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The New Economic Policy Beyond Fifty:

Assessing its Strengths and Weaknesses to Chart a Cohesive Malaysian Society

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Executive Summary

The New Economic Policy's 50th anniversary in 2021 provides an opportunity to reflect on its achievements and shortfalls, and imagine boldly into the future. Undoubtedly, Malaysia has been transformed by the NEP at all levels and aspects. Its presence has been far reaching, enduring beyond the original timeframe of 1971-1990, and its legacy will continue into the foreseeable future. The debates surrounding the NEP tend to be polarising and often reach a stalemate; however, a more constructive engagement is possible through re-appreciating the NEP's strengths and examining its weaknesses/omissions, grappling with its policy discourses as well as with its popular but misguided perspectives. This paper suggests that by doing all these, we can ultimately recraft the NEP to forge a cohesive and inclusive Malaysian society.

In retrospect, the NEP should be re-appreciated for distinguishing "two prongs" that are fundamentally distinct but "interdependent and mutually reinforcing": (1) *poverty reduction irrespective of race*; (2) *social restructuring to eliminate the identification of race with economic function.* The first prong principally operated on a universalist basis for the purpose of safeguarding basic wellbeing of all Malaysians, and has been reiterated over the decades as an assurance to all Malaysians, especially minority groups, that their interests are protected. The second prong primarily sought to promote Bumiputera participation and their upward mobility through *group-targeted* interventions. Importantly, underlying the original objective of NEP is the belief that social restructuring required special measures to correct specific racial economic disparities by going beyond helping the poor.

The NEP's omissions must also be critiqued, most saliently its inadequate specification of the *scope, mechanisms* and *ultimate objectives* of the second prong. The NEP neglected to resolutely and purposefully focus on promoting Bumiputera participation in higher education, high-level occupations, enterprises and ownership, and on broadly developing *capability, competitiveness* and *confidence*. It placed inordinate amount of importance on equity ownership. Inattention to the vast range of pro-Bumiputera programmes, and their varying targets and timelines, also precluded systematic and sector-specific long-term planning, and which allowed for popularisation of the misplaced treatment of 1990 as a single, monolithic expiry date.

Over the decades, the NEP immensely expanded socioeconomic access for the Bumiputeras and grew its middle classes – but decidedly fell short in the ultimate goal of cultivating Bumiputera capability and their confidence, especially in the higher education and enterprise development policy sectors. Recent years have also seen increased awareness of basic rights and assertion of pro-B40 policies, alongside expansion of group-targeted programmes, notably for the Orang Asli and Indian communities, and for women (Malaysia 2015, Malaysia 2021). The grounds for safeguarding the interests of all groups, and promoting participation and achievement of specific groups, have extended beyond the confines of the NEP's race-centric two prongs.

However, popular misconceptions hinder a systematic and constructive discourse. Two, in particular, must be discarded: (1) the NEP benefits only the Malay elite, fails the masses and has caused rising inequality; (2) Malaysia should abolish 'race-based' policies and replace them with 'need-based' policies. The first viewpoint is utterly untenable in light of the massive range of programmes that provide socioeconomic opportunity, including technical and vocation education and microfinance operating behind the scenes, and the trend of

declining household income inequality – by larger margins within the Bumiputera population – since the mid-2000s. The second viewpoint erroneously holds that Malaysia can pursue the NEP's social restructuring prong by exclusively implementing the poverty reduction strategies.

In reality, *both* remain relevant, and the first prong continues to be a *reinforcement, not a replacement*, of the second prong. The NEP's two-pronged structure, while a continually pertinent reference, should be expanded and updated. Reimagining Malaysia's policy for a just and equitable future starts with three reckonings/premises: (1) cease propagating 'just help the poor of all races' as a panacea; (2) discard the notion of monolithic expiry dates; (3) transcend the 'perpetuate vs terminate' NEP debate. A more systematic, coherent and constructive paradigm is needed, built on enduring principles that provide a framework for continual policy adjustment and sector-by-sector targets and timelines.

This paper proposes a new "cohesive Malaysian society" paradigm comprising the following principles, objectives and instruments: (1) safeguarding e*quality of well-being, basic rights* and *dignity on a universalist basis*; (2) fostering fairness in *participation, achievement* and *diversity* through *group-targeted* interventions. The first entails providing basic needs and rights protection for all, regardless of one's identity, and gives much deeper assurance of belonging and equality than the established slogan of 'helping the poor irrespective of race'. The second abides by the principle of fairness in promoting mobility and diversity in higher education, employment, business and ownership, and strives for a balance of need, merit, and identity (ethnicity, gender, and various forms), while also recognising that there are myriad ways to achieve such balances and different timelines and trajectories for each policy sector.


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Introduction

Since its birth in 1971, the New Economic Policy (NEP) has been a venerated, transformative and polarising presence in Malaysia. It remade Malaysia, unlike any other master plan, through programmes implemented during its official 20 year term, through precedents and norms that became embedded, and through the justification it provided for new interventions, especially involving its 'social restructuring' agenda, over many decades. The NEP continues to be a reference point, in terms of Malaysia's achievements in spurring economic growth, in fostering development and reducing poverty and inequality – and the country's unfinished business of certain targets that have yet to be achieved, particularly related to the ultimate goal of enabling the Bumiputera population to be "full partners in the economic life of the nation" (Malaysia, 1971). Undeniably, the NEP also continues to be a trigger of fierce polemics, with many faulting it for Malaysia's economic, social and political maladies. However, even its fiercest critics tend to agree that the NEP was good in design but flawed in execution.

The 50th anniversary of the New Economic Policy provides an opportunity to revisit its origin, trajectory and legacy, and the myriad policy discourses it has spawned. There is much to applaud and much to critique. This paper provides a systematic review of NEP and proposes a new formulation for building a cohesive Malaysian society. This paper is anchored in the two-pronged structure, but the focus will be predominantly on the second prong, which corresponds with affirmative action practices across the globe.

This moment calls for a re-appreciation of the NEP's outstanding strength: the conception of poverty reduction irrespective of race and social restructuring to redress racial imbalances as two distinct and mutually-reinforcing elements. The "two prongs" are fundamental different in that the first primarily refers to the safeguarding of well-being, basic rights and dignity on a universalist basis, while the second concerns the fostering of *participation, capability* and *achievement* through *group-targeted* interventions. A further implication is that the objectives of social restructuring or affirmative action *cannot* be entirely achieved by utilising the instruments of poverty reduction. Over time, official policy and public discourse have lost sight of these fundamental distinctions.

The paper's retrospection of the NEP also addresses gaps and omissions in the policy, that are often overlooked, of which three stand out. *First*, the NEP insufficiently specified policy scope, mechanisms and long-term implications. Most crucially, it omitted the core feature of group preferential treatment and, it failed to anchor the entire national enterprise in a more methodical programme focused ultimately on developing capability and systematically incorporating need, merit and identity considerations. This subsequently allowed policy discourses to misguidedly assert that: (1) targets or monolithic expiry dates would constitute both necessary and sufficient conditions for reform; (2) 'need and merit' can provide a *system-wide* replacement for social restructuring. *Second*, the NEP overemphasised equity ownership while paying inadequate attention to higher education and enterprise development, thus allowing wealth acquisition to supersede capability development. *Third*, the NEP's compromises and various assurances were derived from the ethnic bargaining established in Malaysia's political system and long-dominant Alliance/Barisan Nasional coalition. Its balancing of contending interests and expression of lofty assurances were forged more out of ethnic compromises and expediency than the NEP's first principle. Over the decades, advocacy and critique have retained this framework.

The past decade or so have also seen certain viewpoints secure a foothold on policy discourses which led to entrenched presumptions and misplaced expectations that preclude meaningful engagement. *First*, criticisms surrounding NEP's social restructuring have persistently led the critiques to take the argument to extremes: one side asserts that the policy 'only benefits the elite' and has 'failed the Malays'; the opposing side also summons hyperbole in defending the policy. *Second*, conflation of NEP's two prongs has induced a sweeping embrace of 'need-based', 'market-friendly' affirmative action as a *system-wide* replacement, rather than sector-specific modification of the social restructuring prong. This mindset further mainstreams a belief that the objectives of social restructuring can be achieved by using the instruments of poverty reduction. Such positions drive opposing pre-conceived conclusions, namely the NEP must end because it has totally failed, and it can be terminated because the masses do not benefit anyway; or the diametrically opposite view that the NEP must be retained at all cost because it has been an overwhelming success.

Both arguments, while containing elements of truth, lack coherence and cogency. The critical stance validly opposes the patronage and profiteering that have corrupted ethnic wealth redistribution, but tends to propagate over-simplistic polemics about 'NEP failure'. NEP opponents overlook the vast outreach of affirmative action which extends socioeconomic opportunity to broad swathes of the population, and declining household income inequality, which has been most pronounced within the Bumiputera population. The apologist of the NEP however, overlook the shortcomings of the system in developing capability and competitiveness among the target group, namely the Bumiputera.

A more systematic and contemporary approach might help Malaysia break away from the persistent policy polarization and stalemate. This reformulation builds on the NEP, but broadens the premises to embrace **twin principles** of **equality** and **fairness**, clarifying the scope of each principle and their overlaps, focusing on design, process and mechanisms and setting sector-specific targets and timelines. This paradigm of a **cohesive Malaysian society** establishes that equality and fairness are enduring principles, and rejects the notion of a single, all-consuming expiry date. This reset incorporates the following elements:

- **Precision on the objectives and mechanisms of affirmative action.** This system, expanded and consolidated under the NEP, involves specific pro-Bumiputera – and other designated groups, including gender – preferential treatment for productive purposes, and mindfully acknowledges the continual need to balance need, merit and identity in allocating opportunity and promoting diversity. Its ultimate objective is to facilitate capability development, competitiveness and self-reliance, and to play a role in promoting equitable representation, especially in public institutions.

- **Fundamental reset, from two prongs and one monolithic expiry date to enduring principles and systematic, sector-by-sector policies.** After 50 years of the NEP, poverty remains a challenge but it is no longer a defining national mission. Malaysia will be better served by committing to guarantee equality and to foster fairness. Safeguarding equality of rights, dignity, and well-being for all, rather than reducing poverty irrespective of race, more comprehensively establishes an overarching objective and a corollary to the NEP's first prong – in concert with increased attention to basic rights and assertion of human dignity. Elements of the NEP's ethnicity-centric second prong remain a work in progress, but the long-term quest has broadened beyond ethnicity and quota-based measures, and necessitates a comprehensive range of policies that promote participation, capability and achievement, and systematically take into account the disadvantaged groups, promoting potential and diversity. These are complex pursuits that require adherence to broader principles, centred on fairness and justice. Ultimately, to achieve a more productive end goal in Malaysia's pursuit of inclusiveness is not by seeking the complete elimination of the NEP, but to systematically clarify where and how to continually safeguard equality and foster fairness among all Malaysians. Combinations of sector-specific timelines and targets must replace monolithic expiry dates.

