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The Rise of the Managerial State in Indonesia: Institutional Transition during the Early Independence Period. 1950-1965

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CHAPTER V

Economic Planning during the Guided Democracy

This chapter discusses the development of the institution of national planning during the Guided Democracy and its increasing role in integrating the state within this structure. The succession of national planning organizations created by the state-initially in the Depernas or State Planning Board (*Dewan Perantjang Nasional*) which had been in operation from 1959 until the rise of the Bappenas (*Badan Perantjang Nasional*)-mirrored the tensions inherent in the ideas of state-society relationship. The development began with a burst of enthusiasm to push through the ideals of the Guided Democracy during its initial years (1957-1962); incorporation through non-party means, but also its conflicting tendencies-the centralization of control by strengthening the *pamong pradja* corps and leaving behind the decentralization program.

Leaving party-based liberalism behind, the Depernas was a corporatist plan that would allow greater participation of society through a system of societal organizations called the *karya*. *Karyas* were mass organizations based on their functions within society: farmers, labourers, youths, women and so forth. The Depernas was a forum that bypassed Parliament and functioned to combine the older planning board and political representation in one body, a form of social control through incorporation. The function of the 'democratic' Depernas was to represent the people in national planning. Thus, its decisions and consensus was to be acknowledged down the line

and the authority of the planning body would be self-evident. The idea of social control, as exemplified by the Depernas, but also by the introduction of new institutions like the Company Board (*Dewan Perusahaan*) and the idea of open management represented a genuine attempt of the early Guided Democracy (1957-1962) to implement changes that would allow for the inclusion of social participation.

The second form of planning was through the Bappenas or National Planning Body (*Badan Perantjang Nasional*) created in 1963 to replace the Depernas. This represented a correction to the corporatist experiment in which the 'experts' were allowed greater participation within a planning agency but also included a political wing, the Muppenas or National Planning Consensus (*Musjawarah Perentjanaan Nasional*), which acted as the Parliamentary wing of the Depernas. The Bappenas-Muppenas represented a gradual re-infiltration of the 'experts' managerial class, although to be fair, the technocrats of the post-1965 New Order had not yet penetrated into the policy-making positions of these organizations. What it did do was to create a planning structure that united the central and regional executive within a semblance of order. In this way, the answer to the problem that had plagued the 1950s-the creation of a national executive coordination, in lieu of the *pamongpradja*-had seemingly emerged. This is a pertinent question in understanding the development of the Indonesian planning body. Starting out as a very Westernized body, it was briefly taken over by the politician before gradually receding to allow greater expert participation. It ended in the New Order where politicians lost all powers and the expert technocrats gained everything within the Bappenas minus the Muppenas.

The inherent tension between participation of 'society' versus the leadership of experts was to play out more forcefully in the economic policy-making of the period. The institutional development of planning, however, illustrated the rise of an executive class that owed their position to the efforts to implement national planning. The rise of the military managers and their increasing control of regional governments allowed for new coordination corridors. The Bappenas also expanded the participation of experts through the formation of research and educational institutions that were deemed necessary as part of a more professional approach to national planning. The integration and coordination of the central and regional executive

with national research and educational institutions thus continued the elite managerial development that was started in the 1950s.

Transition from the BPN

The BPN drew up a Five Year Development Plan (1956-1960) in 1956. It was submitted to Parliament but was not approved until 1958. In the meantime, much of the economic assumptions had changed. Aside from the enactment of a foreign investment bill,¹ the Plan did not materialize. The role of Parliament had diminished considerably and the role of the BPN was being replaced by the newly created Depernas. The BPN had been a PSI-dominated bureau and when the social democrats lost political influence, the PKI succeeded in closing it down on charges of it being too 'capitalist.'² The Communists were very critical of the BPN's large-scale manufacturing projects, especially the Asahan Aluminium Mill. Ir. Djuanda Kartawidjaja, as Prime Minister, presided over the dissolution of his BPN power base, but recouped by creating the Economic and Finance Bureau (FINEK/Bureau II), a Prime Ministerial office with the task of assisting in economic matters. He appointed former BPN staff Muljatno Sindhudarmoko as Bureau Chief and Ali Budiardjo and Saubari as staff.³ This coupled with the control of both the FEUI, the Ministry of National Research and the Leknas provided adequate protection for the core social scientists to flourish both in research and in developing power relations during the period to come.

The role of Djuanda during the early Guided Democracy period, from around 1957 to 1962/1963, was perhaps as central as that of A.H. Nasution for the army. Although people like Sumitro Djojohadikusumo had left, the 'technocratic element' still existed at the core of both the government and the military. Taufik Abdullah recalled a conversation in which a famous Indonesianist said, "people will realize later on how crucial Djuanda's role was in these critical years, and how much of a loss to the nation the sudden

1 Submitted to parliament during the second Ali cabinet in 1956, it was finally passed in 1959. Bruce Glassburner, *The economy of Indonesia. Select reading*, (Ithaca: Cornell University Press, 1971), p. 90.

2 Robinson Pangaribuan, *The Indonesian State Secretariat, 1945-1993*, (Perth: Murdoch University, 1995), p. 15.

3 Robinson Pangaribuan, *The Indonesian State Secretariat*, p. 16. Budiardjo were sympathetic to the PSI. Benjamin Higgins and Jean Higgins, *Indonesia: the Crisis of the Millstone*, p. 87.

death of Djuanda had been.”⁴ Djuanda died in 1963. Born on 14 January 1922 to Raden Kartawidjaja, a schoolteacher from the lower Sundanese nobility, Djuanda started his education with scholarship at the *Technische Hogeschool Bandoeng* in 1929. He graduated in 1933 with the title civil engineer. He became a director for the Muhammadiyah teacher’s school in Batavia before getting a job as a civil servant with the department of water control (*waterstaat*) of the province of West Java in 1939. Unlike Hatta or Sumitro, Djuanda thus never experienced living in Holland nor was he particularly active within the nationalist movement.⁵ Not affiliating with any particular party or ideology, Djuanda stood as a neutral option for Sukarno’s right-hand man during the early period of Guided Democracy.

Rosihan Anwar called Djuanda a pioneer in Indonesian technocracy, in that people like him “have no specific ideological commitment, in fact they acted and were apolitical. Their main function was to be a helper and aid their political master.”⁶ This was certainly not fully true with the New Order technocrats, whose relationship with the military state was determined by their desire to promote a certain vision of the Indonesian economy, but it may have been quite correct in understanding the Guided Democracy regime. Quoting Hanna, Higgins pointed at Sukarno’s entourage as composed of sycophants, rouges and houris.⁷ And although he wasn’t ‘political’ in the normal sense, Djuanda was pro-heavy industry, supporting large projects like the Jatiluhur electric plant, Gresik cement plant and the Krakatau steel mill.⁸

One of the most important components of the Guided Democracy state was the belief in executive centralization and the shift away from the decentralized democracy that was inherent in the Parliamentary Democracy system of the 1950s. The *Pamongpradja* corps, which had been slated to disappear under the decentralized regional governments, was saved by Sukarno when he superseded the Decentralization Law no. 1/1957 and

4 Taufik Abdullah, “Kata pengantar” in Awaloeddin Djamin (ed.), *Pahlawan Nasional. Ir. H. Djuanda. Negarawan, Administrator dan Teknokrat Utama*, (Jakarta: Kompas, 2001), p. xx.

5 I.O. Nanulaita, “Ir. Haji Djuanda Kartawidjaja” in Awaloeddin Djamin (ed.), *Pahlawan Nasional. Ir. H. Djuanda. Negarawan, Administrator dan Teknokrat Utama*, (Jakarta: Kompas, 2001), p. 8-71.

6 Rosihan Anwar, “Pelopor Teknokrat. Non-stop jadi menteri” in Awaloeddin Djamin (ed.), *Pahlawan Nasional. Ir. H. Djuanda*, p. 217-218.

7 Benjamin Higgins and Jean Higgins, *Indonesia: the Crisis of the Millstone*, p. 122.

8 Mohammad Sadli, “Pelopor Perencanaan Pembangunan Ekonomi” in Awaloeddin Djamin (ed.), *Pahlawan Nasional. Ir. H. Djuanda*, p. 258-259.

instituted a Presidential edict in 1959.⁹ This had the effect of recentralizing the executive.¹⁰ The *Pamongpradja* was to work alongside a territorial military structure that had also been expanded during the period under Nasution's territorial management doctrine. With the creation of a National Planning body composed of representatives of working bodies (*karyas*), the fractious, decentralized, party-based society of Indonesian liberalism was replaced with an incorporated structure in which society would participate in national planning and in the greater economy through the application of open management systems. The structure of power could be centralized and society and state could function as one organic whole.

Institutional Development during the Guided Democracy

On a general level, we can divide Guided Democracy into two periods. The first occurred between 1957 and 1962 and represented an experimental period, in which various new institutions were set up within an environment that bespoke an optimistic view of the future. It was a corporative period in which participation through *karya* organizations within the planning body was heralded as a foundation for a stable and efficient Indonesia. It was the time in which Sukarno's anti-experts mood was at its height. The second period from 1962-1965 was a period in which the experiments had been conducted and a shift occurred toward a feeling of apathy and pessimism. The shift also saw the increasing authority wielded by Sukarno while at the same time the loss of authority of Nasution. Interestingly, it also saw the rise of the Western-educated social scientists and the Communists in both the government executive and the discourse on the economy. It saw increasing economic distress and the loss of the control of the state while at the same time the creation of a series of new, executive institutions that were to become the institutional bedrock of the future New Order state. In short, it was a period rife with contradiction and conflict that witnessed the rise of a new generation of experts who were to exercise an increasing influence and impact on the executive.

9 J.D. Legge, *Central Authority and Regional Autonomy in Indonesia: a Study of Local Administration. 1950-1960*, (Ithaca: Cornell University Press, 1961), p. 21.

10 J.D. Legge, *Central Authority and Regional Autonomy in Indonesia*, p. 201-229.

As Herbert Feith describes, Guided Democracy was both an initiative of the military and Sukarno, “and they did so not as leaders and followers or as part of a single power group, but as two partners and followers, or as a part of a single power group, as two partners between whom relations were competitive as well as cooperative.”¹¹ In the early phase starting around 1957, Nasution used the martial law that was proclaimed after the dissolution of Ali Sastroamidjojo’s Cabinet in order to push forward his institutional ideas. His authority as Chief of Staff of the army resulted in his control of the Central War Authority (Peperpu), which controlled the Regional War Authority (Peperda). Sukarno successfully wrested control of this double administration when he dissolved the Peperpu and established the Supreme War Authority (Peperti) in which he was the head of both the civilian and military administration.¹² In December 1961, the Supreme Commander for the Liberation of West Irian or KOTI was created under Sukarno and this became the most important government agency and acted like a cabinet.¹³ The competitive sphere had resulted in the formation of institutions along similar lines by both the military and Sukarno. In many cases, the initiative was taken by Nasution and then followed by Sukarno. Not until 1962 when Sukarno succeeded in undermining Nasution’s position did an expansion of executive authority take place under the Presidential office, putting institutional authority in the hands of the President.

According to Daniel Lev “(T)he striking aspect of Guided Democracy as it developed after the restoration of the 1945 Constitution was that it contained many political but few institutional controls. For institutions were pulled apart and broken down but poorly reassembled.”¹⁴ While there was an institutional breakdown, new organization and institutions did arise. While Sukarno’s preoccupation in politics and the shoring up of his support base deflected the efficacy of these new institutional arrangements, it is important to realize that significant path-dependent changes were being wrought. The importance of the Guided Democracy experiment is located in the founding of Indonesia’s state-society relations. The problems of perceived government inefficiency resulted in the creation of an ‘experimental’ state. In the words

11 Herbert Feith, “The Dynamics of Guided Democracy” in Ruth McVey (ed.), *Indonesia*, (New Haven: Hraf Press, 1964), p. 327.

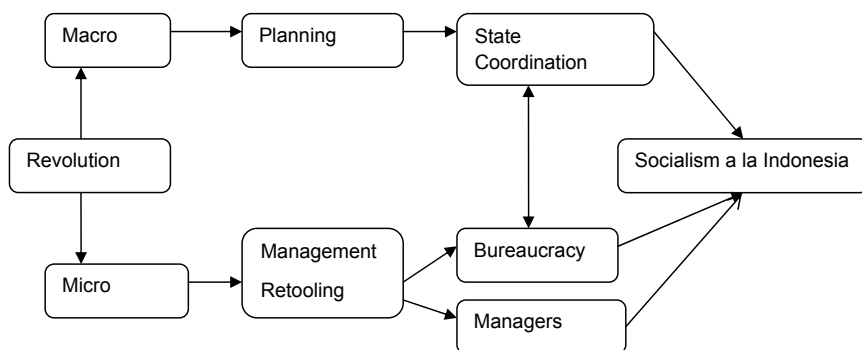
12 Harold Crouch, *The Army and Politics in Indonesia*, p. 47.

