
Institutional Reforms of the Guided Democracy (1957-1965)

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Abstract

Guided Democracy implemented a series of institutional reforms meant to coordinate national planning and control the civil service. I argue that the development of new institutions may allow for the formation of the New Order state. The article looks at how a highly politicized and very inefficient state was a precursor to Indonesia's twentieth-century developmental state. Understanding more about the Guided Democracy state is essential in understanding the New Order state, and thus Indonesian post-colonial history.

Keywords: *Institutions, Guided Democracy, decolonization*

Introduction

The aim of this article is to designate the institutional development of the Guided Democracy (1959-1965) as one of transition. This transitory period was one of the most important ones for the political economy of Indonesia in the twentieth century since it represented a shift of policy from the laissez-faire, neo-classicism of the pre-Guided Democracy to the corporatist, developmental-state Guided Democracy and New Order. New Order historiography has continuously stressed that the transition occurred as a result of the change of regime, from the Old Order to the New Order. Guided Democracy was lumped together with the period of parliamentary democracy (1950-1959) as an 'Old Order' to signify not only that their similarity, but also their inherent dissimilarity with the New Order. Yet, much of the organizations, institutions and personnel of New Order hailed from the Guided

Democracy regime. The Guided Democracy state had important features anticipating the New Order state: it was modernist, centralist, and corporatist.

The Guided Democracy state was an experimental state. According to Soekarno; 'If we admit that the Indonesian revolution is not yet over, we have to understand that we will have to confront continued renewal ... Try this, if it doesn't work, try another, if that doesn't work, then another ... Revolution is a dynamic process.' (Soekarno, no date: 62). This was in line with the reigning thought of the day. In 1956, Soekarno visited and marveled at China's state-led development process, two years before Mao Zedong plunged his country into the experiment of the Great Leap Forward (Ghoshal, 1986: 96)¹. The United Nations

1 Soekarno was greatly affected by ability of Communist countries, especially China, in leading the people to create massive industrial and infrastructural projects. He once said 'if you were to ask me to make a comparison what I learned

designated the 1960s as 'Development Decade', signifying a trans-ideological and naïve belief in the efficacy of a development model that was, in large part, developed in the United States and exported throughout the world by both economists and the newly developing science of public and business management. The 1960s brought forth the idea of development aid (Easterly, 2006: 33-49).

In this modernist view, the problems of development were reduced to technical matters. The answers were to be obtained by application of scientific management and developmental economics. The role of the people was supplementary to the role of the scientific planners. This modernist fetish for a scientific answer to the problems of the state and state-society relations was different from the older, political economy of liberal democracy, with its neo-classical outlook that constrained the role of the state to implementing the law. The shift thus represented a shift away from a law-based state controlled by the elite of legal experts to one a technocratic state in which control was increasingly exerted by the technocratic-inclined military. The form of government that insulated decision-making from the social and political forces of society was coined *bureaucratic polity* by political scientist Karl Jackson. 'Like islands cut off from the social sea surrounding them, bureaucratic polities are largely impervious to currents in their own societies and may be more responsive to external pressures emanating from the international community', he wrote (Jackson, 1978: 4).

Why is it at all important to study a regime that had a brief life and died a violent death? There was a fundamental lack of connection between the reforms of the planning and management institutions of the state and

policies and implementation on the ground. One might protest that understanding the organizational/institutional reforms initiated during the brief Guided Democracy period is of little use. The argument here is that because institutional development is path-dependent, these institutional reforms became the foundation for the development of the New Order state that came after. As a transition, some characteristics and institutional aspects of the New Order developmental state was developed, while others were not. Guided Democracy itself was thus not a developmental state. Because developmental states arise out of institutionally-determined 'path dependency', understanding Guided Democracy is central to understanding the New Order. This article begins by positioning the developmental state against the historical legacy of the colonial state. The periods of parliamentary democracy and Guided Democracy are briefly surveyed in two subsequent sections. Separate sections are devoted to corporatist and technocratic planning during the Guided Democracy. A final section deals with reform in Indonesian civil service management.

Developmental state versus colonial state

The New Order State was proud to be included in the 1993 World Bank publication on the East Asian miracle. It was grouped together with far more successful countries such as South Korea, Taiwan and Malaysia, together constituting the High-Performing Asian Economies (HPAEs). The HPAEs implemented a state-led development model that resulted in sustained economic growth accompanied by increasing equity (World Bank, 1993: 27-77). Traditionally, developmental states were accorded to East Asian economies that had successfully implemented such state-led development. White and Wade wrote: 'a politically and economically pervasive state regulates industrial and agricultural

and experienced during my first wave of visits to the USA, Canada, Italy, West Germany and Switzerland and what I learned and experienced during my second wave of visits to socialist countries, I say firmly, once again firmly that I gained more experience and knowledge during the second wave of visits.'

accumulation, production and exchanges through a network of political supervisory agencies, administrative bureaus and subordinated productive units.' (White & Wade, 1988: 15). Developmental states had specific governmental and political-economy characteristics, including a developmental elite with relative autonomy, a powerful, insulated and competent economic bureaucracy, a weak and subordinated civil society, a capacity for effective management of private economic interests and an uneasy mix of repression, poor human rights, legitimacy and performance (Low, 2004: 10-11).

The state conducted rational planning through a highly competent bureaucracy, usually within a pilot agency and institutionalized effective relationships with the domestic business class in which the bureaucracy was both close and distant from the business class it influenced and nurtured (Beeson, 2004: 30-3). All of these were possible because the tiny state elite monopolized both national public discourse and policy-making. Centralization and repression and selective, incorporated access of civil society to the state were institutionalized. Most importantly, a developmental state needed a purposive state fuelled by an ideology focusing on economic growth and development (Kohli: 2004: 20-4).

