

## CHAPTER ONE

### INTRODUCTION

#### (a) Theme and Scope

This thesis is built on the interrelationship between external finances and its policies that enabled internal finances to create the administrative and economic development plans for the Government for Malaysia in the period 1945-1965. External Loan Funds constituted, and still constitute, the Consolidated Loan Account that was combined with internal finances (revenues) to form the Consolidated Fund of the Federal Budget. The Federal Government drew moneys from the Consolidated Fund by the authority of Supply Acts for the development expenditure of the various sectors of development plans. That is to say, total revenue funds from internal sources such as income tax, land tax, export, import duties (Gross Domestic Product, GDP) was combined together with external loan funds that formed the Gross National Product (GNP). This study examines the mechanisms and scope by which finances and strategies provided by the International Bank for Reconstruction and Development (IBRD) and its executing agencies, "international authority,"<sup>1</sup> determined the

Administrative Machinery and Development Plans and for Malaysia in the period 1945-1965.

**(b) Methodology**

On the mechanism (process) by which the Bretton Woods' IBRD and its executing agencies determined administrative and economic development plans, data was collected on the legal and formal provisions and IBRD-finance allocated to the development plans that detailed projects undertaken by the government of Malaysia in the period under study. The formulation of these projects and the monitoring of their implementation and progress by the IBRD and its executing agencies is the very text of the thesis. International financial resources allocated to Development Plans are measured in terms of currency; technical aid materials e.g. machinery, services such as the expert-advice provided by the IBRD-Missions. The data is expressed qualitatively in words and statements and quantitatively in descriptive (summary) statistics: tables, columns, sums, and percentiles.

The thesis rejects the theory of "authoritative allocation of value" that misled studies of Malaysia's administrative and economic development plans on the premise that, "Malaysian development strategies [plans] are determined by the prevailing regime of the day."<sup>2</sup> This theory had made external finance superfluous for developing countries. Nevertheless, the thesis established the theme

that the GNP of the economy of Malaysia is the combination of both external revenue funds and internal revenue funds that constituted the **Consolidated Fund** of the Federal Budget, the funds of which, were brought into play for the development expenditure of the sectors of development plans of Malaysia. This in itself explains the mechanism by which the finances and strategies mainly provided by the IBRD determined "who gets what, when and how"<sup>3</sup> in the national development plans.

The mechanism (exercise of control) of the IBRD in the creation and execution of the administrative machinery and the development plans for the "government of the day" is expressed by the legal, formal and monetary provisions for the following regimes: The British Military Administration, 1945-1946, Malayan Union, 1946-1948, the Federation of Malaya, 1948-1963, and the independent "Malayanisation Government" that has since come to be known as the Federal Government of Malaysia for the continuing regimes. This means that the administrative machinery of the regimes of Malaya (1945-63) and later Malaysia in 1963 were determined by mainly the IBRD-finances and policies. It is the "international [hand] authority" that determined "who gets what, when and how"<sup>4</sup> in the Development Plans. That is to say, the First Malaysia Plan 1965-1970 has its antecedents in all the Development Plans that emerged after 1945.

This study focuses on the following programmes in the process of creation, implementation and execution of national development plans in inter-relationship with international multilateral finances and internal sources of funds:

1. The Development of Sources of Funding for National Economic Development Programmes:-

2. The Development of Trade and Industry;

3. The Development of Capital Resources and Utilities;

4. The Development of Human Resources;

5. Internal Security and External Defence.<sup>5</sup>

Each of the above mentioned developmental schemes had within themselves programmes or projects that collectively made the structure of the development plan for the Federation Government: "The Plan is an attempt to define the objectives of social and economic policy ... to increase productivity and development of both capital and human resources and to balance them in relation to each other and to plan them within range of resources [i.e., external loan development expenditure and internal revenue funds] available to finance them."<sup>6</sup>

The schemes in these five areas of national development programmes formed the ministries and departments of the newly emerging state that was responsible for the implementation of the development plans. The question of **internal security** and **external defence** was never raised by earlier studies on the Development Plans for Malaysia.<sup>7</sup> Internal security and external defense formed the fifth column in the development plans that is glaringly missing in all previous studies.

## **(c) Literature Review**

### **The Authoritative Allocation of Value**

The thesis questions the prevalent view that the Government of Malaysia determined independently its administrative, social and economic development plans and their programmes in the period under examination. This research inquiry adopts the historical methodology and re-examines some of the dominant views of political scientists, more specifically American political scientists and economists.

