

## Corporatization and Privatization of Public Services: Origins and Rise of a Controversial Concept

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### ABSTRACT

*The Malaysian government has been implementing its policy of corporatization and privatization of public services (including social services such as health) since 1983. In this article, the concept of privatization of public services is traced back to the crisis of the welfare state in Britain and America and the influence of intellectuals and think tanks that favour free market policies and abhor government intervention in economic affairs. The growth in influence of this concept illustrates the impact that intellectuals can have when their ideas fall on the ears of sympathetic politicians and political movements under certain socioeconomic climates.*

*Key words: corporatization, privatization, crisis of the welfare state, free market, globalisation*

### ABSTRAK

*Kerajaan Malaysia telah melaksanakan polisi pengkorporatan dan penswastaan perkhidmatan awam (termasuk perkhidmatan sosial seperti kesihatan) sejak 1983. Artikel ini menyusur galur asal usul konsep penswastaan kepada krisis negara kebajikan di Britain dan Amerika Syarikat dan pengaruh para cendekiawan yang menyokong dasar pasaran bebas dan membantah campur tangan kerajaan di dalam hal-hal ekonomi. Perkembangan konsep ini menunjukkan para cendekiawan berupaya mempengaruhi ahli-ahli politik dan pergerakan politik di dalam keadaan sosioekonomi tertentu.*

*Kata kunci: pengkorporatan, penswastaan, krisis negara kebajikan, pasaran bebas, globalisasi*

### INTRODUCTION

The policy of privatization of public services was first introduced in Malaysia in 1983 (Jomo 1995). In the years that followed, major public sector entities such as Malaysian Airline System, Lembaga Letrik Negara and Jabatan Telekom were

privatized (broadly defined) and became Malaysia Airlines, Tenaga Nasional and Telekom Malaysia respectively. The North-South Highway which extends all the way from Kedah in the north of Peninsular Malaysia to Johor Baru in the south is another example of a major privatized project. Motorists are required to pay sizable tolls for the privilege of using the highway. The health sector was also included in the privatization campaign. In the Seventh Malaysia Plan published in 1996, the Government announced plans to corporatize and privatize Malaysia's public hospitals and medical service (Malaysia 1996). One of the first public hospitals to be corporatized was the University Hospital in Petaling Jaya. The proposal to corporatize and privatize public services has not been free of controversy: it has been especially so in the case of the health sector. The Malaysian Medical Association and a group called the Citizens' Health Initiative have been especially active in lobbying the Government to reconsider the privatization of public health facilities (Citizens' Health Initiative 1998).

Government economic planners believe that corporatization and privatization of public services would lead to gains in efficiency, induce corporations to expand through greater utilization of growth opportunities, relieve the administrative and financial burden of the Malaysian Government, and also increase Bumiputera participation in the corporate sector (Economic Planning Unit no date). In the case of the health sector, the Government has also presented the view that corporatization would allow the retention of experienced personnel through the payment of more competitive wages. However, critics argue that corporatization of public hospitals would lead to higher prices and reduced access for lower income citizens. The critics also allege that there has been deterioration in the quality of services provided by newly-corporatized and privatized bodies (Citizens' Health Initiative 1998).

## CORPORATIZATION AND PRIVATIZATION OF PUBLIC SERVICES

The Economic Planning Unit's definition of privatization is "transfer to the private sector of activities and functions which have traditionally rested with the public sector" and involves one or more of the following components: management responsibility, assets or the right to use assets, and personnel (Economic Planning Unit no date). Thus, in Malaysia, privatization of public services can refer to any of the following (Jomo et al. 1995; Adam and Cavendish 1995) (with corporatization being a mild form of privatization):

- contracting out of services to the private sector, e.g., laundry, cleaning and laboratory services in hospitals; equipment and facilities maintenance
- management contracts, e.g., getting a private company to manage a public facility
- joint ventures with the private sector

- partial private ownership of publicly-owned facilities
- complete transfer of ownership of public facilities to the private sector
- allowing the private sector to build and operate facilities such as private colleges and universities, medical centres, highways, television stations and so on