13 CLM Penders and Ulf Sundhausen, *Abdul Haris Nasution, a Political Biography*, p. 158.

14 Daniel Lev, *The Transition to Guided Democracy: Indonesian politics, 1957-1959*, p. 286.

of Sukarno: ‘...if we admit that the Indonesian revolution is not yet over, we have to understand that we will have to confront continued renewal. Try this, if it doesn’t work, try something else... if that doesn’t work, then try again... Revolution is a dynamic process.’¹⁵ This experimental approach showed a belief in historical materialism and the dialectic of nature itself. As Engels said “the whole of nature has its existence in eternal coming into being and passing away, in ceaseless flux, unrelenting motion and change.”¹⁶ The Guided Democracy revolution worked along the lines of this institutional experimentation.

Two important events heralded the rise of Guided Democracy. First, the expropriation of Dutch-owned enterprises and the subsequent forced repatriation of Dutch citizens from Indonesia. This resulted in the opening up of positions in newly nationalized corporations and subsequently, the hasty expansion of management science to fill the void left by the departing Dutchmen. Second, a further implementation of the military dual-function occurred, which allowed greater participation by the military in both civilian and business management.



Guided Democracy Revolution for the Government

15 Soekarno, “Don’t built a façade on sand” in *DewanNasional*, (Kementerian Penerangan RI: n.a., n.a.), p. 62.

16 Friedrich Engels *The dialectics of nature* quoted by Roeslan Abdoelgani, Tentang ketegasan sosialisme Indonesia I. Landjutan kuliah umum di Universitas Malang padatanggal 13 Februari 1961, Roeslan Abdulgani, Inv.nr. 641, ANRI.

The figure above represents a simplified model of institutional development within the government during this period. The strategy can be divided into two: a macro strategy on state coordination and a micro strategy on the individual civil servants. The macro strategy tries to answer that old 1950s' question of the problems surrounding the inability of the state to implement concrete national coordination and planning. The micro strategy takes a deeper look at the implementation of management science and the ideological effort to create a 'new Indonesian man' as the creation of both state effectiveness and nation-building exercise. State capability and nation-building became intertwined within an ideology that promoted the state as the end goal of the nation. This development is important because, although Guided Democracy was a failure, it also cemented the kind of military-technocratic state that the New Order would become.

The Indonesian economy was restructured along corporative lines when the government issued the Law on State Enterprise (*Peraturan Pemerintah* no. 16/1960) in April 1960. The law stipulated the creation of the General Management Boards (*Badan Pimpinan Umum* or BPUs) which were given the authority for general management and staff function, based on particular industries: trading, mining and industry, sugar, rubber, agricultural products, etcetera. The Management Boards were created to replace the Nationalization Board or Banas (*Badan Nasionalisasi*) headed by Prime Minister Djuanda, the governor of the central bank and eleven other ministers, who had managed the nationalization process of Dutch-owned companies.¹⁷ These BPUs were placed under related ministries. Many government-owned companies originated from the Dutch enterprises that had been nationalized in late 1957. The Management Boards acted as a 'super management' board with the authority to intervene in day-to-day operation.

The take-over of Dutch corporations in December 1957 brought together a group of military and civilian officers into the management rooms of corporations. On 10 December 1957, the Central Military Ruler¹⁸ Nasution instructed all Regional Military Rulers¹⁹ to take charge of Dutch corporations, many of which had already ended up in the hands of mostly leftist trade unions. The creation of the Banas or *Badan Nasionalisasi* was a

17 J.A.C. Mackie, "Indonesia's Government Estate and their Masters", p. 341-342.

18 Penguasa Militer Pusat

19 Penguasa Perang Daerah (Pepera)

significant event for it centralized policy-making of all types of nationalized enterprises by Prime Minister Djuanda with eleven other ministers and the governor of Bank Indonesia. When a more permanent control machinery replaced the Banas, their staffs were incorporated as a coordination board, ensuring continuity.²⁰ There were two important factors here. First, the appointment of Colonel Suprajogi as head of Banas and as Minister of Production Coordinator meant that the military gained a significant say in the organization. This included hiring people like Colonel Soehardiman and other military managers to work in the Banas. Second, retaining the Banas under the office of the First Minister ensured the continuity of large parts of the experts policy-making elites of the planning body. As in economic planning, much of the policy-making was thus successfully retained under the authority of First Minister Djuanda.

Several months later in March 1958, Nasution ordered the creation of the Central Body for the Management of Industrial and Mining Companies or Bappit²¹ The biggest shift in the management of state-owned companies took place in 1960 with the issue of a government regulation in lieu of law.²² This regulation legally transferred the ownership of the seized companies within the central government through the creation of General Management Boards,²³ which provided managerial service for the companies.²⁴ These BPUs were placed under diverse ministers, thus solidifying the central government's control of them.

Despite these manoeuvres, the presence of the military within these corporations, in the Bappit and, in fact, within the newly created BPUs, was not removed, as in fact army men were present in practically all important state institutions. Within Bappit, three BPUs were created.²⁵ The Depernas discussion on the Bamunas finally solved the questions surrounding the position of government-owned corporations within the framework of socialism à la Indonesia. Like national planning, experts like Mr. Ali Budiardjo and managers such as Lieutenant-Colonel Sajidiman, who was

20 J.A.C. Mackie, "Indonesia's Government Estates and their Masters", p. 328.

21 Badan Pusat Penjelenggaraan Perusahaan-perusahaan Industri dan Tambang

22 Perpu or Peraturan Pemerintah Pengganti Undang-undang

23 Badan Pimpinan Umum

24 It also contained regulation to start the implementation of national programme for land redistribution.

25 Machine and Electricity, Chemistry and Transportation

the BPU director of the State Trading Corporation, visited countries like Yugoslavia and Czechoslovakia to study the role of the state, the market and organizations like the Chamber of Commerce within the economies of these socialist states.²⁶ There were interests in Yugoslavia's "socialized enterprises" system where companies were not centrally nationalized, but controlled by the workers through the formation of collectives. Like the regionalization of national planning, which Depernas envisaged later on, many experts also saw the need to decentralize ownership.²⁷

Another important innovation to corporate management was the Worker-Management Council or *Dewan Perusahaan*. It was created on the assumption that worker control over management might result in a system of check and balances that would reduce the amount of corruption that has plagued the Indonesian state sector and created a condition of self-control.²⁸ "The system of capitalist oppression conducted through the hierarchical system, from the *opperdirecteur* in the Netherlands, via the directors, managers, representatives and *zetbaas* in Indonesia must be revamped and changed into a democratic system that allows for the participation of workers in the management of the company, the planning of work and of planning itself."²⁹ There were two levels of Council: the Management Board level and the company level. At the Management Board level, the council was composed of representatives from management who served as chairman and a representative from a union and farmer organization connected to the company. If the company was not in an agricultural sector, union

26 Lieutenant-Colonel Sajidiman specifically met with the Chamber of Commerce of Czechoslovakia in September 1961 to understand its role in the socialized economy, something which he envisaged the BPUs to mimic. Sajidiman, "Perjalanan ke negeri Tjekoslovakia dalam rangka tugas pemerintah" in *Madjallah Perusahaan Negara*, no. 11, year 1, November 1961.

27 Mohammad Sadli, "Masalah Perusahaan Negara di Indonesia. Laporan symposium pada latihan pembangunan ketatalaksanaan" in *Madjallah Perusahaan Negara*, no. 18, year 2, June 1962, p. 4.

28 Mochammad Natzir, *Dewan Perusahaan sesuai dengan UU no. 45 Prp. thn. 1960*, (Makassar: Sedjahtera, 1963), p. 7.

29 Suprpto, *Dasar pokok, fungsi, sifat2 dan bentuk hukum nasional*, p. 17. "Sistim penindasan kapitalisme yang didjalankan dengan melalui hierarchie dari atas ke bawah, mulai dari opperdirectur di Negeri Belanda, direktur-direktur/manager-manager/vertegenwoordiger-vertegenwoordiger/zetbaas-zetbaas di Indonesia harus dirombak dan diganti dengan sistim yang demokratis, yang memungkinkan kaum pekerdja turut serta dalam pimpinan perusahaan, turut merentjanakan pekerdjaan dan turut mengambil bagian dalam pelaksanaan rentjana."

representatives could replace the farmer representatives. A union must have a membership that was up to 30% of the total workforce of the company. Ministries appointed an expert to be part of the councils. At the company level, the ministers also had the right to appoint community leaders suggested by the Governor of the locality. The *Company Board* was a consultative body, offering recommendations for improving the environment of the companies in order to increase productivity. By the middle of 1964, there were 21 workers-management councils at the BPU level and 636 at the enterprise level; 60,5% of this number were from the labour union, 13,5% from the farmers union, 24% belayed to the management and 2% were experts.³⁰

The labour union always had a strong position within post-colonial Indonesian society. Government administration traditionally sided with labour in many disputes, while company management was tainted with a Dutch aftertaste. But within the army controlling the plantation sector it was harder for the union to push for the creation of Councils, which would have accrued greater membership from farmer's representatives. Studies by Everett Hawkins have shown that there was a decrease in the number of labour disputes from 4,131 involving over five million workers in 1957 to 807 involving over 700,000 workers in 1963. This was not because of a decrease in the grievances but because labour disputes were transferred from the labour dispute bureau toward the military's labour relations group (*BKS-Bumil*).³¹ Again, in accordance with Indonesian corporatist ideas, disputes and any other forms of decentralized decision making were replaced by consensus within familial structures dominated by the executive, the military or a combination of the two. The expansion of participation was met with hostility by some parts of the management, which often had a difficult relationship with aggressive unions.³²

30 Panglaykim, "Indonesian State Enterprise and Worker-Management Councils (Dewan Perusahaan)" in *Asian Survey*, vol. 3, no. 6, June, 1963, p. 285-288.

31 Everett Hawkins, "Labor in Transition" in Ruth T. McVey, *Indonesia*, (New Haven: Southeast Asia Studies, 1963), p. 248-271 and Panglaykim, "Worker-Management Councils in Indonesia" in *World Politics*, Vol. 17, No. 2, Jan., 1965, p. 243-255.

32 Panglaykim, "Worker-Management Councils in Indonesia", p. 252.

Depernas

The Depernas differed with the BPN in its ambitious planning targets. It was entrusted to create not just an industrial or development plan, but an overall national plan, “to be built in accordance with Indonesian ideals”³³ in order to create a just and prosperous society. It was thus a social, political and cultural plan, as well as a developmental one. It was also an official High Government Body on a par with the Parliament and the Supreme Court. Sukarno wanted the Depernas to stand outside and above the authority of the Cabinet, although Djuanda was legitimately worried that this would make coordination difficult. Although he insisted in Parliament that the body should be under the authority of the Cabinet, Sukarno’s corporatist idea held sway.³⁴ It was a decision made by the National Council,³⁵ an initially important Guided Democracy national body that effectively replaced Parliament, in September 1957. The Council appointed the engineer Prof. Herman C. Johannes of Gadjah Mada University to lead a 19-man commission on the formation of the Depernas. The commission was composed of several intellectuals, including Prof. Johannes, Prof. G.A. Siwabessy, also an engineer, the Sinologist Prof. Tjan Tjoen Som and a legal expert, Prof. Raden Djokosutono. As was becoming customary, it had several members of the police and the military as well as people with Communist ties, including the future Vice Mayor of Jakarta, Henk Ngantung. On 8 October 1957, Johannes gave an exposition of the Depernas in the National Council which approved it the following day. Mohammad Hatta refused the offer to head the new body, arguing that it wasn’t necessary for Indonesian development.

Further discussion on the Depernas was deferred to the National Development Congress or Munap (*Musyawarah Pembangunan Nasional*), held on 25-27 November 1957 at the sport hall in Merdeka Square. The Munap was organized by the BPN and was to lay the foundation for national development. The BPN was given the task of producing working papers which were distributed and discussed by the various panels. Around 400 delegates attended the congress from the government and the private sector. Regional

33 Roeslan Abdulgani, “The lessons of Indonesia’s experience in planning” in *Politik dan Ilmu*, (Jakarta: B.P. Prapantja, 1962), p. 157.