- **Integration of identity, need and merit in fostering a cohesive society.** The NEP's second pillar is undeniably contentious, but the lack of breakthrough in achieving its ultimate objective of ensuring full Bumiputera "partnership" in the economy can be attributed to the lack of a systematic approach, evidenced by the embrace of nebulous notions of "need and merit based" alternatives. Moving forward, Malaysia must go beyond such sweeping and 'gap-ridden' prescriptions which are rooted in a zeal to dispense with the NEP's second prong while cleaving to the first. Poverty alleviation or meritocracy do not override policies that take into account identity – whether based on race, ethnicity, gender, or religion. The NEP's exclusive framing based on ethnicity is too limiting; likewise, its implementation need not be restricted to quotas and overt group preferences. Malaysia must integrate identity, need and merit in productive, balanced, and mutually reinforcing ways.

The New Economic Policy: Contents, Compromises, Omissions

At this juncture, it is paramount to define affirmative action with reference to cross-country experiences and Malaysia's conditions, to situate the NEP in Malaysia's political and economic context, and to carefully consider its precise contents.[1] 'Affirmative action' is frequently mentioned in NEP-related discourses, but it is rarely defined. The term is also widely used in international literature, and Malaysia should stay abreast on developments related to affirmative action.

Drawing on common features and experiences of application of this policy in multiple countries, and considering Malaysia's specific context (Lee 2021a), this paper defines affirmative action as:

> *preferential policies to promote the representation of a disadvantaged group in higher education, high-level occupations, enterprises, and wealth ownership.*

Persistent under-representation of a group – identified by race, ethnicity, gender, caste, religion – poses socioeconomic problems and may induce political pressures, arising from the esteem and influence conferred by a group's presence in the specified policy sectors. This problem is compounded by barriers to entry – academic grades to enter university, degree-level qualifications to hold professional jobs, work experience to be promoted to management – which encumber the upward mobility of disadvantaged persons. Enforcing non-discrimination and 'equal opportunity' may foster positive changes, though arguably at an unacceptably slower rate than warranted by prevailing political demands and socioeconomic disparities.

In pushing for a desired change, countries that implement affirmative action have employed measures of varying form and intensity, but commonly involving some preferential treatment primarily on the basis of identity. Affirmative action may overlap with poverty alleviation, but there are marked distinctions between assisting the poor – which primarily addresses basic needs and well-being, on a *universalist* basis – and promoting upward mobility which focuses on opportunity, participation and capability in a *group-targeted* manner.

The NEP was pivotal to Malaysia's history; 1971 initiated a total transformation. But the changes also occurred as part of a broader continuum of incremental change. From independence in 1957, the economic dispensation of Malaya is widely characterized as *laissez faire*, with substantial focus and attention on economic growth and rural development; this came at a price, namely ignoring economic inequality, including inter-ethnic dimensions. Preferential selection for Malays in the civil service, scholarships and licenses were in place; it could be said that the policy framework adhered rather literally to the stipulations of Article 153 in the allocation of opportunities and privileges.[2] By the mid-1960s, pressures intensified for the government to more proactively engage in Bumiputera development, manifest in the First and Second Bumiputera Economic Congresses respectively of 1965 and 1968, and the establishment of Bank Bumiputera in 1965.

The history of Malaysia's affirmative action in place since 1971 under the banner of NEP, involves a vast range of measures that have been introduced, expanded, reconfigured, and in some cases cancelled. That makes for

[1] The author's survey of the literature delving into affirmative action or the NEP's second prong finds only one article. Lee (2005) offered a precise, integrated and coherent definition of affirmative action: "measures to raise the participation of members of an economically disadvantaged group in the areas of education, employment and business, where they had been historically excluded or under-represented"

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[2] Article 153 stipulates that the Yang di-Pertuan Agong can exercise his functions, "as may be necessary", to safeguard the special position of the Malays and natives of Sabah and Sarawak through reserving for these designated groups a reasonable proportion of public sector employment, scholarships, training and licensing. A 1971 amendment added higher education admissions to this list. Importantly, albeit implicitly, the underlying principle for exercising these powers is the necessity for doing so, and a distinctive feature of these areas of intervention is that they involve education, employment, and productive activity in general, with the further implication that these opportunities are meant to be used for learning, gaining experience, and acquiring capability.

an itinerary too long and dense to be detailed here (Lee 2017, Lee 2021a). However, it is paramount for the current range of programmes to be catalogued, to provide an objective look at the entire system and gain an appreciation of its breadth and depth (Table 1).

A few developments of the past decade should be noted. The Bumiputera Economic Transformation Programme commenced from 2012, with a focus on entrepreneurship, high performing contractors, and disadvantaged

Table 1. Malaysia's affirmative action at present: a selection of major programmes

Policy sector	Preferential mode and key information
Higher education	• Pre-university: MRSMs, matriculation colleges (90% Bumiputera quota), university-based Asasi programmes • Exclusively Bumiputera MARA technical institutions and university • Exclusively Bumiputera MARA education sponsorship • *Yayasan Peneraju Pendidikan Bumiputera* YPPB (scholarships for disadvantaged students)
High-level employment	• De facto Bumiputera preference in public sector and government-linked companies (GLCs)

Enterprise development	• Public procurement → 7 classes, G1 smallest to G7 largest:
	  • G1 reserved for Bumiputera contractors, Bumiputera preferential treatment (official price handicaps) for G2-G6
	  • GLC procurement, vendor development (GLC Transformation Programme 2006-2015)
	  • SME loans (MARA, SME Bank, SME Corp[1], SEDCs)
	  • Microfinance (MARA, PUNB[2], Tekun[3])
	  • "Carve out and Compete" (reserved contracts) in megaprojects
	  • Teras selection of competitive and high growth enterprises, especially SMEs – to be given consideration in public procurement
	  • Teraju financing programmes, private equity (Ekuinas)

Wealth and property ownership	• *Amanah Saham Bumiputera* (unit trust) • property purchase discounts • public listing equity requirements

Source: Lee (2021a).
Notes: [1] Bumiputera Economic Enhancement Program (finance and advisory services, SME Corp), Tunas Usahawan Belia Bumiputera (TUBE, entrepreneurship and self-employment for young adults, SME Corp), Equibumi (financing for taking over divestments or public listing, SME Bank); [2]National Entrepreneurship Corporation Ltd. (*Perbadanan Usahawan Nasional Berhad, PUNB*) has partnered with Teraju to set up Prosper Teras; [3]Tekun also designates Indians as beneficiaries in one of its programmes.

students. These initiatives were distinguishable from established pro-Bumiputera schemes, but the somewhat misnamed BETR was selective, not comprehensive, in its scope.[3] In recent years, other communities receiving special attention include the Indians and Orang Asli – saliently, in higher education and microenterprise – while the Bumiputera Sarawak and Anak Negeri Sabah have featured in official policy documents, albeit in a rather cosmetic manner that omits the question of equitable distribution of Bumiputera-targeted benefits (Malaysia 2015, Malaysia 2018, Malaysia 2021). Policies to promote women's upward mobility and representation – by being on the board of public listed companies, in decision-making positions in the civil service, and in political representation – also signify a broadening of affirmative action in Malaysia.

[3] Flux in terminology can lend to confusion. The agenda was initially named Bumiputera Economic Empowerment, then Bumiputera Economic Transformation, and more recently the Bumiputera Economic Community. However, the major interventions emerged under the BETR, and ongoing discourses suggest forthcoming policies along similar lines of 'Bumiputera development action' (Tindakan Pembangunan Bumiputera 2030 (TPB2030), with an emphasis on 'eco-system' (https://www.teraju.gov.my/korporat). These articulations signal continuity in selective interventions rather than systemic change, and a decided omission of established and massive-scale programmes, especially MARA, matriculation colleges, and public procurement.

Re-appreciation of the NEP: Distinction between the "two prongs"

The magnitude and momentum of pro-Bumiputera measures intensified in the wake of the 13th May 1969 racial carnage and ensuing national crisis. Under the National Operation Council's emergency rule, the Razak administration crafted the NEP with an overarching objective of national unity, pursued by a two-pronged strategy of reducing poverty irrespective of race, and accelerating social restructuring in order to reduce and eventually eliminate the identification of race with economic function.

This formulation of two prongs made an eminent contribution that we should appreciate anew. The NEP sufficiently framed poverty reduction and social restructuring as distinct policy objectives - with policy instruments aligned with those objectives. The poverty reduction first prong set out to uplift the well-being and livelihood of poor households, with the imperative proviso: irrespective of race. In 1970, about half of all households were estimated to fall below the poverty line, lacking income to cover basic needs. The second prong explicitly sought to redress racial imbalances, specifically by increasing Bumiputera participation in the modern economic sectors, higher-level occupations and equity ownership. The instruments for achieving these objectives concurred with the objectives and areas of application. The first would hinge on raising productivity, structural change (movement into the 'modern' sectors), infrastructure, utilities, education and social services. The second focused on modernization of rural economies and 'rapid and balanced growth of urban activities', education and training and 'above all, … the creation of a Malay commercial and industrial community in all categories and at all levels of operation' (Malaysia 1971: 4-6).

Other aspects were more implicit, but no less important. The first prong principally involved universalist programmes, in the sense that all citizens would be entitled to basic provisions. In marked contrast, group-targeted programmes were central to the second prong, in large part because of barriers to entry and structural factors that induced the need for special measures. The priority accorded to industry and commerce, professional and managerial positions and equity ownership underscores the orientation of the second prong toward these sectors where structural inequalities prevail: Bumiputera presence was severely curtailed by their lack of higher education qualifications, work experience, networks and capital. The same applies to higher education, where preferential policies for Malays that had been in place since Merdeka but were intensified after 1971. Although higher education featured less prominently in the NEP, it shared the feature of barriers to entry; unlike basic schooling – especially at the primary level – where students are enrolled without condition, college and university admission imposes entry requirements. Hence, the second prong applies to higher education, by facilitating entry of designated groups through quotas and preferences, but not in primary schooling, and slightly in secondary schooling, where special boarding schools might enter the picture.

