

BOOK REVIEWS

***The Politics of Economic Development in Indonesia: Contending Perspectives.* Edited by Ian Chalmers and Vedi R. Hadiz. London: Routledge, 1997. Pp. xxx + 269.**

This book is about politics, in the tradition of the Cornell school of Indonesian studies. Indeed, the first author cited is the distinguished Australian representative of that school, Herb Feith. In fact, it is a book that economists interested in Indonesia will find very useful. Edited by two members of the Asia Research Centre of Murdoch University of Western Australia, it is volume of readings: some 50 short extracts from writings about the politics or political economy of Indonesian economic development during (most of) the years of the New Order, 1966–92; almost all by Indonesians but in English (in the original or translated, presumably by the editors).

Virtually every eminent name of the period is represented, from Soeharto, Habibie and the Sultan of Yogyakarta, to the “Berkeley Mafia” (Widjojo, Ali Wardhana, Sadli, Emil Salim, but not Subroto), Professor Sumitro, Dr Pangkajene and his daughter Mari Pangestu, Soedjatmoko, Radius Prawiro, Frans Seda, Ginandjar, Mubyarto, the founders of CSIS (Ali Murtopo and Soedjono Hoemardani) and two radical students. Not the least useful part of the book is an introductory section of short biographical notes on each author. Substantial introductions by the editors to the book as a whole and to each section explain their objectives and their interpretation of the various strands of Indonesian thinking represented by the selected abstracts.

The editors argue that development thinking in Indonesia during the New Order period can be divided into three streams: a “statist-nationalist” stream, “economic liberalism” and “economic populism”. The first which, in their view, draws on the organic statism of Sukarno and his Guided Democracy, is nationalist because it justified economic initiatives in terms of the struggle to build national strength, and it is statist because its notions of unity and hierarchy provide an essential role for a corporatist state intervening to marshal social forces around the development effort. The second, economic liberalism, is central to the thinking of the technocrats around Widjojo (though they were by no means “doctrinaire free-marketeers”, in fact reluctant to confess to “liberalism”, convinced of the need for a strong regulatory regime). Surprisingly, the editors claim that this stream of thought faded in the 1970s, leaving it to be advocated by foreign agencies, such as the World Bank. (Part of the explanation may be that the editors have hardly drawn on the large literature on the Indonesian economy published in and around the ANU *Bulletin of Indonesian Economic Studies*. The third stream, rather oddly called “economic populism”, refers chiefly to critics of the New Order economic policies who have been sceptical about the objectives of economic growth and efficiency, favouring “bottom-up” promotion of mass welfare, small-scale enterprise, indigenism and the co-operative movement.

By internal evidence, the book was put together around 1996, certainly before the 1997/98 crisis of which there is no prognosis or even foreboding. There are references to the downside of economic

growth in the 1990s. Radius Prawiro is quoted as saying in 1989 that “here in Indonesia the subject of monopolies and conglomerates is very much the ‘talk of the town’ at the present time” (p. 148) and the two student radicals do not mince words about “Soeharto and his cronies” (p. 200), but their animus is directed chiefly against the “crony capitalists (represented by the Chinese)” (p. 199) and against “foreign business groups” (p. 201). The only hint of events to come is in a comment by the editors that uncertainty about the future direction of Indonesia’s development policy is “all the greater with the likely replacement of President Soeharto in the near future” (p. 31).

No blame attaches to the editors for their failure to foresee the crisis: we are all in the same boat. But it turns their book into a commentary — a very useful commentary — on a past phase of Indonesian history. In two or three years, when things have settled down and the next phase can be identified, they should embark on a second edition or volume two.

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***China: The Consumer Revolution.* By Conghua Li.** Singapore: John Wiley & Sons (Asia) Pte Ltd, 1998, pp. xx + 246.

Since China started its full-scale economic reform in both rural and urban areas in the late 1970s, there has been a dramatic socio-economic change in the economy. Undoubtedly, the reform has enabled China to become one of the fastest-growing and most robust economies in the world. Its gross domestic product (GDP) has grown at an average annual rate of 9.8 per cent for the past nearly two decades, and will grow at 8 per cent annually for 1996–2000 as projected in China’s Ninth Five-Year Plan. It is expected that China’s economy, the second largest in the world in purchasing power parity, will surpass that of the

United States within the next 20 years. Accompanying and fostering China’s rapid economic growth during the reform era has been the fantastic and amazing changes of its consumer behaviour and the consumption pattern, an aspect neglected by most China observers. Conghua Li’s book is among the few to analyse China’s changing economy from the consumer level. This is a timely contribution to the understanding of the Chinese consumer and its consumer market, an increasingly important driving force to China’s economy.

This book begins, in Chapter 1, with a description of the social and cultural background of the Chinese consumer and consumer market, and concludes in Chapter 7 with a few prescriptions on how to seize the business opportunities in China for companies that are considering market entry into China and those that are considering market expansion within China. The core of this book is contained in Chapters 2 to 6 which are devoted to an investigation of China’s consumer revolution, with a focus on the Chinese consumer’s changing behaviour, lifestyle, consumption patterns and consumer trends. These are apparently the essential issues for any marketer contemplating a China launch or expansion.

According to Conghua Li, China’s rapid economic development and growing consumer boom are caused by two major factors: economic reforms and social changes. As a result of the economic reforms, China’s average family income has been rising dramatically. A recent Gallup poll shows that in the last three years, China’s mean annual household income has increased from 4,380 yuan to 8,000 yuan, while in Guangzhou, Shanghai and Beijing the figures reached 21,600 yuan, 20,000 yuan and 16,000 yuan, respectively. “By the year 2000, based on 1995 US dollar value, 450 million people will have annual household income in excess of US\$3,000. Of these, 100 million will have incomes in excess of US\$9,000 which will have a buying power in China equivalent to that of a US\$40,000–US\$45,000 household income in the United States.”(p. 4) The social changes originated from the single-child family and led to a general shifting of responsibility for personal welfare from the state to the individual. China’s one-child policy