34 Daniel Lev, *The Transition to Guided Democracy: Indonesian politics, 1957-1959*, p. 180.

35 Dewan Nasional

civilian and military governors came with their advisors, along with members from the central government, Parliament, the Constituent Assembly, the National Council and representatives of traders, industrialists, banking sector, labourers, farmers, youths, women, reporters, veterans, artists and religious leaders all of whom were represented in their modern organizational forms. SOBSI, KBKI, RKS etcetera for the labour organizations, Majelis Perniagaan dan Perindustrian, DEIP, MII, KENSI, Perbana etcetera for the 'economic sector.' BTI, STII, Petanu for the agricultural sector, PWI, IPPKN, Ikatan Wartawan Ekonomi etcetera for the reporters, Wakil Legiun Veteran and MUVI for the veterans and LEKRA and BKMN for the artists.³⁶

The corporatist nature of the congress was to be replicated in the Depernas, the prototype of which was first displayed by the National Council. These corporatist organizations were to mobilize consensus through traditional Indonesian means (*musyawarah untuk mufakat*). It was part of the effort to create *social control through social participation*, a central tenet of the Guided Democracy state.³⁷ These groups had traditionally vertical ties to various parties similar, according to Nasution, to the Dutch *verzuiling* form.³⁸ Constitutional expert Djokosoetono warned that corporatist states only exist in fascist and Communist countries.³⁹ Particularly important was the absence of domestic and foreign 'experts'. The BPN had a relatively high concentration of domestic and foreign experts, working closely with Yale University and the Ford Foundation. The BPN was also connected, through Sumitro Djojohadikusumo, with budding Indonesian economists concentrated at the Faculty of Economics in the University of Indonesia. The Munap and the Depernas had however almost none of these, although the ICA did provide private economic consultants Bernard Bell and Oscar A. Ornati by April 1960 at the request of the government for technical

36 Keng Po, 26 November 1957.

37 Even at the end of Guided Democracy, the creation of the Bamunas (Corporative Body of Private Business Owners) in 1965 was in part of the effort for "social participation and social control." *Musjawarah Pusat Bamunas Ke-I. 19-20 Pebruari 1965*, (Jakarta: Bamunas, 1965), p.2.

38 A.H. Nasution, "Mengabdi Bangsa bersama pak Djuanda" in Awaoeddin Djamin (ed.), *Pahlawan nasional. Ir. H. Djuanda Kartawidjaja. Negarawan, administrator dan teknokrat utama*, (Jakarta: Kompas, 2001), p. 296-297.

39 A.H. Nasution, "Mengabdi Bangsa bersama pak Djuanda" p. 297.

consultation.⁴⁰ Mr. Bell had been acquainted with Djuanda Kartawidjaja since the end of the 1940s as a personal economic consultant.

Yet, the plan stressed the 'indigenous' nature of its creation, in comparison to the 1950s' addiction to foreign assistance. Indonesia had always had an ambivalent attitude toward foreign assistance,⁴¹ and many of the foreign experts were shielded from the public view, both to protect them from political fallouts of the highly galvanized Indonesian media⁴² and to secure a degree of confidence in the ability of the Indonesian officials. Many of Indonesia's economists were discredited by the military's anti-corruption effort or through association with the social democrats. Real economic decision-making was retained within the Prime Minister's office through the Finek, the economic and development council, the monetary council and the development council.⁴³

The Depernas was to be a testament to the capabilities of the non-professional. Roeslan reiterated again in his speech in Malang: "The results of Depernas in its basic principles are full of quality and value, in line with our revolution and the wishes of the people. This is not surprising. The character of its members determines the character of its results."⁴⁴ He added, "it is not too much to say that the members of the Depernas are the sons of revolution and the sons of the people. They are different from the previous

40 Guy Pauker, "Indonesia's eight year development plan" in *Pacific Affairs*, Vol. 34, No. 2, 1961, p. 116.

41 "Foreign Technical Assistance in Economic Development in a Newly Independent Country: Some Observation in Indonesia" in *Economic Development and Cultural Change*, Vol. 1, No.1 (March, 1952), p. 73-80.

42 An example of this was the fiasco of the visit of former Nazi finance minister Hjalmar Schacht, in which the government was attacked, especially by leftist elements. *Harian Indonesia*, 24 July 1951 and 3 August 1951. Wertheim (and allegedly other professors) refused to visit Universitas Gadjah Mada, and other Indonesian universities, because of Schacht's stay in Indonesia. *Harian Indonesia*, 13 August 1951 and 21 August 1951. For more on the result of his visit, see Hjalmar Schacht, *Laporan Hjalmar Schacht*, (Jakarta: Kementerian Penerangan, 1951).

43 Donald Humphrey et.al., *Indonesia. Perspectives and Proposals for United States Economic Aid*, (New Haven: Yale University Press, 1962), p. 77-79

44 Roeslan Abdulgani, Tentang ketegasan Sosialisme Indonesia II. Landjutan kuliah umum di Universitas Malang pada tanggal 13 Februari 1961, p. 68 in Roeslan Abdulgani, Inv.nr. 641, ANRI. "Hasil-karya Depernas dibidang pengertian-pengertian jang pokok-pokok ini adalah hasil jang bermutu dan bernilai, tjotjok dengan tuntutan Revolusi kita dan Amanat Penderitaan Rakyat. Hal ini tidak mengherankan. Watak keangautaanja menentukan watak-hasilnja."

planning and development boards, who stressed their membership on the intellectual-experts. Instead of these theorists who had little contact with the common people, the Depernas prioritizes its membership to groups or *karya* that have deep roots within and amidst society, without dispensing the advice and opinion of the experts. No less than 270 Indonesian experts in twelve fields of development, who are of high quality and with a large capacity have been deployed and have had their opinions heard by the Depernas in order to perfect their work.”⁴⁵ Thus, despite Depernas’s essentially non-professional character, a contingent of experts, including economists, tried to help with the process by offering opinions to the members. For instance, in the case of agriculture, the Depernas relied on the reports of FEUI’s Research Institute for the Economy and Society.⁴⁶ In any case, the members of the Depernas were not those of the ‘perfect and specialized type of man’, but the ‘cultivated man’, a man who has received general and broad education, who has grown up together with the people and who will stay aloof of the temptation of ‘career’ and ‘professionalism.’

On 16 July 1958, the Ministerial Council appointed the nationalist Sumatran Mohammad Yamin and Hanafi to formulate the Depernas bill. The Depernas was to devise, supervise and evaluate an overall national plan. Its first duty was to create an Eight-Year Overall Development Plan. This was later expanded when on January 1961 the President formed a working body to create an annual plan based on the eight year plan. On 30 June 1959, the Depernas decided to name Mohammad Yamin as Minister-Chairman of Depernas. Within the Depernas prominent individuals represented

45 Roeslan Abdulgani, Tentang ketegasan Sosialisme Indonesia II. Landjutan kuliah umum di Universitas Malang pada tanggal 13 Februari 1961, p. 68 in Roeslan Abdulgani, Inv. nr. 641, ANRI. “”Karena itu tak berlebih-lebihan kiranya kalau dikatakan disini bahwa anggauta-anggauta Depernas adalah putra-putra Revolusi dan putra-putra Rakjat. Berbeda dengan dewan-dewan perantjang dan pembangunan jang dulu-dulu, jang menitik-beratkan keanggautaannya kepada para intelek-ahli dan intelek-expert, dan kepada ahli-ahli teori jang kurang berkontak dengan kehidupan Rakjat dan masjarakat, maka Depernas mengutamakan keanggautaannya untuk golongan-golongan karya jang berakar dimasjarakat dan ditengah-tengah rakjat, tanpa mengabaikan nasehat dan pendapat para ahli dan para expert. Tidak kurang dari 270 orang tenaga ahli Indonesia dalam 12 bidang pembangunan, jang bermutu tinggi dan berkapasiteit besar telah dikerahkan dan didengar pendapatnja oleh Depernas dalam penjemputan pakerdjaannya.”

46 *Rantjangan Dasar UU Pembangunan Nasional-Semesta Berentjana Delapan Tahun: 1961-1969. Bidang Mental/Ruhani dan Penelitian Buku ke III. Djilid ke VI. Pola pendjelasan bidang pendidikan tenaga pembangunan*, (Jakarta: Dewan Perentjanaan Negara, 1960), p. 1689. Lembaga Penjelidikan Ekonomi dan Masjarakat.

each Province, usually the Governor. The armed forces, as well as national businessmen and minority groups were given seats on the body. This disparate collection of interests was convened within a period of 10 months in order to create the Eight-Year Overall Development Plan.

Lack of number was cited as one of the main problem with the Eight Year Overall Plan.⁴⁷ “More often than not, the numbers do not conform to other data, or were not in accordance with reality. Such a condition had forced the Depernas to calculate their own numbers in important fields through the creation of Special Committees, such as: Population Committee and National Income Committee.”⁴⁸ They thus ignored the vital fact that the plan had no supporting organization to provide them with data. As a result, there was a lot of guesswork as to numbers. For instance, the gross domestic product were calculated to be between 163 billion rupiah to 267 billion rupiah, depending on which of the 17 volumes of the master plan was consulted, per capita growth was assumed to be between 0,1 to 5,6 per cent/year until 1969, depending on population growth rate which varied from 1 percent to 3,6 percent/year in the various volumes.⁴⁹ These figures were significantly different and thus provided different estimations of the developments in question.⁵⁰

There were four plenary sessions based on development themes: basic necessity (*sandang pangan*), state constitution (*kenegaraan*), economy/finance and society. The intellectuals and experts participating in the Depernas were bunched together as part of the ‘intellectual representative of society’ to complement the women’s, labour’s and journalist’s sections. Intellectuals included Buntaran Martoatmodjo, a medical doctor and former Minister of Health, Sudarisman Purwokusumo, a legal expert, Djuneid Pusponegoro, another medical doctor, as well as Djokosutono, Tjan Tjoe Som and Imam Sutikno.⁵¹ In conducting the overall development plan, the Depernas created

47 *Badan Perentjanaan Pembangunan Nasional (Bappenas). Peraturan-peraturan.* (Jakarta: Bappenas, 1964), p. 8-9.

48 *Badan Perentjanaan Pembangunan Nasional (Bappenas). Peraturan-peraturan.* p. 8-9

49 R. Soerjadi, “Sistim Ekonomi Terpimpin dibidang Moneter”, speech given at the HSI Economic Seminar, 20 July 1963, p. 14-16.

50 For more on the history of the national income accounting, see W.H. Arndt and C. Ross, “The National Income Estimates” in *Bulletin of Indonesian Economic Studies*, Vol. 6, no. 3, 1970, p. 33-60.

51 *Harian Rakyat*, 31 June 1959.

a series of central and regional committees. In the regions, the Governor headed the regional committees.

When the Depernas finished the master plan of Indonesia's first and only Eight-Year Overall Development Plan, it was met with much scepticism. The plan was presented in the form of eight books, 17 volumes and 1,945 paragraphs. The symbolic nature of the arrangement of the plan, conforming to the August 17, 1945 independence day, gave it less weight in the judgement of many. The Depernas was not clear on how its plans were to be superintended and reviewed.⁵² There was a struggle among the leadership on who was to carry out the plan, with Djuanda trying to entrust its control to a small, expert group of ministers and Chaerul Saleh trying to move it to his ministry.⁵³ However, Depernas lacked the institutional capability to carry out a national plan and became merely a council for the collection of departmental plans. It lacked coordinating and supervising capabilities. The plan also contained only those projects that were to be financed by the central government. Regional government and private sector finance were not included.⁵⁴ The plans themselves would eventually be given back to respective ministries and department and the problems inherent in them would work their way to foul-up the plans. In any case, it was merely composed of various projects without any grand unifying theme.

The plan was criticized internally as well as externally. On a visit to Washington DC in April 1961, Sukarno gave President Kennedy a copy of Indonesia's economic plan. Kennedy sent the plan to a team of experts from Yale University, who went on a 24-day mission to Indonesia in August of the same year. The mission found deep flaws in the development program. The biggest flaw was basically the way in which Indonesia administered itself. An expanded program of development was impossible "until Indonesia makes greater progress in putting its house in order."⁵⁵ One of the main conclusions was that American help to Indonesia should focus on education and training of Indonesian managers and technicians and proposed aid to the tune of

52 *Hasil Konferensi Kerdja Bappenas-Baperdep*, (Jakarta: Bappenas, 1964), p. 4.