The NEP also expounded how the two prongs are 'inter-dependent and mutually reinforcing' (Malaysia 1971: 3). In other words, the two prongs were not viewed as substitutes, but as complements. They could *reinforce*, but *not replace*, each other. To achieve poverty reduction objectives, Malaysia would deploy poverty reduction instruments irrespective of race. To pursue social restructuring, utilize social restructuring instruments which largely involved group quotas and preferences.

NEP gaps and omissions

Significant gaps and omissions have undermined the NEP's coherence, objectives and efficacy.

Although the NEP described the two prongs as inter-dependent and mutually reinforcing, it neglected to specify how. This omission traces back to the lack of systematic formulation of the mechanisms underlying the second prong, which as noted above, were at best implied. The first prong reinforces the second prong much more than it being reciprocal. Uplifting the poor can substantially equip people to participate more broadly and gain upward mobility, whereas the second prong is more limited in its capacity to help the poor.

The NEP paid inadequate attention to these inter-relationships, and lacked a methodical approach that identified the second prong's key policy sectors: higher education, high-level occupations, enterprise development, and wealth ownership. Consequently, it did not discern that in some, *but not all,* sectors it is possible to target poor Bumiputeras, or even the poor irrespective of race. In general, conferring special treatment on the poor can operate considerably in higher education, but much less so in employment, SME loans and enterprise development and equity ownership, where the emphasis of efforts to promote Bumiputera advancement must be on capability, not poverty. Another consequence of the NEP's inadequate formulation arises from the lack of acknowledgment of the centrality of pro-Bumiputera preferential treatment to the second prong. Such an acknowledgment might have induced greater attention to developing capability, competitiveness and confidence, which are pre-requisite for preferential treatment to be rolled back.

Second, the NEP also demonstrated some awareness – but far too little – toward the vast and diverse programmes under its rubric, which entail a broad and sector-specific range of targets and timelines. At its inception in 1971, Chapter 1 of the *Second Malaysia Plan*, the NEP's policy document, articulated that some objectives, especially the creation of a Malay Commercial and Industrial Community, "may require a generation or more for their full accomplishment" (Malaysia 1971: 9). It was logical and reasonable to expect this specific policy sector to take longer to achieve its goals, given the need to build and broaden capacity, gain experience, learn by doing (and failing), and achieve some breakthroughs. Unfortunately, the NEP scarcely followed through by formulating sector-by-sector timelines and setting appropriate expectations. Moreover, programmes unfolded piecemeal, not in one big bang in 1971; demands for the NEP to be dissolved in one big bang in 1990 were thoroughly misplaced. Even if a 20-year timeframe was a rule of thumb - numerous Bumiputera preferential programmes emerged only in late 1970s or the 1980s – would all of them need to be dismantled by 1990? The NEP's reticence on this front allowed for expectations of 1990 as a monolithic expiry date to take root.

A third area of ambiguity concerns how the NEP sought closure, and intertwined with this, is how it allowed an overemphasis on equity ownership to take hold. The best references for the NEP's concluding intent are articulations of its "within one generation" goals. In 1971, this was expressed as Bumiputeras becoming "full partners" in the economic life of the nation, a suitably bold and general, if vague, aspiration. However, by the Mid-term review of the Second Malaysia Plan, and pivotally in the Third Malaysia Plan, which promulgated the Outline Perspective Plan 1971-1990 detailing the New Economic Policy, the "within one generation" goal shifted to 30% Bumiputera equity ownership. This was momentous and revealing; it presaged Bumiputera equity as the driving thrust of the NEP. Indeed, as recounted by Faaland, Parkinson and Saniman (1990), there was initial resistance towards firm numerical targets. However, post 1971, political pressures evidently came to bear, chiefly in cementing the 30% equity target.

A fourth gap is more subtle, in that major policy compromises, and certain assurances to minority groups that were inserted into the NEP, emerged out of ethnic bargaining rather than a deliberation of principles and feasibilities (Milne 1976, Lee 2021c). Forceful assertions of Malay political hegemony and a Malay-first policy agenda triggered pushback from minority concerns.[4] An internally circulated Faaland paper of November 1969 argued that Malaysia should 'emphasise racial balance over national growth', with a proviso that balanced participation in the modern economy would be the approach, not redistribution from non-Malays to Malays (Faaland, 1969). On 18 March 1970, a Department of National Unity Directive entitled 'The New Economic Policy', circulated in government departments and agencies as a reference in formulating the Second Malaysia Plan, and it stipulated three main objectives: (1) reduction of racial economic disparities; (2) creation of employment opportunities; (3) promotion of overall economic growth. The DNU also forcefully proclaimed that 'the Government is determined that the *reduction in racial economic disparities should be the overriding target* even if unforeseen developments occur which pose a harsher conflict than now foreseen between the three objectives' (DNU 1970; italics in original).

These articulations encapsulate the policy stances that were causing consternation among senior non-Malay politicians and bureaucrats. The policy proposals emanating from the DNU were characterised as "aggressive" by Thong Yaw Hong, then Director-General of the Economic Planning Unit, who with Finance Minister Tan Siew Sin and others, intervened to temper the agenda. Saliently, compromises were reached in the form of key phrases. Poverty reduction would be conducted "irrespective of race" – the latter clause inserted through the intervention of Thong (Heng, 1997). Deliberations also secured an evocative NEP assurance that "no group will experience any loss or feel any sense of deprivation". The impetus and purpose of these interventions, to check against over-encroachment of the ethnic redistribution agenda, were understandable and noble. Nevertheless, they had an unwitting effect of formalising policy mantras that were incomplete and unattainable.

These bargains were rooted in ethnic politics, and coupled with the lack of appreciation for both the specific areas that social restructuring operated and the defining feature of Bumiputera preferential treatment, precluded candid recognition of the NEP's limits. The rhetorical attempts to show that the NEP would cater to all groups, however hard-won, were undone by a lack of coherence. The first prong doubled as assurance that national policy would protect interests of all Malaysians. As poverty declined, so did the relevance and cogency of this assurance, but this implication was not foreseen. Until today, "help the poor irrespective of race" remains a code for looking out for all groups, especially minorities.

More importantly, the 'no deprivation' clause seemed oblivious to the reality that various key elements of social restructuring involved preferential allocation of finite opportunity, in which there is inescapably some degree of exclusion. Again, comparison of education levels is instructive; whereas primary schooling is principally universal and hence, the no- deprivation principle can be fulfilled – the only limitation being adequate provision of schools – university admissions is selective and unavoidably will involve some getting in at the expense of others. The same applies to public sector employment, microfinance and SME loans. Economic growth would not generate limitless opportunity; the 'no deprivation' promise was impossible to fulfil.

While critiquing the NEP for the above four gaps and omissions, we should acknowledge the time and knowledge constraints under which it was crafted. The policy was formulated expeditiously. Within a few months of 13th May 1969, Just Faaland had written policy papers establishing the centrality of racial imbalances

[4] Tan Sri Ramon Navaratnam, who worked closely with Finance Minister Tun Tan Siew Sin during the National Operations Council period, recalls that Tun was not even informed of the formulation of the NEP (Author's interview, 16 August 2021).

– in income, employment and wealth – which resonated with the political establishment. This template carried forward into the NEP official documents. Various countries, notably India, had embedded group reservation in their constitutions, but their experiences, and the international literature on NEP-type policies were at their incipience. Moreover, no country implemented such policies as extensively as Malaysia. The term "affirmative action" only began to gain currency from the early 1960s (Weisskopf, 2004). This retrospective on the NEP does not assume that the omissions explained above could have been incorporated, given the prevailing politics and policy discourses of the day. Nevertheless, a systematic conceptualisation of affirmative action remains a powerful analytical tool for understanding polarisation and the intractability of policy reforms, and for coherently formulating its alternatives.

Policy discourses: the misguided and muddled mainstream

Policy discourses, whether in political, popular or academic circles, have tended to reinforce the flaws of the NEP, and have over time, conflated the two-pronged distinction and muddled policy alternatives (Gomez 2012, Gomez, Saravanamuttu and Mohamad 2013, Chin 2009). The NEP was oblique and noncommittal about its 1990 agenda, but it was treated as an all-encompassing, monolithic threshold. It contained a vast array of interventions, each with specific constraints and timelines, and different starting points, and certain programmes have come and gone, and yet, the conversation continually poses the question in over-simplistic, dichotomous and ultimately unproductive terms: continue vs terminate 'the NEP'?

Inconsistencies and biases in handling the NEP's two prongs also detract from clarity and coherence. On the NEP's first poverty reduction prong, achieving the 1990 target of 17% unanimously prompted calls for the agenda to be extended, with appropriate revision and enhancement. There was a consensus that the policy objective and supporting instruments remained relevant, and also an awareness that abruptly taking away the support system that had lifted households out of poverty will surely push many households back into poverty.

However, the consequence of reaching affirmative action milestones polarises opinion; some support its continuance in light of the progress made, others vehemently ask for its elimination it since the target has been achieved. This impasse shows that, on affirmative action, most conclusions are predetermined regardless of the empirical milestones, whether due to political affinity, emotive dogmatism, or material vested interest. The established practice in policy-making evaluates quantitative and qualitative outcomes and revises implementation in a tempered, reasoned and objective manner – with reference to policy specifics. Such conventions, however, are substantially dispensed in affirmative action debates. Whereas no one will contemplate eliminating basic assistance for the poor because of the adverse effects on the recipients, many readily advocate unqualified and unmitigated elimination of affirmative action, despite the undeniable effect such action would have in reducing Bumiputera upward mobility and reversing the population's socioeconomic progress in many areas.

Indeed, we hear continual appeals until the present day – often from the very same sources claiming that 'the NEP' should be terminated – that Malaysia should prioritise the poor and B40 of all ethnicities, which amounts to a clarion call to perpetuate the NEP's first prong. Such positions have become so common as to be almost overlooked for their selective prosecution, or at best ignorance of the breadth of the NEP and the illogic of sweeping pronouncements that reference 'the NEP'. More importantly, the confusion captures the logically pre-determined and politically rooted nature of the discourse, which fixates on expiry dates and stakes out positions toward NEP at a symbolic level, rather than engaging with its specific implementations and outcomes, and actual possibilities for change.

The discourse has suffered decades of neglected attention to the design and process of the NEP's vast programmes, and the dynamics of identity, need and merit as integrated elements. Instead, "need and merit" has been continually presented as a system-wide replacement that eliminates pro-Bumiputera policy, which for many Malays, poses a threat to preferential access, and for non-Malays, holds out a cherished, but ultimately false, promise. This will be expounded later, but a few underlying positions of the popular discourses need to be unpacked.

