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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 IV

# **Scientific Administration and the Question of Efficiency**

Like national planning, scientific administration was new, in the sense that although colonial antecedents existed, the incorporation of American ideas provided new ways of dealing with state-society relations. And like national planning, scientific management was part of the international aid structure provided by the US to newly independent states across the world, as other states, emerging from centuries of dependence on an empire would also find it less of an efficacious medicine than what it was once thought to be.

In its incarnation within Indonesia, the ideas of efficiency would be implemented at a wide range of levels across the state and its economy. The rise of administration science would result in the formation of a series of institutions within the universities and specialized learning institutions created to provide education and research and to develop a specifically Indonesian-type of public administration. Within the Indonesian economy there were two major drives of the 1950s. The first was the development of the business administration science that was to provide the managerial manpower needs of the business offices. Both public and business management were two sides of the same coin. Despite the similarity, both developed separately in Indonesia within differing institutional environments. Public administration science developed within the halls of social and political science. Business administration was developed as part of the economics faculty.

The development of scientific management deeply affected the decolonization process. First, it entailed Americanization that provided the means to leave behind Dutch, i.e. liberal, ways of doing things. Second, and related to this, was the relationship between managerial science and the legitimacy of Guided Democracy. It would not be too wrong to say that the idea of efficiency helped to end Parliamentary Democracy.

## Development of Management

Public administration developed from the confines of political science while scientific management developed from that of engineering. Both were predicated on the idea of producing professional, white-collar administrative experts for the government office and the factory floor. The administrative experts were seen as the panacea for the creation of efficiency and efficiency was central to the most important goal of the twentieth century state: development. “The primary obstacle to development is administrative rather than economic... Countries generally lack the administrative capability for implementing plans and programmes. Countries share in common most of the same administrative problems and obstacles.”<sup>1</sup> Although modern business management had developed rapidly before the Second World War, the science of what came to be known as public administration was still at a gestation period. It had been one of the primary exports of American scientific achievement to be channelled through the Marshall Plan and the various American aid programmes.

In 1955 Americans started exporting the nascent science throughout the world. It was a science still under development, “... defining the subject was less an issue than doing it, studying it and exporting it, *whatever it might be*.”<sup>2</sup> From 1955 to 1963 American aid for Public Administration had reached 187 million dollars and from 1952 to 1963 around 6,000 persons from all over the world were sent to the US for training courtesy of the ICA. The UN, Ford Foundation and the US government helped to establish some 70 public administration-training institutions in various developing countries.<sup>3</sup>

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1 Donald C. Stone, “Government Machinery necessary for Development” quoted in William J. Siffin, “Two Decades of Public Administration in Developing Countries” in *Public Administration Review*, Vol. 36, No. 1, (January/February, 1976), p. 62.

2 William J. Siffin, “Two Decades of Public Administration in Developing Countries”, p. 61.

3 William J. Siffin, “Two Decades of Public Administration in Developing Countries”, p. 66.

In East Asia, the interest in promoting public administration was evinced early on. During the Economic Survey Mission to Southeast Asia (the Griffin Mission) in 1950, the report had concluded that there was a need to support public administration for Indonesia. Formal recognition of this came with the Bell Mission to the Philippines.<sup>4</sup> US economic assistance to the region from 1948-1967 was 7.6 billion dollars. Technical Cooperation amounted to 522.2 million dollars or roughly 7.3 percent of the total. Of those, only 33.7 million dollars or half a percent went on public administration. In Indonesia, that amounted to 6.1 million dollars. Together with Thailand, Korea and the Philippines, they represented 88% of the total aid on public administration to East Asia.<sup>5</sup>

From 1952 through 1965, the ECA sent 502 Indonesian participant trainees to the US for studies in Public Administration. The ECA would help establish a series of public administration organizations such as the Public Service Centre (*Balai Pelatihan Administrasi*) at Gadjah Mada University, the Local Government Training Academy (*Akademi Pemerintahan Dalam Negeri*) and the National Institute of Administration (*Lembaga Administrasi Negara*). In the period 1957-1965, AID had seven projects in public administration—four on training and three others on fiscal management, central government administration, and local government.<sup>6</sup> Comparatively speaking, the United States had little interest to promote it in East Asia in contrast to the situation in Latin America. The United States would help create 12 public administration institutions in East Asia, 10 of which were assisted with direct university contracts. These involved the University of Michigan in the Philippines, Japan and Taiwan, Indiana University in Thailand and Indonesia and the University of Minnesota and Washington State University in South Vietnam.<sup>7</sup>

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4 Frank M. Landers and Harry W. Marsh, *United States Technical Assistance in Public Administration in East Asia*, (New York: The East Asia Society, 1968), p. 2.

5 Frank M. Landers and Harry W. Marsh, *United States Technical Assistance in Public Administration in East Asia*, p. 4.

6 Frank M. Landers and Harry W. Marsh, *United States Technical Assistance in Public Administration in East Asia*, p. 13.

7 Frank M. Landers and Harry W. Marsh, *United States Technical Assistance in Public Administration in East Asia*, p. 4-6.

## Problems of Efficiency

The push for the implementation of scientific management resulted from the failure of a series of state-based industrialization efforts within the Economic Urgency Plan (*Rentjana Urgensi Perekonomian*) and the Benteng Programme started in 1951. The Urgency or Sumitro Plan outlined the improvement and expansion of research and training institutes of the Department of Industries, the extension of loans and credits to cottage and small-scale industries, the establishment through direct government sponsorship of central production and processing units (*induk perusahaan*) in industrial centres of various rural regions in Java and Madura, and the establishment of government-sponsored large-scale industrial plants in sectors of vital importance. The problems were especially relevant to the last two efforts of the plan: the development of central production and processing units or *induks* and the creation of large-scale industrial plants.

In 1954, Sumitro Djojohadikusumo under commission from the National Planning Bureau (BPN) and the Department of Industry of the Ministry of Economic Affairs, appointed the LPEM,<sup>8</sup> the research arm of the Faculty of Economics, Universitas Indonesia, to conduct research on the industrialization effort in the country. Mohammad Sadli, who at the time was an associate lecturer, was in charge of the daily executive supervision of the project. Hutomo Saidhidajat and Harun Zain assisted him. Their findings emphasized the need to build up both public and business administration in the country, if it wanted to develop a state-based industrialization programme.<sup>9</sup>

The government's large-scale industrial programme made little progress since its inception in 1951. Projects that were supposed to have been ready by the end of 1952 were, for the greater part, not yet completed by the middle of 1954. The reasons were bad organization as a result of incompetent management and lack of experience, shortage of expert and experienced labour, and unattractive wages for technicians and management. On the government's side, bureaucracy hampered instead of helped as a result of various administrative and financial regulations. There was a lack

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8 Lembaga Penyelidikan Ekonomi dan Masyarakat or the Research Institute on Economy and Society.

9 Sumitro Djojohadikusumo (ed.), *The Government's Program on Industries. A Progress Report by the Institute for Economic and Social Research*, (Jakarta: Universitas Indonesia, 1954), p. 3.

of coordination between the government departments and at a lower level between the department and the project managers. This showed the sad state of public administration. Lastly, there was a general lack of technical experts in the government.<sup>10</sup>

The *Induk Perusahaan* programme met with similar problems. The *induks* were bodies created in order to improve the quality of output of small industries, organize better production techniques, standardized qualities of production, introduce new and more efficient forms of organizations, instil a sense of organization and cooperation and organize joint and cooperative sales of finished products. The projects included woodwork, ceramics, textiles, ironworks and leather goods in various places in Java and Madura. Again, a series of problems that plagued the projects pointed in the general direction of lack of managerial capabilities as the main culprit. Marketing aspects has been neglected by all the *induks* organizations. The Department of Industries, on the whole, focused exclusively on quality improvement and techniques of production. As a result, *induks* had difficulty in finding markets or getting the best possible price for their products. Related to this was a lack of an organized distribution apparatuses. There was also a lack of technical knowledge and technical training. *Induks* also lacked rational business organization because of an inadequate attention to the most elementary principles of business administration. There was also a problem of securing raw materials, largely also related to this lack of administrative capability and experience.<sup>11</sup>

Externally speaking, there was a wider problem concerning public administration. Agencies related to industrialization had few detailed plans to implement. As a result, modification and changes were necessary. This was related to the acute lack of technical experts. "Until recently, the internal conditions of administration at the department were more or less chaotic. Even documentation and filing were not well taken care of. Preliminary reports and surveys frequently went missing. Basic reports were scattered all through sections and subsections. There was no concentration of master files. There was a lack of an adequate number of trained administrative personnel to disseminate and to follow up on reports coming in from regional branches. Control by the department of industries and its extended services of *induks*

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10 Sumitro Djojohadikusumo (ed.), *The Government's program on industries*, p. 9-10

11 Sumitro Djojohadikusumo (ed.), *The Government's program on industries*. p. 15-16

have been inefficiently executed. A good deal of overlapping and cross wiring could be observed in the course of our research. One of the fundamental reasons was probably the frequent transfer of people who were in charge of supervision and control on *induks*. There was also lack of delineation of responsibilities. Sometimes there was confusion concerning the agency responsible for implementation of the *induks*. Was it the central department of industries at the centre or was it the regional branch (inspector) of the department of industries?”<sup>12</sup>

Administrative regulations by the government also contributed to hampering the development of *induks*. For instance, cash balances of the *induks* had to be transferred to the treasury as soon as was possible, yet when the *induks* required funds, the cumbersome and tedious procedures hampered them in conducting their business. Policies on import and foreign exchange made the provision of raw materials difficult. On top of that, there was a lack of consistency and uniformity in the organizational set-up of the *induks*. It was quite clear to economists that the problem of Indonesia’s industrialization required reforms within government-owned companies and bodies and the larger bureaucracy.

Sumitro realized that there was a major problem in Indonesian ability to absorb capital investment. The lack of entrepreneurial skill amongst the indigenous population was well known, living, as Boeke defined them, in the non-productive side of the colonial dual economy.<sup>13</sup> His effort to increase entrepreneurial capabilities by implementing government policies like the Benteng Programme was seen to be a failure. The programme received much enthusiasm, growing from 250 businessmen to over 2,200 by 1954. Yet the government found that 90% of them lacked business experience and often became a front for Chinese-Indonesian businessmen.<sup>14</sup>

The failure of the Benteng Programme was a major setback to the idea that the Indonesian government could instantly develop an indigenous entrepreneurial class through the application of government policies. Sumitro reiterated, “Lack of equipment was not the most serious bottleneck. Equally serious, if not more so, was the lack of skills in general, and the critical

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12 Sumitro Djohadikusumo (ed.), *The Government’s program on industries*. p. 16-19.

13 J.H. Boeke, *Economics and Economic Policy of Dual Societies. As Exemplified by Indonesia*, (Haarlem: H.D. T’jeenk Willink & Zoon, 1953), p. 36-51.

14 For more on the Benteng programme, consult Thomas Lindblad, *Bridges to New Business. The Economic Decolonization of Indonesia*, (Leiden: KITLV Press, 2008), p. 125-147.

conditions of public administration in particular. . . Immediate improvement of our public administration is a precondition for satisfactory implementation of future economic and financial policies. We refer not only to the government but also to government controlled or government sponsored enterprises, banks, credit agencies, etc.”<sup>15</sup> It pointed the need for Indonesia not only to create entrepreneurs, but a whole range of administrative capabilities and administrative scaffolding for growth. This was why business administration seemed like the perfect answer to the lack of Indonesian entrepreneurial spirit. “We have experienced to our bitter disappointment, however, that capital equipment purchased resulted in actual capital loss just because no account was taken of the organizational preparation and skills required to generate capital expenditures into really productive results. I would consider for the next five years the problems of human investment of equal importance as capital investments, if not more important.”<sup>16</sup>

In both the Benteng Programme and the Economic Urgency Plan, the ability of Indonesian actors to “supply the increased volume of administrative, technical, and entrepreneurial skills to complement capital and credit was once again overestimated.”<sup>17</sup> There was thus a belief that both the bureaucracy and industrial or economic managers required some form of reform measures. The problem of development required basic changes to the organizational structure of the bureaucracy, but it also required a fundamental change in the mind-set and leadership of the economic and bureaucratic managers. There was an obvious need to introduce to the nation a new paradigm on leadership and a new structure of power and authority relationship. Scientific management emerged as a logical extension of this need.

## Shift from Legal to Managerial Concepts

Within the government, the first effort to come to grips with a structured approach toward governance was evinced in the formation of the State Committee for the research of ministerial organizations or Panok (*Panitya*

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15 Quoted in Douglas Paauw, *Financing development. The Indonesian case.* (Glencoe: the Free Press, 1959), p. 75.

16 Sumitro Djojohadikusumo, “Budget and its implications” in *Ekonomi dan Keuangan Indonesia*, vol. VI, January, 1953, p. 10.

17 Douglas Paauw, *Financing development. The Indonesian Case.* (Glencoe: the Free Press, 1959), p. 77.

*Negara untuk menjelidiki organisasi kementerian-kementerian*) commissioned by the President in 1952. The committee was tasked with investigating an efficient form of organizations for the government in order to reduce the expansion of organization and civil servants. It looked to create order and uniformity in the structure of the ministries and government institutions. Headed by legal specialist A.M. Pringgodigdo, the report was published in 1954 and was often consulted throughout the period.<sup>18</sup> The committee conducted research and found both formal legal differences in the ministerial forms and organizational differences; highly differentiated organizational structure, overlapping and redundant functions.<sup>19</sup> The purpose of the committee's ministerial plan was to create continuity in the administration in the event of government change, regulate new ministers and achieve clarity to the entire administrative structure. As a result, a series of re-ordering and regrouping was conducted on several ministerial sub-organizations.

