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DECENTRALIZATION & ITS DISCONTENTS

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DECENTRALIZATION & ITS DISCONTENTS

AN ESSAY ON CLASS, POLITICAL AGENCY
AND NATIONAL PERSPECTIVE IN INDONESIAN POLITICS

MAX LANE



INSTITUTE OF SOUTHEAST ASIAN STUDIES
Singapore

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Institute of Southeast Asian Studies
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Editorial Note

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Preface

This extended essay was written in late 2013 and early 2014, before the April 2014 election campaigns. One of the first lines written was: “There is a certain Jokowi-nesia afoot”. The March announcement by Megawati Sukarnoputri that the Indonesian Democratic Party of Struggle (PDI-P) would nominate Joko Widodo as its presidential candidate has accentuated this. Media coverage — including the social media — has narrowed down the formal political struggle for governmental power as one between Widodo, the *kabupaten* (district) capitalist, and Prabowo Subianto, representing the billionaire Djojohadikusumo family. At a certain level, it is a fight between *kabupaten* capitalism and crony capitalism, although there is no doubt much more behind this.

The emergence of a *kabupaten* capitalist as a presidential candidate, without doubt, has been possible as a direct result of the last ten years of decentralization, especially providing guaranteed funds over which local government can exercise some autonomy, giving local mayors and *bupati* greater room to nuance and market the implementation of policies as their own (when in fact such policies originated with international financial institutions working through the national government). The institution of direct elections for mayors and *bupati* has accentuated this trend. In decentralized Indonesia, Widodo has gone from head of the local businessmen’s association, to mayor of a medium-sized

town in Java, to governor of the province of Jakarta, and now, to being a presidential candidate of the Republic of Indonesia. He has done this through the PDI-P in a period when the PDI-P no longer has an obvious presence of big capitalists and former cronies in its ranks. The PDI-P is more perceived as being associated with other “rising stars” in regional politics, such as the mayor of Surabaya, “Ibu Risma” (Tri Rismaharini) and the governor of Central Java, Ganjar Pranowo.

Writing this preface before the 9 April 2014 elections, it is tempting to predict results. While it is likely that Widodo’s candidacy will increase the vote for the PDI-P, at least a little, it remains the case that it is unlikely that there will be any one party or serious coalition of parties, which will be able to claim that it represents a majority of the population. The highest polling result for the PDI-P as of 2 April is 33 per cent. PDI-P is more often scoring around 25 per cent. All of the other parties score under 20 per cent, most under 10 per cent. Golkar and Gerindra score between 10–15 per cent in most polls. The percentage refusing to vote will still be high for the parliamentary elections — although it may drop substantially in July for the presidential elections.

The inability of parties to claim to represent a significant section of the public stems not only from their low percentage support. It also stems from an absence of political campaigning for or against anything. The election campaign, especially the national messaging through the media, has been empty of content. Widodo’s main claim is that he is “electable”; there has not been, so far, any interrogation of his record or his policies, or the policies of his party. Prabowo’s situation is slightly different. Prabowo struggles to claim electability with all of the polls against him, so his emphasis has been on his claims to being a “strong leader”, in the style of a military campaigner, giving rise to increased criticisms of militarism from some quarters.

This essay points to the end of (direct) crony capitalism at the national level and the shift in the possibility of political initiative to the *kabupaten* capitalists, and the initiatives can be different or even contradictory among local capitalists. It raises questions as to whether a new national socio-political agency for progressive change might emerge via the *kabupaten* capitalists and through the PDI-P . The essay speculates in the negative. The emptiness of the election campaign to date — and the emptiness of all the pre-announcement manoeuvres of 2013 — would seem to confirm this negative conclusion. The essay points to the labour movement as having greater potential, although that arena is also full of complications.

Max Lane
4 April 2014, Jakarta

About the Author

Max Lane is the author of *Unfinished Nation: Indonesia Before and After Suharto* (2008) and *Catastrophe in Indonesia* (2010). Both books have been translated into Indonesian. He is also translator of five novels and one non-fiction work by Pramoedya Ananta Toer, including the *Buru Tetralogy*, starting with *This Earth of Mankind*. He also translated the plays and poems of W.S. Rendra, including *The Struggle of the Naga Tribe*, to be republished in 2015.

Lane has also written hundreds of articles on Indonesia, the Philippines, Timor Leste and Australia for magazines and newspapers, mainly in Indonesia and Australia. He maintains a blog — maxlaneonline.com. He has worked in the Australian Department of Foreign Affairs, the Australian Parliament, *Green Left Weekly* newspaper, and as national coordinator for Action in Solidarity with Indonesia and East Timor.