53 J.A.C. Mackie, *Problems of the Indonesian Inflation*, p. 28.

54 Sutikno Slamet, "Uraian mengenai pembiajan pembangunan nasional, pengawasan dan penilaian" in *Hasil Konferensi Kerdja Bappenas/Baperdep-Bakopda*, (Jakarta: Bappenas, 1964), p. 102.

55 Donald Humphrey et.al., *Indonesia. Perspectives and proposals for United States Economic Aid*, p. 160.

325-390 million dollars.⁵⁶ Without adequate skilled personnel, that money would go nowhere and only add to inflationary pressure before Indonesia could expand its capacity to absorb capital for new projects. The investment required 30 billion rupiahs or 13 percent of Indonesian GDP in 1961 alone, for the entire eight years, it would have required 240 billion rupiahs, 50 percent of which had to be paid in dollars, i.e. 270 million dollars.⁵⁷ The government ignored the report.⁵⁸

In a report to the President, the Minister of Public Works, the engineer S. Dipokusumo, reiterated that the plan had weak assumptions about project financing. The plan divided the projects into two: A-projects and B-projects. The A-projects were the 'proper' development projects, including rice self-sufficiency, textile self-sufficiency and laying the foundation for heavy industry, such as steel and aluminum mills and petrochemical plants. All this was to be financed through the B-plan, which constituted 'low-hanging fruit' from Indonesia's rich resources. Depernas mapped eight areas of Indonesian low-hanging fruits: petroleum, timber, fishery, copra, rubber, tin, alumina and tourism. While Indonesia had these in abundance, they failed to assess the capital and expertise necessary to increase production in these sectors. For instance, the plan for Kalimantan timber was to export 37 million cubic metres of wood per year. At the same time, the wood export volume of the entire world was 40 million cubic metres. It would not only swamp world markets, but would have required roads whose capital investment would have required up to 90 billion rupiahs, twice the size of the 1961 national budget.⁵⁹ The same can be seen in fishery, where calculations required Indonesia to invest in a fleet three times as large as the fleet of the top fishing nation, Japan. As Dipokusumo reiterated in his conclusion "all the plans above do not contain reality. None of them can be successfully conducted, perhaps some may be conducted on a small scale, but such scales would never justify

56 Usha Mahajani, *Soviet and American aid to Indonesia. 1949-1968*, p. 19.

57 Roeslan Abdulgani, *Tentang ketegasan Sosialisme Indonesia I*. Landjutan kuliah umum di Malang pada tanggal 13 Februari 1961, p. 54 in Roeslan Abdoelgani, ANRI Inv.nr. 641.

58 Rosihan Anwar, *Sukarno, Tentara, PKI*, p. 189. That 30 billion had to be paid for through the national budget. Exports, in fact, decreed during the period. ANRI, Jakarta, Roeslan Abdulgani, inv. nr. 880.

59 Two times the national budget for 1961.

itself as a source for meaningful development.”⁶⁰ Unfortunately, Yamin totally disregarded cabinet criticisms of the plans.⁶¹

By 1962, the plan had essentially unravelled. Government investment in the plan had reached 67,7 billion rupiahs or 41% of the 1960 GDP using the Depernas’s lower estimate. By the end of 1961, government revenue from these development projects yielded 10,4 billion instead of the planned 19 billion rupiah. In 1962, most of the 40 billion rupiah needed to finance the plan had to be financed through the national budget because the projects yielded a measly 4,2 billion rupiahs. The B-projects yielded 5 million dollars or 225 million rupiah from the Pan-American Oil Company and 20 million rupiah from tourism out of the projected 225 million rupiah annual revenue. The projected yield from forestry of 295 million rupiah, fishery 70 million rupiah, copra 427 million rupiah, and rubber around 1.800 million rupiah did not materialize due to lack of investment or the inability to control the export market. Tin export actually went down.⁶²

The 1962 Regrouping

The shift during 1962 was significant. It resulted in placing national planning and many other institutes under the office of the President, in a way similar to the centralized structure during the Parliamentary Democracy period.⁶³ Economic deterioration and the failure of the Eight Year Overall Development Plan had forced these changes and given rise to a more significant role for experts within the government. A.H. Nasution, Sukarno’s biggest rival, was effectively demoted by ‘kicking him upward’ to a technically higher post but with less authority.⁶⁴ The appointment of Ahmad Yani as head of the army put, in the eyes of many, the army more fully under the President’s control. Roeslan Abdulgani was out of the Cabinet, which was to many a surprise.

60 Masalah pembiajaan pembangunan semesta, rentjana Depernas, S. Dipokusumo, 2 September 1960, S.1417/9/60 in ANRI, Jakarta: BAPEKAN, no. 5.

61 Guy Pauker, “Indonesia’s eight year development plan”, p. 115.

62 R. Soerjadi, “Sistim Ekonomi Terpimpin dibidang Moneter”, speech given at the HSI Economic Seminar, 20 July 1963, p.19-23.

63 By the end of Guided Democracy, institutions under the Presidential Office would number 132, including 68 departmental committees.

64 A.H. Nasution, *Memenuhi panggilan tugas. Jilid 5: Kenangan masa Orde Lama*, p. 26 and C.L.M. Penders and Ulf Sundhaussen, *Abdul Haris Nasution*, p. 140.

Djuanda kept his post but by this time, he was somewhat incapacitated by illness, having checked in for heart problems in August 1961. Sukarno had also banished Sjahrir and his inner circle to East Java.⁶⁵ On 17 October 1962, Mohammad Yamin died and was buried in West Sumatra. On 7 November 1963, Djuanda would follow, after being sick for a number of years.

Roeslan Abdulgani, in a speech he gave in 1967 entitled *The Death of Djuanda: the turning point*, put emphasis on the changes to government after this period. According to Awaloeddin Djamin, the failure of the economic rehabilitation (Dekon) was attributed to the absence of Djuanda, as influence passed to Soebandrio.⁶⁶ This may be too simplistic an interpretation, because Soebandrio was instrumental in getting the nascent technocrats on board the rehabilitation program. It was also uncertain whether Sukarno himself would have listened to Djuanda's council and stopped the drift toward foreign adventure in 1963. In any case, Sukarno was taking in the reins of power. Nasution, for instance, wanted greater control and authority for his Ministry of Defence and thought the Soviet system was a good choice. He had collected papers on Soviet defence integration and gave it to Djuanda's Committee of Six.⁶⁷ Instead the result of the reorganization was to provide greater control for the President through the KOTI or the Indonesian High Command (*Komando Tertinggi Indonesia*), eliminating the authority of the Ministry of Defence. Sukarno also placed the intelligence agency (BPI) within his office under the authority of Soebandrio's Ministry of Foreign Affairs.⁶⁸

The centralization of power under the Presidential office gave way to a restructuring of the national planning that opened the door for greater expert participation. This included continued foreign expert participation. For instance, since the early 1960 up till 1964, the Indonesian government used the services of the American consultant Griffenhagen-Kroeger Inc. to study and recommend the re-organization of the budgetary system, as a continuation of the reports made by Karakachev, Kirkor and other Indonesian experts.⁶⁹ As part of retooling, the budgetary responsibility had been moved from the Ministry of Finance to the Presidential Office

65 Rosihan Anwar, *Sukarno, Tentara, PKI*, p. 123-127 and 128-130.

66 Awaloeddin Djamin (ed.), *Pahlawan Nasional. Ir. H. Djuanda. Negarawan, Administrator dan Tekokrat Tama*, (Jakarta: Kompas, 2001), p. xii-xvii.

67 A.H. Nasution, *Memenuhi Panggilan Tugas. Jilid 5: Kenangan Masa Orde Lama*, p. 218-221.

68 *Ibid.*

69 Bintoro Tjokroamidjojo, "Perkembangan ilmu administrasi negara di Indonesia", p. 38.

at Djuanda's First Minister's Office. A major reason for placing it under the First Minister was because of the concentration of experts at the Finek Bureau. This allowed for effective fiscal control to be in the hands of the First Minister. The report from Griffenhagen-Kroeger concluded that the placement of the budget office under the First Minister would provide greater cooperation among the various government agencies and the executive at the Presidential Office.⁷⁰

The period 1962-1965 saw even more the expansion of the executive authority in various new state bodies. Sukarno was able to take over the function of institutions that A.H. Nasution had created during his position as head of the army. By 1965, there were various bodies and institutions situated directly under the President. As head of state, he commanded seven institutions, including the State Secretariat, the Cabinet and other functions. As Leader of the Revolution (*Pemimpin Besar Revolusi*) he headed 13 bodies.⁷¹ As mandate holder of Parliament (*Mandataris MPRS*) he headed another 23 bodies.⁷² Other state bodies directly under the Presidential office included the State Administrative Academy (LAN), the Statistics Bureau (BPS), the Office of Government Employee (KPU) and the Intelligence Office (BPI). Semi private-government bodies such as the Bamunas and MIPI were also under the President as were international organizations headquartered in Indonesia like the Ganefo (Games of the New Emerging Forces) Secretariat. Lastly, the President headed 68 bodies and inter-departmental committees, including the Economic and Development Council (DEP) and the Council for Economy and Finance (BEK). In total, there were around 132 higher executive bodies by the end of the Guided Democracy.⁷³

70 *A Modern Budget System for Indonesia. Part A: Budget Organization*, (Jakarta: n.a., 1963), p. 1-5.

71 Including the Front National, the KOTRAR, KOTARI (*Komando Operasi Berdikasi*), KOGAM (*Komando Ganjang Malaysia*), Kopedasan (*Komando Pembangunan Daerah2 Perbatasan*), Lembaga Pembina Kesatuan Bangsa, Komite Nasional Ganefo, Lemhanas etc.

72 Including the Conefo, the committee for National Monumen and Istiqlal Mosque, the national television, Jagorawi Highway authority and others.

73 Bintoro Tjokramidjojo, "Masalah yang perlu dipikirkan tentang herordening aparatur Negara ditingkat pusat" in Bintoro Tjokroamidjojo, *Tulisan-tulisan Administrasi Pembangunan, 1966-1968*, (Jakarta: Bappenas, 1971), p. 1-17.

The Rise of a New Generation

The creation of the Indonesian Science Council (MIPI)⁷⁴ in 1956 was important for providing sanctuary for experts from the hostile political environment of the day. Research was alleged to be important to the Depernas, at least within its official publications,⁷⁵ but it was only in 1962 that the government created the Department for National Research Affair (*Departemen Urusan Research Nasional*), whose duty was “to coordinate, stimulate and conduct research for the purpose of national development.”⁷⁶ The institutional environment for researchers and experts thus grew significantly. Aside from the Leknas and universities, other large economic organizations like Bank Indonesia, Bank Negara Indonesia, General Management Boards and so forth also came to conduct their own research.⁷⁷

The university was another important institution, which expanded the influence of the expert. Higher education received significant attention by both Depernas’s Eight Year Overall Development Plan and the government in general. The Plan requires the establishment of a separate Higher Education Ministry from the more general of Ministry of Education and Culture, which was achieved in 1961. The creation of the Department of Higher Education and Science on April 1961 and the regulation on universities (*UU Perguruan Tinggi*) tried to integrate the universities as part of the development and revolution of Guided Democracy. The universities produced an ethical oath called the Tri Dharma or three purposes of higher education, whose third purpose specifically endorsed its role in societal development. This was interpreted as greater state intervention, especially in such matters as the curriculum. The Conference of Similar Faculties was held for 12 types of faculties teaching in the country, which resulted in the formation of the Expert Committee on Similar Faculties. These committees would help the

74 Madjelis Ilmu Pengetahuan Indonesia or the Science Council.

75 M. Makagiansar and Widjojo Nitisastro (eds.), *Research di Indonesia*, p. 13.

76 M. Makagiansar and Widjojo Nitisastro (eds.), *Research di Indonesia*, p. 14. “... untuk mengkoordinir, menstimulir dan mengadakan research untuk kepentingan dan pembangunan Negara, baik dibidang ilmu-ilmu pengetahuan semesta alam, maupun dibidang ilmu-ilmu pengetahuan social dan kemanusiaan dengan memberikan prioritas kepada research dibidang produksi.”