Unfortunately, the committee failed to understand the psychological impact the changes had on the staff. A division (*bagian*) that was 'demoted' to section (*seksi*) felt underappreciated. The integration of redundant offices made many people anxious about their position and the shift of offices or sections or division from one ministry to another was met with hostility by those ministries slated to lose their workers and perceived prestige. The centralization of office administration (*tata usaha*) under the secretary general office failed to understand that not all central ministries work in the same building. "The writer came to the conclusion that the committee's numbers are faulty." They extrapolated numbers based on past ministries, not future extrapolation. "Perhaps it was the result of the inaccurate calculation of the committee, perhaps it could also be the result of the stress on practical persons especially legal specialists... Within Panok there were five jurists, one legal expert, one candidate jurist, and as a result the plan was created in a 'rigid' fashion with no escape clauses."<sup>20</sup>

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18 Bintoro Tjokroamidjojo, "Perkembangan ilmu administrasi negara di Indonesia," in M. Makagiansar and Widjojo Nitisastro, *Research di Indonesia. 1945-1965. IV. Bidang sosial, ekonomi dan kebudayaan*, (Jakarta: Departemen Urusan Research Nasional, 1965), p. 22-23.

19 Mohammad Sidik Moeljono, "Rantjangan Panok" in *Pantjawarsa LAN*, (Jakarta: Lembaga Administrasi Negara, 1963), p. 86-87.

20 Mohammad Sidik Moeljono, "Rantjangan Panok" in *Pantjawarsa LAN*, (Jakarta: LAN, 1963), p. 90-91. "Mungkin a.l. karena perhitungan2 Panok kurang sempurna, mungkin djuga karena Panok terdiri dari orang-orang praktek dengan titik berat ahli hukum... Dalam

The shift from a Continental legal toward an Anglo-Saxon administrative approach was a significant testament to the prevailing attitude toward Indonesia's Dutch legacy. There was an almost fanatical need to pry Indonesian practices as far away from Dutch ones as possible and a view that saw Dutch colonial practices as inherently bad and unnecessary for further consideration. In 1950, the Word Commission (*Komisi Istilah*) was created at the Language Institute (*Lembaga Bahasa*) and UI's faculty of literature and philosophy. By 1962, they had compiled 254,960 words, including 5,858 legal terms, 10,318 military terms, 27,973 aviation terms and 18,525 engineering terms, many of them Dutch in origin.<sup>21</sup> Although the success of the commission varied, many words were being changed into English, especially in sciences like management.

A number of the reasons for the disinterest in the colonial heritage had strong compelling argument; there was widespread acknowledgement that the bureaucratic tradition of the colonial state was too complicated to be implemented effectively. Sumitro Djojohadikusumo said:

We have taken over from the colonial government a bureaucratic body that is in itself very difficult to understand. The bureaucracy used difficult and complicated work methods. This difficult bureaucratic body was, during the colonial period, run by people who had been acclimatized to work within such structures. At the present condition, the same bureaucratic system is being filled with new employees whose technical capabilities and experience is not in line with the needs of the system. The procedures used in the colonial bureaucratic system (still being used today), is according to the experience of the writer, very hard to understand and control. Oftentimes people working within the environment of these bureaucracies have a hard time understanding the regulations. As a result, decisions are often based on whims (or oftentimes people decide not to make any decision).<sup>22</sup>

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Panok terdapat 5 juris, 1 ahli hukum, 1 tjalon juris, maka rantjangan Panok tersusun setjara 'rigid' (strak, kaku) tanpa escape clauses.

- 21 Suwarna, "Arti istilah bagi hukum militer" in *Chakra Vijaya*, Vol. 1, No. 29, April 1962, p. 14-25.
- 22 Sumitro Djojohadikusumo, *Bunga Rampai Ekonomi*, (Jakarta: Indira, 1951), p. 266. Kita telah mengambil over dari pemerintahan kolonial, suatu badan birokrasi jang pada dirinja sudah sangat sukar difahami. Birokrasi tersebut mempergunakan tjara bekerdja jang sulit dan gecompliceerd. Badan birokrasi jang serba sulit itu, dizaman colonial didjalankan oleh tenaga2 jang sudah biasa bekerdja dalam susunan demikian. Dalam keadaan sekarang,

Such legal approach was considered anathema to economic development and represented what Sumitro called the regulation economy (*ekonomi peraturan*), in which regulations grew haphazardly and in contradictory ways as to reduce efficiency for the economy as a whole.<sup>23</sup> Daan Marks has argued that the Dutch had failed in leaving behind lasting, efficient institutions that were properly indigenized and this was the reason why Indonesia experienced institutional damage, which slowed down growth significantly, in comparison to other countries that experienced proper indigenization of their state institutions.<sup>24</sup>

The reduction of Dutch influence was an active policy that was part of Indonesian decolonization. As chapter four has shown, people clung to Dutch methods and the government continued to pay civil servants to study in the Netherlands. The shift had to be pushed through by the elites and American alacrity in providing funds. The shift from the ‘legal’ to the ‘practical’ approach accompanied the shift from Dutch to American ideas.<sup>25</sup> According to Carmel Budiardjo “the experts in England and the United States in general say that political science is about the study of power in society. Power is analysed on the basis of its properties, principles, development, framework and consequences. In comparison, experts from countries under German influence maintain that political science studies the state as a legal phenomenon, juridical-constitutional interpretation and administrative law.”<sup>26</sup>

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system birokrasi tersebut diisi oleh tenaga2 baru jang baik mengenai pengalaman maupun ketjakapan teknis, tidak menerima didikan jang sepadan. Procedure jang dipakai dalam susunan birokrasi bekas kolonial (jang dilandjutkan hingga sekarang), memang menurut pengalaman pengarang sendiri, adalah sangat sukar dimengerti dan dikendalikan. Seringkali orang2 jang harus kerdja dalam lingkungan badan birokrasi ini, tidak mengerti sendiri peraturan2 jang berlaku. Akibatnja ialah, tindakan2 jang diambil mempunjai sifat jang tidak karuan (ataupun sama sekali tiada diambil tindakan dan/atau keputusan).

- 23 Sumitro Djohadikusumo, *Management dan Mismanagement dalam Perusahaan dan Masyarakat*, (Jakarta: Pembangunan, 1957), p. 5.
- 24 Daan Marks, “The economic consequences of decolonization” in Thomas Lindblad (ed.), *Indonesian economic decolonization in regional and international perspectives*, (Leiden: KITLV Press, 2009), p. 161-162.
- 25 There was growing interest in economics and other social sciences that had begun to rival the law department in attracting students, for instance. Bruce Glassburner, “High level manpower for economic development: the Indonesian experience”, p. 180.
- 26 Ernst Utrecht, “Beberapa tjatatan tentang ‘Public Administration’,” p. 52. “Para sardjana di Inggris dan Amerika Serikat umumnja mengatakan bahwa ilmu politik mempelajari soal kekuasaan dalam masyarakat. Kekuasaan ini diperlihatkan sifatnja, asanja,

The shift from the Dutch Continental system was thus, according to Padjadjaran University legal specialist Ernst Utrecht, a shift from the Continental *Rechtsstaat* to the Anglo-Saxon welfare state or *Wohlfahrtstaat*. Utrecht, one of the few Indo-European who have taken the Indonesian citizenship and a staunch supporter of Sukarno and member of the PNI, daubed in politics and academics equally during the period.<sup>27</sup> The German *Rechtsstaat* attempted to impose a legal order in which all government decision could be regulated within the law, yet the problem appeared when the state began to expand its function as part of the development of social service and purveyor of public goods.<sup>28</sup> “This narrow view wanted to put in a straightjacket the government’s activity within its legal boundaries. As a result, when government activity was expanded because of the acceptance of the *Wohlfahrtstaat*, an expansion of a ‘web of administrative prescription’<sup>29</sup> happened that was increasingly complicated and in contradiction. This was because of the wish that nothing be left to its own devices and that positive legal supervision be maintained. As a result, there appeared a bureaucracy that preferred to obstruct instead of support the government’s activity for the general welfare and individual interests!”<sup>30</sup> Quoting Yugoslavian legal specialist Eugen Pusic, Utrecht wrote “And administrative inefficiency, caused by legal guarantees, can finally reduce these guarantees to nil.”<sup>31</sup>

Sukarno, in a speech to the Indonesian Jurist Association in 1961 said this about legal-mindedness: “Wilhelm Liebknecht has said – in Dutch –

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perkembangannya, rangka dan akibatnya. Sebaliknya ahli-ahli dari Negara yang terpengaruh oleh Jerman mempertahankan bahwa ilmu politik terutama mempelajari ‘negara’ sebagai gejala hukum, tafsiran juridis UUD dan hukum administratif.”

27 He hated the PSI and called it *de partij van ‘salon-socialisten’* in Eileen Utrecht, *Twice Zijden van een Waterscheiding. Herinneringen aan Indonesie Voor en Na de Onafhankelijkheid*, (Amsterdam: Sua, 1991), p. 87-90, 138 and 152-162.

28 For more on the liberal character of the *Rechtsstaat* see Rachel S. Turner, *Neo-Liberal Ideology*, p. 27-31.

29 *Net van administratieve voorschriften*

30 Ernst Utrecht, “Beberapa tjetatan tentang ‘Public Administration’”, p. 62. “Pendapat sempit ini hendak mengikat aktivitas pemerintah pada hukum. Akibatnya: ketika kemudian aktivitas pemerintah sangat diperluas karena diterimanya “*Wohlfahrtstaat*”, maka dilahirkan suatu ‘net van administratievevoorschriften’ luas yang sangat berbelit2 dan makin luas makin bertentangan (!), sebab keinginan supaya tiada sesuatupun yang dilepaskan dari pengawasan hukum positif tetap dipertahankan. Dengan demikian dilahirkan suatu birokrasi yang lebih menghalangi daripada memajukan aktivitas pemerintah guna kepentingan umum maupun kepentingan individu sendiri!”

31 *Ibid.*

‘Met juristen kun je geen revolutie maken.’ What Liebknecht said was that most legal specialists, jurists, are very legalistic, they cling to the prevailing laws so strongly that if they were to be asked to join the revolution, which requires throwing away the current... these legalistic jurists, would find it very difficult to do so.”<sup>32</sup> Sukarno had equated legalistic thinking as being almost contra-revolutionary. In 1958, Sukarno inaugurated the creation of the Institution for the Development of National Law (*Lembaga Pembinaan Hukum Nasional*), whose goal was to change the colonial roots of Indonesian law.<sup>33</sup> In 1960, Sukarno gave ministerial status to the head of the Supreme Court, thus suspending Indonesia’s law-based state.<sup>34</sup>

The root reasons for public administration was thus coincident with the root reasons for Sumitro’s effort to promote Business Administration, as they were predicated on the idea of efficiency as a central feature of both government and economic functions. The new Anglo-Saxon approach was to see the administration of the state as similar to the administration of the company. The main ideas of business administration such as ‘organization’ and ‘management’ were imported and geared toward the practical and the pragmatic. The analysis of ‘power’ within the state was based on understanding the workings of institutions and how to solve problems associated with its bureaucratic tendency to be slow and inefficient. The resultant system was an efficient, flexible approach that was geared toward problem solving and not merely toward the implementation of regulation and the law.

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32 Sukarno, *Sosialisme dalam Kepribadian Indonesia. Pidato Presiden Sukarno pada Pembukaan Kongress Persahi di Jogjakarta, 26 Nopember 1961*, (Jakarta: Departemen Penerangan, 1961), p. 4. “...Wilhelm Liebknecht telah berkata – salinannya dalam bahasa Belanda – “Met juristen kun je geen revolutie maken. Jang dimaksudkan oleh Liebknecht ialah bahwa ahlihukum, juristen, kebanyakan – demikianlah maksud Liebknecht – sangat legalistis, sangat memegang kepada hukum-hukum jang “prevaleren”, sangat memegang kepada hukum-hukum jangada, sehingga djikalau diadjak ber-revolusi – revolusi jangberarti melemparkan hukum jang ada, “a revolution rejects yesterday” kata seorang pemimpin revolusi jang lain, “a revolution rejects yesterday” – sehingga djikalau jurist-jurist janglegalistis ini diadjak ber-revolusi, katanja, amat sulitlah hal jang demikian itu.”

33 Keputusan Presiden Republik Indonesia no. 107 tahun 1958 tentang Lembaga Pembinaan Hukum Nasional (LPHN) in ANRI, Jakarta, Mohammad Yamin, inv.nr. 360. LPHN was composed of lawyers and other elements of society in order to create a legal system that was not merely based on a legal approach, but also accommodate other elements, at least according to the Minister of Education and Culture to the Ministerial Board in charge of creating the body. ANRI in Jakarta, Kabinet Perdana Menteri Republik Indonesia, inv. Nr. 1651.

34 A.M. Reksobadi, “The Relations of Law and Economic Development. With special reference to Indonesia”, MA thesis Institute of Social Studies, The Hague, 1969, p. 33.