The New Order has a controversial track record in development. In the 1970s there was criticism that the state's modernization process was basically symbolic. Rex Mortimer edited a book with the telling title *Showcase State* that showed the hollowness of the New Order development (Mortimer, 1973). More damaging was the study by Yoshihara in the 1980s, who contends that economic growth in Southeast Asia was the result of renter capitalism instead of advancements in productivity (Yoshihara, 1988). The New Order developmental state was an example of Ersatz capitalism in which growth depended on foreign direct investment

(FDI) with little actual control of the economy (Jomo, 2004: 59-63).

Yet, it cannot be dismissed that a measure of poverty alleviation and social development was achieved. The Green Revolution, family planning, the expansion of rural education and health care all had tremendous effects in overall human development. Total factor productivity growth in Indonesia was considered to be limited, but not insignificant (Van der Eng, 2010: 294-309, Alisjahbana, 2009)².

Suffice it to say that although growth was sometimes accompanied by excesses that were damaging, it was relatively broadly based. It was also based on the development of specific institutions or agencies in charge of, amongst others, national planning, family planning, and the implementation of the Green Revolution. The core of these agencies had experts educated in Western countries and were linked with university institutions. Such an incorporation of the intellectual class as a technocratic workforce for state-led development has been called the bureaucratization of Indonesian social science (Hadiz & Dhakidae, 2005: 5).

Suharto was successful in reforming the bureaucracy by reducing its size, strengthening its loyalty through a military exoskeleton and improved the activity and performance through pay boosts (Emerson, 1978: 82-3). Military control of the executive and its support of the technocrats in policy choices created a united, incorporated state, turning a weak state into a strong one.

The Parliamentary Democracy period supported a state that was, in large part, similar in its neo-classical, almost laissez-faire policy to the colonial state as a result of the Round Table Conference (RTC) agreement. As Hans Schmitt notes, 'the Indonesian

² There is some controversy about the numbers. Pierre van der Eng (2010) estimates Total Factor Productivity (TFP) to have been negative over the period 1975-1997, whereas Armida Alisjahbana (2009) finds that TFP growth accounted for 30 per cent of total growth during the entire period 1971-2005.

political leadership was virtually restricted to performing administrative and police functions' (cited in Chalmers & Hadiz, 1997: 10). That state effectively ended in March 1957, when Prime Minister Ali Sastroamidjojo returned his mandate and Soekarno proclaimed the State of War and Siege thirty minutes later. Karl Jackson contends that since 1957 the basic form of government was the same and although the actors and policies have changed, Indonesia had then embarked on its 'bureaucratic polity' project (Jackson, 1978: 5). In December 1957, labour unions, followed by the military, took over Dutch enterprises. The colonial economy had been retained a result of the RTC agreement, but also because policy-makers maintained a largely neo-classical approach in which the state was supposed to intervene as little as possible in the economy.

The Indonesian colonial state was a neo-classical one. It had an almost seventy-year strong history of open and free trade, although the early twentieth century did bring about efforts at welfare intervention (Booth, 1998: 135-137). The colonial government only briefly toyed with measures of protection and industrialization in the 1930s as a means of combatting depression and countering the increasing threat of Japanese economic predominance. There were few reasons for the state to undertake social intervention, although the Ethical Policy was the first sustained attempt by a colonial power to implement policies that later would be termed developmental (Booth, 1998: 105). Investment in capital goods mostly focused on the transport infrastructure, although there was some social investment in Java such as agricultural extension, irrigation, health care and credit service. Social investment in education and health remained piecemeal. Peter Boomgaard concludes that only a small part of the relatively well-to-do peasants enjoyed the services rendered by the government (Boomgaard, 1987: 79). Gross Domestic Product (GDP) grew by a

measly 1.7 per cent on average per year between 1901 and 1928 before actually falling during the depression of the 1930s (Booth: 1998: 34-5). Considering that annual average economic growth during the New Order period amounted to some 5 per cent during three decades, one may safely infer that the developmental state delivered better results than the neo-classical state.

Douglass North contends that ideology - the way people perceive how the world around them works - was essential for the development of institutions (North, 1991: 97-111). Institutions were a kind of connecting surface whereby the inherently faulty way humans perceived reality was tested on the capricious and unknowable real world out there. Institutions grew out of a learning process that tried out various forms, rewarding those that minimized uncertainty because of a reduction in transaction costs. Transaction costs or efficiency can only be gauged in relationship to the ideological context. In this regard, both the colonial state and the developmental state were efficient based on their bounded rationality.

The ideology of the Netherlands Indies state was summed by the Dutch economist Boeke and the legal specialist Van Vollenhoven as well as the British historian Furnivall in the term plural society. The perception was of a race-based division within society that was culturally deep, between the white, Western and modern section of society and the indigenous, traditional section. Modernity was a sideshow of the small White/Eurasian settler colony that gained some power within decentralized municipalities and provinces. The colonial state was conservative; its goal the maintenance of *rust en orde*.

The new ideological project of Guided Democracy was thus a learning process with the elites knowing very little about what the transaction costs were. This ideological shift is central for us in understanding the travails of Indonesia during both the period of parliamentary democracy and the Guided

Democracy. The shift towards an ideology glorifying unity under the direction of the state incorporating everyone was not just the result of the failure of the colonial experience, but also caused by the failure of parliamentary democracy.

Parliamentary democracy (1950-1957)

The perceived problem with parliamentary democracy amongst a wide variety of observers has been the weakness of the state to coordinate. Internally, the state's organization was fragmented along party lines and patron-client relationships, whereas externally the presence of strong social organization impinged upon its ability to implement policies. One important instance was the failure to rein the inflationary rise of civil service ranks. In the early 1950s, Vice President Hatta proclaimed the need to reduce the number of the 420,000 amalgamated Civil Service staff by half³.

