to be a success, the legitimate interests of other minorities should not be ignored (Nagarajan, 2009; Willford, 2013).

A review of the checklists mentioned in the beginning of the chapter is in order. In Figure 8.1 A road-map for discussion, all the items had been covered except for knowledge gap. Although no specific issue was deliberated, CPR management was a new approach for self-governance in housing context.

In Figure 8.3 A simplified augmented IAD framework had been discussed, except for physical/ material condition.

In Figure 8.4, all had been examined except for public choice theory.

In the next chapter, contributions of the results/ findings to the body of knowledge shall be presented and be mindful of the limitations under which they applied.

⁸⁵ In fact this is the rich field of research (about the nature of institutions) of at least four Nobel Prize winners of economic science for which there is no quick answer to human beings' shortcomings. Becker (1976) worked on the analysis of human capital and "rotten kid theorem". North (1990) dealt with governance at state level. Ostrom (1990) focused on common-pool resources management at meso level. Williamson (1975, 1985) introduced transaction costs economics at a lower level--in the action arena.

Chapter 9.0

Conclusion

9.1 Introduction⁸⁶

In the past, there has been some research done on the maintenance and management of strata buildings both for low and medium-cost housing on a wide range of causal factors that contributed to the dysfunctional of self-governance where the blames were generally placed on the uncooperativeness of parcel holders and the unprofessional attitudes of developers/ JMBs/ MCs tasked to do the job (Fakhrudin et al, 2011; Tiun, 2009; Latif Azmi, 2006). Most of the past discourse on maintenance issues centred on housing policy, this research used an economic framework, i. e. institutional analysis development (IAD) framework, used widely in common-pool resources management of natural resources to study the state of health of the commons. What is more, this research also utilized new institutional economic (NIE) reasoning as rival theories to supplement IAD framework.

In Malaysia, current institutional arrangements of “self-governance” is part of public housing policy where all forms of strata buildings have been classified as common-properties and hence the state was/ is absolved of any responsibility in the maintenance. Through time, almost all common-areas of these building were made dilapidated with dire economic consequences. The official less pro-poor stance of decision-makers has its roots that could be traced to colonial times where the interests of the colonial masters and latter the capitalists ran supreme (Drakakis-Smith, 1980; Endau, 1984; Johnstone, 1983a; Thalha, 1980).

⁸⁶ In formatting this “conclusion chapter”, the researcher had referred to the works of Abdullah (2010), Williamson (1964), Adhikari (2012), Wang, Shir Li (2012), and Yusof (2005), all were Ph. D thesis. For style of writing see Strunk and White (2000, cited in Babbie, 2013, p. 518).

This study is an early attempt to highlight the weaknesses as seen from institutional analysis (IA) and new institutional economic (NIE) perspective. The problem is found to be far more complex than originally envisaged at the start of the research. At the core, common-area maintenance and management is challenging because it is no ordinary goods and services to attend. It is a form of “public goods” where free-riding is taken as the dominant strategy. Also, human beings have no solution when it comes to making group/ collective decision meant in public interest (concept of methodological individualism and instrumental rationality), something that is not solved since the days of Adam Smith. Lastly, even if one assumes that a change of behaviour is possible, it will take time and plenty of efforts if left to parcel holders to fend for themselves.

While the research expects direct policy intervention from the state, the same way as was done by Housing Development Board (HDB) of Singapore since 1960s, any direct transplant of the same policy will not yield the same outcome. As the saying goes, who is to police the police, given that Third World states are known to have weak institutions? Therefore, the thrust of the thesis are two. First, it has argued that the system requires direct state intervention as the current practice is dysfunctional. Second, one appears to be put into a dilemma because there is no guarantee of any improvement if there is state involvement given the mindset and efficacy of Third World leaders (Evan, 1992).

For empirical evidence to address the four research questions, four low-cost housing in Selangor were selected with the assistance of the Selangor State Housing Board based on a clear set of criteria for comparison. The four housing were: Nursa Kurnia (rated as excellent for its ability to collect service charge, and in maintaining the common-areas); Cemara I and II (rated as passable); Tujoh Ratus (rated as bad); and Vista Subang (also rated as bad).

By putting aside QUAL and QUAN debate the focus would be to assimilate the findings from the two schools for higher purposes (Miles & Huberman, 1994, p. 310):

We have sought to make a virtue of avoiding polarization, polemics, and life at the extremes. Quantitative and qualitative inquiry can support and inform each other. Narratives and variable-driven analyses need to interpenetrate and inform each other. Realists, idealists, and critical theories can do better by incorporating other ideas than by remaining pure. Think of it as hybrid vigour.

Thus it follows that Section 9.2 deals with the conclusion of main findings as it addresses the four main research questions (that further split into six sub-research questions). In Section 9.3, contributions of the study will be highlighted, while in Section 9.4 future direction that can grow out of the present research is discussed. And finally, some reflections are made in Section 9.5 about research contributions and limitations.

9.2 Conclusion of main findings

When the six sub-research questions were prodded, the study's results/ findings concluded that the current institutional arrangements of the institution of self-governance had resulted in market failure as manifested by the dilapidated condition of the common-areas in low-cost and medium-cost housing. Here is a summary of six main conclusions. Sections 9.2.1 and 9.2.2 provided a general view, while Sections 9.2.3 to 9.2.6 indicated the achievement of four research objectives listed in Section 1.4.

9.2.1 Cause-effect of six dimensions on the state of health

From the phenomenological study all the six dimensions (four as identified in IAD framework and two from literature) had been established as valid, at least for face validity (Babbie, 2013, p. 191). The study lent weight to the notion that a community with higher social capital tended to produce higher collective action (users' characteristics). But culture which was part of an endogenous institution that shaped

human behaviour in daily settings had a role, as relying on court ordering was costly and cumbersome (rules-in-use).

In a common, the challenge had been on how to discourage free-riding habits of parcel holders (the nature of material condition). A more transparent style of governance certainly helped. But context mattered in self-governance. Without the state playing an active role in the enforcement of rules, a rule remains a rule on paper (context/governance).

The study also concluded that the state of health was a function of past events. Hence, the less the percentage number of ex-squatters (see Nursa Kurnia), the easier would be for the self-governance (historical development). The further apart the original site of squatting to the final resettlement site, the harder it was to adapt (see Cemara I and II). Finally, contrary to theory a more homogenous set of parcel holders tended to make self-governance difficult, see community in Vista Subang (ethnicity condition).

9.2.2 Root cause of friction costs in transaction

History creates a man, history too constraints a man's option. From the "narrative knowing" using the head of JMB of Vista Subang as the focus, the study concluded that he had tried but found himself incapable to turn-around the current position due to his own inadequacy and the conduct of many parcel holders (N. King & Horrocks, 2010, p. 213).

He was inadequate because he failed to come on top of the complexity of self-governance expected of him. He also failed to appreciate the existence of friction costs inherent in any common-pool resource (CPR) management. Unless certain goodwill is shown by JMBs/ MCs, few parcel holders would trust the management of JMBs/ MCs.

9.2.3 Overcoming difficulty to adapt to new environment (objective ii)

Evidence from the demographic profile of four low-cost communities was insightful (Table 7.2 and Section 7.5.3). Generally, the findings supported the widely held view in the literature that higher social capital was achievable for collective action if the following conditions were met by parcel holders: i) better education; ii) stronger financial standing; and iii) less number of parcel holders who were ex-squatters. See the multi-case study in Section 7.4.

Incidentally, the above answered the research objective (ii) of Section 1.4.