At the same time, the shift toward the welfare state and the concomitant rise of the administrative state occurred in much of the world, including the Netherlands. The first development of public administration in the Netherlands was conducted not at Leiden or Utrecht University but at the Rotterdam Business School by Gerrit van Poelje. Its implementation was facilitated as a result of the destruction of the Dutch economy during the Second World War and the need to reconstruct and rehabilitate both government and economic administration. Yet, in Indonesia, it was recounted as a shift away from the Dutch discourse and toward the American. Ernst Utrecht warned that such alacrity in accepting American ideas was dangerous and that “there is nothing wrong for us to direct our interest to the problem solving system of progressive countries like the Chinese People’s Republic.”<sup>35</sup>

## Expansion and Development

During the colonial period, Indonesians had little chance of obtaining training in administration because there had been few opportunities for Indonesians to occupy decision-making posts and because the Continental, legal-formal approach held sway. Legal education was often the only training given to candidate administrators in administrative schools like the MOSVIA/OSVIA, *Rechtshoogeschool* and the *Bestuursacademie*. After the war, Dutch development of public administration started to make an impact in Indonesia as Gerrit A. van Poelje’s 1942 book on *Bestuurskunde* was translated in 1953, the same year as the publication of A.M. Donner’s *Nederlandsch Bestuursrecht*. Ernst Utrecht’s *Pengantar Hukum Administrasi Negara* was published in 1955, a year after the Panok Committee conducted their study and published their plans. Aside from the Panok, the government through the Biro Perantjang Negara also conducted research and invited a public administration specialist T.R. Smith from New Zealand to train in November 1953. Smith also produced a memorandum on public administration. By this time, there was considerable interest in the introduction and implementation of training in public administration, not just because of the extent toward which the failure of the Sumitro Plan had become widespread but also

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35 Ernst Utrecht, “Beberapa tjetatan tentang ‘Public Administration’ berhubungan dengan pidato-pidato Prajudi dan Tjia Kok Tjiang” in *Padjadjaran*, p. 72.

because the elites realized that the production of expertise was a pressing matter.<sup>36</sup>

From a business perspective, the discussion of American scientific management occurred as early as those of the public administration. A. Strachoff and E. Smit, both Dutch engineers at Unilever wrote in the journal *Ekonomi dan Keuangan Indonesia* on the need to increase labour productivity in Indonesian plants through the application of modern managerial methods.<sup>37</sup> *Ko-Ordinasi dalam Republik Indonesia* written by Sutomo around 1953 gave a glimpse of the problems concerning lack of coordination and unhealthy competition within government offices and agencies from the viewpoint of people within the government, and looked at the psychological problems at the root of the problem.<sup>38</sup> This book, though, had less impact on the development of Indonesian administration science than it should have. For instance, it was not cited in Bintoro Tjokroamidjojo's article on 20 years of development of Indonesian public administration science,<sup>39</sup> despite the insights his book had on the problems surrounding coordination and the lack of *esprit de corps* in the civil service. Written by a revolutionary hero with access to government officials and their thoughts, Sutomo's answer to the problem was not fixed on the problem of leadership, but on creating common interest amongst the elites: the officials of bureaucracy, the military and the business sector. It sought to emulate the colonial bureaucracy and its usage of clubs and parties (*soos* and *societiets*) to create a community of elite with unified goals.<sup>40</sup>

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36 For instance, Sjafruddin Prawiranegara, *Indonesia dipersimpangan djalan*, (Jakarta: Alma'Arif, 1951).

37 A. Strachoff and E. Smit, "The possibility of increasing the labour productivity in Indonesia by application of modern managerial methods" in *Ekonomi dan Keuangan Indonesia*, Year VI, 1953, p. 164-181.

38 Sutomo, *Ko-Ordinasi dalam Republik Indonesia*, (Malang: Balapan, n.a.).

39 Bintoro Tjokroamidjojo, "Perkembangan ilmu administrasi negara di Indonesia", p. 16-53.

40 Sutomo, *Ko-Ordinasi dalam Republik Indonesia*, p. 33-34 and 42-43. Sutomo or Bung Tomo is a famous revolutionary fighter who had led the fight against the British in the romanticized battle of Surabaya on 10 November 1945. He had become a liaison officer between the military and civilian government during the last years of the revolution. He had dabbled in politics, entering the Parliament in the 1950s before being deeply disappointed and leaving public life for good. He died in 1981.

## Litchfeld and Rankin Report

In 1954, the Indonesian government and the University of Indonesia invited Dr. Edward H. Litchfeld and Alan C. Rankin, the then dean and assistant professor of Cornell's School of Business and Public Administration to conduct a wide-ranging three-month survey of Indonesia's administrative woes. The two men met with important Indonesian leaders, including Vice President Mohammad Hatta, the head of the National Planning Bureau Ir. H.A. Djuanda and prominent intellectuals such as Dr. Mohammad Yamin, Dr. Sumitro Djojohadikusumo and Dr. R. Supomo, President of the University of Indonesia. Litchfeld and Rankin interviewed various Indonesians in top, middle and low positions in government.

Knowledge of basic concepts of public administration was practically non-existent in almost every organization they visited: government offices, hospitals, school, etc. "Generally speaking, we would say that the field of administrative science is largely unknown in contemporary Indonesia".<sup>41</sup> What Litchfeld and Rankin suggested was the creation of university-based Indonesian administrative courses that would cater to Indonesian need in creating an administrative leadership, people who were able to apply the science of public management in order to create efficient government institutions. Furthermore, because administrative science was fairly new and Anglo-Saxon-centred, the Dutch never left behind anything pertaining to it. They encouraged the development of literature in administration, which included acquisition of foreign materials, translation of standard materials and the development of Indonesian-based literature on administration. In fact, Dwight Waldo's *The Study of Public Administration*, a classic in the development of public administrative science was translated a year after the Litchfeld and Rankin visit and seven years after its first publication in 1948.<sup>42</sup>

They also encouraged the need to create libraries and train librarians as support for literature development. They found resources within the country lacking; there were only a couple of hundred books for the entire university

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41 Edward H. Litchfeld and Alan C. Rankin, *Training for Administration in Indonesia*, (Ithaca: Cornell University, 1954), p. 11.

42 It was translated by Slamet W. Atmosoedarmo and published in 1955 as Pengantar Studi Public Administration. The term Public Administration was left to its English original, signaling the novelty of the entire discourse for the Indonesian intellectual public. Dwight Waldo, *The Administrative State. A study of the Political Theory of American Public Administration*.

system in Indonesia, many of which were imported and were related to Indonesia only tangentially. Many universities did not even have a library. The available books on Indonesia were confined mostly to those written in the Law Department and a few on the economy, with practically no supporting literature on political science and psychology.<sup>43</sup>

Another step was to develop university faculties in administrative science, initially for the University of Indonesia, to be spread to other universities such as Gadjah Mada University in Yogyakarta and one in the Celebes and Sumatra. The import of temporary foreign teachers and the active training of a permanent Indonesian faculty would be required. Such formation would also allow for the creation of organized research programs through the formation of both. Not only would they be part of the Indonesian faculty, they would also be part of government and business, thus creating the system of relationship between government, universities and the business world that was and is a feature of society and governance in the Western world. They suggested a program of graduate work involving three years of study in residence and a fourth year in the field leading toward a PhD degree. They calculated that if only one person were to be trained each year for each of the ministries, provinces, regencies and very large cities, then 200 graduates a year would be needed. A four-year undergraduate training program with 1000 students would be needed. In fact, larger, considering the rate of attrition, which they calculated conservatively to be around 25%.<sup>44</sup>

Another important consideration was the provision of education for those who were already in government service. *In-service training* programs to the higher-level administrative echelons, instead of the usual technical and lower-level positions would be necessary. Included within it would be the executive development programs. Such programs needed to be sensitive and they suggested that participation of very senior persons in the government to be essential to enable others to participate without losing face and to find acceptance in the lower levels of the administration. Training overseas would also be beneficial for public officials to acquaint themselves with the concepts and practices of administration. Such officials would also be more sympathetic to young graduates filling in the position in their office. They supported a survey on personnel practice with recommendation for the

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43 Lichtfeld, Edward H. and Alan C. Rankin, *Training for Administration in Indonesia*, p. 13-14.

44 Lichtfeld, Edward H. and Alan C. Rankin, *Training for Administration in Indonesia*, p. 19-20

improvement of the system, which the National Planning Bureau supported. This would result in the creation of the *Lembaga Administrasi Negara* or LAN as one of the main education centres for government managerial production.<sup>45</sup>

## The Effect of the Report

A committee was formed to follow up on the report headed by Vice President Mohammad Hatta and with Djuanda Kartawidjaja of the National Planning Bureau, M. Hutasoit from the Ministry of Culture and Education and Sumarman as members, among others. The committee agreed on the development of a specifically Indonesian program that would unite both public and business administration within a single educational centre. The Planning Bureau also published “Administrative requirements for social and economic development” in August 1954.<sup>46</sup> But it was only after 1955 that a significant development occurred in the education of public and business administration, and especially after 1957 when there was anticipation of greater government control as a result of the rise of Guided Democracy. In 1956, the ICA funded Joseph L Sutton, who was working as advisor to the Thai Public Administration Institute at Thammasat University, Bangkok. They also created a Public Administration division in Jakarta with Harry W. Marsh and John A. Ulinski as officers. The ICA program focused on importing books on administration and sending Indonesians to study scientific administration abroad.<sup>47</sup>

The Indonesian government had by this time sent many government employees abroad to the United States of America, England, Australia, the Philippines, India and many other countries. More important was the quick expansion of education on the matter. On 20 September 1956, Prajudi Atmosudirdjo made a speech on public administration to open the Faculty of Administration in the private University Krisnadwipajana in Jakarta. In December of the same year, Tjia Kok Tjiang also opened a Faculty of Public Administration at the Universitas Indonesia in Makassar. These speeches were to be criticized heavily by Ernst Utrecht in 1958.<sup>48</sup> Even so,

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45 Edward H. Lichtfeld and Alan C. Rankin, *Training for Administration in Indonesia*, p. 21-23.

46 Bintoro Tjokroamidjojo, “Perkembangan Ilmu Administrasi Negara di Indonesia,” p. 27-28.

47 *Ibid.*

48 Ernst Utrecht, “Beberapa tjabatatan tentang ‘Public Administration’.”

there was no doubt that interest in public administration had resulted in a swift expansion of state-sponsored institutional development pertaining to education and research.

What is necessary to understand here is the high level of support from experts in developing this wide range of educational institutions from both within the state and the broader community. The creation of the *Akademi Pemerintahan Dalam Negeri* (APDN) by the Ministry of the Interior in March 1956 to replace the C-Course was predicated on a shift in curriculum toward public administration. The C-Course was started in 1953 as an integration of previous schools of government of the *Pamong Praja* corps. Pupils at the APDN were to be taught the latest knowledge on public administration to the detriment of administrative law (*hukum administrasi*) which was effectively replaced. American professors like Garth C. Jones and Henry W. Bush were posted to teach there.<sup>49</sup> It was not merely the speed at which all these developments occurred, but also the cutting edge-ness of the process. The newest books on public administration and scientific management became widely available in the libraries of the places. Many books were quickly translated including Dwight Waldo's *The Administrative State*, which was published in Indonesian in 1955.<sup>50</sup>

### Criticism of Scientific Management

Public Administration and Scientific Management had become modern mantras with the promise of bringing efficiency and order as if by magic. Utrecht called it a '*mode-woorden*' and, in fact, a '*toverwoorden*', magical words.<sup>51</sup> "Has the result of public administration matched the enormous interest we have of it?" he asked, and which he answered with a negative.<sup>52</sup> A USAID report said in 1964: "One of the current fetishes in most developing countries is the field of "management". Everyone seems to look on it as a panacea to all problems."<sup>53</sup> American support for its expansion also meant that it not only conformed to the intellectual fashion of the day, but that

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49 Bintoro Tjokroamidjojo, "Perkembangan ilmu administrasi negara di Indonesia," p. 33-34.

50 Dwight Waldo, *Pengantar Studi Public Administration*, (Jakarta: Djajasakti, 1955).

51 Ernst Utrecht, "Beberapa tjabatatan tentang 'Public Administration'," p. 69-70.

52 Ernst Utrecht, "Beberapa tjabatatan tentang 'Public Administration'," p. 68.

53 *Human Resource Development. Problems, Policies, Programs*, (Jakarta: USAID, 1964), p. 11.

authorities saw it as an opportunity to obtain available funds and aid that the US had opened up. Yet, Indonesia's acquaintance with the science was new and this was most obviously apparent in the writings of the supposed experts of public administration in the country. Ernst Utrecht's criticism to lectures given by Prajudi Atmosudirdjo for the opening of the Faculty of Management at the Universitas Krisnadwipajana and Tjia Kok Tjiang's lecture for the five-year celebration of the Faculty of Public Administration at the Universitas 17 Agustus 1945 in Makassar was brutally honest and rare for post-independent Indonesia. In it, Utrecht accused both men of being dilettantes, and worse, he accused Prajudi of being intellectually dishonest.

On Prajudi's lecture, he said, "I've never encountered from the mouth of an Indonesian intellectual a series of bullshit and lies, as have been written on the quotation above."<sup>54</sup> Prajudi's discussion on public administration, especially in the Netherlands, according to Utrecht, misunderstood the Dutch condition. His lecture failed to provide a good definition of what Public Administration and management actually entailed and his discussion on the problems of public administration did not respond to the conditions of Indonesia. In fact, Utrecht's main criticism was with the dangers of overestimating the 'magical' abilities of the public administration and as a result the loss of interest in understanding the importance of administrative law (*hukum tata-negara*), the law-based approach which was used by Dutch scholars in understanding the function of the state. In comparison to the European legal-based approach, the Anglo-Saxon approach was a political science approach, which used power as an analytical tool to understand the structure of state and management. To be fair, Utrecht himself was a legal specialist and wrote what came to be a tome in Indonesian administrative law. There was obviously a professional angle to his criticism. Being an Indo-European and a graduate of Leiden Law, he came from a European/Dutch intellectual tradition, which was eroded away during this period.

Because of the antipathy towards many things Dutch, the shift toward Anglo-Saxon public management science was conducted not through an initial understanding of the science but with the experimental appeal to try something new. Sumitro Djojohadisukumo in an opening lecture for the start

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54 Ernst Utrecht, "Beberapa tjatatan tentang 'Public Administration'," p. 47. "Belum pernah saja mendengar dari mulut seorang tjendikiawan bangsa Indonesia suatu rentetan omong-kosong dan bohong, seperti tertera dalam kutipan diatas."

of the School for Business and Public Management<sup>55</sup> on 14 January 1957, said “I should stress that the term ‘administration’ must not be confused with the term ‘administrasi’ which are usually used in Indonesia as an extension of the Dutch usage of the word.”<sup>56</sup> Because of the wish to get Indonesia away as soon as possible from their Dutch legacy, there was a somewhat haphazard attempt to install scientific management as a replacement to former Dutch-based studies that had a long colonial precedent.