In dealing with administrative and economic development plans, American political scientists who dominated the field of development plans and public administration focused on the internal re-constitution of the legal, economic, administrative and social order of New States for the "authoritative allocation of value."<sup>8</sup> In other words, a state prepares its own development plans independently that ensures "who gets what, when and how"<sup>9</sup> in society. The argument rests on the premise that there were internal mechanisms in each state that determined its own development plans. The leading authority in the field was David Easton who in 1953 assumed that an independent state prepared its formal and legal powers to determine its own economic and social development programmes:

[In the United States] the structures and processes of society determine the social statuses that we have and the roles that we perform; these in turn enable us to acquire certain benefits or rewards not available to others. Our economic statuses and roles, for example, help to determine the economic benefits that we get in the processes of production and exchange."<sup>10</sup>

Elsewhere he expressed that: "These new organizations [i.e. IBRD, International Monetary Fund (IMF), etc.] do not introduce for the first time the idea of providing a formal policy-making and policy-executing mechanism for the international society."<sup>11</sup>

The David Easton explanation in the relationship between the independent state and the international institutions is constantly repeated by the others. Thus, Martin Rudner with the same underlying assumptions claimed that, "Malaysian development strategies [plans] are determined by the government of the day."<sup>12</sup> This line of reasoning has since hidden the interplay of international financial organizations and an individual developing state. This ahistorical- political science approach based on the theory of "authoritative allocation of value" hides the constitutional order and practice of the state system of Malaysia and generally of other governments in Asia, Latin America and Africa.

The field of Development Plan studies has been dominated by particularly American political scientists, and economists. The field gained popularity after World War Two when the United States of America emerged as the unrivalled super-power in the international community of the Free World. In reviewing the

huge corpus of literature on Development Plans after World War Two, it is perhaps useful to identify several strands in the literature that all re-enforced the common premise that the constitutional frameworks of independent New States possessed legal and formal powers for the formulation and implementation of their own Development Plans; that each Development Plan was in essence "the authoritative allocation of values."

In the early 1950's Harold D. Lasswell, a medical doctor by training with specialization in psychopathology taught at Chicago University as an Associate Professor of political science. His two volumes on politics written in the 1930's applied the principles of psychopathology to politics. This behavioral science approach had elevated him in the field of political science after the human tragedy of World War Two and the rapidly growing Cold War period, and he wrote over 37 books between 1950 and 1980. The classics were **Psychopathology and Politics** originally published in 1930 and his second volume was entitled **Politics** which raised the question of "Who Gets What, When and How" in a State.<sup>13</sup> The republication of these works in the early 1950's were especially important as New States were emerging in the international order after World War Two and his answer that these were determined by influence holders who wielded power within the Constitutions of each State. "The constitution written or unwritten, embodies the practices which are deemed most fundamental to the government and social order."<sup>14</sup> Harold D. Lasswell represented the early political scientists

who "conceived of politics as shaping and sharing of values. Among these values were named such 'representative' ones as 'safety,' 'income' and 'deference'... The essential point in any case, is to view political behaviour as part of the entire stream of behaviour of man in society."<sup>15</sup>

The decade of the 1960's saw the Cold War setting in and American doctrines were championing the Free World. There was a new need for an advancement of political theory. G. Almond and James S. Coleman were committed advocates of "the mission of the social scientist as an inherently moral and active one."<sup>16</sup> Their book, **The Politics of the Developing Areas**, published by Princeton University Press, urged for a new conceptual unity that was required as analytical tools for the study of politics of the developing areas in the New States.<sup>17</sup>

"Thus instead of the concept of "state," limited as it is by legal and institutional meanings, we prefer "political system;" instead of "powers," which again is a legal concept in connotation, we are beginning to prefer "functions;" instead of "offices" (legal again), we prefer "roles." We are not setting aside public law and philosophy as disciplines, but simply telling them to move over to make room for growth in political theory that has been long overdue."<sup>18</sup>

The "Chicago School" of political science and public policy casts its dye on studies of Development plans.<sup>19</sup> Development plans are predicated on a constitution and its political institutions to translate its developmental policies for the benefit of its citizens. David Easton is a systems analyst and currently

distinguished professor of political science at the Department of Political Science and Society, School of Social Science, Science Plaza Building, University of California. He constructed a grand theory responding to the needs of political scientists researching in the field of development plans in the New States.

In 1950 and 1951, Easton published in the **American Journal of Politics** articles on the writings of Harold Lasswell. In 1959, the Alfred A. Knopf Press, released his second reprint of the 1953 publication entitled **The Political System: An inquiry into the State of Political Science**<sup>20</sup> and in 1965 John Wiley and Sons released his **A Systems Analysis of Political Life**.<sup>21</sup> He broadened the concern of Lasswell on "Who Gets What, When and How" from preoccupation of the "elitist theory" to a "synthetic theory" that incorporates 'the masses domination over policy.'<sup>22</sup> The masses in the developing areas are incorporated into their development plans as they determine "Who Gets What, When, and How." He argues from a legal and constitutional standpoint that all laws and policies, no matter whether it affects only a few, are considered authoritative for all.