9.2.4 Factors for good governance: Roles of local leadership and state (objective i)

As to the questions which factors were significant and how each correlated, from multiple regression analysis (a technique of econometrics), the study concluded that two principal components/ super-variables were not significant to the state of health of the commons as they bore negative coefficients: F2 (ethnicity condition); and F5 (attributes of community). The regression equation was:

$$\hat{Y} \text{ (state of health)} = -1.528 + 0.293 \text{ (F4 physical condition)} + 0.396 \text{ (F6 rules-in-use)} + 0.446 \text{ (F1 context/ governance)} + 0.236 \text{ (F7 historical development)} - 0.100 \text{ (F2 ethnicity condition)} - 0.062 \text{ (F5 attributes of community)}$$

From Appendix D (Section D2 attributes of community) two measurable elements on F5 were asked: “I trust the people I come into contact with in the community”, and “Whenever I need some form of help, I can always expect help to come”. If test of significance showed $p > 0.05$, accept H_o , reject H_a where H_o = I trust the people I come into contact with, and H_a = I do not trust the people I come into contact. The negative sign reversed H_o into “distrusting the people I come into contact”. See Table 7.10 on coefficients of multiple regression.

Likewise, from Appendix D (Section E2 ethnicity condition) three measurable elements on F2 were asked: “I am happy because the same law applies to everyone regardless of ethnicity”, “Despite the difference, people with different ethnic groupings live well together”, and “I have close friends who belong to other ethnic grouping”. Again, if test of significance showed $p > 0.05$, accept H_o , reject H_a where H_o = there is equal protection of law, and H_a = there is unequal protection of law. The negative sign reversed H_o into “there is unequal protection of law”. See Table 7.10 on coefficients of multiple regression.

In sum, trust maybe built by effective “local leadership” as it reduces transaction costs/frictions between two transacting parties (F5). Also the “state” has a role to build a new governance structure based on the true principles of democracy and accountability so that the law is seen to apply equally to all ethnic groups (F2). Acemoglu and Robinson (2012) contrasted a good state and one that was bad. The latter invariably put in place a set of “extractive political institutions” with a consequence that a set of “extractive economic institutions” followed. As an example, residents in Nogales, Arizona, USA were prosperous, whereas residents in Nogales, Sonora, Mexico lived in poverty (Acemoglu & Robinson, 2012, p. 7). The two towns were separated by a wall. Consider another issue, in the context of Third World states, it is erroneous to assume that bureaucrats will attend to the poor, hence a more elaborate accountable feedback loop is required (Easterly, 2006b).

Incidentally, the above answered the research objective (i) of Section 1.4.

9.2.5 Role of users: Education and financial standing (objective iii)

The question demanded inquiry into inter group membership characteristics. The findings concluded that Nursa Kurnia was indeed different in a number of ways. While ANOVA presented group means score amongst four low-cost housing, the clue came

from the demographic profile of the communities. As examples, parcel holders of Nursa Kurnia generally had higher education attainment and better financial standing (Table 7.2 on demographic profile) compared to three other schemes. The former was used as a proxy to good collective action.

Incidentally, the above answered the research objective (iii) of Section 1.4.

9.2.6 Historical development affected behaviour (objective iv)

As to the question of whether demographic factors impacted the behaviour pattern of residents, the findings concluded that the predicament of the Indian community's historical roots (brought in from India as indentured estate labour by British colonizers) were mainly due to the nature of governance structure, as the state managed various ethnic groups in silos, and the subsequent introduction of the NEP and its associated affirmative action (Jomo, 1986, pp. 185-193). It was a case of "social fact" if the Indians felt they had been marginalized economically and made to face the brunt of an unequal set of law (Jomo, 1986, pp. 185-193; Kabilan, 2013; Nair, 2003; Willford, 2013). But there were doubts expressed by some researchers whether the system could become inclusive again after decades of sidelining the minorities (Nesiah, 1997, p. 256). One has to be wary of the fact that institutions tend to persist as they serve the interest of certain ruling elites (Acemoglu & Robinson, 2012, p. 36).

Incidentally, the above answered the research objective (iv) of Section 1.4.

9.3 Contributions of the study

In reality, the conclusion of main findings can be conceived as the base for follow up action as contributions to the study. The former shows where the problems are while the latter could be used by decision-makers to make the world a better place.

In this section, the first three are the theoretical contributions to the literature (Sections 9.3.1, 9.3.2, and 9.3.3), while the balance three are empirical contributions (Sections, 9.3.4, 9.3.5, and 9.3.6).

9.3.1 Understanding the complexity of social phenomenon

Due to the complexity of the social phenomenon where human inadequacy is found in the intersection of public goods, there is as yet a suitable solution to overcome it since Adam Smith. By introducing IAD framework as the theoretical framework and NIE as rival theories in housing governance, hopefully one can better appreciate the said social phenomenon than previously made possible, hence a theoretical contribution.

More recently, Ho and Gao (2013) used the same IAD framework to study building management in Hong Kong.

9.3.2 Reduction of friction costs

By narrating the experience of the head of a JMB, it was “a novel” attempt to unearth high friction costs that caused conflicts in the action arena. The beauty of Williamson’s (1985) model was in its simplicity and parsimony, yet it drove home the complexity of the social phenomenon about how conflicts might be reduced.

So far, none in the housing policy discourse used Williamson’s (1985) transaction costs economic model to explain conflicts in self-governance situation (Chen & Webster, 2005, 2006; Fakhrudin, et al., 2011; Gao & Ho, 2011; Glasze, et al., 2006; Hastings, et al., 2006; Ho & Gao, 2013; Lai, 2006; Latif Azmi, 2006; Le Goix & Webster, 2006; Tiun, 2009; Yau, 2011; Yiu, et al., 2006a).

Most authors were overwhelmed with suggestions about rules-change, thereby paid scant or no attention to endogenous behaviour change possibility (Engerman & Sokoloff,

2002, 2003; Todaro & Smith, 2011). Ostrom's (2005, cited in Todaro & Smith, 2011, p. 485) eight point-rules was an example.

Hence this research is considered “path-breaking” and serves as a new approach to explain why the institution of self-governance is always dysfunctional, hence a theoretical contribution.

9.3.3 Building endogenous institutions

The findings demonstrated that one needed a good set of local leadership for collective action to prevail. But without a corresponding change in the behaviour of parcel holders, local leadership would remain a theory.

If the argument is acceptable, to take for granted good leadership is a big mistake. What kind of trainings would produce the right kind of parcel holders? The research would have achieved part of its goals if decision makers become more enlightened—hence its theoretical contribution. Ho and Gao (2013) made similar call.

9.3.4 The role of a state (F2 ethnicity condition and F5 attributes of community)

If institutions mattered, the shaping of the right kind of informal constraints such as the norms, beliefs, and culture should be given adequate attention where the state has a role.

Without addressing this, by appointing property agents to manage the commons would not overcome the self-governance dilemma under the recently tabled Strata Management Bill. Malaysia should move beyond the “what view” of property management function (Tiun, 2009, cited in Fakhrudin, et al., 2011). See Section 2.4.1.

By presenting the three types of property management function (what view, how view, and strategic view) the state may have to re-appraise its role, hence its empirical contribution.

9.3.5 Roads to acquiring social capital

The high failure rates of self-governance could be attributed to the nature of local leadership (Section 7.4 on leadership) and in turn linked to social capital (Section 7.5 on demographic profile) as shown in ANOVA (Section 7.7.1 on results of state of health of the commons), hence its empirical contribution. Their effects on the state of health of the commons could be traced to the nature of a state, however. North's (1990) comment on the origin of institutions in North America suddenly found relevance in the discourse: about culture and institutional building.

If local elections were to be considered as fertile grounds to inculcate social capital, to bring them back would be something of utmost importance as it is educational (Engerman & Sokoloff, 2003).

Also, if the research can convince decision-makers that one is not living in a Coasian world (world of zero transaction cost as assumed under neo-classical economics), but a world where institutions matter, it would have made its contribution to the body of scientific knowledge (Coase, 1960; Martinussen, 1997; North, 1992).

9.3.6 An insight into social fact

The intra group differences through Chi-square test showed the deteriorating economic condition of the Indian community over the years due to the implementation of discriminatory measures that affected them, hence its empirical contribution. Thus, it lent support to Malaysia's weak governance argument by an annual World Bank assessment report (Kaufmann, et al., 2009; Rasiah, 2011; Wain, 2012; Yusuf & Nabeshima, 2009). Bearing in mind the institutional persistency, any change would not be easy (Mills, 1956, cited in Acemoglu & Robinson, 2006).