There was, thus, a quality of detachment expressed in the books, articles and lectures of the works on public management in Indonesia during the period.<sup>57</sup> The American books were seldom contextualized with the Indonesian condition. The case studies compiled and used as the foundation for the build-up for a contextualized Indonesian science of public and private management lacked a deep understanding of the power relation and institutions that were needed in order to understand fully its ‘ecology’.<sup>58</sup> The lack of the development in Indonesian political science made it difficult to fully analyse the ‘ecological’ context of the manager. The approach toward power was then, as we will see below, expressed in the form of formulating leadership problems, as an extension of a cultural analysis of Indonesians in general. But the discussion on power rarely touched on the structure of the power as it was played out within the institutional environment of the state. For that to occur would require the full authority of the ‘scientific managers’ or ‘public administration specialists.’ The problem of power was a political problem, but it was exactly this problem of lack of authority that the ‘experts’ were dealing with during the period.

Utrecht provided an example of this problem. A student of his at the C Course in Malang who had studied public finance under Professor Garth N.

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55 Perguruan Tinggi Ketataniagaan dan Ketatapradjaan

56 Sumitro Djojohadikusumo, *Management dan Mismanagement dalam Perusahaan dan Masyarakat*, (Jakarta: Pembangunan, 1957), p. 3. “Hendaklah saja tekankan, bahwa kata ‘administration’ djangan ditjampur-adukkan dengan ‘administrasi’ dalam arti jang lazim masih dipakai di Indonesia sebagai kelangsungan rangka pengertian bahasa Belanda.”

57 Often times, the books were rehashed version of American books with little effort to apply it within an Indonesian context or situation.

58 J. Rossall and Leon Mears, *Indonesian Cases in Business Administration*, (Jakarta: LPEM, 1961) also Everett Hawkins, *Cases in Business Administration*, (Yogyakarta: Fakultas Ekonomi-UGM, 1964). The analysis of the cases was politically detached and focused on a purely economic approach, instead of understanding the wider societal and political implication of inefficiency.

Jones, an American expert who studied the problems of public administration in the United States and Mexico, was unable to fully implement the techniques he has learned from his professor because the administrative apparatus in his division wouldn't provide him with the authority to do so. Efficiency change thus required understanding and changing the basis of the Indonesia's *staatsrecht*. To allow for changes in efficiency, the law would have to be changed in order to conform the system of government. In order for this to be successful, one has to understand the Indonesian system of government.<sup>59</sup> In order for Indonesians to engage in the reform of the state's legal basis, it required an emphasis on legal study and an engagement with their Dutch intellectual past. The problem was twofold. First, if such legal changes in the state system allowed greater authority for managers, it required a redistribution of power of the political elites toward their 'expert'-based elite, and this did not happen. Second, 'scientific management' provided a *magic word* for the political elite that was at the same time supported by US aid that effectively blocked the need to deal with the 'real' problem, which was a political problem.

## The Development of Business Management

Like that of public management, business administration grew fast in the 1950s and exhibited the same shift from the Dutch/Continental system towards an American/Anglo-Saxon type. Barli Halim divided the period into three: 1945-1957 as a Continental period, 1958-1959 as an Anglo-Saxon one and 1960-1965 as a business management science based on Indonesian socialism.<sup>60</sup> Although he placed Americanization as a brief and almost insignificant one-year development, it would be foolish to underestimate the strength of its message and ideology. Reading through works on business administration throughout the 1960 would easily show how replete were ideas of scientific management within the pages of supposedly socialist Indonesian tracts on management.

There is doubt that business administration lagged behind in its 'Indonesianization' process in comparison to the vigorous interest exhibited

59 Ernst Utrecht, "Beberapa tjabatatan tentang 'Public Administration'," p. 69-70.

60 Barli Halim, "Ilmu ekonomi perusahaan" in M. Makagiansar and Widjojo Nitisastro (ed.), *Research di Indonesia*, p. 211.

by state elite in the development of Indonesian public administration. This was the result of several factors. First, business administration was a lot less politically sensitive than public administration, whose relationship to state power was deep. Second, the continuation of Dutch perspectives on business administration was the result of the continued presence of Dutch professors teaching the field in Indonesian universities. Again, the root of this was similar to the first reason above; teaching business administration carried less political weight than law or public administration. Third, the continuing and large presence of Dutch-owned enterprises meant that Indonesian graduates had the chance of entering employment in these enterprises and thus continuing the relevance of a Dutch perspective on business administration. All of this was ended as a result of the nationalization of Dutch-owned enterprises and the forced repatriation of Dutch citizens by 1957. It was only obvious that America came to replace them.<sup>61</sup>

There were basically three main tracks in obtaining business management in the country: the university-based system, corporate-based business courses and state-based programs. Economics, and especially business administration, was not available at the few existing faculties during the colonial period. The only faculty with some economics education was in the law faculty. Some 15 Indonesian economists were available at independence; they graduated from Dutch universities, mostly the Erasmus University in Rotterdam, and some from the Universities of Amsterdam and Tilburg. After independence, three universities develop a relatively strong economics faculty: the University of Indonesia, Gadjah Mada University and the Protestant Nommensen University in Medan. A college of business management was set up in the early 1950s by Dutch commercial organizations and chambers of commerce representing a private sector response to the need for commercial managers.<sup>62</sup>

Business economics brought by the Dutch focused on the study of the firm. This liberal approach contrasted with the study of the state, i.e. its role in economic development, in the nascent science of developmental economics. The study of business management was divided into four sciences: cost theory (*ilmu biaya*), expenditure theory (*ilmu belandja*), external organization and internal organization theory. The books were also in Dutch; J.C. Rietveld's

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61 Barli Halim, "Ilmu ekonomi perusahaan", p. 215-218.

62 Antara, 29 November 1953.

*Inleidend Leerboek der Bedrijfseconomie*, v.d. Meer's *Schets der Bedrijfseconomie*, P.J. Potgieter's *Inleiding tot de Bedrijfseconomie* and so forth.<sup>63</sup>

In 1955, the FEUI discussed the possibility of hooking up with an American University in order to support the upgrading of Indonesian teaching staffs. Prior to 1957, Sumitro had succeeded in recruiting Dutch teachers through his connections with the Rotterdam School of Economics.<sup>64</sup> In 1956, an agreement was signed with the University of California at Berkeley to be funded by the Ford Foundation. Aside from sending young Indonesian lecturers to pursue post-graduate studies there, Berkeley would also be sending professors to teach at UI. In 1957, six UI staff members were sent to California while Berkeley sent three of their staff members. In 1955, Universitas Gadjah Mada took Economics out of the Law, Economics and Social Science Faculty to stand as a faculty on its own and appointed lecturers Dr. J.B. Stock, Prof. Stanislaw Swianiewicz, a Polish economist, and Prof. C. de Heer,<sup>65</sup> former professor of business enterprise at Makassar.<sup>66</sup> In 1957, UGM signed an agreement with the Ford Foundation and Wisconsin University, which allowed the sending of eight foreign lecturers, six of which came from Wisconsin University, including Everett Hawkins.<sup>67</sup>

The first changes they made were to replace the theories that were being taught in classes. The American Frederick Taylor and the French Henry Fayol now started making their appearance. Fayol divided business administration into six parts: management, production, marketing, financing, accountancy, and personnel. The introduction of American textbooks appeared in Indonesia for the first time; Prentice Hall, McGraw and Hill and Macmillan, among others, provided, more pragmatic books designed for the uninitiated.<sup>68</sup> The shift was observable also in the method of teaching. The introduction of discussion groups and seminars was seen to be a refreshing change to the lecture forms of Dutch professors. The teaching staffs were taught to assist

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63 Barli Halim, "Ilmu ekonomi perusahaan", p. 213-214.

64 Thee Kian Wie, "Economics" in Koentjaraningrat (ed.), *The Social Sciences in Indonesia*, (Jakarta: LIPI, 1979), p. 229.

65 Sardjito, Laporan Tahunan Universitas Gadjah Mada Tahun Pengadjaran 1955/1956, (Yogyakarta: UGM, 1956), p. 4.

66 A.N.J. De Hollander, *The Social Sciences in Indonesia*, (Paris: UNESCO, 1951).

67 Sardjito, Laporan Tahunan Universitas Gadjah Mada, p. 13-14.

68 Barli Halim, "Ilmu ekonomi perusahaan", p. 216.

the learner, instead of being the source of knowledge. The introduction of the Indonesian study case methods was empirical and contextual.

### **Caldwell & Timms Report**

The rise of interest in business administration was portrayed succinctly in the Caldwell and Timms Report. The report was published in November 1 1958 under commission to the planning body and was the result of a survey by the two men undertaken in Indonesia between the months of July and August of the same year. They interviewed around 300-350 leaders in public, business management and education, half of them in Jakarta and the rest in other cities such as Bogor, Bandung, Pekalongan, Semarang, Yogyakarta, Surabaya, Malang, Medan and Palembang. Because of the short two-month stay of the consultants and their general prior ignorance of Indonesia, the report functioned more as an instrument to express the general ideas by Indonesians working in the field.<sup>69</sup>

The report was important exactly because it recorded the sentiments of the general Indonesian managers at the beginning of the Guided Democracy. There was a degree of apprehension amongst those interviewed that the gradual retirement of a significant number of Dutch-trained administrators would mean a reduction in the efficacy of government administration over time.<sup>70</sup> The report was also important because it addressed the production of business managers and signalled greater state concern and intrusion into the management of the private economy. The European education system did not recognize the possibility of teaching business administration in universities; thus like economics in general, Indonesia did not have any tradition for such education. Like public administration, business administration was an American-developed education curriculum.<sup>71</sup> The curriculum consisted of the introduction of Taylorist scientific management and the collection of

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69 Caldwell and Timms, *Developing the managerial resources of Indonesia. A report to the Biro Perantjang Negara*, (Bloomington: Indiana University, 1958), p. 8. ANRI, Mohammad Bondan, Inv. Nr. 699.

70 Caldwell and Timms, *Developing the managerial resources of Indonesia*, p. 9.

71 Caldwell and Timms, *Developing the managerial resources of Indonesia*, p. 40-41.

case studies of companies and their problems. Leon A. Mears and Rossal J. Johnson were among the first to collect business study cases.<sup>72</sup>

The report highlighted several issues that needed to be addressed for the development of business administration. As an immediate goal, it called for the creation of a management development program to be modelled after the Advanced Management Program of the Far East in the Philippines. This was an extension of the Advanced Management Program set up by the Harvard School of Business Management. It also called on the establishment of evening programs in business administration in business and government centres throughout Indonesia and within the Indonesian universities. For the long-range goal, it pushed the need to speed up the output of faculty members through supporting the doctorandus program in business administration at the University of Indonesia, which was at the time the most advanced program in business administration in the country. Lastly, it called on the development of a first-rate institution of higher education, similar to the Harvard School of Business Management. This should be located within the FEUI.<sup>73</sup>

As follow-up of the Caldwell and Timms report, a committee headed by FEUI economists Subroto, Mohammad Sadli, Panglaykim and Arifin Abdulrachman was created. Many of the experts involved in the committee were from the Faculty of Economics at the University of Indonesia. The focus on business management resulted in the formation of a series of managerial courses that were meant to upgrade the capabilities of business managers, especially of state-owned companies. With the help of the Ford Foundation and the University of California, a Development Management (*Pembangunan Ketatalaksanaan*) course was started. This was the start of the various courses that were to be a permanent feature of the Guided Democracy state. We will discuss in more detail the development of both public and business administration during the Guided Democracy in later chapters, but a better understanding of business administration is needed.

In 1957, the law professor Djokosutono took on the Acting Dean of the Economics Faculty of the Universitas Indonesia after Sumitro Djojohadikusumo joined the PRRI rebellion in Sumatra. As part of the

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72 Rossal J. Johnson, Dale McKeen and Leon A. Mears, *Indonesian cases in business administration*, (Jakarta: Lembaga Penyelidikan Ekonomi dan Masyarakat, 1961).

73 Caldwell and Timms, *Developing the managerial resources of Indonesia*, p. 48-50.

Guided Democracy shift, the curriculum of the faculty was also revamped. Djokosutono felt that the curriculum should be geared toward the specific needs of a developing country. Courses that were considered ‘luxury’ were eliminated, the dabbling of ‘abstract analyses’ were discontinued.<sup>74</sup> The Dutch-based curriculum had included a large amount of law education, including courses on private law, fiscal law, Islamic law and commercial law at the undergraduate level. Instead, many of the economics courses were taught with little differentiation.<sup>75</sup>

The shift toward an Americanized curriculum, alongside the introduction of American-influenced sciences like public and business administration was significant and widespread. The overall result of the changes led to a more pragmatic focus, i.e. a heavier emphasis on applied economics as opposed to a general one. The economic courses were differentiated within three fields of specialization: general economics, business economics and accountancy. In 1964, governmental economics were introduced. These changes were happening throughout the university system. Before 1955, economics were taught within a single social science faculty and it was heavily based on the Dutch curriculum. All the books and articles used in the courses were Dutch in origin.<sup>76</sup>

Another important reason for the Americanization of the curriculum lay in the shift in language ability. Thee Kian Wie argued that since the mid-fifties, there had been an influx of students with little ability to command the Dutch language, because their primary education had started after the Japanese invasion in 1942. A change in language proficiency necessitated the move toward English-based reading materials.<sup>77</sup>

As we will see below, the expansion of both managerial education and thought occurred in the early years of Guided Democracy (1957-1962), a period in which efforts for the application of sciences into a new political order was seen possible. Although that belief would be shattered as the Guided Democracy state would be even less efficient, there was no doubt that the structural and organizational changes toward a managerially controlled economy provided impetus toward the creation of a type of New Order elite.

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74 Pidato Dekan Fakultas Ekonomi Universitas Indonesia pada peringatan Dwi-Dasawarsa dan Reuni Alumni ke II, Jakarta, 1970.

75 Thee Kian Wie, “Economics” p. 230-234.

76 Thee Kian Wie, “Economics”, p. 230-234.

77 Thee Kian Wie, “Economics”, p. 231-232.

The development of public and business management in Indonesia developed alongside and was intertwined; the fact was that government regulation created by the bureaucracy often conflicted with the need to increase efficiency of the Indonesian business sector. The expansion of the Indonesian government within the business sector hastened the need for both the bureaucracy and company management to understand and support one another. LAN and other learning institutes like the School of Public and Business Management tried to provide spaces of understanding between these two types of managers. Organizational structure within both state and company institutions would be useless without a working managerial staff; without proper leadership. The formation of a managerial elite would eventually reduce the divide between the state's public and business managers. As Sumitro asked in his lecture: is it possible that such a managerial elite can be 'created' within educational centers?<sup>78</sup> The science of management provided a convenient answer, a magical answer, in which managers could be produced in educational factories, without dealing with the big elephant in the room: the political set-up of the republic and the failure of Parliamentary Democracy in appointing good public managers.