77 Mohammad Sadli, “20 Tahun Perkembangan Ilmu Ekonomi di Indonesia” in M. Makagiansar and Widjojo Nitisastro (eds.), *Research di Indonesia*, p. 188

Department to evaluate the results of the conferences in order to streamline the curriculum of faculties throughout the nation.⁷⁸

The government was committed to the formation of a state higher education institute in each province and to strengthening the science and technology sector in the quest for industrialization.⁷⁹ In 1962, a series of inter-university and inter-faculty meetings was conducted in order to discuss the creation of a uniform national curriculum and teaching methods. The Expert Committee on Uniform Faculty, which met on 20-22 December 1963, created a Ministry Ruling Concept on the curriculum faculty of all sciences, to be composed in a Government Regulation at a later date. Many facets of the student's university learning experience were regulated within government decisions. The number of hours per semester, the percentage to be devoted to laboratory work (*praktikum*), the number of classes per semester and so forth.⁸⁰

The designation of feeder universities, whose duty was to provide teaching staffs or training to faculty members of other universities, aimed to provide uniformity. All feeder faculties came from either the University of Indonesia or Gadjah Mada University.⁸¹ All feeder faculties had university affiliations with American universities. What was significant here was the fact that American affiliation continued into the Guided Democracy period. Also continuing the elitist nature of the development was the fact that a survey of Gadjah Mada University students in 1960 showed that 84 percent of students came from urban high schools and 60 percent from only three major cities.⁸²

In November 1962, the Conference of Economics Faculty (*Konperensi Antar Fakultas Ekonomi*) was held to develop the economic curriculum on Indonesian socialism. In order to determine what exactly counted as Indonesian socialist economy, especially in relation to the contents to be

78 Barli Halim, "Ilmu Ekonomi Perusahaan", p. 220-222.

79 Kenneth Lee Neff, *Educational Planning in a National Development Context: Indonesia, a Case Study*, p. 180.

80 Bachtar Rifai, *Perkembangan Perguruan Tinggi*, p. 64.

81 Faculty of Medicine, University of Indonesia, Institute of Agriculture Bogor, Institute of Technology Bandung, Faculty of Agriculture and Forestry, Gadjah Mada University, Faculty of Social and Political Science, Gadjah Mada University, Faculty of Law, Gadjah Mada University and lastly, Faculty of Economics, University of Indonesia. Bachtar Rifai, *Perkembangan Perguruan Tinggi*, p. 68.

82 Joseph Fischer, "Indonesia" in James S. Coleman, *Education and Political Development*, (Princeton: Princeton University Press, 1965), p. 95.

included in the curriculum, a series of conferences were held. The Third Congress of the Indonesian Economic Scholars Community (*Ikatan Sardjana Ekonomi Indonesia*) was held at Cipayung in December 1960, followed by the First Seminar on Agricultural Marketing in Bogor in December 1962, the Second MIPI Congress in Jakarta in October 1962 and the Grand Congress (*Musjawarah Besar*) of Economic Scholars and Experts in Jakarta in April 1964.⁸³ There was an effort to introduce new economic literatures from socialist countries, for instance the books written by Polish planning specialist Oscar Lange or socialist economists from the West like Paul Baran.

The articles were made to form the core of a new 'Indonesianized' economics content, while taxes on academic books were waived. There was thus an effort to try to develop an Indonesian science as opposed to merely importing American and socialist books and ideas. It underscored both the increasingly pervasive nature of state intervention and the support for the development of an Indonesianized economics and other social sciences.

MIPI had decided in 1960 to expand research through the creation of seven research institutes, among them the National Economic and Social Research Institute or *Lembaga Ekonomi dan Sosial Nasional* (Leknas). In March 1962, MIPI appointed an advisory committee headed by law expert Soediman Kartohadiprodjo, with anthropologist Koentjaraningrat, economist Muhammad Sadli, sociologist Selo Soemardjan, international politics and law expert M. Makagiansar and agricultural specialist Kampto Utomo.⁸⁴ In March 1963, Leknas was created. Immediately, Ford Foundation provided Harvard advisers for the Leknas.⁸⁵ Another important research organization directly under the FEUI program was the Economic and Social Research Institute. Prior to the formation of Leknas, this institute in fact played a greater role in economic research. Planning authorities were thus exposed to both foreign and Indonesian economists. For instance, in October

83 Barli Halim, "Ilmu Ekonomi Perusahaan", p. 221

84 Sadarjoen Siswomartojo, *A Tentative Statement about the Set-up, Nature and Purpose of the National Institute for Economic and Social Research of the Council for Sciences of Indonesia*, (Jakarta: Leknas, 1963), p. 4.

85 Joseph J. Stern, "Indonesia-Harvard University: Lessons from a long-term Technical Assistance Project" in *Bulletin of Indonesian Economic Studies*, Vol. 36, no. 3, December 2000, p. 113-125.

1964, foreign experts from ECAFE in Bangkok were invited to teach at an upgrading course in the field of planning engineering and methods.⁸⁶

As older, Dutch-trained experts lost their positions, were made redundant or died, the field was opened for greater participation by American-trained experts. Older economists or managers, like Sumitro Djojohadikusumo, Mohammad Hatta, Sjafruddin Prawiranegara or Jusuf Wibisono, had by now been effectively sidelined. People like Djuanda Kartawidjaja or Mohammad Yamin passed away in the early part of the 1960s.⁸⁷ The Communists attack on Western-trained experts and followers of Sumitro delineated the significant position they had within the government. They had initially sought political protection from First Minister Djuanda and elites like Mohammad Hatta or Sjahrir.⁸⁸ Later on, their position became more entrenched within the bureaucracy. "Because most economic graduates were still relatively young, starting from the year 1963 some of them had reached strategic, influential or honourable functions, for instance, as aids to ministers, heads of directorates or offices, presidential directors or members of corporate directions, heads of mass organizations, private organizations, professors, deans and vice rectors in universities. The rise to the position of ministers or university rectors by economists became a phenomenon only by 1964 and 1965. In general, these last years formed the start of the rise of the economists in higher levels of the society and bureaucracy."⁸⁹ Even so, competent experts and technocrats were "dispersed throughout several departments and isolated from any central point of authority."⁹⁰

86 Soeharto, "Pidato penutup" in *Hasil Konferensi Kerja Bappenas/Baperdep-Bakopda*, (Jakarta: Bappenas, 1964), p. 147.

87 Juanda died November 1963 and Mohammad Yamin in October 1962.

88 Herbert Feith, *Soekarno-Militer dalam Demokrasi Terpimpin*, (Jakarta: Pustaka Sinar Harapan: 1995), p. 103.

89 Mohammad Sadli, "20 tahun perkembangan ilmu ekonomi di Indonesia", p. 184. "...oleh karena kebanyakan sardjana ekonomi relatif masih muda maka baru sedjak tahun 1963 beberapa diantara mereka mulai menduduki fungsi2 yang strategis, berpengaruh atau jang terhormat, seperti misalnja pembantu2 menteri, kepala2 direktorat atau djawatan, presiden direktur atau anggauta direksi perusahaan besar, anggauta pimpinan ormas2, organisasi swasta, guru besar, dekan dan pembantu2 rektor universitas. Dipegangnja beberapa kedudukan menteri dan rector universitas oleh sardjana ekonomi baru mendjadi gedjala tahun 1964 dan 1965. Pada umumnja, tahun2 jang achir ini baru menundjukkan permulaan dari muntjulnja kaum sardjana ekonomi ditingkat2 atas masjarakat dan birokrasi."

90 *Human Resource Development. Problems, Policies, Programs*, p. 13.

The rise of this technically competent generation was, according to Feith, significant in understanding the continued promotion of revolution by the older generation. "If the government were to speak less and less of the need for revolution and instead to declare economic development as the principle of challenge of the present period", the top political leaders and head of government enterprises "would soon have their positions contested in the name of government's ideology by others who could claim greater technical competence."⁹¹ The contenders to these posts were either the old, administrators who had lost their job or the up-and-coming university graduates with their formal education and bitter experience of having their career paths blocked by the current elite.⁹² The Communists in turn attacked economists by using revolutionary rhetoric. According to Aidit, these experts were not showing their true colours, but secretly undermining the revolution. "These cynics apparently obtain their wind and inspiration from the poisonous materials in the bulletins and periodical stencils spread by Sumitro and his agents within government offices and other parts of our government and economic apparatuses."⁹³ The absence of Communists within this structure was a significant factor. The party had its own educational system based on the Universitas Rakjat and the Ali Archam institute, but "the paucity of Marxist knowledge and of the scholarly output of its leaders"⁹⁴ further marginalized their position as outsiders to this institutional development.

The most serious attack on the entrenched position of the 'Sumitro followers' occurred in 1961, when Sukarno appointed Iwa Kusumasumantri, a radical nationalist with close ties to the Murba and PKI, as Minister of Higher Education and Science (*Menteri Pendidikan Tinggi dan Ilmu Pengetahuan* or PTIP). Previously, higher education was under the Ministry of Education and Culture, which assumed responsibility for all education in the country. It was headed by Minister Prijono, a Murba-member who

91 Quoted in J.A.C. Mackie, *Problems of the Indonesian Inflation*, p. 52.

92 Herbert Feith, *Sukarno-Militer dalam Demokrasi Terpimpin*, p. 102-103.

93 D.N. Aidit, *Dekon dalam Udjian*, (Jakarta: Jajasan Pembaruan, 1963), p. 7. "Kaum sinis ini ternyata pula mendapat angin dan inspirasi dari bahan-bahan ratjun berbentuk buletin-buletin atau stensilan-stensilan periodik jang pada saat ini diedarkan oleh pengchianat Sumitro dan agen-agenja dikalangan-kalangan pegawai perusahaan-perusahaan negara, kantor-kantor pemerintahan dan lain-lain bagian daripada aparatur pemerintahan dan ekonomi negeri kita."

94 M.A. Jaspas, *Aspects of Indonesian Political Sociology in the late Sukarno Era*, (Nedlands: Centre for Asian Studies, 1967), p. 20-21.

had received the Soviet peace prize.⁹⁵ Iwa Kusumasumantri made several important changes to the curriculum and textbooks, especially in the field of social sciences. His approval was made necessary to allow students to study abroad, which resulted in a stop on sending Indonesian students to the United States, and he asked students to report on signs of the teaching of liberalism in the universities.⁹⁶ His high-handed dealings with faculties and members and his effort to introduce political goals created many enemies within the university and outside it. In the cabinet reorganization of March 1962, Tojib Hadiwidjaja, a non-party and army approved candidate, replaced him, commencing the long-term army control of the universities and campus in much of twentieth century Indonesia. As was the case with the production of technocrats or army specialists, the left was never able to take hold of higher education.⁹⁷

Research organizations, such as Leknas, were institutionally connected with leading universities, in particular the University of Indonesia. Leknas was not able to send its staff to the United States until 1963 and had to rely for much of its research on graduates from FEUI. A look into the activities of Leknas in 1963 would give a glimpse of the kind of community and relations in existence in the middle of the Guided Democracy period. Leknas did not have a ready expert staff of its own in its early years. As a matter of fact, its managing committee came from Indonesia's newest and brightest social scientists fresh from a postgraduate education in the United States; these included the economists Widjojo Nitisastro and Sarbini Sumawinata, the anthropologist Koentjaraningrat and the sociologist Selo Soemardjan. They represented the 'Indonesian godfathers' of their respective sciences. Leknas also employed consultants like economist Mohammad Sadli, Everet Hawkins and Kurt Martin, among others, and counterpart consultants like Ali Wardhana and Harun Zain. In June 1963 Leknas signed a consultancy agreement with the Harvard Development Advisory Service.

95 John Bresnan, *At Home Abroad*, p. 42.

96 Herbert Feith, *Sukarno-Militer dalam Demokrasi Terpimpin*, p. 84.

97 For more on the Army-Communist struggle over higher education see Thomas R. Murray, "Indonesian Education: Communist Strategies (1950-1965) and Government Counter-Strategies (1966-1980)" in *Asian Survey*, Vol. 21, No. 3, March 1981, p. 369-392. Also Agus Suwignyo, *The Breach in the Dike: Regime change and the standardization of public primary-school teacher training in Indonesia (1893-1969)*, (PhD Dissertation Leiden University, 2012), p. 399-406.