He has been lecturing at Victoria University, Melbourne, for the last five years. He also lectures regularly at Gadjah Mada University and the State University of Yogyakarta. He has guest-lectured in universities in the United States, the Netherlands and the Philippines, among others. He is currently a Visiting Fellow with the Institute of Southeast Asian Studies, Singapore.

Introduction

Approaches to Understanding Indonesian Politics and Decentralization

It is very possible that the next president of Indonesia will be a former mayor from a modest size Central Javanese city: Joko Widodo, the mayor of Solo from 2005 to 2012. He was elected to the position of Governor of Jakarta in 2012, with 38 per cent of the vote in the first round and 56 per cent of the vote in the second round. His opponent, Fauzi Bowo, was supported by President Yudhoyono and the coalition of ruling parties. Whether Widodo is indeed nominated by the party he joined in 2004, namely the PDI-P (Partai Demokrasi Indonesia – Perjuangan, or Indonesian Democratic Party of Struggle), and then wins or some other scenario evolves, his stakes in the race are high. In September 2013, at a national working conference of the PDI-P, chaired by party head Megawati Sukarnoputri, Widodo emerged as its “star”, with wide media discussion of his presidential prospects.

There is a kind of Jokowimania afoot.

How is it that a local furniture factory owner and local mayor, with no prior political record and no known views on most national issues, can rocket into this position? Has “*desentralisasi*” created a launching pad for a local politician to launch into national politics? This essay will argue that the rise of Jokowi and *desentralisasi* are connected, but *not as cause and effect*. It will

argue that *both* are the results (effects) of other major changes, based in the political economy (the economic-based structure of political power). The essay will identify two major processes of change at work here.¹

The first of these processes has longer term origins: namely, the quantitative growth of the Indonesian economy as a non-industrializing capitalist economy under authoritarian rule, resulting in a domestic capitalist class comprising a small number of politically protected big crony capitalists and *a huge number of small, local capitalists*. The inability to industrialize, due to the lack of any sizeable capital in the hands of either the state or private business at the time of independence in 1945 has, in turn, limited the post-independence capital accumulation, including since 1965. Neither the state nor Indonesian domestic capitalists have been able to develop late twentieth century scale industry anywhere near sufficient to begin to raise Indonesia's average labour productivity or general prosperity. This has had major ramifications for class structure. It has prevented the growth of a capitalist class which owns and runs investments that have a truly national scale, building a national industrial base and national market. There are such capitalists, but very few. Rather, Indonesia's capitalist class is overwhelmingly comprised of local (district and provincial level) small capitalists. It has a domestic, but hardly a national, capitalist class. I will discuss this further later in the essay.

The second process is constituted by the forced resignation of President Suharto, the end of authoritarian rule and its ability to protect the extraordinary privileges of the big crony businessmen. This development was primarily the result of rising public discontent manifested in escalating mass mobilizations.² As I will discuss later, the end of crony capitalism also saw a brief interregnum of technocratic rule under President Habibie from

May 1998 until November 1999. This role of the technocratic elements within the government and elite was strengthened by a synergy with international financial institution “donor” technocracies who saw decentralization as an element in their package of “transparency” and “good governance”, as the post-Washington Consensus mechanism to ameliorate excesses of neo-liberal economic policy.

This essay is an initial exploration of a different argument: that decentralization is a result (effect) of these two processes intersecting with each other since 1998. One of several factors that will be explored in this essay will be the proposition that it is also the working through of this intersection that has facilitated the emergence of a figure such as Joko Widodo. While arguing for a particular explanation of the decentralization phenomenon, it does not aim to provide a final, documented picture of the phenomenon and all its aspects. Rather, the aim of the essay is to open a new discussion, with a new approach on this and other associated questions.

Understanding the nature of the phenomenon is necessary if there is also to be a realistic assessment of prospects and the conditions necessary for achieving the optimal benefits from the devolution of power to social progress and economic development, assuming that decentralization can actually be encouraged in that direction. An incorrect analysis of the phenomenon itself can give rise to inadequate policy prescriptions, whether for the government or for “civil society”, to implement. It is relatively easy to identify two approaches in the literature on the basic processes of democratization and social progress in Indonesia, which can then impact on any analysis of decentralization.