Later criticisms were important in order to understand the way in which public administration in Indonesia developed during the period. In a report submitted by the labour division of the USAID in February 1964, the roots of the problem in the implementation of Indonesian management science was spelled out. The report outlined two reasons. "First, the approach has been substantially one of taking Western management concepts and methods and attempting to overlay them on a culture and economy not yet attuned to them. The result is that the trainees can, at the conclusion of their course, glibly repeat the management jargon, but the basic cultural barriers have not been broken through. Processes of thinking and acting have not fundamentally changed. Second, the courses tend to be academic and abstract; there is little emphasis on or use of the case methods or the problem-solving technique. As a result, there is no effective transition from principle to practice. Third, the teaching process consists almost entirely of 'lectures', which, in this case, usually consist of transferring the notes from the book of the lecturer to that of the student without necessarily passing

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78 Sumitro Djojohadikusumo, *Management dan Mismanagement dalam Perusahaan dan Masyarakat*, p. 20.

through the minds of either.”<sup>79</sup> The report laid out two suggestions for the development of public administration. First, an approach geared toward the social mores of the Indonesian rather than an attempt to transplant Western management ideology was necessary. Second, an in-depth program, which attends to the specific skills and practices of management and supervision and does not merely focus on the academic side of it.<sup>80</sup>

The public administration specialist Garth N. Jones mentioned above saw that the problem with Indonesian public administration was its de-contextualized character. “Unfortunately, there is a dearth of scholarly studies concerning the social milieu of Indonesia. Public administrators even if they understand the importance of the relationship of social science to their work, must operate almost in a void of knowledge about their social setting.”<sup>81</sup> As a result, he advocated in early 1960s, that any technical assistance program must be focused on a scholarly study of the social milieu, governmental structures and processes, i.e. a considerable effort would have to be expended in order to obtain solid and basic information on the Indonesian government and society.<sup>82</sup> It was summed up as: “Fundamentally, the management process must be brought down out of the sky and back to earth.”<sup>83</sup> They stressed that the pouring of capital investment into an economy or a society not yet ready to expand its productive capacity represented a waste of money.

### Production of a Managerial Class

The Indonesian government had already decided by the middle of the 1950s to produce its own managerial class. Expansion of schooling public and business management was testament to this ambitious goal. The less than satisfying effort of the PUTABA scheme may have been one of the reasons for this, but it was always realized that the Indonesian state and society were to be managed by Indonesians. It was clearly stated within the Eight

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79 *Human resource development. Problems, policies, development*, p. 8.

80 *Human resource development. Problems, policies, development*, p. 11.

81 Garth N. Jones, “Some critical areas concerning technical assistance in public administration in Indonesia” in *Lembaga Administrasi Negara*, p. 10-11.

82 Garth N. Jones, “Some critical areas concerning technical assistance in public administration in Indonesia”, p. 13.

83 *Human resource development. Problems, policies, development*, p. 11.

Year Development Plan that each state university was to be equipped with a faculty on public administration.<sup>84</sup>

The weak authority of the experts may have affected the closeness of many experts with the army elites. For instance, the magazine *Manager* often had special edition in which military management would be discussed. Generals like A.H. Nasution, Ibrahim Adjie and Ahmad Yani has often graced the edition with their opinions. Thus Nasution and his discussion of the Paran and Ibrahim Adjie and a discussion on the civic action program.<sup>85</sup> Aside from the military elites, most other contributors came from the civilian expert elites, including First Minister Djuanda. A coterie of limited military and civilian experts, most with ties or sympathy to the PSI, represented the core managerial class of the country. It is the same group of people that would eventually come to power under the banner of the New Order.

It is an interesting juxtaposition to see the large feelings of inadequacy that are apparent in the grumblings of the 'cultural' weaknesses of the Indonesian managers and the almost triumphant exclamation of the managerial revolution by those same managers themselves. In magazines like *Fortuna*, *Manager* and *Perusahaan Negara*, interest in expounding the managers as the future leaders of the country abound. The confinement of managerial production within the social science was a unique and modern perspective. "It is now prevalent in the United States to leave behind the old tradition that assumes potential managers require them to be educated in engineering. The large industries in today's America, with their various kinds of societal activities, is a modern social group..." What was desirable in a person was their flexibility. Many American companies in fact claimed that humanity and social science students as being more preferred than the more technical types.<sup>86</sup>

On the other side of management, the expansion of *doctorandus* degree business management went apace and, in fact, the intake of business management students shot up after the take-over of Dutch-owned businesses

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84 *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. 1751.

85 A.H. Nasution, "Kata Sambutan", p. 4-9 and Ibrahim Adjie, "TNI dan 'Civic Mission'" in *Manager*, Vol. IV, No. 37, April 1963, p. 10-15.

86 "Apakah anda laksanakan type baru?" in *Fortuna*, Vol. 1, No. 11, February 1961, p. 744-748.

in Indonesia. The table below showed the number of graduates of the FEUI during the time period of 1952-1963. It shows that business management trailed behind general economics. Yet, even more significant was the expansion of student intake in the business management science. The most significant rise was the year 1959-1960, when 146 economics science and 1960-1961 where 37 business management majors graduated.

	Economics	Business Management	Accountancy
1952-1953	0	2	2
1953-1954	0	1	1
1954-1955	4	1	5
1955-1956	14	9	23
1956-1967	17	9	30
1957-1958	11	9	21
1958-1959	45	22	69
1959-1960	146	37	203
1960-1961	76	34	138
1961-1962	58	36	103
1962-1963	58	50	128
Total	426	210	723

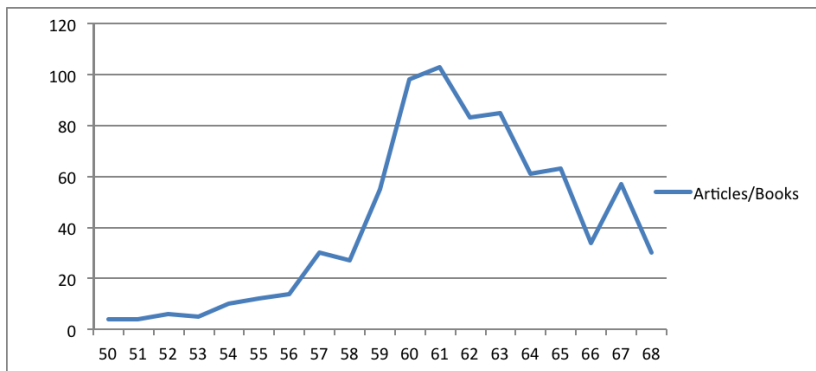
Graduates of the three departments of the Faculty of Economics at the University of Indonesia. Taken from J. Panglaykim, "Some notes on the Development of Economic and Business Administration Education in Indonesia" in *De Economist*, Vol. 113, Nr. 4, 1965, p. 281.

In the case of the FEUI, business administration produced its first graduates as early as 1952. Yet up to 1957, enrolment at the department remained fairly limited. The department experienced an expansion of student enrolment from 1958. This was dwarfed by the expansion of the department of economics, which exploded to more than 100 students in the year 1959 in anticipation of the Guided Economy. By 1963, a total of 210 business administrator had been educated by FEUI, about half of the 429 graduates in economics. Yet, if we look at the enrolment of the year 1963-1964, there were around 101 first-year and 280 second-year graduate students in business administration at FEUI in comparison to only 26 first-year and 104 second-year students in general economics. The unmistakable trend was an increasing

interest in business administration in comparison to general economics as the 1960s wore on.<sup>87</sup>

The interest in public and business management thus peaked at around the early part of the Guided Democracy, between the years 1957-1962. The expansion could be seen in both the rise of interest in business management courses, as the data above has shown and also from the production of books, especially on public administration. In a survey of book production on the various subjects labelled as administration, The Liang Gie has found the peak within the 1960-1961 period,<sup>88</sup> a period in which Law 19/1960 was passed which effectively transferred the coordination of the entire economy, including the private economy, into the hands of the government.

The chart below shows the number of publications in the forms of books and articles that was either written or translated into Indonesian during the period. The amount of article production reached its peak with 86 articles for 1960 and 89 articles for 1961. Of the 289 published books on administration, 91 or a third of the total were translations.<sup>89</sup> After this year, the number of production in both articles and books went on a downward spiral. It was then followed by the closure of the journal *Madjalah Manager* in 1965.



Production of books and articles on managerial science between 1950-1968, with a peak in 1961. Taken from The Liang Gie, *Bibliografi Ilmu Administrasi*, (Penerbit Karya: Yogyakarta, 1970), p. 184-185.

87 Panglaykim, "Some notes on the Development of Economic and Business Administration Education in Indonesia" in *De Economist*, Vol. 113, No. 4, 1965, p. 277-291.

88 The Liang Gie, *Bibliografi Ilmu Administrasi*, (Yogyakarta: Penerbit Karya, 1970), p. 184-185.

89 The Liang Gie, *Bibliografi Ilmu Administrasi*, p. 183 and 209-210.

The institutional expansion during the early Guided Democracy period necessitated greater participation of managers within the state and the economy and people followed the demand in kind. At the FEUI, the Executive Development Program, which was supported by the Ford Foundation, was launched in 1960 and formed a curriculum that was in line with the curriculum at the LAN. The focus was exactly on the problems associated with the lack of civil service authority, thus the preponderance on decision-making and leadership qualities as themes for managerial courses. The curriculum devised by the Executive Development Program in 1960 was to be in use up until 1965. Thus even at a curricular level, the period after 1961 represented no great development.<sup>90</sup> At Universitas Gadjah Mada, the formation of the Balai Pembinaan Administrasi or BPA peaked with its involvement in the Congress of the Science of Public and Business Administration held in 1961 with the cooperation of LAN.<sup>91</sup> LAN published over 25 books/booklets/reports between 1958 and 1963.<sup>92</sup>

A series of managerial courses were introduced by a variety of organizations. The Ministry of Industry, for instance, set up a School of Industrial Management starting in 1958. Copying the principles and curriculum of the Massachusetts Institute of Technology's School of Industrial Technology, the course provide a two-semester introduction on the modern firm and management in the first year, a second semester six class course for the second year and a third-year thesis. The aim of the course was to develop an approach to solving problems of the industrial firm in relation to industrial, economic and sociological issues. Courses include, among others, industrial management, economics of industry, physics, calculus, engineering drawing, machine elements, mechanical technology, personnel administration, industrial statistics, methods engineering, accounting, finance, marketing, industrial power engineering, fundamentals of electrical engineering, machine tools, applied mechanics, labour and management relations, labour law, business law, production management, statistical quality

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90 Aminin Honggodjojo, "Curricula Implications in Management Education for Present and Future Needs" in Yip Yat Hoong (ed.), *Role of Universities in Management Education for National Development in Southeast Asia*, (Singapore: Regional Institute of Higher Education and Development, 1972), p. 213-225.

91 The Liang Gie, *Bibliografi Ilmu Administrasi*, p. 188.

92 Imam Buchari, *Buku Peringatan Pantjawarsa Lembaga Administrasi Negara, 1958-1963*, (Jakarta: Lembaga Administrasi Negara, 1963), p. 40-41.

control, new enterprise planning, materials handling, plant maintenance, chemical technology, and a seminar and thesis.<sup>93</sup>

The number of managerial positions opened as a result of the expansion of government-owned companies is difficult to quantify. Within the field of agricultural estates, the nationalization of Dutch-owned companies had resulted in the *Indonesianization* of 2,300 managerial positions on 400 estates.<sup>94</sup> The production of professional, i.e. University-trained, managers did not keep up with the expansion. Atmosudirdjo reckoned roughly that if Universitas Gadjah Mada produced 100 graduates, Padjadjaran 30 graduates, LAN 50 graduates and Hassanudin 20 graduates, it would only amount to 200 managers, which was not enough.<sup>95</sup> In its eight-year history, by 1959 the FEUI produced only 60 economists, 55 business administrators and five accountants.<sup>96</sup> The limitation of the education system in producing professional managers meant that a large percentage of the managerial personnel came from other parts of society. Panglaykim had pared it down to six categories; including civil servants, military personnel and university graduates.<sup>97</sup> The majority of managers obtained schooling during the colonial period in general schools. Some of them were former teachers, civil servants or army personnel.<sup>98</sup>

The expansion of business management schools promoted the idea that managers should be educated in managerial sciences, but many of the management positions has already been taken by various groups who had prior education. Who were the Indonesian managers? According to Achmad Sanusi: "Sometimes he is drawn as an ideologist, a carrier of the people's wishes and a father faithful to his children. He does not have university

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93 *Program Akademi Pemimpin Perusahaan, 1958-1959*, (Jakarta: Kementerian Perindustrian, n.a.), p. 3-15.

94 Everett D. Hawkins, "Indonesia" in Walter Galenson (ed.), *Labor in developing economies*, (Berkeley: University of California Press, 1962), p.117.

95 Prajudi Atmosudirdjo, "Masalah Pendidikan Ilmu Administrasi pada Perguruan2 Tinggi" in *Laporan Umum Musjawarah Ilmu Administrasi Negara dan Niaga*, (Jakarta: Lembaga Administrasi Negara, 1962), p. 34.

96 Mohammad Sadli, *The structural and operational aspects of public (especially industrial) enterprises in Indonesia*, (Jakarta: s.n., 1959), p. 249.