Leknas began sending their employees abroad to pursue postgraduate studies in the same year. Thee Kian Wie, Julian Luthan and Lukman Siahaan were sent to do a masters study of economics at Wisconsin and Indiana University, T.S.S. Sutanto studied administration science at Pittsburgh, while Tan Giok Lan and Harsja Bachtar studied sociology at the University of California in Berkeley and Harvard respectively and D.M. Wattimena also studied social psychology at the University of California in Berkeley. Since October 1963, a regular weekly seminar was held at Leknas, together with the Indonesian Science Council and the Department of National Research. Initially, the seniors, consultants and counterpart consultants would give a talk on actual and theoretical issues. The 'juniors' would later contribute to the talks as well. The first workshop was held in April 1963; it dealt with the issue of taxation and was headed by economist Prof. Sarbini Sumawinata. A second workshop, on the issue of managerial de-concentration in government-owned enterprises headed by Mohammad Sadli, was held in July 1963. Both these themes were raised in support of the Deklarasi Ekonomi program that was announced in March of the same year. In September 1963, Kurt Martin headed a seminar entitled 'Inflation and economic growth.'

The relationship with Universitas Indonesia was intimate indeed, but Leknas also reached out to other institutions. Everett Hawkins and Harun Zain conducted discussions and concluded agreements with Universitas Gadjah Mada and Universitas Padjadjaran as well as cooperation with government departments, including the Department of Basic Industry and Mining. Much of the foreign relationships were with American or UN institutions like the Harvard Development Advisory Service, the Center for Research on Economic Development at Michigan University, UNESCO's Research Centre on Social and Economic Development in Southern Asia in New Delhi and the Economic Commission for Asia and the Far East in Bangkok. But in concordance with a shift in emphasis in the curriculum to better reflect Indonesia's socialist economy, there also were efforts to contact socialist social scientists including two Russian economists on the problems of Indonesian economic growth in August 1963.

Bappenas

Efforts to recentralize planning resulted in the formation of the dichotomous Bappenas-Muppenas structure, which was inaugurated in December 1963. This was part of the changes related to the Deklarasi Ekonomi policy and, in fact, the Bappenas was mentioned initially within the Ambeg Parama Arta speech in Parliament on 15 May 1963. In accordance with the Presidential Decision no. 12 1963, the body wielded wide authority.

“For the purpose of perfecting the National Overall Development Plan and the need to create detailed and derivative continuation, and in the effort to strengthen the integration of all government apparatuses, the Depernas in its former form and position is integrated into the executive government apparatus or body, by changing its structure and composition in accordance to the present development needs. After the Depernas completes its duties to create a Development Conception in accordance to our development principles laid down within the Presidential Development Address in written and oral forms, we then need a more technical Development Planning and Supervision Apparatus within the level of growth of our Revolutionary Development. For this reason, the reforms and changes of the Depernas are focused on the creation of the National Development Planning Body or Bappenas, which would perfect the Executive Body in executing the planning and supervision of development throughout the country under the leadership of the First Minister assisted by a technical Minister. The Staff of the Bappenas will be composed of TECHNICAL EXPERTS in planning and development whose duty is to create detailed plans, in the form of yearly and long-term plans, as a perfection and continued implementation of our Development Conception.”⁹⁸

If the Depernas was a political organization that created national planning, the Bappenas-Muppenas acknowledged expert participation within the Bappenas, while giving a voice to the political and social organizations. “Our Development Planning apparatus has recently made significant strides. This is the culmination of historical development and experience in the last

98 Quoted in R. Soerjadi, “Sistim Ekonomi Terpimpin dibidang Moneter”, speech given at the HSI Economic Seminar, 20 July 1963, p. 31-32. ANRI, RoeslanAbdulgani, inv. Nr. 1082. Capitalization according to the original.

10 years, from the BPN to Depernas and lastly to Bappenas.”⁹⁹ The realization of the need for the creation of a good apparatus was apparent in many of the reports of Muppenas/Bappenas. “We know with clarity that our economic difficulties cannot be handled purely through formulating economic plans. As regards the gist of the recent Presidential Political Address (*Amanat Politik*), however good an economic plan, its success is determined by the conditions of its apparatus.”¹⁰⁰

Although at the time the Bappenas was not fully under the control of the technocrats, as opposed to its role as a technocratic body par excellence for the New Order state, it was part of the rise of the new technocratic elites into various policy-making and expert-producing positions and represented an iconic change signifying the possible transition toward technocracy. The Bappenas had as its duty not only the creation of a national plan, but also its surveillance and implementation. No doubt, the Bappenas opened doors for greater technocratic participation as Sukarno repeated in his speech; “the staff of the National Development Planning Board will be composed of technical experts in planning and development, whose duty is to write up detailed planning, on an annual and long-term basis, as a form of perfecting and implementing further our Development Conception.”¹⁰¹

Three lessons had been learned from the failure of the Depernas. First, the lack of reliable data on important economic figures underscored the need to have credible research centres on economic data-especially statistical data concerning population growth, gross domestic product and domestic capital

99 Soeharto, Pidato Pembukaan oleh J.M. Menko Urusan Perentjanaan Pembangunan Nasional” in *Hasil Konferensi Kerja Bappenas/Baperdep-Bakopda*, (Jakarta: Bappenas, 1964), p. 3. “Aparatur perentjanaan pembangunan kita telah mengalami kemadjuan jang pesat pada waktu achir2 ini. Hal ini adalah hasil perkembangan sedjarah dan pengalaman dalam pembangunan selama 10 tahun, dari Biro Perantjang Negara ke Depernas dan kini ke Bappenas.”

100 *Kesimpulan-kesimpulan dan KertasKedja. Musjawarah Muppenas ke III*, p. 6, “Kita mengetahui dengan djelas bahwa kesulitan² ekonomi tidak bisa kita atasi hanja dengan perumusan² tentang rentjana² pembangunan ekonomi jang baik. Sebab sesuai dengan tjanang P.J.M. Presiden dalam Amanat Politik beliau jangbaru lalu maka bagaimanapun baiknja suatu rentjana ekonomi pelaksanaannja tergantung pada keadaan aparatur.”

101 Soekarno, *Ambeg Parama Arta. Berwatak Pandai Mendahulukan Urusan jang Penting*, (Jakarta: Departemen Penerangan, 1963), p. 30. “Staf Badan Perentjanaan Pembangunan Nasional itu akan terdiri atas AHLI-AHLI TEHNIS perentjanaan dan pembangunan, jang bertugas membuat rentjana-rentjana terperintji, baik rentjana-tahunan maupun rentjana-djangka-pandang, sebagai penjempurnaan dan pelaksanaan lebih landjut daripada Konsepsi Pembangunan kita”

for investment.¹⁰² Second, the failure spelled-out the need to put the available expertise within the country to better use. Third, it highlighted the failure of corporatist planning and stressed the need to 're-centralize' economic policy-making within a highly competent environment. The lack of oversight and implementation was also a major problem, which the Bappenas-Baperdep-Bakopda structure was to solve.¹⁰³ The number of economic research bodies was expanded during the period. One of the most pertinent had been the Central Statistical Board (BPS),¹⁰⁴ a one-time colonial body, which by then lacked the capability to formulate economic data, including the national income index. Since 1955, economist Sarbini Sumawinata, who had been trained by Nathan Keyfitz, had headed the BPS.¹⁰⁵ Economic research on Indonesia was forthcoming through the Faculty of Economics of the University of Indonesia. Steady cooperation with American universities and support from the Ford Foundation allowed more Indonesians to study in US universities.

The Bappenas was created in December 1963 by a Presidential Decision, which integrated Depernas with the Bappenas while at the same time reducing it to a body under the office of the President, rendering him yet another title as coordinator of the Minister for the Coordination of Development and day-to-day supervisor of the Minister for the Matter of National Development Planning (UPPENAS).¹⁰⁶ This reintegration under the executive was reiterated in Sukarno's May 1963 *Ambeg Parama Arta* speech in which he outlined the country's economic policy (*deklarasi ekonomi/ dekon*), a terminology that, according to Lance Castles,¹⁰⁷ was influenced by management science. Thus, the planning body was downgraded from a

102 Sutikno Slamet, "Uraian mengenai pembiajaan pembangunan nasional, pengawasan dan penilaian" in *Hasil Konferensi Kerdja Bappenas/Baperdep-Bakopda*, (Jakarta: Bappenas, 1964), p. 97.

103 *Hasil konferensi Bappenas-Baperdep*, (Jakarta: Bappenas, 1964), p. 19-20.

104 Badan Pusat Statistik

105 David Webster, *Fire and the Full Moon. Canada and Indonesia in a decolonizing world*, p. 88 and Sarbini Sumawinata, "Recollections of my career" in *Bulletin of Indonesian Economic Studies*, Vol. 28, No. 2, August 1992, p. 45-48. The development was slow, but the first post-colonial population census was published in 1960.

106 Urusan Perentjanaan Pembangunan Nasional. For more on structure of Bappenas see Hamzah Nasution, "The Organization of the Planning Agency" in *Bappenas News Bulletin*, No. 1, Vol. 1, 1964, p. 30-35.

107 Lance Castles, *Bureaucracy and Society in Indonesia: Paper for Discussion*, (S.n.: s.n., no date).

high government body to an adjunct of the Presidential office, similar to the position of the BPN within the Prime Minister's office. The cabinet was also reorganized within a New Style Work Cabinet.¹⁰⁸

The main thrust of the Bappenas plan was to integrate the regions and the centre within one organizational authority. This was made possible when by the early 1960s the regional rebellions had been suppressed.¹⁰⁹ By 1962, Sumatra was back under control of the central government. The rehabilitation process became part of the discussion on the application of socialist models for institutionalized development. For instance, surveys of various planning agencies in Communist countries were made by Panglaykim and Hazil.¹¹⁰ Special interest was shown in the Soviet Planning model introduced by Premier Khrushchev in the country's sixth five year plan (1956-1960) because of its decentralized and regional character. The Soviet's central-regional or Gosplan-Sovnarkhoze planning caught the fancy of the Indonesian government. The Gosplan or the Soviet state planning commission was quite similar to the Depernas/Bappenas, while the 107 established Sovnarkhozes were regional economic councils that were introduced in the sixth five-year plan (1956-1960) as part of Khrushchev's decentralization plan. Khrushchev called for an overall plan with the focus on creating greater efficiency and managerial leadership in order to provide greater responsibility to the republics, the ministries and the administrators of productive enterprises.

Ideas in developing a central-regional planning body that could function independently and serve to fine-tune the planning process were increasingly accepted. Earlier plans for regional planning bodies were seen as contradictory to the corporatist form that centralized everyone within a unified and centralized body. It was argued that the regions were given plenty of representation within the Depernas, and so, regional planning bodies were not deemed necessary: "The government is of the opinion that there are already enough members sitting in the National Planning Council in the capital of Jakarta who are able to bring forward the development problems

108 Kabinet Kerdja Gaja Baru. Sukarno, Amanat PJM Presiden Republik Indonesia pada siding pleno terakhir Depernas in *Badan Perentjanaan Pembangunan Nasional (Bappenas). Peraturan-Peraturan*, (Jakarta: Bappenas, 1964), p. 4-7.

109 Guy Pauker, *The Indonesian Doctrine of Territorial Warfare and Territorial Management*, p. vi.

110 Panglaykim and Hazil, *Struktur Management dan Organisasi dalam beberapa Negara Sosialis*.

of first level regions of local autonomy.”¹¹¹ The government was possibly more assured now of the docility of the regions after Jakarta’s successful clampdown and thus more willing to provide regions with institutions that were previously seen as increasing the degree of independence from the centre.

An Economic and Social Research Institute survey conducted between October 1961 and February 1962 affirmed major problems of coordination. J.E. Ismael wrote “for instance, the Public Works and Power Service of some regions does not know whether the road repairs executed are part of the routine plan of their department or whether they are now included as one of the projects of the Plan. Thus it becomes obvious that there is no coordination and communication both between the Departments and Local Governments and between the Departments at the Centre and the Services in the region.”¹¹² He implied that few of the coordination issues that haunted the 1950s had ever been resolved. It was within this spirit of creating true coordination that the necessity for a regional approach was seen as essential. What was envisioned was an integrated regional development plan, as a more perfect alternative to the national overall development plan. Its implementation was to realize the old dream of integrating Indonesia’s central and regional governments as one organization for the purpose of development.

Structure and Organization

Bappenas was controlled by a secretariat composed of deputies from the Ministries of General Affairs, Planning and Evaluation.¹¹³ At a lower level eight bureaus were assigned to plan, supervise and evaluate projects in their respective fields,¹¹⁴ whose functions resembled both the BPN and the FINEK office. The reports of the bureaus would then be used as progress reports by the President to Parliament (MRPS). Aside from the Bappenas,

111 J.E. Ismael, “Some institutional aspects in national and regional development” in *Ekonomi dan Keuangan Indonesia*, Vol. 16, No. 4, October/November/December, 1963, p. 25.