One approach is represented by the “critical liberals” and “neo-marxists”.³ The scholars from these schools emphasize how decentralization has been accompanied by the domination

in local politics of what Hadiz calls predatory elites.⁴ However, as Aspinall explains, analysis by both the “neo-marxists” (as Hadiz is classified by Aspinall) and the “critical liberals”, as Aspinall classifies himself, displays an “absence in their analysis of ... the transformative potential of subordinated groups”. As a result of this absence, their works are only able to identify a key aspect of reality — the prevalence of the predatory elites — but then just throw up their hands about future prospects. Aspinall continues: both groups of scholars are “distinguished chiefly by their pessimism about the prospects of Indonesia’s democratic transformation”. This is indeed featured in Vedi Hadiz’s *Localising Power in Post-Authoritarian Indonesia*, the major work to date on decentralization coming out of these perspectives. In Hadiz’s book, the absence of any transformative power from the subordinated groups is formulated with reference to the state of the labour movement in Indonesia at the time of writing, but it is cursory and unserious, as is the treatment of the disorganization of civil society in the book he authored jointly with Richard Robison on the reorganization of power in the New Order.⁵ Most of this analysis, including some with useful empirical data, simply concludes that decentralization is reinforcing predatory and corrupt practices and stops there. I will discuss Hadiz’s comments on the labour movement in the final section of this essay.

The second perspective comes from scholars and also technocrats seeking policy prescription, usually within a framework using concepts such as “good governance”. They are looking for an approach that can enhance what they see as the positive potential of decentralization policies. There is a commonsensical idea that some form of devolution in implementation responsibility seems natural for such a huge and geo-socially diverse country as Indonesia. In addition to that commonsensical orientation, much of the conceptual apparatus

used by these scholars and technocrats comes from the Indonesian government's own conceptualization or from the large body of "good governance" literature, especially from donor agencies. Holtzappel and Ramstedt's book, *Decentralisation and Regional Autonomy in Indonesia*, is a good example of the research and analysis compiled by the World Bank, SMERU Research Institute, and Asia Foundation researchers as well as independent scholars working within the same framework. This technocratic approach is the main target of Hadiz's polemic in his book. He argues essentially that their approach is utopian in that it ignores the real conflicts between interests and attempts to impose prescriptions that have no power base. Hadiz is, I think, correct in this critique. Many of these scholars note the "many challenges from various interests that could divert the process from its ultimate goal",⁶ referring to local economic and power interests. However, the solutions are not seen in *strategies related to changing the balance of power* but only in capacity building, as defined by skill sets.⁷ Most of these scholars, including Holtzappel and Ramstedt, do attempt to offer prescriptions for improvement to what they generally acknowledge as a very flawed process. However, the weakness of their approach is manifested in that almost all of these prescriptions amount to urging more of the same, but just "better", i.e., better trained and improved administrative, managerial processes.

I will argue a perspective different from both of these. I am arguing that decentralization, in the specific form that has evolved since 2000, reflects two key features of Indonesian class structure and class politics. The first feature is that the power of crony capital has been greatly diminished. The political initiative from within the capitalist class has shifted to within the majority of the class, which comprises overwhelmingly local capital. This feature both explains the "rise of decentralization" as a policy prescription as

well as the strength of local political intervention into national politics, most vividly represented by the rise of Joko Widodo. It also underpins the dysfunctional aspect of decentralization which is more or less dominated by initiatives from the local level, often of parochial character. There is not only increased tension between the local and the national, but also between districts or groups of districts. In the absence of a capitalist class with a strong national character, decentralization encourages a state of weak national coordination.

Second, the reorganization at a national level in parts of the non-capitalist classes (i.e., the mass of the formal and informal, rural and urban, proletariat) is still unfolding so that these classes are also only beginning to establish a national framework in which policies relating to social and political development can be developed. I will argue that decentralization is not producing a framework conducive to the formulation of policies which can address Indonesia's state of economic and social underdevelopment because there is not, as yet, any political agency based on organized social forces that is able to provide and impose a national framework.

While the technocratic approach poses the problem as one that can be solved by "capacity" building, Hadiz's approach poses no problem at all, except an intellectual problem of proving that the technocratic approach is flawed. Understanding the dysfunctional aspects of decentralization as a function of a lack in the national socio-political agency can direct us to an analysis which seeks to identify trends that might lead to providing such an agency and raises questions as to what policies might accelerate any such trends, or at least some of them. Here, however, I should emphasize that such policies may refer more to policies to be implemented by parts of "civil society", not so much policies to be implemented by the state. I will present an analysis in the final

chapter of this essay pointing to two potential sources of initial national socio-political agency: the new trade union movement and the nationally aspiring elements within the local-level bourgeoisie, of whom Joko Widodo is a prime example.

First, however, it is necessary to review the origins of the contemporary version of *desentralisasi*.