If the Indians were politically weak, it would have longer term economic implications on them as observed from the Columbian experience (Acemoglu, Bautista, Querubin, & Robinson, 2007).

There would be hope, however. If Fukuyama's (1992, 2007) hypothesis was correct, as more nations subscribed "to market economy and democratic political system", incidences of injustices would be reduced through time as correct forms of institutions emerged.

9.4 Future research direction

This section only has meaning if the objective is to understand the social phenomenon in a scientific way for the betterment of men (Seers, 1969, cited in Todaro & Smith, 2011, p. 15). Miller (1969, cited in Cozby, 2006, p. 284) once argued to "giving psychology away" so that the knowledge could be made accessible to as many people as possible in all areas of everyday life.

Miller was of course, addressing in the broadest sense the issue of generalizability of knowledge to APA members. Hence, when the challenge was about how to improve lives (about utility of future research), one had to differentiate between panaceas and tools. The former were the solutions while the latter were about the means.

If the essence of science is the scientist's way of thinking, ultimately through an intellectual process, it should be the means to help one understands the natural universe (Graziano & Raulin, 2007, p. 5). The dysfunctional institution of self-governance is one of the issues in the natural universe.

Any scientific research on the study of the commons and the collective action could be divided into two categories: i) non-experimental designs; and ii) experimental designs

(Salkind, 2009, p. 11). Suitable examples are discussed herein as guide for future research.

9.4.1 Non-experimental designs

With the debate of qualitative method and quantitative method largely settled in the 1990s, the role of qualitative method in a scientific research is no longer an issue (Sale, et al., 2002; Teddlie & Tashakkori, 2009). More specifically, the three qualitative methods (phenomenological study, narrative inquiry, and multi-case study) employed in the thesis were part of a non-experimental qualitative family. Future research could continue to rely on the qualitative method to complement the quantitative method due to paradigmatic contrast between the two schools (Lincoln & Guba, 1985; Teddlie & Tashakkori, 2009).

In particular, case study method was highly recommended by Poteete et al (2010, p. 33). For the sake of generalizability of results/ findings of this thesis, future qualitative researchers might choose to embrace the same methodology by selecting different low-cost housings for “exact replication” and “theoretical replication” (Cozby, 2006; Yin, 2009).

9.4.2 Causal-comparative research designs

A survey research is a form of causal-comparative research. Causal-comparative research is a popular choice when randomized assignment of group members and rigorous manipulation of independent variable are not possible in field settings (Cohen, et al., 2011, p. 303). See Section 6.8.1.

More recently, Cardenas, Janssen, and Bousquet (2010, cited in Poteete, et al., 2010, p. 168) conducted field experiments on three villages in Thailand, and three villages in Columbia to test their responses on the relevant “ecological dynamics” and CPR

dilemmas. In each village, three resources (forestry, fishery, and irrigation) games were played with four groups of five people. After playing for specific rounds which were unknown to the players, the rules were changed to new sets of rules (a property type of rule, a lottery type of rules, and a rotation type of rule).

For those assigned to property type of rule, the quantity of harvest was restricted. In the case of lottery type, the legal access was randomly drawn. As for rotation type of rule, the legal access of the participants was pre-determined. As could be observed, it was a rich study involving three types of CPRs (forestry, fishery, and irrigation) in natural settings under the operation of three types of rules. Would the responses be the same in each case?

Meta-analysis (the analysis of analyses) is another type of statistical analysis that is picking up momentum (Ary, et al., 2006; Cohen, et al., 2011; Mertens, 2010). In a meta-analysis, the researcher combines a large number of studies that share the same dependent and independent variables. In each study, the researcher computes an index of treatment effectiveness—effect size (the difference between experimental and control conditions expressed in standard deviation units) that expresses the strength of independent variable affecting the dependent variable. One of the earliest researchers of meta-analysis was Smith and Glass (1977, cited in Dooley, 2001, pp. 275-278).

Poteete et al (2010, pp. 93-94) cited two recent meta-analyses involving CPR management. In the first case, Pagdee, Kim, and Daugherty (2006) selected 31 cases from 110 articles for some aspects of local participation. In the second case, Rudel (2008) picked 268 cases from a list of 1,200 studies on tropical forest cover change.

9.4.3 Experimental designs

Perhaps the best example was given by Tsang (2006, cited in Bordens & Abbott, 2008, pp. 286-287) that examined whether gratitude resulted in pro-social behavior. In the experiment, the researcher assigned one set of participants to “favor condition”, and the other to “chance control condition”.

In the first round, participants in the “favour condition” were told that they would be allocating resources to another participant in the study (in reality it was a fictitious participant). At the end of first round, the researcher handed over a note to participants of the “favour condition” wishing him better luck plus a cash of \$9 purportedly came from the fictitious participant claiming that the latter had kept \$1. In the “chance controlled condition”, the participants were told they had won \$9 by chance and their partner had kept \$1.

At the end of third round, the results were predictable. As Tsang (2006) reported, “participants allocated significantly more money to the fictitious other participants in the favour condition than in the chance control condition”.

9.5 Methodological reflection

9.5.1 Unique selling propositions

What were the unique selling propositions (USPs) of this research (Fox, 1984, pp. 187-194)? There were three. Though the focus was on low-cost housing, the social dilemma/governance dilemma applied to any medium or high cost strata housing (Fakhrudin, et al., 2011; Latif Azmi, 2006; Tiun, 2009).

Also, two theoretical frameworks were involved in the study of self-governance in the commons, and the challenge of collective action. IAD was the main theoretical

framework, while NIE was used as rival theories (Yin, 2009, p. 139) although Miller (1978, cited in Gujarati & Porter, 2009, p. 10) appeared to select the most preferred one.

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Lastly, the common-area in any low-cost housing was treated as a form of common-pool resources (CPR) due to its nature as a form of public goods therefore prone to free-riding, a point also drove home by Ho and Gao (2013) in their study of Hong Kong building management.

9.5.2 Limitations

Upon self-reflection on the journey in undertaking the research, would it have improved if more resources were allocated? There were many, but at least five were identified. In the phenomenological study, participants from local politics, state politics, and federal politics could be enlisted. Alternative views from parcel holders of Vista Subang could be considered in Hj Muswan's narrative inquiry.

In the multi-case study, the number of cases could increase from four to eight, thereby allowing two groups for theoretical replication (communities A, B, C as one group, D, E, F as second group), and two for literal replication (C and G as one, F and H as another). In the correlational research involving factor analysis and multiple regression, one could have proceeded to perform path analysis and structural equation modeling to examine the relationship of various variables (Byrne, 2008; Kline, 2005). Finally, on the functioning of JMBs/ MCs, coverage could be given with data secured from relevant departments. For example, what was the nature of parcel holders' disgruntlements?

The concluding remark is that the social dilemma is so complex that it deserves more research to be carried out in the future (Babbie, 2013, p. 517). After all, this is not an

⁸⁷ For more discussion on rival explanation, see Yin (2011, p. 80).

ordinary social phenomenon, but one that has yet to find suitable solution since the days of Adam Smith. Nobel Prize winner for economics science in 1986, James M. Buchanan (1968, cited in Kiesling, 2000, p. 1) bemoaned the human folly for discovering theories on private goods in mid-nineteenth century, but leaving out the entire theories of public goods.

If Buchanan was referring to the nature of common-properties, what about the nature of human beings in dealing with CPR management? Dietz, Ostrom and Stern (2003) said it all when they claimed that to manage a CPR is akin to managing “co-evolutionary of human race”.

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APPENDIXES

Appendix A

Structured interview questionnaire for a panel of experts 2012

University of Malaya letter head

23 April 2012

To whom it may concern

Dear Madams/ Sirs

Re: Thesis “Governing common-properties of low-cost flats in Selangor: Issues and challenges”. Focus of interview: exploring the dimensions (factors).

1.0 Background to the semi- structured interview

It is always challenging for either the developer or the appointed property management company acting as management corporation to manage the common areas under the current set of laws: i) Strata Titles Act 1985 (STA 1985), and ii) Buildings and Common Property (Maintenance and Management) Act 2007—BCP 2007. Regular reports carried in the media points to lack of maintenance is an embarrassment to stakeholders concerned that results in unnecessary asset depreciation and degradation. Slums are sprouting up everywhere. See the translation of a report for example (Sin Chew Jit Poh, 3 December 2011).