"To put it in its legal form, a law as executed may affect the activity of only a few persons in a society, yet in constitutional political system it will be considered legal and binding to all. This is simply a particular way of saying that where a society exists there will always be a kind of allocation of values that will be authoritative for all or most members of a society even though the allocation affects only a few."<sup>23</sup>

On the international relations level, Easton applied his guide for political enquiry, to include "the functioning and determinants of those policies, both

formal, legal decisions as well as practices, which have most influenced the allocation of social goods- or we might say analogically, with the functioning and the determinants of authoritative policy in international society."<sup>24</sup>

The intellectual network among American in scholars in the fields of political science and public administration is extensive, it goes back to Lasswell and Easton and threads through their successors.<sup>25</sup> The foremost authority on Malaysian Development plans on the international setting is Martin Rudner. He is currently holding positions as Associate Director and Professor at the Norman Paterson School of International Affairs, Canada.<sup>26</sup> He teaches courses on theories of development and under-development, Southeast Asian economic and political development, Asia Pacific economic and political relations, the institutional framework for international assistance and Canada, and international development.

Martin Rudner was born on 11 June 1942: he completed a Bachelors degree (B.A, Honours 1963) in Economics and Political Science-International Relations at McGill University, Montreal Canada. At the same University, he completed a Masters degree in 1965 and wrote a thesis entitled: "The Pattern of Politics and Foreign Policy Advocacies in Burma." He went on to earn a doctorate at Oxford University in 1969. At Oxford he wrote a thesis entitled, "The Inter- Relationships Between Economic Development and the Functions of the Political System in Malaya, 1945- 1963."

In 1973, he wrote his second Ph.D. thesis entitled: "Education and the Political Process in Malaysia and Singapore."<sup>27</sup> He submitted this thesis at the Department of Political Science, Institute of Asia and African Studies, Hebrew University of Jerusalem, Israel (where he held a position as Professor in Political Science). The main text of his Ph.D. dissertation lent itself to the theory of "authoritative allocation of value" to explain transactions between political and economic systems of Malaya and Singapore and their respective education system:

"Input transactions into the education system consist of policies emanating from the **political or economic areas that affect the authoritative definition of values and allocation of resources** among alternative educational ends."<sup>28</sup>

In 1975, Rudner related the theory of "authoritative allocation of value" to three main parameters of his book entitled, **Nationalism, Planning and Economic Modernization in Malaysia: The Politics of Beginning Development.**<sup>29</sup> The three levels deal with the interplay of interests, more specifically the decision-making priorities which operate within psychological parameters and finally the "authoritative allocation of value" through policy measures.<sup>30</sup> In the introduction to his most recent book (1994), **Malaysian Development: A Retrospective**, which is a collection of his articles on Malaysia written over the last 25 years, he observes that "Malaysia's development strategy is determined by the government of the day. Like the political process that

governs it, development strategy is a matter of "who gets what, when and how."<sup>31</sup> The theoretical and language construction of Martin Rudner's text relating to the interplay on finances and policy-making for economic development is exactly in line with his predecessors, Harold Lasswell and David Easton.

Martin Rudner acknowledged the funding of the Harry S. Truman Research Institute (now the Harry S. Truman Institute for the Advancement of Peace) in all his publications and research works. These institutions have their origins in international governmental (financial) institutions (namely, IBRD, IMF etc.) that have since guided policy-making and determined monetary values and their allocation in economic development plans of Malaysia. They constitute the "international hand" in designing policies that influence the allocation of value for Malaysia. The operation and establishment of these international financial institutions in Malaysia contradicts Martin Rudner's 25 years of single-line argument of the theory of "authoritative allocation of value" and the assumption that economic development plans of Malaysia were determined by the government of the day.

Other researchers on the subject include American Nobel prize economist, Milton Friedman.<sup>32</sup> On the one hand, he argues that the Bretton Woods' IBRD and IMF strengthened government projects' work and designed government policies of developing nations.<sup>33</sup> On the other hand, he claims that the IMF and the IBRD should have been abolished.<sup>34</sup> Speaking via satellite from Washington

D. C. ahead of a seminar on the Bretton Woods' IBRD and IMF that took place on September 20, 1997 in Hong Kong, Milton Friedman said to the Development Congress that the "IBRD and IMF had done more harm than good to economic development in developing nations."<sup>35</sup> Although he acknowledged that both institutions fashioned policies for these countries, he held the view that they should disappear because they conflict with private businesses:

"Unfortunately the IMF and the World Bank have tended to strengthen government projects' work against private business. So, the best thing they can do is to disappear ... both Bretton Woods [] institutions had helped fashion government policies that tended to work against private business ... the IMF should have been abolished in 1971 or, 'if not then, now,' as it has outlived its function of supervising a **fixed exchange rate system after World War II.**"<sup>36</sup>

