
Bambang Purwanto
Professor in Indonesian economic history, Gadjah Mada University

Abstract
This contribution is about how political images created in Indonesia in the immediate aftermath of decolonization acquired a divisive rather than a unifying character. The answer is sought in the tendency towards guidance that came to the fore during the Guided Democracy and Guided Economy. The analysis starts with matters of periodization arguing that the Guided Democracy and Guided Economy in fact began in early 1957. Then, the economic content of the newly created post-colonial images is surveyed. Finally, the article takes a closer look at the precise role played in this process by Soekarno and Hatta. The article concludes by pointing out the great diversity of perceptions of the Guided Economy and also the relatively weak economic substance in these perceptions.

Keywords: Guided Democracy, Guided Economy, politics, decolonization

Introduction
After the declaration of Indonesian independence in 1945 known and the unsuccessful Dutch attempt to restore colonial rule, Indonesia pursued her destiny and became a sovereign nation-state. Having succeeded in achieving this aim, Indonesia entered the 1950s with great expectations. Yet, reality was not always as expected. Indonesians found themselves in the midst of ‘conflict and confusion’ and the nation was described as a ‘perennial candidate for the title of most troubled country’ by Willard A. Hanna, a senior member of the American Universities Field Staff, observing Indonesia from nearby during the 1950s and 1960s (Hanna, 1961). Indonesia ended up in a situation in which constitutional democracy was declining with the political system moving towards a ‘guided republic’ (Feith, 1962). Despite benefiting from the worldwide economic boom after the Korean War and the success of hosting the Asia-Africa Conference and staging a democratic general election in 1955, Indonesia was overshadowed by political instability, conflicts between centralism and regionalism, slow economic development, accelerating inflation and a rising budget deficit. The nation’s first five-year development plan, launched in 1955, could not be implemented as expected and was shelved for a variety of reasons (Thee, 1996). The changing world political order in the wake of the Cold War affected Indonesia deeply, and for worse. This all seems to account for a history of missed opportunities. Nevertheless, the Guided Economy (Ekonomi Terpimpin) ‘did not seems quite as disastrous and gloomy at the time despite the nationalization of Dutch assets and the disruption that inevitably followed, which was not as catastrophic as many had predicted’ (Mackie, 1996).
While Indonesia was attempting to forge the foundation for the creation of an identity as a nation-state different from the colonial state, President Soekarno continued to 'keep on fanning the flame of the leaping fire of revolution' onto the unfinished revolution. Being an independent country was not enough. Indonesia needed a revolution to achieve the national goal of an Indonesian-styled socialism (Soekarno, 1961). Those disagreeing argued that 'what is left unfinished is not the revolution itself, but the effort to carry its ideals into effect' (Hatta, 1956). These two perceptions in Indonesian political society were interpreted by Benjamin Higgins as a division between the history-minded group wishing to 'convert the colonial economy into a national economy' and the economics-minded group eager to 'making the economic pie grow' (Higgins, 1957). A similar dichotomy was identified by Bruce Glassburner, distinguishing between 'a very small group of pragmatically conservative political leaders' and an 'increasingly powerful political opposition of generally radical orientation' (Glassburner, 1971). Mackie divides the two major groups into factions representing the interests of consumers and producers respectively (Sasono, 1982). Feith uses the terms 'solidarity-makers' and 'administrators' to differentiate between those relying on integrative skills and those possessing administrative, legal and technical capacities to manage a modern state (Feith, 1962). To what extent can the split nature of Indonesian ideals during the 1950s and 1960s be ascribed to the notion of guided policies? That is the chief question addressed in this contribution.

This question will be discussed by exploring the formulation of the Ekonomi Terpimpin in a political economy framework in order to better understand the construction of Indonesian political reality in the 1950s. Most previous studies have tended to position the two different groups in direct opposition to one another. Yet, it remains unclear whether this distinction actually held true also for the Ekonomi Terpimpin and its relationship to construction of political images. For instance, the fact that Higgins leaves out Hatta from the history-minded group does leave several questions unanswered. The following discussion consists of three sections dealing with respectively timing, conceptual images and the parts played by Soekarno and Hatta.

