

Anne Booth. *Economic Change in Modern Indonesia: Colonial and Post-Colonial Comparisons*. Cambridge: Cambridge University Press, 2016. 235 pp.

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In an increasingly frenetic academic world preoccupied with “A”-star journal articles, we seldom enjoy the good fortune of a magisterial work in which an author calmly distils a lifetime of knowledge and experience. Anne Booth’s *Economic Change in Modern Indonesia* is such a book.

Born a New Zealander, Booth trained in economics before arriving in Indonesia in 1972 while a young PhD student of Heinz Arndt at the Australian National University. Her grassroots studies of land tax and irrigation led on to macro-level research on growth, income distribution, and poverty. She jointly edited *The Indonesian Economy during the Soeharto Era*, then published the monograph *Agricultural Development in Indonesia*, co-edited *The Oil Boom and After*, and was sole author of the economic history *The Indonesian Economy in the Nineteenth and Twentieth Centuries*.¹ These books are milestones along a journey of more than forty years of intensive study of the Indonesian economy across the spectrum of economic development, economic history, economic policy, and equity. Since 1991 Professor (Economics of Asia) and now emeritus at the University of London’s School of Oriental & African Studies (SOAS). Booth has managed with *Economic Change in Modern Indonesia* to pull all the threads together. She has woven a tapestry against which we may better understand the economy of Jokowi’s Indonesia in its present state of flux.

For those who come to Indonesia as foreigners, and perhaps also for those born in Indonesia, one’s perspective is calibrated by first impressions. Dutch people who lived in Indonesia before the Japanese occupation fondly remembered the “good times” of the *tempo doeloe* and were horrified at what they saw as the deterioration after Indonesia’s independence. Foreigners like George Kahin, Ben Anderson, and Herb Feith, who arrived during the Sukarno era, were fascinated by the vitality of Indonesian politics. Those like Booth who came in the early years of the New Order were impressed by the country’s progress in economic development, whereas those who came in the later years tended to see repression and corruption. Those who came at the beginning of *Reformasi* saw how unsettled and violent was the country, whereas those who came during the Yudhoyono decade tended to see democratic consolidation. In a rather dialectical way, each period has balanced the one before, which makes a long-term perspective on Indonesia all the more valuable. The past elucidates the present, while the present at least appears to make some sense of past muddles.

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¹ Anne Booth and Peter McCawley, eds., *The Indonesian Economy during the Soeharto Era* (Oxford: Oxford University Press, 1981); Anne Booth, *Agricultural Development in Indonesia* (Crows Nest, NSW: Unwin Hyman, 1989); Anne Booth, ed., *The Oil Boom and After: Indonesian Economic Policy and Performance in the Soeharto Era* (Singapore: Oxford University Press, 1992); and Anne Booth, *The Indonesian Economy in the Nineteenth and Twentieth Centuries: A History of Missed Opportunities* (New York: St. Martin’s Press, 1998).

Booth begins by introducing three “watersheds” in modern Indonesian history: the fight for independence in the 1940s, the struggle between Sukarno and the army in the mid-1960s, and the resignation of Suharto in May 1998 amidst economic crisis. The main part of the book that follows consists of eight chapters, five chronological and three thematic. Chapter 2 is a brisk review of the colonial era from the early nineteenth century to around 1940. Attention then turns to modern Indonesia, with the material organized around the three watersheds introduced in the opening chapter. Chapter 3 looks at the challenges facing the new republic after the turmoil of the Japanese occupation and the subsequent revolutionary struggle. Chapter 4 is an assessment of the New Order after General Suharto seized power in March 1966, and Chapter 5 analyzes the impact and legacy of the economic and political crisis of 1997–98. Chapter 6 then focuses on “The SBY Years” from 2004 to 2014, with the rhetorical subtitle, “Building a New Indonesia?” Booth is too discreet to mention it, but she was one of Yudhoyono’s PhD advisors, which would certainly have enhanced his impressive grasp of economics.

The three thematic chapters are substantial essays in their own right. Chapter 7, with the long title of “Economic Nationalism, Economic Rationalism, and the Development of Private Business after 1950,” explores the perennial policy debate between those who see themselves as nation-builders and those whose approach is more technocratic, but the main theme is the changing role of the private sector. Chapter 8 is vintage Booth, being an analysis of trends in income distribution and poverty during and since the New Order (the data being too sparse to allow much analysis before the late-1960s). Chapter 9 reverts to *la longue durée*, with a discussion of the changing role of government since the colonial era.