This line of reasoning narrows down the monetary function and scope of the IBRD and IMF to their "short-term objectives" of supervising a fixed exchange rate after World War Two.<sup>37</sup> It also confines the financial working, legal and formal authority of these institutions only to strengthening governments' work against on-going private businesses in developing countries.<sup>38</sup>

On the whole, the dominant literature relating to the studies on Development Plans (strategies) and administrative machinery of government, hides the mechanisms and scope by which the "international authority" of the IBRD and IMF determined strategies and allocated finances for economic development plans in developing countries, namely Malaysia. For instance, the

IBRD made a policy for the Government of Malaysia, 1956-65, to "invite foreign investments [capital]" referred to as "private businesses"<sup>39</sup> by Friedman, in Malaysia in order to enhance capacities of national sources of revenue.<sup>40</sup>

However, empirical expressions and historical records on the interplay between international finances and Federation's Economic Development Plans and Administrative Machinery are now making the international hand visible. Time or history has accumulated records on the legal, formal and authority that provides the mechanism and scope by which international financial organizations determined both economic development plans and structured the prevailing regime or government of the day.

The creation of "the government of the day" in the period after World War Two, is deeply embedded in the Bretton Woods preparation of New States.<sup>41</sup> Peter Wallace Preston, in his book **Rethinking development: essays on development and Southeast Asia**, locates the emergence of the various schools of development studies in the context of the international post-war order. "Studies of development were commenced, let us note, at a very particular moment in history; intellectual, social and political."<sup>42</sup> Initially it developed to meet challenges of reform within Europe and the United States of America. Eventually, it served established and newly emerging power wielders of New States that were constructed from the rapidly shrinking colonial empires.<sup>43</sup>

"The background of development work has three main elements: the economics of Keynes; the social dislocations of depression and war; and the model provided by the example of Western European recovery in the late 1940's."<sup>44</sup> He added that, "The theorists of development presented three crucial ideas: the legitimating theorem of development was found in economic growth theory; schemes of organization were found in planning; and implementation was to be effected via [financial] aid programmes."<sup>45</sup> To these ends, we cannot agree with him more, as the trio of ideas forms the heart of the Bretton Woods' IBRD to afford finances and strategies for administrative and economic development plans of developing nations in the period after World War Two.

Newly released documents support the premise that Bretton Woods' IBRD and its executing agencies and their founding states (mainly the United States and Britain) were the real designers of Malaysia's state system and not "the government of the day."<sup>46</sup> Their role had remained hidden in the study of development plans of Malaysia. It is the Bretton Woods' institutions namely, the IBRD, IMF and their founding states that were the architects of the administrative and economic plans for the Federal Government. Such designs are to be found in the four phases of administrative regimes of Malaysia. Firstly, the British Military Administrations of Malaya (BMA), 1945-1946; the Civilian Government of the Malayan Union (MU), 1946-1948; the Federation of Malaya, 1948-1963; and lastly, the independent government of Malaysia, 1963-1965.

#### **(d) Source Materials**

The search through the records should "begin at the beginning" as was advised by the King of Hearts to Alice in **Alice in Wonderland**.<sup>47</sup> The historical records leading to the Bretton Woods Agreements of July 1944 and its related international monetary agencies have been studied in detail by Armand Van Dormael.<sup>48</sup> These Agreements established the postwar international monetary system within which international funding agencies contracted their relations with the Development Plans of emerging New States through the colonial authorities. The Agreements substantiate the processes by which the legal, formal and monetary measures of the Bretton Woods' IBRD and its agencies in the creation and implementation of the Development Plans for the newly emerging states after World War Two.<sup>49</sup>

In the case of postwar British Malaya, 1946/1957-1963, the newly declassified secret and confidential files of the Colonial Office, Series 1022 and Series 940 linked the colonial authorities to the Bretton Woods' IBRD and IMF and their executing agencies such as the Colonial Development Corporation and Welfare Fund (C. D. & W. Fund), the Colombo Plan, and the Development Plans of Malaya in the period 1945-1960.

## **Bretton Woods Agreements: The Proclamations by the BMA**

The "**Proclamations and Notices under Proclamations**" by the BMA enforced the Bretton Woods Agreements and gave effect to the formation of the new administration, BMA (1945-1946), under the legal, formal, and monetary provisions of the IBRD and its executing agencies. It is vital to note that the BMA was established on 1st November 1945. On the same day, the BMA decreed the "**Bretton Woods Agreements: Proclamation Number 29, A Proclamation to Give Effect to Certain Provisions of the Bretton Woods Agreements;**"<sup>50</sup> "**Bretton Woods Agreements: Proclamation Number 32, A Proclamation to Provide For the Control and Regulation of Currency and Exchange.**"<sup>51</sup> These Agreements introduced for the first time the formal, legal and monetary measures of the IBRD and the IMF in the administrative and economic system of Malaya. For instance, the enforcement of these Agreements during the BMA (1945-1946) abolished the Gold Standards which had previously regulated currency and exchange in Malaya.