97 Panglaykim, *State Trading Corporations in Indonesia*, p. 7-8.

98 Achmad Sanusi, *Manager: insentif dan motif putusannya. Satu perbandingan umum pada perusahaan2 di Uni Sovjet, Amerika dan Indonesia*, (Bandung: Universitas Bandung, 1964), p. 62-63.

education, but has had plenty of experience, and knows deeply the bitter laws of life. At other times, the image was of a youth, a student, who is trying and experimenting, conducting within a formalist fashion, still lacking skill in translating policies from theories and not clever enough to play the games according to the real ground rules. Sometimes, the manager takes on the image of the leader of society, who constantly manages his relation with those of government leaders, head of offices, which cooperates with and for businessmen lending his name and service.”<sup>99</sup> Sanusi painted a picture of a rather politicized group of people; young, ideological and often influential in society.

Jamie Mackie’s survey of agricultural estate companies in 1960-1961 has shown the extent to which the rise of the new managerial elite has resulted in the formation of new regional power structures. “Relatively powerless in central politics, the new managers appear to be an influential group in the *daerahs* (districts), particularly in those where there are close bonds of interest and affinity between them and the existing regional authorities, *pamongpradja* and Army officers. Thus, the divorce between political power and responsibility for production, which characterized the years 1950-57, has been remedied (in a uniquely Indonesian fashion) at the regional level.”<sup>100</sup>

Regionalization has to be understood in the context of the expansion of the military into both the economy, as military managers, and the regional government as part of the application of the territorial management doctrine. Martial law also strengthened the territorial armies, which functioned almost

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99 Achmad Sanusi, *Manager: insentif dan motif putusannya. Satu perbandingan umum pada perusahaan2 di Uni Sovjet, Amerika dan Indonesia*, p. 67. “Kadang2 ia tergambarlah sebagai seorang karyawan ideologist, pengemban amanat penderitaan rakjat, dan sebagai bapak jang setia kepada anak2nja. Ia tak berpendidikan universiter, tapi telah tjukup banjak makan garam, dan tahu betuk kenjataan hukum2 hidup jang pahit-getir sekalipun. Lain kali manager Indonesia tergambar sebagai tokoh muda, sardjana, jang sedang membuat eksperimen2, masih banjak formalism, belum handig lagi membuat satu policy dari satu teori, dan belum lagi pandai main “the games according to the real ground-rules”. Kadang2 manager kita tergambar lagi sebagai symbol tokoh masyarakat, jang pernah dan terus memperhatikan banjak relasinja dengan pimpinan pemerintahan, djawatan2, jang bekerdja-sama dengan, atau untuk, pengusaha2 jang memindjam nama dan djasa2nja itu. Betapapun sifat2 itu jang lebih sesuai, manager di Indonesia pun dipandang umum sebagai satu golongan elite jang kedudukan ekonomisnja lebih tinggi, dan hidupnja jauh lebih mewah daripada rata2 penduduk biasa, bahkan djuga dapat mempengaruhi djalan pelaksanaan politik pemerintah atau djawatan2.”

100 J.A.C. Mackie, “Indonesia’s Government Estate’s and Their Masters” in *Pacific Affairs*, vol. 34, no. 4, winter, 1961-1962, p. 339-340.

within a federalist fashion and “there was often a close cultural affinity, an identity of conservative interests, a shared distaste for the political parties, and a sense of mutual support between army men and the elite corps of pamongpraja.”<sup>101</sup> This ‘federalization’ of the region under military rule resulted in a significant restructuring of the state. “Already identified with their provinces, army commands hyperactively and over-optimistically undertook to fulfil local demands for the economic development which civilian government had been unable to accomplish.”<sup>102</sup> The development of a military-cum-expert planning structure, within what was to become the Bappenas planning structure, provided the answer to the question of the problem of decentralization. The formation of the *Pantja Tunggal*, a regional power structure in which the executive and planning decision-making process was entrusted to, initially four, called the *Tjatur Tunggal*, then five regional executives: the governor or head of the region, head of the regional military or Kodam, head of the prosecutor’s office (*kejaksaan tinggi*), head of regional police or Komdak and head of the regional air force (*komando regional udara*). The structure would be renamed the Bakopda or Regional Coordinating Development Board and renamed again in 1967 as the Muspida or Regional Development Council.<sup>103</sup>

It is difficult to understand the development of the 1950s without referring to the managerial explosion of the early 1960s. The expansion could be understood also as a greater participation of those new generations of educated experts that had begun streaming into Indonesian society in the late 1950s. A discourse on development and efficiency thus began to take shape. This occurred not only at the upper managerial levels, but on practically all managerial levels, including the factory shop-floors and the plantation industry. This could be seen in the manager training of the Ministry of Labour and the import of the *Training Within Industry* program.<sup>104</sup> But behind the expansion was a major problem, which the ‘science of management’ could do little to solve. Increasingly, the roots of Indonesia’s managerial woes were to be blamed on the Indonesian culture and its lack of leadership quality. This

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101 R.E. Elson, *Suharto, a Political Biography*, (Cambridge: Cambridge University Press, 2001), p. 61.

102 Daniel Lev, *The Transition to Guided Democracy: Indonesian Politics, 1957-1959*, p. 63.

103 Ateng Syafrudin, *Musyawarah Pimpinan Daerah*, (Bandung: Wiyana Mukti, 1990).

104 TWI program. ANRI, Jakarta, Mohammad Bondan, Inv. Nr. 734, 735 and 736.

realization during the Guided Democracy period may partially explain why there was a sudden decrease in interest in management science after 1962.

### Public Administration, Welfare State and Guided Democracy

It is necessary to understand the extent to which the ‘ideologies’ behind public administration and Guided Democracy was compatible and thus helped each other in bringing about the rise of a corporatist, centralized, executive-dominated state. In order to understand this, one of the most important textbooks on Indonesian administrative law, written by the pro-Sukarnoist, legal specialist and PNI-member Ernst Utrecht, is analyzed.<sup>105</sup> The major documents of the Guided Democracy and Guided Economy is consulted; those collected within the Seven Basic Indoctrination texts.<sup>106</sup> During the inaugural address of the LAN, its head Prajudi Atmosudirdjo stated:

“The formation of this LAN by the government signals the wish to speed up the change in the spirit (*djiwa*) of our civil servant, which currently is only a laughing stock of society. This is the change from a civil servants that “merely follows the rules” to a new Indonesian civil servant, one which has an entrepreneurial spirit, which embodies the spirit of the “managers of the state” or “public managers”, full of personal initiative and a dynamic mind-set in their effort to increase their work productivity, the national capital productivity, to reach the highest welfare of the people and state, in as little time as possible.”<sup>107</sup>

Even more significantly the change in the spirit of the civil service was part of the underlying spirit of the Guided Democracy and that of the New Order state itself.

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105 Ernst Utrecht, *Administrasi Negara Indonesia*, (Jakarta: Ichtiar, 1962).

106 *Tudjuh Bahan Pokok Indoktrinasi*,

107 *Pantjawarsa Lembaga Administrasi Negara*, (Jakarta: Lembaga Administrasi Negara, 1963), p.10. “Dengan mendirikan Lembaga Administrasi Negara ini Pemerintah ingin mempertjepat proses perubahan djiwa pegawai2 negeri kita, jang pada masa ini masih selalu mendjadi edjekan masjarakat, jaitu perubahan dari pegawai negeri jang “hanja mendjalankan peraturan” sadja kepegawai negeri Indonesia Baru, jang mempunjai entrepreneurship dan leadership, jang berdjiwa sebagai “managers of the state” atau “public managers” jang penuh inisiatif sendiri serta berdjiwa dinamis dan jang selalu berusaha untuk mempertinggi produktivitet kerdja, produktivitet mode nasional dan sebagainja, guna mentjapai kemakmuran Bangsa dan Negara jang se-tinggi2nja dalam waktu jang sesingkat2nja...”

“...the duty of this organization is to implement a government decision that is revolutionary in character. The decision of the government to create the LAN meant that the government was serious in creating ‘public administration’ in Indonesia and represented an important caesura in the history of our government. With this decision, we leave behind the ‘law-based state’ doctrine that we have inherited from the Dutch, and, without forgetting the law, we are on our way to becoming an ‘administrative state,’ which is the most modern governmental idea, whereby the state is seen to form as a sort of corporation (*ondernemingsvorm*). In comparison, the ‘law-based state’ saw the state as merely a juridical-formal body. In a ‘law-based state’ the main purpose of the government is to keep ‘peace and order,’ while in an administrative state,’ the government actively conduct efforts to increase the welfare of the people and the state. In other words, with this government decision, we decidedly move from a ‘legal state’ toward an ‘administrative state on a legal basis’...”<sup>108</sup>

There was thus a deep contradiction between the rise of the welfare state or in Atmosudirdjo’s word, the administrative state, within the traditional and ‘liberal’ forms of political democracy. In fact, the shift toward an administrative state was stated as leaving behind *triaspolitica* and the separation of power that had been the prime model of Western democracy since the French and American Revolutions and which had been reflected in the 1950 Indonesian ‘liberal’ constitution. The ‘liberal’ *triaspolitica* state was a night-watch state, which focused on the application of the law. In fact, Montesquieu’s idea was based on the effort to deny the possibility of state tyranny and ensure the liberty of the individual citizen. Yet, as Atmosudirdjo

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108 Pantjawarsa *Lembaga Administrasi Negara*, p.10. “...tugas Lembaga ini merupakan pelaksanaan dari suatu Keputusan Pemerintah yang bersifat revolusioner. Keputusan Pemerintah untuk mendirikan Lembaga Administrasi Negara yang berarti, bahwa Pemerintah setjara tegas hendak membangun “Public Administration” in Indonesia, adalah suatu titik-perubahan pokok didalam sejarah kenegaraan kita. Dengan keputusan tersebut kita meninggalkan azas “Negara Hukum” yang kita peladjadi dari Belanda, dan dengan tidak meninggalkan hukum itu kita sekarang sedang menudju kesuatu “Negara Administratif”, jaitu pandangan kenegaraan yang paling modern, dalam mana negara itu dipandang sebagai salah satu bentuk perusahaan (*Ondernemingsvorm*), sedang didalam rangka pandangan “Negara Hukum” kewadajiban pokok dari Pemerintah hanjalah memelihara “keamanan dan ketertiban”, sedang idalam “Negara Administratif” Pemerintah ikut aktif menjelenggarakan usaha2 untuk memperbesar kemakmuran masjarakat dan Negara. Dengan perkataan lain, dengan keputusan Pemerintah itu kita lebih tegas lagi menudju dari “Legal State” ke “Administrative State on Legal Basis”...”

has reiterated above, it was the policy of Guided Democracy to create a corporate state. Individual liberty was traded for the completion of revolution and development.

There are several ideas related to the Guided Democracy state in relation to this constitutional reordering. The root of the failure of 1950s development was pointed out, quite correctly, as a problem of planning and coordination. Sukarno attributed this to the inherent chaos that liberalism had induced. The fact that seven governments existed between 1950 and 1957 certainly strengthened that accusation. According to Sukarno, the only way to solve this problem was to finish off the Indonesian revolution. There were several obstacles that needed to be overcome if this were to be accomplished. First, Indonesia needed to eliminate the dualism that coloured governance in the 1950s, between the ‘government’ and the ‘revolutionary leaders’. Sukarno pointed out that as a result of the compromise taken in 1950, i.e. the Round Table Conference and the rule of the social democrats, “Our earth became fertile for the growth of all types of conventional, conservative, reactionary and contra-revolutionary and liberal ideas.”<sup>109</sup>

These ‘contra-revolutionary, reactionaries’, i.e. the social democrats, the PSI and economists such as Sumitro Djojohadikusumo, had taken over the country and divided the government from its leadership. “The head of the revolution is separated from the head of government. The head of the government in fact weakens the head of the revolution. He becomes nothing more than a “stamp machine”. He often clashes with the ideology of the head of government. He has been “trias-politica-ized” not only within the executive. He has become *Togog*.<sup>110</sup> This, according to the supporter of the system, is said to be the highest of wisdom within democracy. Yes! Liberal Democracy! Dutch Democracy! The democracy of the Western States, whose democracy was born to the mother of middle class capitalism (*burgerlijk kapitalisme*).”<sup>111</sup> This was an unconventional revolution and as

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109 Sukarno, *Manifesto Politik Republik Indonesia*, p. 19. “Bumi menjadi subur untuk bertumbuhnya segala matjam aliran konvensional, konservatif reaksioner dan kontra-revolusioner serta liberalism.”

110 Character in the Wayang shadow play, son of Semar who had failed to be born, i.e. his power was denied to him.

111 Sukarno, *Djalannja Revolusi Kita (Djarek)*, p. 38-39. “Pimpinan revolusi dipisahkan daripada pimpinan pemerintahan. Pimpinan Revolusi malahan dilumpuhkan (diverlamd-kan) oleh pimpinan Pemerintahan. Ia kadang-kadang dijadikan sekedar “tukangstempel”. Ia sering sekali tabrakan faham dengan pimpinan Pemerintahan. Ia di-“triaspolitica”-kan bukan sadja,

a result, requires unconventional means. "It cannot be solved with means taken from the decrepit warehouse of liberalism. It cannot be solved with the means written in the textbooks of yore."<sup>112</sup>

Sukarno was certainly quite adamant that his revolution was 'modern' and in this regard, he considered the changes brought about by the revolution to be both modern and anti-liberal. This cleansing of the contra-revolutionary was to be applied with what was called retooling, a managerial strategy in which people were to be evaluated on basis of their position in the revolution and replaced accordingly. The revolution would only allow those that are pro-revolutionary to participate. As we will see, this type of action would be a significant part of the Guided Democracy state and a whole slew of institutions would be created in order to achieve the goals of retooling.

Second, the Indonesian revolutionary leadership needed to pool together the 'funds and forces of the people.' Sukarno understood that as a result of modern technological changes, the nature of participation had changed profoundly. "In this twentieth century, with sophisticated communication technology, every revolution is a people's revolution, a mass revolution, not like those of the previous centuries, where the revolution is often times limited to the upper classes, the revolution of the ruling few."<sup>113</sup> Thus, there was an historical inevitability and an almost scientific and natural character of the revolution in question. It was a revolution that was present in three-quarters of humanity. "Look and observe! A state that does not mature in a revolutionary fashion will not only be crushed by its own people, it will be swept clean by the universal revolutionary typhoon that is the most

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tetapi dalam bagian eksekutif daripada triaspolitica itupun ia sekedar didjadikan sematjam togog. Ini, menurut pentolan-pentolan sistim itu, dinamakan "hoogstewijsheid" dalam alam demokrasi. Ja! Demokrasi liberalisme! Demokrasinja Belanda! Demokrasinja negara-negara Barat, jang an sich demokrasi disana itu adalah anak-kandung dan ibu kandung daripada burgerlijk kapitalisme."

