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Vishnu Juwono

*Faculty of Administrative Science, Universitas Indonesia; Indonesia*

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# The History of Governance Reform and the Anti-corruption Measure under Guided Democracy Era: Indonesia Experience in 1957 – 1967

VISHNU JUWONO

*Faculty of Administrative Science, Universitas Indonesia*  
vjuwono@ui.ac.id

**Abstract.** This article highlighted how the last parliamentary system government reached the verge of collapse due to both Sukarno and Nasution's restlessness regarding what they saw as a corrupt politician that made parliamentary democracy dysfunctional and ignored people's interests. The partnership between Sukarno and Nasution was formed to establish a new political governance structure that was underpinned by the army's more assertive role in politics, called Guided Democracy. The article showed the disunity between Hatta and Nasution which is resulted in a disjointed effort towards governance reform and anti-corruption initiatives that was later dismantled by Sukarno and his supporter. This article used a range of primary sources including diplomatic correspondents, memo, reports issued by the United Kingdom (UK) Foreign Commonwealth Office (FCO) and the Australia Department of Foreign Affairs. In complementing these data from the UK and the Australia Government, this article used other primary resources from Indonesian government such as relevant laws, presidential decrees and government regulations, presidential speeches, international donor reports or documents and national as well as international article newspaper. The main contribution of this article was to provide an ingrained account of Sukarno's Guided Democracy era in the context of governance reform and anti-corruption initiatives, which is currently lacking in the current academic corpus on Indonesia's politics of public policy.

**Keywords:** governance reform, corruption, Indonesian history, guided democracy

**Abstrak.** Artikel ini mencoba memberikan gambaran bagaimana runtuhnya sistem parlementer di Indonesia oleh kekhawatiran Sukarno dan Nasution karena beranggapan bahwa politisi korup membuat demokrasi parlementer menjadi disfungsi serta tidak digunakan untuk kepentingan rakyat. Kemitraan antara Sukarno dan Nasution membentuk sebuah struktur tata kelola politik yang didukung oleh angkatan darat yang mempunyai peranan besar di politik, yang dikenal dengan nama Demokrasi Terpimpin. Dalam artikel ini juga dijelaskan pertentangan antara Hatta dan Nasution yang menyebabkan tidak maksimalnya usaha reformasi tata kelola dan inisiatif anti-korupsi, hingga akhirnya dibubarkan oleh Sukarno dan pendukungnya karena ketidakpercayaannya terhadap inisiatif tersebut. Sebagai sumber data riset, artikel ini menggunakan data primer diantaranya memo korespondensi diplomatik, serta berbagai laporan yang diterbitkan oleh Kementerian Luar Negeri Inggris Raya (FCO) dan Departemen Luar Negeri Australia. Untuk melengkapi data primer dari pemerintah Inggris Raya dan Australia, artikel ini juga menggunakan data primer lainnya dari pemerintah Indonesia seperti Undang-Undang, Keputusan presiden, peraturan pemerintah, pidato presiden serta data primer dalam bentuk laporan dan dokumen dari lembaga donor serta artikel dari media massa nasional maupun internasional. Kontribusi artikel ini pada literatur akademik yang ada adalah berupa analisis terhadap era Demokrasi terpimpin di masa Sukarno dalam konteks reformasi tata kelola dan inisiatif anti-korupsi, yang masih terbatas dalam berbagai literature politik dan kebijakan publik di Indonesia.

**Kata kunci:** reformasi tata kelola, korupsi, sejarah Indonesia, demokrasi terpimpin

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## INTRODUCTION

The concept of governance reform as development was widely used not just in the academic discourse; therefore, it posed the risk of being multi interpreted. International economic organizations, especially in 1990's, was focusing on economic sector as widely known then as 'Washington Consensus' that emphasized on liberation whether in financial, trade or investment sector (Williamson, 1994) or in judiciary sector that advocated the need of impartial law enforcement system (Lindsey 2002). Meanwhile leading scholars in politics are focusing on the aspect of the quality of governance

(Fukuyama 2013) and the type of political architecture (McIntyre 2003).

This article is applying a broader definition of governance. Governance is not only about the government but also entails an interaction between the state (government, legislature and judiciary) and civil society (Bevir 2010). This article emphasizes the political aspect of governance reform. In terms of the time frame, the governance reform is seen as an effort to enact policy that has long-term implications, with the ultimate goal of strengthening and preserving the democratic political structure in Indonesia that includes an effective executive, a more robust parliament and

a credible judiciary. Thus, governance reform can be categorized into several areas that depend on the policy priority, including economic governance reform, constitutional amendments and judicial reform in context of strengthening democratic political framework.

In terms of anti-corruption (AC) measures, Quah identifies three patterns of anti-corruption initiatives in Asian countries. The first pattern is where there exists an anti-corruption law but no independent anti-corruption agency; the second pattern is where there is an anti-corruption law with multiple anti-corruption agencies; and the third pattern is where there is an anti-corruption law with one independent anti-corruption agency. Quah argues that the third pattern is the most effective anti-corruption model, because an independent agency that solely focuses on combating corruption would not be sidetracked by other priorities. But the third pattern does not guarantee a success as require political support from top leaders, especially the president (Quah 2008).

Meanwhile Kepundeh emphasizes that social action coalitions linking public and private actors are needed to mobilize participation and advocacy to ensure the effectiveness of anti-corruption measure (Johnston and Kepundeh 2003). In this article the anti-corruption activity is focusing on the prosecution of large scale corruption cases or those that implicate high profile officials. As a result, the nature of their activity is to create a deterrent effect, focusing more on investigation as well as prosecution, and within the short-term time frame, up to five years.

