

Thomas B. Pepinsky. *Economic Crises and the Breakdown of Authoritarian Regimes: Indonesia and Malaysia in Comparative Perspective*. Cambridge and New York, NY: Cambridge University Press, 2009. 326 pp.

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Thomas B. Pepinsky's exciting political economy analysis compares Indonesia's and Malaysia's authoritarian regimes at the point of economic crisis in 1997–98. Why, he asks, did one collapse but not the other? The analysis combines theoretical rigor with engaged fieldwork, bringing an important new contribution to the studies of these countries and for that of the political economy of authoritarian regimes. He poses a complex argument based on the premise that the success or failure of an authoritarian regime faced with financial crisis depends on how the needs of mobile and fixed capital coalition agents supporting the regime are accommodated, or not, in the formation of adjustment policy. As Christian Chua similarly argues in his book *Chinese Big Business in Indonesia: The State of Capital*,¹ the role of capital in this political constellation is critical. Pepinsky uses his extensive skills in qualitative, as well as empirical, statistical analysis to show that, in cases where mobile and fixed capital make up this coalition (as in Indonesia, Argentina, Uruguay), it will lead to conflict in a crisis: "Mobile capital is a dangerous coalition partner for authoritarian regimes because it can easily redeploy overseas" (p. 272). This type of coalition, moreover, makes for seemingly illogical and erratic policy, destined to fail. Alternatively, when agents of fixed capital are involved and work together with ruling elites (Malaysia, Chile, Mexico), political and economic stability can be achieved and authoritarianism remains.

A decade on from the fall of the New Order government on May 21, 1998, shadows and shadowy figures remain in the many accounts from political scientists, historians, and other social scientists regarding this period of crisis and transition, and in their interpretations of what exactly precipitated Suharto's decision to resign. Pepinsky's assertion, then, that "there are no black boxes in this account, no actors without agency ..." (p. 156) in his analysis of the Indonesian case, is highly tantalizing. Moreover, his confidence in taking on existing "incomplete" theories about this regime change, and replacing them with his own, promises bold new analysis; so it is to this treatment of Indonesia's case in particular that I turn my focus.

Indonesia's Regime Collapse

Analyses of the demise of the New Order have pointed to the role in its final weeks of coalitional politics, detailing the reassignment of alliances among the political parties, cabinet members, and military.² This new analysis of a coalition in support of

¹ Christian Chua, *Chinese Big Business in Indonesia: The State of Capital* (Abingdon and New York, NY: Routledge, 2008).

² See Edward Aspinall, "Opposition and Elite Conflict in the Fall of Soeharto," in *The fall of Soeharto*, ed. Geoff Forrester and R. J. May (Bathurst: Research School of Pacific and Asian Studies, Australian National University, 1998), pp. 130–53; and Ken Young, "The Crisis: Contexts and Prospects," in *The fall of Soeharto*, pp. 104–29.

Suharto classified in terms of these partners' interests and motivations as "holders of capital" groups adds to the analysis an until-now discounted agent of policy change.

Pepinsky's formulation sees Suharto's coalition of supporters as those holding fixed capital—the military and *pribumi* (native, non-Chinese) entrepreneurs—and those with mobile capital—the elite Chinese–Indonesian business owners known as *konglomerat*, with whom Suharto's own family, the military, and indigenous businesses had long relationships of patronage. The closeness of the *konglomerat* to Suharto personally and these mutually beneficial arrangements are well documented and have been considered in analyses of the political economy of the New Order and studies of ethnic Chinese–Indonesians (in which Chinese financiers are commonly termed *cukong*). This literature largely agrees that, in spite of their proximity to the center of power during the New Order, their position was at the same time ambivalent and contradictory, and restrictions on ethnic Chinese as political actors remained.³

Chua has similarly argued that, by the late 1990s, the Chinese capitalists comprised a "structurally decisive bourgeoisie inside the capitalist oligarchy." However, he differs from Pepinsky on the crucial issue of their political role, which, like Coppel, MacIntyre, and others, Chua believes continued to be "restricted by the social status of [their] ethnicity."⁴ In Pepinsky's conception of this power struggle between holders of fixed (*pribumi*) and mobile (Chinese) capital at a time of economic crisis, he sees no such limitation.

As any rational theorizing must, Pepinsky's aim is to answer a quite narrow question: why did Suharto choose to resign when he did? Why not on May 14, at the peak of the May 13–14, 1998, rioting, or months earlier, in December, when his health had deteriorated? Why at this particular point in time? In answering this question, Pepinsky takes on a vast existing body of literature, but also popular understandings about the fall of the New Order, and attempts to knock the wind out of them—in particular, the contention (in fact little supported in scholarship) that mass protest or a "mass groundswell of discontent" (p. 159) was responsible for Suharto's political demise. Pepinsky also argues against the idea that economic crisis itself or international pressure was the trigger. Rather, he posits that it was the breakdown of this coalition between fixed and mobile capital that prompted Suharto's eventual resignation on May 21, a week after the violence in Jakarta. The "mass exodus" of Chinese–Indonesian *konglomerat* in the days following this rioting was, Pepinsky writes, "decisive in bringing down the New Order regime" (p. 183). For, as it became clear with the rioting on May 13–14 that the *konglomerat*'s reason for supporting the regime (i.e., security) "was no longer available," (p. 184) they fled the country, thereby withdrawing from Suharto's coalition of supporters and creating an opportunity for those remaining to launch a challenge.