## **Bretton Woods Agreements: The Federal Ordinances, Rules and Acts of Parliament**

Attention needs to be drawn to the provisions of the Bretton Woods Agreements (Proclamations Number 29 and Proclamation Number 32) initially enforced by the BMA (1945-1946). These provisions were legislated by the subsequent regimes as established in the "**Ordinances and Rules**" of the MU

(1946-1948); "**Ordinances and Rules**" of the Federation of Malaya (1948-1963);<sup>52</sup> and "**Acts of Parliament**" of Malaysia (1963-1965).<sup>53</sup>

### **Bretton Woods Agreements: The Federal Agreements and Constitutions**

The financial provisions of the "Federal Agreements" the MU (1946-1948), Federation of Malaya (1948/1957-63)<sup>54</sup> and the "Constitution" of Malaysia (1963-)<sup>55</sup> adopted without fundamental changes the Bretton Woods Agreements: Proclamations Number 29 and Proclamation Number 32 (see **Appendices 1-8**). These financial provisions of the constitution dealt with the "**Management and Control**" of external loan funds known as the "**Consolidated Loan Account** of the **Consolidated Fund** of the Federal Budget."<sup>56</sup> This Account constituted of external loan funds that were allocated by the IBRD.

The Federation Government drew moneys from the Consolidated Loan Account to meet expenditure of the Development Plans. This relates to the mechanisms and scope by which the "international [hand] authority" of the Bretton Woods' IBRD and its executing agencies permeate all levels of Malaysia's Administrative Machinery and Development Plans. The involvement of the IBRD in the control and management of funds for development expenditure of Malaysia was legislated by the **Bretton Woods Act, 1945/57-1965**. These require the Federal Government:

"To Charge on the Consolidated Fund in accordance with the provisions of the Article 14 of the Bank [IBRD] Agreement payable in Gold or US dollars or in Malayan Currency."<sup>57</sup>

These constitutional documents have been published and are available in the Law Library of the University of Malaya and the National Library.<sup>58</sup>

### **The Administrative and Development Plans**

The actual Development Plans of the Federation Government under their different titles in the period 1946-1965 were formulated by the Bretton Woods' IBRD and executed by its agencies, e.g. the CDC, and the Colombo Plan. The Bretton Woods Agreements gave effect to the "**Welfare Act of 1945**," it was legislated by the "**Welfare Act and the United Kingdom**" and enforced by the BMA and its successor governments in Malaya. In 1946, the Government of Britain formulated the first ten-year "Economic Development Plan for Malaya, 1946-1956." The Plan is available in the Colonial Office, Series 1022. This ten-year Plan was not implemented in full due to internal constitutional problems, the "Declaration of the Emergency" in 1948, and shortages in international funds. The second ten-year plan was named the "Draft Development Plan for Malaya, 1950-1960." This Plan was formulated by the IBRD in unity with the British Government and the Colombo Plan. The latter is the executing agency of IBRD.

It is pertinent to note that the outline of the BMA in the period 1945-1946 was reformulated for the civilian government of the newly formed Federation of Malaya (1948/1957-1963) which announced in 1950 the ten-year "Draft Development Plan for Malaya 1950-1960." This Draft Development Plan was implemented in two five-year phases: firstly, the five-year plan 1950-1955 commonly referred in local sources as the "Yellow Book;" secondly, "A Plan for the Development of Malaya 1956-1960."

In 1961, various Missions of the IBRD designed the "Malayanisation Scheme" commonly known as the "Second Five-Year Plan" for the period 1961-1965 which merely extended the earlier ten-year Plan. The Plan was formulated mainly by the IBRD and the documents are available in IBRD Reports. The primary documents dealing with these plans are located in the Treasury of the Federal Secretariat records deposited in the National Archives. **The Fabian Research Series**, Volumes 186-267, for the period 1956-1968, which is an official British government publication makes the link that the purpose of the Government of Britain in the Development Plans of the Federation of Malaya was to organize its different schemes of development and secure funds from the IBRD.

The implementation of the Schemes or Programmes that came under the different Development Plans are to be found in the British Military Administration Records, Malayan Union Secretariat Records, Federal Secretariat

Records, Malayan Union Secretariat Records, Federal Secretariat Records and the Treasury Records that are all available in the National Archives. They form a compelling corpus of records that traces the implementation and progress of programmes that formed Development Plans provided by the Bretton Woods' IBRD and its executing agencies.

