

Six years has past and most Southeast and East Asian economies have since recovered from the financial crisis. Nevertheless, financial restructuring is still an ongoing process in the region. Hence, this book would be a useful handbook for financial practitioners including policy-makers and regulators. It is well written and relatively jargon-free.

However, there is a lacuna in the book as it tends to focus too much on banks. It would have been more complete if there was more discussion on the other major pillar of finance, i.e., capital markets. In particular, a chapter on capital market development — especially bond markets as a means of creating a more balanced financial structure would have been interesting.

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The Emergence of a National Economy: An Economic History of Indonesia, 1800–2000. By Howard Dick, Vincent J. H. Houben, J. Thomas Lindblad, and Thee Kian Wie. Honolulu: Asian Studies Association of Australia in association with Allen & Unwin and University of Hawaii Press, 2002. Pp. xvii + 286.

This is the second book on Indonesian economic history that covers a very long period; the first being the book by Anne Booth *The Indonesian Economy in the Nineteenth and Twentieth Centuries* (1998). The title of this book mentions 1800–2000, but one chapter is devoted to the history of the period prior to 1800, dating back to the period of the *Vereenigde Oost-Indische Compagnie* (VOC), or the Association of Dutch Trading Companies in East India. This book is special because its authors are scholars who have spent many years studying the economic history of Indonesia, with many publications to their names. It is rich in information on past economic events, reflecting extensive and

intensive research that has been undertaken by the authors. This book has covered almost all the available information on this subject.

The economy of the chain of islands in Southeast Asia, now called Indonesia, has been developed in successive stages. In 1966 it became a nation-state economy with the introduction of the New Order. The successive stages are as reflected in the chapter titles. In the Introduction, Howard Dick points out that the periodization was based on the waves of globalization or capitalist economic penetration that have washed through the archipelago for centuries.

The first penetration was in the seventeenth century with the arrival of the VOC for trade. The history of this period is the subject of Chapter 2 (Houben). The second penetration was during the nineteenth century, and the activities are characterized by investments mainly in plantation and the growth of the Dutch company on the island of Java and Outer Java. The story of this part is the subject of Chapters 3 (Houben) and 4 (Lindblad). The third penetration was from the late nineteenth century to early twentieth century, during which the colonial government governed the archipelago, and the islands were officially named Netherlands Indies. During this period, Java Island and the Outer Islands were integrated into a single colonial polity, and the colonial economy was export oriented. This is the subject of Chapter 5 (Lindblad).

From the first page, this book brings the readers to a journey from the period of pre-industrial to modern industrial time. In that journey we learn how the chain of islands became interlinked through economic activities, and the economic activities became more and more complex. Finally, a cohesive economic entity was formed, but the country was still not a nation-state yet. This book also describes the gradual changing of the structure and system, which is the essence of history.

Finally, Chapter 6 “Formation of the Nation State, 1930–1966” presents the most critical period when the national economy of Indonesia was being formed. This book suggests that during

the period 1945–1966, when Indonesia became an independent nation-state, its economy was still in the formation stage. The Indonesian economy became a cohesive structure and the national economy of islands integrated starting from 1966.

Two decades prior to 1965 are significant to Indonesian history as an independent state. During the years 1945 to 1965, Indonesia's history is filled with political struggle. This new country experienced two extreme political systems, from the liberal system in the 1950s to a centralized socialist type from 1959 to 1965. This was the period of “experimentation” and “searching” for the system and format of the economy as well as politics, by Indonesians, until the New Order was introduced.

The government of Indonesia was constrained by prevailing conditions that were beyond its control at the time when it began to build the economy. Some examples were the presence of a dualistic economy, the role of the ethnic Chinese in the economy as put in place by the Netherland Indies government, and the fact that the Outer Islands had been developed for an economy based on resource exploitation with links to other countries. Under that situation, Indonesian leaders and intellectuals, especially economists, had to struggle to find an economic system thought suitable to the “Indonesian way”, which was neither socialist nor capitalist. The intellectual exploration to find an economic system with an Indonesian character, as it was named, had been started by Mohammad Hatta and Sumitro Djojohadikusumo during the early period. Since they both had experienced the colonial era and the struggle for independence, their idea of a future Indonesian economy was one free from capitalist power and one that gives more role to the indigenous population. The economic policies in the early period of independence reflected this spirit. The inclusion of the co-operation clause into the Constitution was in line with this spirit.

Deteriorating political and economic situation in 1965 led the public to perceive that politics was bad, and economy the priority. The choice of economic policies and the attitude of the New Order government towards the economy are the

product of the above situation. During this period, new actors were coming in, such as American-trained economist Widjojo Nitisastro and his colleagues, such as Ali Wardhana, Emil Salim, Subroto, and Moh. Sadli. They have also experienced intellectual struggles of searching for the economic system that suits the Indonesian aspiration — neither socialist nor capitalist.

The last chapter, by Thee Kian Wie, on Indonesia since 1966 presents a clear account of how the government constructed the economy and how it successfully maintained the pace of development for three decades. Thee exposes all aspects and problems of economic development during this period. Readers who are quite familiar with Indonesia will get a sense of what went on during the Soeharto era and how the country eventually became trapped in severe crisis.

Lastly, why do we need to know the history of a country's economy? If we agree with the notion that the conditions in the economy today is the product of the events of the past, we can understand why an event occurred. The book's chronological presentation also helps with the understanding.

There are many controversial issues on economic practices and economic policies that sometimes accelerate into conflict along the history of the Republic of Indonesia, such as the imbalances of economic progress among the regions, the control of European companies in certain sectors, the dominance of ethnic Chinese in the economy, the persistent smuggling between the eastern coast of Sumatra and the Malay Peninsula, the accusation that the New Order economist has brought the country into capitalistic economy, and the growth of conglomerations and the inability of the government, as commonly assumed, to control them. From this book the reader will gain knowledge that some of the above-mentioned issues have their roots in the past, as the products of colonial era. It will also help policy-makers identify the extent to which they could advance.

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