This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: Developing Country Debt and Economic Performance, Volume 3: Country Studies - Indonesia, Korea, Philippines, Turkey

Volume Author/Editor: Jeffrey D. Sachs and Susan M. Collins, editors

Volume Publisher: University of Chicago Press

Volume ISBN: 0-226-30455-8

Volume URL: http://www.nber.org/books/sach89-2

Conference Date: September 21-23, 1987

Publication Date: 1989

Chapter Title: Political and Economic Instability, 1950-65

Chapter Author: Wing Thye Woo, Anwar Nasution

Chapter URL: http://www.nber.org/chapters/c9022

immediately if a debt crisis is to be avoided in the medium run. We recommend the following policies:

1. Cut budget deficits by controlling spending and increasing taxes. This would keep fiscal policy consistent with exchange rate policy.
2. Maintain an anti-inflationary posture in monetary policy.
3. Amend the balanced budget rule to allow internal financing of government deficits. The deepening of the domestic market in government securities would make open-market operations by the central bank easier. The addition of this monetary tool to SBI and SBPU would tend to enhance monetary control, and thus macroeconomic stabilization efforts, tremendously.
4. Accelerate the development of the domestic financial system. Financial deepening could be boosted by the privatization of many of the state-owned enterprises. The debt situation would be improved if the government were to allow foreigners to purchase shares in the former state enterprises.
5. Liberalize controls on foreign investments in the manufacturing and agricultural sectors, especially in industries that produce primarily for export markets. In short, state and private enterprises should issue equities instead of bonds to foreign investors when financing their capital expenditure.
6. Eliminate the wide array of monopoly import licenses. The growth of manufactured exports, spurred by access to cheaper inputs, would not only increase foreign exchange earnings but would also diversify the export bundle, hence reducing the sensitivity of the DSR to the prices of a few key commodity exports.
7. Expand the tree crop sector. In addition to earning more foreign exchange, the strategy of accelerating the growth of agricultural export industries would also promote a more equitable, rural-urban—as well as inter-island—growth pattern, and ease population pressure on the urban areas.

2   Political and Economic Instability, 1950–65

2.1   Introduction

Indonesia achieved formal recognition of its political independence in December 1949 after a bitter, four-year struggle against the Dutch. President Soekarno was the dominant political figure in the 1950–65 period. The years

from 1950 to 1959 are usually referred to as the period of liberal democracy when President Soekarno shared power with elected representatives. He was the only durable presence, however; the extreme fragmentation of political opinions brought about twelve cabinet changes in ten years. The corollary of this constant reshuffling of ministerial portfolios is that government policies toward economic development were in a constant state of flux.

Needless to say, the continuous jockeying for power by various coalitions diminished public respect and support for parliamentary democracy. In June 1959 President Soekarno, with the support of the army, centralized political power in his hands by dismissing the elected representatives. The parliamentary seats were reassigned to representatives of regional interests and of "functional" groups. Examples of the latter are youth and women's groups, and religious, labor, and peasant organizations. This form of "guided democracy" lasted until October 1965 when the armed forces took over after suppressing a communist coup.

During the 1960–65 period Indonesia continually faced fiscal and trade problems, in addition to unemployment problems resulting from a high rate of population growth. The root of the fiscal problem was ever-increasing budget deficits. Since tax revenues could not rise as fast as expenditures and governments were unable to curtail spending, the deficits had to be financed by money creation. Government revenue was heavily dependent on the taxing of international trade. These trade taxes reduced profitability in the trade sector, cut real wages, and increased (disguised) unemployment, at least in the short run. High inflation and high domestic costs of production made exports uncompetitive in international markets. Occasional bans of some export commodities to stabilize their prices in the domestic market and the trade breaks with Singapore and Malaysia since 1963 made Indonesia an unreliable source of traded goods. All of these factors made Indonesia unable to translate its export potential into actual earnings.