### THE RISE OF THE WELFARE STATE, GLOBALISATION AND SUBSEQUENT POLITICAL CHALLENGES TO THE WELFARE STATE

To understand the background to corporatization and privatization, we have to examine briefly the rise of the welfare state, globalisation and the subsequent challenge to the welfare state. The modern 'welfare state' and government financing and provision of social services can be traced back to the social welfare legislation introduced by British Prime Minister David Lloyd George and German Chancellor Otto von Bismarck around the turn of the twentieth century. Lloyd George's Liberal Government laid the foundations of the welfare state in Britain with the introduction of the National Insurance Act (1911) which provided unemployment and sickness benefits (Townson 1994: 479). In the case of Germany, one motivating factor was Bismarck's realization that the introduction of social welfare programmes was an effective way to attract working class support and blunt the political challenge of the SPD (Social Democratic Party of Germany) (Townson 1994: 83). The Great Depression in the United States gave rise to the various social welfare programmes of President Franklin Roosevelt's 'New Deal'. Unemployment insurance and the social security programme were introduced in 1935. Public funding of social services in America was boosted with the introduction of Federal aid for education and the Medicare and Medicaid programmes in 1965 (Murray 1995). In Britain, the Beveridge Report influenced the post-war Labour Government to expand the size of the welfare state. The best example is the establishment of the National Health Service in 1948 (Letwin 1992). In the case of education, there was a major expansion of the British university system in the 1960s (Sampson 1982).

The 1950s and the 1960s were the heyday of Keynesian welfare state social and economic policies in the United States and the developed countries of Western Europe and Oceania. The 'mixed economy' combining capitalism, government regulation of the economy, state-owned corporations and public spending on social services such as health and education seemed to work relatively well. The 'welfare state consensus' in Britain was reflected in the term Butskellism (which combined the names of the leaders of the two main British political parties of the 1950s, i.e., Richard Butler of the Conservative Party and Hugh Gaitskell of the Labour Party) and the book *The Middle Way* by the Conservative Party politician and British Prime Minister Harold MacMillan (Cockett 1994: 46). The high tide of Keynesian economics in the United States was during the early

1960s. This is best exemplified by the Council of Economic Advisers headed by Walter Heller and by its Economic Report of the President of 1962 (Henderson 1993: 844).

Gosta Esping-Andersen has grouped welfare states into three clusters – ‘liberal’ welfare states, ‘corporatist’ welfare states and ‘social democratic’ welfare states (Esping-Andersen 1990). The first cluster provides only modest social insurance plans and modest income transfers which are means-tested. Examples of these include the United States, Canada and Australia. Corporatist welfare states such as those of Germany, Austria, France and Italy provide assistance while, at the same time, upholding status differences and traditional ideas of the family. Thus, corporatist welfare states only provide services when the family is unable to do so and income redistribution in such states is small. Social democratic welfare states such as that of Sweden, on the other hand, emphasise universalistic programmes to promote social solidarity and which fuse liberal and socialist ideas. It is in the social democratic welfare states that the ‘de-commodification’ of labour, i.e., emancipation from market dependency, has proceeded the furthest (Esping-Andersen 1990). As mentioned earlier, the 1950s and the 1960s were the heyday of the welfare state. The welfare state expanded as governments (especially in Western Europe and Oceania) began spending more and more on social programmes to provide for the basic needs of citizens in areas such as health, education, social security, housing and transportation. Government spending rose to higher and higher percentages of the Gross National Product (GNP) and there was also more and more regulation and control of the capitalist economy. Scandinavian countries such as Sweden had the most extensively developed welfare states.

The welfare state and Keynesian economic policies appeared to work relatively well in the 1950s and 1960s. However, in the early 1970s, the phenomenon of ‘stagflation’ appeared – high rates of inflation and unemployment combined with low rates of economic growth. Low rates of economic growth translated into rising levels of unemployment over time as more and more students left school and joined the labour market. High levels of unemployment (especially structural unemployment) meant that the unemployment funds of the welfare state came under increasing financial pressure. It also increased demand for other social services provided by public agencies. High rates of inflation also meant that the exports of the country became less and less competitive over time in the world market. All these resulted in budgetary and other economic problems and increased pressures from conservatives groups to reduce public spending. The postwar ‘welfare state consensus’ was beginning to breakdown. This process was accelerated by the impact of the 1973 oil crisis and the rapid rise in oil prices. Globalisation and internationalization of capital and trade made it increasingly difficult for national governments to manage their economies in an insular manner. For example, even the United States was forced to end convert-

ibility and cut the link between the American dollar and the price of gold in the early 1970s as a result of the buildup of 'Eurodollars' overseas (McLeod 1993).