Protests by labour organizations had the Minister of Public Personnel quickly squashing this as a mere rumour. Differing calculations show different numbers of civil servants working for the Indonesian government, but at least one of the calculations put the aggregate at a huge 1.7 million in 1953 (Emmerson, 1978; Biro Perantjang Negara, 1956: 271)⁴. The weak coordination of the state happened on an inter-departmental and on a vertical level. The Republic of Indonesia (RI) was created through the amalgamation of several states of the United States of the Republic of Indonesia (Republik Indonesia Serikat, RIS), which itself was the

result of the amalgamation of the colonial and the Republican states. Trust between departments and ministries and within the center and the regions was very low. Because of the multiplicity of vertical forms during the pre-RI period, there was some confusion as to the proper vertical authority channels during much of the period. Much of the focus of the period has been on creating effective coordination processes within the central government. Less attention was paid to the problems of coordination on a vertical, central-regional level. The discussion on the center-region focused more on the problems associated with decentralization. The effort for coordination was conducted through the formation of new institutions, usually directly under the Prime Minister, that gathered the few experts available in the country. These new organizations were politically protected by their central position in government and worked in a discrete manner. The proliferation of councils and committees was another effort at coordination, although they tend to bog down the decision-making (Panglaykim & Palmer, 1969: 29)⁵. Efforts to change the structural problems of the state went nowhere. The problem of the absence of expertise was acute. Efforts to import foreign workers through the creation of a Foreign Workers Office (Pusat Tenaga Bangsa Asing, PUTABA) in 1951 met with disappointment. Numerous vacancies were not filled although the office tried a wide range of European countries to obtain workers. Help came through the international aid structure. The United Nations and the United States government provided help, initially in the form of a contract with an engineering consultancy group, then by providing expertise for the Planning Bureau created in 1951 (Biro Perantjang Negara, 1956: 271). Planning was seen as the main answer to the problem of coordination, as such much of the

3 The number of civil servants in the Netherlands Indies in the early 1940s was hovering around 40,000 individuals. The Civil Service of the United States of the Republic of Indonesia, created in 1949, was the result of the amalgamation of the Republic of Indonesia and the various pre-federal states brought together under the label BFO (Bijeenkomst Federaal Overleg).

4 By 1968, the number of civil servants ballooned at 2.5 million people. Emmerson believes that much of the statistics on the Civil Service in the 1950s and early 1960s underestimated the true numbers. The five-year plan for 1956/60 put the total number at 1,727,548.

5 Committees were important to minimize the risk that a decision made by a government agency would not be recognized by others. In addition a committee appeared more 'competent'

international economics expertise was within the Planning Bureau.

Aside from recruiting overseas expertise, Indonesia also began sending people to study outside the country. This required forging institutional linkages between Indonesian government organizations with both an Indonesian university and a foreign, usually American university. There was at the same time a major expansion of tertiary education in Indonesia resulting in the founding of various new universities throughout the country. It was a general social experiment of the 1950s facilitating the implementation of ideas from the West into various developing nations. Guided Democracy had some of its roots in this scientific expansion. The development was succinct in the sense that it was very new. Many of the organizations and institutions created represented a caesura with colonial institutions and organizations (Russell, 1967: 29).

The shift towards Guided Democracy required an increasing participation by the military in the institutional development of the state. The origin lay in the military's role in solving problems of regional rebellion and corruption. The only anti-corruption law to be implemented in Indonesia during the 1950s was issued by General A.H. Nasution as Head of the Army after the military emergency had been installed in 1957. The anti-corruption effort strengthened the legitimacy of the military. It also glaringly exposed the inefficiency of the parliamentary system.

There was an increasing tendency in the public discourse towards the view that major problems were rooted in the political forms of the state. The party system was attacked repeatedly by the President, Nasution and many others. Parliament was seen as a complicit in retarding the anti-corruption effort. This required a change in the democratic system, but what kind of change and, even more importantly, what were the aims of such a change? Soekarno called the change

revolutionary. It was an extension of the Indonesian revolution of the late 1940s, which implied that the period after the Round Table Conference agreement in 1949 and throughout much of the 1950s had been a period in which the revolution went on suspension. Yet, Soekarno was never clear as to what the end of the revolution would look like.

Guided Democracy

The regime of the Guided Democracy emerged as a reaction to the failure of parliamentary democracy. Therefore, it was intensely preoccupied with trying to solve the problems that had plagued that period, notably civil service inefficiency and a lack of planning and coordination. Many of the new state organizations now developed were created for the purpose of fixing such problems. Castles has called the regime a bureaucratic 'great leap forward' (Castles, no date). I will look purely within the institutional development of the state, not considering the economic and social conditions on the ground. There was a profound lack of connection between the implementation of new institutional experiments and the situation on the ground. In fact, the economy was subsumed under political ideals during the entire Guided Democracy. Soekarno 'compressed brute economic facts into the exact shape which would have fitted his ideology' (Tan, 1967: 29). I chose to periodize Guided Democracy roughly into two parts. The first one is a corporatist period, extending from 1957 to 1962, represented by the Depernas and its efforts to open up participation by modern organizations in the state. The second part is a technocratic period, running from 1962 to 1965, represented by the rise of Bappenas, where ambitious planning was conducted in order to recreate the nation's political economy.

I choose to let the period begin in 1957 rather than the formal and conventional 1959 because of the major developments in that year, including formal participation by the military

in civilian life, the effective termination of the last vestige of the colonial economy through the takeover of Dutch corporations. The rise of both the *kabinet karya* under Djuanda and Depernas was much more pertinent as cues for the rise of the new ideology. The rise of the military provincial governors allowed for a gradual transfer of regional control from civilian to military authorities. The period of the Guided Democracy in fact showed a gradual expansion of the military in civilian government posts and business management. The year 1957 also witnessed a large arrest of former ministers and important government persons in relationship to the military anti-corruption effort. Several of them, including Sumitro Djojohadikusumo, Sjafruddin Prawiranegara, Jusuf Wibisono and Ong Eng Die, had been key economic policy-makers in the period of parliamentary democracy. The field was, as it were, open to new ideas.

