The Contributions of the Political Economy Approach: An Analysis of Socio-Economic Development in Indonesia

Falih Suaedi, *Faculty of Social and Political Science Universitas Airlangga, Surabaya, 60286, Indonesia, Email: *falih.suaedi@fisip.unair.ac.id

This article explores in what ways the political economy, as an analytical framework for developmental studies, has contributed to scholarship on Indonesian’s contemporary discourse of development. In doing so, it reviews important scholarly works on Indonesian political and economic development since the 1980s. The argument is that given sharp critiques directed at its conceptual and empirical utility for understanding changes taking place in modern Indonesian polity and society, the political economy approach continues to be a significant tool of research specifically in the broader context of comparative politics applied to Indonesia and other countries in Southeast Asia. The focus of this exploration, however, has shifted from the formation of the Indonesian bourgeoisie to the reconstitution of bourgeois oligarchy consisting of the alliance between the politico-bureaucratic elite and business families. With this in mind, the parallel relationship of capitalist establishment and the development of the state power in Indonesia is explainable. The intention of this article is to survey major intellectual contributions to the study of development in Indonesia as represented by the scholarly work within the perspective of the political economy. Importantly, it looks at the most outstanding and influential theoretical arguments having been produced in extensive research in the area of contemporary economic and political development in Indonesia, more specifically the role of capitalist powers in Indonesia’s evolving political and economic structures since the 1980s.

Key words: Indonesia, Comparative politics, Capitalist development, Democratic transition, Political economy approach.
Introduction

The intention of this article is to survey major intellectual contributions to the study of development in Indonesia as represented by the scholarly work within the perspective of political economy. Importantly, it looks at the most outstanding and influential theoretical arguments having been produced in extensive research in the area of contemporary economic and political development in Indonesia, more specifically the role of capitalist powers in Indonesia’s evolving political and economic structures since the 1980s.

Two Discourses of Development

To begin, it is worthwhile acknowledging the pivotal contribution made by Richard Robison through his seminal book Indonesia: The Rise of Capital published in 1986. Many believe Robison’s writing is one of the most significant intellectual properties of the study of modern politics and society of Indonesia and Southeast Asia generally. It critically situated the analysis of political economy, something that was unpopular at the time of writing, to explain the formation of the so-called Indonesia’s bourgeoisie and their important roles in the governance processes amidst the height of Suharto’s New Order. The bourgeoisie, as Robison argued, could not be found out in the traditional groups of Muslim petty who in the early 20th century had devoted a great deal of resources to the making of Indonesian nationalism and nation-state, and who often had demanded privileges from the ruling elites. However, they were visible in the thriving circles of Chinese businessmen or conglomerates who built mutual symbiosis with families of the ruling elites. Therefore, those conglomerates enjoyed tremendous economic benefits beyond the regular mechanisms. The rise of the new bourgeoisie, in fact, was not followed by the positive development of ‘bourgeois democracy’ (Robison: 1986, pp. 385-386), and was implicated significantly for the shaping of free market structures as predicted by neo-classical economists. In short, Robison’s book in many ways altered the perspective according to which modern Indonesian politics was to be studied.

The expansion of political economic style of analysis into the study on Indonesia’s politics has arguably not only provided a fresh alternative approach to that intriguing field, but has opened up a different, new space for academic investigation into the development of political and social milieus in Southeast Asia. Its influence, moreover, received acknowledgement from political scientists, who felt being at a boring epistemology of the Americanised social science research called behaviourism. The turn of political economy in the study of Southeast Asia can clearly be read through the works inspired by Robison’s framework of thinking. Some of which were the writings of Gary Rodan (1989) on Singapore, Kevin Hewison (1989) on Thailand, Paul Hutchcroft (1998) on the Philippines and Terence Gomez (1999) on Malaysia. Those works demonstrated the inclination of direct draws upon theoretical debate over developments already established in the studies on Africa, Latin
America and South Asia of the 1960s and 1970s. They displayed how capitalist transformations have affected social and economic dynamics as theorised by forever quoted-thinkers like Karl Marx and Max Weber. In line with Robison’s perspective, inspirations were also taken from the work of contemporary political economists such as Barrington Moore (Smith, 2017) and Bill Warren (2019), in particular with the practice of dependency and dependency theory.