112 Sukarno, Penemuan kembali Revolusi kita. Pidato Presiden Republik Indonesia pada hari Proklamasi 17 Agustus, 1959, p. 73. "Ta'dapat ia diselesaikandengan tjara-tjara jang keluar dari gudang-apeknja liberalisme. Ta dapat ia diselesaikan dengan tjara-tjara jang tertulis dalam text-booknja kaum sardjana dari zaman baheula."

113 Sukarno, Penemuan kembali Revolusi kita. Pidato Presiden Republik Indonesia pada hari Proklamasi 17 Agustus, 1959, p. 72. "Dalam abad ke-XX ini, dengan ia punja teknik-perhubungan jang tinggi, tiap revolusi adalah revolusi Rakjat, revolusi Massa, bukan sebagai diabad-abad jang lalu, jang revolusi-revolusinja adalah sering sekali revolusinja segundukan manusia-atasan sadja – 'the revolution of the rulling few.'"

significant phenomenon of the present age.”<sup>114</sup> The revolution was thus not only modern, but also in time with global changes, i.e. it was international.

The importance of participation of the mass was described succinctly in the form of participative development that Guided Democracy promised. This was especially relevant for the creation of the national plan through the ‘corporative’ planning agency of the Depernas. “Universal development cannot succeed without mobilizing universal work. The revolution cannot work without the participation of the people in it.”<sup>115</sup> In order for this to work, the relationship between the administrator and the mass had to be profoundly changed. “I stressed this in my Political Manifesto speech about the summoning of the energy and passion of the people because many of the people within the state apparatuses – the people with noble qualities – do not understand the meaning of mass energy and mass passion, and in fact suffer from a phobia of the mass and the people. The spirit of these nobleman and noble women must be cleansed and destroyed, so that the Revolution can continue as a People’s Revolution and thus reach an optimal level of efficiency!”<sup>116</sup>

Sukarno’s visit to China in 1956 must have had an important influence in forming this picture of a united people working together under the guidance of revolutionary leadership. “Differing from other countries in Asia, the People’s Republic of China has based its development on collectivism and foreign development experiences that are attuned to concrete conditions

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114 Sukarno, *Djalannya Revolusi kita* (Djarek). Amanat Presiden Republik Indonesia padahari Proklamasi 17 Agustus, 1960, p. 38. “Lihat dan perhatikan! Suatu Negara jang tidak bertumbuh setjara revolusioner, tidak sadja akan digilas oleh Rakjatnja sendiri, tetapi djuga nanti akan disapu oleh Taufan Revolusi Universil jang merupakan fenomenon terpenting daripada dunia dewasa ini.”

115 Sukarno, *Djalannya Revolusi kita* (Djarek). Amanat Presiden Republik Indonesia pada hari Proklamasi 17 Agustus, 1960, p. 72. “...sebab pembangunan semesta ta’ mungkin berdjalan penuh tanpa ikut-ber-Revolusinja seluruh Rakjat.”

116 Sukarno, *Djalannya Revolusi kita* (Djarek). Amanat Presiden Republik Indonesia pada hari Proklamasi 17 Agustus, 1960, p. 72-73. “Saja mengulangi bagian pidato Manifesto Politik jang mengenai penggalangan tenaga dan semangat massa Rakjat ini in extensor (dengan lengkap), oleh karena masih banjak orang-orang dalam kalangan aparatatur Negara – orang-orang dengan kwaliteit ndoro-ndoro dan djuragan-djuran, wanita-wanita dengan kwaliteit den-adjeng den-adjeng dan den-aju-den-aju – jang tidak mengerti artinja tenaga massa dan semangat massa, bahkan menderita penjakit massa-phobi dan Rakjat phobi, jaitu takut kepada massa dan takut kepada Rakjat. Djiwandoro dan djiwa den-aju itu harus kita tjtjti sama sekali dan harus kita kikis samasekali, agar supaja Revolusi dapat berdjalan benar-benar sebagai Revolusi Rakjat, dan oleh sebabnja berdjalan seeffisien-effisiennja pula!”

and the history of China itself.”<sup>117</sup> According to Sukarno, China had implemented a developmental program that was contextualized within the history, culture and character of the nation. China’s industrialization program has mesmerised him during his visit to the country. Industrialization was driven not through foreign investment but through revolutionary reordering of the productive powers of society, which appealed to him immensely. It was perhaps no coincidence that Mao’s Great Leap Forward occurred in just about the same period as Sukarno’s Guided Democracy.<sup>118</sup>

Third, it was a planned and coordinated revolution. This planned nature of the revolution was essential. “Planning is an absolute requirement for the implementation of socialism! Planning in its implementation could then be separated between Guided Economy and Guided Democracy.”<sup>119</sup> It was a planned political, economic, social, cultural and mental activity. The people through such organization as the Depernas created the plans, but its implementation was to be guided by the revolutionary leadership. This was the last but perhaps one of the most important components. For in order for the revolution to succeed, it had to be guided by a leadership. “In the absence of leadership, without the provision of planning in each of the complex part of the revolution, then we would reach, as I have said before, a multi-complex chaos.”<sup>120</sup>

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117 Sukarno, *Amanat Pembangunan Presiden*. 28 Agustus 1959, p. 11. “Berlainan dengan beberapa Negara dibenua Asia, maka Republik Rakjat Tiongkok mendasarkan pembangunannya kepada kolektivisme dan pengalaman-pengalaman pembangunan diluar negeri jang disesuaikan dengan keadaan dan pengalaman jang kongkrit di Tiongkok sendiri.”

118 In comparison to the failure of Guided Democracy, the Great Leap Forward was successful at least in the ability of the Chinese Communist Party to mobilize the people. This, of course, resulted in a massive tragedy as the indigenous industrialization process resulted in the loss of lives of millions. It may perhaps have been a lucky thing for Indonesia to have had such a weak bureaucracy, for the state couldn’t be made to implement massive programmes that would have been prone to violence even if it had wanted to.

119 Sukarno, *Djalannya Revolusi kita (Djarek)*. Amanat Presiden Republik Indonesia pada hari Proklamasi 17 Agustus, 1960, p. 59. “Perentjanaan Pola, atau Planning, adalah satu sjarat mutlak bagi pelaksanaan Sosialisme! Planning itu nanti dalam pengkarjaannya menjadilah wahananja Ekonomi Terpimpin dan Demokrasi Terpimpin.”

120 Sukarno, *Amanat Presiden tentang Pembangunan Semesta Berentjana*. Sidang Pleno Depernas 28 Agustus 1959, p. 60. “Djikalau tidak diberi pimpinan, tidak diberi planning dimasing-masing bidang dari kompleksiteit daripada revolusi ini, maka kita akhirnya sebagai tadi sudah saja katakan, dating kepada kompleksiteit kekatjauan.”

The root of the revolution was thus predicated on the changing nature of the relationship between the people/masses and its leadership. It was a change that was determined by the shift in the purpose of the state. It was paradoxical to a certain extent, for it was predicated on the incorporation of the masses to participate within the revolution, but also assumed control of the revolutionary leadership. The root of the revolution thus shared its source from the democratic expansion of participation. “The foundation and goal of the Indonesian Revolution is congruent to the social conscience of man! Social justice, individual freedom, national freedom and other forms of the expression of the social conscience of man.”<sup>121</sup> It was a goal that was espoused by Sukarno during the formation of Indonesia’s national ideology and principles, Pancasila, in 1945. “It is not a Western Democracy, but a political-economic democracy, a political democracy with social justice (*socialechthvaardigheid*), a democracy with welfare; those two notions I squeeze into one. This is what I have always called a socio-democracy.”<sup>122</sup>

This focus on social justice and welfare that was promoted through the state was contrasted with a liberal notion of statehood. And in this regard, the root of the constitutional changes that was promoted by Sukarno was justified. For in order to allow the state to actually act on ways that would promote social justice and welfare, it required the ability of the executive to act outside the bounds that had been set up within the separation of power. “The granting of ‘freies Ermessen’<sup>123</sup> to the state administration meant that some of the power held by the Parliament, by the legislative body, is transferred to the hands of the government, the administration, as the executive body. This is something that occurred in all ‘welfare states’ as a logical consequence of the implementation of said ‘welfare state’, by expanding executive power, it gives birth to a guided democracy as a system of government of the welfare

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121 Sukarno, Penemuan Kembali Revolusi Kita. Pidato Presiden RI pada Hari Proklamasi 17 Agustus 1959, p. 41. “Dasar dan tudjuan Revolusi Indonesia adalah congruen dengan Social Conscience of Man itu! Keadilan sosial, kemerdekaan individu, kemerdekaan bangsa dan lain sebagainya itu adalah pendedja-wantahan daripada Social Conscience of Man itu.”

122 Sukarno, Lahirnja Pantjasila, 1947, p. 29. “Dan Demokrasi jang bukan demokrasi Barat, tetapi politiek-economische democratie, jaitu politieke democratie dengans ocialerechthvaardigheid, demokrasi dengan kesedjahteraan, saja peraskan pula mendjadi satu. Inilah jang dahulu saja namakan socio-democratie.”

123 Discretionary power or *pouvoir discretionnaire* or *beoordelingsvrijheid*. It has become an essential component in Indonesian administrative legal theory.

state.”<sup>124</sup> This executive expansion was a worrying aspect of the administrative state in relation to democracy and it was something that had been bothering people both in the West and in Indonesia. “Differing from the narrow definition of the legal state (Kant, Fichte), the ‘idea of the modern legal state does not emphasize the law (positive law), but on the goal of social justice (*socialerechtigheid*) to all citizens. If necessary, the state can act *outside* of the law in order to reach that social justice.”<sup>125</sup> The ‘welfare state’ thus expanded the discretionary power of the executive.<sup>126</sup>

In fact, leaving behind *trias politica* was a phenomenon transcending the ideological divide of the Cold War. In his discussion on public administration, Utrecht discussed the various new ideas surrounding the shift from a separation of power to a separation of function. “The separation was present in three famous American experts who have studied about ‘government’ and ‘public administration’, Woodrow Wilson, Frank Goodnow and Herman Finer.”<sup>127</sup> Obviously the rise of the welfare state in the West had not resulted in the rise of military dictatorships. Sukarno was adamant that the revolution was essentially democratic and its roots were also democratic; he saw its genesis to be Western but more inherently perfect, claiming antecedent toward both the French and American bourgeois revolution and the Marxist Russian revolution. It was a better revolution because it was one

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124 Ernst Utrecht, *Administrasi Negara Indonesia*, p. 23. “Diberinja ‘freies Ermessen’ kepada administrasi negara itu sebenarnya berarti bahwa sebagian kekuasaan yang dipegang oleh dewan perwakilan rakyat, sebagai badan *legislatif*, dipindahkan kedalam tangan pemerintah, administrasi negara, sebagai badan *eksekutif*. Hal ini menjadi kenyataan di tiap-tiap “welfare State” sebagai suatu konsekwensi logis dari diadakannya “welfare State” itu: supremasi badan legislatif diganti oleh *supremasi badan eksekutif*. Ekonomi terpinpin, sebagai sistim perekonomian ‘welfare State’, - sebagai suatu konsekwensi logis - memperbesar kekuasaan eksekutif, melahirkan demokrasi terpinpin sebagai sistim pemeritahan ‘welfare State’.”

125 Ernst Utrecht, *Administrasi Negara Indonesia*, p. 35. “Berlainan dengan “idee” negara hukum dalam arti kata sempit (Kant, Fichte), maka dalam “idee” negara hukum modern titik-berat pada pokoknya tidak terletak pada “hukum” (hukum positif), tetapi pada tudjuan mentjapai keadilan sosial (*socialerechtigheid*) bagi *semua* warga negara. Apabila perlu, negara djuga boleh bertindak *diluar* hukum untuk dapat mentjapai keadilan sosial bagi semua warga negara itu.”

126 Some legal experts put the end of the law-based state when Sukarno gave ministerial status to the head of the Supreme Court in 1961. A.M. Reksodiprodjo, *The relations of law and economic development: with special reference to Indonesia*, (The Hague: Institute of Social Studies, 1969), p. 33.

127 Ernst Utrecht, *Administrasi Negara Indonesia*, p. 34. “Pembagian tersebut terdapat dalam tiga ahli terkemuka bangsa Amerika Serikat yang mempeladjar “Government” dan “Public Administration”, jaitu Woodrow Wilson, Frank Goodnow dan Herman Finer.”

that combined the best parts of both revolutions; it was not capitalist nor was it atheistic. Yet, there was no doubt that leaving behind the separation of powers, alongside the decimation of the legislative body and its party elements, signalled a significant lurch toward the creation of a military dictatorship. Even if the Guided Democracy never became an outright dictatorship, it did provide its principles and groundwork.

It is also important to understand that the foundation of the Guided Democracy and Guided Economy state, Indonesia's constitutional ideology, did not particularly conflict with the ideas surrounding the rise of the administrative state. The Presidential Decree 1959 was issued outside the bounds of the constitution but was justified as a "logical consequence to the implementation of a welfare state (guided democracy)"<sup>128</sup> in order to create executive supremacy above the legislative body. Sukarno used Article 22 of the 1945 Constitution (or Article 96 of the 1950 Constitution), which allowed for the creation of a Government Regulation in lieu of the Constitution (*peraturan Pemerintah pengganti undang-undang* – p.P.p.u.u.) justified in 'situation of forced emergency.'<sup>129</sup> Instead, it justified the ending of parliamentary democracy through attacking liberal straw men. Guided Democracy was a social philosophy that went with the times, whereas liberalism was painted as something that was conservative and un-modern. The only difference was that it was to be a managerial state that was at the same time revolutionary. The argument shown above was congruent with the arguments discussed in Chapter One; the 1928-generation was now being garbed as the 'revolutionary leadership.'