³ Andrew MacIntyre, ed., *Business and Government in Industrialising Asia* (St. Leonards: Allen & Unwin, 1994); Charles Coppel, "Chinese Indonesians in Crisis: 1960s and 1990s," *Studying Ethnic Chinese in Indonesia* (Singapore: Singapore Society of Asian Studies, 2002), pp. 14–47; Ariel Heryanto, "Ethnic Identities and Erasure: Chinese Indonesians in Public Culture," in *Southeast Asian Identities: Culture and the Politics of Representation in Indonesia, Malaysia, Singapore, and Thailand*, ed. Joel S. Kahn (New York, NY: St. Martin's Press, 1998; and Singapore: Institute of Southeast Asian Studies, 1998), pp. 95–114.

⁴ Chua, *Chinese Big Business*, p. 69.

Anti-Chinese Violence and Regime Change

Among new-president B. J. Habibie's first items of business, in June 1998, was launching his "Bring Them Home" project. He sent special envoys around the world to encourage Indonesia's ethnic Chinese to return from their self-imposed exiles. Following the outbreaks of mass violence across Java in early 1998, but particularly in Medan, Jakarta, Solo, and Surabaya in mid-May, it is estimated that twenty to thirty thousand Chinese-Indonesians left the country or relocated to more-remote regions and cities deemed as safer places to live. With them went their "mobile capital," which they now parked in banks, property, and investment markets in Singapore, the United States, and Australia. We do not know precisely how much this amounted to, or for how long the mobile capital and those controlling it stayed away. Indonesian economist Kwik Kian Gie argued at the time that a great many of those who fled in mid-May in fact returned just days later, and so any economic upheaval was marginal. But Habibie's "Bring Them Home" campaign, with its special envoys, which included the likes of James Riady, son of Mochtar, was proof of how very critical the government (and international lending agencies) regarded the return of this mobile capital for the fate of Indonesia's economic recovery. As Chua has detailed in his study of the conglomerates in post-New Order Indonesia, enterprises would in the coming years return (albeit slowly) to a changed, though favorable, political and economic regulatory environment conducive to their ways of doing business.

In the literature on the violence against ethnic Chinese-Indonesians during this period, anti-Chinese sentiment, scapegoating, and prejudice were seen to be consequences of the economic and elite political crisis. The ways in which anti-Chinese activities were employed as useful tools by elite and the common person alike to express frustrations, deflect blame, or jockey for a share of power are documented.⁵ But Pepinsky's analysis goes further to argue that anti-Chinese violence was, in fact, the *trigger* for Indonesia's regime change; that such violence and maneuverings fomented the most significant event in Indonesian political history in over thirty years.

Perhaps the *konglomerat* themselves knew it; Pepinsky believes Suharto knew it; but it is doubtful that either the supporters of the *reformasi* movement or the key political figures, whose shifting alliances over the week of May 14–21 were instrumental in pushing Suharto out, would want to accept Pepinsky's representation of this as *the* critical condition for Suharto's resignation. Moreover, students of history, social movements, political science, and other disciplines will perhaps have difficulty accepting an analysis that boils down such a critical "event," one rooted in a cumulative history(ies), to a single act or explanation (as Pepinsky's theory does). They may go so far as to point to the absence of particular empirical evidence supporting this trigger-point analysis; there are, it would appear, no interviews with Suharto, Habibie, or others close to the situation available for inspection. How can we then hope to know definitively what ultimately forced Suharto's hand?

When applied to the Indonesian case, Pepinsky's analysis allows us to see with great clarity the truly effective nature of anti-Chinese violence when it occurs both

⁵ See Jemma Purdey, *Anti-Chinese Violence in Indonesia, 1996–1999* (Honolulu, HI: University of Hawai'i Press, 2006); and John T. Sidel, *Riots, Pogroms, Jihad: Religious Violence in Indonesia* (London and Ithaca, NY: Cornell University Press, 2006).

spontaneously in certain conditions in Indonesia, and in a more targeted and systematic way, guided by skilled agents. An understanding of the conflict among the *konglomerat* and the military and *pribumi* business interests over adjustment conditions during the economic crisis helps us answer questions about why anti-Chinese sentiment and violence were able to spiral out of control, and why certain agents took such a prominent part in it. As Pepinsky and others have observed, by May 14 the *konglomerat* had come to realize that the “normal” limited form of anti-Chinese violence, until then accepted as a condition of their privileged position, had been breached.⁶ (Unfortunately, it is incorrectly stated that “thousands of Chinese–Indonesians were killed and raped ...” [p. 156]. In fact, very few ethnic Chinese died in the violence. The dead were almost all *pribumi* urban poor.⁷) Nevertheless, the rioting in mid-May was arguably only the final straw. For months, key partners in Suharto’s coalition of supporters (so-called fixed-capital holders), the military, and those close to the *pribumi* entrepreneurs and the Cendana family, including radical Islamic leaders, were engaged in virulent scapegoating of ethnic Chinese and, in many cases, also the withdrawal of protection (upon which the Chinese business owners had come to depend).