Many institutions were developed during the period of the Guided Democracy, but I will mainly deal with those related to matters of coordination, planning and management. There are two reasons for this. First, the problems of coordination, planning and management had been central in the discussion among government officials during the parliamentary democracy period. Second, these were the kinds of problems that were central to the creation of the Indonesian developmental state. The solutions combined political repression and technical application.

Aside from the planning institutions of Depernas and Bappenas, there were several other important organizations important to the

Guided Democracy experiment. They include the Bapekan (Badan Pengawas Kegiatan Aparatur Negara, Surveillance Body for State Personnel), the Paran (Pengawas dan Retooling Aparatur Negara, Surveillance and Retooling of State Personnel), the LAN (Lembaga Administrasi Negara, State Administrative Body) and the Institute for Social and Economics Research (Leknas) of the Indonesian Science Council (MIPI). These organizations were created for the purpose of increasing the capability of Indonesia's civil service and to look into bottlenecks and problems within the government apparatus and create a scientifically and politically correct cadre. These efforts stemmed from the belief that as a result of the fragmented ideology of political parties and their infiltration in the civil service, the creation of good governance required both the application of scientific public management and a rigorous and institutionalized indoctrination campaign. Many new universities were created, some offering both public and business management. The FEUI became the foremost source of economics expertise during this period, whereas Gadjah Mada University's

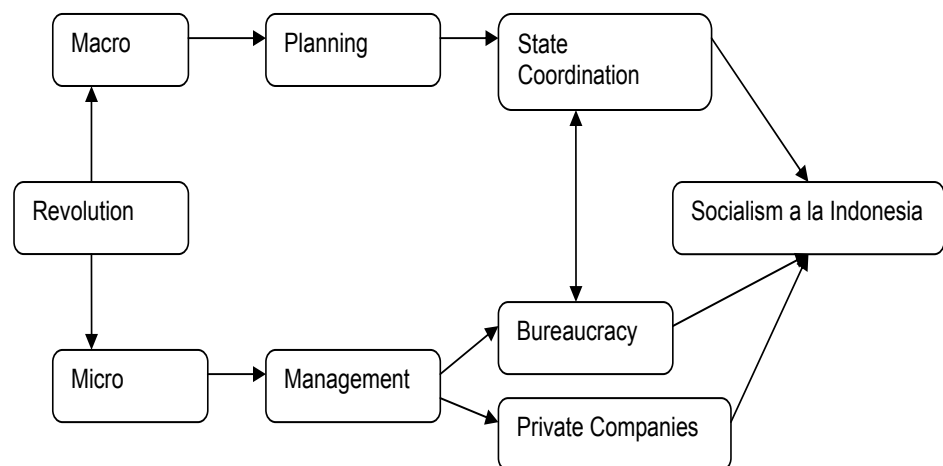


Figure 1. The Guided Democracy revolution for the government

Administration Development Institute (Balai Pembinaan Administrasi) worked alongside various other corporate, university and military administration courses and programs.

Pertinent institutional changes discussed here may be represented graphically as follows:

Corporatist planning

The initial development of Guided Democracy came as an effort to meet the demands of the regions outside Jakarta voiced at a series of congresses. The first one was the creation of a National Council (Dewan Nasional, DN), functioning as a parliament of the *karya* groups. The DN was an effort to move away from the party-based society considered to have inflicted such tremendous damage to state and society during the preceding period. The idea was to incorporate every modern organization and create a consensus about the policy of the state. The idea of *karya* was essential: it represented people or organizations in society grouped by function. Within this organic view of society, everyone and every organization had a specific contribution to the revolution of society. Western-influenced groups, for instance relatively liberal, pro-American parties like the PSI (Partai Sosialis Indonesia) and Masyumi, were banned, as were organizations considered to be in conflict with the Indonesian character such as the Freemasonry, once popular among leading intellectuals in Indonesia, but banned in 1961.

Since Soekarno's trip to various Communist and Western countries in 1956, he had been adamant about the urgency of an Overall National Plan. On 7 October 1956, the DN decided in its fourth gathering to create a Dewan Perantjang Nasional. The engineer Johannes from Gadjah Mada University was invited to head a 19-man committee to discuss the formation of the planning board (*Duta Masyarakat*, 19 September 1957). At a public meeting in Makassar, Soekarno once again reiterated the importance of development coordination. 'Development must be coordinated, and development that is based on the separate action of each man is not correct. Do not develop on our own.

Java, Sumatra or the Celebes cannot be developed if each island does its own thing ... We will devise coordination within the National Planning Bureau. The Bureau will determine the coordination effort, coordination between regions and among different ethnicities.' (*Duta Masyarakat*, 28 September 1957).

The Planning Bureau was renamed Financial and Economics Bureau (Finek) but remained under the office of the Prime Minister. Although Depernas was furnished with the right to create an overall national plan, economic decision-making was still within the confines of the central government. At the top of the coordinating body was the Economic and Development Council headed by the Prime Minister. It had fourteen members, including the chairman of Depernas (with ministerial rank, the Governor of Bank Indonesia and the President-Director of the Development Bank. Finek provided the staff working for the Council. Another important body was the Monetary Council headed by the Finance Minister and responsible for the use of foreign exchange, the formulation of policies and supervision of the central bank. In addition, the Development Council formulated general policies for the State Development Bank (Humphrey *et al.*, 1962: 77-9).