**Periodization**

Following conventional Indonesian historiography, the year 1959 is considered to have been the starting-point of the Guided Democracy and the Guided Economy. In that year, President Soekarno announced the return to the 1945 Constitution and the dismissal of the Constituent Assembly. The new era of Guided Democracy (Demokrasi Terpimpin) and Guided Economy (Ekonomi Terpimpin) followed the decline of constitutional democracy in Indonesian political history. Reading through the text of what had actually happened in Indonesia since 1957, I believe that the period from 1957 to 1959 forms a separate category. This period signifies the beginning of all guided policy-related matters and changes of regime in modern Indonesian history.

It began on 27 February 1957 when President Soekarno presented his presidential conception in front of political leaders and other members of the national elite. He claimed that parliamentary democracy as practiced in the Western world was not suitable for Indonesia. Therefore, it should be replaced with ‘Guided Democracy’. He again repeated his dissatisfaction with current political practices urging for a new political athmosphere in his speech on 17 August 1957 commemorating twelve years of Indonesian independence. According to Soekarno, guided democracy reflects both a guided mentality and collective democracy. Sukarno blamed the decree issued by Hatta on 3 November 1945 by which Indonesia adopted Western-style parliamentary
democracy with many political parties. By contrast, Soekarno wanted a state-centric democracy, a democracy based on Indonesian traditional values of mutual cooperation able to provide social justice to all the people (Soekarno, 1964). In order to realize his political will, Soekarno invited the four main political parties - Masyumi, Nahdlatul Ulama (NU), Partai Nasional Indonesia (PNI) and Partai Komunis Indonesia (PKI) representing respectively Islam, nationalism and Marxist socialism – to form a joint ‘four-leg’ cabinet, also adding a functional group as a new category in the Indonesian political space (Sasono, 1982). Next to rejecting the idea of the free-fight liberalism of parliamentary democracy, Soekarno also showed an hesitation about political autonomy. He preferred the administrative bureaucracy to be centralized rather than giving more political authority to local government. In his reaction to the growing idea of regionalism, Soekarno accused autonomy without nation-centrism of separatism and ‘Balkanization’ threatening the unity of Indonesia (Soekarno, 1964).

Still in 1957, President Soekarno declared a state of emergency following the resignation of the second cabinet led by Ali Sastroamidjojo on 14 March. This measure not only enlarged the President’s executive powers but also reinforced the tendency towards centralization of policy, in particular after December 1957 when the state of emergency was elevated to state of war. This policy also provided more space for the military to get directly involved in day-to-day politics (Lev, 1964). In April 1957, Soekarno formed a new cabinet and asked Djuanda to lead the government without the necessity to consult parliament. By denying the parliament its role, Soekarno put his authority above all others and became an authoritarian figure. In addition, it is interesting to note the appointment of two ministers still in active military service in the new cabinet which means that the direct participation by the military in the operations of the Indonesia’s government operation began. In early December 1957, a large-scale action took place aiming at taking over most economic sources owned by Dutch firms and citizens. This action also strengthened the involvement by the military in business, an economic role which had been founded already at an earlier stage. Many nationalized firms were now managed by military officials (Sasono, 1982; Purwanto, 2009). Although it was not until 1959 that the guided policy was officially installed by Soekarno in his MANIPOL speech, commemorating the fourteenth anniversary of the Proklamasi, several of the main elements of the guided policies were already in place 1957. By 1958, the term Ekonomi Terpimpin, for example, was widely known among members of the nation’s political elite. It was frequently applied by the prime minister and the governor of central bank (Yunus, 1959). With regard to the historiography, the beginning of the guided regime was not in 1959 or after the dismissal of the elected parliament and constituent assembly in 1960, but in 1957.

