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Fakih, F.

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Author: Fakihi, Farabi

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Introduction

In 1954, the famous American sociologist Edward Shils (1910-1995) in a talk in Italy proclaimed that the only possible form of government was a democratic welfare state and that, effectively, ideology had ended, because, in principle, both Western and Eastern Blocs agreed to a state-led development strategy.¹ In the early nineties, Francis Fukuyama would proclaim the same with an even more boastful pronouncement: the end of history.² Of course, Shils and Fukuyama were talking about very different ideas; Shils was promoting the ideology of state-led, technocratic modernization, while Fukuyama was celebrating the return of liberal ideas and the market place. Both cases show the importance of the reigning paradigm of their respective period. The rise of such international paradigms that traverse ideological and geographical boundaries is related to the inherently interrelated and international connections that have been bonding states and societies together since the advent of the modern world.³

The present dissertation intends to analyze and locate one of the most perplexing occurrences in the modern history of Indonesia: the rather abrupt transformation from a weak, incapable, liberal-democratic state *in statu nascendi* that failed to develop into a strong corporatist and development-oriented 'New Order' state with a military-technocratic elite at the helm.

1 Nils Gilman, *Mandarins of Modernity Modernization Theory in Cold War America*, (Baltimore: The John Hopkins University Press, 2003), p. 58.

2 Francis Fukuyama, *The End of History and the Last Man*, (New York: Simon and Schuster, 1992).

3 Christopher Bailey, *The Birth of the Modern World, 1780-1914*, (Oxford: Blackwell, 2004), p. 1-21.

This transformation occurred between 1957 and 1965. About the question by Herbert Feith in his 1962 magnum opus⁴ why Indonesia failed its first liberal democratic experiment, the Yale historian Harry Benda said that the question was put in the wrong order. There was no reason to believe that the Indonesian had the tradition to support democracy. The question was why would Indonesia develop a liberal democratic society in the first place?⁵ Nonetheless, a democratic society did appear after the end of the New Order regime in 1998 and by all accounts, it seems to be rather successful. Looking from a Post-Soeharto perspective, the pressing question now is how the New Order project could ever successfully start in the first place.

The purpose of the thesis is to locate the roots of the New Order state by looking at the development of its managerial elite and the institutions that allowed its emergence. The changing ideas and ideology of the elite concerning the relationship between the state and the society forms an important component in the analysis. When the Dutch after four years of struggle acceded to Indonesian demands and acknowledged Indonesian independence by late 1949, they left behind a feeble state with grave deficiencies in manpower and expertise. The leading question then is: how did a state with such little colonial endowment and even institutional damage,⁶ succeed in joining the ranks of what the World Bank has termed 'the East Asian miracle economies with sustained and equitable growth?'⁷ At the same time, how did it also become a violent state, whose relationship with its people was developed within a discourse that put the managing apparatus above and beyond the control of the feeble rule of law?⁸ How, in fact, did the rule of law become so lax, even in comparison to its colonial version?⁹ Are both these questions connected and, if so, in what way?

4 Herbert Feith, *The Decline of Constitutional Democracy in Indonesia*, (Ithaca: Cornell University Press, 1962).

5 Harry Benda, "Democracy in Indonesia. Review Article" in *The Journal of Asian Studies*, Vol. 23, No. 3, May 1964, p. 449-456.

6 Daan Marks, "The Economic Consequences of Decolonization. The 'special' case of Indonesia" in Thomas Lindblad (ed.), *Indonesian Economic Decolonization in Regional and International Perspectives*, (Leiden: KITLV Press, 2009), p. 157-174.

7 *The East Asian Miracle. Economic Growth and Public Policy*, (Washington: World Bank, 1993).

8 Ariel Heryanto, *State Terrorism and Political Identity in Indonesia. Fatally Belonging*, (London: Routledge, 2006), p. 106-134.

9 Daniel Lev, "The Politics of Judicial Development in Indonesia" in *Comparative Studies in Society and History*, Vol. 7, No.2, January 1965, p. 173-199.

In order to start trying to answer these questions, I shall focus on the period that has been steadfastly shunned by the official historians of the New Order: the Old Order and its two distinct forms of state-society relations: Parliamentary Democracy (1946-1957) and Guided Democracy (1957-1965). Significantly, the series of constitutional and institutional experiments that were conducted after 1957 during the Guided Democracy had lasting effects for Indonesian state-society relations in the second half of the twentieth century. The story of the post-colonial Indonesian state has been primarily about the shift from a 'liberal' colonial state toward a corporatist;¹⁰ military-technocratic Developmental State called the New Order. New Order historiography delineates that post-colonial Indonesian history into two periods; the Old Order (1945 to 1965) and the New Order (1965/66 to 1998).¹¹ The Old Order is depicted as morally and economically bankrupt and its liberal character is seen as the root of the problem: an active society with too many rather ineffective political parties diminished the state's capacity to project its power and implement development policies. In addition to this a laissez faire economic system allowed the continuation of a large percentage of the economy to remain under foreign domination. This portrayal ignores that the Old Order contained two successive quite distinct regimes. By lumping together the Parliamentary Democracy and the Guided Democracy period the historians of the New Order have sought to distance themselves from President Sukarno's political experiments. By contrast, the New Order represent a cadre of elite Indonesian managers, a strong and capable state and robust economic growth and thus seems to fit the theory of the Princeton political scientists Atul Kohli who has stressed that "...the creation of effective states within the developing world has generally preceded the emergence of industrializing economies."¹² The question then

10 David Reeve "The corporatist state: the case of Golkar" in *State and civil society in Indonesia* (1990): 151-176, Dwight King, *Authoritarian Rule and State Corporatism in Indonesia*, (S.I.: s.n., 1977).