After the national election in 1955, it became evident that the administrator group's influence was significantly reduced, since only the Islamic Political party Masyumi managed to secure the second largest number of seats in parliament. Meanwhile, the Solidarity maker group secured the majority of parliamentary seats through political parties like the Indonesia Nationalist Party (PNI), the Revival of Religious Scholars (NU) and the Indonesian Communist Party (PKI).

This paper highlights how the last parliamentary system government reached the verge of collapse due to both Sukarno and Nasution's restlessness regarding what they saw as a corrupt politician and corrupt political party that made parliamentary democracy dysfunctional. It then outlines how the partnership between Sukarno and Nasution to establish a new political governance structure was underpinned by the army's more assertive role in politics, called Guided Democracy and explains how the disunity between Hatta and Nasution resulted in a disjointed effort towards governance reform and anti-corruption initiatives that was later dismantled by Sukarno, with strong support from the solidarity maker group.

## RESEARCH METHOD

This article utilizes a number of primary resources. The rarely-used primary sources are from the United Kingdom, and Australian embassies in Jakarta, available

at the British National Archives and the Australian National Archives. The Indonesian newspapers were accessed from the Indonesia National Archives in Jakarta as well as the Institutes of Southeast Asia Studies (ISEAS)'s library in Singapore, like Pedoman, Indonesia Raya, Kompas, Sinar Harapan, Tempo and Suara Pembaruan. The international newspapers article were compiled from British National Archives.

The Indonesian government has been posting Laws, Government Regulations (PP), Presidential Decision Decrees (Keppres), Presidential Instruction Decrees (Inpres) as well as Presidential Regulation Decrees (Perpres) via the Cabinet Secretary's website (<http://sipuu.setkab.go.id/>). Most of the laws and regulations obtained from this government's official website were used for this article.

Written historical records and documents were further supplemented by interviews. This is particularly important as Indonesia has an oral rather than a written culture, as a result of which documentations are sparse. More than 80 interviews were conducted with high-ranking government officials, state officials, MPs, Indonesian and foreign businessmen, Indonesian and international Non-Governmental Organizations (NGO) activists, Indonesian and foreign journalists, as well as academic researchers specializing in Indonesian politics. The interviewees involved during the data collection from 2011 to 2014 were based in Jakarta, London and Canberra. These interviews served the purpose of adding detail to the written documentation and exploring the motivation behind the key decisions. Since the resource persons are mostly former high state officials, policy maker, experts on Indonesia political history; their relevant and valuable perspective are used to develop the article to be more contextual.

## RESULT AND DISCUSSION

The Political Rivalry between Sukarno, Hatta and Nasution in the context of Governance Reform and Anti-Corruption initiatives began with the political demise of Vice President Hatta as leader of the administrator group which should be highlighted as the contribution to the ineffectiveness of their inability to preserve the parliamentary democracy system. Hatta thought that being Vice President was relatively ineffective since the 1950 constitution only gave the President and Vice President symbolic limited authority (Noer 1990).

During the 1950s through to the early 1960s, despite his limited power, Sukarno went a long way in challenging the boundaries and, thus, in some cases, managed to intervene in government, which frustrated successive Indonesian prime ministers during the parliamentary democracy era. At least, Vice President Hatta, represented the administrator group in policy debates at the highest level, and would bring what Van De Kroef described as 'an orthodox economic rationale in fiscal management.' Even Kahin credited Hatta's work in the 1950s for integrating the Royal Netherlands East Army (KNIL) with the armed forces, effectively trying to reduce bureaucracy and ensure a smooth transition from the Dutch-imposed federal structure to

a unitary state (Kahin 1990).

Hatta felt that being a private citizen would give him the flexibility and freedom to criticize the government. Instead, he made a limited policy impact because of his lack of political clout. Deliar Noer (1990, 720 – 723) argued that Hatta over-emphasized his personal integrity as his political asset without making any sustained effort to build his own political power base especially through a political party.

As for the short-lived anti-corruption endeavor under General Nasution through the Committee for Retooling the State Apparatus (PARAN) and the Budhi operation, this episode has been rarely discussed in the literature, aside from being explained in the context of the political rivalry between the army and the PKI, as discussed by Sundhassen (1982), Feith (1964) and Pauker (1964). Although the work by the State Apparatus Activities Supervision Agency (BAPEKAN) led by Hamengkubuwono IX should be noted, Nasution's initiatives should be considered the most systematic anti-corruption attempt by a strong political leader during the Guided Democracy era.

Thus, Hamengkubuwono IX, although widely respected, did not have strong political leverage with Sukarno compared to Nasution. Therefore, Sukarno easily dissolved BAPEKAN in 1962. Hamengkubuwono was abroad when BAPEKAN was dissolved. According to Hamengkubuwono's close advisor Prof. Selo Soemardjan: 'We only knew about the BAPEKAN dissolution by Sukarno through Newspaper.' ('Dari Tromol Pos No. 8 [From P.O. Box no. 8]', 2012).

When the PNI's Ali Sastroamidjojo became prime minister in 1957, the influence of the administrator group was declining, following the resignation of Vice President Mohammad Hatta in late 1956, the subsequent dissolution of the Masyumi and the PSI in the mid-1960s and, finally, the sudden death of Prime Minister Djuanda in 1963. Therefore, the natural political ally for Nasution in pushing governance reform was severely weakened by Sukarno and the PKI. As a result, it was unsurprising that Nasution's anti-corruption drive proved short-lived (1960-1964).

The turbulent relationship between Nasution and Sukarno shows that Nasution possessed a puritanical streak that distanced him from most of Indonesia's political leaders. Based on Penders and Sundhassen (1985) observation that Nasution refused to be involved and 'condemned the corruption which became a hallmark of Sukarno's style of government.' Amidst the academic and policy-making debate on the political format of Guided Democracy, Nasution tended to be a junior partner of Sukarno. As the founding father of the nation, combined with his superb oratorical skills and mass mobilization, Sukarno was no match for Nasution.