Are there remedies to the woes? Can the behavior of stakeholders change for the better? Is the enforcement of house-rules weak? As it is, the government views the strata-titled properties as something private and hence is hands-off to the problems. Should a policy change be recommended?

2.0 Purpose

The purpose of this series of interviews is designed to explore the most critical factors that determine the state of health of a typical common- property as evidenced in Malaysia.

It is a fore-runner to survey research to be answered later by residents to research question 1 (RQ 1) of the thesis.

3.0 Three questions for discussion:

- 3.1 From your understanding, is an IAD framework (Ostrom, et al., 1994) adequately depicting all relevant factors that describe the state of health of a typical common- property? See the attachment for details.
- 3.2 From your experience, is there any role for factors such as historical development and ethnicity condition in influencing the state of health of a typical common- property?
- 3.3 In your view, are there other factors hitherto not mentioned that deserve our consideration?

4.0 Areas of interview

4.1 Factors of IAD framework (Ostrom, et al., 1994)

4.1.1 Attributes of community

By nature every man thinks for himself. That accounts for the fact that while he looks after his own house, in many instances he finds compliance with the house-rules of collective living difficult in say strata properties. But through education, and efforts made by those who appreciate interest of the community takes precedence, social capital can be built within individuals to counter the

selfish attitude (Grootaert, et al., 2004). Social capital, or the lack of it, thus decides whether a common-property is well maintained.

Do you agree with the above proposition? If yes, are there other ways to improve social capital?

Answer:

4.1.2 Physical material conditions

In general, housing governance of the common would be difficult the larger the projects in terms of acreage, the higher the density, and the taller the building housing strata-titled units (Olson, 1965). Hence, smaller projects such as those less than 200 units would be easier to manage than those above 350 units, say. Buildings with lifts add costs to maintenance.

Do you agree with the above proposition? Why?

Answer:

4.1.3 Rules-in-use

In the literature, weak enforcement either by the management corporation or by the state against those who choose not to pay service charge has been identified as a source of poor maintenance (Wang, 2009; Wang & Shia, 1994).

Do you agree with the statement? Why?

Answer:

4.1.4 Context

This is a complex concept. It refers to social, economic, and political settings where the community is subjected to (Basurto & Ostrom 2009, p. 29). We may raise several questions in order to appreciate the concept. In terms of household size per family, is it high? Are residents too poor to pay service charge? Is local politician supportive of the wellbeing of the common? How high does the government rank the importance of good maintenance for low-cost flats in general? Is enforcement of law by government weak? Is the media sympathetic to the woes of the community?

Are social, economical, and political contexts important? If so, which area of context requires a more in- depth study?

Answer:

4.2 Additional factors from literature

4.2.1 Historical development (residents' previous strata living experience)

A good exposure to strata living helps residents to cope with the demand of following the house-rules (keep the common clean, pay service charges as stipulated, etc). Hence, one can assume that those residents who have stayed in public housing built by Dewan Bandaraya Kuala Lumpur (DBKL)/ Selangor State Government are better equipped to modern living.

Do you agree with the statement? Why? If yes, can you provide an example?

Answer:

4.2.2 Ethnicity condition

In the United States of America, provision of public goods at local council level tends to be lowered if the community is heterogeneous (Easterly, 2006a; Yeoh, 2001, 2003). If you regard government funding of the maintenance of low-cost housing as an issue of public good, is racial composition in your view an important factor back in the mind of government decision-makers?

Do you agree? Why?

Answer:

4.3 New dimensions. Please consider adding in at most two (2) other factors not previously mentioned.

4.3.1 Factor: _____. Please elaborate.

4.3.2 Factor: _____. Please elaborate.

4.4 Please rank the following factors in terms of the importance of each towards the state of health of a common:
(1-least satisfied, 2- a bit satisfied, 3- neutral, 4- satisfied, 5- most satisfied)

	Factors					
4.4.1	Attributes of community	1	2	3	4	5
4.4.2	Physical material conditions	1	2	3	4	5
4.4.3	Rules-in-use	1	2	3	4	5
4.4.4	Context	1	2	3	4	5
4.4.5	Historical development	1	2	3	4	5
4.4.6	Ethnicity condition	1	2	3	4	5

5.0 Profile of the respondent (a respondent may opt to remain anonymous for this survey)

5.1 Name: _____

5.2 Age: _____

5.3 Profession: _____

5.4 Post: _____

5.5 Organization: _____

5.6 Years of working experience: _____

5.7 Particulars of low-cost project involved (name of project, location, year completion, acreage, number of units, building heights, special characteristics, and verdict)

5.7.1 Project 1

5.7.2 Name of project: _____

5.7.3 Location: _____

5.7.4 Capacity in the project: _____

5.7.5 Year of completion: _____

5.7.6 Acreage: _____

5.7.7 Number of units: _____

5.7.8 Building heights: _____

5.7.9 Special characteristics that result in good (or bad) maintenance: _____

5.7.10 Verdict: _____

5.8 Particulars of low-cost project involved (name of project, location, year completion, acreage, number of units, building heights, special characteristics, and verdict)

5.8.1 Project 2

5.8.2 Name of project: _____

5.8.3 Location: _____

5.8.4 Capacity in the project: _____

5.8.5 Year of completion: _____

5.8.6 Acreage: _____

5.8.7 Number of units: _____

5.8.8 Building heights: _____

5.8.9 Special characteristics that result in good (or bad) maintenance: _____

5.8.10 Verdict: _____

5.9 Contact h/p: _____

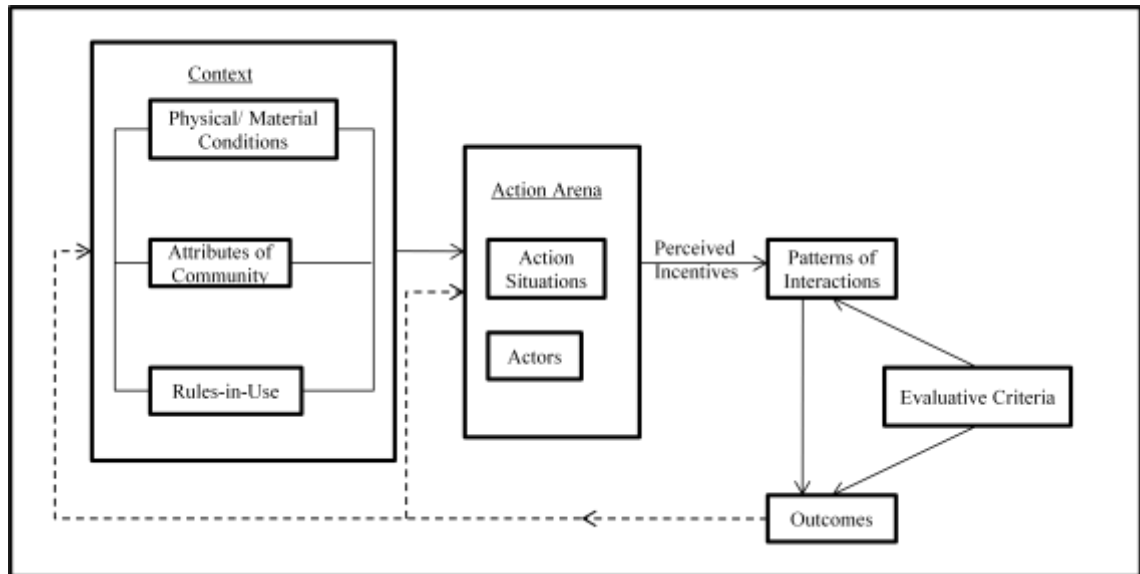
5.10 Contact email: _____

Thank you very much for your cooperation.

Attachments:

- a) Framework used in research.
- b) The woes of Taman Cheras Permai (Sin Chew Jit Poh)

Framework used in research



Source: Adapted from Ostrom, Gardner and Walker (1994, p. 37, cited in Christensen, 2003, p. 26)

The unruly nature of Taman Cheras Permai low-cost flats: A spring cleaning planned for 11 December 2011

(Sin Chew Jit Poh, 3 December 2011, p. 02 ME).