11 Gerry van Klinken, "The Battle of History after Soeharto" in *Critical Asian Studies*, Vol. 33, No. 3 July 2001, p. 323-350.

12 The image of the New Order as a corporate/technocratic state or bureaucratic polity stand in contrast to those who view its powers as highly dispersed with the image of the patron-client. For more on the variety of ways specialist view the New Order state, see Donald K. Emmerson, "Understanding the New Order. Bureaucratic Pluralism in Indonesia" in *Asian Survey*, Vol. 23, No. 11, November 1983, p. 1220-1241. Atul Kohli, *State-directed development, Political power and industrialization in the global periphery*, (Cambridge: Cambridge University Press, 2004), p. 2.

poses itself whether the relatively effective state that quite suddenly appeared in the form of the New Order, could it also have developed the way it did without the Guided Democracy state as precursor?

The economist Douglass North has explained that the performance of an institution is heavily dependent on the way its actors perceive its function and use.¹³ Economic growth is determined by the type of ideology and its institutional expression that reduce the transaction costs in the economy. Thus the ideology that encapsulates the institution and its participating actors is portrayed as central toward its effectiveness.

In response to these arguments this dissertation will seek to embed Indonesian development during the period concerned in an international context. By this I mean to say that the prevailing ideologies and institutions in the post war period were part and parcel of a shift away from classical liberalism of the early twentieth century and of the revolution that heralded the abandonment of the Gold Standard, the rise of the Five Year Plan, the New Deal and Corporate Fascism.¹⁴ The post-colonial rise of the developmental state should be seen in the context of the rise, in the West, of the Welfare State. The notion of efficiency, coordination and national planning as a natural human striving had become *reality as such*. For much of the twentieth century, the developmental model that reigned supreme focused on state-led collectivist incorporation, which often times brushed aside individual freedom.¹⁵ The post Second World War period witnessed the rise of both the post-colonial International aid structure and the higher educational system, led by the United States of America. These developments deeply influenced the native elites of the various newly created nations who went to study abroad or welcomed Western consultants at home.

In relation to the rise of state-led developmentalism in Indonesia, this thesis furthermore argues that the ideological differences of the Cold War lay not between the formal Blocs led by the United States of America and

13 Douglass C. North, *Institutions, Institutional Change and Economic Performance*, (New York: Cambridge University Press, 1990), p. 3-10.

14 Karl Polanyi, *The Great Transformation. The Political and Economic Origins of Our Time*, (Boston: Beacon Press, 1965), p. 20-30.

15 Daniel Lerner had to point out that social science does not jeopardize democracy and individualism to his American audience. "Nothing in the social sciences increases the capacity to manipulate an individual against his will." Daniel Lerner, "Social Science: Whence and Whither" in Daniel Lerner (ed.), *The Meaning of the Social Sciences*, (Cleveland: The World Publishing Company, 1959), p. 13-39.

the Soviet Union, but between the ideologies of state-corporatism and a non-centralized political participation.¹⁶ As Shils remarked, American social scientists acknowledged the “end of ideology” by the mid-1950s pointing out that democratic welfare state represented the only way to organize society, which signified that “the ideological battle against Communism was therefore essentially over.”¹⁷ American Third World foreign policy, especially under Kennedy, sought a primarily military solution to the problems of Third World¹⁸ and saw military officers as leaders of modernization.¹⁹ The Cold War offered basically two alternatives as to how elites could control the people. The two alternatives eerily resembled one another: managerial control and military cooptation of the masses.

The Indonesian effort to create a broad-based democratic and participatory society during the 1950s was tragically hampered by the established elite’s inherent distrust of the liberal institutions meant to safeguard individual liberty from state tyranny: the rule of law and the court system, the limitation of executive power or *triaspolitica* and a relatively open economy. Both the older nationalist generation and the newer managerial/expert generation grew up in a milieu that was hostile, or at least indifferent, to liberal ideas and institutions. Those who championed non-state participation did so through corporatist means by prying open the state and the economy, i.e. government bodies and company boards, to non-state actors, usually labour or other forms of social organization.

16 James Burnham pointed out the pan-ideological character of the managerial revolution in the early years of World War II: “Fascism-Nazism and Leninism-Stalinism are types of earlier managerial ideologies which have been given organized expression and have already had great success. In this country, Technocracy and the much more important New Dealism are embryonic and less-developed types of primitive, native-American managerial ideologies.” James Burnham, *The Managerial Revolution. What is happening in this world*, (New York: John Day Co., 1941), p. 191-192.

17 Nils Gilman, *Mandarins of the Future. Modernization Theory in Cold War America*, p. 58.

18 His Third World strategy was economic development, political reform and military assistance. He recruited social scientists from American universities in order to employ social engineering to various Third World locations. Andrew Brittle, *US Army Counterinsurgency and Contingency Operations Doctrine, 1942-1976*, (Washington: Center of Military History, 2006), p. 223-278. For more detailed account on the ideas of social scientists like Walt Rostow on this idea of bringing forth modernization, often through military means, see Nils Gilman, *Mandarins of the Future. Modernization Theory in Cold War America*, p. 155-202.

19 Rudolf Mrazek, *The United States and the Indonesian Military, 1945-1965. A study of an intervention*, (Prague: Oriental Institute in Academia, 1978), p. 14-17.