Ultimately, Nasution was nearly able to consolidate his authority in the army after the enactment of Guided Democracy by Sukarno in the early 1960s, but the previous strong anti-corruption drive and rationalization of the army created enemies for Nasution. Sukarno developed distaste for Nasution's incorruptibility and incessant refusal to join the high-life and Sukarno's corrupt, close aides in the palace. Therefore, Sukarno

exploited the disgruntlement within the army to relegate Nasution from direct army command in 1962. The President gave Nasution the newly-established position of Chief of Staff for the Armed Forces and forced him to give up the influential post of Chief of staff for the Army to his deputy, Maj. Gen. Ahmad Yani. Then, the chiefs of staff of all four services (the army, navy, air force, and police) were all promoted to commander, reporting directly to the President. As a result, Nasution was left with merely administrative coordination and civil defense authority (Presidential Decision Decree number 225 year 1962 on the Appointment of the Armed Forces Leaders with new Organizational Structure.)

Thus, Hatta and Nasution both exemplify the intellectual cunning combined with extensive government experience/military service that coalesced with an incorruptibility streak. However, like other administrator group members, Hatta and Nasution proved incapable of expanding their distinguished personal character into a formidable political electoral machine. Nasution's IPKI political party only acquired 4 parliamentary seats at the 1955 national election (Sundhassen 1982, 91). Although Hatta was de facto leader of the administrator group in 1945-1956, he never formally led a political party.

Initially, Hatta and Nasution enjoyed excellent collaboration in the late 1940s-early 1950s over the liquidation of the federal system and military reform (Penders and Sundhassen 1985, 78). When Hatta and Nasution were both at the peak of their power during the late period of parliamentary democracy, philosophical differences arose between them, especially on the role of the army in politics (Noer 1990, 467).

According to Penders and Sundhassen, although some of Nasution's actions reflected the similarities of the administrator group, he always had a strong commitment to the values of Pancasila (the state's five principles) like the solidarity maker group (Penders and Sundhassen 1985, 179). Thus, after being reinstated in 1955 as Army Chief, Nasution's resentment of politicians reinforced his political tilt toward supporting Sukarno.

Hatta and Nasution could potentially have formed a formidable alliance within the government which may have constituted their best chance for pushing governance reform and the anti-corruption initiative, but they went their separate ways. Nasution preferred to be Sukarno's junior partner in supporting Guided Democracy (Feith 1964, 978), while Hatta resigned from the vice presidency. It is unsurprising, then, that Sukarno and his solidarity maker group emerged as the victors, easily dismantling the administrator group and subsequently dismissing Nasution.

Even though Sukarno was able to establish a Guided Democracy by outmaneuvering his political rivals, his government was unable to deliver sufficient economic and social welfare to the people as well as embroiling them in corruption based on the following assessment of the following the two leading academics. As Friend sums up, 'By 1964-1965, despite all of Sukarno's talk about socialization, Indonesia was becoming *laissez-faire*, with a corollary of hyper-corruption' (Friend

2003, 98). Meanwhile, John Legge observed that Sukarno's efforts to emphasize the style of politics over the substance of the political program protected the status quo of the corrupt elites (Legge 1972, 383 – 384).

More importantly, the perilous legacy of Guided Democracy championed by Sukarno, created a template for the authoritarian political governance structure that undermined the checks-and-balance system. This was evident when his successor, Suharto, consolidated and even expanded for over three decades the authoritarian political governance structure. This milestone was an evident of the relapsed in governance reform under Guided Democracy era.

Toward the end of Parliamentary Democracy under Sukarno, President Sukarno appointed former Prime Minister Ali Sastroamidjojo as formateur to set up a cabinet on 8 March 1956 and it was agreed by the PNI leadership that the main component of the new government would consist of the PNI, the NU and Masyumi (Rocamora 1974, 252).

In the end, Ali Sastroamidjojo's second cabinet was formed on 20 March 1956. Even though the PNI lead the political party coalition within the cabinet with six cabinet ministers including the position of Prime Minister, the important ministerial posts for patronage and party financing, such as the Minister of Finance, Minister of the Interior and Minister for Economic Affairs, belonged to the Masyumi and thek NU (Rocamora 1974, 254). Surprisingly, the administrator group type of figures remained influential in the cabinet. This was a group whose power depended on their skill in managing a modern government that placed a high priority on economic as well as administrative problem-solving (Feith 2006, 471).

However, there was growing dissatisfaction with Ali's Government, since their priority in the first four months of the cabinet was more the distribution of patronage through go the cabinet appointment (Saner, 1956). The problem was compounded by the growing concern that Ali's Cabinet was failing to implement the anti-corruption efforts of Burhannuddin's government. President Sukarno on 20 July 1956 decided to grant a partial amnesty to Djody Gondokusumo, former Minister of Justice in Ali's first cabinet, which disappointed Vice President Hatta, since he was not consulted (Noer 1990, 476). Earlier, the Supreme Court convicted Djody for corruption in January 1956 (Feith 2006, 337).

When Major General Nasution was re-appointed as Army Chief in November 1955, he used the opportunity to continue the military reform that had stalled after his dismissal in 1952. He changed the management structure of the military by creating an Inspectorate for Education and Training section to improve the soldiers' professionalism. A further reform was to empower the Army Chief especially with the supervision and coordination of its authority under the state of emergency through creating the Inspectorate for Territorial Affair and People Defense office (Sundhaussen 1982, 97).

In an effort to strengthen the central command and dismantle the power of the regional commanders, Nasution undertook a major re-assignment within the

Army structure. Initially, he started with low- and mid-ranking officers and then accelerated, with the main targets being Nasution's rivals, like Deputy Chief of Staff Colonel Zulkifli Lubis (McVey 1971, 159). This was also part of the governance reform within the army, by creating soldiers a sense of regularity and structure in their career and introduces a merit-based promotion policy by setting-up a commission in 1956 to review the army ranks and assignments.