All Economic Development Plans led in a single thread back to the Bretton Woods Agreements enforced in the Federation for operations of the IBRD and its executing agencies. The Bretton Woods Agreements permeates all international finance and is the mother of all finance. Thus, the appropriate literature to begin the search is in the primary (original) records but not in the secondary literature where political scientists often followed events and formulated their own rationale and debates.

#### **(e) Organisation of Chapters**

The organisation of chapters did not follow the conventional administrative history of post-war Malaya that began with the BMA (1945-1946), MU (1946-1948), Federation of Malaya (1948/1957-1963) and Malaysia that emerged in 1963. Tracking the thesis through the accepted periodisation of history focuses on the emergence of the New State and hides the presence of the Bretton Woods Global Order where the "international authority of the IBRD and its agencies reside. The single thread of the thesis is built around the theme of the

international hand in the designing and executing the Development Plans which overlapped the administrative histories in the period 1945-1965.

Chapter One is the introduction which covers scope, objective, methodology literature review, sources, and the organization of chapters.

Chapter Two situates, in the context of Malaysia's Development Plans, the legal, formal and monetary authority<sup>59</sup> of the IBRD and IMF in determining strategies and allocating funds for the international community. These international monetary authorities (IBRD, IMF and their agencies) originate from the Bretton Woods Conference of July 1944. Hence, the chapter focuses on the origins of the legislation of the Bretton Woods Agreements that went into the making of the BMA that emerged in 1945. It signifies the manner and extent which the origins of international funding has been hidden and sometimes misread in prevalent literature on the Administrative and Development Plans.

Chapter Three traces the foundation of the BMA in Malaya in the legislation of the Bretton Woods Agreements, 1944-1945. This phase signifies the process of policy-making, execution and organization of administrative structures of Malaya under the legal, formal and financial provisions of the IBRD provided by the **Bretton Woods Agreements, 1945-1965**. The "international [hand] authority" initiated the frame-work for economic development and administrative machinery for the BMA and eventually transformed the Straits Settlements, the Unfederated Malay States (UFMS) and the Federated Malay

States (FMS) into the Federation of Malaya in 1948. These document the preparatory period of the Civilian Government of the MU that emerged at the termination of the BMA in 1946. At the same time, the MU emerged with economic development plans that were created and financed by the IBRD. This phase completed the preparatory period of the Civilian Government of the MU (1946-1948) and marked the beginnings of the Federation of Malaya (1948/1957-1963).

Chapter Four identifies projects (resources) of economic development as expressed in the Draft Development Plan for Malaya, 1950-1960. This plan only became operational under policies and funds provided by the IBRD. At Geneva, the IBRD Mission gave inputs in the proposed Malayan Constitution of 1957. The administrative and economic development plans continued in the hands of the IBRD that initiated and funded the "Malayanisation Scheme," commonly known as the "Second Five-Year Plan, 1961-1965." The independent Government of Malaysia emerged in 1963 along with "Malayanisation Scheme" by virtue of funds and strategies provided by the IBRD in the same period. This subject is the focus of analysis of Chapter Five.

Chapter Six concludes the role of the IBRD as the international hand in determining economic development plans for Malaysia, and questions the validity of the theory of "authoritative allocation of value" which permeates political science. The central argument of the research is to explain the hidden

"international hand or authority" of the IBRD in the Administrative and Development Plans of Malaysia. The dominant ideas on the "mode of theorizing development," needs seriously to be reassessed and more especially its discussions on the theory of "authoritative allocation of value" as consistently articulated by Martin Rudner. The historical methodological approach squarely situated the mechanisms and scope of international finance and its policies that determined the administrative and economic performance of Malaysia.

It was the IBRD that created the ten-year Draft Development Plan for Malaya, 1950-1960. The IBRD extended this ten-year plan into the "Malayanisation Plan 1961-1965, which provided the order for the **"First Malaysia Plan, 1966-1970,"** that has come to be known as "the **New Economic Policy**" for subsequent regimes. Such international multilateral financing mainly in the hands of the IBRD of economic development manifests everywhere in security, economic development Programmes and social services. In short, the entire state system of Malaysia was coloured by the Bretton Woods' IBRD design. The processes that went into the making of such a system are articulated in the practices, legal and formal powers of the Bretton Woods' IBRD and its executing agencies in Malaysia (see **Appendices 1-11**).

