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978-0-521-76793-4 - Economic Crises and the Breakdown of Authoritarian Regimes: Indonesia and Malaysia in Comparative Perspective

Thomas B. Pepinsky

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Economic Crises and the Breakdown of Authoritarian Regimes

Indonesia and Malaysia in Comparative Perspective

Why do some authoritarian regimes topple during financial crises, whereas others steer through financial crises relatively unscathed? In this book, Thomas B. Pepinsky uses the experiences of Indonesia and Malaysia and the analytical tools of open economy macroeconomics to answer this question. Focusing on the economic interests of authoritarian regimes' supporters, Pepinsky shows that differences in cross-border asset specificity produce dramatically different outcomes in regimes facing financial crises. When supporters are divided by the mobility of their capital assets, as in Indonesia, they desire mutually incompatible adjustment policies, yielding incoherent adjustment policy followed by regime collapse. When coalitions are not divided by the mobility of their assets, as in Malaysia, regimes adopt radical adjustment measures that enable them to survive financial crises. Combining rich qualitative evidence from Southeast Asia with cross-national time-series data and comparative case studies of Latin American autocracies, Pepinsky reveals the power of coalitions and capital mobility to explain how financial crises produce regime change.

Thomas B. Pepinsky is Assistant Professor of Government and a faculty affiliate of the Southeast Asia Program at Cornell University. His research appears in *World Politics*, *European Journal of International Relations*, *Journal of East Asian Studies*, *Journal of Democracy*, *Studies in Comparative International Development*, and several edited volumes. He received his Ph.D. from Yale University and taught at the University of Colorado at Boulder from 2007 to 2008. He held a Fulbright-Hays Doctoral Dissertation Research Abroad Fellowship in Indonesia and Malaysia from 2004 to 2005.

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*Indonesia and Malaysia in Comparative
Perspective*

THOMAS B. PEPINSKY

Cornell University



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If the fields are ruined, then the city too will be short of
sustenance.

If there are no subjects, then clearly there will be other islands
that come to take us by surprise.

Therefore let them be cared for so that both will be stable; this
is the benefit of my words to you.

– Mpu Prapañca, the *Nāgarakṛtāgama*

Many are the places and lands which have been destroyed by
the depredations of the young scions of the ruling house,
whose rapacious hands can no longer be tolerated by the
people.

– Abdullah bin Abdul Kadir Munsyi, *Hikayat Abdullah*

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Terms and Abbreviations

| | |
|-----------------|--|
| ABIM | Angkatan Belia Islam Malaysia (Malaysian Islamic Youth Movement) |
| ABRI | Angkatan Bersenjata Republik Indonesia (Armed Forces of Indonesia) |
| Apkindo | Asosiasi Panel Kayu Indonesia (Wood Panel Association of Indonesia) |
| ASB | Amanah Saham Bumiputra (Bumiputra Unit Trust) |
| ASN | Amanah Saham Nasional (National Unit Trust) |
| BA | Barisan Alternatif (Alternative Front) |
| Bais | Badan Intelijen Strategis (Strategic Intelligence Agency) |
| Bakin | Badan Kordinasi Intelijen Negara (Coordinating Agency for State Intelligence) |
| <i>balatkom</i> | <i>bahaya laten komunisme</i> (latent danger of communism) |
| Berdikari | Berdiri di Atas Kaki Sendiri (Indonesia's government-owned trading firm; literally, "stand on one's own feet") |
| Berhad | Limited Liability Corporation (Malaysia) |
| BI | Bank Indonesia (Central Bank of Indonesia) |
| BLBI | Bantuan Likuiditas Bank Indonesia (Bank Indonesia Liquidity Support) |
| BN | Barisan Nasional (National Front) |
| BNM | Bank Negara Malaysia (Central Bank of Malaysia) |