Major misconceptions

Two misconceptions are especially consequential. The first derives from tendencies among critiques of the NEP to accept the predominance of equity ownership in the NEP's formulation, which effectively reproduces this inordinate bias. Wealth transfers, especially through privatisation, public procurement and licensing, and ethnic equity requirements have undoubtedly taken precedence and benefited a top sliver of the Malay elite. The Bumiputera Commercial and Industrial Community agenda drove the NEP during particular phases, especially the 1990s pre-Asian financial crisis. The gains they have enjoyed *per person* undoubtedly outweigh that of the lower strata. We should also note that the elite class of all ethnicities profited abundantly as collaborators and rent-seekers. Nonetheless, these wealth redistribution measures do not constitute all of affirmative action. It is imperative to highlight the failings of equity redistribution and proclivities toward patronage and corruption, but such problems do not represent the totality of the NEP and must be placed in proper context – as one of several branches of affirmative action. Exceedingly greater numbers of Bumiputera persons have received NEP-rooted benefits in the post-secondary education, employment and enterprise development. Compared with wealth transfers and the BCIC, these gains are less lucrative *per person*, but consequential in promoting mobility and participation and securing general popular support for the policy.

The official discourses persistently stake the case for continuing the Bumiputera agenda on the basis of the unachieved 30% equity target (Ministry of Economic Affairs, 2019; Ismail Sabri 2021), but it has also popularly, and misguidedly, asserted that the NEP should be terminated if Bumiputera equity exceeds the 30% target. To be fair, debates over the veracity of equity ownership statistics have contributed to critical and constructive insights.[5]

However, pressing for elimination of affirmative action on these grounds further entrenches the over-importance of equity distribution policies, and ultimately fails to advance reforms because the question of Bumiputera preparedness remains unaddressed (Lee, 2021b). Moreover, it is precisely in the policy sector of equity ownership that a number of significant programmes have been rolled back – such as IPO requirements (12.5% Bumiputera allocation since 2009, previously 30%) – or phased out entirely, most saliently equity requirements for investment in manufacturing and most services, and the national privatisation project that collapsed. A more constructive alternative would be to focus on the deficiencies in cultivating Bumiputera capability and competitiveness despite the system extensively providing opportunity in higher education, employment, enterprise development and ownership.

[5] The measurement of equity ownership consumed considerable time and energy. Among the various points of contention, one resulted in change of methodology at the close of the NEP in 1990. This pertained to the classification of shares held by nominees as non-Bumiputera, which was the basis for equity ownership statistics disseminated from the *Third Malaysia Plan* (Malaysia 1976) through the Fifth Plan (Malaysia 1986). This method patently overstated non-Bumiputera ownership, and was perceived as a ploy to under-declare Bumiputera equity holdings and justify wealth transfer measures. The *Sixth Plan* (Malaysia 1991) onwards reported nominees as a separate category not assigned to a particular ethnic group (Author's interview with Yong Poh Kon, 20 May 2021).

"The NEP only benefits the Malay elite and increases inequality"

Intertwined with the above misconception is a popular polemic about the NEP – that it only benefits the Malay elite and has failed the masses.[6] This summation goes hand in hand with claims that inequality has been rising, often with appended notions of intra-ethnic inequality being most severe within the Bumiputera population. While inequality – and specifically, income and wealth concentration at the top – are valid concerns and important subjects for empirical and policy analyses, in general and with reference to any population group, these sweeping statements today are logically and empirically problematic with reference to the Bumiputera households.

This misstep springs from the superimposition of one policy sector – wealth redistribution –on the entire system, and hence, the projection of its flaws onto affirmative action, or 'the NEP', as a whole.[7] The vastness of Bumiputera preferential programmes, indeed, invalidates any singular conclusion about the effect of affirmative action or 'the NEP' on inequality. Different programmes operate in different ways affecting different segments of society, with different potential impacts on income distribution. Higher education expansion facilitated by affirmative action reduces the earnings premium on higher education qualifications, which coupled with developments beyond the scope of affirmative action, such as public sector progressive salary scaling and minimum wage, can reduce inequality within the Bumiputera population. Wealth distribution can potentially increase inequality, depending on the relative benefits to the middle, upper middle, and topmost strata.

The BCIC and wealth transfers are undoubtedly among the most problematic affirmative action interventions, being prone to patronage, profiteering and corruption – which presumably increase inequality. Shares purchased by politically-connected Malay elites – at a discount – can be sold for quick profit; university degrees and microfinance loans cannot. Again, an objective and rigorous analysis requires grappling with policy specifics, and weighing of the net effects of factors that reduce inequality and those that increase inequality.

In retrospect, the 'NEP raises inequality' viewpoint gained traction in 1990s during the heydays of privatisation and rapid creation of Malay corporate titans. Malaysia witnessed massive wealth accumulation at the top until the 1997-98 Asian financial crisis (AFC), during which privatised projects collapsed. These developments predicted rising inequality, and this was confirmed by national survey statistics. The 1989-1997 interval saw the Gini coefficient of household income inequality increase, noticeably within the Bumiputera population (Figure 1).[8] Following that, inequality declined between 1997 and 1999, which was widely interpreted as an outcome of the disproportionate adverse impact of the AFC on high-income households (Ragayah, 2008). The intra-Bumiputera Gini hovered in the 0.43-0.45 range until 2009, but subsequently followed an unmistakable downtrend. The most recent calculation in 2019 showed intra-ethnic inequality is *lowest* in the Bumiputera population.

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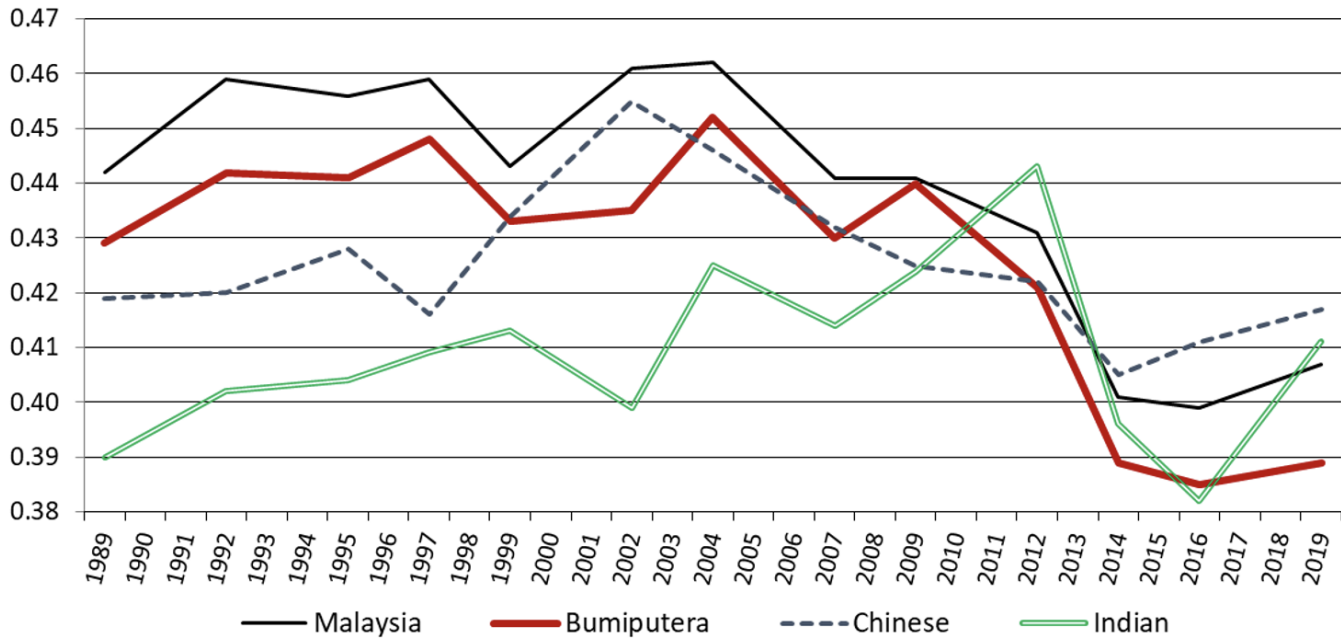
6. Some examples: Rosli Khan, "Chop off the gangrene in Umno", 2 June 2021, *FreeMalaysiaToday* (https://www.freemalaysiatoday.com/category/opinion/2021/06/02/chop-off-the-gangrene-in-umno/); Kua Kia Soong, "Time to end racial discrimination in Malaysia", 20 Mar 2015, *Malaysiakini* (https://www.malaysiakini.com/letters/292624); *The Economist*, "Malaysia's system of racial preferences should be scrapped", 20 May 2017 (https://www.economist.com/leaders/2017/05/18/malaysias-system-of-racial-preferences-should-be-scrapped); James Chin, 'Affirmative Action at 50 in Malaysia: A brief history and evaluation of the NEP, the never-ending policy', *Tablet*, 26 May 2021

7. Edmund Terence Gomez, "New Economic Policy @50: Looking back and forward", *Economic History Malaysia* (https://www.ehm.my/publications/articles/new-economic-policy-50-looking-back-and-forward).

8. The Gini coefficient is an indicator of inequality, ranging from 0 (perfect equality) to 1 (maximum inequality).

Inequality trends are emphatically complex phenomena impacted by multiple structural and policy factors. It is important to reiterate that affirmative action or the NEP cannot be simplistically assigned as a single determinant of inequality (Lee and Choong 2021). However, the declining inequality – most markedly within the Bumiputera population – empirically refutes the popular presumption of rising inequality, and indicates that the effects of inequality-reducing affirmative action programmes have been outweighing the effects of inequality-increasing affirmative action programmes.This realisation should also compel us to take into account the extensive outreach of affirmative action (Table 1).

Figure 1. Gini coefficient of gross household income inequality, by ethnic group and overall Malaysia (1989-2019).



Sources: http://www.epu.gov.my/en/household-income-poverty; DOSM 2017, DOSM 2020.