Residents of the low-cost flats are encouraged to partake in the proposed spring cleaning. The predicaments faced by the residents are aplenty. As examples some problems faced by residents are: lallang is left unattended; rubbish not collected on time, roof leaks, and worse, certain unit has been left vacant and hence saddled with unwanted materials, etc.

The 140 units of Taman Cheras Permai low-cost flats were completed 20 years ago are made up of three blocks of five-storey buildings. It is a typical low-cost scheme that does not have a proper management corporation as stipulated under the law, and whose record of maintenance is poor due to the uncooperative attitude of the residents. Three challenges are especially worrying. First, the originally designed rubbish bin centers have been found to be grossly inadequate since residents/ and non-residents used to throw their discarded household materials there. Second, rain water would render the corridor wet due to roof leaks in Block A. Third, a lot of rubbish is found in one of the vacant units. As a result, drug-addicts loved to frequent the said unit and caused a small fire six months ago. One resident said the rubbish was most probably left by them after their usual business.

Kajang Municipal Councilor Mr. Wong Tian Tze made three observations: i) two new rubbish bins of each 660 kg capacity would be delivered to the scheme in order to solve the overflowing problem; ii) the state government shall foot 80% of the bill for repair of roof leak, and so the onus is for the residents to come out with balance 20% of the cost; and iii) the developer concerned shall be held responsible by the Local Building Commissioner for the former's failure to initiate the setting up of joint management body (JMB), or management corporation (MC) under the provision of BCP Act 2007 (Act 663). If the

developer is found guilty, he may be fined a sum not exceeding RM20, 000 and/or a jail term not more than three

Appendix B

A narrative inquiry on Haji Muswan, head of JMB, Vista Subang (Creswell, 2007, pp. 53-57)

First meeting: 7 August 2012

Second meeting: 2 September 2012

Third meeting: 20 December 2012

Six broad questions serve only as guide.

1	Please describe the experience of your younger days (where you lived, your education, working experience, and certain aspects of life that made your living in strata living easy or difficult).
2	Please tell me more about your family.
3	Please tell me about your role/ experience as the local leader of the squatter colony in SS 2.
4	Please describe how your community in SS 2 was subsequently resettled in Vista Subang (who did the negotiation between the community and the developer, etc).
5	Since settling down in Vista Subang in October 2005, what were the challenges faced by the developer when they managed the property?
6	When residents/ JMB took over the management in September 2011, have the tasks been easy under your leadership?

Date: 1 September 2012

Appendix C

The case study protocol (Yin, 2009, p. 79)

23 April 2012

Interviewing office bearers of JMBs after the survey research results are known

Case study purpose

1.	To identify factors that contributes to the woes facing the residents, or “the tragedy of the commons”.	
2.	To study the impact of formal rules and informal constraints as seen from the experience of a particular resident.	
3.	To study how users’ characteristics and other factors influence the state of health of the commons.	
4.	To explore any specific historical development that has a bearing on the behavior of residents in a common.	

Case study questions

1.	To what extent factors affect the state of health in the commons?	
2.	Given that one’s past experience shapes a person’s behavior in a given context, is change possible?	
3.	To what extent predictors help in group classification?	
4.	To what extent are the effects of culture had on the behavior pattern of residents?	

Data collection

1.	Project name/ Mukim/ Daerah/ Local Council	
2.	Total units/ Number of blocks/ Number of storeys	
3.	Location plan/ site plan/ acreage	
4.	Front elevation photo/ focus photos	
5.	Contact persons for information	
6.	Project started/ project completed	
7.	Types of neighboring schemes	
8.	Distance from Kuala Lumpur (KM)	

Data collection, continued

9.	Place of residence before staying here. Were majority staying in squatter colonies?	Squatter colonies/ Not squatter colonies
10.	Approximate ethnic composition	Malay..... % Chinese..... % Indian..... % Others..... % Total: 100%
11.	General condition of maintenance (by visual)	Excellent/ very good/ acceptable/ poor/ very poor
12.	Average collection of service charge per month	0% - 20%, 21% - 40%, 41% - 60%, 61% - 80%, 81% - 100%
13.	Reasons generally explain items 11, and 12	i. ii. iii iv. v.
14.	Opportunities to observe/ participate in community events.	Yes/ no.
15.	Resource persons in the community	Developer: Property manager: Resident committee: Local authority/ Building commissioner: Service provider:
16.	Awareness of STA 1985, BCP 2007	
17.	In general, what could be improved upon that makes a difference?	
18.	In general, are residents happy to live there?	Yes/ no
19.	Four IAD factors. Which factor appears to affect them most?	Users' characteristics: Product characteristics: Rules- in- use: Socioeconomic and political context:
20.	Two other factors.	Historical development (their previous living environment): Ethnicity condition:

Note: Unit of analysis—group/ community

Appendix D

Survey research questionnaire 2012 for Nursa Kurnia (version 23.8.2012)

Service charge : RM _____ per month

Sinking fund : RM _____ per month

A: PROFILE

Name of respondent : _____ *

Phone number : _____ *

House address : _____

* *Optional*

Q1. Age of the head of household: _____ years old

Q2. Gender

- | | |
|--------------------------|-----------|
| <input type="checkbox"/> | 1. Male |
| <input type="checkbox"/> | 2. Female |

Q3. Marital status

- | | |
|--------------------------|--|
| <input type="checkbox"/> | 1. Married |
| <input type="checkbox"/> | 2. "Duda/Janda/Berceraï"/Single parent |
| <input type="checkbox"/> | 3. Not married |

Q4. Ethnic group

- | | |
|--------------------------|--------------------------------|
| <input type="checkbox"/> | 1. Malay |
| <input type="checkbox"/> | 2. Chinese |
| <input type="checkbox"/> | 3. Indian |
| <input type="checkbox"/> | 4. Others, please state: _____ |

Q5. Number of dependents staying in my house, including me: _____

Q6. Number of children staying with me: _____

Q7. Number of years I stay here: _____

Q8. I plan to move into another house in _____ years' time.

Q9. Occupation (for the head of the household)

- | | |
|--------------------------|---|
| <input type="checkbox"/> | 1. Civil servant (working for government) |
| <input type="checkbox"/> | 2. Private sector |
| <input type="checkbox"/> | 3. Retired/Pensioner |
| <input type="checkbox"/> | 4. Self-employed |
| <input type="checkbox"/> | 5. Unemployed |

Q10. Highest education

- | | |
|--------------------------|-----------------------|
| <input type="checkbox"/> | 1. None |
| <input type="checkbox"/> | 2. Primary school |
| <input type="checkbox"/> | 3. PMR |
| <input type="checkbox"/> | 4. SPM |
| <input type="checkbox"/> | 5. STPM |
| <input type="checkbox"/> | 6. College/University |

Q11. The gross monthly income of the household is: RM _____.

Q12. I would recommend my relatives/my friends to buy units in this project

- | | |
|--------------------------|--------|
| <input type="checkbox"/> | 1. Yes |
| <input type="checkbox"/> | 2. No |

Q13. Previous type of house before staying in the current low- cost flat

- | | |
|--------------------------|--------------------------------|
| <input type="checkbox"/> | 1. Squatter |
| <input type="checkbox"/> | 2. Rented room in a flat |
| <input type="checkbox"/> | 3. Rented room in a house |
| <input type="checkbox"/> | 4. Others, please state: _____ |

Q14. My hometown is Greater Kuala Lumpur/Klang Valley

- | | |
|--------------------------|------------------------|
| <input type="checkbox"/> | 1. Yes (go to item 16) |
| <input type="checkbox"/> | 2. No (go to item 15) |

Q15. I come to stay in Greater Kuala Lumpur/Klang Valley from my hometown due to work opportunities

- | | |
|--------------------------|--------|
| <input type="checkbox"/> | 1. Yes |
| <input type="checkbox"/> | 2. No |

Q16. My residence status

- | | |
|--------------------------|---|
| <input type="checkbox"/> | 1. I am a tenant (tenants need not answer Section B, go to Section C) |
| <input type="checkbox"/> | 2. I am the owner (continue) |

Q17. I stay in walk-up flats

- | | |
|--------------------------|------------------------|
| <input type="checkbox"/> | 1. Yes |
| <input type="checkbox"/> | 2. No (go to item Q18) |

Q18. I stay in _____ floor

<input type="checkbox"/>	1. 5th or 6th to 10th floor
<input type="checkbox"/>	2. 11th floor and above

B: FINANCIAL SECTION

Q19. The purchase price I paid for the unit was RM _____.