As a result, the rise of the Guided Democracy state was not incompatible with the development in public administration that had occurred during the 1950s. The LAN was to occupy a relatively important position during the period, although it failed in taking over the leadership in the development of Indonesian public and business administration education.<sup>130</sup> It was not predicated on any form of East-West divide, rather on an almost mythical divide between liberalism and socialism that, especially during the period in question, was at best a moot, academic discussion. As Utrecht's discussion on

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128 Ernst Utrecht, *Administrasi Negara Indonesia*, p. 26.

129 Ernst Utrecht, *Administrasi Negara Indonesia*, p. 23.

130 Djuna Hadisumarto, *The Indonesian Civil Service and its Reform Movement*, (PhD Dissertation Indiana University, Bloomington, 1974), p. 182-183

the rise of the public administration in Indonesia shows, its roots were entirely Western, i.e. American. Utrecht did discuss on the German and Dutch case and their own 'Americanization' during the period, especially the thoughts of the Dutch legal specialist O.M. Donner and the management specialist Gerrit van Poelje.<sup>131</sup> As we will see in a later chapter on the economy, we see again the weakness of understanding the Guided Democracy experiment through an East-West lens or as a Capitalist-Communist divide.

## Legal Culture and Democracy

The conflict between democracy and efficiency was the main divider between what Waldo, writing in the 1940s, termed 'progressives,' who advocated planning, and the 'old-liberals' who believed that efficiency could only be had if more democracy were introduced. "They knew that the Future must well up from *below*. In opposition were those whose patience was exhausted waiting for the Promise of American Life to realize itself by natural and inevitable means, whose view of human nature was not so charitable and who had no faith in the devices of primitive democracy, who had begun to think of planning and who realized that builders need tools."<sup>132</sup> The roots of this ambivalence toward democracy were partially based in the disdain the manager had toward the legal process. "The anti-legal temper of public administration is obvious and its import clear. In fact, one does not need to go far in the literature of public administration to find that if any person is to count for less than one in the New Order it is the lawyer! The lawyer suffers from a meager social outlook, the spirit of the New Management does not abide with him..."<sup>133</sup>

Yet, the image of the Welfare State was exemplified by the success stories of Western European and North American democracies. The Welfare State became the symbol of the success of the West. There was no doubt that people

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131 Donner's idea understood in Indonesia as *dwipradja* divided the government on a functional approach as those that determine the function of government duties (*taakstelling*), i.e. policy makers, and those that implement the duties (*verwezenlijking van de taak*). This was in line with Woodrow Wilson's division of Government as the political arm that determine policies and Public Administration as those that implement the policies in question.

132 Dwight Waldo, *The Administrative State, a Study of the Theory of American Public Administration*, p. 18.

133 Dwight Waldo, *The Administrative State, a Study of the Theory of American Public Administration*, p. 79.

like Waldo, Burnham<sup>134</sup> or Redford<sup>135</sup> who had ruminated on the potential autocratic nature of the state in question, saw this inherent problem between individualism, democracy and the Welfare State. In fact, many of the analyses of public administration in the United States focused on reconciling the problem between the ideals of individualism and democracy and expansion of an efficient state.<sup>136</sup>

Daniel Lev, in discussing about legal culture, pointed to fundamental assumptions about distribution and the use of resources, social rights and so on. These ideological themes were often expressed in polar opposites: personal freedom versus authority, private ownership versus public ones, decentralization versus centralization and so on.<sup>137</sup> These assumptions were important determinants of the legal culture of a society and this in turn determines the efficacy of the judicial institution in playing a role in said society. As such, the strength of the Indonesian commitment to the rule of law was related to the state-society ideology that the nation prescribed itself. In this case, it could be argued that American values of individualism, rooted in a tradition of economic independence, allowed for critical opposition that functioned to check the expansion of the administrative state. This 'liberal' opposition was practically non-existent in Indonesia. As we will see, Western-educated social scientists and economists supported the corporative, familial, thus anti-individual, state-society relations. With perhaps the exception of a small group of intellectuals around the indomitably democratic Sjahrir, there seemed to be little support for liberalism, individualism and the many trappings of Western democracy.

Lev has discussed the reduction of legal culture at an institutional level and Pompe in relation to the loss of authority of the Supreme Court.<sup>138</sup> Even a legal specialist like Ernst Utrecht, who tried to argue the relevancy and importance of at least administrative law, as was depicted above, did not particularly posit the rule of law as an inherently central component

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134 James Burnham, *The Managerial Revolution*.

135 E.S. Redford, *Democracy in the administrative state*, (New York: Oxford University Press, 1969).

136 For instance, E.S. Redford, *Democracy in the administrative state* and F.C. Mosher, *Democracy and the public service*, (New York: Oxford University Press, 1968).

137 Daniel Lev, *Legal Evolution and Political Authority in Indonesia*, (The Hague: Kluwer Law International, 2000), p. 162.

138 Sebastiaan Pompe, *The Indonesian Supreme Court. A Study of Institutional Collapse*, p. 35-76.

of democracy. Although he relied heavily on Dutch legal authorities, in relation to the discussion on Indonesia, Marxist legal ideas cropped up significantly. Similar to the Communist's attack on the economic science taught by 'Sumitro-followers,' the Marxist legal approach was to see the law as inherently bound up within the class struggle. The law did not spring forth from a natural source, but was created by the ruling class in order to legitimize and prolong their control.<sup>139</sup> Jusuf Aditjorop, member of the *politbureau* and secretary of the PKI, said that the main issue for national law was "how to integrate the work of the legal specialist with that of the masses."<sup>140</sup>

Rule of law was considered a bourgeois belief that masked the class roots of the law under objective and neutralist notions. "The theory about the law and the state that is formalistic, logical-formal-abstract, instructs the creation of the law for the 'vested interests', to maintain a state without justice (*Staat ohne Recht*)."<sup>141</sup> As such, it was important that the law be revolutionized in order to reflect the changing values of its new ruling class. The role of national law was to raise the awareness of Indonesian socialism, *gotong rojong* values and push for more equitable production methods for a just society.<sup>142</sup> Utrecht was a member of the National Law Development Institute (*Lembaga Pembinaan Hukum Nasional*) created in 1958 as part of the Guided Democracy revolution. In a National Law Seminar held in 1963 by the Institute, Suprpto a legal specialist explained the idea of the law as understood under Guided Democracy.

"Until now the influence of formalism on a theory of law based on static, abstract way of thinking, narrow formal logics, which is known as "beslissing leer", "theorie van stelligstaatsrecht" and so forth cannot be fully cleansed from the science of Dutch legal knowledge. Basically, these theories intends to separate the law from the relation to the entirety of the social and individual life with all its myriad forms, which affects and is affected by one

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139 Ernst Utrecht, *Pengantar Hukum Indonesia*, (Jakarta: Ichtiar, 1964), p. 230 and 306.

140 Jusuf Aditjorop, *Peranan dan tugas2 hukum nasional dalam alam Manipol*, (Jakarta: Jajasan Pembaruan, 1963), p. 6.

141 Suprpto, *Dasar pokok, fungsi, sifat2 dan bentuk hukum nasional*, (Jakarta: Lembaga Pembinaan Hukum Nasional, 1963), p. 8. "...teori tentang hukum dan negara jang formalistis, logis-formil-abstrak, itu mengadjarkan untuk menegakkan hukum bagi kaum "vested interest", untuk mempertahankan negara tanpa keadilan (*Staat ohne Recht*)."

142 Suprpto, *Dasar pokok, fungsi, sifat2 dan bentuk hukum nasional*, (Jakarta: Lembaga Pembinaan Hukum Nasional, 1963), p. 15.

another, always moving and contradicting, with its own dynamics of change through the process of evolution and revolution and creating qualitative and quantitative exchanges. The theory of law that says that the law is the result of the abstraction of decision made by officials appointed by the state, and that the state is merely an organization composed of a series of functions, is a formalism needed by the colonialist to protect the vested interest of the monopolist and feudalist, of the landlords and other bloodsuckers.”<sup>143</sup>

Individualism was seen as anathema to the ideals of Indonesian society. According to Lev, the roots of this was born during the early period of independence, when institutional continuity with the colonial state had to be maintained because the new state could be held only through the conservative *Pangreh Praja/Pamong Praja* corps.<sup>144</sup> During the constitutional discussion in 1945, which gave birth to the national ideology, the conservative nationalist leadership chose the indigenous legal code (HIR) as opposed to the European legal code. The HIR had less provision to protect the legal subjects. According to Lev, the logic of colonial law “had mainly to do with maintaining a manageable mass of Indonesians in place.”<sup>145</sup>

During the Japanese occupation, many of Indonesia’s nationalist leaders had worked in the administration. In a meeting with Sukarno, the head of the military ruler in Java, General Imamura, personally supported the

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143 Suprpto, *Dasar pokok, fungsi, sifat2 dan bentuk hukum nasional*, (Jakarta: Lembaga Pembinaan Hukum Nasional, 1963), p. 7. “Sampai pada saat ini masih belum dapat dihapuskan seluruhnya pengaruh formalisme daripada teori hukum yang didasarkan pada tjara berfikir abstrak yang statis, logika formil yang sempit, sebagai yang terkenal dengan nama “beslissingen leer”, “theorie van stellig staatsrecht” dsb. Dari dunia ilmu pengetahuan hukum Belanda. Dalam hakekatnya teori-teori tadi hendaknya melepaskan hukum dari hubungannya dengan keseluruhan kehidupan masyarakat dan individu dalam berbagai-bagai seginya, yang saling berhubungan dan saling mempengaruhi, yang senantiasa bergerak dan saling berkontradiksi dan yang dengan dinamikannya sendiri berubah melalui evolusi dan revolusi, dengan menimbulkan pertukaran kualitas dan kuantitas. Teori hukum yang mengadakan, bahwa hukum adalah hasil pengabstrakan dengan pikiran dari keputusan-keputusan yang dibuat oleh pedjabat-pedjabat yang ditunjuk oleh negara dan negara tak lain hanyalah suatu organisasi yang terdiri daripada rangkaian fungsi-fungsi adalah suatu bentuk formalisme yang diperlukan oleh kaum pendjadjah untuk mempertahankan “vested interest” kaum modal monopoli dan golongan feodal, golongan tuan tanah dan kaum penghisap lainnya.”

144 Daniel Lev, *Legal evolution and political authority in Indonesia. Selected Essays*, p. 28-29.

145 Daniel Lev, *Legal evolution and political authority in Indonesia. Selected Essays*, p. 19.

employment of as many Indonesians within the government as possible.<sup>146</sup> Perhaps one of the most significant effects of Japanese occupation has been the promotion of a world-view based on a deep and inherent suspicion and dislike of Western imperialism and its replacement with a corporatist economic order. One that placed the 'Eastern' concept of the family as a governing principle in understanding state-society relations. *Hakko Ichiu* is Japanese for the *family of nations* and represent a total break against Western imperialism and the ideologies that was inherent in it; economic liberalism, humanism, democracy, the parliament and *laissez faire*. "The New Economic Order now being announced is based upon this spirit of pioneering nations and is a moral economics with a framework of service and neighborly cooperation. The philosophy of total pursuit of profit clearly opens the way for the aggressor and is the guiding principle of individualistic Jewish economics which creates divisions and antagonisms among the oppressed."<sup>147</sup>

No doubt that both Marxist ideas imbibed during the colonial period and Japanese notions of *Hakko Ichiu* and total mobilization of the population for development purposes was probably present in determining the Guided Democracy revolution. It was significant exactly for its anti-liberal roots. The hostility shown by youth groups during the early years of independence damaged the legitimacy of this new ruling class, at least temporarily.<sup>148</sup> The manoeuvre of the democrat Sjahrir in implementing a parliamentary democracy based on the political party system started a long, 'liberal', social democracy that had lost its steam by the middle of the 1950s.<sup>149</sup> The significance American social science, especially public administration and business management, was that within its philosophy of efficiency, there also lay an anti-liberal tendency. The rise of the managerial elite and its ideology was thus also important because it supported the corporatist ideology that was being espoused by Sukarno.

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146 Mitsuo Nakamura, "General Imamura and the early period of Japanese occupation" in *Indonesia*, Vol. No. 10, October 1979, p. 1-26.

147 On the basic objectives in establishing a New Economic Order for the people of Java (*Jawa jumin keizai shintai seiken setsu no kompon shushini tsuite*) in Harry J. Benda, James K. Irikura and Koichi Kishi, *Japanese military administration in Indonesia: Selected Documents*, (Ithaca: Southeast Asia Studies, 1965), p. 113.

148 Benedict R O'G Anderson, *Java in a Time of Revolution*, (Ithaca: Cornell University Press, 1972), p. 334.

149 Sjahrir also attacked the *pamongpradja* and the 'collaborationist' nationalist elites. Anthony Reid, *The Indonesian National Revolution*, p. 68-70.

## Conclusion

The ideological development of the 1950s is essential in understanding the changes that occurred starting in the late 1950s as the Guided Democracy. The process of Americanization had inadvertently led to the import of scientific management, whose Indonesian incarnation prompted an ideological shift. This allowed the rise of a pre-independence corporatist notion, which had been written into the earlier 1945 Constitution to join forces with the efficiency mantra that powered the interest toward scientific management. This resulted in the reordering of state-society relations congruent with corporatism and the idea of the Welfare State.

The rise of a new Indonesian managerial class was a component for the structural changes that occurred with the creation of national planning. The expansion of these new managers-graduates of the management education provided during the decade, military officers who had obtained managerial posts within the government and the economy-required the reordering of the economy and the wider society. In order to do this, a national planning scheme was created as part of the Indonesian revolution. It is to this national planning and structural transformation that the next chapter focuses its attention on. It is an essential component that complements the changes in ideas that was inadvertently introduced as a result of the expansion of scientific management into the country.