Expounding on the impact of the political economy approach on the study of development in Indonesia, it is suggested that two major debates/discourses have arisen over the latter period of the New Order. One is the discourse of structural transformations of the state and the role of the ruling class in that process, and two is the relationship between economic development and democratisation. They inserted a materialist approach to understand Indonesian politics, hence differing from the older theories emphasising cultural-deterministic factors. In a broader sense, the rise of the political economy approach paralleled the so-called waves of democratisation and democratic transitions (Haggard & Kaufman, 2018), which gathered the right momentum of the end of the Cold War. However, the former critiqued the latter on its oversimplified generalisation assuming democratic changes will invariably come after the victory of the capital.

Given its significant contribution to the study of modern Indonesia, the political economy approach has been immensely criticised by, not surprisingly, the conservative American behaviourists, who, after they lost academic importance for two decades (1990s and 2000s), have rekindled the argument presupposing the level of analysis of individual choices as opposed to the role of class. The two differ in substantive matters such as what research question ought to be asked about, and consequently their preference and utility of analytical instruments contradict each other. For instance, an American behaviourist, William Liddle (Aspinall, 2017), has recently argued against the proponents of political economy by noting that class analysis makes it difficult to see if reformation is actually pushed by individuals who are able to break the constraints of social structures. This critique is specifically directed at Robison and Hadiz (2017), the true defenders of political economy. Other behaviourists, like Winters (Masters & Delaney, 2017), took issue with the lack of attention by political economists to the influence of international capitalists having been exerted through the integration of Indonesian economy into the global market. Their requirements of change in domestic structures and the processes that follow are regarded to have been neglected by class analysts. In other words, it shows discomfort of too much focus on domestic drivers of changes taking place in Indonesia. After all, Edward Aspinall (2013), asks a stinging question as to how useful is the political economy approach to employ in analysis of current Indonesian polity and society.
Nevertheless, political economy is a necessity and continuously relevant for Indonesian and also Southeast Asian studies. The approach is derived from factual historical and political contexts indicating the capitalist development that is engaged with political dynamics at national and international levels. Additionally, the saliency is discovered more succinct in the use of comparative methods. Southeast Asian nations were born as post-colonial entities. They inherited not only the former masters’ domestic structures, but problems of social tensions due to ideological rivalries of the Cold War regime. The bourgeoisie, the military and bureaucrats allied against leftist forces in the stiff domestic struggles, reflecting the wider incompatibilities between the capitalists and the socialists. Democracy was built amidst ironical new metropolitan causes which emerged as a result of uneven economic development, rapid urbanisation, repression of peasants, marginalisation of labours, and local self-determination aspirations.

Against this backdrop, political economists are intended to study the implications of capitalist development for the state’s political management. To this end, they have to confront the very basic tenets of modernisation theory which postulates the coming of democracy or civic life after successful economic development indicated by sustainable growth of income. Almond and Verba (Oberle, 2016), had argued that civil society would have control over governance following their rising economic capabilities, and modernisation through education would create critical peoples who are aware of democracy, transparency and egalitarianism. This developed more strikingly into theories of civil society and populist democracy of the likes of Putnam (Menchik, 2016). Nevertheless, the biggest hindrance to democracy in Southeast Asia lies in cultural nature of the local societies. Democratic social change was faced with feudalism practiced by the Javanese in Indonesia. Whilst, in Thailand and the Philippines, pre-modern aspects mainly expressed in primordial’s politics characterised the way the state was managed. As a result, administration was not run with the rational values encountered in modern and industrialised Western societies. What appeared was that governance was being dominated by undemocratic traditional features of national leadership. This picture of post-colonial society was well-described by, for instance, Fred Riggs (Ikeanyiibe, 2017), who offered the concept of prismatic society and bureaucratic polity. The prismatic society is, according to Riggs, neither entirely traditional nor modern, but is led by old cultural traditions and norms, although establishing Western-style structures and institutions. Therefore, countries like Thailand seems to be modernising, but political decision-making continues to be dictated by a very limited number of powerful bureaucrats, who are untouchable despite the existence of modern political institutions such as parties and parliament.