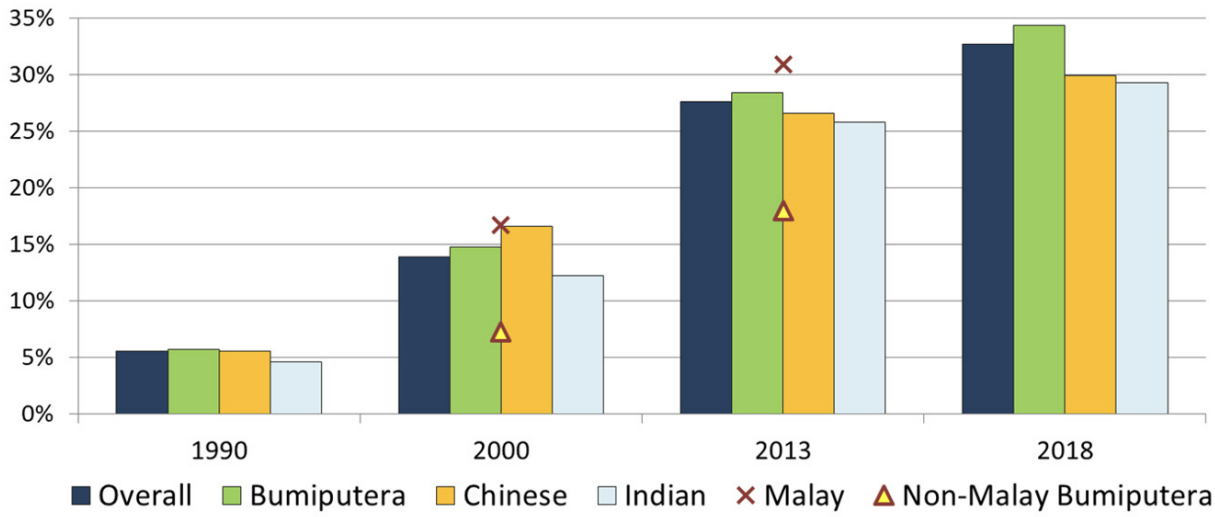
Evaluation of pro-Bumiputera affirmative action under the NEP's second prong has also omitted a systematic approach that aligns policy objectives with outcomes. As noted above, household income inequality has followed a downtrend in the past decade and a half, but various affirmative action policies are at play and their specific effects are difficult to isolate. Empirical analysis of the direct policy outcomes – aligned with the policy sectors of higher education, employment, enterprise development – should focus on achievements and shortcomings most pertinent and important to affirmative action.

Amid a scarcity of ethnicity-delineated data, two sources shed light on direct affirmative action outcomes – as well as some distribution and qualitative aspects that clue us into the Bumiputera community's disposition toward the policy. Higher education, a mainstay of affirmative action, has clearly expanded opportunity across the board, but especially within the Bumiputera population. Figure 2 shows that the Bumiputera labour force, while basically on par with other ethnic groups in terms of tertiary education attainment in 1990, had exceeded that of Chinese and Indians in 2013. We can also observe a disparity between Malay and non-Malay Bumiputera, based on the data available for 2000 and 2013. Disparities between Malay and non-Malay Bumiputeras, mirroring the Peninsula to Sabah-Sarawak divide, warrant serious attention. National statistics, especially in the crucial areas of education, employment and income, ceased disaggregating the Bumiputera population, not even between Malay and non-Malay let along the myriad sub-groups of Sabah and Sarawak. As shown in Figure 2, 2013 was the final year that labour force statistics differentiated Malay and non-Malay

Bumiputera. Across all statistics, we are informed of one gigantic category of Bumiputeras, now constituting 70% of the Malaysian population. All population groups are heterogeneous, but due to the magnitude and the Peninsula-Sabah/Sarawak divide, we must be especially cautious when applying the Bumiputera category in empirical analysis.

Expansion of higher education for Bumiputeras as a whole is consistent with declining earnings premiums for holding higher education degrees or diplomas, which in turn corresponds with declining income inequality (Kamal, Lee and Muhammed, 2014). At the same time, drawing on observations of a more qualitative nature, such as Bumiputera graduates lagging in requisite job market skills and in more in-demand academic fields, we can also deduce that affirmative action, while expanding access, has inadequately developed capability. Differences in the scalar distribution of Bumiputera versus non-Bumiputera micro, small and medium enterprises (MSMEs) – showing a concentration of Bumiputera-owned entities at micro scale, with only 11% classified as small and 1% medium – capture a paramount feature of the economy that underscores the sense within the community that they remain economically lagging (Table 2).

Figure 2. Share of labour force with tertiary education (certificate, diploma, degree), by ethnic group (1990-2018).



Source: Author's compilations from *Labour Force Survey Reports.*

Table 2. Micro, small and medium enterprises: distribution by scale.

	Bumiputera (2015)	Non-Bumiputera (2015)
Micro Small Medium	88% 11% 1%	69% 28% 3%
Total MSMEs	344,685	562,380

Source: Teraju (2017) and author's calculations. [9]

[9] Bumiputera SME figures are from Teraju (2017); non-Bumiputera SME figures are calculated by the author, based on Teraju (2017) and 2016 Economic Census statistics reported by SME Corp (*https://www.smecorp.gov.my/index.php/en/policies/2020-02-11-08-01-24/sme-statistics*).

While the economic foothold of the Bumiputera-helmed GLCs may provide a measure of group esteem, there is a discernible, residual sense of economic insecurity deriving from the community's still disproportionately small footprint in the private sector. Higher education and enterprise development, having broadened participation, must be taken to the next level in empowering beneficiaries with ability and resourcefulness.

'Need and merit' as *system-wide* replacement for Bumiputera-targeted policies

The notion of "need and merit" as replacement for "race-based" NEP has been propagated since the 1980s (Lee 2021c). This proposition appears to stem from a moral aversion to race as a policy variable, but the gravitation to "need and merit" as a sweeping, system-wide alternative is fundamentally flawed. These discourses have been misguided in two major ways: first, 'need and merit' have been hastily posed as replacement for pro-Bumiputera policies in reaction to the exclusion of minorities, especially in public university admissions; second, the NEP's two prongs have become conflated, and effectively, expectations are raised for the affirmative action objectives of the second prong to be achieved by using poverty reduction instruments of the first prong.

The omissions and missteps of the first variety are best explained by examining the university admissions debates – while recognising that there will be differences between this policy sector and affirmative action elsewhere. This focus on higher education is appropriate; the criticism towards NEP has stemmed substantially from perceived unequal opportunity and exclusion of Malaysia's minorities which is most acute in public university admissions and scholarships. Some will champion pure 'meritocracy' – no consideration of race at all, only academic qualifications and 'merits' more broadly. The stance, while ideologically consistent in aligning its simple premises with its prescriptions, flounders at the hand of its dogmatism and its omission of both the structural barriers that may hinder university entry for the disadvantaged, and the political imperative of equitable group representation in public institutions. Indeed, most meritocracy advocates concede that some intervention is necessary to allow for the poor and disadvantaged to not be unfairly excluded from higher education.

However, need-based selection as a *total* replacement for ethnic/racial quotas also falters, particularly for neglecting the key element of scarcity of higher education spaces. Unlike basic schooling which can be provided universally, university or college enrolment is limited; and hence, facilitating greater access for some groups through preferential selection entails some reduction in places for others. Indeed, there appears to be an expectation that 'need-based' affirmative action will resolve the prevailing minority grievance at unfair access to public universities – essentially, the admission of less 'qualified' Bumiputera students at their expense – without realisation that a need-based system will not eliminate that problem but mainly reconfigure it. If under the current system, some borderline non-Bumiputeras do not gain admission due to preference for Bumiputeras, under 'need-based' admissions, some borderline non-Bumiputeras will also not gain admission due to preference for B40 applicants. Such a realization surfaced during the National Economic Consultative Council (NECC) deliberations of 1989-1990, when delegates representing Chinese parties that initially pressed for need-based policy to replace ethnic quotas (Osman-Rani 1990). The proponents eventually conceded to the status quo, because they realised that a less certain number – and possibly *fewer* – Chinese students might enter university under a need-based system, whereas their proportion would be assured under a Chinese quota.[10]

[10] Author's interview with Toh Kin Woon, 12 January 2021.

Another aspect of this debate follows from tendencies to merge 'need *and merit*', specifically due to reactive policy critique that starts *and* ends with the plight of stellar and underprivileged non-Bumiputera applicants. Almost annually, such cases will make the news: admissions or scholarships denied to academically excelling non-Bumiputera students of modest family background. These candidates possess both outstanding merit and need; their situation epitomises the perceived unfairness of the system. Advocacy of 'need and merit' tends to revolve around these paragons of 'deserving' students who make a compelling case for admission or scholarship. The argument also seemingly rides on a presumption that awarding university admission or scholarship, or both, pose no dilemmas, because their success would come at the expense of clearly 'less deserving' students.

Undeniably, experiences of this sort and associated emotions are real, and their appeal for reconsideration of their unsuccessful applications should be received with empathy. However, Malaysia has scantly gone beyond a reactive posture focused on these exceptional cases, repeatedly failing over decades to address the gamut of real-life scenarios. Many university candidates will not as neatly tick both merit *and* need boxes. Many will bear closer semblance to the 'median student', who is academically capable but not stellar, and they are closer to the borderline of admissions, and the 'disadvantaged background student' with modest grades who requires special consideration – i.e. admission despite having lower grades.

The critiques of NEP have been unable to provide a solution to this situation, namely formulating admission schemes for these cases that are more representative of the majority of students; specifically, they have failed to grapple with the complications of scarce university spaces. Unlike the paragons of 'deserving' students typically referenced, many prospective university entrants are seeking entry predominantly on the basis of 'being disadvantaged' *or* lacking academic credentials due to their impoverished background. Need *and* merit have been overly fused, and presented as comprehensive replacement for ethnic quotas.[11]

In these debates, there seems to be a consensus that public universities should be ethnically representative. However, fostering diversity in university requires policy discourses that go beyond proposing alternatives that offer little besides unqualified rejection of ethnicity- or identity-based selection and simplistic prescriptions of need and merit replacements. Admissions and financial sponsorship policies – academic scholarships and need-based bursaries – can do much better to address the range of student profiles, and to balance the intertwined objectives of promoting achievement, upward mobility and diversity, by formulating policies that integrate need, merit, and diversity as *complementary and reinforcing* elements.

The second major strain of ill-conceived alternatives to the NEP's second prong is a mainstreamed view, particularly since the New Economic Model presented in 2010, that essentially maintains that Malaysia should pursue social restructuring objectives *by using poverty reduction instruments*. This argument is sentimentally appealing for ostensibly offering a departure from controversial 'race-based' policies. The argument goes: Malaysia should do 'need-based' affirmative action – that is, helping the poor irrespective of race – instead of race-based affirmative action because in doing so the system is helping those who need help the most, and moreover, the Bumiputeras will be the main beneficiaries since they comprise a disproportionately larger share of the poor.