**Political concepts**

During the first two decades after the proclamation of independence, different constitutions were introduced to meet the needs of political and regime change in the process of creating a sovereign nation-state state that was fundamentally different from the preceding colonial state. The first national constitution after the Proklamasi was labelled Undang-undang Dasar 1945 (UUD 1945), followed by Undang-undang Dasar Republik Indonesia Serikat (UUD RIS). The latter was designed to suit the political agreement between the former colonial power, Indonesian nationalists under the Republic of Indonesia (RI), and other factions in Indonesian society, which in December 1949 resulted in the Republic of the United States of Indonesia (Republik Indonesia Serikat). The abandonment of RIS in August 1950 due to the stronger and predominant position of RI did not cause a
return to UUD 1945, but the introduction of a new, so-called tentative constitution known as Undang-undang Dasar Sementara 1950 (UUDS 1950). This constitution was in due course also abandoned, after the reinstatement of UUD 1945 in July 1959, following unresolved political disagreement between various groups in parliament. Such disagreement served not only to delay the return to the original constitution, but also caused growing distrust and dissatisfaction with the political parties, particularly on the part of President Soekarno and the armed forces. Although Pancasila still enjoyed its position as the sole state ideology, each political group brought its own ideology along, notably Islam, nationalism and Marxist socialism.

The flamboyant President Soekarno coined various political slogans to convey his political ambition in the name of the on-going Revolution. Next to his long-standing synthesis of nationalism, religion and communism – Nasionalisme, Agama, Komunisme (NASAKOM) – Soekarno introduced sosialisme ala Indonesia, Demokrasi Terpimpin, Ekonomi Terpimpin and Kepribadian Indonesia (USDEK). They were all part of his Konsepsi Presiden of 27 February 1957 and his Manifesto Politik (MANIPOL) presented on 17 August 1959. Despite widely varying interpretations of the state ideology Pancasila, the President and the political elite always depicted Indonesia as perfect and democratic, serving the people and sharply contrasting with the exploitative and intolerant colonial state (Soekarno, 1964). People sovereignty was always first mentioned in order to give a democratic impression of Indonesian politics.

From the start there was a radical political consciousness among the nationalist leaders in strategic positions of government operations concerning the role of capitalism and liberalism in the newly independent country. According to them, Indonesia was no longer the colonial state of the Netherlands Indies but a country with its own sovereignty that should be free from imperialism and matters related to colonialism (Sukarno, 1964). Because of the dismal experience in colonial times, independent Indonesia could not accept any economic principles embracing capitalism and liberalism. These Republican leaders still remembered that capitalism was an alien, ‘een plant van vreemden bodem’ as formulated by the leaders of Budi Utomo. Cokroaminoto, the prominent nationalist leader from Sarikat Islam, referred to capitalism as ‘het zondig kapitalisme’ (Hatta, 1967). Hatta time and again, under whatever circumstances, expressed his preference for a socialist economy in Indonesia, an economy based on cooperatives for mutual prosperity and social justice with a strong notion of state responsibility and control over economic resources, the very opposite of the capitalist and liberal economy of the colonial state (Hatta, 1963). Such a preference was similarly voiced by Soekarno in his political concepts Ekonomi Terpimpin and sosialisme ala Indonesia, both parts of the unfinished Indonesian revolution.

