

Index

- Anti-Corruption Act, 184
- Asian crisis
 - difference with Latin American crisis, 236
 - impact, 221
 - two views, 22, 23
- Asian currencies
 - depreciation, 43
- Asian Development Bank (ADB), 242
 - loans, disbursements of, 88, 259
- Assistant Minister Coordinator for Economy, Finance and Industry (EKUIN), 8
- Attorney General's Office, 166, 184
- Bank Alfa, 133
 - purchase of, 109
- Bank Andromeda, 138
 - liquidation, 33
- Bank Bumi Daya, 94
- Bank Central Asia (BCA), 94, 126
- bank commissioners
 - role, enhanced, 136
- Bank Dagang Nasional Indonesia (BDNI), 94
- Bank Danamon, 94, 126
- bank deposits
 - transferring to SBIs, 170
- Bank Indonesia
 - certificates (SBIs), 51, 53, 174, see also SBI rates
 - crisis management, 15
 - fire, incident of, 149, 150
 - Governor, dismissal of, 1–3
 - independence issue, 196–200, 203–9
 - intervention band, 38
 - liquidity support, 176
 - managing directors, dismissal of, 3, 150
 - non-independence, cost of, 207
 - post-independence problems, 210
 - President's intervention, 206
 - reserves, table of, 87
 - supervision of banks, handing over, 216
- Bank Indonesia Law, 213
- Bank Indonesia Liquidity Credits, 168
- banking sector, see banking system
- banking system
 - collapse, 151–53
 - distress, in, 51–63
 - lack of transparency, 125
 - legal and regulatory framework, 81
 - loss of confidence, 119
 - problems, 27
 - restructuring, 15, 110, 127
 - structural weaknesses, 52
- Bank Jakarta

- liquidation, 133
- bank loans
 - increase, 53
- Bank of Japan (BOJ)
 - market intervention operation, 89, 109
 - rupiah stabilization, 97–103
- Bank of Sweden, 198
- bank owners
 - corruption, suspicion of, 166
 - governance, problem with, 135
 - repayment of liquidity supports, 182
- bank runs
 - big depositors, by, 226
- banks
 - capital deficiency, 94
 - closure, 15, 90, 109, 117, 125–32, 139, see also liquidated banks
 - alleged conspiracy, 137–39
 - public reaction, 132–37
 - depositors, big, 226
 - insolvent, 59, 81, 91
 - lack of confidence, 100
 - legal lending limit, 129
 - liquidity support, 165–69, 177
 - negative balance, increasing, 175
 - non-compliance with prudential measures, 60, 61
 - official information, lack of, 125
 - re-capitalization, 179
 - reserve requirement, 53, 205
 - restructuring, 90–95, 110, 127, 139, 140, 225
- Bank Summa, 6, 27, 109, 130
- BAPINDO, 94
- bearer bonds
 - planned issuance of, 102
- Berg, Andrew, 30
- blanket guarantee, 121–25, 159, 179
- Bluestein, Paul, 72, 115
- budget debacle, 153–56
- Camdessus, Michel, 10, 65, 67, 161, 162
- capital
 - influx, 31
 - reversal, 32, 33, 34
- cease and desist order (CDO), 94
- cement
 - marketing arrangements
 - abolished, 158
 - prices, liberalization, 82
- Central bank, see Bank Indonesia
 - calls for independence, 196–200
 - independence in practice, 201–203
- Central Bank Act
 - powers of Bank Indonesia, 180
 - independence for Bank Indonesia, 209
 - weaknesses, 213, 214
- central bank intervention band
 - widening, 37–43
- Central Bank Law, see also Central Bank Act
 - Article 17, 2
- Central Bank of China-Taipei, 4
- Chaiyawat Wibulswasdi, 8
- Chamber of Commerce and Industry, 111, 146
- classical economists, 22
- Cloves Marketing Board
 - dissolution, 158
- Coffee Exporters Association, 6
- Commander of the Armed Forces, 5
- commercial banks' certificates (SBPU)
 - discount facility, 62
- Consultative Group on Indonesia, 41, 220
- Cooper, Richard N., 28, 29
- corporate debts
 - denominated in foreign