The development of Depernas was deferred to the National Development Congress (Munap) held on 25-27 November 1957 in Jakarta. Munap was organized by the Planning Bureau and supposed to lay the foundation for a united national development plan. In accordance to the corporatist nature of development, it gathered together 400 delegations from various sectors of society (*Keng Po*, 26 November 1957).⁶ In

6 All civilian and military leadership in regions or provinces came along with advisors, members of central government, Parliament, the Constitutional Assembly, the National Council and representatives of traders, industrialists, banks, labour, farmers, youths, women, reporters, veterans, artists, religious leaders and so forth, all of whom represented in their modern organizational forms. The organizations included, amongst others, SOBSI, KBKI and RKS for labour, Majelis Perniagaan dan Perindustrian, DEIP, MII, KENSI

July 1958, the first Depernas meeting was held, headed by Prime Minister Djuanda. The meeting appointed Muhammad Yamin for the position of as chairman with ministerial rank. The members of Depernas were selected during a meeting in June 1959. Each province was represented by prominent individuals, usually the Governor. The military, police, national businessmen and minority groups were also invited.

Guided Democracy only incorporated modern organization, many of which representing 'modern movements' contribution to the creation of a new and modern society. Many also had a relationship with political parties, especially progressive ones such as the PKI (Partai Komunis Indonesia). It was also very much an affair that left out participation by economists. The early 1950s had seen policy-making by prominent Indonesian and a large concentration of Indonesian and foreign economists working together in the Planning Bureau to formulate the 1956/60 five-year plan. Depernas, by contrast, was created with minimal intervention from development experts (*Harian Rakjat*, 31 June 1959).⁷

Depernas was a less strictly organized version of the Planning Bureau, with far wider development plans that included also the military and the nation's cultural life. Involving very few development experts and facing severe problems with the statistical data, Depernas produced an eight-year national plan in just ten months. In addition, development expert committees were created with the task to solve

the data problem through meetings. 'More often than not, the numbers do not conform to other data, or were not in accordance to reality. Such a condition had forced the Depernas to calculate their own numbers in important fields through the creation of Special Committees, such as: Population Committee and National Income Committee.' (Bappenas, 1963: 8-9). The plan was derided as being unworkable by both people from outside of the country and those in government.⁸ When Soekarno visited the United States in April 1961, he gave a copy of the plan to President Kennedy. A team from Yale University was sent for a 24-day trip to Indonesia. It concluded that, unless Indonesia expanded its capacity to absorb capital for new projects, the plans would go nowhere without adequate skilled personnel, only adding to inflationary pressures (Humphrey, 1962: viii-xi).

Corporatist planning failed because the philosophy behind it was deeply flawed. On the one hand, this stemmed from the idea that democracy and participation in democracy, hence the creation of unity, would be enough to push forth development. It was an obvious answer to the chaos in which parliamentary democracy had indulged. By incorporating political and social organizations in government and letting them participate in the planning process, it would automatically smooth the process of development. To an extent it worked. In nationalized and government-owned companies, the presence of labour unions on the company board did reduce strikes significantly (Sanusi, 1963: 423-4).⁹

The reliance of expert foreigners for the design of the national development program was viewed with great suspicion. The corporatist period can perhaps be interpreted as a transitional period between a disappearing

and Perbana for the 'economic sector' in general, BTI, STII and Petanu for agriculture, PWI, IPPKN and Ikatan Wartawan Ekonomi for journalists, Wakil Legiun Veteran and MUVI for veterans, and LEKRA and BKMN for writers and artists.

7 Among the 80 members of Depernas, a special section was created for 'intellectuals' in order to allow that section of the *karya* society to participate. This group comprised six persons: Buntaran Martoatmodjo, a medical doctor and former minister of Health, Sudarisman Purwokusumo, a legal expert, Djuneid Pusponogoro, another medical doctor, Djokosutono, a legal expert, Prof. Tjan Tjoe Som and Imam Sutikno.

8 Arsip Nasional Republik Indonesia (ANRI), Jakarta: BAPEKAN, no. 5. 'The issue of financing overall development', Depernas' plan.

9 Labour disputes went from 4,131 cases involving 5.1 million workers 1957 to 1,077 cases involving 800,000 workers in 1960.

generation of Dutch-educated expertise and the rise of an American-educated expertise starting to occupy key positions in government in 1964/65 (Sadli, 1965: 184). In the most leftist circles, there was great suspicion against Dutch-trained experts, who were considered to have forfeited the country's independence by agreeing to Dutch demands during the revolutionary war and the negotiations at the Round Table Conference. Men like Hatta, Sumitro Djojohadikusumo and Sjafruddin Prawiranegara were sidelined, whereas others such as Djuanda and Muh. Yamin had passed away by the early 1960s. Newly trained American experts were graduating in the early 1960s. Many of them formed networks within the new organizations and with prominent universities. They were willing to look into the problems associated with the implementation of Soekarno's *socialism a la Indonesia*. The creation of MIPI and Leknas meant that the time was ripe for the experiment to try on something else that was new.

The technocratic Bappenas

Bappenas has become the iconic symbol of the New Order regime, similar to MITI in Japan. It was widely regarded as the central policy-making body of the New Order government since it conducted its own, arguably less impressive version of development. In many writings, Bappenas is assumed to have come into being after the fall of the Guided Democracy signaling the rise of rational purpose in the Indonesian government. Yet, it was the Presidential Act 12/1963 that reformed much of the planning process and state apparatus. The act integrated Depernas within Bappenas, which was founded in December 1963. Depernas would also be put under the office of the President. Thus, planning was demoted from a high government body to becoming part of the executive. This implied scaling down the corporatist idea.

Reintegration under the executive was again mentioned in Soekarno's 1963 *Ambeg Parama*

Arta speech in which he outlined the country's economic policy or Dekon, a terminology that according to Castles was influenced by management science (Castles, 1967: 79). By confining the Bappenas under the executive, it allowed for greater role of expertise within the body. The Bappenas had regional ambitions which would expand the scope of the planning, monitoring and evaluating aspect of their work.

