

Recollections

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Recollections

The Indonesian Economy, 1950s–1990s

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To **Professor Anne Booth**,
Editor of the *Bulletin of Indonesian Economic Studies* in the
1980s who designed and initiated the series of interviews

and

To the memory of **Professor H.W. Arndt**,
brilliant scholar, wise *guru* and generous friend

Contents

Foreword by Ross H. McLeod	ix
Preface	xiii
Acknowledgments	xvii
I. Introduction	3
Thee Kian Wie	
II. Recollections	
1. Sumitro Djojohadikusumo	47
2. Mohammad Saubari	67
3. Sjafruddin Prawiranegara	75
4. Abdoel Raoef Soehoed	87
5. Sarbini Sumawinata	103
6. Mohammad Sadli	119
7. Soedarpo Sastrosatomo	141
8. Suhadi Mangkusuwondo	165
9. Emil Salim	185
10. Subroto	221
11. Teuku Mohamad Daud	251
Index	265
About the Editor	277

Foreword

As Dr Thee makes clear in his preface, the idea of publishing a series of memoir-style articles, based on extended interviews with a number of Indonesians who have played an important role in influencing the evolution of Indonesia's economy, originated with Professor Anne Booth. She and my immediate predecessor, Professor Hal Hill, deserve great credit for having published these articles over a period of some 14 years.

The Surveys of Recent Developments that have appeared in every issue of the *Bulletin of Indonesian Economic Studies* since its inception in 1965 provide a unique contemporaneous account of Indonesia's economic development during this period. The Recollections articles nicely complement the Surveys with a series of insider views of this process, as related by some of the individuals who were influential in driving it.

As well as bringing all these articles together in a single volume, Dr Thee has provided an introductory overview of Indonesia's economy in the post-colonial period that enables readers to understand the context in which the individuals concerned were operating. The volume as a whole will thus help students of Indonesia to understand the ideas and political realities that shaped policies of the day. In addition it contains useful

lessons for policy-makers and others who would influence policy-making — if they care to look hard enough. My impression is that too much policy-making proceeds by trial and error rather than on the basis of careful analysis and design — and, worse, that trials and errors of the past are too often forgotten. As the saying goes: those who fail to learn from history are destined to repeat it.

Dr Thee's introductory chapter gives considerable attention to the "economic technocrats", several of whom are represented here. Perhaps the most important lesson the technocrats learned from the Sukarno period was that little progress is possible — indeed, that disaster awaits — if macroeconomic policy fails to provide reasonable monetary and price stability. They were able to go close to achieving this by adopting the simple rule that budgets should be balanced — or more precisely, that budget deficits should not be financed by money creation. They also learned of the costs of cutting the national economy off from the global economy, and were able to correct this egregious error of the Old Order, to Indonesia's great benefit.

The technocrats have attracted considerable criticism for the key role they played in the Soeharto regime, and for the fact that the economy they designed could collapse so suddenly as the Asian crisis emerged in 1997. But, as Dr Thee makes clear, the choice that faced them was basically to stay on the inside and do what they could to maintain broadly sound economic policies, or to more strongly oppose specific policies that pandered to narrow interests but which had Soeharto's support, with the almost inevitable consequence that they would lose their influence entirely.

Criticism of the technocrats largely ignores the enormous strides made during Soeharto's time in office, the benefits of which were very widely spread. Notwithstanding all of Soeharto's faults, these three decades of progress contrast strongly with economic stagnation and decline under Sukarno, and with the inability of Soeharto's successors to return the economy to a rapid growth trajectory. This said, future historical studies of Indonesia's development will surely draw attention to the inability of the economic ministries and the central bank to deal adequately with the crisis that began to emerge in mid 1997, and are bound to ask whether the technocrats could have done more to build up the institutional capacity in these bureaucracies when they were in a position to do so.

As Hal Hill noted in his introduction to a special issue of the *Bulletin* in 2000 to mark the *de jure* (but certainly not *de facto!*) retirement of Thee Kian Wie, our perpetually youthful, old and dear friend has been a “tireless supporter of the *Bulletin* and its objectives”. Kian Wie has played the key role in bringing every one of these memoirs to readers of the *Bulletin*, and he has now done us an even greater service by bringing them all together in a single volume. On behalf of the Indonesia Project at The Australian National University, the Editorial and International Advisory Boards of the *Bulletin*, and of all those who care about Indonesia, where it has been and where it is going, it is my great pleasure to extend sincere thanks to Kian Wie for this remarkable effort.

Ross H. McLeod
Editor, *Bulletin of Indonesian Economic Studies*

Preface

In early 1986 Professor Anne Booth, at the time Editor of the *Bulletin of Indonesian Economic Studies (BIES)*, initiated a series of *BIES* interviews with a number of Indonesia's major economic policy-makers of the early independence and New Order periods. It was hoped that these interviews could shed more light on how policy-makers attempted to solve the economic problems they encountered, which constraints they faced, and what compromises they had to make in order to achieve their goals.