[11] At a 1984 Gerakan Party conference on the NEP, President Lim Keng Yaik asserted that the 'rigid quota system' had vastly promoted Bumiputera upward mobility but deprived 'many young and qualified non-Bumiputeras', and that the government must bring the 'racial quota system… to an end as quickly as possible' (Gerakan 1984: 157). The Party's Economic Bureau argued for 'channelling of resources to groups on the basis of their economic needs rather than on the basis of ethnicity' (Gerakan 1984: 206).

This position dispenses with the NEP's distinction between the first and second prongs, and imbibes the misguided NEP critiques discussed above that the NEP's defining faults are corruption, patronage and elite-skewed benefits. The NEM, indeed, gave more prominence to a cryptic notion of 'market-friendly' affirmative action, while committing to help the Bottom 40% of all races – a corollary to the NEP's first prong. The NEM's summary on the subject, full of muddled and incoherent lines and wholly lacking in policy specifics and practical applications, is telling:

> "Affirmative action programmes and institutions will continue in the NEM but, in line with the views of the main stakeholders, will be revamped to remove the rent seeking and market distorting features which have blemished the effectiveness of the programme. Affirmative action will consider all ethnic groups fairly and equally as long as they are in the low income 40% of households. Affirmative action programmes would be based on market-friendly and market-based criteria together taking into consideration the needs and merits of the applicants. An Equal Opportunities Commission will be established to ensure fairness and address undue discrimination when occasional abuses by dominant groups are encountered." (NEAC 2010: 61)

Despite its rather rapturous reception, the NEM was not a bold reform agenda. It unambiguously professed to "continue" affirmative action, except with better execution of pro-Bumiputera policies through injection of "market-friendly" elements. The propositions for market-friendly reforms perceivably entailed selecting more capable and less corrupt Bumiputeras over less capable and more corrupt Bumiputeras, not an abolition – nor even substantial downsizing – of the Bumiputera preferential system. The NEM superimposed the problems of rent-seeking and market distortion onto the entire system, without realising that these problems scarcely affect the affirmative action programmes of greatest scope and outreach, especially in higher education, microfinance, mass savings schemes and public sector employment. The report made no mention at all of the vast range of pro-Bumiputera measures – including MARA, PUNB, Tekun, matriculation, Asasi, PNB, procurement, GLCs, SME loans through SME Corp, public sector employment.

Moreover, it made sweeping claims about switching from race to need and merit, akin to the 'merit and need' suggestions of the 1980s that failed to provide policy specifics beyond feelgood platitudes. Helping the B40 involves various policies that have little to do with affirmative action. When considering the possibilities for 'need' or socioeconomic disadvantage to be applied alongside affirmative action, the NEP's judicious understanding of the reinforcing relationship was neglected; the NEM wrongly saw poverty alleviation instruments as substitutes. The focus on the B40, which has expanded social protection, engendered positive changes. However, the NEM seemed overzealous on making the case for prop-B40 policies that it even mishandled income data. It insisted that B40 average household income had been growing slower compared to the Middle 40% and Top 20%, when the statistics unambiguously showed the opposite (Lee and Choong, 2021).

This paper reiterates the NEM fundamentally erred by suggesting that social restructuring objectives can be achieved by using poverty reduction instruments – rather than more rigorously examining social restructuring instruments. In fact, its proposal to establish an Equal Opportunities Commission attached a bizarre qualification that the institution would address "occasional abuses by dominant groups", rather than framing the problem more prudently as a matter of principle and conduct, regardless of frequency or perpetrator.

The incoherencies of the NEM and similar misplaced 'alternatives' to Malaysia's affirmative action, and their errors both conceptual and empirical, require policy discourses to undertake a more systematic rethink.


Photo by Alex Hudson on Unsplash

The arguments typically advanced in favour of need-based affirmative action also lack reference to realities on the ground. They ride on a rather self-serving presumption that the Bumiputera community either do not benefit from the system and hence will not feel the difference if programmes are abolished, or that the promise to help the B40 of all ethnicities suffices to assure them that all their socioeconomic interests will be safeguarded. Bumiputera preferential policies emphatically trigger strong passions both ways, but it is precisely the popular sentiments that should inform policy discourses. The extent of public support for the policy, especially among the Malay population, reflects perceptions of the policy's benefits, and the difficulties of effecting change.

Merdeka Centre (2010) and Al-Ramiah, Hewstone and Wölfer (2017) are authoritative references on public opinion, for their representative Peninsula-wide sampling and the precision of their survey questions. Merdeka Center (2010) found decisive majorities of Malays agree with the NEP and Malay/Bumiputera privileges.[12] Al-Ramiah, Hewstone and Wölfer (2017) reported that, on a scale of 1 to 5, in terms of the level of comfort of the special privileges accorded to the Malays, the latter respondents averaged almost 4 per 5, while Chinese and Indian respondents averaged 2 per 5.

The overwhelming Malay support for the NEP is unsurprising, and its underlying causes deserve a sober analysis. The phenomenon is often attributed to indoctrination by political elites, and appended to this argument sometimes is a belief that Malay fears and resistance toward policy reform are unfounded and irrational. But this is far from the only plausible factor. The massive outreach of affirmative action programmes, and their capacity to deliver material benefits in terms of education and employment opportunity, training and self-employment, loans and business support and asset ownership, surely would induce the Malays to support the system, and they are informed and rational in doing so. At the same time, deficiencies of the system in developing capability, competitiveness and confidence stir anxiety toward rhetoric of 'need-based' policy reform that, due to its gross ambiguity, can be interpreted to mean abolition of pro-Bumiputera policies.

[12] Specifically, 73% of the Malay respondents agreed with the statement, "Malays/Bumiputeras need all the help they can get to move ahead so programs like the NEP should be welcome", while 59% agreed that, "As the original inhabitants of this country, Malays/Bumiputeras should continue to be accorded with special rights and privileges" (Merdeka Center, 2010).

Nationally representative opinion polls of April 2018 and March 2019, capturing sentiments before and after Pakatan Harapan's historic May 2018 election victory, shed further light (Merdeka Center 2018, 2019). Survey respondents were asked to select two issues they deemed most important to them. Among Malays, the topmost in April 2018 was inflation (60%), followed by corruption (33%), with preservation of Malay rights in sixth place (7%); among Chinese: inflation (49%), corruption (53%), and fair treatment of all races (22%); among Indians: inflation (59%), job opportunities (40%) and fair treatment of all races (29%). In March 2019, inflation remained the most frequently cited issue and by similar proportions compared to a year before, but the share of Malays declaring preservation of Malay rights as important burgeoned to 21%, while the share of Chinese selecting fair treatment of all races rose to 33% and the corresponding share of Indians remained a substantial 22%. The headline finding of inflation as the top concern confirms that livelihood is the utmost priority, but these surveys also emphatically captured the underlying tensions in Malaysian society.

While public sentiment was undoubtedly inflamed by political rhetoric, the contribution of PH's policy disposition cannot be overlooked. In particular, propagation of 'need-based' affirmative action appears to have heightened both anxiety among the Malays toward erosion of special access and, expectancy among non-Malays of increase in erstwhile limited access. After two government takeovers since March 2020, these tensions remain unreconciled, with massive outreach to Bumiputeras alongside tokenism for other communities muddling along in the *Twelfth Malaysia Plan,* 2021-2025 (Malaysia 2021).[13]

[13] Lee Hwok Aun, "12MP and group-targeted policies: can we start new conversations?", *The Vibes*, 14 October 2021 (*https://www.thevibes.com/articles/opinion/44515/12mp-and-group-targeted-policies-can-we-start-new-conversations-lee-hwok-aun*); Lee Hwok Aun, "12MP and Bumi agenda: 3 overlooked questions", *The Vibes*, 8 October 2021 (*https://www.thevibes.com/articles/opinion/43955/12mp-and-bumi-agenda-3-overlooked-questions-lee-hwok-aun*).

Beyond the NEP: Breaking the deadlock and creating a cohesive society

The NEP trudges along in a quagmire - an incoherent, polarised, and seemingly intractable state. Can Malaysia break out?

A necessary first step is to shed mindsets and vested positions that, perhaps unwittingly, perpetuate that stalemate. These points have been discussed earlier but are worth collating here as a segue into a presentation of a new framework.

First, the misguided approach, tightly held on all sides of the political divide and in influential segments of civil society, that prescribes 'need and merit' policies as total, system-wide alternatives to replace race-based policies must be critically examined – and properly contextualised.[14] Targeting groups based on the need or merit can reinforce affirmative action in some but not all areas. We must employ a sector-by-sector approach. In most areas of affirmative action, policy reformulations should seek combinations of identity, need and merit.

Second, the popular framing of the NEP that reduces the debate to a question of continuity versus termination, and continues to fixate on a single monolithic expiry date, has utterly failed to bring about a breakthrough. Such debates lack policy specifics and coherence, reify 'the NEP' as a static notion, and tend to stake out confrontational postures and breed distrust, hence, precluding meaningful engagement. In reality, policies are dynamic and the challenges of promoting equality and fairness change over time and rarely expire. Mechanisms and constraints are highly sector specific – with variation in targets and timelines as well. Focusing on enduring principles and sector-specific targets and timelines can potentially break away from the decade-long impasse.

Third, moving forward from the NEP requires rethinking it through fresh perspectives. The NEP is often venerated without much critical reflection, which precludes drawing meaningful lessons. A popular stance maintains that the policy was well designed but not well implemented – the implication being to keep going without any substantive change. An opposing view faults the NEP for instituting pro-Bumiputera policies and generally seeks its abolition. A more systematic handling of the NEP, as discussed earlier, appreciates the distinction between the first and second prongs, while critically evaluating its gaps and omissions.

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[14] Decisive articulations include *Dasar Pakatan Rakyat* (Pakatan Rakyat Policy), the coalition's signature policy statement of December 2009, which proposed 'need-based' affirmative action with a few elements concerned predominantly with alleviating poverty – irrespective of race – and combatting corruption. Notably, the policy included provisions for scholarships based on merit and need, but no position on higher education admissions. In recent times, among political figures, Anwar Ibrahim leads in advocating this approach, with Parti Keadilan Rakyat's Nik Nazmi Nik Ahmad and William Leong among the more vocal proponents. Nik Nazmi Nik Ahmad, 'The need for needs-based affirmative action', *Malaysiakini*, 6 August 2019 (https://www.malaysiakini.com/news/486855; accessed 5 May 2021); William Leong, "'Shared Prosperity" requires a "Shared Malaysia'", *Malaysiakini*, 17 October 2019 (https://www.malaysiakini.com/news/496224; accessed 5 May 2021); Kow Gah Chie & Annabelle Lee, 'Anwar wants to speed up needs-based affirmative action', *Malaysiakini*, 26 July 2019 (https://www.malaysiakini.com/news/485528; accessed 5 May 2021). The case has been advocated by the MCA, as noted earlier with reference to the 1980s, and more recently by Wee Ka Siong ('Wee: Affirmative action moves should be colour-blind', The Star, 15 September 2013; https://www.thestar.com.my/news/nation/2013/09/15/wee-affirmative-action-moves-should-be-colourblind; accessed 28 April 2021). Notably, Daim Zainuddin, while chairing the Council of Eminent Persons, also expressed support for need-based affirmative action ('A new economic policy for a new Malaysia', *The Edge*, 13 August 2019 (https://www.theedgemarkets.com/article/mysay-new-economic-policy-new-malaysia; accessed 27 May 2021). Gabungan Bertindak Malaysia has prominently voiced support for the same. 'Time for a needs-based policy', Gabungan Bertindak Malaysia, 12 August 2019 https://aliran.com/coalitions/gabungan-bertindak-malaysia/time-for-a-needs-based-policy/.