Studies of alternative national planning had been conducted in the early 1960s by Leknas and the FEUI. Surveys of various planning agencies in Communist countries were made by Panglaykim and others. There was special interest in the Soviet Planning model introduced by Khrushchev in the country's sixth five-year plan (1956/60). The appeal of the plan was its decentralized and regional character. By 1962, much of Indonesia had been subdued by Jakarta. There was a large problem in trying to integrate an area known to have deep secessionist feelings which could flare up any moment. The Economics and Social Research Institute of University of Indonesia sent J.E. Ismael for surveys in Sumatra between October 1961 and February 1962 in order to assess future forms of state organization. Ismael found the state of coordination to be problematic (Ismael, 1962: 125-36). The need to create a functioning state organization that incorporated distant and problematic regions with the centre and to coordinate developmental planning animated a discussion that would eventually be pursued in Bappenas.

The Gosplan-Sovnarkhoze structure of the Soviet Union was cited several times in the discussion on Indonesian planning. The Gosplan was the Soviet's state planning commission, similar to Depernas/BPN/Bappenas, while Sovnarkhozes were regional economic councils. The Soviet Union was the technocratic state par excellence. It had the highest number of engineers on a per capita basis and its idea of planning was suffused with a deep belief in the efficacy of science, rationality and mathematics

to replace both democracy and the market. It was appealing in the fact that it left the reins of policy-making mostly in the hands of experts. Instead of democratizing planning, the Bappenas model would 'centralize' regions by dispatching technocratic embassies.

At the same time, the Bappenas model provided a level of independence to the regions in a way that was not threatening to Jakarta. The establishment of regional planning offices was opposed by the central government during the Depernas period with the argument that the regions were given plenty of representation in the planning body. With the wars dying down, provisions of regional planning became more possible and less threatening to the central government. In any case, control of the regions by the central government was reasserted by military means. During the Guided Democracy, effective control of many provinces was maintained by the military. The creation of the doctrine of territorial management, as one of three important military doctrines launched in 1962, coincided with civilian regional planning (Pauker, 1963: 28).¹⁰

Bappenas also continued the international institutional linkages that had been developed in the 1950s. Bappenas Lectures held by foreign experts became a regular occurrence whereas the Asian Institute for Economic Development Planning in Bangkok supported Indonesians in pursuing foreign institutional relations. The gathering expertise could be witnessed in Baperdep's national research group, which included various ministers that dealt with government research as well as Prof. Sadarjoen Siswomartoyo, head of Leknas. The relationship between Bappenas and research organizations such as Leknas and the FEUI was maintained throughout the period. Despite the fact that political relations between Jakarta and Washington deteriorated as a result of

the Malaysian confrontation, university and intellectual relations remained in place.

One may say that Bappenas was the civilian version of the military territorial doctrine in action. There were three separate organizations which would be part of Bappenas's repertoire of new institutional relations: Baperdep, Bakorda and Bamunas. The Baperdep (Badan Perencanaan dan Penelitian Departem, Departemental Planning and Research Body) was aimed to provide help for the coordination and smooth running of government ministries and department. It was created through the Government Decision 3/1964 in February of the same year. It functioned to create annual and long-term development plans and to conduct research for the purpose of planning. Its position in the ministries was as an aid to the respective ministers with the prerogative to formulate proposals. The Bakopda (Badan Koordinasi Daerah, Regional Coordination Body) aimed at helping the regions coordinate their regional plan with the national plan of Bappenas in a way similar to what had been available in the Eastern Bloc. Yet another important organization was Bamunas (Badan Musyawarah Pengusaha Nasional, Indonesian Council of National Private Entrepreneurs), set up for the cooperation of planning with private business. The head of the Bappenas was in turn supported through the Muppenas (National Development Planning Congress), a committee of the heads and daily heads of Bappenas, Parliament and governors or regional leaders.

Bakopda was an important element in the integration of regional and central government. Based on Presidential Act 19/1964, it placed governors as head with the task of creating a complementary regional development plan. It was also instructed to help the implementation of the national plan and to coordinate and supervise the implementation of regional development. The integration of governors within Bappenas meant that the delineation

10 The military territorial management was developed with the help of American-trained economists, such as Sadli, Widjojo Nitisastro and Subroto of the FEUI.

between the Department of Internal Affairs and the planning body became abstruse.

In April 1965, Soekarno proclaimed in Parliament that Indonesia had just entered the stage of Indonesian socialism. Many government officials were very anti-capitalist, including aversion against indigenous capitalists or state-owned corporations (Castles, 1967; Panglaykim & Palmer, 1969: 52). They were probably quite happy with the wide-ranging socialist plans of Bamunas. Its duty was to drive capital, power and experience of the private sector to arena of national development. Its first congress was held in February 1965, less than a year before the end of Guided Democracy, which, of course, could not have been foreseen at the time. Bamunas saw the need for a greater integration of private sector planning with government-owned companies and cooperatives in order to complement one another in reaching the targets of overall national development. The national private corporate world was required to tow in line with the state-created Ikrar Panca Bakti ethics code. A Private Corporate Honour Committee was planned to punish companies that failed to follow the ethical code and root out reactionary and contra-revolutionary businessmen.

One task of Bamunas was to restructure the entire private economy with the aid of a new bureaucratic organization called OPS (Organisasi Perusahaan Sedjenis, Organization of Homogenous Companies), an outgrowth of the nationalization of Dutch corporations in 1959 (Sanusi, 1963: 410). Nationalized-Dutch corporations that had been vertically integrated within conglomerates were regrouped based on their business function. Thus agricultural estates were taken out of the larger mother firm and collected into one government-owned estate corporations. Apart from the central OPS in Jakarta, the regions would have their own regional OPS alongside a regional Bamunas. The central OPS would be under the control of nine government departments; regional

OPS were under the regional Bamunas. This plan incorporated the entire Indonesian business world within the socialist, state-led development á la Indonesia.¹¹

Departments and regions were compelled by law to submit annual plans to Bappenas, where they would be assessed and corrected in light of the national plan. The task of formulating the annual Presidential progress report was given to Bappenas. A series of conferences between Bappenas, Baperdep and Bakopda was conducted in July and September 1964 in order to ascertain the borders of authorities between each organization. Bappenas was an effort to centralize and expand the executive's capability in the coordination of the state's job. Although participation by modern organizations continued in Bappenas, it was highly limited, mostly to the provincial level of Bakopda. The expansion of OPS was intended to gradually replace all non-government business organizations, including the Chamber of Commerce and KENSI.