- currencies, 45, 251
 - ignored in IMF programmes
 - no restructuring programmes, 105
 - policy, 225
 - restructuring, 161
- corporate ownership
 - concentration in top 15 families, 224
- corruption
 - high index, 116
- Council for Enhancement of National Economics and Financial Resilience, 160
- crony capitalism, 26, 251
- Currency Board, 187, 188
- possible motivation, 188–91
- currency board system (CBS), 10, 230
 - aborting, 191, 192
 - countries with hyperinflation, 189
 - side effects, 192–96
- current account deficit, 27, 36
- debt instruments, 31
- debt management, 25
- debt repayment, 25
- deposit holders
 - small, 118
- deposit insurance scheme, *see also*
 - blanket guarantee
 - absence, 117
- deposit repayment
 - small holders, 117
- Development Cabinet VI, 1
- directives
 - liquidity support to banks, 177
- dollar
 - demand, 41
- Don, Ahmad Muhammad 8
- Economic and Finance Commission, 185
- economic crisis
 - inducing social and political crisis, 26
 - social implications, 104
- economy
 - structural weaknesses, 14, 24
- Emergency Finance Mechanism, 67
- ersatz capitalism, 27
- European exchange rate mechanism (ERM), 46
- exchange rate
 - collapse, 143
 - exchange rate management, 40, 255–57
 - extended arrangement, (EA), 70
 - extended fund facility (EFF), 69, 77
- Feldstein, Martin, 73
- financial institutions
 - weak but viable, 81
- Fischer, Stanley, 64, 67, 197, 222, 242
- fixed exchange system, 190
- flexible exchange system, 35
 - perceptions, 48
- foreign debt
 - private, 106
- foreign exchange
 - demand for, 39
 - market, turmoil in, 24
 - reserve management, 73
- foreign investors
 - ownership of companies, 163
- Frankfurt Agreement, 179
- garlic
 - import monopoly, discarding of, 82
- Goldstein, Morris, 30, 130
- governance
 - problems with, 136
 - weak, 229
- Governor of Bank Indonesia, 8
 - as cabinet member, 2

- dismissal, 1–3, 9–12
- last meeting with President, 4–7
- power of President to dismiss, 2
- speculation as to dismissal, 11, 12
- Greenspan, Alan, 10
- Guitian, Manuel, 28, 29
- Habibie government
 - letters of intent, 233
- Haggard, Stephan, 23
- Hahm, Jooj-Ho 115
- Hanke, Steven H., 188, 189
- hedge funds
 - attack on Hong Kong dollar, 43
 - foreign, 32
- hedging
 - demand for, 89
- Hong Kong
 - reserves, ample, 74
- highly indebted poor countries (HIPC), 77
- IMF, 36
 - crisis, role in, 234–46
 - criticisms against, 237, 238
 - general resource account (GRA), 76
 - Indonesia's financial position
 - within, 245
 - loans from, 84–90
 - poverty reduction and growth facility (PRGF), 77
 - seeking help from, 63–73
 - staff, role of, 84
 - structure, 83
 - surveillance by, need for, 223
- IMF Compensatory Financing Facility (CFF), 68
- IMF-supported programmes, 15, 76–103, 243, 244
 - implementation, poor, 144–49
 - issues ignored, 103–7
 - limited success owing to inconsistent
 - government, 227–32
 - macroeconomic objectives, 80
 - overview, 79–84
 - outcome and reasons, 108–41
 - safeguard measures, 70
- income
 - reduction, 34
- Independent Evaluation Office, 231, 243
- Indonesian Bank Restructuring Agency (IBRA), 4, 124, 159, 171, 182, 253, 254
- Indonesian Chamber of Commerce and Industry (KADIN), 11
- Indonesian crisis
 - causes, 14
 - chronology of event, 16–21
 - comparison with Korea and Thailand, 218–21
 - differing views, 23
 - early policy responses, 37–75
 - external and domestic factors, 34–37
 - issues arising, 14, 15
 - liquidity support to banks, 169–72
 - origin, 22–30
 - programmes to address, 252–55
 - protracted, 222, 250
- Indonesian economy, see economy
- Institute of International Finance (IIF), 33
- inter-bank money market, 52, 58, 60
 - interest rate, 40, 60
 - segmentation, 119, 120
- inter-bank rate, 60
- interest rates
 - high, 111
 - argument of raising, 113
- international ratings agencies, 32
- International Reserve and Foreign Currency Liquidity (IRFCL), 86

- international reserves management, 49, 73
- intervention bands, 15, see also central bank intervention band
- Jakarta inter-bank offered rate (Jibor), 100
- J.J. Polak model, 240
- Kalla, Jusuf 1
- Kaminsky, L., 29
- Keynesian economists, 22
- Kim Dae-Hwan, 232
- Kindleberger, Charles P., 23, 26
- Korea
 - short-term corporate debt, 114
- Kyung Shik Lee, 8
- law enforcement
 - low index, 116
- Law of Foreign Exchange System, 215
- Law of the Republic of Indonesia Number 13 of 1968 concerning Central Bank, see Central Bank Law
- Lee Eik Tieng, 8
- Letter of Intent
 - second, see Second Letter of Intent
- licensing
 - import and export, 82, 96
- Liem Sioe Liong, 126
- Lindgren, Carl-Johan, 91
- lines of credit
 - terms and conditions, 88, 89
- liquidated banks
 - repayment to deposit holders, 175
- liquidity
 - banking sector, 111
 - problems, 58
 - resolving mismatches, 168
 - support, controversy involving, 172–76
 - support during crisis, 169–72, 176–70
 - support, public debate regarding, 185–87
 - support, resolving problems with, 179–85
 - tightened, 50, 51
 - types of support, 168, 169
- local currency
 - panic selling, 23
- Malaysia
 - non-reliance on IMF, 75
- managed foreign exchange, 38
- managed floating system, 14, 223
 - crawling band, with, 39
- managed peg, 42
- market sentiment
 - change in, 31–34
- Master Refinancing and Note Issuance Agreement (MRNIA), 182, 184
- Master Settlement and Acquisition Agreement (MSAA), 182
 - types, 183
- McKinnon, Ronald, 199
- McKinsey & Company, 135
- Megawati government
 - letters of intent, 233
- Memorandum of Economic and Financial Policy (MEFP), 77, 79
- Mexican crisis, 24
- Minister for National Development Planning, 25, 154
- Minister for Public Enterprise, 1
- Minister for Trade and Industry, 1
- Minister of Finance, 10
- Minister of State Secretary
 - Moerdiono, 9
- monetary and banking policy
 - pre-crisis, 54–57
- Monetary and Exchange Affairs