The significant growth of an Americanized managerial elites and their cadre of international consultants during the 1950s, exemplified by the economist Sumitro Djojohadikusumo, was an important development for it challenged the primacy of the nationalists. Herbert Feith has alluded to this by his description of the schism between the solidarity maker and the administrator group, but because his thesis focus on politician and stop by the end of the 1950s,²⁰ he did not analyze the important changes that occurred later on when Indonesians started to return home after graduating from higher education in the United States of America. The Guided Democracy should be seen as an effort by the old, nationalist elite to control both the dangerous rise of upstart managers, whose expansion into the army gave rise to a hybrid army-managerial elite and to control the rise of a raucous civil society, under the control of the Communist party, the PKI. A constitutional revamping was carried out that allowed for the rise of a corporatist state under the control of nationalist politicians. These institutional changes resulted in several things; the rising primacy of the executive as main holder of power to the detriment of the other power holders within the *triaspolitica*. The entire institution of *triaspolitica* itself came under attack and the legal framework of society would be replaced with the pressing need of managerial efficiency. Decomposition of the institution of the rule of law was conducted by both pure neglect and an ideological hostility toward the law itself.²¹

As we will see, an earnest effort was made to create corporatist institutions, one in which participatory organizations (*karyas*) were allowed access to such state institutions as the institution for national planning (Depernas). The failure of this project, the success of the military in uniting and controlling the national territory by military means and the rise of a new generation of American-trained managers and economists meant that by 1962 there would be an institutional shift away from corporatism toward increasing centralization under the authority of the new managerial elite. At the same time, the effort to increase the participation of non-state actors was strengthened through the efforts of the Sukarnoist and Communists to push for greater participation. The tension between these two groups

20 Herbert Feith, *The Decline of Constitutional Democracy in Indonesia*, p. 113-122.

21 Sebastiaan Pompe, *The Indonesian Supreme Court. A Study of Institutional Collapse*, (Ithaca: Southeast Asia Program Publications, 2005), p. 35-76, Daniel Lev, "Judicial Authority and the Struggle for an Indonesian Rechtsstaat" in *Law and Society Review*, Vol. 13, No. 1, (Fall, 1978), p. 37-71.

increased during the final Sukarno regime and led up to a spectacular and bloody conclusion in 1965.

In order to understand these phenomenon, this dissertation will first of all consult the writings of prominent actors of the period whether nationalists, communists or new experts/managers. Secondly we shall look at the institutional developments in national planning and scientific management/public administration that occurred during the period in connection to the state and its apparatus. These institutions dealt with the state problem of coordination, management, efficiency and corruption. I will focus on institutions that are pertinent to my research such as the military, the national planning board and the expanding higher education system, especially those that specifically produced managers, like the State Administrative Institution (*Lembaga Administrasi Negara*) or the Economics Faculty of the University of Indonesia (*Fakultas Ekonomi Universitas Indonesia*).

Indologist Karl T. Jackson has formulated Indonesian bureaucratic polity as: “a political system in which power and participation in national decisions are limited almost entirely to the employees of the state.”²² He argued this polity started in 1957 and continued on into the New Order.²³ In his study of the Golkar party, Australian Indonesianist David Reeve has described the ideological roots of Indonesian corporatism during the colonial period.²⁴ This technocratic model of the elite is very often used to understand the New Order state.²⁵ It is my intention to further develop this idea by analyzing its ideological and institutional development within an international context. I would like to suggest that the transformation of Indonesia from a ‘liberal’ state into a ‘corporatist’ Developmental State was possible as a result of the international aid institution and the *Weltanschauung* of state-centered ideas of economic planning and efficiency that were imported into the nation in a new and institutionalized form of elite production: the production of managers/military managers.

22 Karl Jackson, “Bureaucratic Polity: a Theoretical Framework for the Analysis of Power and Communications in Indonesia” in Karl Jackson and Lucian Pye (eds.), *Political Power and Communications in Indonesia*, (Berkeley: University of California Press, 1980), p. 3.

23 *Ibid.*

24 David Reeve, *The Golkar of Indonesia. An alternative to the party system*, (Singapore: Oxford University Press, 1985).

25 John MacDougall, *Technocrats as Modernizers. The Economists of Indonesia's New Order*, (PhD Dissertation University of Michigan, Ann Arbor, 1975), p. 1-17. He pointed out term ‘expert’ to denote the new non-political generation.

Because of the focus on the elite, non-elite actors hardly come to the foreground of this thesis. In fact, their presence is mostly in the form of elite ideas of non-elite: the masses or the people. The Cornell anthropologist James Siegel brilliantly discussed the strategy of the New Order for the control of the people through counter-revolutionary measures and the ideology of the criminality of the masses.²⁶ Yet there can be no doubt about it that the ideas of mass control started during Old Order period.

Finally, a few remarks on managerial efficiency. Administrators and managers who did not get managerial education were not necessarily inefficient and the fact that the economy faltered during the Guided Democracy despite having newly educated managers in government companies and offices point to this problem. The New Order state was however a lot more efficient than the Guided Democracy, but this was rather the result of the creation of institutions of control that allowed the state and its technocracy greater power, than because of the quality of managerial production. In any case, corruption was rampant during the New Order.