The aforementioned commission was headed by his trusted aide, Deputy Army Chief Gatot Soebroto, but also included Nasution's rival to show that it was free from nepotism and it did not repeat the old mistake of reorganization with the threat of unemployment. Instead, the reorganization was accompanied by assurances that the army would expand in size (McVey 1972, 154 – 155).

With the determination of the West Java officers to oppose corruption that was mounting under Ali's government and also the effort to avoid reassignment in August 1955, the Lubis group through troops in West Java tried to arrest Minister of Foreign Affairs Roeslan Abdulgani for corruption (MacDermot, 1956). Abdulgani was preparing to attend a conference on the Suez Canal incident in London when the West Java troops summoned him for questioning under an arrest warrant in connection with his dealings with Lie Hok Tay, Deputy Director of the State Publishing House, who had been convicted for corruption ("Corruption in Indonesia? Foreign Minister Nearly Arrested", 14 August 1956).

Prime Minister Sastroamidjojo was concerned that the arrest of Foreign Minister Abdulgani would jeopardize his government's credibility, thus instructed Nasution to rescind the arrest warrant (Sastroamidjojo and Penders 1974, 200). After Nasution overrode the instruction from the West Java troops, Abdulgani was released and departed for London the same day ("Minister Arrest Countermanded", 16 August 1956).

The press, which was closely affiliated with the Masyumi and PSI, criticized the Cabinet over the decision to release Abdulgani. Finally, although the dissenter officers led by Colonel Lubis and others planned the coup after he was rotated from a previous post, this never materialized. Moreover, through vigorous intelligence activities combined with persuasion, Nasution's deputy successfully reduced the appeal of the coup but, more importantly, Lubis had no clear political concept (Sundhaussen 1982, 101).

There was continuing fierce criticism in the press coverage about the alleged corruption between Abdulgani and Lie Hok Tay ("Panggil Menlu", 1956). Then, in response, Ali's Cabinet established an ad hoc committee led by First Deputy Prime Minister Muhammad Roem to hear evidence on Abdulgani's alleged corruption. The committee decided that the evidence provided by West Java troops in their attempt to arrest Abdulgani was insufficient and declared that no grounds existed on which to charge Abdulgani (Nasution 1984, 23 – 24).

However, to the embarrassment of Ali's government, in December 1956, Mochtar Lubis was detained by the

military Police Corps because his newspaper, *Indonesia Raya*, was charged with libel for accusing Abdulgani and Lie Hok Tay of corruption (Lubis 1980, 1- 22). In the court, Lubis managed to demonstrate through convincing documents and photos that Abdulgani had indeed received a house and car from Lie and taken dollars overseas for him in violation of the foreign exchange regulations. Lubis was eventually acquitted of all charges in July 1957. Abdulgani was prosecuted ("Indonesian Minister in Court", 1957) and, ultimately, found guilty for illegally exporting foreign currency (MacDermot 1957b).

Meanwhile, in the latest political development, there was a hostile environment in which there was a strong public perception that all of the political parties were corrupt. Sukarno also contributed to the antagonism toward the political party and the parliamentary democracy system. In his speech on the Anniversary of Indonesia Independence on 17 August 1955, he criticized the current state of the political party and Indonesian politicians:

Simplify the political party system; choose the candidate who is a true leader! Vote for the parliament who truly reflects the aspiration of 80 million Indonesian people. Vote for the people who devoted their lives to the Indonesian people and to country, not for the sake of foreign interest, self-interest or the interests of the group. (Sukarno 1955, 25).

After Indonesia proclaimed its independence in 1945, the relations between Sukarno and Hatta was at the peak, productive and respectful. As Hatta commented of his partnership with Sukarno:

The Spirit and practice of *Duumvirate* were especially in the form of an unwritten unanimity between the two of us (Sukarno and Hatta); namely, our determination that in leading the state during the revolution and the struggle for independence, policies and actions should be determined unanimously between two of us. We signed many documents together. But, if one of us not in the capital, the action of one of us was supported and respected also by the other (Hatta and Z. Yasni 1981, 137 – 138).

As he was from Sumatra, Hatta represented the non-Javanese ethnic group and also balanced the flamboyance of Sukarno with his technical knowledge of the economy and administrative discipline. Sukarno was famous for his oratorical skill that would mobilize a significant number of people, while Hatta with his Dutch higher education background had sufficient knowledge on how modern economic system works.

However, it was gradually evident that the disagreement between the two was difficult to reconcile, that led to Vice-President Hatta's resignation in December 1956, which made the national political situation even more difficult. Later, Hatta revealed that, as Vice President he felt little hope that he would be able to do much amidst the increasing mismanagement, corruption and abuse of power. As he told Jacobs, 'the corruption issue while I was still in office is one of the main reasons I resigned from the vice presidency' (Noer 1990, 474). Hatta realized that the political constellation was against him, especially with the growing power

of Sukarno, as he received a fresh mandate from the election in 1955 through the PNI and their ally (PKI and NU) and won the 1955 presidential election. Sukarno's intention to dissolve parliament also attracted crucial support from the powerful army, led by Nasution, who was well-known for his disdain of politicians and political parties that he considered corrupt.

During Ali's second cabinet, the party and parliamentary government rapidly lost their legitimacy due to their inability to solve the governance and economic problems. The cabinet was criticized for its incapability to make bold decisions, like reducing the number of civil servants or remedying the deteriorating infrastructure. Nonetheless, Ali's government should also be commended for successfully pushing for legislation on regional government whereby, in Law no 1 of 1957, *inter alia* that established a legal framework for the financial relations between the Central Government and the autonomous regional governments (Feith 2006, 552).