From the outset Professor Booth involved me in her project. We discussed the persons who should be interviewed and what issues should be raised in the interviews. We also jointly conducted the interviews until Professor Booth's move from The Australian National University, Canberra, to the School of Oriental and African Studies, London, in 1991. From then on I continued to conduct a series of interviews, always together with another member of the editorial board of *BIES*.

Besides former economic policy-makers, interviews were also held with former senior government officials and businessmen. Their personal accounts on past economic events, problems, and policies also offered interesting insights and information on Indonesia's modern economic

history. The decision to interview successful indigenous Indonesian businessmen first was based on the consideration that they generally faced greater initial disadvantages in terms of business experience, available capital, and access to business networks compared to ethnic Chinese businessmen. It was expected that their accounts would offer interesting information on how they were able to achieve success in their business despite their initial drawbacks.

The selection on whom to interview was quite simple as the number of major economic policy-makers was relatively limited. However, a small number of key policy-makers of the New Order period, specifically Professors Widjojo and Ali Wardhana, could not be interviewed. At the time the *BIES* interviews were terminated, they both still served as special advisers to President Suharto.

I am very grateful to Professor Hal Hill, former Editor of *BIES*, and Dr Ross McLeod, current Editor of *BIES*, for encouraging me to publish the series of *BIES* interviews in one volume. I am also very grateful to Professor Anne Booth for allowing me to act as editor of this volume.

I would like to express my great appreciation to my esteemed colleagues and friends, Professors Jamie Mackie, Anne Booth, Robert Elson, and Hal Hill, Dr Thomas Lindblad, Dr Peter McCawley, Dr Ross McLeod, and an anonymous referee, for their valuable and helpful comments and suggestions on an earlier draft of my introductory chapter to this volume.

I would also like to thank Professor Chia Siow Yue, former Director of the Institute of Southeast Asian Studies (ISEAS), Singapore, for kindly inviting me to ISEAS for two months in 2002 to work on editing the volume and writing the draft introductory chapter for this volume. I am also grateful to the present ISEAS Director, Mr K. Kesavapany, for his support of this book project. The research and administrative staff at ISEAS provided a conducive work environment for which I am grateful. I would like to mention in particular Mrs Triena Ong, Managing Editor and Head of ISEAS' Publications Unit, and her staff for their hard work and valuable input and advice on the publication of this volume; Ms Ch'ng Kim See, Head of ISEAS' library, and her staff, for their valuable help in locating the books I needed; Mrs Y.L. Lee, Head of Administration, and her staff for their administrative support; and Professor Leo Suryadininata, Dr Denis Hew, and Dr Sakulrat Montreevat, Senior Researchers at ISEAS, and Professor J. Soedradjad Djiwandono, former

Senior Visiting Research Fellow at ISEAS, for their kind hospitality during my stay at ISEAS.

I also would like to thank Dr Chris Manning, Head of the Indonesia Project, Division of Economics, Research School of Pacific and Asian Studies, The Australian National University, Canberra, for his generous offer to pay for the work of making an index of this volume.

Last but certainly not least, I would like, also on behalf of the Editorial Board of *BIES*, to express once again my great appreciation to the eleven economic policy-makers, senior officials, and businessmen, who kindly consented to be interviewed by *BIES*. I have no doubt that their insights and knowledge, as reflected in their interviews, are an important contribution to a better understanding of Indonesia's modern economic history. It is a matter of deep sorrow to me that a few of them are not here with us anymore to witness the publication of this volume.

Thee Kian Wie
Jakarta
14 June 2003

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1. Sumitro Djojohadikusumo, "Recollections of My Career", *BIES* 22, no. 3 (December 1986): 27–39.
2. Mohammad Saubari, "Reflections on Economic Policy-Making, 1945–51", *BIES* 23, no. 2 (August 1987): 118–21.
3. Sjafruddin Prawiranegara, "Recollections of My Career", *BIES* 23, no. 3 (December 1987): 100–8.
4. Abdoel Raoef Soehoed, "Reflections on Industrialisation and Industrial Policy in Indonesia", *BIES* 24, no. 2 (August 1988): 43–57.
5. Sarbini Sumawinata, "Recollections of My Career", *BIES* 28, no. 2 (August 1992): 43–53.
6. Mohamad Sadli, "Recollections of My Career", *BIES* 29, no. 1 (April 1993): 35–51.
7. Soedarpo Sastrosatomo, "Recollections of My Career", *BIES* 30, no.

- 1 (April 1994): 39–58.
8. Suhadi Mangkusuwondo, “Recollections of My Career”, *BIES* 32, no. 1 (April 1996): 33–49.
 9. Emil Salim, “Recollections of My Career”, *BIES* 33, no. 1 (April 1997): 45–74.
 10. Subroto, “Recollections of My Career”, *BIES* 34, no. 2 (August 1998): 67–92.
 11. Teuku Mohamad Daud, “Recollections of My Career”, *BIES* 35, no. 3 (December 1999): 41–50.