- Department (MAE), 91, 127
- Monetary Authority of Singapore (MAS)
 - market intervention operation, 89, 109
 - rupiah stabilization, 97–103
- Monetary Board, 46, 64, 123
 - complying with President's instructions, 112
- monopoly practices
 - removal, promise of, 158
- Moody's, 32
- Muhammad, Mar'ie 10, 108
- national banks
 - letters of credit refused, 120
- national payment system, 122
- National Planning and Development Board, 63
- Neiss, Hubert, 134
- Net International Reserves (NIR), 49, 86
- Nitisastro, Widjojo 63, 162
- non-performing loans (NPLs), 59, 90
- Official Reserves, 86
- oil subsidy
 - reduction, 104
- Parliamentary Commission on Bank Indonesia Liquidity Support, 172
- People's Consultative Assembly, 174
- President Soeharto, see also Soeharto government
 - favouring increasing liquidity, 148
 - health, worsening, 148
 - instruction to banks, 112
 - lamenting currency speculators, 10
 - power to dismiss Governor of Central Bank, 2, 3
 - prohibiting raising of SBI rates, 99
 - signing decree to dismiss Governor, 10
 - working relations with officers, 147
- Radalet, Steven, 28, 73
- real sector
 - structural problems, 29
- regional development banks, 94
- Reichsbank, 200
- reserve requirement for banks, 53
- reserves, 49
 - prudent method of calculating, 86
 - sufficiency, 64
- rice
 - removing monopoly on imports, 158
- riots, Jakarta 25
- Rubin, Robert, 10
- rupiah
 - appreciating, argument for, 35
 - depreciation, argument for, 36
 - free float, 43–51
 - overvaluation, 26, 35
 - pressure from dollar surging, 25
 - stabilization, 80, 97–103, 222
- rupiah note
 - new 10,000 notes, 5
- Sabirin, Syahril 5
- Sachs, Jeffrey, 28, 73
- SBI rates
 - easing, 62
 - prohibited from being raised, 99
- Second Letter of Intent
 - negotiation by President, 142, 162, 163
 - limited results, cause of, 230
 - programme, stronger, 156–61

- Shaw, Edward, 199
- Sheu, Yuan-Dong 4
- short-term certificates, 51
- short-term debts
- maturing, 89
 - ratio to international reserves, 224
- Singapore
- issue of loan from, 146
 - reserves, ample, 73
- small and medium enterprises
- state bank lending to, 112
- social disintegration, 34
- Soeharto government
- letters of intent, 234
- Southeast Asia Central bank
(SEACEN) Governors' meeting, 4
- soybeans
- import monopoly, discarding of, 82
- Standard & Poor's, 32
- stand-by arrangement, 64, see also stand-by loan
- acceptance by President, 72
 - evaluation, 142–44
 - implementing, 110, 111
 - withdrawals, 113
- stand-by loan, 68
- conditions not warranting, 71
 - criticism, 235
 - maximum amount, 84
- state banks, 52
- problems, 81
- structural reforms, 95–97
- Sukardi, Laksamana 1
- Supplementary Reserve Facility (SRF), 114, 258
- Supreme Audit Board, 140, 141, 166, 185
- investigations, 149
 - report, 253
- Taiwan
- reserves, ample, 73
- tariff
- reduction, 82, 96
- Thai baht
- rapid depreciation, 25, 26
- Thailand, 30
- panic buying of dollar, 41
 - reserves, 49
- Thoenes, Sander, 16
- Trihatmodjo, Bambang 133
- unemployment rates, 34
- U.S. Federal Reserve Bank, 198
- vulnerability indicators, 219
- Waigel, Theo, 10, 11
- Wardhana, Ali 63
- wheat flour
- import monopoly, discarding of, 82, 96
- Working Committee on Bank
Indonesia Liquidity Supports, 180
- World Bank, 36, 242
- loans, disbursement of, 88, 259
- yen
- effect of strengthening, 24
 - reserves, 25