Riggs referred to the American sociologist tradition of Talcott Parson in delineating how a prismatic society is formed and maintained. His ideas came to light as well in Indonesian studies. For example, Karl Jackson (2018), employed Riggs’ bureaucratic polity conception
to depict the structure and analyse the construction of the New Order government, which was controlled by several hundred peoples with high level positions in bureaucracy and the military; both were cut off from the rest of the society in spite of the ostensible presence of modern political representation. This mode of analysis employs structural functionalism to elucidate why political authoritarianism could be strongly installed in Indonesia. The later generation scholars, such as Hewison (2018) and Ockey (2019), have engaged in extensive critiques of Riggs’ model, that bureaucratic polity analysis is inadequate for understanding the present situation in Indonesia, in particular the emphasis on bureaucracy structures underestimates a wide array of competing interests of wealthy entrepreneurs, provincial notables, middle class voters and identity political advocates, who have in various respects developed their own path and claim to power.

The turn towards political economy theory of contemporary Indonesia’s development was strengthened by the change to the Southeast Asian landscape with the ever-stronger integration into the global capitalist economies and the effects of the decline of the Cold War. Its importance too was recognised to have subjugated the cultural-deterministic theory which placed the old cultural traditions to be the main focus of unit of explanation. However, social change does not necessarily mean to follow in Western ideals either in politics or economy. What was clearly happening is that there was a transformation of capitalist development which did not suit the needs of liberalism. Also important was that the rise of the political economy approach presented the critiques of dependency theory with reference to Southeast Asian cases. In the region, domestic structural and historical factors come out to be the more determining factors of changes than external ones such as the interests of cosmopolitan capitalists and states.

The work of Sundaram (2016), on Malaysia displays a parallel with the critiques of modernisation theory, in particular with its historical analysis on domestic structural changes. Working within the perspective of political economy, social transformations in Malaysia, according to Sundaram (2016), were reviewed as the consequence of domestic driving forces, though including some elements of the global capitalism. In other words, the aim of the analysis was to show class formation as a result of the flows of national economic integration into the broader context of world capitalist economies characterised by never-ending class conflicts, which in part was mediated by the state. At the same trajectory, the work of Wurfel (2016), on the Philippines was about the formation of a new coalition of power under the dictatorship of President Marcos, that was taking over control of politics and strategic sectors of the economy from the old traditional elites that had been entrenched since the colonial era. Although constructed in a different historical context, this work resonated with the political economic analysis of the social underpinnings of the state’s power in Indonesia, represented primarily by Robison’s work, which focused on the ever-growing alliance between major business elites and a group of bureaucratic officials. Therefore, over the decade of 1980s,
there was a unity in research themes and styles of analysis amongst students of modern Southeast Asian studies, though they must have rested on different specific social transformation contexts.

Hweson’s book (1989), traced the historical emergence of the capitalist class in Thailand and contextualised it within the deeper social and political effects of capitalist transformations as well as class struggles, which in a sense also took place in the comparable case like Indonesia. The book, in addition, showed the key components of the processes and dovetailed each leading element of the capitalist class and its link up with the state power in exhaustive analysis. In other contexts, Rodan (2016), analysed how the state in Singapore becomes the main driving force to facilitate capitalist industrialisation and successful integration with the broader scheme of the world economy. The process even had started since the 1950s through policy devices made possible by the People’s Action Party (PAP). Moreover, Rodan pointed out that there was no obvious connection between successful capitalist development and the prospect for regime changes to democracy. With a focus on the nature and roles of capitalism in a contemporary Asia/Southeast Asia, political economists have engaged in studies about political and economic institutions which turn out to be the arena of class conflict over the larger distribution of power in a capitalist society. They also endeavour to explain interests and conflicts prompting impetus for and against institutional reform and rendering the space where the government may be going (Hadiz: 2013, p. 214).