This rich feast does not boil down to any simple argument or theoretical insight, and Booth wisely does not attempt to package it in such a way. As the book shows, since 1940 Indonesia has experienced wild swings in its economic fortunes and its political and policy regimes. Such tumultuous history cannot be reduced to some bland average. Her own answer to the question “What is this book about?” is that the watersheds of regime change do not wipe the slate clean, and that many of Indonesia’s persisting economic problems can be understood as legacies of those previous regimes (6). “Legacies” is a plain English term that carries less baggage than does “path dependency,” which suggests a more deterministic view of history.

By no means does the book cover all relevant topics, and there are some important ones on which it touches only lightly, notably the sectors of manufacturing, infrastructure, and services. There are other aspects that might well be addressed, such as migration, urbanization, resources, energy, and so on. But attempting to do everything would not make it a better book. Booth writes to her strengths as an economist. She knows what data are available and has a forensic sense of what they do and do not convey. She gives due emphasis to economic growth, but emphasizes that economic growth is “a necessary but not sufficient solution” (234). She balances analyses of trends in GDP with careful attention to equity, a topic on which no economist of Indonesia has made a greater contribution.

If there is one area where Booth, like most economists, is vulnerable to criticism, it is her lack of attention to politics and institutions as opposed to policy outcomes and impacts. Her decision to structure the book around the three crises of regime

change might have suggested the desirability of some attention to political dynamics. Economists are at last, very belatedly, coming to appreciate the inseparability of economics and politics, with institutions being crucial links between them. Booth implies that Suharto's downfall flowed from a failure of institutions, but this is left dangling as a loose end. Likewise, there is no explanation of how democracy suddenly emerged from the wreckage of the New Order. Nor is there any discussion in Chapter 3 of the fledgling democracy of the 1950s, which, on page 40, is dismissed with the conventional phrasing of "political instability." In fact, the word "democracy" does not appear in the index.

The few lines that deal with the events of September 30–October 1, 1965, are also unsatisfactory: "An attempted coup in September 1965, during which six senior generals were killed, triggered mass killings of people affiliated to the Indonesian Communist Party" (3). As John Roosa and others have shown,² whether it was an attempted coup by the PKI or a preemptive action within the army is a moot point; the army personnel killed were not all "senior generals"; and something might well have been said as to how the killings were triggered and carried out, as well as the wide-ranging estimates of the death toll. Aside from the two world wars, the aftermath of September 30 will forever be one of the great bloodbaths of the twentieth century. The New Order's ex post legitimation by its impressive developmental achievements does not expunge the stain. As Indonesia still grapples with this awkward legacy by official silence, economists could do more to confront it. Those who are suspicious of economists see their suspicions confirmed by the apparent glossing over of atrocities, or acceptance that the ends justified the means. Nevertheless, it does not follow as a logical corollary that those whose prime interest is politics or history should best remain ignorant of economics and its subtleties, which Booth is very good at setting out.

The lack of political analysis also shows up in the thematic chapters 7 (Economic Nationalism) and 9 (Government). Economic nationalism is, as Booth recognizes along with her late colleague Thee Kian Wie, one of the great battlegrounds of Indonesian politics. Her leitmotif is the role of private business, which was highly controversial in the socialist era of the first twenty years, but flourished by default during the period of Guided Democracy; was tainted by cronyism during the New Order, but has become almost respectable since then. Until around the 1980s, university graduates sought prestigious positions in the public service; now they look to opportunities in the private sector. In Joko Widodo, Indonesia has its first president whose career had been that of a businessman. His vice president, Jusuf Kalla, still is a businessman; the failed presidential candidate Prabowo Subianto ran with the backing of his brother's business conglomerate; and former senior minister and, until recently, the head of the Golkar Party, Aburizal Bakri, was the country's leading indigenous tycoon. Former president Sukarno must be turning in his grave. Booth's account of the vicissitudes of private business since 1950 is therefore timely.

However, it would have been more enlightening if Booth had also charted the changing role of state enterprise that, as she observes, were the prime beneficiaries of the nationalization of Dutch and other foreign-owned companies in the late 1950s and

² John Roosa, *Pretext for Mass Murder: The September 30th Movement and Suharto's Coup d'etat in Indonesia* (Madison: University of Wisconsin Press, 2006).

early to mid-1960s. China has witnessed the emergence of a substantial private sector in a state still controlled by a Communist party, but the commanding heights of the Chinese economy remain dominated by a complex of central government state enterprise, with provincial government enterprises important at the next level down. A priori, the position of state enterprise could be expected to weaken in democratic Indonesia, because political power is more diffuse, but there are some signs, at least in the infrastructure sector, that state enterprises are experiencing a resurgence. Booth makes passing reference in the previous chapter to efforts to reform state enterprises, but does not go beyond “little was achieved after 2004” (123).