Pepinsky argues that when anti-Chinese sentiment is considered together with the conflict between “capital holders” over adjustment policy at the time, we are able to understand that the anti-Chinese rhetoric was “not simply a matter of prejudice but a reflection of the division of fixed versus mobile capital” (p. 187). Indeed, when examined in relation to the elite levels of politics and economy, this argument is reasonable and accounts for the attempts to staunch capital flight and currency speculation in early 1998. Unquestionably, however, prejudice had a role to play beyond elite politics, where capital and structural adjustment were meaningless concepts and daily survival the preoccupation. Pepinsky says little about the repeated attacks at the same time on those accused of “hoarding” and of raising their prices illegally—Chinese–Indonesian shop-owners. Rhetoric inciting anti-Chinese violence came from government employees, Muslim radicals, and military leaders. It was used to create a wellspring of unrest at the grassroots level against Chinese small-scale “mums and dads” traders. The intention was clearly to incite prejudices and latent grievances in villages and towns which relatively easily turned into violence. Together with the disappearances of student leaders at this time, the cumulative effect of this unrest was a widening sense of fear and anxiety.

What, exactly, Suharto’s own role in the early 1998 anti-Chinese rhetoric was remains unclear. The president’s single recorded attempt to call publicly for calm was meager and half-hearted. Did he have a part in the attacks on Sofyan Wanandi,⁸ which,

⁶ See Purdey, *Anti-Chinese Violence*; Chua, *Chinese Big Business*; James T. Siegel, “Thoughts on the Violence of May 13 and 14, 1998, in Jakarta,” in *Violence and the State in Suharto’s Indonesia*, ed. Benedict R. O’G. Anderson (Ithaca, NY: Southeast Asia Program, Cornell University, 2001), pp. 90–125.

⁷ See Joint Fact Finding Team (TGPF), “Final Report about The 13–15 May 1998 Riot, Jakarta,” October 23, 1998; Tim Relawan untuk Kemansusiaan (The Volunteers Team For Humanity) (TRuk), “Di Balik Aksi Kerusuhan Dan Pembantaian Massa,” Jakarta, May 18, 1998. For a discussion of the debate over “numbers,” see Purdey, *Anti-Chinese Violence*, chapter 5.

⁸ In January 1998, ethnic Chinese businessman Sofyan Wanandi (Liem Bian Koen), head of the Gemala group of companies and once close to Suharto, was linked to the banned political party People’s Democratic Party (PDI). A campaign of rumor and accusation about this alleged association, including questioning Wanandi’s loyalty, was led by elite members of the military, including Maj. Gen. Syafrie

as Pepinsky points out, widened the growing schism between the fixed and mobile capital groups? If Suharto did, indeed, sanction such rhetoric, while at the same time trying to keep the *konglomerat* on his side, at best Suharto clearly misjudged his own abilities.

Indeed, Pepinsky holds firmly to the premise that, until the end, Suharto acted rationally and strategically. He discounts the so-called “null hypothesis” put by those who, like Liddle⁹ and Elson,¹⁰ say that Suharto’s age, or the potential distortion brought to his decision-making by his greedy family’s interests, were decisive factors in the regime’s final undoing. But I think Pepinsky dismisses these considerations too easily. Moreover, Pepinsky’s treatment of the Cendana family is under-analyzed. Most troubling is that his classification of “mobile capital” as belonging solely to the *konglomerat* (racially defined, though he denies it matters) overlooks the probability that the Suharto family itself sent their own considerable funds offshore.

Analysis of social and political history is not an exact science. At the end of the day, the motivations of human beings, particularly those with whom politics is mostly concerned, the elite and powerful, can only be approximated and categorized. In Pepinsky’s study of the breakdown of authoritarian regimes in times of economic crisis, statistical and qualitative methods coupled with empirical fieldwork shed critical and stimulating light on the restraints, limitations, and, most importantly, interests of the major players. This is a rich and bold comparative study that will facilitate a revival of thinking, not only about regime change in the Indonesian case, but, as Pepinsky argues, much more broadly than that. It is further proof of the intricate interplay of money politics and the politics of suppression so imperative in authoritarian regimes.

Sjamsuoddin and Gen. Feisal Tanjung. Immediately prior to this campaign, Wanandi had criticized the “I Love Rupiah” campaign as ineffective and had earlier spoken out in favor of IMF reforms when Suharto chose to ignore them.

⁹ R. William Liddle, “Indonesia’s Unexpected Failure of Leadership,” in *The Politics of Post-Suharto Indonesia*, ed. Adam Schwarz and Jonathan Paris (New York, NY: Council on Foreign Relations, 1999), pp. 16–39.

¹⁰ R. E. Elson, *Suharto: A Political Biography* (Cambridge: Cambridge University Press, 2001).