The Bappenas planning effort would have created a truly technocratic state, in which experts would play major executive roles and opposition was reduced through incorporation or outright expulsion or sidelining in society. This did not, though, reduce the massive economic hemorrhaging that coloured the period. In fact, despite the intricate planning that went on in designing this next step in the Guided Democracy experiment, Soekarno's Dekon pushed Indonesia towards a greater militarization of the economy through the formation of the KOTOE (Komando Tertinggi Operasi Ekonomi, High Command of Economics Operation), which effectively reduced economic policy and planning to subsidiaries to the war against Malaysia. Economic measures aimed primarily at preventing the circulation of Malaysian dollars as currency in parts of Sumatra, in particular Riau, and at boycotting

11 Keputusan Musjawarah Bamunas ke-I, 19-20 February 1965, Jakarta. Bamunas: Jakarta, 1965.

of Singapore as a transit port for Indonesian goods. An increased effort was taken to expand exports in order to pay for the war effort.¹² The KOTOE was a short-term policy, while Bappenas was a long-term policy.

Civil service management

The development of organizations serving to change the capability of the Indonesian civil servants was the result of both Guided Democracy and the import of American ideas of public management. These organizations were instructed to monitor and to provide recommendations and conduct indoctrination. State surveillance and control was to be meted out on an individual level. Theoretically, this institutional structure envisaged the creation of a person who had different culture and behaved in a more modern and efficient fashion. If the planning agency was meant to form a technocratic center, management was for the rest of the government body. By this ideology, nation-building was to be effectuated on an individual level; a person was perceived as free-standing in a social vacuum. This vacuum was supposedly created after the process of incorporation. This of course, was not the case.

The organizations failed to cut at the heart of the inefficiency: the patron-client and clique culture that broke apart vertical authority and impaired the ability of the organic government structure to discipline and reprimand civil servants. A modestly working civil service only emerged after the rise of the New Order and its concomitant decimation of opposition to the government. Yet, the New Order learned about the experience of Guided Democracy in its indoctrination campaigns. This project is highlighted by looking at three key organizations: Bapekan, Paran and LAN.

Bapekan (Badan Pengawas Kegiatan Aparatur Negara, Organization for the

surveillance of government apparatus) was created alongside Depernas in 1958 with only a small outfit, consisting of a chairman, a secretary and three members. The chairman was the former minister of Defense Sri Sultan Hamengku Buwono IX. He brought his personal secretary, Selo Soemardjan, a Cornell-trained sociologist, to become the secretary of the organization. The four members were the former governor of East Java, Samadikoen, the pre-War Communist Semaoen¹³ and colonel Soedirgo from the armed forces. True to the corporatist nature and the NASAKOM ideals, the members were chosen to represent different power blocks of the nation.

Because of the modest dimensions of the organization, members were in close contact with one another. The organization had a very large mandate: to conduct surveillance and study cases where the efficiency or effectiveness of a particular state organization was hampered. Cases were chosen from complaints either from the general public or from above, sometimes from the President. The cases handled were varied indeed, including the successful staging of the fourth Asian Games in Jakarta in 1962, the land reform program that had just started in 1960, problems surrounding the ports of Tanjung Priok and Tanjung Perak and issues associated with reforming Indonesia's slow judicial system.

Paran had a far greater ability to pursue actions in an executive fashion. While the Bapekan was an expression of the ideals of NASAKOM, Paran was a military construction. Its head was General A.H. Nasution and its policies came from the philosophy of Nasution.

¹³ Semaoen had been exiled from the Netherlands Indies in 1923 as a result of his participation in the VSTP strikes. He had lived in the Netherlands and participated in the Indonesian student movement where he met with Hatta and others. In the 1930s, he left for the Soviet Union to study economics. He also worked for the Soviet government. His alleged work for the Soviet Planning Board in Azerbaijan was a leverage that he put to good use after his return to Indonesia in December 1957. He was awarded an honorary doctorate degree in economics by the Padjadjaran University in Bandung, where he taught in the 1960s.

¹² Laporan Tahunan Staf Komando Tertinggi Operasi Ekonomi tahun 1964. Jakarta: Staf KOTOE, 1964, pp. 10-13.

Even so, the idea of retooling was an indelible part of the Guided Democracy plan in order to disseminate the revolutionary spirit in the civil service. It was discussed briefly in the eight-year plan (Tedjaksumana, 1963: 55). Nasution believed that the problem was the absence of unity and camaraderie within the civil service. This was the result of the influence of political parties and their ideologies. Paran designed a number of indoctrination courses intended to root out people who were not supportive of the government, its policy and the revolution. The purpose lay in the belief of the essentially political nature of the problem of bureaucracy. The creation of a purposeful civil service was to be moulded by both a political and a technical scientific approach. In 1964, with the general shift of the Dekon, retooling was handed over from Paran to a newly created agency called Kotrar under the direction of Soekarno himself.