However, the public at large regarded the Ali Cabinet as ineffectual, while the attitude of Indonesia's political leaders, with their lavish lifestyle and embroilment in corruption, increased the resentment toward the political party and parliamentary democracy system. This was evident when latter Sukarno dissolved the parliament in 1959, without significant opposition from the public. Therefore, in the second Ali Cabinet, trust in the political parties and parliamentary democracy hit an all-time low (Feith 2006, 555). Even former Vice-President Hatta, who was known as a strong proponent of the parliamentary democracy system, expressed his disappointment with the political parties in Indonesia. During his speech at Gadjah Mada University a couple of days before he resigned as vice president, Hatta commented:

Political Parties...have been made into an end in themselves, the state being their tools. In this way, it is being forgotten that promoting the interest of a political party at the expense of the people is immoral and incompatible with the Pancasila, particularly as regards the principle of a belief in one God. (Hatta 1956, 12)

In response to the deep public dissatisfaction, Ali Sastroamidjojo returned his mandate to President Sukarno on 14 March 1957. The Army led by Nasution had ferociously lobbied to declare a national state of emergency mainly to deal with the rebellion movement in the regions. In the end, Sukarno had decreed a national state of emergency (Government Regulation No. 13 year 1957 on Revision of Government Regulation on the Appointment on the Leader of Military Emergency Authority). This marked the closing stage of the parliamentary democracy system in Indonesia, as the state of emergency catapulted the Indonesian Army into assuming an important political role. This again showed that the governance reform agenda was experiencing a set-back where there was a systematic effort to concentrate power under the executive by weakening the parliament and the judiciary.

The introduction of Guided Democracy, the army's limited anti-corruption measure and its entanglement in patronage were all initiated by events such as the

several failed attempts to set-up a new cabinet. This led to an unprecedented step whereby President Sukarno appointed himself as a 'citizen' to form a cabinet in April 1957. Sukarno appointed non-party, experienced minister, Djuanda, as Prime Minister.

The cabinet members were appointed as individuals, not for their political affiliation, and comprised a number of individuals known for their technical skills. The cabinet was still dominated by the political parties, with four from the PNI, four from the NU, one from both the Parkindo, and the PSII party. There were two sympathizers with the PKI and two others from the People at Large Forum (Murba) party (Lev and Finch 1965, 36 – 37).

Under the state emergency, the Army introduced a number of anti-corruption measures that grew out of a meeting of the Army leadership in March 1957 about the ever-growing problem of corruption among politicians. Subsequently, the Army issued a number of decrees that gave them the authority to act on corruption (Presidential Decision Decree number 48 year 1957 on mandate from President to all State officials to Continue Working; the Emergency Military Ruler number 6 year 1957 on anti-corruption measure: The Emergency Military Ruler number 6 year 1957 on anti-corruption measure). The focus of these anti-corruption measures was to investigate politicians who had amassed suspicious assets. Thus, the Army examined personal bank accounts to determine the source of suspicious assets. Furthermore, many of the sources of party funds were co-opted by the military headquarters to establish control over key government offices, especially in the regions.

The anti-corruption measures executed by the Army unnerved many political party leaders, who were concerned about the possibility of being targeted discriminately by the Army, especially those from the opposition parties, like the Masyumi and the PSI. For instance, former Minister of Finance Jusuf Wibisono from the Masyumi was arrested on March 1957, accused of providing illegal credit to his business cronies while still in government, and then released a year later, in March 1958, due to a lack of evidence (Soebagijo I.N 1980, 221). Meanwhile, the PSI politician, Soemitro Djodjohadikusumo, was also interrogated for alleged corruption in distributing credit as Minister of Finance. Sensing his imminent arrest, Soemitro managed to escape and flee the country (Lubis 1980, 67 – 69).

With a number of former ministers and politicians being investigated, the relationship between the Army and the political parties became strained. Nasution finally admitted the shortcomings of the anti-corruption campaign due to the lack of clear rules and regulations, and also the fact that the Army was occupied with growing challenges from the regional military commanders. As Nasution elucidated:

With the current state of rules and regulations in Indonesia, it was very difficult to prosecute high officials or former ministers accused of corruption because of difficulties in providing evidence. Therefore, I can only apply administrative sanctions, such as suspension, or impose house arrest during the interrogation. ((Lubis

1980, 82 – 85).

The state emergency provided an opportunity for the army to broaden its political role through their appointments to civil service positions or as the heads of local government (McVey 1972, 159). It also provided an opportunity for the Army to expand its role in the state economy, where in the name of restoring political stability they took over the Dutch companies that previously had been taken over by its employees in 1957 during the campaign to force the Dutch out of West Irian (MacDermot 1958). For instance, 40 ships owned by the Dutch steamship company, KPM, were detained by Indonesian workers, before being taken over by the army ("KPM Diambil Oper oleh Pemerintah", 1957).

The involvement of the Army in economic activities was well-known in export-producing commodity regions like North Sumatra and North Sulawesi to compensate for their limited budget by supporting the semi-official smuggling during the mid-1950s. Elsewhere, the army was engaged in illegal business activities in cooperation with the local leaders. However, these activities were very limited and did not provide any opportunities for personal enrichment (Crouch 1978, 38).

In contrast, the new opportunities provided by the state emergency law implicated some army officers in corruption practices. Nasution and his loyalists were apprehensive about the increasing evidence of corruption and commercialism among the Army and ordered an investigation (Lev 2009, 214). For instance, Nasution introduced several measures against high-ranking officers, including Colonel Ibnu Sutowo, Colonel Dachjar and others, based on news leaked in November-December 1958, because of their alleged involvement in rubber smuggling. Thus, officers who were suspected of corruption were either suspended (Ibnu) or transferred (Dachjar).