The founders of Indonesia were fully aware of the fact that by the declaration of independence they had just arrived at the gate and not yet entered the house of independent Indonesia (Hatta, 1956). No longer being a colony does not mean independence in social, economic and cultural terms. The idea of independent Indonesia had emerged already in colonial times. It now needed to be transformed by Indonesian themselves into relevant policies to achieve social justice and prosperity for a people living in the sphere of independence. In a radio speech commemorating the first anniversary of the Proklamasi on 17 August 1946, Hatta stated that Indonesia should take the path of a social revolution next to that of the national revolution (Hatta, 1956). In order to achieve this goal, Hatta argued, Indonesia needed to be democratic in political and economic terms (Hatta, 1967).
There was a growing concern in the Indonesian political elite that the colonial mentality, which in the past had caused so much suffering to the Indonesian people, could be revitalized by Indonesians in the independent era (Effendi, 1950). The expression of such fears was directly related to the unconventional financial policies introduced by the RIS cabinet in 1950, thought to cause impoverishment of ordinary people whilst giving financial advantage to the rich. Such images were alive in Indonesia until the mid-1960s. The dissatisfaction found a more radical feeding-ground in the PKI campaigns, in particular during the early 1960s when communist groups were gaining strength. They consistently rejected the idea of separating politics from the economy. In their view, Indonesia could only solve its economic problems by confronting imperialism and feudalism (Aidit, 1964).

So, what does Ekonomi Terpimpin stand for? Honestly, this is not easy to answer. A small book entitled Bersamaisme atau Ekonomi Terpimpin (Togetherness or Guided Economics) was published in Yogyakarta a few months before President Soekarno on 5 July 1959 declared the return to the 1945 constitution. Interestingly, the expression ekonomi terpimpin is there translated as ‘guided economics’, not ‘guided economy’ as is the usual translation. The writer was Kahrudin Yunus, an Islamic scholar with a doctorate degree from the United States. According to Yunus, Ekonomi Terpimpin is based on working together in the process of production and together enjoying the benefits. In accordance with his Islamic background, Yunus points out that ‘working’ is the main principle in Ekonomi Terpimpin. He distinguishes between evil trade and an acceptable transaction of selling and buying. Yunus proposes the creation of ‘peoples’ markets’ to replace conventional trading activities in order to gain mutual prosperity. He has no hesitation to disassociate himself from both communist and capitalist economic principles (Yunus, 1959).

Nearly a year later, Liem Tuan Djie in his inaugural speech as professor at Airlangga University in Surabaya pointed out that ekonomi terpimpin is politics, not the economic science. Lim’s statement refers to a speech by Hatta a few months before when the former vice president and the highly respected economist argued that ekonomi terpimpin is also ekonomi. According to Lim Tuan Djie, ekonomi terpimpin should be ‘relabelled into politik ekonomi terpimpin, guided political economy, and clearly distinguished from ilmu ekonomi, the science of economics (Liem, 1960).

In a positive perspective, politik ekonomi terpimpin is ‘politics in the field of economy where government is involved intentionally and systematically’ through its economic institutions based on an Indonesian-style socialism in order to achieve social justice and prosperity. For that purpose, Lim distinguishes the prosperous and the rich. In a negative perspective, politik ekonomi terpimpin is defined as the polical economy opposite of liberalism and the principles of laissez-faire laissez-aller (Liem, 1960). A few months before Sukarno officially declared the Ekonomi Terpimpin together with the Demokrasi Terpimpin as the way out for the Indonesian revolution, Hatta expressed his opinions. An economist by training, Hatta started out with different definitions of Ekonomi Terpimpin. According to Hatta, Ekonomi Terpimpin in general is the opposite principle of liberal economy. Whereas liberalism requests the government not to intervene in economic life, Ekonomi Terpimpin by contrast presupposes systematic government action to regulate the national economy in order to achieve social justice (Hatta, 1967). In short, for Hatta, Ekonomi Terpimpin is a constitutional mandate under whatever government. Meanwhile, according to Soekarno, Indonesian socialist economy is Ekonomi Terpimpin. If guided
democracy is a governmental system, Soekarno considers Ekonomi Terpimpin as a social system (Soekarno, 1961; Amin, 1963).

