

identity creation process are never free from state exploitation and arbitrary interpretation for a variety of reasons and interests.

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***Arndt's Story: The Life of an Australian Economist.* By Peter Coleman, Selwyn Cornish and Peter Drake.** Canberra: Asia Pacific Press, Australian National University. 2007. Pp. 338.

Professor Heinz Wolfgang Arndt, who passed away on 6 May 2002, was a towering figure in the establishment of the Australian National University's (ANU's) study of Southeast Asian economies. He either directly supervised, or had substantial influence on, a large number of Southeast Asianist academic careers spawned at ANU. He established the *Bulletin of Indonesian Economic Studies (BIES)*, which remains the standard journal in the field on the Indonesian economy. This book concludes that it was ANU's provision for student fieldwork in Indonesia (and other Asian countries) and *BIES*, under Arndt's leadership, that gave the institution an edge (p. 266). Arndt's contribution to understanding Indonesia's political economy is profound, and lives on with those whom he mentored. He also had some experience of the rest of Asia, including Afghanistan, Hong Kong, Japan, Malaysia, Nepal, Singapore, South Korea, Soviet Central Asia, the Philippines and also Papua New Guinea.

Arndt, described in this volume as a German by birth and an "Australian by choice" (p. xiii), went on a difficult journey before finding his place as one of Australia's leading scholars of Asian development. Arndt's Jewish background necessitated the family's flee from Nazi Germany. Arndt himself ended up in the United Kingdom and despite his anti-Nazi credentials he was interned in Canada during World War II. After the

War he moved, first, to Sydney, and then ultimately to Canberra to what was to become ANU.

This coincided with an equally colourful intellectual journey. At Oxford University he was, in the words of this book, a "fellow-traveller" of the USSR (p. 21), although he was never a formal member of any communist party. Rejecting the "intellectual flabbiness" of political science and sociology (Arndt commented that "[t]hey seemed to be little more than journalism mixed with pedantry" — p. 43), he transitioned to development economics. His first major publication (with Chatham House), entitled *The Economic Lessons of the Nineteen-Thirties*, drew anti-free market lessons from the Great Depression (in contrast to the anti-government intervention lessons derived from the same experience by Hayek and others). By the time Arndt had moved to Australia in the late 1940s he had transitioned to Fabian Socialism (he once advocated the nationalization of Australian banks and attempted to influence Australian politics in the direction of economic planning) and later Keynesianism, and planted himself firmly with the left of the Australian Labour Party (ALP). His view of international relations had shifted to one of suspicion of both superpowers: "[my] own preference is for a critical attitude equally towards the USA and Russia" (p. 85). Years later Arndt would transition to free market economics and split with the ALP over its opposition to the Vietnam War. Arndt believed that the defence of South Vietnam was both a just cause and in the interests of the West.

What is not entirely clear from this volume is why and how all these ideological turning points occurred in Arndt's life. What the volume does tell us is that Arndt appeared to solidify his views against Marxism after reading Arthur Koestler's novel *Darkness at Noon*, and concluded that Marxism-Leninism was "destructive of all intellectual integrity" (p. 43). The volume also notes his trip to India in the 1950s, where he observed a debilitating central planning model that centred on import substitution and paid no regard to comparative advantage. According to the volume: "The hallmarks of Indian economic

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policy — direct controls, the lack of market incentives and extensive government intervention — were to become anathema to him” (p. 234). Arndt’s philosophical transition also seemed to parallel Indonesia’s own transition from government intervention (under Soekarno) to free market prescriptions (under Soeharto) — a point not lost on the authors of this book: “This philosophic shift coincided with the Suharto administration’s gradual acceptance of comparable advice from American free marketeers” (p. 265).

Arndt (alongside others who were close to him) was able to show that the Soeharto administration had made real gains in economic terms: it subdued rampant inflation; it greatly increased life spans and literacy rates while controlling birth rates; and a considerable number of people rose out of poverty. In 1986 a public debate emerged in Australia on how to judge Soeharto’s regime — the volume also notes this debate re-emerged in 1991 around events in East Timor. This debate, which might now have lost some of its fire, has been ongoing, re-emerging around, *inter alia*, the Asian financial crisis, the fall of Soeharto, and Soeharto’s death in January 2008. Arndt (the economist) focused on the bigger picture, i.e., economic gains for tens of millions of people, while protagonists (and political scientists) Dick Robison, Herb Feith and Rex Mortimer found the regime wanting on a series of charges including nepotism and cronyism, human rights abuses, and the invasion of East Timor and subsequent massacres in that territory. But both views have merit and neither can be considered in isolation from the other. Arndt’s view of Soeharto’s economic success is largely warranted, but the soft underbelly of the regime must also be considered. Perhaps economists (particularly if the international financial institutions were anything to go by) were not as bothered as they should have been by wholesale corruption, although this practice (from nepotistic *rentier* behaviour at the top down to lack of probity by individual members of the civil service) was a massive flaw in the Indonesian economy making it expensive and uncompetitive (and manifested in, for example, the insolvency of many banks due to bad loans). On the issue of