The corruption cases certainly weakened the Army's position vis-a-vis politicians in parliament, but this was offset by the low standing of the political parties among the general public. Please provide fact(s)/evidence(s) to support the statements here. In the end, the Djuanda cabinet managed to secure parliamentary approval to extend the state emergency law in December 1958 because of Djuanda's implied threat of a possible Army coup (Lev 2009, 219).

However, in other political developments, there was a deadlock in 1959 between the President and political party leaders in government (the PNI, the NU and the PKI) on the composition of the functional group representative who would be appointed by the president in parliament. Even during the negotiations for the restoration of the 1945 constitution, Prime Minister Djuanda and Nasution, in a bid to obtain an endorsement, declared that the corruption charges pending against NU's politicians - from the army anti-corruption campaign in December 1958 - would be prosecuted unless they received NU support on 19 February 1959 (Lev 2009, 264 – 265).

Subsequently, Sukarno announced the decision to restore the 1945 constitution in February 1959 and submitted the proposal to constituent an assembly for approval, but ultimately was deadlock. In response,

Sukarno dissolved the constituent assembly, announcing on 5 July 1959 that he had issued a decree for the restoration of the 1945 constitution (Presidential Decree on 5 July 1959) and installed 'Guided Democracy.'

President Sukarno's alliance with the army marked the end of the administrator group. After the political and military victory by Sukarno and Nasution over the rebel government, riding in the wave of strong political capital, they managed to dissolve the administrator group, turned them into irrelevant political forces, at the expense of governance reform and anti-corruption initiatives.

After Djuanda returned his mandate on 6 July 1959, Sukarno assumed full executive authority as both President and Prime Minister to form his own cabinet. However, he was concerned about the growing influence of the Army in both politics and commerce since the state emergency enacted in March 1957. Therefore, he tried to reduce Nasution's influence by offering him the Minister of Defense post, in the hope that he would resign from the powerful Army Chief post. This backfired when Nasution publicly announced that he would take the Minister of Defense position, while also retaining the Army Chief post (Lev 2009, 497).

Since Sukarno uninterested in managing the daily governmental affairs, he appointed Djuanda as First Minister, who was tasked with helping Sukarno to run the daily governmental affairs, representing the government in parliament and also acting as a buffer between Sukarno and Nasution, the political parties and other government agencies (Presidential Decision Decree number 236 year 1960 on First Minister). The composition of the cabinet that was announced showed the further decline of the political parties in the cabinet with the majority of members being non-party experts (Lev and Finch 1965, 43 – 45). In the end, the cabinet introduced a new organizational structure with the growing influence of Nasution, as evident from the exclusion of the PKI. The cabinet consisted of nine core ministers, with each figure responsible for coordinating several junior ministers, and there were also seven ex-officio ministers (UK Foreign Commonwealth Office 1959).

The alliance between Sukarno and Nasution proved to be based on political mutual interest rather than a fundamental agreement, as shown when Acting Attorney General Gatot Tarunamihardja in August 1959 re-opened the investigation on trade import bartering at Tanjung Periok Port, which implicated powerful Army officers, like Colonel Sukendro and Colonel Ibnu Sutowo. The Army retaliated by arresting Gatot in September 1959, charged with plotting with the leftwing element in government, and even accusing Gatot and colleagues of involvement in illegal textile trading (The Australia Embassy 1959 a). In the end, Sukarno agreed on a compromise, in which Gatot was honorably dismissed in September 1959 in exchange for replacing the high-ranking army officers who were allegedly involved in corruption (The Australia Embassy 1959b).

However, political maneuvering by Sukarno and the Army began to emerge, as both were trying to increase their political leverage. The army started to pressure

the PKI in July 1960 by acting outside the region rather than in Jakarta, through interrogating the member of the PKI central committee, Sukirman, in Bandung and another four of the PKI's central committee in Jakarta. Shortly after the pressure by the army on the PKI, Sukarno retaliated by ordering that the two main opposition parties – the Masyumi and the PSI – should be dissolved for a month or faced a ban (Australia Embassy 1960). Sukarno then issued two decrees restricting the political parties' activities by demanding that they obtained permission to conduct these activity (the Supreme War Administrator Decree 6/ 1960 on Ceasing of All Political Activities, Article 1 section 1).

Eventually, due to their involvement with the regional rebel movement, the Masyumi and PSI became politically isolated and voluntarily dissolved themselves in September 1960 (Australia Embassy, 1960). This marked the end of the 'administrator' politician's group influence on the government that had been powerful in 1949-1957 in steering the governance reform agenda and pushing for anti-corruption measures.

The dismantlement of anti-corruption measure began with the Army's decisive victory against the regional rebels and the further authority expansion of the President not just in the executive sphere but also in the legislative one that made Sukarno - supported by Nasution - the principal power in government during 1960-1962. There was close cooperation between these two powerful figures on large issues on which they agreed, but still rivalry, distrust and competition. This mutual understanding between Sukarno and Nasution during the 1960s established a basis for the stable political alliance that lasted until the end of the West Irian campaign in 1962.

Meanwhile, the PKI in 1959 had stepped-up its criticism of the government's economic and business policy. One of their criticisms was the involvement of the army in a state enterprise when they took over the Dutch business at the end of 1957, because the state enterprises that were managed by military officers were inefficient and corrupt. This was evident seven years later when Gen. Nasution investigated his fellow high ranking army officers who were suspected of implicated in corruption such as Col, Ibnu Sutwo who was leading an oil and gas State Enterprise PERMINA or Col. Surhardiman of PT Djaya Bhakti (Nasution 1984 b, 266). The fact that the army officer's managers were seen to be making a profit for themselves created resentment from the labor union, one of the main constituents of the PKI. Taking advantage of this growing resentment, the PKI prepared and helped to articulate a political attack against corrupt officials or state-owned enterprise managers as 'bureaucratic capitalists' and 'economic saboteurs.' (Feith and Castles 1970, 404)

In his political manifesto, 'The Rediscovery of our Revolution,' Sukarno emphasized the need to 'retool' all the state instruments and eradicate the 'liberal elements' so that it would be filled with supporters of his Guided Democracy (Sukarno 1959). To implement this task, Sukarno established two institutions. Initially, he was setting up the State Apparatus Activities Supervision Agency (BAPEKAN), whose responsibilities included

supervising any activities undertaken by the state apparatus and conducting research on how to improve its performance (President Regulation number 1/ 1959 on the establishment of State Apparatus Activity Supervision Agency (BAPEKAN), Article 4 section 1 and 2).