LAN was firstly envisioned by the report written by the Cornell University Public Administration professors Litchfeld and Rankin, after their three-month sojourn in Indonesia in 1954. They advised on the need to build an educational and research center in order to craft an Indonesian version of public administration and convey that concept as widely as possible within the civil service. Groundwork for the foundation of LAN was rather slow, but picked up in 1957. The organization prided itself for its indigenous start. In 1959, however, relations with the University of Indiana were initiated and a special Indonesian Public Administration project was created there. LAN would send its brightest members to pursue a master's and PhD degree in Bloomington, Indiana, while at the same time a team from Indiana was to help establishing a college in Indonesia.

In a wider context, Indonesia was expanding its capacity in administrative schooling in both public and business administration. The *Indonesianisasi* policy of the government had meant that from the early years of independence on, many corporations started providing

some training for their Indonesian staff. The first serious corporate training program was provided by the American oil company Stanvac in 1954. One of the largest programs was the business administration management course that Harvard graduate school founded in 1956 in the Philippines. Many of the graduates there had held talks with Harvard University to help create an Indonesian management program.

Nationalization of Dutch enterprises in 1959 resulted in a flow of bureaucrats and army officers to the management offices. The FEUI held a 'management week' and at least one military division had a middle management training program in Bandung. The supervisory body of industrial and mining companies (Bappit) also organized a management seminar.

Between 1955 and 1963, American aid on public administration reached a total of \$ 187 million. From 1952 to 1963, some 6,000 persons from around the world were sent to the United States for in-field training through ICA. The United Nations, Ford Foundation and the United States government helped to establish about 70 public administration training institutions in various developing countries. This included LAN in Indonesia (Siffin, 1976).

Public administration was not merely a purely technical application of a scientifically rigorous science. Its function somewhat mirrored Paran's idea of retooling, that is 'the effort to renovate the soul, arrangement, work procedures and personnel of all state organizations in the legislative, executive and other fields at the center and the regions so as to conform to the Political Manifesto and USDEK, so as to efficiently reach the goals of the state in the short and long term.'¹⁴

Aside from the more technical subjects regarding financial management, office management and so on, LAN taught and researched various topics, including personnel relations and leadership. The idea that

14 ANRI: Bapekan, no. 345.

Indonesian had the 'wrong' culture for modern management was widely shared in the 1950s and 1960s. Fagg contends that the Javanese notion of authority required the creation of a useful fiction of unanimous support for a particular person in office. That his authority was weak and the clique structure limited his ability to implement action stemming from his authority was beside the point (Fagg, 1958: 565-68).

Administration science sought to change the basic culture of the office, a culture that had been developed either as a long Javanese tradition or something recent as part of the decolonization process, depending on who one reads. Books and courses concerning the proper and scientific way to manage your schedule, table, paper work and personnel relations were published and taught. New English words were bandied about in the management schools as were new books with discussions on time motion studies, paper work simplification, workplace simplification, workplace commendation and reprobation, and so on.

The creation of ad hoc and new organizations served to increase basic civil service capability but it did not result in anything groundbreaking. Emmerson notes that 'compared to what it was during the first two decades of Independence, the bureaucracy of today [New Order] is less inflationary in size, less dispersed loyally & more able to act. For the political context of administration in Indonesia, 1965 was a watershed.' (Emmerson, 1978: 90). Although the New Order did some of the things that Guided Democracy could not, most famously in efforts to reduce the number of civil servants, there were things that the New Order inherited that helped it along in its quest to get a more efficacious bureaucracy. Whether this was ever achieved remains an open question, but the experience with retooling, management and incorporation surely offered ways to control the bureaucracy for the regime.

Conclusion

I am not saying that the Guided Democracy was a developmental state, for indeed, it was not. It had some characteristics that were very anti-developmental. Developmental states tend to have a relatively autonomous business sector, which is institutionally incorporated by the state. This 'embedded autonomy' allowed for a mutual, growth-oriented relationship between private business and economic policy-makers. The Guided Democracy envisaged a far more invasive relationship which would have eliminated the autonomy of the business sector altogether. In addition, economic growth was secondary to its political interests. Even so, Atul Kohli claims that 'the creation of effective states within the developing world has generally preceded the emergence of industrializing economies.' (Kohli, 2004: 2) Although a relatively effective state *did* appear in the form of the New Order, could it have developed the way it did without the Guided Democracy state as precursor? Several aspects of the developmental state were initiated by the Guided Democracy state.

First, developmental states are centralist and corporatist. It was Guided Democracy that won Indonesia's late 1950s civil war, destroyed the legitimacy of parliament and the political party system whilst incorporating modern social organization. In its later phase, the state became increasingly centralized and militarized, with the creation of both a military exoskeleton and an increase in the number of civilian posts taken over by military men. Many new bodies like Bappenas and Kotrar were under the personal direction of Soekarno himself, which signaled an increasingly personal rule of the state.

Second, many developmental states have a strong ideology that propels the state for purposive economic growth. Soekarno's *Revolusi* was not economic in character. He channeled much energy into nation-building; monuments were erected in Jakarta

in order to bolster creating national pride and character military adventures in West Papua and Malaysia (Kusno, 2000). Is it possible to consider Soeharto's *Pembangunan* ideology as having its roots in Soekarno's *Revolusi*? The mythologies of *Pancasila* and *UUD 45*, as well as the Indonesian revolution (1945-1949) were the same. The indoctrination and retooling campaigns were also similar. What Soeharto learned from Soekarno's mistakes was his neglect of the economy and of the technocrats. *Revolusi* would create the just socialist society á la Indonesia. *Pembangunan* had the same vision.

A more detailed discussion on the institutional development of the Guided Democracy is necessary in order to comprehend in a deeper and more meaningful manner the rise of Indonesia's specific developmental state. Guided Democracy is important in our effort to understand Indonesian history in terms of political economy and as a nation-state. That a developmental state appeared at all in Indonesia, dubbed the perennial Third World basket case in the 1960s, is a sobering fact of unintended consequences and the agility of institutions to adapt to new uses. The question of whether it would have appeared without the initial Guided Democracy state is crucial and needs further elaboration.

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