112 J.E. Ismael, “Some institutional aspects in national and regional development” in *Ekonomi dan Keuangan Indonesia*, Vol. 16, No. 4, October/November/December, 1963, p. 25.

113 Wakil Menteri Urusan Umum, Wakil Menteri Urusan Perentjanaan and Wakil Menteri Urusan Penilaian.

114 The bureaus were: management of the revolutionary soul, finance, development, distribution, domestic and legal affair, defence and security, welfare and international organization and relations.

there were also six Permanent Committees on rules and regulations,¹¹⁵ statistics,¹¹⁶ development surveillance and evaluation,¹¹⁷ natural resources,¹¹⁸ on development funding,¹¹⁹ on manpower planning¹²⁰ and on standardization and normalization.¹²¹ Committee members were composed of experts from within and outside Bappenas and from the government and private sectors. These expert committees provided memoranda, consultation and ideas to the Minister of National Planning (UPPENAS), which oversaw the Bappenas. The last organization was the Muppenas, headed by Vice Head of Bappenas and Regular Head (*Pimpinan Harian*) of Bappenas. It was composed of members of the Assistance Body to Head of Parliament (*Badan Pembantu Pimpinan MPRS*) and Governors. The Muppenas was an advisory body meant to provide advice and ideas in planning and development. What the Bappenas envisioned was thus an executive body with expertise committees from Permanent Committees and parliamentary and regional oversight through Muppenas. This represented the central planning structure of the Republic. This central body was related to both regional and departmental planning.¹²²

The planning of Bappenas would be as follows: it designed development policy, which would then be given hearing by the Muppenas. After consulting the Muppenas, the plan would then be proposed to the President. The formation of the plan required the help of two organizations: the Baperdep and Bamunas. The Baperdep collected ideas and proposals from their respective departments and, through their Minister, conveyed them to the Bappenas. The Bamunas also conduct the same process within the

115 Peraturan Presiden Republik Indonesia no. 6 tahun 1964 tentang Panitia Negara Bappenas Urusan Tatajara dan Peraturan.

116 Peraturan Presiden Republik Indonesia no. 7 tahun 1964 tentang Panitia Negara Bappenas Urusan Statistik.

117 Peraturan Presiden Republik Indonesia no. 8 tahun 1964 tentang Penawasan dan Penilaian Pembangunan.

118 Peraturan Presiden Republik Indonesia no. 9 tahun 1964 tentang Panitia Negara Bappenas Urusan Sumber-sumber Alam.

119 Peraturan Presiden Republik Indonesia no. 10 tahun 1964 tentang Panitia Negara Bappenas Urusan Sumber-sumber Pembiajaan.

120 Peraturan Presiden Republik Indonesia no. 11 tahun 1964 tentang Panitia Negara Bappenas Urusan Perentjaan Tenaga Pembangunan.

121 Peraturan Presiden Republik Indonesia no. 12 tahun 1964 tentang Panitia Negara Bappenas Urusan Standardisasi dan Normalisasi.

122 *Hasil Konferensi Kedua Bappenas-Baperdep*, (Jakarta: Bappenas, 1964), p. 21-23.

private sector. In connection to budgetary matters, a team composed of the Indonesian Development Bank (Bapindo), Department of Budget and Bank Indonesia provided help in creating the budget.¹²³ Bappenas and Bapindo would then be assigned to oversee budget implementation. Bappenas would also evaluate the implementation of projects and write a development overview (*ichtisar pelaksanaan pembangunan*). The Baperdep and the Bakopda were obligated to provide their annual plan to the Bappenas. In order to create a better working environment and coordination, various conferences were held between Bappenas and the other bodies in order to synchronize their views on the matter.¹²⁴ Bappenas also provided planning courses, for instance, in November 1964 with the Asian Institute for Economic Development Planning.¹²⁵

Baperdep

The Baperdep or *Badan Perencanaan dan Penelitian Departemen* (Departemental Planning and Research Body) was designed to provide help for the coordination and smooth running of government ministries and departments. Created by a Government Decision in February 1964, it functioned to generate annual and long-term development plans and to conduct research for the purpose of planning. The Baperdep consisted of an office in each department with seven to ten experts taken from within and outside the department and headed by a Deputy Minister.¹²⁶ Its position in the ministries was as aid to respective ministers with the task to provide proposals. Its decisions and documents had to be signed by the head of the respective departments. It was also instructed to conduct research and investigations for the purpose of development planning with detailed plans, organizational schemes and surveillance systems. It was also instructed to keep close contact with the National Research Department and other research

123 Bank Pembangunan Indonesia (Bapindo), Departemen P3 Urusan Anggaran and Bank Indonesia.

124 For instance, the Bappenas/Baperdep-Bakopda work conference held in September 1964. *Hasil Konferensi Kerdja Bappenas/Baperdep-Bakopda tanggal 22 s/d 24 September 1964*, (Jakarta: Bappenas, 1964).

125 *Hasil Konferensi Kedja Bappenas-Baperdep*, (Jakarta: Bappenas, 1964), p. 25.

126 M. Hutasoit, "Uraian mengenai pokok-pokok perentjanaan, organisasi perentjanaan dan hubungan kerdja" in *Hasil Konferensi Kerdja Bappenas/Baperdep-Bakopda*, (Jakarta: Bappenas, 1964), p. 58.

bodies.¹²⁷ In order to integrate university life with the greater revolutionary fervor, especially in provisioning experts to the ‘exploding demand’ of revolution, the Baperdep was instructed to integrate departmental or university planning with greater planning from other departments or state institutions.

Bakopda

The Bakopda functioned alongside the *Tjatur/Pantja Tunggal*, in which the Provincial Military Government headed a four-headed committee composed of the Governor, Chief Prosecutor and Police Chief. Formed by a Presidential Act in 1961, the shift toward Bakopda was intended to maintain structural continuity after the ending of martial law in 1963.¹²⁸ But it was also influential in integrating regional government, including military government, within the Bappenas planning structure. In 1964, the position of the Bakopda was readjusted with the new Bappenas body. Regional Governors became the head of the agency with the task of creating a complementary development plan to the national overall development plan. The Governor as head of Bakopda had the duty to propose complementary development plans to the national overall plan of the Bappenas. He also had to create a regional development plan approved by the Bappenas and, lastly, to coordinate and supervise the implementation of regional projects.¹²⁹ During the New Order, the *Pantja Tunggal* would arise in the form of the Muspida, in which the military continue to hold the highest authority and with it, the Bakopda would be renamed as the Bapemda.¹³⁰

The integration of governors within the Bappenas planning scheme meant that the delineation between the Department of Internal Affairs and the planning body was obscured. One third of the Bakopda members hailed

127 Keputusan Presiden Republik Indonesia no. 20 tahun 1964 tentang *Badan Perentjanaan dan Penelitian Departemen in Badan Perentjanaan Pembangunan Nasional (Bappenas)*. *Peraturan-peraturan*. (Jakarta: Bappenas, 1964), p. 35-36.

128 David Reeve, *The Golkar of Indonesia. An alternative to the party system*, p. 190.

129 Sumarno Sosroatmodjo, “Peranan Departemen Dalam Negeri dan Pemerintah Daerah dalam melaksanakan pembangunan nasional semesta berentjana tahap pertama” in *Hasil Konferensi Kerdja Bappenas/Baperdep-Bakopda*, (Jakarta: Bappenas, 1964), p. 22-23.

130 Grant Ronald Minaden, *Administration in the Province of West Java: Patterns of Integration and Problems of Coordination*, (PhD Dissertation Northern Illinois University, 1975), p. 84 and 97. Bapemda: Badan Perentjana Pembangunan Daerah.

from *karya* organizations with members appointed by the Governor as part of its social control. The Governor was not only automatically appointed as head of Bakopda, he also chaired the regional Bamunas. Presidential Decision no. 12/1962 has also placed the Bakopda in the planning, overview and evaluation of village development as well as the wider regional development.¹³¹ This shift in authority toward regional government and heads was part of the decentralization drive in the later part of Guided Democracy. Aside from planning, government-owned companies were also transferred to regional government. The Bakopda also proposed suggestions to the Bappenas and was helped by a secretariat of experts. Experts required a certain level of expertise on one or more development sectors aside from regional development. Even so, the shift toward the *Pantja Tunggal* in 1964, which included the National Front as member of the committee increased the role of the PKI, because many of the National Front organizations in the regions were in their hands.¹³² Thus, the Bakopda included both military managers and an increasingly participative Communist movement in the executive.

The Bakopda had the additional task of raising 'funds and forces' for national and regional development; by working together with private business elements and regional development banks that acted as a regional version of the Bapindo. Money for regional development was to be composed of funds from the central government, but also from regional state-owned companies, which were hoped to provide around a third of the necessary funds. Regional Development Banks created in 1962 would also provide funding. The collection of private funds for regional development in effect meant double taxation. Considering that the Bamunas also had the same duty, there seemed to be an increase in rent opportunities for officials at various levels of government.

Bamunas

The root of Bamunas came from the various Indonesian business chambers that appeared after independence, including the KENSI, MII, MPP, MUVI

131 Ukar Bratakusumah, "Uraian mengenai rentjana pembangunan nasional semesta 8 tahun dan pelaksanaannya serta rentjana pembangunan daerah" in *Hasil Konferensi Kerdja Bappenas/Baperdep-Bakopda*, (Jakarta: Bappenas, 1964), p. 84

132 William Redfern, *Sukarno's Guided Democracy and the Takeovers of Foreign Companies in Indonesia in 1960s*, (PhD Dissertation University of Michigan, Ann Arbor, 2010), p. 52.

and others. They were reorganized following the creation of Depernas and especially after the Dekon all private companies were to be coordinated within one body.¹³³ This was the Bamunas, which was inaugurated by Sukarno on 20 February 1964 at the Bappenas building in Jakarta. Attended by Second Vice Premier J. Leimena, Third Vice Premier ChairulSaleh and the Minister for National Planning (Uppenas) Suharto and the Minister for the Affair of Funds and Forces. Its first congress was held in February 1965. The congress saw the need for a greater integration of the private sector, public sector and cooperatives planning to complement overall national development. The national private corporate world was required to keep in line with the ethics code of the state-created *Ikrar Panca Bakti*.¹³⁴ A Private Corporate Honour Committee (*Dewan Kehormatan Swasta*) was set up to give necessary punishments for companies failing to follow the ethics code and root out reactionary and contra-revolutionary businessmen. As Soebandrio, First Vice Prime Minister, said “the function of national private business in a capitalist society was inherently different from the function of national private business within the Indonesian revolution toward the creation of a Socialist Indonesian society.”¹³⁵

The purpose of Bamunas was to collect the funds and forces of the private sector for revolution, in terms of money, experience and expertise. It was composed of representatives of OPS or Organization of Similar Companies (*Organisasi Perusahaan Sedjenis*), which meant in practice all private companies.¹³⁶ The OPS was part of the restructuring of the Indonesian economy in the early 1960s, which required all companies to be integrated within state-led chambers of industries or commerce. Funds from private companies were to be expropriated by the Movement for the Registration and Signs of Loyalty to the Revolution or Gekerev (*Gerakan Kebangkitan Swasta*

133 *Sedjarah Perkembangan Pembangunan Daerah Djawa Barat tahun 1946-1965*, (Bandung: Bakopda Djawa Barat, 1965), p. 230-231.

134 The Five Service Oaths, which became associated with the Golkar Party, is an oath of service to the nation.

135 *BAMUNAS. Musyawarah Pusat Bamunas ke-I, 19-20 Februari 1965*, (Jakarta: Bamunas, 1965).

136 Notohamiprodo, “Peranan pengusaha nasional swasta dalam Revolusi Indonesia” in Moh. Djambek (ed.), *Doktrin Ekonomi Terpimpin dan Pembangunan*, (Jakarta: Serbaguna, 1964), p. 180-181.

untuk Revolusi).¹³⁷ Private businessmen had agreed to invest in capital to the state at both the central and regional government within a one-year target.¹³⁸

In this sense, the financing of the Big Push was to be transferred from national savings or foreign direct investments toward the remaining free money in the economy. Trust in the Indonesian rupiah had fallen dramatically low since the early 1950s and this extended to mistrust of the banking system as a whole, because the government effectively robbed the private sector through inflationary measures. Expropriation through banking channels was difficult as few were foolish enough to keep their savings in banks. In his speech at the meeting, Chaerul Saleh lamented on the need for the people to sacrifice for the revolution and tried to convince what must have been sceptical businessmen that the government was “done with revolutionary discussion” and would focus on the practical application of economic growth.¹³⁹ As was typical of Guided Democracy institutional logic, the answer to a dysfunctional tax-collecting agency was a dysfunctional Ad Hoc non-tax collecting agency.