BAPEKAN also had authority, *inter alia*, to provide advice based on their research and also to manage public complaints to improve the state apparatus' performance and reputation. To increase its clout, Sukarno appointed the highly-regarded former Minister of Defense, Sultan Hamengkubuwono IX, as BAPEKAN's chief, at a level equal to minister (Presidential Decision Decree 177/ 1959 on the Appointment of Chair and Commissioner of State Apparatus Activity Supervision Agency [BAPEKAN]; Presidential Decree 178/1959 on Ministerial Rank given to the Chair of the BAPEKAN).

The BAPEKAN received an enthusiastic response from the Indonesian people, who had high expectations of their reporting of petty and large corruption cases, like the Rp. 40 million stolen from Jakarta's custom office in 1950-1960 and the Rp. 274,135.49 stolen from Cooperatives within the State Apparatus Bank in Karo. With only 40 secretariat staff, BAPEKAN was overwhelmed with public enthusiasm to report corruption that reached 912 complaints by July 1960, 400 of which had been processed.

The second agency to be established was PARAN in January 1960, initiated and chaired by General Nasution and Roeslan Abdulgani as Vice Chair (Presidential Decision Decree number 10 year 1960 on the establishment of the Committee of Retooling State Apparatus (Panitia Retooling Aparatur Negara – PARAN)). However, Sukarno wanted the PARAN to focus on the indoctrination of his revolutionary fanfare, while Nasution wanted the committee to focus its efforts on governance reform, particularly reorganization, personnel management as well as anti-corruption efforts (Nasution 1984, 256). The initiative by Nasution to focus PARAN on the governance issue was seen as an effort to regain public trust in the army, since its image had been tarnished because of the corruption of the army managers in a number of state owned enterprises.

However, the existence of PARAN created anxiety among civil servants, especially as those who were seen as too close to the opposition groups, like the Masyumi and PSI (Rogers 1960), had eventually been demoted to less powerful positions. There was also tension with BAPEKAN as, clearly, these two agencies overlapped. For instance the two institutions was focusing in uncovering corruption in public sector, without clear emphasize, for instance which one focusing on prevention and which one focusing on prosecution or auditing. The tension increased when PARAN announced its plan to 'retool' BAPEKAN, but the conflict was resolved when Hamengkubuwono IX managed to meet Nasution at the end of November 1960, when they agreed on the division of labor between the two institutions. Whereas BAPEKAN focused on supervision and research, PARAN focused on 'retooling,' which emphasized prosecutions for corruption ("Dari Tromol Pos No. 8",

2012).

BAPEKAN only lasted for around three years, however. The trigger for its downfall was when Indonesia was selected to host the Asian Games in 1962. As the host government accelerated its development projects around Jakarta, such as building roads, hotel and sports facilities, involved huge financial resources. BAPEKAN received a number of reports from the public about alleged corruption and started to investigate a development project related to the hosting of the games. Midway through this investigation, Sukarno announced in May 1962 (President Regulation number 3/ 1962 on the Disbandment of the State Apparatus Activities State Agency (BAPEKAN) Article 1). Hamengkubuwono IX and the other commissioners of BAPEKAN were discharged honorably in May 1962 (Presidential Decision Decree number 166/ 1962 on Honorably Discharge of Chair and Member of BAPEKAN, Point 2).

PARAN only received significant support for its indoctrination aspect, since Vice Chair Abdulgani was assigned by Sukarno as Spokesperson of his ideological programs MANIPOL/ USDEK (Presidential Decision Decree Number 184 year 1964 on the Appointment of Dr. H. Roeslan). As a result, a number of Nasution's programs in PARAN did not receive support from the cabinet, by ignoring, for instance, Nasution's proposals to separate the political from the technical positions within the state agencies and the standardization of the Organizational Structure (Nasution 1984, 258- 259). The biggest challenge that PARAN faced was from the PKI, however, Nasution's main adversary. Therefore, PARAN was constantly attacked since its inception and accused by the PKI of being Nasution's platform for his presidential run.

The success of the West Irian campaign in 1962 enhanced the credibility of Sukarno among the other army leaders, thereby weakening Nasution's political leverage. Also, Nasution's anti-corruption drive through PARAN made his corrupt colleague feel threatened, so this combination of factors prompted division and rivalry within the Army (Sundhaussen 1982, 164). Sukarno seized the rare opportunity of division within the army to challenge Nasution's authority. Sukarno gave Nasution the newly-established position as the Armed Forces Chief and forced him to surrender the influential Army Chief post to his deputy, Ahmad Yani. Then, all four services chiefs (the army, navy, air force, and police) were promoted to commander, reporting directly to the President, which left Nasution with merely administrative coordination and civil defense authority (Crouch 1978, 53).

With his authority deteriorating, Nasution intensified his efforts to eradicate corruption through a military operation entitled Operasi Budhi in December 1963. The operation was established based on a Presidential decree that gave a mandate to Nasution especially as Chair of PARAN to lead the operation with a mission to prevent and prosecute corruption in state enterprises and government institutions (Presidential Decision Decree number 277 year 1963 on task force of Operasi Budhi), which involved former ministers, MPs as well

as politicians (PPADT 2002, 312 – 313). The initial target of this Operasi Budhi was the state enterprise (SOE) in which Nasution established a committee of experts that formed questioners targeted at SOE's CEO who inquired into company financial performance and required reports on their personal wealth and its sources (Nasution 1984, 262).

