Dr. Mahathir wasted no time in transforming Malaysia in line with his vision of a modern, industrialized nation, setting the goal of becoming fully developed by 2020. Once dominant primary commodities, already receding, gave way to the production of manufactured goods and the embrace of a high-tech future. With the economy expanding at an annual average rate of 6.1 per cent for the 22 years he was prime minister, Malaysia was one of the developing world’s most successful countries. It was all the more impressive for being a Muslim-majority nation, indicating that Islam could be compatible with representative government and modernization. That it was achieved while a comprehensive affirmative action programme was being applied to such an ethnically diverse population added lustre to Malaysia’s internationally acclaimed success.

As the government poured money into highways, airports, skyscrapers, bridges and container ports, Malaysians ditched their bicycles and motorbikes for cars and more cars. With manufacturing growing from about 30 per cent to more than 70 per cent of exports, Malaysia became an economic dynamo and one of the world’s top 20 exporters. It even became an exporter of capital, investing in regions as diverse and distant as Eastern Europe, South Africa and China. The World Bank declared Malaysia, along with neighbours Singapore, Thailand and Indonesia, part of East Asia’s “economic miracle”.

Actually, high growth rates in Malaysia were not new. Throughout the 1970s, the decade before Dr. Mahathir came to power, the country averaged an outstanding 8 per cent a year. Under the tech-savvy and driven Dr. Mahathir, however, it was the transformation of the economy, with its modernizing effects, that was more palpable than the increase in gross domestic product (GDP), and more resonant in the public mind. The expansion of industry, construction and finance changed the face of the economy and society and fuelled what political economist Lee Hwok Aun called “a nationalistic fervour towards the development project”.

B. Wain, *Malaysian Maverick*  
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With per capita GDP almost quadrupling to about US$9,000 in purchasing-power parity terms, poverty was reduced dramatically. Malaysia experienced accelerated urbanization, and saw the emergence of a growing middle class that included a significant number of Malays. Change was most visible in Kuala Lumpur, where gleaming steel and glass towers sprouted, while mansions appeared alongside luxurious condominium blocks in residential areas to accommodate the newly rich and ostentatiously wealthy.

Yet Malaysia’s development under Dr. Mahathir was far from smooth. In seeking to industrialize, he directed Malaysians not to emulate the West but to “look east” and become a powerhouse like Japan, with their own steel mills, cement plants and a national car to clog the roads. Almost ten years of unprecedented prosperity, when Malaysia was the darling of international investors, opened and closed with severe recessions. To deal with the second contraction, the 1997–98 Asian economic crisis, Dr. Mahathir defied International Monetary Fund (IMF) orthodoxy and introduced capital controls.

Amid overall progress, signs of increasing inequality at the lower end of society were a cause for concern. While reducing the gap between the Malays and Chinese, the affirmative action New Economic Policy (NEP) was leaving the poorest Malaysians behind. The evidence suggested the NEP was being used – and abused – to channel benefits to better-off Malays, especially those closely connected with UMNO. No element was more controversial or politicized than privatization, where contracts were awarded to help build a Malay industrial and commercial class that was internationally competitive. Although a number of Malay entrepreneurs became household names, their companies faltered during the regional economic crisis, indicating they had failed to overcome their dependence on government support.

The NEP itself, originally meant to last for 20 years, morphed into a semi-permanent policy and was regarded by most beneficiaries as an entitlement. Deeply resented by other Malays, as well as non-Malays, it posed an obstacle to national integration. It also hindered the country’s external performance, just when Malaysia needed to sharpen its game to participate in a more competitive international environment.

Although the NEP had been running for ten years and was half completed when Dr. Mahathir took over in 1981, it fell short in his eyes. In urbanizing many Malays and helping them acquire new skills, in free-trade zone factories and in universities at home and abroad, the NEP was meeting some of his earlier demands. But Dr. Mahathir aimed for nothing less than the creation of a “new Malay”. It would take a mental revolution and a cultural transformation to rescue the Malays from their economic backwardness, which amounted to a “millstone around the nation’s neck”.

In his writings, Dr. Mahathir identified what he called Malay traits, such as passivity and laziness, as well as negative attitudes to money, property