The process of 'globalisation' (i.e. increasing socioeconomic integration of the countries and peoples of the world through trade, capital flows, labour migration and the spread of ideas, values and lifestyles) is influenced by advances in transportation and communications technology. Thus, the invention of the steamship, the railroad and the airplane have facilitated the movement of goods and human beings over long distances. Large, ocean-going ships enabled the mass movement of people (voluntary or involuntary) from Europe and Africa to the Americas; from Europe to Southern Africa and Oceania; and from East Asia to Southeast Asia and North America. Today, jet planes are facilitating the flow of human beings from poorer Third World nations to the richer nations. Advances in communications technology such as the telegraph, radio and television, satellites and most recently, computers and the Internet have also accelerated the process of globalisation. Contemporary technology allows instant visual and aural communication, e.g., 'live' broadcasts of events from one continent to another through conventional radio and television or through the Internet. All these technological advances are tying the nations of the world together. However, they are also undermining the capacity of individual states for autonomous action. These include the formulation and implementation of national economic, social and cultural policies (Falk 1999; Held et al. 1999). Rapid capital inflows and outflows have reduced the effectiveness of conventional macroeconomic policy tools and can even destabilize entire economies. The economic crises that hit Thailand, South Korea, Malaysia and Indonesia from late 1997 onwards are good examples of this. Illegal immigration is a major headache for governments in North America and Western Europe. Even middle income developing nations like Malaysia are faced with the problem of illegal immigrants from poorer nations. National borders are increasingly 'porous'. The fax and the Internet have made it more difficult for authoritarian governments to control the mass media or to prevent 'undesirable foreign influences' from affecting the people (and the youth).

Globalisation has also affected the ability of welfare states to implement their social agenda. The redistributive social and economic policies of the welfare state rely heavily on fiscal policy (i.e., taxation of its citizens and corporations and use of these funds to finance public expenditure on social programmes) and regulation of the capitalist economy. However, globalisation means that welfare states that have high social spending and high tax rates may see an exodus of higher income residents and corporations to lower tax countries. For example, Swedes could easily live and work in other European Union countries with lower taxes. Similarly, Swedish corporations could easily disinvest and move financial capital and set up production facilities in countries with lower tax rates. Corporations can also move production facilities from countries with strict labour and environmental regulations to countries with lax labour and environmental laws or lax enforcement of seemingly strict laws (Falk 1999). The classic

example is the multinational corporation Union Carbide and the Bhopal incident in India. In this incident, large numbers of people living around the Union Carbide factory in Bhopal were blinded as a result of a poisonous gas called methyl isocyanate which escaped from the factory and contaminated the surrounding area. Low standards of environmental protection and poor safety enforcement allowed this tragedy to occur in India (Everest 1986). In an increasingly globalised world, nations that are perceived to have governments which are more 'pro-business' or more 'business friendly' would tend to attract more foreign investment than other less accommodating nations. As mentioned earlier, globalisation has also blunted traditional macroeconomic tools such as interest rate policy and so on. For example, in Europe, when the central bank of Germany (the Bundesbank) raises the interest rate to combat inflation, the central banks of neighbouring countries such as France are also forced to raise their interest rates to prevent outflows of capital to Germany. Thus, the state is forced to respond to the pressures arising from globalisation and therefore, its capacity for autonomous action is much reduced. States are often pressured to grant significant economic concessions and water down labour and environmental regulations in order to attract foreign investment. This allows unscrupulous multinational corporations to take advantage of the situation and engage in what Richard Falk has called 'predatory capitalism' (Falk 1999). Advanced welfare states in the Western world are also subjected to these pressures arising from globalisation. Indeed, it has come to the stage where even supporters of stronger forms of the welfare state such as Esping-Andersen have conceded that "Keynesianism and social democracy are no longer possible in one country alone" and asks "Should we attempt an international Keynesianism? What would it be like?" (Esping-Andersen, no date).