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|------------------|---|
| BPPC | Badan Penyangga dan Pemasaran Cengkeh (Clove Marketing Board) |
| Bulog | Badan Urusan Logistik (Bureau of Logistical Affairs) |
| <i>bumiputra</i> | Malaysian not of Indian or Chinese ancestry; includes Austronesian peoples of Malaysian Borneo (Bidayuh, Iban, Kadazandusun, etc.) and non-Malay indigenous peoples of the Malayan Peninsula (<i>orang asli</i>); also includes by law Thais and Eurasians |
| CBS | Currency Board System |
| CDRC | Corporate Debt Restructuring Committee |
| CLOB | Central Limit Order Book |
| Danaharta | Pengurusan Danaharta Nasional Berhad (Malaysia government vehicle for purchasing nonperforming loans) |
| Danamodal | Danamodal Nasional Berhad (Malaysian government body that recapitalized Malaysian banks) |
| DAP | Democratic Action Party |
| DPR | Dewan Perwakilan Rakyat (People's Representative Council, Indonesian House of Representatives) |
| DR | Dewan Rakyat (People's Council, Malaysian Parliament, Lower House) |
| FELDA | Federal Land Development Authority |
| Gerakan | Gerakan Rakyat Malaysia (Malaysian People's Movement) |
| Golkar | Golongan Karya (Party of Functional Groups) |
| IBRA | Indonesian Bank Restructuring Agency |
| ICMI | Ikatan Cendekiawan Muslim se-Indonesia (All- Indonesian Association of Muslim Intellectuals) |
| IMF | International Monetary Fund |
| ISA | Internal Security Act |
| Kadin | Kamar Dagang dan Industri (Indonesian Chamber of Commerce) |
| KeADILan | Parti Keadilan Nasional (National JUSTice Party) |

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| KKN | <i>korupsi, kronisme, nepotisme or korupsi, kolusi, nepotisme</i> (corruption, cronyism/collusion, nepotism) |
| Kopassus | Komando Pasukan Khusus (Special Forces Command of the Armed Forces of Indonesia) |
| Kostrad | Komando Candangan Strategi Tentara Negara Indonesia Angkatan Darat (Strategic Reserve Command of the Armed Forces of Indonesia) |
| MARA | Majlis Amanah Rakyat (Council of Trust for Indigenous People) |
| MCA | Malaysian Chinese Association |
| MIC | Malaysian Indian Congress |
| MPR | Majelis Permusyawaratan Rakyat (People's Consultative Assembly) |
| NEAC | National Economic Action Council |
| NEP | New Economic Policy |
| NGO | nongovernmental organization |
| NPL | nonperforming loan |
| Pancasila | “Five Principles,” the governing philosophy underlying the New Order regime |
| PAS | Parti Islam Se-Malaysia (Pan-Malaysian Islamic Party) |
| PDI | Partai Demokrasi Indonesia (Indonesian Democratic Party) |
| <i>peranakan</i> | “descendant,” refers to Chinese Malaysians descended from immigrants to Malacca or Penang in the 1800s; also refers to Chinese Indonesians who have assimilated to Indonesian culture |
| Pernas | Perbadanan Nasional Berhad (National Agency Limited) |
| Pertamina | Perusahaan Pertambangan Minyak Negara (National Oil Mining Corporation, Indonesia's petroleum parastatal) |
| Petronas | Petroleum Nasional Berhad (National Petroleum Limited, Malaysia's petroleum parastatal) |
| PKI | Partai Komunis Indonesia (Indonesian Communist Party) |

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Terms and Abbreviations

| | |
|------------------------------|---|
| PNB | Permodalan Nasional Berhad (National Equity Corporation) |
| PPP | Partai Persatuan Pembangunan (United Development Party) |
| PRI | Institutional Revolutionary Party of Mexico |
| <i>pribumi</i> | Indonesian not of Chinese or other nonarchipelagic ancestry; normally includes Indonesians of Arab ancestry |
| PRM | Parti Rakyat Malaysia (Malaysian People's Party) |
| Proton | Perusahaan Otomobil Nasional (National Automobile Corporation) |
| PT | Perusahaan Terbatas (Limited Liability Corporation, Indonesia) |
| SBI | Sertifikat Bank Indonesia (the standard debt vehicle employed by Bank Indonesia) |
| SBPU | Surat Berharga Pasar Uang (Bank Indonesia's short-term money market instrument) |
| Semangat '46 | Spirit of 1946 |
| UMNO | United Malays National Organisation |
| <i>yayasan</i> | literally "foundation," refers to a number of off-budget, unmonitored funding bodies in New Order Indonesia |
| Yayasan Pelaburan Bumiputera | Bumiputra Investment Foundation |