The findings of Operasi Budhi can be categorized into two groups: criminal offence findings, whereby the team would give evidence to the law enforcement agencies regarding prosecution and administrative violations, whereby the team would submit the evidence and provide advice for remedies. At the time, around 49 state enterprises/institutions were investigated by the operation (Nasution 1963) that uncovered a hundred million losses by state enterprises because of conflicts of interest, whereby the executives were using state enterprise facilities to run their own businesses. Rosihan Anwar predicted that around Rp.14 billion of state money remained unaccounted for (Anwar 2006, 284).

Nasution claimed that Operasi Budhi was successful in preventing around Rp. 11 billion state losses in its first 3 months of operation (Nasution 1984, 262) but had discomfited Sukarno and his associates. The erroneous practice of supplying money to the palace to ensure that corrupt high state officials were not rotated or wanted lucrative posts was quite staggering. Based on information from his source, according to Pedomani's Chief Editor Rosihan Anwar, each official would donate around Rp. 300 million to US\$450,000, to secure their job or seek a more lucrative position.

Following a continuous campaign to oust Nasution from PARAN, the PKI succeeded in persuading Sukarno to dissolve PARAN ('Politics: General Nasution', 1963). First, Sukarno established the Supreme Command for Retooling the Tools of the Revolution (KORTAR), led by himself, with Major Gen. Yani as its Chief of Staff, in April 1964 (Presidential Decision Decree [KEPPRES] number 98 year 1964 on the Establishment of the Supreme Command for Retooling the Tools of the Revolution (KORTAR)). Immediately after KORTAR was established, PARAN was disbanded by the President in May 1964 (Decision Decree (Keputusan Presiden – KEPPRES) number 117 year 1964 on the disbandment of the Committee for Retooling the State Apparatus (PARAN)), in the midst of handling only 10% of their cases (Nasution 1984, 266).

The vigor of PARAN in prosecuting fellow Army officers created further friction within the army, especially between Nasution and newly-appointed Army's Chief Ahmad Yani. It was suspected that Yani's approval of the termination of PARAN stemmed from his concern that the corruption investigation had touched upon his supporters who held strategic positions such as Col. Ibnu Sutowo of Permina, Col. Surhardiman and Col. Surjo (Crouch 1978, 80).

While the Indonesian economy continued to deteriorate from 1963 due to the West Irian Campaign, there was an urgent need for the government to put its house in order and embark on economic governance reform (Gilchrist 1964). Realizing that the worsening

economic conditions that affect the public at large could dent his popularity, in March 1963, Sukarno delivered a speech to assure the public, known as the Economic Declaration (Dekon). In formulating Dekon, Sukarno requested assistance from political and intellectual figures with a strong association with the disbanded PSI (Indonesia Socialist Party), through which they were able to incorporate several economic governance reform proposals including the need for bureaucratic reform and decentralized management (Anwar 2006, 232).

In following up Sukarno's Dekon speech, First Minister Djuanda attempted to impose economic governance reform, aiming to solve Indonesia's economic predicament through various governance reform measures while, as Indonesia's economy was now in dire straits, he simultaneously pushed for the mission from the IMF to come to Indonesia and assess the feasibility of offering assistance (Australia Ambassador to Jakarta 1963).

Subsequently, Djuanda introduced economic governance policy outlining the need to increase prices, devalue the currency, and seek price stability and deregulation to remove the bottlenecks in the bureaucracy in May 1963. However, this economic governance reform measure immediately came under attack from the PKI and its supporter, who were concerned about the prospect of enacting the 'liberal policy' that would trigger the engagement of foreign, western investors as well as international organizations like the IMF, but avoid attacking Sukarno that protected them from the army (Gilchrist 1964).

The constant attack by the PKI during July-September 1963 was finally rewarded with the statement by Sukarno that the reform program needed to be corrected (Mortimer 2006, 267), but Djuanda's economic reform program was shattered by the initiation of Malaysia's confrontation campaign and his sudden death in November 1963.

With more than half of borrowing from communist bloc countries, which was mainly used to buy defense equipment as well as weapons, the government had little choice but to finance the budget deficit by printing money, which had significant inflationary effects. Meanwhile, the political polarization continued, especially between Sukarno – the army – and the PKI. This aggravated the division among the Indonesian elites and the constant cabinet turnover hampered any efforts to address the economic morass, as there was neither the political will nor the leadership to sustain economic reform (Booth 1998, 176 – 178).

In the end, on 30 September 1965, the tension between Sukarno (supported by the PKI) and the army erupted in the form of an attempted coup by a number of mid-level army officers who were Sukarno's supporter, who took the life of six army generals, including the Army Chief Ahmad Yani. This tragedy gave momentum for the Army to consolidate its power, and it eradicated the PKI through the use of force as well as politically and eventually out-manuevered Sukarno in the course of two years to take power, with Suharto becoming Indonesia's acting President in 1967 and consequently

full President. This marked the end of Sukarno's Guided Democracy.

### CONCLUSION

Utilizing a significant number of primary and secondary sources, this article identifies that with the resignation of then Vice President M. Hatta in 1956, combines with the temporary alliance between Sukarno and General Nasution between 1956–1959, it accelerates the decline of governance reform and anti-corruption measure. Furthermore, there is the significant setback during Guided Democracy era since Sukarno thought that the anti-corruption and governance reform measure either by Nasution or Hamengkubuwono was trying to delegitimize or threaten his close-aide and therefore had to be restrained. Thus, during this era there was a lack of political support that was urgently needed to ensure the effectiveness of governance reform and anti-corruption measure in that challenging period.

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