As states compete for foreign investment while being subjected to globalisation pressures, they are increasingly forced to serve the agenda of multinational corporations. Some states (like Singapore, for example) consciously design policies with the aim of attracting foreign investment in mind. Thus, foreign corporations that invest in a particular country may be taxed at low rates or may even be granted 'tax-free holidays' for a certain number of years. The host government may also provide the foreign corporation with low cost land, infrastructural support and so on. Regulations pertaining to the environment, labour and occupational health standards may be set at low levels in order not to discourage foreign investors. Strict laws may also be passed in order to reduce industrial unrest, restrict the power of unions and maintain a 'pro-business' climate. The Malaysian Government adopted many of the strategies listed above in order to attract foreign investors beginning from the late 1960s and early 1970s. Today, the Malaysian Government continues to believe that foreign investment is absolutely necessary for economic growth and socioeconomic development. This belief is shaping public policy more and more. For example, in the area of education policy, the establishment of private colleges and universi-

ties has been permitted in order to provide the human capital needed by foreign investors (Astbury 1989). Increased use of English has also been permitted since English is widely used in international business and it is also a major language in scientific and technological research. The Mahathir Administration has also unveiled ambitious plans to develop a Multimedia Super Corridor (MSC) stretching southwards from Kuala Lumpur in order to attract high-tech foreign investors. A high-tech city called Cyberjaya has also been planned for this region. To illustrate how far the Malaysian state is willing to go in order to accommodate foreign investors, cyber laws pertaining to issues like the protection of intellectual property have been passed and the Government has even declared that there would be no censorship of cyber communications.

As mentioned earlier, the problems of the welfare state worsened in the 1970s under the impact of globalisation (among other factors). There was a political reaction to this: politicians from the right-side of the political spectrum (for example, the Republican Party in the United States and the Conservative Party in Britain) started attacking once dominant Keynesian economic and social policies. Government was accused of 'throwing money at problems' (i.e. social problems) and doing nothing but 'tax and spend, tax and spend'. Margaret Thatcher was elected Prime Minister of Britain in 1979 while Ronald Reagan became the President of the United States in 1980. Thatcher introduced 'monetarist' economic policies while Reagan's version was called 'supply side economics'. Basically, both leaders believed that free market, private sector capitalism should be promoted while government involvement in the economy should be reversed. The economy should be deregulated and public spending on social services reduced considerably. Both Margaret Thatcher and Ronald Reagan were highly critical of government bureaucrats, public bureaucracies, the welfare state and government intervention in economic affairs. Nevertheless, it has been pointed out that they were not averse to regulating the social and moral behaviour of their people (Letwin 1992).

Following their ideological orientation, these two leaders believed that free market principles should also be introduced into the financing and delivery of social services such as health and education. One way to do this was to corporatize and privatize social services. This viewpoint spread to international organizations such as the World Bank and subsequently to other nations such as New Zealand and Malaysia. The United States Government played a major role in promoting these views to multilateral organizations such as the World Trade Organization, the International Monetary Fund and the World Bank as well as to the governments of the rest of the world.

### INTELLECTUAL ORIGINS OF THE CONCEPT OF PRIVATIZATION OF PUBLIC SERVICES

“... [B]ut above all let me thank you all for what you have done for the cause of free enterprise over the course of so many years. It was primarily your foundation work which enabled us to rebuild the philosophy upon which our Party succeeded in the past. The debt we owe to you is immense and I am very grateful.” – Margaret Thatcher in a letter to the Director and staff of the Institute of Economic Affairs on winning the British General Election of May 1979 (quoted in Cockett 1995: 173).

Friedrich von Hayek was an early critic of the growth of ‘Big Government’. His 1944 book *The Road to Serfdom* proclaimed that the growth of government in the West was a threat to the freedom of the individual. Hayek’s central argument was that contrary to the views of some British Conservatives, there was no ‘middle way’ between totalitarianism and a liberal, competitive capitalism (Cockett 1994). Hayek and other free market economists of the Austrian School (e.g. Ludwig von Mises) and the Chicago School (e.g. Milton Friedman) heavily criticized Keynesian welfare-state policies. The establishment of the welfare state was the first step on the road to eventual ‘collectivism’. Milton Friedman also argued that a free market, capitalist system was a prerequisite for a free political system and a free society (Friedman 1962).

To defend free enterprise capitalism and the ‘Open Society’ (this term originates from the philosopher Karl Popper), these intellectuals established societies and think tanks to fight against Keynesianism and the ever expanding welfare state. It looked like a hopeless battle in the 1950s and the 1960s. However, beginning in the 1970s, these intellectual societies (such as the Mont Pelerin Society) and think tanks started to make an impact on public policy and the political climate of the United States and Britain. In America, think tanks such as the American Enterprise Institute, the Heritage Foundation and the Cato Institute became increasingly influential. The Heritage Foundation was especially important in affecting the policies of the Reagan Administration. In Britain, the ideas originating from the Institute of Economic Affairs, the Centre for Policy Studies and the Adam Smith Institute were adopted by the Thatcher government with the active encouragement of Sir Keith Joseph (Cockett 1994; Stefancic and Delgado 1996).

