

8-2-2019

Economic Change in Modern Indonesia: Colonial and Post-colonial Comparisons by Anne Booth

Arianto Patunru

Australian National University, arianto.patunru@anu.edu.au

Follow this and additional works at: <https://scholarhub.ui.ac.id/efi>

Recommended Citation

Patunru, Arianto (2019) "Economic Change in Modern Indonesia: Colonial and Post-colonial Comparisons by Anne Booth," *Economics and Finance in Indonesia*: Vol. 65: No. 1, Article 6.

DOI: 10.47291/efi.v65i1.639

Available at: <https://scholarhub.ui.ac.id/efi/vol65/iss1/6>

This Article is brought to you for free and open access by UI Scholars Hub. It has been accepted for inclusion in *Economics and Finance in Indonesia* by an authorized editor of UI Scholars Hub.

Book Review:
Economic Change in Modern Indonesia: Colonial and Post-colonial Comparisons

By Anne Booth

Cambridge: Cambridge University Press, 2016. pp. x + 261

Arianto A. Patunru^{a,*}

^a*Australian National University*

Anne Booth is one of the few authorities of Indonesian economic history. Over decades she has also published numerous edited volumes and academic papers on various aspects of Indonesian economic development.

In a way, this book is an extension of *Missed Opportunities*. Whereas *Modern Indonesia* has the subtitle of 'Colonial and Post-colonial Comparisons', there is only one chapter out of ten that discusses the colonial legacy at length (Chapter 2). *Missed Opportunities* on the other hand offers more detailed account on structural change in Indonesia since the dawn of the nineteenth century. Interested readers should therefore benefit from reading both books in order to get more thorough comparisons. In fact, they complement each other – *Missed Opportunities* was published in 1998, and so its analysis ends with the last years of the New Order; this book extends it to Susilo Bambang Yudhoyono (SBY) years. The book's chapters 2-6 follow a chronological survey, whereas chapters 7–9 offer discourses on three important issues, namely economic nationalism, poverty and income distribution, and the role of government. I would highlight four aspects of this book that in my view are its main contributions.

Firstly, in the present book the author rather boldly – but rightly – questions the conventional wisdom that

colonialism is the main reason for many countries' economic backwardness and widespread poverty. She argues that Indonesia's economic problems since 1950s can be viewed as 'legacies from the Dutch colonial era'. Booth argues that policies undertaken by the Dutch (*cultuurstelsel*, liberal economic reforms and ethical policy) all failed to improve people's welfare. But, as she qualifies, in the subsequent, post-colonial era the Indonesian governments have not resolved them and often 'have exacerbated them' (p. 6). As a result, despite the 'growth miracle' story of the Suharto years, the per capita GDP in Indonesia in 2010 was still less than 20 per cent of the Netherlands, 22 per cent of Japan, and 15 per cent of the United States. More disappointingly, in 1950 Indonesia's per capita GDP was almost twice that of China; but in 2010 it was down to 59 per cent only.

In developing her narrative on the post-colonial era of Indonesia, Booth marks the history of Indonesia with three 'great watersheds'. It is perhaps interesting to many Indonesians that the author recognizes 27 December 1949 as the 'first of the great watersheds in Indonesia's post-independence history' (p. 2). She is right. Even though Sukarno and Hatta declared Indonesia's independence on 17 August 1945, the aftermath was messy. It took more than three years before the Dutch finally transferred power to the Republic of the United States of Indonesia. The second of these watersheds is 11 March 1966 that marks the culmination of the strug-

^{*} *Corresponding Author:* Arndt-Corden Department of Economics, ANU Indonesia Project, The Australian National University, Canberra. Email: arianto.patunru@anu.edu.au.

gle between Sukarno and the army, which forced Sukarno to flee from Jakarta to Bogor and later handed over power to Suharto. The third one, the readers might have guessed it right, is 21 May 1998 when Suharto had to leave office and a series of big reforms followed.

Across these three watersheds, Booth identifies successes and failures. Her balanced approach both emphasizes established facts and brings up the overlooked ones. She argues, for example in Chapter 3 (on challenges facing the new republic) that despite the conventional view that the period following the first watershed was that of economic turmoil, there were achievements, such as those in health and education sectors. Similarly, the periods of the second and the third watershed were also a story about the ups and downs of the country's development. Under Suharto Indonesia's economy transformed significantly. It was so progressive that Hal Hill wrote in *The Indonesian Economy Since 1966* (1998, Cambridge University Press) that Indonesia of mid 1990s was 'almost unrecognizable' compared to itself in the mid-1960s. But as Booth points out in Chapter 4 (on Suharto's economic record) the signs of drawbacks had appeared in early 1990s. Able technocrats left Suharto in 1993 and economic policies became less prudent. Later on, corruption was widespread and governance was weak – both were exacerbated by Suharto's crony and family business. Given this bleak background, when the Asian financial crisis hit, the crash was severe. Suharto was forced to step down and the third watershed began (Chapter 5 on the crisis and Chapter 6 on the SBY years).

Booth's insightful analysis with comparative perspective is the book's second contribution. The measures and indicators of Indonesian economic development are almost always juxtaposed with those of other countries. The notes underneath the tables reflect Booth's careful and meticulous approach to multiple sources of information. This

allows the readers to fully appreciate the dynamics of Indonesian economic development in the context of regional and global development.

Related to the second, the third contribution of the book has a lot to do with Booth's sharp eyes for factual numbers. As in her other works, an obvious value added in this book, relative to many other publications on Indonesian history, is the author's masterly assessment of Indonesian data and statistics. Chapter 8 on trends in poverty and income distribution is a case in point. Booth gives a very elaborate assessment on poverty (and to a lesser extent, inequality) data. The explanation on the different measures of poverty line – from Sajogyo's approach to Esmara's to that of Indonesia's Central Bureau of Statistics (that is mostly based on *Susenans*, the national socio-economic surveys) and those published by international institutions like the Asian Development Bank and the World Bank – is very important for anyone interested in studying poverty in Indonesia. She also questions the reliability of *Susenans* surveys and offers some ways to improve them. The exposition in this chapter should convince scholars to be more cautious in reading poverty and inequality statistics. What is perhaps needed more in this chapter is an analysis of how responsive poverty is to economic growth.

Finally, Booth's accounts on key challenges in modern Indonesia reflect her authoritative knowledge on development challenges past and present. This is the fourth contribution. Chapter 7 on economic nationalism is spot on. It is in fact more relevant today, as the world is seeing populist-nationalist leaders; harvesting votes and approvals often at the back of anti-globalization sentiment. Booth's story about economic nationalism in the New Order is fascinating, especially on the interplay between business cronies and Suharto's deteriorating policies. It is, however, constrained by space. Readers interested in this particular aspect might add to their piles the excellent book *Liem Sioe Liong's Salim Group: The*

Business Pillar of Suharto's Indonesia by Richard Borsuk and Nancy Chng (2014, ISEAS).

Chapter 9 on the role of government is equally important. It would have been better to see more in-depth analysis on the success and challenges of decentralization. But this last thematic chapter also has other issues to deal with, including anti-corruption and anti-poverty policies.

Booth starts her Conclusion (Chapter 10) with a concession: 'Assessing Indonesia's economic progress over more than a century is fraught with pitfalls' (p. 228). Studies have come out with too optimistic or too pessimistic conclusion. She tries to 'avoid both extremes' (p. 228) – and *Modern Indonesia* has achieved this, despite a healthy dose of inconclusiveness. I strongly recommend this book as required reading for all students of Indonesian economic development.