The aim was to collect 100 billion rupiahs for the Central Bamunas and 126 billion rupiahs from the 17 Regional Bamunas. The Regional Bamunas working closely with the *Pantja Tunggal* (Regional Government) was to monitor the inflow of funds. The collection of funds was also designed as a measure to reduce inflation. By March 1964, the money supply in the economy was estimated to be around 288 billion rupiahs. It was hoped that half of the money supply could be swept up for development purposes. In an all-Indonesia Pantja-Tunggal conference in March 1964, Regional Governments along with Bamunas were to play a pivotal role in reducing ‘hot money’ from the system.¹⁴⁰ They also conducted activities at the regional level. In 1964, the Bamunas provided voluntary workers for the Djatiluhur project from 60 West Java OPS. The West Java Bamunas also planned a civil

137 Gerakan Pendaftaran dan Tanda Kebaktian Pengusaha Swasta terhadap Revolusi

138 Notohamiprodjo, “Peranan pengusaha nasional swasta dalam Revolusi Indonesia” in Moh. Djambek (ed.), *Doktrin Ekonomi Terpimpin dan Pembangunan*, (Jakarta: Serbaguna, 1964), p. 181.

139 Chaerul Saleh, “Amanat JM Wkl Perdana Menteri III, Dr. Chairul Saleh pada Musjawarah Pusat Bamunas ke I” in *Musjawarah Pusat Bamunas ke I, 19-20 Februari 1965*, (Jakarta: Bamunas, 1965).

140 Notohamiprodjo, “Peranan pengusaha nasional swasta dalam Revolusi Indonesia” in Moh. Djambek (ed.), *Doktrin Ekonomi Terpimpin dan Pembangunan*, (Jakarta: Serbaguna, 1964), p. 185.

defence to be operational by May 1965.¹⁴¹ The Bamunas was symbolic of the chaos and hypocrisy that permeated the latter part of the Guided Democracy (1962/3-1965). Disguising itself as a revolutionary movement, it was to a large extent nothing more than an extra-tax method for extracting revenues from the last remaining source of funds within the archipelago, the private businessmen.

The BPN's Five-Year Development Plan and Depernas's Eight-Year Overall Development Plan required some form of foreign aid or foreign direct investment. Future developments were to require more direct domestic taxation in a move euphemistically called the collection of funds and forces for development. These included the production sharing-contracts with Western oil companies, incidentally the only real source of domestic development funding during the last years of Guided Democracy.¹⁴² During the colonial period, taxation represented 64% of government receipt and increased to 77% by 1939. In the post-colonial period, taxation climbed up to 90% of non-loan government receipt, while government-owned companies contributed a miniscule amount.¹⁴³ The shift toward non-tax extraction of remaining liquidity painted a picture of government desperation.

What was created was a series of organizations that aimed to institutionalize coordination for development. Thus, the Bappenas had the task of creating a development policy, which would then be proposed to the President after a thorough hearing within the Mupennas. The Baperdep, Bakopda and Bamunas had an active role within the policy creation by providing materials and suggestions to the Bappenas. The Bappenas was also entrusted with creating a draft annual plan that was then submitted to the government. The Baperdep's duty in this was to develop a departmental plan proposal to be given to the Bappenas through each respective minister. Private sector planning was to be created with the cooperation of the Bamunas and private organizations. For the development plan budget, the Bapindo,¹⁴⁴

141 *Sedjarah Perkembangan Pembangunan daerah Djawa Barat tahun 1946-1965*, (Bandung: Bakopda Djawa Barat, 1965), p. 232.

142 A bonus of 5 million dollars paid by the Pan-American Oil Company. See Soerjadi, "Sistim Ekonomi Terpimpin di bidang Moneter" in *Untuk Pelaksanaan Dekon. Hasil2 Seminar Ekonomi HSI*, (Jakarta: Departemen Urusan Research Nasional, 1964), p. 127.

143 Douglas Paauw, *Financing Economic Development. The Indonesian Case*, (Glencoe: The Free Press, 1960), 169-170.

144 Bank Pembangunan Indonesia or Indonesian Development Bank

Department P3 and the Budgetary Office and the Bank Indonesia worked along with the Bappenas to propose a development budget to the head of the Bappenas. General monitoring of development plans would be conducted by both Bappenas and Bapindo. Evaluation would be conducted by the ministries dealing with the economy, the Departments/Baperdep, Bapindo, the Statistics Bureau (BPS), while the private sector evaluation would be conducted by the Bamunas.

In order for this massive institutional coordination to take place, departments and regions were compelled by law to provide annual plans to Bappenas, which would then evaluate and correct them in the light of the national plan. The task of formulating the annual Presidential progress report was given to Bappenas. It was thus also a plan for the decentralization of national planning, a move that was, in many ways, the result of the studies conducted in East European countries during the period. A series of conferences between Bappenas, Baperdep and Bakopda was conducted in 1964 and 1965¹⁴⁵ in order to ascertain the borders of authorities and relationships between each organization. Another important difference was the way in which Bappenas restored the foreign relations and aid that BPN once enjoyed as Indonesia's planning body. Lectures held by foreign experts became a regular occurrence and help from the Asian Institute for Economic Development Planning in Bangkok heralded the re-start of foreign institutional relations. The gathering of expertise could be seen in the Baperdep's national research group, which included various ministers that dealt with government research and Prof. Sadarjoen Siswomartoyo, head of Leknas.¹⁴⁶ The spread of experts within these bodies and the linkages to the Ministry of National Research and the Leknas was a significant development cementing expert relationships within the bureaucracy. Bappenas was also expected to help the Coordinating Committee on Foreign Aid and

145 First from 9 July – 11 July 1964 at the Bappenas building in Jakarta, a second one was a Bappenas-Baperdep-Bakopda conference in 22 – 24 September 1964.

146 Baperdep's National Research group were composed of, among others, Sudjono D. Pusponegoro, Minister of National Research, Sarwono Prawirohardjo, Assistant Minister on Policy Issue, Sadarjoen Siswomartoyo, head of Leknas, S. Th. Brotosajogjo, Head of the Bureau of General Administration of the Department of National Research, HuseinKartasasmata, member of Parliament, S.H. Thaher, member of Front Nasional, Sedijatmo, Department of Public Works and M. Tangkilisan, Vice Governor of Jakarta.

Committee on Production Sharing.¹⁴⁷ The door to foreign aid, especially in education, remained in the hands of technocrats. Bappenas's relationship to this cemented its role as an important technocratic hub.

KOTOE and Konfrontasi

The Komisi Tinggi Operasi Ekonomi (KOTOE) or High Command for Economic Operations was created on 29 April 1962 in relation to the return of West Papua into Indonesian hands. It thus assumed an integrated military and economics approach by seeing the economic problems as part of a wider military problem. Headed by President Sukarno, Djuanda was named Vice Commander with staffs including Sumarno, Soebandrio and Leimena. The elite civilians were thus clothed in military rank. The goals of KOTOE were so obscure that experts outside it could only speculate about them. Many mid-level officers were assigned to administrative jobs, thus pointing to further militarization of the economic operations. After it was created, the KOTOE formed two committees. A Yamin Committee headed by Depernas head Mohammad Yamin would discuss the foundation of the Guided Economy, and the Suharto Committee discussed issues related to the economy, bureaucracy, corruption and other problems, that held back economic growth.¹⁴⁸

The militarization of management would have closed the loop in the expansion of military into the economy. The failure of the Eight-Year Overall Development Plan meant that the installment of KOTOE was a desperate measure for reforms through centralization. One of the most pressing problems was the provision of foodstuffs. The government had already designed a rice self-sufficiency program in 1959 to be headed by the KOGM in cooperation with the Department of Agriculture and the Depernas. The program was integrated by the Depernas into the Overall Development Plan

147 Marnixius Hutasoit, "Uraian mengenai pokok-pokok perentjanaan, organisasi perentjanaan dan hubungan kerdja" in *Hasil Konferensi Kerdja Bappenas/Baperdep-Bakopda*, (Jakarta: Bappenas, 1964), p. 67.

148 Omas Tusin, "Beberapa titik strategi untuk didjadi pusat perhatian oleh Komando Tertinggi Operasi Ekonomi" in *Fortuna*, Vol. 4, No. 27, (June, 1962), p. 133-138.

and Indonesia was to achieve self-sufficiency by 1962. This obviously did not happen, so the main program of KOTOE was in foodstuff production.¹⁴⁹

On 28 July 1964, the KOTOE published the *Economic and Financial Policies in order to Overcome Present and Near Term Conditions*, billed as an austerity program to be conducted within the context of the Malaysian confrontation. The bill gave priority for distribution apparatuses, coordination with foreign aid relations, taxation policies that gave preferential treatment to rehabilitate production, fiscal pardon and tax holidays and the creation of a National Marketing Board. It was quite similar to the Dekon program that was espoused in 1963, but unfortunately, like its predecessor, its implementation was hampered by “a lack of *economische denken* by our own policy makers and the pull of vested interests within the government and in outside bodies in society.”¹⁵⁰ In September 1964, Sukarno issued the economic instruction no. 9/1964, which shifted its policy from austerity toward confrontation. It tried to stifle trade with Malaysia and annulled shipping contracts with companies from Singapore and Hong Kong while focusing on increasing food production.¹⁵¹ Military operations were the standard operating procedure of the KOTOE Thunder Operation I, II and III with the navy and police to disrupt smuggling to Singapore, Lantjar Operation to help the flow of goods in Tanjung Priok and the Gulung Operation I, II and III conducted by the police in order to clear the problems with the train network.

The KOTOE placed the military under the command of Sukarno to implement his economic policies. Like the *Tri Ubaya Cakti* doctrine, the military here was seen to be an extension of executive power in conducting its policy of confrontation. The focus was set to apply various measures in order to isolate Singapore. Unlike the Territorial Command and the Army's Civic Action program, the military and police personnel worked under the command of the executive. The fact that a comprehensive economic policy was being divided between a foreign interventionist drive of KOTOE and

149 “Garis-garis Besar Pimpinan Ekonomi Nasional 1962. Mendjelang Pembebasan Irian Barat” in *Fortuna*, Vol. 3, No. 27, (June, 1962), p. 138-141. It was headed by the Minister of Trade Suharto, different from General Suharto who would later become President.

150 *Laporan Tahunan Staf Komando Tertinggi Operasi Ekonomi tahun 1964*, (Jakarta: KOTOE, 1964), p. 2.

151 *Laporan Tahunan Staf Komando Tertinggi Operasi Ekonomi tahun 1964*, (Jakarta: KOTOE, 1964), p. 3.

the rehabilitation drive of the Bappenas signalled the inherent incapability of the Guided Democracy state to focus on an economic plan. The KOTOE and Bamunas thus represented the latest stage of economic management of the Guided Democracy state. Prior to this, there had been a genuine effort at rehabilitation that was dependent on American aid; the Deklarasi Ekonomi or Dekon. It is important to understand why this effort failed.

Conclusion

The implementation of national planning had initially been predicated on a naïve and optimistic view which saw the possibility of ‘non-experts’ designing and implementing national planning. The failure of this plan and economic deterioration had resulted in a significant revamping of the executive in 1962. At the same time, newly trained experts began to stream into Indonesia, especially from American higher education. Their position in various departments and higher learning/research institutes began to be significant by 1963. The reforms initiated by Sukarno expanded the executive. The failure of the Depernas called for greater participation of a new generation of experts. Thus, on a national planning and bureaucratic level, there was a process of technocratic development. As we will see in Chapter IX, the rise of this new generation would be contested by the concurrently rising Communists. The creation of the Bappenas was a significant development, for this body would play an important role during the New Order. There were obvious differences with the New Order Bappenas, which had become a highly technocratic body, but the structural shift represented an important institutional development that was one of the foundations for the rise of the technocracy.

In the early 1960s, there was an effort to try to use social science, especially scientific management, to understand the problems of Indonesian bureaucracy and to implement measures in order to create more efficient managers and bureaucrats. This was the implementation on what I have termed the ‘micro-level,’ as opposed to the ‘macro-level’ of national planning. The expansion of management education and the implementation of retooling and indoctrination courses was an effort to significantly deal with these problems. The next chapter will go into this process and see the extent toward which the effort to implement social science affected the bureaucracy.