The End of Liberalism and Elite Control

The New Order regime fell in 1998 under the weight of political and social chaos and economic collapse. A series of legislative measures was produced in order to reinstate a liberal state and society.²⁷ Parliament was given greater power vis a vis the executive and a new constitutional court was created to control the output of both the legislature and the government.²⁸ The centralized nature of the managerial state was replaced with an ambitious decentralization program, which effectively transferred authority to the second tier of regional government, the regencies. In effect, Indonesia became a decentralized state composed of over five hundred political units.²⁹

26 James T. Siegel, *A New Criminal Type in Jakarta. Counter-Revolution Today*, (Durham: Duke University Press, 1998), p. 11-29.

27 Tim Lindsey, "Indonesian Institutional Reforms: Muddling toward Democracy" in *Singapore Journal of International and Comparative Law*, no. 6, 2002, p. 244-301.

28 Marcus Mietzner, "Political Conflict Resolution and Democratic Consolidation in Indonesia: The Role of the Constitutional Court" in *Journal of East Asian Studies*, Vol. 10, No. 3, September-December 2010, p. 397-242.

29 M. Ryaas Rashid, "The policy of decentralization in Indonesia" in James Alm, Jorge Martinez-Vazquez and Sri Mulyani Indrawati (eds.), *Reforming Intergovernmental Fiscal Relations and the Rebuilding of Indonesia. The Big Bang Program and its Economic Consequences*,

Yet, this was all conducted without a strong political discourse in favour of liberal ideas. Liberalism was still seen as anathema and efforts to push forth liberal ideas on their own weight within the national discourse were treated with suspicion. Ideas like human rights and less government control were argued piecemeal, without them being incorporated into the liberal label. Even today one of the most deadly insults that an Indonesian politician can be subjected to is to call him a neoliberal.³⁰

In the West, the shift away from state-based collectivist ideas was conducted by reviving the traditions of classical liberal thoughts in the works of enlightenment philosophers and more recent works by the neoliberal schools of the University of Chicago following on the heels of Austrian economists.³¹ Indonesia has no liberal tradition to fall back on. There was very little place for liberalism within the national discourse. Sukarno used liberalism as a bogey man to attack the rise of the economists and managers of the 1950s, yet these people were social democrats and Fabian socialists who believed in greater state control over society. Similarly odd, the only real anti-state positions during the Guided Democracy came from the communists. One may argue that this was the result of their effective position as non-state actors. In either case, all of them were quite hostile with liberal ideas. As a result, there has been kind of schizophrenic condition in the political discourse of the post-New Order period.

Classical liberalism was the product of bourgeois control of European society after the French Revolution. Its ideology was based on the values of the enlightenment; individualism, free-trade, rationalism and a great faith to science and a suspicion of the state as an oppressive institution. Its

(Cheltenham: Edward Elgar, 2004), p. 65-76 and Widjajanti I. Suharyo, *Indonesia's transition to decentralized government: an evolution at the local level*, (Yogyakarta: Smeru, 2003), Indonesia effectively became a federal state in all but name, see Gabriele Ferazzi, "Using the 'F' word: Federalism in Indonesia's decentralization discourse" in *The Journal of Federalism*, Vol. 30, No. 2, Spring 2000, p. 63-85.

30 Neoliberal is also one of those adjective that is used to hurl criticism from a variety of political positions; from political Islam to leftist and nationalists. Similar to the adjective 'liberal' during the 1950s and 1960s, neoliberal vaguely describes the control and machination of a global capitalist order. For instance, see the attack against Vice President Boediono as being a neoliberal in Ismantoro Dwi Yuwono, *Boediono dan (neolib)eralisme*, (Yogyakarta: Biopustaka, 2009).

31 In fact there is a long tradition of valuing individual liberty even when collectivist ideas ran supreme. See Rachel S. Turner, *Neo-Liberal Ideology. History, Concepts and Policies*, (Edinburgh: Edinburgh University Press, 2008), p. 47-79.

humanist position created an activist society that used the state to push forth humanitarian agendas, first and chief among them were the success of the abolition of slavery. The expansion of suffrage was another humanitarian value that had resulted in an expanding participation amongst Europeans. The rise of democratic participation by the end of the nineteenth century resulted in developments that would end liberal control over society. First, the rise of the state as purveyor of public goods pushed forth the rise of the Welfare State, which shifted emphasis away from society toward the state as the ultimate wielder of authority. Second, democratic participation shifted society from bourgeois toward populist values that favoured the collective against the individual. Nationalism grew to a frenzy and resulted in the rise of late nineteenth century imperialism and conversely the rise of nationalist aspirations and national secessionist movements. Irrationalism grew into prominent legitimate movements that had significant effect on the wider society,³² for instance, theosophy was very prominent in the Indian nationalist movement³³ and the early rise of Javanese nationalism.³⁴ Fascism had one of its roots also in this rise of irrational thought.³⁵

The expansion of participation became a question of control. The bourgeois liberal elites with their enlightened, individualist notions were totally unprepared to deal with this. One may see the shift away from liberalism as an institutional problem of control. The rise of nationalism and other irrational collectivist thoughts were meant to control people's opinion and channel them as political movements. Votes became collectivized within political ideologies, whose populist strength was under the command of a new breed of populist politicians. These politicians deftly manage 'the people' under them through the manipulation of collectivist notions, using primeval

32 In fact, mysticism was part of modernity. Crooke Williams, *Mysticism as Modernity. Nationalism and the Irrational in Hermann Hesse, Robert Musil and Max Frisch*, (Oxford: Peter Lang, 2008), p. 17-27.

33 Mark Bevir, "Theosophy and the Origins of the Indian National Congress" in *International Journal of Hindu Studies*, Vol. 7, 2003, p. 99-115.