**Political Economy and the Changing Indonesian Context**

Likewise, along with its immediate impact on the scholarship of modern Southeast Asian polities, the political economy approach brings to mind the discourse of development in Indonesia away from the orthodoxies of American-behaviourism and structural-functionalism. Exposure to a Western style of education received by the countries’ elite initiated the systematic adoption and application of a liberal political system and capitalist-oriented economy in accordance with the precepts of the classical modernisation theory, and of course, the leaning towards the Western bloc during the Cold War rivalries. Beginning in the 1950s, a stream of Indonesia’s bureaucrats and academics were provided with scholarships to study, especially in the United States. In a way they were prepared for containing the growth of the Indonesian Communist Party, as they were to be allied politically with the military officers. Eventually, it was the groups of Indonesian economists and technocratic scientists called the Berkeley Mafia (Wicaksono, 2018) who became the vanguards for modernity through the installation of Western educational thinking and institutions in the country.

However, the classical modernisation theory underwent significant revisions. Huntington, for instance, had shifted the focus of modernity from democratic pluralism to a more exogenous
state power institutionalisation and the maintenance of political order. Within the scholarship on Indonesia, Liddle (2018), indicated that the struggle by class for an alternative to the New Order authoritarianism in the 1980s might have become a descent of instability. This kind of reasoning said that the authoritarian New Order was functional to the creation of stable economic performance. This was closely related to the fact of developmental policies which were to be feasibly employed and had the blessing of Suharto, who owned personal interests. Thus, Suharto’s penchant for modernisation through the promotion of economic growth, supported in large by the programmes of international development organisations made possible economic development to work. This was perhaps the reason behind Indonesia’s recovery in the aftermath of the windfall of the oil prices sparked by the Arab-Israeli war of 1973. It was also argued that Suharto’s political ability and personal skill had brought him to be able to override administration, and then sustain modernisation processes to suit his defined interest (Colasanti et al, 2018).

Huntington’s view was precariously taken up by a group of intellectuals assembled in the Jakarta-based Centre for Strategic and International Studies. The Centre’s main patron, General Ali Moertopo (1973), had elaborated upon the concept of developmental policy placing political stability at any cost for the sake of economic growth. In fact, the roles of Moertopo were more intervening in respect of the making of the New Order’s political system in the early 1970s. He was the creator of the party system where the government-backed Golkar had always won elections in the manipulated competition with two other artificially formed parties. At the same time, activism of civil society was systematically curtailed with an argument that the people at large had to be divorced from political practice in order to pave the way for smooth economic development. Lastly, following the crushing of the communist forces, it was then the Islamic movements that became targeted for control since this was the only way that actually had the capability to mobilise grass-root power.

Under this circumstance, the political economy approach came out at the fierce debate/discourse on development and underdevelopment in Indonesia. For example, the work of sociologist Rex Mortimer (Shils, 2017), which was concerned with the fate of the traditional Javanese peasantry, whose lives had been forever changed by the effects of political turmoil in the erstwhile decade. The conditions were exacerbated by the forceful displacing effects of capitalist development in the hinterland of the densely populated island of Java. Mortimer was the most vocal academic insisting on the pretty much utility of class analysis in the studies on modern Indonesian society. Yet, Mortimer’s work did not engulf sharp critiques of the coalition between oligarchies of the state as the more sophisticated representation of the political economy approach.

The political economy approach intervened significantly in modern Indonesian studies at a time when dependency theory and world systems analysis were being supplanted by the more
orthodox Marxist theorisation of modes of production and class formation. Indonesianists like Robison were evidently influenced by the works suggesting Marxist critique of dependency theory as represented by Warren (Ghosh, 2019). The focus of that critique was on the issue of the roles of internal drivers which prompted social and political changes in the Third World, such as capitalist class formation as well as the state and its apparatus power, as opposed to the external ones. The contribution of this developmental discourse was in particular important with regard to the fact that most political economists had been borne of the hallmarks of dependency theory. This is to say, if the perspective offered by political economists constituted the shift in their personal intellectual interest as much as it reflected interests in major intellectual debates on the broader theoretical issues on development and underdevelopment (Amado, 2018).