A new approach proposed here builds on the NEP's strengths, fills in the gaps and omissions and grapples with the complex issues that inhabit public discourses. A dynamic path forward is charted here that addresses the myriad challenges Malaysia faces.

The NEP's two prongs can be broadened from two objectives to two principles. Poverty reduction irrespective of race served its time as one of two *defining* objectives. Poverty remains a major challenge, though it is no longer a *defining* national problem as it was in 1971, when the poverty rate stood at 49%. The most recent estimate, based on a revised poverty line, puts the rate at 8.4% in 2020, up from 5.6% in 2019 (DOSM 2021). Clearly, the Covid-19 turmoil has hit low-income households badly, and aptly shines the light on income and employment support, unemployment insurance, public health services, and social protection in general. The focus on these policies and their universality, however, must not be taken to mean that Malaysia can dispense with group-targeted, especially ethnicity-targeted, policies which serve other purposes through other means.

Social restructuring has always been the more controversial and polarising element of the NEP, but with a more systematic, sober-minded, and empirically rigorous analysis it is possible to reorient it to play a more constructive and cohesive role in Malaysia. It should be noted that the growth-equity-sustainability triad remains pertinent in the overarching scheme of development policy, but the discussion here focuses on the equity element. Malaysia's plans for economic growth while maintaining sustainability and mitigating climate crises will need to be integrated with its web of social cohesion interventions.

Table 3 juxtaposes the NEP with a proposed paradigm for a cohesive Malaysian society and it summarises its strengths and weaknesses. A few bridging points might be helpful at this juncture. This paper underscores the importance of extending and looking beyond poverty reduction as one of two policy pillars, and of broadening the scope from one defined by race to identity. Malaysia has become more urbanised and sophisticated, its citizens conscious of their rights and assertive of government's obligations to safeguard their dignity and well-being. In the many areas of socioeconomic participation and mobility, expectations of better governance and broadened opportunity are ingrained, and efforts are already under way to promote diversity and equitable representation, notably of gender as well. However, Malaysia lacks a comprehensive and coherent framework to oversee these processes.

Table 3. The NEP and cohesive Malaysian society: summary and comparison.

	New Economic Policy	Beyond NEP: cohesive Malaysian society
Overarching framework	Two prongs: 1. Reduce poverty 2. Restructure society	Twin principles: 1. Safeguard **equality** 2. Foster **fairness**

	New Economic Policy	Beyond NEP: cohesive Malaysian society
Strengths	• Distinguished poverty reduction *irrespective of race* versus social restructuring to address racial imbalances – distinct policy objectives utilising different but mutually reinforcing policy instruments • Some clear targets and implied overarching timeline (1971-1990)	• Expands on NEP two-pronged distinction, broadened to provide for: 1. Equality in **basic rights, dignity,** and **well-being**, with specified areas of application 2. Fairness in providing **opportunity** and promoting **participation**, **capability** and **achievement**, with specified areas of application • Accounts for immense progress since 1971: poverty alleviation, middle class expansion, social protection, consciousness and assertion of basic rights and dignity • Extending beyond Bumiputera targeted policies: other ethnic groups, gender, disability, etc. • Focus on design: Systematically and dynamically **integrates identity, need *and* merit** in sector-specific manner, rather than fixate on numerical targets and monolithic expiry dates • Shift away from 'perpetuate vs terminate the NEP' impasse
Weaknesses	• Wedded to mindset of one monolithic expiry date • Product of ethnic compromise • Ethnicity the sole dimension for redistribution, Bumiputeras the only designated beneficiaries • Insufficient attention to readiness, capacity and confidence of beneficiaries to undertake change	• Numerical targets not at the forefront; lack of a singular rallying point • Difficult to let go of prevailing mindsets and entrenched positions (anxieties/ grievances) and to build trust
Political context	• Dominant and durable BN coalitional rule enabled 10- or 20-year grand plans but reinforced centralised target-setting and monolithic expiry dates	• Coalitional fluidity undermines credibility of long-term planning – and increases relevance of dynamic national policy centred on broadly agreeable **enduring principles**, sector-specific timelines and targets, and dynamic design

Source: Author.

Equality and fairness serve as the guiding principles. It is imperative to specify the purposes and applications of both, and how need, merit and identity can be integrated – rather than be regarded as zero-sum substitutes. 'Helping the poor irrespective of race' is a woefully inadequate assurance. The principle of equality much more holistically anchors the assurance to all Malaysians that each person's basic rights, dignity and well-being are secure. These precepts clearly refer to basic standards and provisions – such as universal primary and secondary schooling, public health, minimum wage, social protection – on which Malaysia will need to reach a degree of consensus. The principle of fairness oversees socioeconomic spheres related to participation, mobility and achievement, where equality is elusive or unattainable, but clear, coherent and consistent references are needed to facilitate fair practices and diversity.

Unlike the prevailing NEP debate which gravitates toward the decades-long 'perpetuate vs terminate' debate, this new approach rooted in enduring principles might avert the vicious cycle. This proposal is not without weaknesses. Numerical targets and singular timelines provide focus and simplicity that can enhance public buy-in, exemplified in the NEP. It is also difficult to relinquish tightly held baggage and ingrained anxieties or grievances, as will be required to some extent, in order to shift from habitual confrontational stances toward more empathetic and critical engagement (Chin, 2009).[19] Deliberation will be necessary, in order to formulate targets and timelines, and mechanisms that incorporate need, merit and identity in appropriate measure that are specific to policy sectors (Table 5).

Given the failures of the past debates to bring closure, though, a markedly different critique less fixated on policy termination and dynamically focused on enduring challenges is worth considering. Furthermore, Malaysia's political dispensation has also pivoted away from dominant and stable coalitions, which featured grand plans and long-term targets projected under the presumption of continuous rule. In the current and foreseeable milieu of fluid coalitions, principles stand a much better chance of survival, while policy targets change as powers come and go.

Table 4 summarises purpose, form, and key policy areas of the new paradigm. The contrasts should become apparent. Emphatically, the distinction is not rigid, and the lines are porous. As with the NEP, safeguarding equality can reinforce the policy areas guided by the principle of fairness. Providing universal basic schooling – with some focus on acceptable quality as well – will enlarge the pool of candidates that pursue higher education; however, allocation of spaces in higher education will need to grapple with scarcity, entry requirements, and academic specialisations. Higher education must be guided by clear, reasonable and fair selection processes, taking into account need, 'merit', and identity, with group-targeted interventions coming for the fore, rather than the universalist underpinnings of primary and secondary schooling. It is important to emphasise the equality principle is applicable in higher education, and fairness is an important consideration in basic schooling.

[15] Minority groups' discontent is also often a result of awarding scholarships to wealthy Malays, on the grounds that such outcomes deviate from helping those who more legitimately deserve the aid. These critiques stem from social justice principles that the poor, and not the rich, should be helped, but they also tend to conflate need and merit, and hence, omit distinctions between financial assistance based on family income and financial reward for academic excellence. It is problematic if children of the elites dominate full-funded scholarships, to the exclusion of the less privileged. However, a common reaction to these perceived injustices – to call for Malay 'elites' to be ineligible from participating – also needlessly antagonizes and ultimately precludes progress. Increasing access to higher education sponsorship can and should incorporate need, merit and identity, opening up to a variety of forms: scholarships targeted at especially disadvantaged groups, including sub-ethnic groups, scholarships based on means or disadvantage, scholarships based on academic excellence (principally open to all), and sponsorship schemes integrating both elements, for instance, with funding proportional to means – high income households will co-pay a higher proportion, but still have the opportunity to purse the recognition and prestige of academic scholarships.

Table 4. Cohesive Malaysian society: Core elements

Principle	Equality	Fairness
Purpose	• Protect **basic rights** and **dignity** • Safeguard **well-being**	• Foster **participation** and **achievement** • Promote diverse **representation**
Form	• **Universal** application • **Protection** of basic rights • Basic social **provisions** → Fundamental measures irrespective of identity (ethnicity, gender, religion, etc)	• **Group-targeted** intervention • **Preferential** treatment • **Pro-diversity** policy → Integrated balance of identity, need, and merit
Key policy areas	• **Well-being:** basic education, basic income, access to social services • **Dignity**: Basic rights and freedoms → Equal provision: minimum wage, equal pay for equal work	• **Tertiary** education • **High-level** occupations (professionals / management); decision-making positions • **Business** participation and ownership → Sector-specific targets and timelines
Examples	• Universal primary and secondary schooling • legal protection of basic guarantees and standards • Social assistance (cash transfers, minimum wage, etc.) • Public health system	• Combination of merit, need and group representation in higher education admissions and funding • Balancing equal opportunity, preference and diversity in workplaces • Microfinance, business loans

Source: Author.

Two other issues are worth addressing. The first maintains that public policy should pursue equality of opportunity but not equality of outcome. There are contexts where this idea serves as a useful reference, saliently, in wage-setting, the argument being that society should focus on providing 'equal opportunity' rather than enforcing equality of earnings. The hyperbole of this popular example aside (policies scarcely seek equal salary of all workers), it nonetheless draws out the constructive role of lowering barriers to participation and legally prohibiting unfair discrimination.