East Timor, Arndt would endeavour to inform audiences that the numbers of East Timorese that had died under Indonesian occupation had been exaggerated by activists. Arndt was right about this: the “more than 200,000” commonly cited is almost certainly about double more realistic estimates. But in the broader sense it cannot be denied that Indonesia’s occupation of East Timor was one of the most brutal occupations of modern times and Arndt himself acknowledged that Indonesia had failed in its endeavour to incorporate the territory. But Arndt somewhat pejoratively dubbed East Timor to be a “mendicant state”, which carries the connotation of the new state as an “international beggar”, although it is little different in its aid reliance than much of the developing world and, moreover, has since done respectably well with its mineral wealth. (Arndt also argued in an earlier time that Singapore could not survive on its own.)

One could take issue with Arndt’s inference that some Australian academics (and Robison in particular) were reckless in generating some coolness in the bilateral relationship between Australia and Indonesia in 1986. Several issues are worth noting. First and foremost, it remains the right (or even duty) of academics to play the role of a social conscience. Second, it was interference in Australia’s affairs (and may have revealed ignorance of the limits within a Western society) for the Soeharto regime to hold the Australian government to account for the views of independent commentators. And third, the fact that the Soeharto regime was so deeply wounded by Robison’s commentary probably speaks to the veracity of it.

For their part, the authors of this volume do not shrink away from pointing out what they view as Arndt’s faults. Drake notes that he was too eager “to publish anything and everything he wrote” (p. 303), resulting in both “inferior pieces” that might have otherwise had greater impact and provoking the occasional reproof from a colleague.

One annoyance, which would be trivial if it was not so widespread in this volume, has to do with a peculiar quirk in the text whereby there is no

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spacing between open quotation marks and the preceding word. This problem does not smooth the way for the reader. In a few instances some older correspondence cited in this volume treats group nouns as plural, and the authors, rather than accepting this as a legitimate grammatical style have inserted “sic” in these sentences. These issues aside, this biography is a well-crafted story about a fascinating life.

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***Multinational Corporations in Indonesia and Thailand: Wages, Productivity, and Exports***, edited by Eric D. Ramstetter and Fredrik Sjöholm. Basingstoke: Palgrave Macmillan, 2006. Pp. 229.

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This book analyses factory-level data from Indonesia and Thailand to gain insights into the effects of multinational corporations on wages, productivity, and exports in host countries. Looking at Southeast Asia’s two biggest economies, it brings together work from Eric Ramstetter, one of the leading experts on MNC operations, internationally-renowned economist Robert Lipsey, as well as a group of area specialists and economists, many from Japan’s International Centre for the Study of East Asian Development.

Through looking at micro-level data from both countries, the book seeks to explore how MNC investment affects host country economies and labour markets. In order to do so, it asks and attempts to answer the following questions:

- Do MNCs pay higher wages, have higher productivity levels, and are they more likely to export than local firms?
- Is there a relationship between wage levels,

productivity, propensity to export, and foreign ownership share?

- Do MNCs provide wage or productivity spill-overs for locally owned firms in the same industry?
- How do takeovers by MNCs affect wages in the plant concerned or elsewhere in the sector?

After an introductory chapter by the editors, Ramstetter and Sjöholm, the book is divided into three sections. The first section on wage differentials and spill-overs contains chapters by Lipsey and Sjöholm, and Movshuk and Matsuoka-Movshuk on Indonesia and Thailand, respectively. The second section on productivity differentials and spill-overs is comprised of a chapter each on Indonesian and Thai manufacturing by Takii and Ramstetter respectively, in addition to a chapter by Ito that looks at the automobile industry in both countries. The last section contains a chapter by Sjöholm and Takii on exports and foreign ownership in Indonesia’s manufacturing sector, and a chapter on the same topic in Thailand by Ramstetter and Umemoto.

This is a solid book that deals with very technical issues in a succinct and clear manner. Unlike many publications that result from a research project, as this book was, it reads like a coherent whole. It is clear and well-written, explaining technical issues without recourse to jargon.

The book shows empirically that there are significant differences between local firms and MNCs in both countries. MNCs were shown to significantly affect propensity to export, as well as generate wage and productivity spill-overs for local operations in Indonesia and Thailand. There are, however, significant differences regarding the effects on wages and productivity between the two countries. In Indonesia, the relationship between wages, productivity and foreign ownership is strong. In Thailand, in contrast, wages displayed the same relationship with foreign ownership as in Indonesia — albeit to a lesser degree. However, productivity differentials were not statistically significant after taking account of control variables.