

# The Colour of Inequality: Ethnicity, Class, Income and Wealth in Malaysia

Mohd Zul Alwi bin Mat Adam

**Title** : The Colour of Inequality: Ethnicity, Class, Income and Wealth in Malaysia  
**Author** : Muhamed Abdul Khalid (2004)  
**Publisher** : Kuala Lumpur, Malaysia, MPH Publishing  
**No. pages** : 249  
**Price** : RM40.00  
**ISBN Publication** : 9789674152147

Does anyone recall the heart-breaking scene of William Defoe as Sgt Elias missing the helicopter rescue while running away from the battlefield in Vietnam in the movie *Platoon*? Or maybe the opening scene from the movie *Dunkirk*? The scenes reflect exactly what I felt after reading the book *The Colour of Inequality* written by Dr Muhammed Abdul Khalid.

Someone is missing the boat. That is the theme of the book.

This book is about economic inequality. Malaysia has progressed a lot since the early days of its independence in 1957, and to date has overcome many challenges in the transformation towards becoming a developing nation. Malaysia has made a lot of progress in the shift from an agriculture-based economy, then to an industrial economy and later to a service-based economy. The question is, how has all this benefited the people? Some might enjoy the fruits, but the majority have missed the party.

While the many economic achievements seem to be very positive, we can see their direct impact. But one also notices the divergence of the result in which the inequality also widens. So, these are the overwhelming issues that need to be discussed further as presented in the book.

Chapters 1 and 2 set the foundation to our comprehension of the inequality issue, which is the history of why it happened. At first, I was astonished to read how eloquently the author put everything in pieces, not just the numbers but the background to the issue. The immigrant mindset of temporary living for the Chinese and Indians, and largely the Chinese, influenced the accumulation of wealth by ethnicity. This, while the Bumiputera settled comfortably on their own land felt no pressure to accumulate wealth, having the "having enough" mindset or "*kais pagi makan pagi, kais petang makan petang*" mindset. While the immigrants were accumulating wealth to bring



back to their original homeland, their next generation did not share the same goals. When they were absorbed to become citizens of Persekutuan Tanah Melayu and Malaysia later on, they were already ahead in terms of wealth.

This is very important to understand why inequality occurred in the early days and as to determining what to do next. The New Economic Policy was introduced to close the inequality gap. Although it was quite impactful, it still failed to close the gap.

Another point that needs to be highlighted is the connection between the usage of income and wealth inequality. As the book clearly explains, wealth is transferable while income is not. And wealth has a compounding effect. Second, ownership of wealth also significantly contributes to income. Hence, the better parameter to use is wealth compared to income, and it is proven valid because the wealth inequality Gini coefficient is higher than income Gini coefficient. The author supports the arguments with another factor, which is leverage accessibility, political and economic power, and socio-political related problems.

Chapter 3 provides the details of the arguments in Chapter 2. The discussion revolves around the depth of inequality, by ethnicity. One of the glaring facts is the fact that the ethnic Chinese has 2135 times the amount of financial assets than their Malay counterpart, and

an Indian has 1296 times the amount of the Malay. Although it is a known fact, the numbers are indeed worrying. 72% of those who have no financial assets are Bumiputeras, followed 21% Chinese and 7% Indians.

However, within ethnicities, the disparity continues. It is shown that those who have zero financial assets are 66% Indians, 64% Bumiputeras and 56% Chinese. The numbers show that the majority of Malaysians have no savings, no investment assets, and no financial assets. It is within ethnicities that the wealth is unequal, the rich minority having most of the wealth while the poor majority lack it.

Chapter 4 tries to find the answer as to why the gap occurs in a more comprehensive manner. Age, education level, and occupation are used to get a clear picture. As for education levels and occupation, it is very much expected that the wealth is proportional. An interesting fact lies where the age cohorts, where the disparity actually starts very early at age 20, in which the ethnic Chinese possesses RM163,000 which is on average 3.31 times more than a Bumiputera. Since it is quite impossible to attach such wealth at such a young age, inheritance might be the factor.

Another interesting fact is the education level comparison which shows the same pattern, but the author suggests and proves with World Bank

economic research that it might be the hiring policy and unexplained premium of wages for the Chinese that contributed to that result.

The author then discusses the reason why some existing government policies are unable to close the gap. While the NEP somehow achieved some success in improving Bumiputera wealth and well-being, the implementation was somewhat of a failure. The author provides interviews with the Implementation Coordination Unit (ICU) at the Performance Management and Delivery Unit (PEMANDU) where the responses given were quite surprising. There was no initiative to combat the issue of the widening wealth gap issue among Bumiputera as now the policy was not in place any more and could be said to have been abandoned. For the purpose of clarification, PEMANDU ceased to exist with the formation of the new Malaysian government in May 2018.

This failure however is further amplified by a few other factors such as the weak pressure groups of political parties. The author highlights that these political-based parties championing the rights of the Malays had no solid plan and strategy on how to tackle the issues. Another factor is the implementation failure at GLC level, as GLCs faced the conflict in terms of managing with absolute corporate governance or having Bumiputera friendly policies in place.

Chapter 5 discusses the way forward and solutions to the issues. The review of the current existing policies was done to study the impact of the inequality, both between classes and ethnicity. The strongest factors that encourage the inequality were identified as tax structure, education policy, and asset prices.

The tax structure argued to favour the rich more than the poor by the means of the relaxation of the Real Property Gains Tax (RPGT), zero cost transfer for inheritance, and the ceiling limit for income tax brackets. I feel the author opines that acquiring property is seen as rich people accumulating wealth activities rather normal property ownership. That is why he includes the exemption of RPGT for the first time and between families as part of the argument.

However, I do agree that zero inheritance cost and capital gains tax do give advantages to the rich and contribute to the inequality. However, things should not only be assessed from one point of view in order to plan for a sustainable fiscal policy for the nation. Perhaps there are reasons why it was decided this way before.

Asset prices show no sign of retreating, with the last 10 years showing a very sharp rise in the property market. Homes are becoming unaffordable to many Malaysians, thus favouring the rich and marginalising the poor even more.



Another factor is the education policy. With the abolishment of the quota system and the implementation of meritocracy, the inequality will remain if not widen even more. Because many Bumiputera cannot afford the cost of higher education, scholarships and loans were introduced. But the issue to be faced later on is that fresh graduates will have to pay debts, while their rich friends have no debt, thus again not solving the wealth inequality problem.

## CONCLUSION

The book has successfully clarified the issue of inequality through solid root cause analysis; in-depth factual comparison by classes and ethnicity; proof of existing, underlying, and emerging problems; and suggestions to solve the issues practically by using a three-faceted approach. The three-

faceted approach comprises institutional reforms, easing asset acquisition for the bottom social structure, and addressing the massive concentration of wealth in the richest Malaysians. Other key action items are tax reforms and educational policy change.

This book must be read with a prerequisite. You must have a clear heart and mind to accept the fact that is presented with the passion to help further close the inequality gap. Nothing is to be taken personally when any ethnic group is mentioned because if Malaysians are passionate enough to help solve our nation's problems, then Malaysians must do the necessary things regardless of background. As many Malaysians now have indicated hope through the new Malaysian government, it is my view that the future could be more promising and the issue of inequality will be given proper address. ■