The intellectuals and politicians associated with these societies and think tanks favoured free market capitalism, criticized government regulation of the economy, opposed nationalisation and government ownership of industries, and called for cutbacks in public spending on social services. They also pushed for more competition in the public services. For example, in America, there was a push to encourage the growth of Health Maintenance Organisations in the health sector and for vouchers and ‘school choice’ in the education sector. It was claimed that government bureaucracies were unresponsive and inefficient



when compared to the private sector. Libertarians like Charles Murray have even argued that social welfare programmes do not help the lower classes but actually make social problems worse, e.g., as in his controversial book *Losing Ground: American Social Policy 1950-1980* (Murray 1995). Libertarian think tanks like the Cato Institute push for public policies which are the most free market-oriented. These include privatization of prisons (already a reality in the United States) and the privatization of social security programmes (Tanner 2000). These free market-oriented intellectuals spread their ideas systematically, e.g., by publishing policy-oriented papers and books, writing op-ed pieces for newspapers, making regular appearances on talk shows, systematically promoting their ideas to sympathetic politicians and political parties and so on. Some scholars have argued that certain free market-oriented foundations have been instrumental in the support and funding of such intellectuals and think tanks and in the successful dissemination of their ideas to policy-makers and the general public (George 1997; Stefancic and Delgado 1996). These foundations include the Bradley, Coors, Scaife, Mellon and Olin Foundations. In the case of the Olin Foundation, its declared aim is to “strengthen the economic, political and cultural institutions upon which the American heritage of constitutional government and private enterprise is based” (Olin Foundation 1998) while one of its major beneficiaries, the John M. Olin School of Business (at Washington University in St. Louis) states that the Foundation was set up to “support individuals and institutions working to strengthen the free enterprise system and the American heritage of constitutional government”. The Olin Foundation is also funding a Center for the History of Freedom and an endowed Professorship in the History of Freedom at Washington University (John M. Olin School of Business no date). Other foundations like the Coors Foundation (and its offshoot the Castle Rock Foundation) have been active in related areas. Adolph Coors is quoted as saying that “We like to support those organizations that front for the free enterprise system, the free market system and keeping everything in the private sector” (Kilzer 1998). All these foundations and think tanks have indeed contributed immensely to the dominance of free market-oriented ideas today.

#### EFFECTS OF NEO-LIBERAL IDEAS ON THE STATE AND ITS POLICIES

During the 1950s and the 1960s when Keynesian economic policies appeared to work relatively well, neo-liberal ideas such as those of Friedrich Von Hayek and Milton Friedman were not given very much attention by policy-makers. However, as economic problems worsened in developed nations such as the United States and Britain during the mid-1970s and late 1970s, their ideas began to catch the attention of certain political parties and political leaders and also became more and more influential among academics and intellectuals. As mentioned above, the monetary assistance given by certain conservative groups and foun-

dations coupled with effective organization and effective use of new technology also helped the neo-liberals to gain eventual intellectual dominance.

Today, there is much less enthusiasm for social welfare spending throughout the world. Also, social spending is increasingly dominated by utilitarian rather than redistributive or ameliorative considerations. Thus, educational spending is increased in the areas of information technology, economics and business management, engineering and so on while spending on the humanities and social sciences is often reduced (the disdain that Margaret Thatcher holds for the social sciences especially sociology and for social scientists who are critical of her policies is well known). National governments and public bureaucracies are increasingly urged to be more business-minded and to introduce more efficient management methods by the 'new public management' theorists. New public management theorists believe that public bureaucracies can borrow tools and techniques from the private sector to increase efficiency and productivity in the provision of public services (Crainer 1996). Thus, the push for contracting out, hiring private companies to manage public facilities, joint ventures with the private sector, privatization and so on.

The state may also 'restructure' itself to serve the neoliberal agenda. For example, states not only try their best to avoid public policies which would make a country less attractive to foreign investors, they may even reorder their priorities and upgrade some areas and downgrade other areas to maintain foreign investor confidence. Thus, some ministries are upgraded (especially those dealing with foreign trade) while others are downgraded, e.g., those dealing with environmental protection. The relative importance of different ministries can perhaps be gauged by changes in the relative sizes of their respective budgets and by the number of civil servants working for each ministry over time. Name changes and mission statements can also be revealing. In Malaysia, the communications ministry has been renamed the Ministry of Energy, Communications and Multimedia to "*develop the communications and multimedia industry* (italics added) based on the concept of convergence of the telecommunications, broadcasting and computing services"(MECM, no date).