Soekarno and Hatta

President Soekarno in fact did not much care about the conceptual aspects of his economic views, although he, just like others, wished to see a bigger role for the government in the economy under the Ekonomi Terpimpin (Mamoer, 1966; Djambek, 1965). Although Soekarno himself was not in favour of foreign private capitalists, he at the same time encouraged the role of the private sector in order to further Indonesian development (Rahardjo, 2001). The Ekonomi Terpimpin conception is just a narrative of Soekarno’s rhetoric to create an image concerning people’s sovereignty without any real economic meaning. In his speech in 1957, Sukarno mentioned about a Gerakan Hidup Baru, a new life movement. This movement is referred not only as a modest way of living, but also implied raising exports, reducing imports, and using more domestic products in order to accumulate national capital (Soekarno, 1964; Rahardjo, 2001).

More confusion can be seen in textual realities surrounding the Deklarasi Ekonomi (Dekon), the declaration of an economic development plan prepared by prominent economists at the Universitas Indonesia in Jakarta in 1963. The group of authors differed markedly from the Dewan Perancang Nasional (Depernas) National Planning Council, led by the politician Mohammad Yamin and containing not a single professional economist. The new committee, headed by Sudjatmoko and Sarbini Sumawinata, brought in many economists to prepare the document. Dekon as a part of Ekonomi Terpimpin was accepted by both Soekarno and the PKI as part of the campaign against imperialism and feudalism (Aidit, 1964; Djambek, 1965). At the same time, the document in fact contained many liberal and capitalistic economic principles (Sasono, 1982; Thee, 1996).

In the second half of 1965, shortly before the G30S attempted coup, Soekarno introduced a new economic conception berdikari (berdiri di atas kaki sendiri, standing on one’s own feet) as a part of Ekonomi Terpimpin and subsequent stages of the Indonesian revolution. This concept is in fact not substantially different from the previous ones, but linguistically it includes more political indoctrination. Soekarno focuses his berdikari economic conception to a direct confrontation between the new emerging forces (NEFO), breaking the ‘lifeline of imperialism’, and the old established forces (OLDEFO), seeking to protect the ‘lifeline of imperialism’ (Rahardjo, 2001). In short, for Soekarno himself Ekonomi Terpimpin is MANIPOL itself which consists of freedom, prosperity and justice within a wider framework of a unique Indonesian-style socialism, considered by the President to convey the true Indonesian identity (Soekarno, 1964). The economic conception of Ekonomi Terpimpin is not economics but politics.

As the most powerful national figure after the resignation of Hatta as vice president in December 1956, Soekarno tends to dominate the stage in the search for Indonesian identity. This condition resulted in an ideological contestation not only between Soekarno and other political interests but also between Soekarno and the idea of Indonesia itself. He wanted to stand not only above other ideologies such as Islam, Marxist socialism and nationalism, but also above the very concept of Indonesia. For Soekarno, economy and politics are not a matter of two sides of the same one coin, but they merge with each other in the context of the Indonesian revolution (Prawirohardjono, 1964). Soekarno argues that the Indonesian revolution is a ‘summing up of many revolutions in one generation’, a mix of democracy consisting political, social, economic, and cultural revolutions. It is not surprising that Soekarno in fact supported
the takeover of Dutch economic properties and assets in December 1957 since he considered such a measure as an opportunity to realize his idea of the political economy Ekonomi Terpimpin whilst attacking the individualistic economy (Soekarno: 1964; Susastro, 2005). The decolonization of Indonesian economy is a shortcut to economic nationalization in which the government plays a dominant role in economic affairs. We can conclude that the economic decolonization of the late 1950s was more a matter of nationalization than Indonesianisasi. It was more politics than economy (Lindblad, 2008).

