debate about the existence of colonial legacies on economic growth of East and Southeast Asian countries, the book will also be an excellent source of data for researcher who are interested in studies related to economic and social development of East and Southeast Asian countries from 1900 to 1945, since it mentions and refers to most of the relevant studies regarding this subject. The book will also serve as a good reference for policy makers in the relevant countries, since it provides accurate descriptions of economic histories and consequences of government polices to the social and economic condition at the time of implementation and in the time frame beyond the implementation. As the saying goes, *those who fail to learn the lessons of history are doomed to repeat them.*

NUR M. ADHI PURWANTO
Duke University

DOI: 10.1355/ae25-2i

***Essays in Macroeconomic Policy: The Indonesian Experience*. By Miranda S. Goeltom.** Jakarta: Gramedia Pustaka Utama, 2007. Pp. 594.

Indonesia, with a population of 230 million, has witnessed several milestones in its economic history. However, over the last twenty-five years, there are only a few textbooks that gave a complete picture of Indonesia's economic policies. Two of such books are published in other countries: (1) Bruce Glassburner, *The Indonesian Economy: Selected Readings* (Cornell University Press, 1971) and (2) Anne Both and Peter McCawley, eds., *The Indonesian Economy During the Soeharto the Era* (Kuala Lumpur: Oxford University Press, 1981).

The latest book, *Essays in Macroeconomic Policy: The Indonesian Experience*, is written by an academician and a policy-maker, Dr Miranda S. Goeltom. The book consists of twenty-seven chapters under seven major sections. Overall, the book analyses Indonesia's macroeconomic condition before and after the monetary crisis that struck Asia in 1997/98.

The introduction part presents the basic concept of analysis, the development of macro economy before and after the crisis and gives an overview of the book. The second part discusses the framework of macroeconomic analysis using Indonesia as a case study, in order to facilitate the theoretical understanding of the book. This part consists of six chapters, which begin with the impact of globalization on the economy. The second part (Chapter 7) illustrates the importance of a healthy financial structure in an open economy that can support an effective fiscal policy in the globalized world.

The third part, Chapters 8–13, explains the concept of monetary policy and the monetary condition prevalent at both domestic and international level.

Chapter 8 discusses the situation at the beginning of the applied inflation targeting in the year 1999/2000. Chapter 9 analyses the IMF existence in Indonesia since the 1997 monetary crisis. The closing Chapter 13 discusses the transmission mechanism of monetary policy in Indonesia both before and after the crisis.

The fourth part of the book consists of six chapters that explain the aspects of banking and financial sector in Indonesia. In this part, Chapter 14 discusses the Indonesian experience in carrying out banking sector reform after the monetary crisis. Chapter 19 focuses on the emergence of microfinance industry in Indonesia. Next, the fifth part of the book consists of three chapters discussing the exchange rate system and the external sector of the economy. This part begins with Chapter 20 describing the role of exports in the new millennium. Chapter 21 discusses the role of monetary policy coordination by central banks in Asia. Chapter 22 is about the globalization of world's financial system and the capital flow in Indonesia.

Further, the sixth part discusses the fiscal policy divided into two chapters, "Economic and Fiscal

Reforms: The Experience of Indonesia 1980–1996" and "Indonesian Foreign Debt Management". The seventh part is the *capita selecta* presented of three titles, namely Chapter 25, "Indonesian State-Owned Enterprises in the Era of Globalization", Chapter 26, "Public Policy Agenda and Women Role in Alleviating Poverty", and Chapter 27, "Demographic Transition and Economic Growth Potential: The Case of Indonesia".

One of the important conclusions that can be drawn from this book is the achievement of the Indonesian macroeconomic management categorizing *on the track*, economic growth and controlled inflation. Generally, for about a quarter of the century (1969–96), the economy grew around 7 per cent per year and then suddenly the monetary crisis (1997) brought a growth contraction of 13.7 per cent with 77.6 per cent inflation in 1998. However, 1997/98 was not the first time that Indonesia underwent a severe downturn. In the era of Guided Democracy (1959–66), the condition was more serious with declining output for years, inflation reaching a high of 650 per cent (1966/67). Since then Indonesia had gained spectacular progress with the help of long-term planned development programme that was carried out during 1969–94.

Theoretically, economic fluctuation is like a business cycle that goes through an expansionary period, reaches a peak, then contraction, and subsequently a trough, and again an expansion. Indonesian economy showed a similar kind of pattern, but in the long run the economy always experienced a rising trend. Income per capita rose from US$70 in the 1960's to US$700 by the mid-1990s and the number of poor decreased from 60 million to 27 million over the same period. However, the economic crisis of 1997/98 caused the income per capita to descend to US$400 and the level of poverty to increase to 24 per cent (1998). After the crisis, income per capita increased to US$1,700 (2007) and the level of poverty descended again to 16 per cent (2007). The post-crisis economy witnessed a growth of 0.80 per cent in 1999, then 4.04 per cent during 2000–2003 and another 5.4 per cent from 2004 to 2007. The fiscal policy also saw better national debt management. The post-crisis budget deficit, in general, reached below 1.5 per cent per year.

As against this, Indonesia's investment climate is not yet symmetrical with the other improved macroeconomic indicators. In other words, there is a kind of *asymmetric condition* between the macro and micro. The macro condition could possibly be compared to a football field which is well-facilitated to the standard set by FIFA (the Fédération Internationale de Football Association). However, problems lie with the capability of the players, the referee, and the line judges, who are not yet qualified to use the available field. Even with the well-facilitated field, the football match could not meet the expectations of the spectators.

Therefore, Goeltom mentions that the weakness of Indonesian economic competitiveness is attributable to the micro-order. The investor, who has the capacity to analyse the technology, does not have the basic competition capability, and hence experience limitations in terms of both internal and external business network. That is, the investor's attitude is not yet competitive and insupportable government regulation consistency (pp. 22–24).

The author has presented a complete analysis of Indonesian macroeconomic policy before and after the 1997 monetary crisis. All the appropriate parts are presented with the analysis of the other real sectors like poverty, gender, and demography. This book is the latest comprehensive reference for the economic development in Indonesia.

In whole, this is a well-written book by academicians and senior researchers who are also active in making regular Indonesian economic policies. It is an important read for academicians, policy-makers, professionals and students. (In the next edition, the publisher is expected to provide the index that is missing in the first edition.)

JHON TAFBU RITONGA
University of Sumatera Utara (USU)