34 Farabi Fakhri, "Political Java in Modern Times. The Political Thoughts of Tjipto Mangoenkoesoemo and Noto Soeroto, 1908-1930," Masters Thesis Leiden University, Leiden, 2009.

35 Roger Griffin, *Modernism and Fascism. The Sense of Beginning under Mussolini and Hitler*, (Hampshire: Palgrave Macmillan, 2007), p. 116 and David F. Lindeman, "The prevalence of irrational thinking in the Third Reich: notes toward the reconstruction of modern value rationality" in *Central European History*, Vol. 30, Year 1997, p. 365-385.

sentiments of kinship. This resulted, among others, in problematizing the 'multicultural' society that had been either a long part of society or were created during the liberal period. Especially in Central and Eastern Europe, this resulted in massive ethnic cleansing and 'purification' of national boundaries with a mono-ethnic majority.³⁶ It also gave rise to the nationalist movements within the colonial empires of Europe.

Scientific Management

The rise of industrial capitalism resulted in another institutional means of control: scientific management. Initially developed in Europe, scientific management was adopted and developed extensively in the United States by the end of the nineteenth century by the American mechanical engineer Frederick Winslow Taylor (1856-1915). The Taylorist approach to control focused primarily on that of labour.³⁷ It was predicated on the goal of industrial efficiency and the creation of an expanding white-collar managerial class that was a counterweight to the radicalization of blue-collar workers. This new middle class had different values and ideology from the older bourgeois elite. An expanding white-collar middle class worker provided a safety valve in which participation could be controlled by a new elite whose claim to authority lay in a rational and logical foundation of managerial capability.³⁸ Class conflict was controlled through two strategies: first, the 'American dream' allowed people to hope to become incorporated into the expanding elites. In fact the massive economic expansion of the US made such dreams an attainable prospect to millions of people who were willing to put their children through the education mill. This de-radicalized the general populace and created a strong popular appeal for the state.³⁹ Second, such economic expansion was only possible as a result of an expanding workload. The question of a job inflation was pushed as a result of the expanding industrial economy but importantly also, through the creation

36 Mark Mazower, *The Dark Continent: Europe's Twentieth Century*, (London: Penguin Books, 1998), p. 40-76.

37 Harry Braverman, *Labor and monopoly of capital. The degradation of work in the twentieth century*, (New York: Monthly Review Press, 1974), p. 85-121.

38 James Burnham, *The Managerial Revolution: what is happening in the world*, p. 173-174.

39 Judith Merkle, *Management and Ideology. The Legacy of the International Scientific Management Movement*, (Berkeley: University of California Press, 1980), p. 92.

of jobs to service the Welfare State. Not only were people primed to support the industrial economy, they came to unequivocally support the expanding managerial state.

The incorporation of the population into a managerial hierarchy delineated an ideology that was subservient to logical and rational ordering⁴⁰ but which shared some similarity with the irrational ideology of nationalism by its collectivist ideas. Management was an ideology that resulted in the individual loss of liberty, the reduction of democracy and a dislike toward the judiciary and the rule of law which it wanted to replace with the greater good of efficiency and economic development.⁴¹ One of the most transformative episodes in the evolution of the managerial state came during the Second World War when entire nations were re-designed in the service of the war.

Total War subsumed society under the goals of the state in a fight to the death struggle against other non-liberal forms of state-society relations. Although populist ideologies like Fascism, Communism and the Welfare Statism of Western Democracies had inherent differences concerning race relations, private enterprise or parliament, these were often differences of degrees not of kind. The difference in kind was found between that of Taylorism or scientific management against non-liberal political ideologies *in general*. These non-liberal ideologies had similar basic characteristics: the primacy of the state, the incorporation of the economy and nationalism as a rallying cry for national solidarity and unity. As a result, scientific management easily traversed differing ideologies. During the 1920s, there was a wave of American influence overwhelming European (and Japanese)⁴² society as the tools and techniques of scientific management were appropriated and used in Fascist and Communist states. Total war occurred between differing non-liberal ideologies but among the same scientific managerial states. This similarity was strengthened by the fact that few people understood what

40 Dwight Waldo, *The Administrative State; a Study of the Political Theory of American Public Administration*, (New York: Ronald Press Co., 1948), p. 50-51.

41 Dwight Waldo pointed out that for democracy to survive against the appeal to fascism and communism, an efficient rule by the administrator/manager was necessary. In fact, he called administrators as a democratic ruling class. Dwight Waldo, *The Administrative State; a Study of the Political Theory of American Public Administration*, p. 89-94. The tension between bureaucracy and democracy remains a problem discussed in public administration science. See Kenneth J. Meier and Laurence J. O'Toole Jr., *Bureaucracy in a Democratic State*, (Baltimore: the John Hopkins University Press, 2006), p. 3-9.

42 James Burnham, *The Managerial Revolution: what is happening in the World*, p. 122-144.

classical liberalism actually entailed anymore. In the United States, liberalism itself underwent a significant change in concept, which transformed it into a form of socialism.⁴³

Total War was a concept that integrated and incorporated society within the guidance of the state elites; which were broadly divided between the two camps of twentieth century modernist: the populist politicians and the managers/engineers experts or technocrats. World War II emphasized the necessity to bring forth these forms of state-society relations in practically all states that were affected by the war. Post-War forms of state-society relations thus had a corpus of examples to choose from varying from the Western efforts at total war to the militarized ideologies of China, Vietnam or Yugoslavia in their effort to use society in order to repel a stronger enemy. After the war, the playing field shifted to the Third World.