This brings us to the question of the role of Hatta and Soekarno during these years. Despite their different personal characters and ways rejecting colonialism, imperialism, capitalism, liberalism, and feudalism, none of them wants to see a return of the colonial mentality and system in newly independent Indonesia. They both want to see a greater responsibility for the state over production and distribution to raise people’s standards of living. However, they differ strongly of opinion about this issue. Soekarno tends to think in the political sphere whereas Hatta derives his opinion more from economics. This is again different from Benjamin Higgins who excludes Hatta from the history-minded group. In fact, Hatta built his views profoundly from historical experience and knowledge in order to convert the colonial economy into a national Indonesian economy and to have achieve bigger economic pie at the same time. When Hatta said that there can be no economic democracy without political democracy, that was his way of expressing that he was a socialist in terms of economy and a democrat in politics. Hatta indeed refused the idea of a dictatorship of the proletariat, but he wants to see a greater direct participation by the people in any economic activity.

This comes down to a sharp contradiction between Soekarno and Hatta. Hatta was eager to promote the Indonesian-style socialism of Kooperasi as an alternative to capitalism and liberalism, whereas Sukarno continued to express his fierce opposition against capitalism and liberalism through his socialist-marxist Marhaenism. In fact, however, he also tried hard to industrialize Indonesia by supporting various highly capitalized industrial projects, left alone his prestigious projects considered by economists to burden the national budget (Sasono, 1982; Thee, 1996). Through Kooperasi, Hatta wanted to get in people directly involved in the process of production and distribution as capital owners and producers, not merely labourers and consumers. By contrast, Sukarno built factories and created more lowly paid and highly dependent labour in the Indonesian economy. The weakest part of Hatta, however, lay in the almost complete absence of rural economy and agriculture in his mainstream of economic ideas, although he was aware that the majority of Indonesians were living in the countryside depending on agricultural production. Hatta paid more attention to the modern economic sectors, and hardly ever mentioned the traditional ones. Reading through most of Hatta writings, one gets the impression that his economic ideas were based more on urban space, unintentionally excluding rural space. His Kooperasi refers to economic activites in urban society, but alien to most peasants.

Conclusion

There were at least two different understandings of the Ekonomi Terpimpin in the 1950s and 1960s, one from an economic point of view, the other from a pragmatic political perspective. Despite all variations, the Ekonomi Terpimpin conception is clearly an elite construction of Indonesian political images in the name of people sovereignty. There is a big gap between what has been laid down in the constitution and the social and political reality (Ashshiddiqie, 1994). The Ekonomi Terpimpin had no real economic agenda, except
some idealistic programs overshadowed by the political symbolism of Indonesia-style socialism. It cannot not be denied that there were some realistic economic programs, but they could not be properly implemented due to strong political interests of different domestic political groups and pressure from the global political order.

Soekarno himself gave no attention whatsoever to considerations of the Ekonomi Terpimpin as economics. To him, it was more or less a matter political economy in its narrow sense. Such a conception suited Soekarno, the communist groups and then armed forces who turned to link politics and the economy together. If politics as policy starts from the truth of itself, economics is the process to find the truth. This certainly does not suit Hatta, who missed his mutual economic goal, linguistically even losing one ‘o’ of his Kooperasi in the future Indonesian economy. His Kooperasi found no fertile ground to grow in the Ekonomi Terpimpin. Apart from him being absent from the inner circle of Indonesian authority from 1956, Hatta could not find his own ground within Indonesian society due to his inability to relate to social reality. Similarly with Soekarno, Hatta’s economic ideas produced just an image of people and political sovereignty with no way for implementation.

The uncertain nature of Ekonomi Terpimpin reappeared once again in the 1970s and the 1980s when Indonesians were discussing the Ekonomi Pancasila (Budiman, 1982). In the final analysis, it was the Orde Baru with its strong military support that took advantage of the conception of Ekonomi Terpimpin. Soeharto’s New Order regime reproduced other images in the name of pembangunan, which were also considered by Indonesians as a reality although in fact it is only an artificial one. It is not surprising that it is sometimes said that the best student of Sukarno was Soeharto.

Bibliography