With regard to the scholarship of political economy in Indonesia, it is worthwhile mentioning the contributions of well-regarded works by MacIntyre (Rosser, 2002; Couch & Bernacchio, 2019). They showed different dealings with the state-capital relationship themes and curved their own influences on intellectual properties of the area of studies. MacIntyre contributed to the discourse of Indonesia’s development by applying the North American neo-institutionalism of political economy according to which, though unlike the Marxist political economists, scrupulous detail of analysis was devoted to see the sights of the influence of Indonesia’s bourgeoisie on political institutions. Consequently, explanations were extensively directed to the behaviour of business associations in influencing policy making. Another example is a PhD thesis written by Ian Chalmers at the Australian National University (submitted in 1988), discussing the role of the state in the development of Indonesia’s automotive industry. This was a perfect instance of substitutive industrialisation of the New Order, with its longevity largely aided by the booms of oil revenues in the 1970s and early 1980s. As a political economist, Chalmers was concerned with analysis on Indonesia by visiting the broader theoretical debates on Marxist scholarship of political economy.

In fact, the scholarship of political economy received significant academic attention in Indonesia two decades after the brutal crush of the communist power. The most prominent figure who introduced the approach, and did important works within the perspective, was the late Farchan Bulkin. He taught political science at the University of Indonesia (in Bahasa Universitas Indonesia) after completing his PhD at the University of Washington. Bulkin’s writings, published in 1984 and 1985 – which were substantially adaptations of his PhD thesis, were well-received and read as major references for Indonesian academics and activists during that decade. Other main contributors to the development of political economy in the country were sociologists who had received Western educations. One of them was Arief Budiman, who was also one of the most critical intellectuals of the New Order era. Budiman’s contributions can widely be encountered in mass media column and opinion piece publications, despite his seminal 1982 work. However, both Bulkin and Budiman still tended
to refer to dependency theory with its various orientations. Bulkin was intellectually influenced by Hamza Alavi’s work, which was a South Asian variant of dependency theory that highlighted the concept of an overdeveloped post-colonial state and peripheral capitalism to explicate the causes and impacts of the persistent underdevelopment and political authoritarianism. The influence of dependency theory was encountered in the non-governmental organisation activism especially in the form of research institutions – for instance, Lembaga Studi Pembangunan (the Institute for Development Studies) - which was also set as a forum for gatherings of anti-Suharto students prior to co-optation of the government through organisations like ICMI. Adi Sasono and an economist, Sritua Arief, were of those critical of the New Order’s model of development. Through their book published in 1981, Sasono and Arief argued that Indonesia had been entrapped into perpetual dependency even since colonial times.

At this point, then, there is a question to raise on why the discourse of development and underdevelopment became popular enough in the New Order’s Indonesia. Perhaps, in the 1980s, Indonesia was undergoing structural and social changes also taking place in other parts of Southeast Asia. That decade too saw the heights of Suharto’s power noticeable in the ability of the regime to push through controversial legislation which enforced ideological conformity across political parties, and that allowed the state greater control over all aspects of political and social life. Even though the oil price crisis was over at the beginning of the decade, the Indonesian government had started to earn more credits from international financial institutions for the deregulation policies designed to enhance Indonesia’s international competitiveness (Robison and Hadiz: 2004). Within this context, academics and activists in the country might have been aware of the necessity to understand the dynamics of Indonesian politics through an application of a framework of thinking that went beyond analysis centred on personal rule legitimised by patrimonial values and went straight to the core issue of how political and economic power in the country was organised. Thus, political economy rendered an alternative to which the generation of Indonesian scholars and activists of the 1980s could learn useful conceptual instruments to assist them to appreciate the developments of the society where they lived and struggled. Nonetheless, the proponents of dependency theory in Indonesia, such as Bulkin, Budiman, Sasono and Arief, did not do very much concerted research to expand their intellectual milieu so that they could exert more sustainable influence on the scholarship of Indonesian political economy.

That said, political economists – mainly a significant number of Indonesian students – having been involved in extensive studies and research overseas, were more interested in the approach offered by scholars like Robison of Murdoch University’s Asia Research Centre. Their research did not only engage with the discourse of Indonesian state and bourgeoisie developments, but also encompassed the more complex issue of Indonesian capitalism. Daniel Dhakidae’s PhD thesis done at Cornell University (1991), for example, demonstrated
the implications of the rise of Indonesian capitalists for the control over the newspaper industry in the country. Later in 1997, Vedi Hadiz published a book about labour and the state power in Indonesia, which was originally a PhD thesis submitted to Murdoch University under the supervision of Robison. Those respective works plainly set down problematic aspects of the state-capitalist relations in Indonesia. Still another work in this line of thought is the book of Christian Chua (2008), which addresses strategies of big conglomerates to maintain their primacy in politics and economy in spite of the demise of the authoritarian regime that made it possible for them to emerge in the first place. Interestingly, with the focus on Indonesia’s Chinese businesses, Chua has successfully combined political economy and ethnic identity politics, hence cleverly displaying the more viable and feasible political economic frameworks in the research on contemporary Indonesian’s development.