American Modernism and National Planning

The expansion of a specific managerial ideology successfully traversed the political ideologies that divided the Cold War, for the simple reason that both sides were “industrializing countries.”⁴⁴ But the export of post-war American scientific management was mostly intended for the pre-industrial Third World states that had recently gained independence.⁴⁵ As a result, the expansion of American social science with its emphasis on modernization and development had to conform to the needs of these client states and especially the client elites of these new states. There were two distinct periods in American aid during the 1950s, the first period focused on technical assistance, economic development and the expansion of the managerial class of client states.⁴⁶ The second period started at the end of the 1950s with the rise of the Kennedy Administration and shifted its focus toward the creation of a strong state and the rise of military-managerial elite. The

43 Paul Edward Gottfried, *After Liberalism. Mass Democracy in a Managerial State*, (Princeton: Princeton University Press, 1999), p. 3-29.

44 Harry Braverman, *Labor and Monopoly Capital*, p. 16.

45 This is not fully true. The expansion of US ideas of civil society and its codes of democracy, efficiency, good governance and best practices were also exported to Europe. See Giles Scott Smith, *Networks of Empire: The US State Department's Foreign Leader Program in the Netherlands, France and Britain, 1950-1970*, (Brussels: Peter Lang, 2008), p. 29.

46 Nan Wiegersma and Joseph E. Medley, *US Economic Development Policies toward the Pacific Rim*, (Basingstoke: MacMillan Press, 2000), p. 1-4.

social scientists and theorists behind the shift were often composed of the same people within America's most prestigious universities. They became the mandarins of modernity.⁴⁷

Khrushchev's change in policy toward supporting Third World nationalism had shifted American thoughts on aid to the developing world. Increasingly, aid became part of a broader militarized policy of counter-insurgency and Third World military began to take the place as modernizing elites. A new relationship was being forged in which new client elites were produced through American education. The goals of America was to win the war with the Soviet Union, not to create legitimately working developmental states, although a number of East Asian states came to profit from American aid in order to propel a sustainable growth path.⁴⁸

The shift from populist toward managerial elites entailed the destruction or at least cooptation of the populist elites by the managerial ones within, using the Marxist term, a *means of production* that favoured their existence. One can argue that populist elites were there as a stop-gap measure of the state in its jump from the stable nineteenth century liberal state, toward another stable state, the twentieth century managerial/welfare state. For Indonesia, this was a jump from a colonial toward a developmental state. Of course, it would be too easy to dismiss the fate of the populist politicians as foregone. As we will see, they contributed important institutional means that allowed for the shift toward the developmental state. Their rule was the bridge that made possible the rise of a new means of production that became the primary relationship between elites and mass, state and society for a long time to come.

The rise of the manager as legitimate heir to nationalist states and the military as the protector as well as benefactor of that type of elite-controlled state is one of the most important stories of the Third World in the second half of the twentieth century. For many Third World state, sometimes coming

47 Nils Gilman, *Mandarins of Modernity. Modernization Theory in Cold War America*, p. 155-200.

48 According to Wiegiersma and Medley, the success of Japan, South Korea and Taiwan reside in the different doctrine of aid they received from the United States of America. The Truman years of the 1950s truly focused on the promotion of equitable development, with land-reform as a significant part of the development model. East Asian economies got 'lucky' because of their position as forefront of the Cold War occurred during the height of the Truman doctrine, while many other countries received their aid later during the more military-oriented Kennedy doctrine. Nan Wiegiersma and Joseph E. Medley, *US Economic Development Policies toward the Pacific Rim*, p. 1-4.

out of protracted independence struggle with their former colonial rulers, the new nation-state was under a leadership that had gained their authority through the usage of populist notions of nationalism and other kinship strategies. The purpose of this study is to locate the Indonesian story within this general narrative and to explain how the shift in elites occurred from nationalists to managers/experts? How did the latter obtain their authority and legitimacy, and in fact, did they ever obtain authority? Instead of breaking with the past, the nationalist, incorporated state forged by President Sukarno since 1957 was the embryo that allowed for the managerial-led New Order state. The type of state-society relationship that was being brought forth during the Guided Democracy was seen to be compatible with a military-managerial dominated state that followed.

The modernization effort of the 1950s and 1960s thus represents a fundamental with the past. The New Order state that followed continued to use some of the symbols and institutions of the previous nationalist state because of the effectiveness it had in controlling the population. From the state's point of view, the conundrum of expanding participation, which had unleashed forces that destroyed classical liberalism through the rise of irrational populist sentiments, had finally been solved. A militarily enforced, scientifically endorsed authoritative elite was created.

Position in Historiography

One of the most important book on Indonesia in the 1950s was Herbert Feith's *The decline of constitutional democracy*.⁴⁹ While Feith's book focused on the political development that allowed for the rise of Guided Democracy, this study will approach it from the development of elite formation through a changing institutional environment. Indonesia's technocracy/bureaucracy and their corporatist strategies have been discussed, as shown above, by David Reeve, Karl Jackson and John MacDougall.⁵⁰ This ties in with the broader discussion on Indonesian elites and its culture, which have been analyzed using a variety of approaches. This include among others the anthropological

49 Herbert Feith, *The Decline of Constitutional Democracy in Indonesia*.

50 John James MacDougall, *Technocrats as Modernizers. The Economists of Indonesia's New Order*.

approaches taken by Clifford Geertz⁵¹ and Benedict Anderson,⁵² the sociological approach by Ann Gregory⁵³ and the political science approach such as those by Harold Crouch.⁵⁴

This thesis intends to contextualize the Indonesian narrative with three fields that it is inherently connected to: the studies on the Cold War, Scientific Management and the Developmental State.