Q20. What is your loan period?

<input type="checkbox"/>	1. Less than 5 years
<input type="checkbox"/>	2. 5 to 10 years
<input type="checkbox"/>	3. More than 10 years

Q21. The financing margin for my housing loan is:

<input type="checkbox"/>	1. Less than 50% of the selling price
<input type="checkbox"/>	2. 50% to 59%
<input type="checkbox"/>	3. 60%
<input type="checkbox"/>	4. 70%
<input type="checkbox"/>	5. 80%
<input type="checkbox"/>	6. 81% and more

Q22. Do you have any knowledge of people who lost their homes due to financial problems in the same housing scheme?

<input type="checkbox"/>	1. Yes
<input type="checkbox"/>	2. No

Q23. If you have a financial problem, who do you look up for help?

<input type="checkbox"/>	1. Family/relatives
<input type="checkbox"/>	2. Friends
<input type="checkbox"/>	3. Government organizations/ local politicians
<input type="checkbox"/>	4. Banks
<input type="checkbox"/>	5. Non-government organizations/ charities
<input type="checkbox"/>	6. Money lenders
<input type="checkbox"/>	7. Others, please state: _____

Q24. List the types of loans you are servicing on monthly basis (it can be more than one item)

<input type="checkbox"/>	1. Vehicle
<input type="checkbox"/>	2. Electrical goods
<input type="checkbox"/>	3. Furniture
<input type="checkbox"/>	4. Education loan /PTPTN /MARA /JPA
<input type="checkbox"/>	5. Share purchase loan
<input type="checkbox"/>	6. Business loan
<input type="checkbox"/>	7. Others, please state: _____

Q25. Do you have any problem in paying for the following?

Monthly mortgage	<input type="checkbox"/> 1. Yes	<input type="checkbox"/> 2. No
Monthly service charge	<input type="checkbox"/> 1. Yes	<input type="checkbox"/> 2. No
Water and electric bills	<input type="checkbox"/> 1. Yes	<input type="checkbox"/> 2. No
House repair	<input type="checkbox"/> 1. Yes	<input type="checkbox"/> 2. No
Quit rent to Land office	<input type="checkbox"/> 1. Yes	<input type="checkbox"/> 2. No
Assesment to Local Council	<input type="checkbox"/> 1. Yes	<input type="checkbox"/> 2. No

Q26. Are you satisfied with the amount of monthly service charge imposed

<input type="checkbox"/>	1. Yes
<input type="checkbox"/>	2. No

Q27. Do you regard yourself as a regular payee of service charge?

<input type="checkbox"/>	1. Yes (go to Section C)
<input type="checkbox"/>	2. No (go to item Q28)

Q28. I am not a regular payee of service charge because

<input type="checkbox"/>	1. Not happy with the standard of general maintenance
<input type="checkbox"/>	2. The management cannot do anything to me if I do not pay
<input type="checkbox"/>	3. My friends who are staying here have asked me not to pay
<input type="checkbox"/>	4. I have many other commitments, state: _____

C: Degree of satisfaction on the state of health of a common (dependent variable)

(1-strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree)

	Elements/variables	1	2	3	4	5
QC.1	I would recommend my friend to buy a unit here.	1	2	3	4	5
QC.2	I would recommend my friends/ relatives to move into my neighborhood.	1	2	3	4	5
QC.3	My life happiness is higher as a home owner.	1	2	3	4	5
QC.4	I like to stay longer as I am satisfied with the environment in my community.	1	2	3	4	5
QC.5	I like to stay longer in the neighborhood as I am satisfied with the community.	1	2	3	4	5
QC.6	Generally, the common areas have been kept clean.	1	2	3	4	5

Notes: i) Items C.1, C.2 and C.3 were taken from Tan, T. H. (2012) for housing satisfaction measure; ii) Items C.4 and C.5 were taken from Tan, T. H. (2008) for housing satisfaction measure; and iii) Adopted the same format in studying elements/ variables such as in using five-point Likert scale (Abdullah, 2010, p. 278).

D: Importance of factors on the state of health of a common (as in IAD framework)

D 1. Physical/ material conditions

(1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree)

	Elements/variables	1	2	3	4	5
QD.1.1	The total number of units in the scheme is just about right.	1	2	3	4	5
QD.1.2	The common facilities are adequate (car-parks, motor-cycles parks, community hall, children playground, etc).	1	2	3	4	5
QD.1.3	The standard of workmanship of the unit is acceptable to me.	1	2	3	4	5
QD.1.4	I am happy with the general amenities provided in my neighborhood (clinics, schools, public transport, shops, etc).	1	2	3	4	5
QD.1.5	The neighborhood is generally crime-free (little break-ins, say).	1	2	3	4	5
QD.1.6	Where applicable, the lifts are working well most of the time (this item applies to high- rise buildings with lifts).	1	2	3	4	5

Notse: i) Density has been used as the main measure of product characteristics (Olson, 1965); ii) Since the unit design has been standardized, no attempt is made to provide details as done in Mohit, Ibrahim and Rashid (2010, p. 25); and iii) Items D.1.4 and D.1.5 were taken from Tan, T. H. (2012) as part of neighborhood and environmental attribute measures.

D 2. Attributes of community

(1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree)

	Elements/variables					
QD.2.1	I trust the people I come into contact with in the community.	1	2	3	4	5
QD.2.2	Whenever I need some forms of help, I can always expect help to come.	1	2	3	4	5
QD.2.3	If there is a common problem facing the community, we will put our heads together.	1	2	3	4	5
QD.2.4	I regularly visit my neighbors.	1	2	3	4	5
QD.2.5	I use to socialize with the people outside of my ethnic group for drink.	1	2	3	4	5
QD.2.6	In the last 12 months I do take part in community activities at least once.	1	2	3	4	5

Note 1: Social capital has been used as the main measure of attributes of community to test on collective action (Grootaert, et al., 2004; Onyx & Bullen, 2000; T. H. Tan, 2012).

Note 2: See Ariff and Davies (2011) on effects of residents' social activities and attending meetings.

D 3. Rules-in-use

(1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree)

	Elements/variables					
QD.3.1	I hold the community leaders in high esteem because they are capable of managing the common- area.	1	2	3	4	5
QD.3.2	I observe house rules because I know everyone else follow them too.	1	2	3	4	5
QD.3.3	The house rules are reasonably set because they are good for us.	1	2	3	4	5
QD.3.4	I am aware those who do not follow the rules will be held accountable by JMB/Management Corporation (examples: drawing on public walls, and throwing rubbish everywhere)	1	2	3	4	5
QD.3.5	If I don't pay service charge, the management can hold me accountable.	1	2	3	4	5
QD.3.6	Officially the law is there to enforce the payment of service charge.	1	2	3	4	5

Note: The ability to set informal rules by local leadership or community leaders is key to the success or otherwise of self-governance (Basurto & Ostrom 2009).

D 4. Context

(1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree)

	Elements/variables					
QD.4.1	The average household size is reasonable here ranging from 1 to 5 children.	1	2	3	4	5
QD.4.2	The JMB/ Management corporation have been active to promote community living spirit.	1	2	3	4	5
QD.4.3	In my opinion, local politicians have been supportive of problems raised by the residents.					
QD.4.4	The Local authority/ Office of the Commissioner of Building have been supportive to many activities organized by the residents.	1	2	3	4	5
QD.4.5	The State government has been paying attention to our welfare.	1	2	3	4	5
QD.4.6	The Federal government has been paying attention to our welfare.	1	2	3	4	5

Note: To Ariff and Davies (2011), the number of children and years of residency influence stakeholders' relationship and their views on satisfaction on a range of topics.