## Endnotes

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1. On the concept "international authority" relating to the Bretton Woods' IBRD and IMF and their executing agencies, see Gordon L. Weil, et. al., **The Gold War: The Story of the World's Monetary Crisis**, London, Secker & Warburg, 1972, p. 3. See also Andrew Walter, **World Power and World Money: The Role of Hegemony and International Monetary Order**, New York, St. Martin's Press, Inc., 1991. See especially, Robert Triffin, **The World Money Maze: National Currencies in International Payments**, New York, The Colonial Press Inc., 1966.
2. Martin Rudner, **Malaysian Development: A Retrospective**, Ottawa, Carleton University Press, 1994, p. 1.
3. Harold D. Lasswell, **Psychopathology and Politics**, Chicago, University of Chicago, 1930.
4. *Ibid.*
5. **Progress Report on the Development Plan of the Federation of Malaya, 1950-1952**, Kuala Lumpur, Government Printer, 1953, p. 2.
6. *Ibid.*
7. On studies in which the question of internal and external security of Malaysia was not related to Development Plans see David Hawkins **The Defense of Malaysia and Singapore: From Amda to Anzuk**, London, Institute for Defense Studies, 1972; see also Mohamed, Noordin Sopiee, **From Malayan Union to Singapore Separation: Political Unification in the Malaysia Region 1945-1965**, Kuala Lumpur, University of Malaya Press, 1974.
8. David Easton, **The Political System: An Inquiry into the state of political science**, New York, Alfred A. Knopf, 1960, p. 135.
9. See the highly influential work of Harold D. Lasswell, **Politics: Who Gets What, When and How**, published by McGraw-Hill Book Co., 1936 which was reprinted in 1950 by Peter Smith, New York.
10. David Easton, **Op. Cit.**, p. 131.
11. *Ibid.*, p. 139.
12. Martin Rudner, **Op. Cit.**, p. 1.
13. See Harold D. Lasswell, **Psychopathology and Politics: Who Gets What, When and How**, New York, Peter Smith, 1950.
14. *Ibid.*, p. 103.
15. See Publishers forward, **The Political Writings of Harold D. Lasswell**, Westport, Connecticut, Greenwood Press, 1979.

16. William Buxton. **Talcott Parsons and the Capitalist Nation-State: Political Sociology as a Strategic Vocation**, Toronto, University of Toronto Press, 1985, p. 184.

17. *Ibid.*

18. G. Almond and J. Coleman cited in Peter B. Harris, **Foundations of Political Science**, London, Hutchinson of London, 1976, p. 304.

19. See William Buxton. **Op. Cit.**

20. David Easton. **Op. Cit.**

21. David Easton. **A Systems Analysis of Political Life**, New York, John Wiley and Sons, 1965.

22. David Easton. **The Political System**, p. 121.

23. *Ibid.*, p. 134.

24. *Ibid.*, p. 139.

25. The foremost authorities in the field of Political Science, perpetuated the literature on "authoritative allocation of values" within the constitutional framework of legal and formal powers. This hid the hand of the international agencies in the making of the constitutions which legalized their role in the "authoritative allocation of value" for Malaysia, see Martin Rudner, "Development Policies and Patterns of Agrarian Dominance in the Malaysian Rubber Export Economy," **Modern Asian Studies**, February, Part 1, Vol. 15, 1981, pp. 83-105; "Financial Policies in Post-War Malaya, The Fiscal Monetary Measures of Liberation and Reconstruction," **Journal of Imperial and Commonwealth History**, No. 3, Vol. 3, May, 1975, pp. 232-248; "The Draft Development Plan of the Federation of Malaya," **Journal of Southeast Asian Studies**, No. 1, Vol. 3, March, 1975, pp. 80-88; "The Structure of Government in the Colonial Federation of Malaya," **South East Asian Studies**, No. 4, Vol. 13, March, 1976, pp. 249-284; Rudner, Martin, "Trends in Malaysian Development Planning, Goals, Policies, and Role Expansion," **Review of Indonesian and Malayan Affairs**, No. 2, Vol. 14, December, 1980, pp. 48-91.

26. Dr. Martin Rudner, is Associate Director of the Norman Paterson School of International Affairs, established in 1965 with the generous support of the late Senator Norman M. Paterson, which offers a program of studies leading to the M.A. degree. The program focuses on three themes: Conflict Analysis, Development Studies and Political Economy. The program affords students the opportunity to focus on Canada in international affairs through specialized courses related to each of these themes. The program also allows students to focus on international management issues relevant to governmental and non-governmental organizations and international enterprise. Attention is also paid to the role of international institutions, the foreign policies of other countries, and to selected regional studies. The School maintains close cooperation with the Institute of Central/East European and Russian-Area Studies, and with committees designed to encourage and coordinate faculty and student interests in Africa, Asia, and Latin America.

27. Martin Rudner, "Education and the Political Process in Malaysia and Singapore," Ph.D. Thesis, Department of Political Science, Institute of Asian and African Studies, The Hebrew University of Jerusalem, Israel, 1973, p. 1.

28. Ibid., p. 1.

29. Martin Rudner, **Nationalism, Planning and Economic Modernization in Malaysia: The Politics of Beginning Development**, Beverly Hills, Sage Publications, 1975.