In the aftermath of the fall of the New Order, Indonesia is regarded – in many literatures as varied as Aspinall (2005) and Carnegie (2010) – as a case of successful democratic transition or consolidation of democratic power. Political economists do not ignore this trend, but attempt to touch upon it in a consistent, critical manner. However, as Thomas Carothers (2002), argued earlier in the 2000s, the literature on democratic transitions has lost its lustre. What is happening now in many cases of post-authoritarian regimes is merely all kinds of deviations of the liberal democratic ideals that have replaced authoritarianism, and these phenomena are intently unacknowledged by the followers of the literature. No political economists had previously predicted that Suharto’s regime would collapse at the end of the 1990s. But they commented on the unlikelihood of bourgeois democracy to be inculcated in the country. More importantly, political economists, especially Robison & Torvik (2005), were sceptical of the prospects for free markets, foreseeing that the continuing relationship between the state and the capitalist will only perpetuate the predatory system of capitalism which is not susceptible to any institutional reform.

Against the stream of liberal ideas of democratic transitions, relying mainly on the transformative capacity of political institutions and the rational choices of individual elite, political economists remain to believe in the power of analytical tools embracing concepts of deeper capital transformations and the historical processes of social and political conflict. To exemplify, the work of Robison and Hadiz (2004), criticises all types of institutional change theories and argues that the most crucial problem in Indonesia is the absence of cohesive social and political coalitions being capable of placing significant challenges to the oligarchic power of the post-Suharto government. In this perspective, new social interests and actors emerging from the democratisation are absorbed into the logic of oligarchy and that the democratic transitions have come to suit the salient interests incubated in the New Order. For instance, they maintain ascendancy to power by such means as money politics and the use of violent non-state agencies. Indonesia’s convergence with the European model of regulating capitalism in politics and economy is rejected as a reality to be expected in the future. This is,
or has been, closely related to the reason that the struggles for democracy and accountability are waged. So, this is to say, neither individual choices nor institutional reform could occur in a vacuum historical context, and hence the past social conflicts would continue to set the parameters for possibilities.

These theoretical issues are evidently developed by recent political economists who pay a great deal of attention to the relationship of capitalist development and political power in democratic Indonesia, with a wide array of themes that have not been discussed before. For example, Agus Sudibyo and Nezar Patria (2013), write about the rise of capitalist interests, the political elite’s agenda and the growth of news industries in Indonesia; arguing that the golden era of print media has passed, and is to be replaced by electronic media especially the television. They suggest that, unlike print media, which was tightly controlled by the New Order state, the television industry now enjoys free broadcasting environments. However, the owners of the currently chief televisions have built their media networks since Suharto’s era, and they are running in the political power contestations. Subsequently, televisions are utilised to deliver their preferred agendas, thus indicating the obvious connection between political and media oligarchy. In contrast to the observation by Sudibyo and Patria, the Indonesian economic sociologist Rochman Achwan (2013), displays that the traditional Muslim community’s industry, with reference to the garment enterprise in Pekalongan, continues to be a marginal sector, despite the capitalist economy thriving and expanding from the capital city of Jakarta. Achwan argues that garments during and after the New Order have never appealed to the interests of the political elite. Therefore, the garment communities cannot obtain significant access to the state power, and exert important input for policy making. As a result, businesses living in the peripheral circles of politics have to develop a kind of resilience in order to survive.

Conclusion

In conclusion, all of the works of political economists reviewed here, according to their subject matter, varying levels of change and continuity in Indonesian polity and society, and with a particular relevance to comparative studies on Southeast Asian context, have put forward specific perspectives regarding the question as to why a certain element of the state and society changes while the others have stubbornly unaltered. This is the area of enquiry where the political economy approach can be productively employed.
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