These issues flow through into Chapter 9, which does rather less than its title suggests, “The Changing Role of Government from the Colonial Era.” As in her previous writings, Booth takes a public-finance view of the state. That has the big advantage of drawing on consistent data on revenue and expenditure over the past century, and she tells an interesting story. After 1901, under the guise of the Ethical Policy, the role of the state gradually expanded. In the early years of independence, the rhetoric was socialist and much of the non-agricultural sector was, indeed, nationalized. But in fiscal terms, the state overreached and succumbed to hyperinflation. The New Order saw strenuous efforts to balance the budget and restore the central state apparatus. Then, in the 1990s, came signs of retreat, accelerated since 2001 by fiscal decentralization. Thus, by 2014, central government expenditures had declined to just below 20 percent of GDP (234). Booth fleshes out this story with discussions of administrative capacity, corruption, and the scope for applying pro-poor policies. Her inescapable conclusion is that the Jokowi government’s ability to achieve its aims both to improve infrastructure and to boost social welfare will be compromised by a lack of fiscal capacity. Over the course of 2016, the force of this constraint has been starkly revealed.

Beyond fiscal capacity, however, lies a more fundamental question of just what is meant by “the state,” in modern Indonesia. In colonial times, it was readily apparent that the state was controlled by the Dutch, which eventually gave rise to the revolution (Booth’s first watershed). In Boothian terms, the new republic inherited the apparatus and many habits of governing that defined the colonial state. In *The Emergence of a National Economy*, I made the heretical argument that the economic watershed of the mid-twentieth century was not, in fact, the revolution, but the 1930s’ Great Depression, which gave rise to a much more interventionist and regulatory state.³ In an effort to bolster an unstable export-import economy weakened by the collapse of global commodity markets, the colonial government, through its new Department of Economic Affairs (Economische Zaken), broke with all tradition by introducing protectionist measures for both agricultural products and manufactured goods, and followed that, upon the outbreak of war, with controls over foreign exchange and prices. Both the regulatory mechanisms that were applied and the mentality for doing so already existed before the Japanese invasion. On reestablishment of an emergency government in 1945–49, the Dutch became even more interventionist, which was consistent with prevailing attitudes in Europe, then

³ Howard Dick, Vincent J. H. Houben, J. Thomas Lindblad, and Thee Kian Wie, *The Emergence of a National Economy: An Economic History of Indonesia, 1800–2000* (Honolulu: University of Hawai’i Press, 2002), 153–93.

beginning its postwar reconstruction, and even in the United States, where the New Deal ethos still prevailed. Indonesia's moderate socialism of the 1950s was therefore not out of line with belief and practice in much of the rest of the world. Then under Guided Democracy, nationalization brought the whole foreign-owned sector into direct state control, while the public sector burgeoned to the point where it became completely dysfunctional. For all the rhetoric, Sukarno did not so much create socialist and bureaucratic institutions as subvert them. It is a pity that Booth did not engage with this argument, which links to that of Ben Anderson's about restoration of the state-qua-state in the New Order period.⁴

The subtitle of Booth's previous economic history of Indonesia (1998) was, rather bleakly, "A History of Missed Opportunities."⁵ After witnessing a decade of consolidation under SBY, Booth is now neither a pessimist nor an optimist. She points out that, despite rising living standards, there is widening inequality, which is especially manifest in people's access to education and health services. Poor infrastructure and environmental degradation are also enormous challenges. She concludes that if governments can tackle these challenges, "hundreds of millions of Indonesians can look forward to a better quality of life. But if they fail, the country faces a very uncertain political and economic future" (235). So wait and see.

The assumption behind this apparently neutral formulation is that government and an autonomous state is somehow mindful of the public interest rather than besieged and buffeted by special interests. Since *Reformasi* began in 1998, the great transformation has been democratization. In the colonial era, and to some extent during the New Order, the state certainly did have a degree of autonomy that Suharto encouraged by insistence upon formal, legalistic procedure. Democratization has provided direct mechanisms for people and communities to make demands upon the state, a process reinforced by the increased authority and democratic accountability of local government. At the same time, business owners and managers are becoming more aggressive in leveraging the state by funding political parties and candidates. Corruption is a symptom of this contestation. Thus, politics-in-the-raw has become central to economic policy and distributional outcomes. Yet even if Booth stops at the point where it gets really interesting, any intelligent observer of Indonesia, or any policy maker in Indonesia, would do well to consult this book and keep it close to hand. It is clear, concise, and authoritative; well-grounded in data and analysis, and measured in its judgments; and it springs from Booth's genuine concern for the future prosperity of Indonesia and its people.

⁴ Ben Anderson, "Old State, New Society: Indonesia's New Order in Comparative Historical Perspective," *Journal of Asian Studies* 42 (1983), 477–96.

⁵ Booth, *The Indonesian Economy in the Nineteenth and Twentieth Centuries*.