30. Ibid., pp. 6-7.

31. Martin Rudner, **Malaysian Development: A Retrospective**, Ottawa, Carleton University Press, 1994, p. 1.

32. Milton Friedman had been Snowden Russell Distinguished Service Professor of Economics at the University of Chicago and Member of Research Staff, National Bureau of Economic Research. He is considered as the principal spokesman of the "Chicago School" or monetarist view of economic theory and is a well-known contributor to learned and popular journals and author. See also **A Monetary History of the United States 1867-1960 and Theory of the Consumption Function**, Princeton, Princeton University Press, National Bureau of Economic Research in Business Cycles, 1963; **The Balance of Payments: Free Versus Fixed Exchange Rate, Rational Debate Seminars**, Washington, American Institute for Public Policy Research, 1967 and **Money and Economic Development: The Horowitz Lectures of 1972**, New York, Praeger, 1973.

33. "US Economist Tells IMF and World Bank to Disappear," **New Straits Times**, Friday 19, September, 1997, p. 1.

34. Ibid.

35. Ibid.

36. Ibid.

37. On the details relating to the short-term and long-term objectives of the Bretton Woods-IBRD and IMF and their significance to Malaysia' economic development plans and the administrative machinery, See Chapter 2.

38. Ibid.

39. **New Straits Times**, Op. Cit., p. 1.

40. On the funds that were allocated and the fiscal policies made by the IBRD to invite private investments (capital) in order to enhance capacities of revenues for Malaysia's economy in the period 1956-65. See, Chapter 4-5; especially, Federal Secretariat/ Treasury (PS) 3124: Colombo Plan Annual Report, Federation of Malaya, 1957, para. 34-35.

41. On the origins of multilateral aid (technical assistance) in relation to New States see Armand Van Dormael, **Bretton Woods: Birth of a Monetary System**; London, Macmillan Press, 1978, pp. 168-223. See also George Schild, **Bretton Woods and Dubboton Oaks, American Postwar Planning in the Summer of 1994**, Basing Stoke, Macmillan Press, 1994.
42. P. W. Preston, **Rethinking development: essays on development and Southeast Asia**, London, Routledge and Kegan Paul, 1987, pp. 8-9.
43. Donal Winch, **Classical Political Economy and Colonies**, London, The Chaucer Press Limited, 1965. See Hanna A. Willard, **Sequel to Colonialism, 1957-1960, Foundations for Malaysia**, New York, American Universities Field Staff, 1965. See also Tunku Abdrahman Putra, Al Haj, **Looking Back**, Kuala Lumpur, Pustaka Antara, 1977.
44. *Ibid.*, p. 8.
45. *Ibid.*, p. 9.
46. See Martin Rudner. *Op. Cit.*, p. 1.
47. Lewis Carroll, **Alice in Wonderland** (1st ed.), A Norton Critical edition, New York, 1971.
48. See Armand Van Dormael, *Op. Cit.*
49. These historical records provide empirical evidence to reject Martin Rudner's assumption that the "Malayanisation Scheme" marked the beginnings of economic development of Malaya in the period 1956/1961-1965, see Martin Rudner, **The Politics of Beginning Development**, *Op. Cit.*, p. 5.
50. **British Military Administration: Malaya, Gazette of the Malay Peninsula**, Vol. 1, No. 5, 29th December, 1945, pp. 49-50.
51. *Ibid.*, pp. 55-56.
52. **Ordinances and Enactments, Federation of Malaya, 1948- 1955**, Kuala Lumpur Government Printer; also, **Ordinances and Rules, Federation of Malaya, 1946-1960**, Kuala Lumpur, Government Printer.
53. **Acts of Parliament, 1961-1965**, Kuala Lumpur, Government Printer; see also, **Acts of Parliament, Supplementary Supply Acts, Malaysia, 1964-65**, Kuala Lumpur, Government Printer.
54. **Malayan Constitutional Documents, Second Edition, Vol. 1**, Kuala Lumpur, Government Printer, 1962, pp. 231-240.
55. *Ibid.* See especially **Constitution, Incorporating Amendments, 1957/1987-1994**, Kuala Lumpur, Government Printer.

56. **Bretton Woods Agreements (Amendments): Ordinances and Acts Passed During the Year 1959: Ordinance, No. 40, 1959**, Kuala Lumpur, Government Printer, 1960, p. 371.

57. **Bretton Woods Agreements and Peace Treaties Orders (Extension) Order, 1964: Federal Subsidiary Legislation 1964**, Kuala Lumpur, Government Printer, 1966, p. 676.

58. The "Proclamations," Ordinances," "Rules," the "Federal Agreements" and "Constitutional" Provisions were found in part in the Colonial Office records.

59. On the concept of the IBRD and IMF as the "international authority" in the international state system, see Gordon L. Weil, et. al., **The Gold War: The Story of the World's Monetary Crisis**, London, Secker & Warburg, 1972, p. 3.