E: Importance of factors on the state of health of a common as in the literature

E 1. Historical development/ adaptation to new environment

(1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree)

	Elements/variables					
QE.1.1	People are more comfortable with their old ways of doing things.	1	2	3	4	5
QE.1.2	If a person who has been living in a squatter area for many years, it would be hard for him to live in strata titled unit.	1	2	3	4	5
QE.1.3	I find it hard to adapt to living in a flat environment.	1	2	3	4	5
QE.1.4	Living in a flat is not compatible with my culture.	1	2	3	4	5
QE.1.5	I do not follow the advice of my local leadership most of the time.	1	2	3	4	5
QE.1.6	Since paying service charge is a private matter, I decide to pay, or not to pay entirely on my own.	1	2	3	4	5

Note1: See Figure 3.5, and Figure 3.6. Note 2: The statements above belonged to main- stream thinking on: i) old habits and old lifestyle tend to continue; and ii) an individual tends to make decision for his own sake, not in the interest of the community. Note 3: However, the result will be different under local leadership's influence.

E 2. Ethnicity condition

(1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree)

	Elements/variables					
QE.2.1	I am happy because the same law applies to everyone regardless of ethnicity.	1	2	3	4	5
QE.2.2	Despite the difference, people with different ethnic groupings live well together.	1	2	3	4	5
QE.2.3	I have close friends who belong to other ethnic groups.	1	2	3	4	5
QE.2.4	I feel safe when I am alone at home.	1	2	3	4	5
QE.2.5	Realizing the sensitivity of culture one has, I try not to do anything that hurts other ethnic groupings.	1	2	3	4	5
QE.2.6	More financial assistance from the government is expected if the community is more homogenous, say when it applies for financial assistance for a new coat of paint (as an example if the ratio of Malays: Non- Malays is 80%: 20%, instead of 60%: 40%).	1	2	3	4	5

Note1: See Section 4.4.5 and Figure 4.14. Social cohesion has been used as measures of ethnic condition (Grootaert, et al., 2004, p. 49). Note 2: For item E.2.6 see Alesina et al (1999); Easterly and Levine (1997, cited in Meier & Rauch, 2005, p. 525); Easterly (2006a); and Yeoh (2001, 2003) on provision of public goods under different ethnicity conditions.

Appendix E

A narrative inquiry of Haji Muswan, head of JMB, Vista Subang (in Bahasa)

Temu bual Bersama Tuan Haji Muswan: Kenapa Urus Tadbir Kediaman Oleh Penduduk Setempat Gagal di Vista Subang.

Pertemuan kali pertama dengan Tuan Haji Muswan

Cik Azlina daripada Lembaga Perumahan Negeri Selangor mengaturkan perjumpaan saya dengan Cik Jasminda, Pesuruhjaya Bangunan Majlis Perbandaran Petaling Jaya dan kemudiannya memperkenalkan saya dengan Encik Mohd Zulhairi, yang merupakan pegawai yang bertanggungjawab ke atas semua bangunan kediaman jenis strata di kawasan Ara Damansara. Keputusan untuk memilih 210 unit kediaman di Vista Subang sebagai sampel kajian dan juga kes kajian yang keempat adalah bersesuaian kerana menurut pandangan Encik Mohd Zulhairi ianya memenuhi kriteria pemilihan iaitu terdapatnya rekod kutipan cas perkhidmatan/penyelenggaraan bulanan yang rendah dan cabaran dalam urus tadbir kawasan dan bangunan kediaman oleh penduduk setempat yang diketuai oleh Tuan Haji Muswan.

Pada 7 Ogos 2012, beberapa minit sebelum jam 4.00 petang (masa yang ditetapkan untuk berjumpa dengan Tuan Haji Muswan) saya telah melalui kawasan lobi lif untuk ke pejabat pengurusan. Sementara menunggu kehadiran Tuan Haji Muswan saya melihat beberapa orang penduduk sedang menuju ke lif dengan membawa beg yang penuh dengan barangan keperluan harian. Saya perhatikan hanya sebuah lif sahaja yang berfungsi dan satu lagi lif tidak berfungsi dengan pintu lif tertutup sepanjang masa. Di luar pintu lif pula terdapat 210 peti surat aluminium yang beberapa peti surat telah rosak. Apabila pintu lif tersebut terbuka saya dapati terdapat contengan yang memenuhi ruang dinding lif, ini adalah perbuatan vandalisme orang yang tidak bertanggungjawab. Selain itu saya juga terdengar bunyi air menitis di tingkat bawah kediaman dan hasil penelitian saya didapati terdapat paip bocor di kawasan tersebut. Berdasarkan perkara-perkara berikut, saya berpandangan wujud persekitaran yang tidak menyenangkan dan ini disokong pula dengan kertas-kertas yang bersepehan di lantai, sarang labah-labah di permukaan syiling dan keadaan yang gelap di tingkat bawah ekoran lampu syiling yang terhad.

Sekiranya keadaan di lobi lif yang tidak menyenangkan diambil kira, sudah pasti keadaan seperti ini turut berlaku di tingkat lain di Vista Subang. Sampah dilihat dibuang merata-rata dan tidak dibuang ke dalam tong yang disediakan. Perabot usang yang sudah rosak dibiarkan sahaja di kiri tepi tong sampah tanpa dilupuskan dengan sebaik-baiknya. Selain itu didapati pokok renek di sepanjang jalan di Vista Subang layu disebabkan kekurangan air dan di bawah sinaran matahari yang panas. Keadaan ini berlaku berkemungkinan disebabkan pekerja penyelenggaraan yang cuti panjang atau penduduk setempat yang tidak menitik beratkan soal kepentingan menjaga alam sekitar.

Generasi Pertama Komuniti FELCRA

Beberapa minit selepas jam 4 petang, saya bertemu dengan Tuan Haji Muswan dan beliau telah membawa saya ke dalam satu unit rumah di tingkat bawah yang dijadikan pejabat pengurusan. Setelah penghawa dingin dihidupkan, Tuan Haji Muswan meminta saya menyatakan tujuan ingin berjumpa dengannya. Pada umur 55 tahun, Tuan Haji Muswan kelihatan agak tua berbanding umurnya. Saya bertanya tentang perkara ini dan beliau memberitahu bapanya dahulu lewat membuat pendaftaran kelahirannya, itulah sebab mengapa beliau kelihatan tua berbanding umurnya. Berdasarkan perbualan permulaan Tuan Haji Muswan memberitahu beliau berasal (kampung halamannya) dari Bukit Gambir, Johor. Beliau merupakan anak peneroka FELCRA dan lahir dalam keluarga yang besar. Bapanya telah mengusahakan enam ekar kebun kecil kelapa sawit dalam skim FELCRA sebagai mata pencarian dalam menyara keluarga dan skim FELCRA yang dibangunkan oleh Perdana Menteri Kedua iaitu Tun Abdul Razak bertujuan untuk membantu rakyat Malaysia atau keluarga yang berpendapatan rendah. Tuan Haji Muswan merupakan anak sulung daripada dua belas adik beradik. Tahap pendidikan Tuan Haji Muswan hanya di darjah 6 sahaja. Selepas berhenti sekolah beliau telah membantu bapanya menanam pokok getah dalam menyara keluarga.

Ketika berumur tujuh belas tahun, Tuan Haji Muswan mula hidup berdikari dan tidak lagi bergantung kepada ibu bapanya atas faktor usia mereka yang telah tua. Ini kerana beliau merasakan adalah tidak adil untuk bergantung hidup kepada mereka sahaja sedangkan beliau sudah boleh hidup berdikari. Setelah berunding dengan adik-beradiknya, beberapa orang daripada mereka berpakat untuk keluar daripada

kampung halaman dan berhijrah ke Kuala Lumpur untuk mencari pekerjaan. Tuan Haji Muswan bertekad dalam mencari pekerjaan dan tidak kisah dengan pekerjaan yang akan dilakukan kelak asalkan daripada sumber yang halal. Pada tahun 1969, beliau mula menetap di kawasan setinggan di Kampung Baru dan Damansara sebelum menetap di kawasan setinggan SS2, Petaling Jaya pada tahun 1975.