Because of its strategic situation Indonesia is well represented in the Cold War historiography which is divided into two groups: the leftist group which saw American intrusion and the machination of the CIA as destabilizing and creating a violent military regime and a more celebratory view of the period by those who were involved in solving the problems of Indonesian development. This first group includes, among others, Bradley Simpson's *Economists with guns*⁵⁵ and Malcolm Gladwell's *Ten Year Military Terror in Indonesia*. Articles include the well-known David Ransom in *Ramparts*⁵⁶ that baptized the Indonesian technocratic elite with the nickname of the Berkeley Mafia and Peter Dale Scott's articles on American aid and elite formation.⁵⁷ The second groups consists of men on the spot who had been personally engaged in the problems of Indonesian development, such as John Bresnan with his monograph on the Indonesian political economy⁵⁸ and Goenawan Mohammad who wrote a history of the Ford Foundation in Indonesia.⁵⁹

These works must be placed within the greater context of the Cold War historiography on American modernism and the Third World. Michael

51 Clifford Geertz, *Religion of Java*, (Chicago: Chicago University Press, 1976).

52 Benedict R'OG Anderson, *Language and Power: Exploring Political Cultures in Indonesia*, (Ithaca: Cornell University Press, 1960).

53 Ann Gregory, *Recruitment and Factional Patterns of the Indonesian Political Elite: Guided Democracy and the New Order*, (Dissertation at Colombia University, New York, 1976).

54 Harold Crouch, *The Army and Politics in Indonesia*, (Ithaca: Cornell University Press, 1978).

55 Bradley Simpson, *Economists with guns: Authoritarian Development and US-Indonesian Relations, 1960-1968*, (Stanford: Stanford University Press, 2008).

56 David Ransom, "The Berkeley Mafia and the Indonesian Massacre" in *Ramparts*, Vol. 9, No. 4, 1970, p. 27-49.

57 Peter Dale Scott, "Exporting Military-Economic Development. America and the overthrow of Sukarno. 1965-1967" in Malcolm Gladwell (ed.), *Ten Years Military Terror in Indonesia*, (Nottingham: Spokesman Books, 1975), p. 209-263.

58 John Bresnan, *Managing Indonesia: The Modern Political Economy*, (New York: Columbia University Press, 1993).

59 Goenawan Moehammad, *Celebrating Indonesia: Fifty Years with the Ford Foundation, 1953-2003*, (Jakarta: Ford Foundation, 2003).

Latham's monographs on the ideology of American modernism and various works by other authors describing modernization and its relationship with American social science have indicated the wider historiographical context that this thesis will address.⁶⁰ The question of management and national planning touches upon the ideologies that became such an important part of the American modernism. Harry Braverman's Marxian analysis on the rise of scientific management⁶¹ could be compared with the more liberal interpretation of Judith Merkle.⁶² Works pointing out the dangers of the rise of the managerial state has been an important fixture of mid-twentieth century philosophy on society and include such work as Friedrich Hayek's *The Road to Serfdom*,⁶³ Herbert Marcuse's *One-Dimensional Man*,⁶⁴ Schumpeter's *Capitalism, Socialism and Democracy*⁶⁵ not to speak of James Burnham's prophecy of the decline of individualism and democracy within a managerial state.⁶⁶ These treatises work on the assumption of individual liberty as a central value.

Yet, another theme that this thesis will address is the use of forms of economic development. Initially, I intend to integrate this with various works that have looked into the reason why some countries were successful while others weren't, such as Atul Kohli's *State Directed Development*⁶⁷ and Linda Low's edited *Developmental State*.⁶⁸ Much of the discussion about the successful Developmental State has focused on the rise of the East Asia nurturing state

60 Michael E. Latham and John Lewis Gaddis, *Modernization as Ideology: American Social Science and "Nation Building" in the Kennedy Era*, (Chapel Hill: University of North Carolina Press, 2000) and Michael E. Latham, *The Right Kind of Revolution: Modernization, Development and US Foreign Policy from the Cold War to the Present*, (Ithaca: Cornell University Press, 2011).

61 Harry Braverman, *Labor and monopoly of capital*.

62 Judith Merkle, *Management and Ideology. The Legacy of the International Scientific Management Movement*.

63 Friedrich Hayek, *The Road to Serfdom*, (London: Routledge and Kegan Paul, 1944).

64 Herbert Marcuse, *One Dimensional Man: Studies in the Ideology of Advanced Industrial Society*, (London: Routledge and Kegan Paul, 1968).

65 Joseph Schumpeter, *Capitalism, Socialism and Democracy*, (New York: Harper, 1942).

66 James Burnham, *The Managerial Revolution: What is happening in this world*.

67 Atul Kohli, *State-directed development. Political power and industrialization in the global periphery*, (Cambridge: Cambridge University Press, 2004).

68 Linda Low (ed.), *Developmental States. Relevancy, redundancy or reconfiguration?*, (New York: Nova, 2004).

and its embedded industries.⁶⁹ In contrast with the fearsome picture of the Cold War and Scientific Management monographs, the economists have tended to praise the Developmental State, despite their full knowledge of the lack of rights accorded by the state.⁷⁰ Most deflect on any attempt at moralizing and simply try to understand how some states are more successful than others in terms of development. Even so, one of the more popular books on the subject Daren Acemoglu & James Robinson's *Why Nations Fail*, point to the relationship between the institutional arrangement of exclusion and inclusion as central to understanding the successes and failures in the development process.⁷¹ Unfortunately, the thesis itself has strayed away from this earlier focus and thus had had less influence in its analysis.