However, equality of opportunity has more specific than general applications. Even in the sphere of wages, minimum wage abides by the equality principle – all workers are entitled to the same prevailing minimum. Moreover, given the multiple layers of socioeconomic participation, outcome and opportunity often intersect, diminishing the veracity of the policy distinction. Unequal outcomes in secondary education, for instance, directly translate into unequal opportunities in higher education; lower-income and disadvantaged students, due to circumstances beyond their control, do not enjoy the same opportunity to gain admission or pay for tuition as their privileged counterparts. A hard-line stance on equal opportunity also overlooks structural factors that often may require special measures, with nimbleness and openness. Managerial or board appointments that strictly abide by formal criteria, such as years of experience, may preclude women from consideration. This paradigm does not apply equal opportunity as a general rule, but as an important consideration in various

contexts, predominantly related to participation, achievement and representation. This reinforces fairness as a guiding principle, that is, Malaysia can uphold equal opportunity alongside efforts to promote diverse representation and equitable participation.

Second, the mechanisms for balancing identity, need and merit probably require some elaboration. Table 5 discusses some starting points. The framing derives from the reality that Malaysia's affirmative action, especially pro-Bumiputera affirmative action, is deeply embedded and extensive in delivering opportunity, and hence, the principal challenge is to find ways in which need and merit can enhance the system, including some shifts away from ethnic quotas. The same arguments will apply to affirmative action for the Indian or Orang Asli communities, or for women.

The full workings need not be detailed, but a few points of emphasis are important to register here. We must underscore the importance of acknowledging the role and scope of preferential treatment, and of formulating policy in a sector-specific manner. In essence, the challenge is to design a mix of preferential treatment (including limits or sunset clauses). Need or disadvantage factors are important considerations in access to higher education, but much less so in employment – with the exception of fresh graduates. In the latter, as well as in enterprise development, merit must weigh heavily. And to be clear, this refers to the selection of capable persons in the beneficiary group – Bumiputeras, Indians, Orang Asli, women, etc. – to fill roles in employment, leadership, works or service delivery. In these areas, the alternative cannot be to give preference based on income levels. Indeed, in the distribution of contracts, preferential loans and assistance to cultivate enterprise, the beneficiaries must be those who are capable or show distinct potential. Nonetheless, the system can integrate 'need' based criteria of a converse variety – instead of giving preference to the poor who need help, in this case, the policies can be designed to reduce assistance to those who have repeatedly received government benefits. Circling back to need-based selection, microfinance and savings schemes can distinctly target the poor, and even operate regardless of identity.

Table 5. Incorporating need-based and merit-based elements to boost affirmative action

Policy sector	**Need in selection criteria – two distinct ramifications**		**Merit in selection criteria:**
	Preference for economically *disadvantaged*	*Limits* or *sunset clauses* for repeat beneficiaries or economically empowered	*Preference* with respect to *capability*, *potential* and *competitiveness*
Higher education	• *High potential for cultivating capability and inter-generational upward mobility, including through need-based financial aid* • *Family background (disadvantage beyond one's control): logical and practical selection criteria, and can be applied irrespective of identity*		• *Promoting academic achievement and competitiveness are vital, besides increasing access for the disadvantaged* • *Scholarships can reward and promote achievement –amount of sponsorship can correspond with financial need*

Policy sector	**Need in selection criteria – two distinct ramifications**		**Merit in selection criteria:**
	Preference for economically *disadvantaged*	*Limits* or *sunset clauses* for repeat beneficiaries or economically empowered	*Preference* with respect to *capability*, *potential* and *competitiveness*
High-level employment	• Possible application to *fresh graduates*, at recruitment stage		• Important to show *competency* and capable *leadership*, especially in public sector and GLCs, and to promote *diversity*
Enterprise development	• Applicable to microfinance	• *Maximum* quantum/ repetition of benefits, or incentives/requirements to *graduate* or *exit*	• Imperative that beneficiaries are *capable* and *competitive*, and *graduate* out of preferential treatment
Wealth and property ownership	• *Broad-based distribution*/ priority for low-income households should be prioritised, especially in savings schemes – some can be extended to all, irrespective of identity	• Case for *rolling back* preferential treatment, especially for high-income households	• Beneficiaries of wealth/ asset transfers must be *productive*, process should prioritise new, *innovative* ventures

Source: Adapted from Lee (2021a).

A few specific case studies help illustrate the workings of this framework. The following are instructive:

1. University admissions. Drawing on practices of similar contexts, such as South African universities, offer lessons for Malaysia. The University of Cape Town's admissions operates in three rounds:
   i. Admissions of a proportion of the entering cohort based solely on academic qualifications;
   ii. Admissions based on qualifications, with allowance for disadvantaged students. UCT devises a system that awards points to disadvantaged students – effectively, boosting their scores as a reflection of their challenging circumstances;
   iii. Admissions that strive to foster diversity after seeing the results of the first two rounds.

2. Public procurement. A 2019 policy change by the Construction Industry Development Board (CIDB) set a time limit on the G1 contractors' registration – which is a pre-requisite for participating in public procurement. Newly registered contractors may only operate for up to 12 years, after which their contract will not be renewed and they will need to upgrade to G2. Previously registered contractors face a different set of limits. This stick approach shows efforts are in place to address the age-old problem of over-concentration of G1 Bumiputera contractors, and tendencies to remain in the smallest tier. However, this exclusive 'stick' approach is inadequate; the door remains open for contractors to start new proxy companies through family members, while only a few move up to G2. Certain carrots can potentially enhance the policy, such as a points system for new registrants at each tier, which follows a downward scale with each successive year or each contract won (Lee 2021d).

3. Targeted quality revamps and opening up of Bumiputera programmes or institutions. It is salutary to increase non-Bumiputera space in currently exclusive domains, practically and psychologically – to assuage anxieties in the Bumiputera population by showing the policy at work in manageable and not in overly disruptive ways. However, the approach must be tactful, gradual, and constructive. Matriculation colleges, a recurrent target of calls for quota modification (raising the non-Bumiputera above the current 10%) or increased overall enrolment, must go beyond grappling for more spaces in this fast-track and watered-down programme. More importantly, the rigour and scope of the matriculation syllabus – and university-based Asasi (foundation) programmes as well – must be re-examined, such that university entrants through these pathways are adequately equipped. Yayasan Peneraju Pendidikan Bumiputera stands out as a candidate for an institution that shifts from a mono-ethnic domain toward inclusiveness. It is a new institution, and hence less baggage-laden, and is, above all, founded for the express purpose of reaching out to students of disadvantaged and difficult backgrounds to support technical and professional studies. Whether Yayasan Peneraju reconfigures entirely, or opens up a parallel multi-ethnic programme, can be deliberated, but it constitutes a clear starting point.

4. Housing property discount. This policy is among the most contentious, inducing a wide range of objections, particularly when the discounts are applied to sale of expensive homes – a conspicuous consumption item – that only the rich can afford. Discounts, coupled with ethnic quotas, also adversely impact housing developers due to foregone income and the recurrent low take-up of Bumiputera units. Altering this practice, however, presents a seemingly insurmountable challenge. In part, and perhaps counter-intuitively, the tendency to focus on the luxury market may undermine the cause, by limiting the application to a small sliver of homeowners. Establishing new norms of purchasing homes without ethnic discounts might actually require broader scope for social awareness to grow, including among younger home buyers. For instance, the threshold above which the discount ceases to apply might be set at RM500,000, not the recurrently cited RM1 million baseline. The solution ultimately rests in a change of mindset, to view the relinquishment of the discount as proof of empowerment. This may well be a cause more effectively undertaken by young adults at their first property purchase. The current policy of designated Bumiputera lots and limiting sale to Bumiputera buyers, which curtails prices in the secondary market price, are an inter-related challenge. Efforts to promote residential diversity besides quotas and discounts will need some serious deliberation.

Conclusion

Has the New Economic Policy aged well? At 50, its imprint looms large, its legacy endures, its persisting presence polarizes.

In retrospect, it is important to understand the spirit and the original aims of the NEP, its implementation strategies and its outcomes. The strengths of the NEP's formulation must be acknowledged, and its gaps and omissions rigorously evaluated. Policy underpinnings, objectives and instruments must be aligned, and overlaps lucidly mapped.

Malaysia has maintained a steady record in sustaining economic growth and reducing income poverty – the chief outcomes of the first prong. Whether Malaysia could have or should have done better in combatting poverty or generating economic growth, especially in view of the post-Asian financial crisis which led to drastic economic slowdown, will be continually debated – and it can never be fully resolved, dependent as they are on counterfactuals (Thillainathan and Cheong, 2016). Additionally, the main interest in the NEP, and arguably the more important debate, pertains to the second prong, namely to restructure society through affirmative action.

The programmes and institutions established under the banner of NEP since 1971 have led to extensive progress in promoting Bumiputera upward mobility, which empirically corroborates the NEP's transformational role in Malaysia's history. Its principal achievements in facilitating socioeconomic opportunity through preferential measures did increase Bumiputera, especially Malay, representation in higher education and high-level occupations and professions and the community's socioeconomic stake through owning and operating enterprises, and wealth holdings. Appraisal of policy shortcomings must also proceed systematically, examining the quantitative and qualitative outcomes on a sector by sector. The NEP signalled that its fruition entailed less reliance on quotas and overt preferences. However, its defining shortfalls are the deficiencies in promoting capability, competitiveness and confidence among the Bumiputeras. Malaysia has failed to broadly equip the community for the ultimate goal of "full partnership" in the economy. It must be emphasised that affirmative action under the NEP operated in multiple policy sectors; accordingly, policy analysis and reformulation must adopt a sector-by-sector approach, rather than propagate the notion of a single, monolithic expiry date.

The discourses surrounding the NEP, and its succession or closure, also demand greater objectivity and rigour. Persistently framing the debate in terms of continuation-vs-termination of the NEP wrongly casts it as a static behemoth, and omits the tremendous changes that have taken place in recent decades, including modifications to Bumiputera policies and emergence of group-targeted interventions designating Indians, Orang Asli, and women as beneficiaries.

This paper has proposed a new paradigm to provide clarity and coherence of the NEP nation building project. It does this by critically analysing NEP's strengths and addresses its omissions and gaps, taking into account historical and contemporary contexts.

Clearly, this calls for a fundamental reset. The proposed cohesive Malaysian society paradigm builds on the NEP's two prongs while acknowledging its omissions and outdatedness: the first principle of *equality safeguards well-being, dignity* and *basic rights through universal provisions;* the *second principle* of *fairness* anchors efforts to *foster participation, achievement* and *diversity* through *group-targeted measures*. Importantly, Malaysia's policy conversations must also seek a balance of identity, need and merit in various spheres, and project sector-specific targets and timelines.

A final point must be registered in view of the ways the NEP invariably spurs spirited debate. Formulating a new policy paradigm will require a shift in mindset, from closing ranks – typically along ethnic lines or political allegiance – and defending group interests, to empathetic listening and engagement, and magnanimity in finding new areas of compromise and consensus.

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