Perpaduan di SS2, Petaling Jaya Perkampungan Setinggan (1975-2005)

SS2 merupakan kawasan pinggir bandar yang luas dan merupakan kawasan perumahan penduduk kelas pertengahan pada tahun 1970 an. Tuan Haji Muswan berkata dia telah membelanjakan sekitar RM500.00 untuk membina rumah di atas lot kosong di sepanjang tebing sungai. Pada masa itu terdapat sebahagian kecil penduduk yang membina perumahan setinggan di atas tanah 30 ekar milik kerajaan. Menjelang tahun 1980, keseluruhan kawasan tersebut telah dipenuhi dengan 500 rumah setinggan dengan jumlah penduduk sekitar 1,800 orang. Dalam usaha menjaga kebajikan masyarakat, UMNO cawangan tempatan ditubuhkan (Parti Orang Melayu/ parti perikatan yang telah memerintah negara ini sejak merdeka). Tuan Haji Muswan pula telah dilantik sebagai timbalan presiden. Presiden UMNO cawangan pula dilantik bukan daripada kalangan penduduk setempat (setinggan). Apabila kerajaan negeri serius untuk mencapai "setinggan sifar" pada tahun 2000, perbincangan telah dibuat untuk memindahkan mereka ke dalam projek perumahan kos rendah. Hasilnya, pada tahun 2005, SS2 "Kampung Damansara Dalam" (nama yang telah diberikan oleh penduduk setinggan generasi pertama SS2) telah dikembalikan kepada pemilik tanah yang sah dan setiap keluarga boleh membeli unit perumahan kos rendah di kawasan perumahan yang berdekatan di bawah harga pasaran. Terdapat penduduk setinggan yang pergi ke Sri Damansara dan hampir 160 keluarga termasuk Tuan Haji Muswan ke Vista Subang.

Pengurusan di Bawah Pemaju (Oktober 2005 - Ogos 2011)

Selepas perakuan kelayakan menduduki dikeluarkan bagi Vista Subang iaitu pada Oktober 2005, penduduk telah berpindah ke unit masing-masing. Di peringkat awal, pengurusan kawasan dan bangunan kediaman adalah memuaskan dengan kutipan caj perkhidmatan sebanyak 80%. Keadaan ini kemudiannya merosot terutamanya disebabkan oleh kekurangan sokongan daripada pihak pemaju. Tuan Haji Muswan mengeluh bahawa orang yang telah ditugaskan untuk menyelia penyelenggaraan adalah tidak sepenuh masa. Kebiasaannya petugas yang datang hanya untuk mengumpul wang dan tidak menerima aduan daripada penduduk tentang masalah-masalah yang timbul. Di samping itu, ramai penduduk mempunyai persepsi yang salah bahawa penyelenggaraan adalah tanggungjawab pemaju.

Keadaan ini menjadi lebih buruk selepas Pilihan Raya Umum ke 12 yang berlangsung pada Mac 2008. Satu kumpulan baru telah menduduki kawasan kediaman ini dan kesannya penduduk ada yang berpecah-belah. Sebagai contoh, "Rukun Tetangga" (pertubuhan yang menjaga keselamatan dan harta benda penduduk setempat) ditubuhkan bagi mencabar kepimpinan Tuan Haji Muswan. Apabila ditanya lagi, Tuan Haji Muswan berkata beliau menganggarkan terdapat kira-kira 20% ke 25% penduduk adalah penyokong Pakatan Rakyat dan majoriti penduduk di Vista Subang pula adalah berada di atas pagar.

Pentadbiran Sendiri Oleh Penduduk Setempat (JMB) September 2011 Hingga Sekarang

Menurut Akta 663 yang berkuat kuasa setahun kemudian (April 2007), Badan Pengurusan Bersama Vista Subang (JMB) ditubuhkan. Oleh itu, sejak April 2008, secara teknikalnya, penduduk menguruskan hal ehwal kediaman mereka. Apabila ditanya, Tuan Haji Muswan berkata penghuni kediaman tidak sedar manfaat atau kebaikan urus tadbir perumahan kos rendah oleh penduduk setempat. Beliau mendakwa kesedarannya adalah tinggi berkaitan perkara ini kerana pendedahan beliau di tempat kerja di sektor swasta. Malah sebagai anggota "exco" kesatuan sekerja beliau telah menghadiri seminar antarabangsa di luar negara. Pengalaman berguna yang diperolehi di Jepun banyak mengajarnya tentang kehidupan yang lebih baik dengan urus tadbir oleh penduduk setempat.

Tuan Haji Muswan berkata beliau mempunyai pasukan kerja atau ahli jawatankuasa penduduk yang sentiasa bekerja keras. Namun, beliau berkata jika boleh direkrut, lebih banyak keputusan yang baik dapat diperolehi. Walau bagaimana pun tentang perkara ini, penyelidik dalam kajian ini tidak bertemu dengan mana-mana ahli jawatankuasa JMB dalam kedua-dua mesyuarat yang telah diadakan dengan Tuan Haji Muswan.

Kecuali membayar terus kepada tukang bersih dan tukang kebun, semua fungsi pengurusan harta dilakukan oleh JMB.

Tuan Haji Muswan berkata pada waktu kutipan pembiayaan sangat rendah, beliau akan merujuk ke rangkaian politik beliau untuk bantuan. Akhir-akhir ini, beliau lebih prihatin tentang mencari saluran untuk meningkatkan pendapatan. Sebagai contoh, beliau berkata, beliau boleh mempertimbangkan untuk menyewa ruang iklan di atas bumbung. Selain itu, penaja juga boleh dibenarkan untuk melakukan perniagaan jika membayar yuran kepada JMB. Secara peribadi, Tuan Haji Muswan menghargai manfaat yang boleh tercapai jika JMB dapat diuruskan dengan lebih baik. Beliau menceritakan peristiwa di mana penyewa berpotensi mendekatinya untuk mendapatkan nasihat. Perjanjian itu tidak dapat diteruskan kerana keadaan lif yang sering tidak berfungsi walaupun mengakui lokasi strategik Vista Subang yang terletak di sekitar Ara Damansara, Petaling Jaya, yang merupakan kawasan perumahan kelas menengah atas.

Adakah Politik Sebenar?

Secara purata, Tuan Haji Muswan berkata dia mengumpul 40% daripada caj perkhidmatan yang dibayar sebulan. Sudah tentu, ia adalah tidak mencukupi untuk menjalankan pengurusan harta pejabat yang betul. Secara teorinya, jika 160 keluarga telah mengenali Tuan Haji Muswan sejak di Perkampungan Setingan SS2, kutipan caj perkhidmatan tidak harus menjadi isu. Kehomogenan kumpulan etnik tunggal dalam Vista Subang tidak membantu sama ada (80% pemilik adalah orang Melayu) atau tidak. Adakah perbezaan fahaman politik bertindak sebagai faktor yang menyebabkan perpecahan dalam tadbir urus tadbir di Vista Subang?

Epilog

Kali terakhir saya bertemu dengan Tuan Haji Muswan pada 2 September 2012. Seperti juga dengan mesyuarat kali pertama, saya menghabiskan masa kira-kira 90 minit dengan beliau dengan pertanyaan beberapa soalan yang telah dirangka sebelum ini. Dalam perjalanan pulang tiga perkara mengenai kesan dan akibat mengurus dan mentadbir sendiri bermain di dalam fikiran saya. Vista Subang kelihatan semakin tenggelam walaupun mempunyai ketua/kemudi kapal yang bersemangat tetapi kapal yang dikemudi kehabisan bahan api? Kedua, adakah mentadbir sendiri hanya di luar kemampuan penduduk yang memberitahu kita sebagai adalah teori organisasi? Ketiga, kes ini jelas di mana ia adalah keseluruhan sistem yang memerlukan dibaiki pulih?

1,568 words

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