The Malaysian Government has relaxed rules and regulations in order to attract foreign investors, e.g., relaxing racial employment quotas, permitting more foreign ownership of companies in certain industries, pledging no censorship with respect to the Internet and so on. Although Malaysia is widely regarded as a country that is friendly to foreign investors, it should be pointed out that Malaysia (under its iron-willed Prime Minister Dr Mahathir bin Mohamad) did go against the advice and opinion of the International Monetary Fund and many mainstream development and international economists by introducing capital controls, fixing the exchange rate and so on in order to combat the recent economic downturn (the worst in Malaysia's history).

Dr Mahathir, although often a sharp critic of the economic policies of Northern countries, nevertheless continues to believe that Malaysia needs to inte-

grate into the global economy in order to maintain high rates of economic development. His former Deputy Prime Minister Anwar bin Ibrahim was also a firm believer in the benefits of integration into the global economy during the latter's tenure in public office (for example, as indicated in his book *The Asian Renaissance*). Both Mahathir and Anwar also believed in privatizing public services in order to increase efficiency and productivity. This was in spite of skepticism and criticism from various opposition party leaders (especially those from the religiously-oriented Parti Islam Se-Malaysia or PAS) and from some of the NGOs (non-governmental organisations) such as the Citizens' Health Initiative (CHI 1998) and the Consumers' Association of Penang (Consumers' Association of Penang, no date). The Citizens Health Initiative has been in the forefront of the campaign against further corporatisation and privatization of public health facilities and resources. This campaign appears to have succeeded to a certain degree. Whatever the case may be, the recent economic downturn which struck Malaysia has exposed the financial weaknesses of major privatized entities such as Malaysia Airlines and has dampened the enthusiasm for further privatization to some extent.

## CONCLUSION

The rise of market-oriented economic policies (such as deregulation and privatization) and the decline of Keynesianism seem to have occurred relatively quickly at first glance. However, this is not so in reality. Radical, free market-oriented ideas were not popular during the 1950s and 1960s. Friedrich von Hayek and his intellectual compatriots were very much in the minority during the immediate post-World War Two years. However, through sheer intellectual tenacity and perseverance coupled with funding from sympathetic foundations, they were able to prevail eventually in the 'War of Ideas' when the times and the socioeconomic situation changed because of the pressures generated by globalisation. Susan George argues that the present dominance of free market-oriented ideas "... is the result of a concerted, long-term ideological effort on the part of identifiable actors" and mentions a 1948 book called *Ideas Have Consequences* (George 1997). This dominance is reinforced by the collapse of Communism in the countries of the former Soviet Bloc and the intellectual retreat of Marxism. Hence, one can conclude that ideas which were formerly on the intellectual sidelines eventually surged to the forefront and achieved dominance because of four major developments, i.e., the inability of Keynesian policies to surmount stagflation in the 1970s (LePage 1982), the coming to power of Thatcher and Reagan in the late 1970s and early 1980s, the collapse of Communist regimes in the 1990s and last but not least, the organized efforts of certain individuals and groups to spread their ideas. The forces of globalisation made it harder and harder for national governments to manage their economies using conventional

Keynesian macroeconomic tools. Thus the stagflation of the 1970s that contributed greatly to voter dissatisfaction culminated in the rise to power of pro-free market politicians like Thatcher and Reagan in Britain and America respectively and eventually resulted in the current domination of the neoliberal agenda and its ideas (also called the Washington Consensus).

As discussed earlier, some of these free market-oriented ideas have gained influence among Malaysian policy-makers. The Economic Planning Unit and the Prime Minister himself are major proponents of privatization (Economic Planning Unit no date). The short term effects have included the privatization of many public entities and, according to some critics, the appearance of 'ersatz capitalism', 'cronyism' and 'crony capitalism' (Yoshira 1988; Gomez and Jomo 1997). It remains to be seen what the long term consequences of the adoption of such ideas on Malaysian society will be (bearing in mind the failure of some privatized projects which necessitated government bailouts and the apparent success of others).

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