This dissertation wants to situate within the above discussions. It primarily is meant to be a history of the rise of the Indonesian managerial elite and the reaction it prompted from its nationalist opposition. The development of twentieth century state-society relations in Indonesia is a complex process involving a variety of ideas that traversed ideology and continents. By focusing on the development of two ideas during the period; national planning and scientific management, I hope to show that the main difference between the approaches to state-society relations is between a state-centered versus a people-centered ideology. This bids the question of understanding the importance of liberalism and its relative absence within the discourse of Indonesia and Indonesian history. It also begs the question whether the conventional way of looking at the rise of the New Order should not be amended so that the various institutional and ideological developments that occurred before it can be included.

Division of Chapters

The thesis consists of seven chapters divided into three parts. The chapters one and two will deal with elite idea and formation. The first chapter discusses

69 For instance, Gordon White (ed.), *Development State in East Asia*, (Sussex: Institute of Development Studies, 1988) and Peter Evans, *Embedded Autonomy. States and Industrial Transformation*, (Princeton: Princeton University Press, 1995).

70 Linda Low, "Introduction and Overview" in Linda Low (ed.), *Developmental States. Relevancy, redundancy or reconfiguration?*, p. 10-11.

71 Daren Acemoglu and James Robinson, *Why Nations Fail: the Origins of Power, Prosperity and Poverty*, (London: Profile, 2012).

the fragility of the new, managerial elite, *the experts* as they were called by nationalists. We will look into the rationale of the dislike shown by Sukarno and some of his close nationalist entourage towards the experts as an upstart generation. We will argue that it was a generational problem; in a sense, the mental framework of each elite group thought was the product of, to use the Marxist term, the means of production; a colonial, empire-dominated and a post-colonial, American-dominated environment. The second chapter discusses the rise of the military elite from two general developments; the experience of the revolutionary war that bifurcated the military amongst a similar division of nationalists/solidarity makers and experts/administrators, and secondly the expansion of American education and the introduction of counterinsurgency strategies under both the policy of the Kennedy Administration and Sukarno's increasingly belligerent Konfrontasi policy in the region. This bifurcated the military elite into both a territorial/managerial and counter-insurgency/strike group. These two chapters will hopefully help to understand the rising elite of the period and their stance on the relationship between state and society.

The second part of the thesis focuses on the development of institutions and the import of ideas and ideologies during the 1950s, when Indonesia was a nominal 'liberal' democracy. Chapter three discusses the Indonesian effort at producing experts through the expansion of higher education and sending Indonesian abroad to study and the import of technical advisors into the country. This has resulted in the formation of what one expert has called a community of scholars, whose power and authority was disdained by many nationalist and communists. Many of these scholars clustered around that growing institution so typical of the 1950s; the institution of national planning. Chapter four discusses another significant import item of the 1950s; scientific management. Its purpose is to show how scientific management has contributed to the re-evaluation of liberal institutions current in the country and in particular the rule of law and the separation of powers or *triaspolitica*. The rise of the managerial experts legitimized both their authority in policy making and the need to revamp state-society relations to allow for their smooth control. These chapters show that the international development of the 1950s were very important in understanding the rise of the Guided Democracy by the end of the decade.

The last section of the thesis covers three chapters and discusses the development of both national planning and scientific management within the

context of the Guided Democracy. Chapter five discusses the implementation of national planning and the transition from corporatist toward technocratic institutional forms and the rise of a new generation of social scientists. Recentralization of decision making process under the office of the President and the planning for the incorporation of the regional and departmental heads within and under a planning body was a testament to the shift away from corporative ideas toward implementing ideas of the strong state. Chapter six discusses the expansion and implementation of managerial ideas and its relationship with the implementation of techniques of control that the state imposed on both the civil servants and civil society. Structural and behavioural control by the state became a preeminent strategy of the Guided Democracy state. This was then continued by the New Order state in ways very similar to the Guided Democracy effort. Chapter seven discusses the latest phase of the Guided Democracy (1962-1965) by looking at the way in which both the nascent technocracy and the communists argued about their ideas of state-society relations. The purpose of the chapter is to show the extent toward which the defining characteristics of the difference lay not between capitalism/liberalism and communism, but between a state-centered and a participative type of ideology.

It is important to demystify the hallowed classification that is used in understanding the moral position of the actors in this particular period. Classification such as leftist or liberal, Communists or Berkeley Mafia, the United States of America or Soviet Union/People's Republic of China, force us to make easy moral choices while interpreting the nineteen fifties and sixties. By re-evaluating these labels Indonesians can re-engage a troubled past and move beyond the generally accepted interpretation made by the state and its elites. By widening our view-point and seeing the ideas of the modern Indonesian nation-state through a long range lens, we begin to understand the limitation of looking at our history within the perspective of what Hobsbawm has called the Age of Extreme.⁷² Perhaps, it is necessary for the Indonesian intellectual to start to deal in an honest and engaging manner with the liberal tradition, or the lack of it. In the present liberal age it is time we shed our petrified twentieth century perspectives and look anew at our recent past.

72 Eric Hobsbawm, *Age of Extremes. The Short Twentieth Century. 1914-1991*, (London: Abacus, 1995).