2.2   The Course and Causes of Inflation

The episodes of economic development in Indonesia during 1950–65 can be divided into three phases, 1950–57, 1958–61, and 1962–65. Despite the political instability and destruction during the Pacific War and the Revolution, the economy performed quite well during the first phase. Measured at 1955 constant market prices, the average annual growth rate was a respectable 5.4 percent per annum, and the average inflation rate was 16.5 percent per year (table 2.1). The trade sector was badly hit by a decline in the terms of trade after the Korean War boom. Despite that, the average current account deficit during this period was less than 1 percent of the national income.

Table 2.1 shows that 1951 was the only year the government ever had a budget surplus. Since then, the budget has always been in deficit. The average amount of this deficit during 1951–57 was 1.5 percent of the

Table 2.1 **Selected Economic Indicators, 1951–69**

	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
Growth rates												
National income	6.3	3.1	6.5	6.9	5.8	2.6	7.1	−4.1	2.4	2.0	5.1	2.4
Money supply	16.9	31.2	13.4	48.5	10.0	9.5	41.2	55.3	18.8	37.1	41.4	100.9
Inflation	64.7	6.0	5.6	6.4	35.0	−1.5	54.9	18.0	13.2	20.0	95.2	155.9
Exports[a]	61.4	−27.6	−10.1	3.1	9.1	−2.0	3.0	−17.2	17.7	−9.7	−6.3	−15.8
Imports[a]	98.4	8.8	−19.3	−17.7	.3	36.3	−6.6	−32.3	−11.4	19.9	37.8	−18.7
As percentage of national income												
Government revenue	17.4	14.6	15.3	9.7	11.2	12.2	11.7	12.7	13.9	13.7	13.2	5.5
Government expenditure	15.7	17.9	17.7	11.0	12.8	13.3	14.6	19.2	20.1	15.5	18.8	9.1
Government deficit[b]	1.7	−3.3	−2.3	−1.3	−1.6	−1.0	−2.9	−6.5	−6.2	−1.8	−5.6	−3.6
Current account	.9	−3.5	−1.4	−.4	.9	−1.2	−.5	.8	.9	−.7	−4.4	−.7
Imports	5.0	12.9	9.9	5.9	5.7	6.5	5.2	3.4	2.5	6.7	7.6	2.2
Exports	7.3	12.7	10.8	8.2	8.5	7.0	6.3	5.0	4.9	9.7	7.5	2.3
Exchange rate (Rp/US$)[c]	3.8	11.4	11.4	11.5	11.5	11.5	11.5	11.5	45.3	45.3	45.3	45.3
Prices of export goods[d]												
Rubber (US¢/kg)	500.8	266.7	192.5	200.0	326.0	268.6	239.6	211.9	275.4	288.2	218.2	201.7
Tin (US$/metric ton)	11,402.0	9,736.0	7,571.0	7,619.0	7,713.0	7,923.0	7,429.0	7,109.0	7,701.0	7,652.0	8,380.0	8,320.0
Coffee (US¢/kg)	495.8	460.4	495.0	678.5	537.4	595.3	503.2	404.6	354.8	345.0	329.0	303.0
Income velocity of money	14.5	14.4	12.6	13.1	10.9	11.8	10.9	7.6	6.9	9.4	8.1	13.1

	1963	1964	1965	1966	1967	1968	1969	Annual Averages			
								1951–57	1958–61	1962–65	1951–65
Growth rates											
National income	−2.4	3.8	.0	2.3	2.3	11.1	7.1	5.5	1.4	1.0	3.2
Money supply	93.8	156.3	282.5	763.5	131.8	121.3	61.1	24.4	38.2	158.4	63.8
Inflation	128.8	135.3	594.5	635.4	112.2	84.8	17.4	24.4	36.6	253.6	88.8
Exports[a]	5.2	3.8	−2.3	−4.1	8.0	13.1	14.1	5.3	−3.9	−2.3	.8
Imports[a]	−19.4	30.4	2.2	−24.2	35.1	3.2	19.7	14.3	3.5	−1.4	7.2
As percentage of national income											
Government revenue	5.1	4.0	3.9	4.1	7.1	7.5	9.4	13.2	13.4	4.6	10.9
Government expenditure	10.3	9.6	10.7	9.3	10.3	9.3	12.8	14.7	18.4	9.9	14.4
Government deficit[b]	−5.2	−5.6	−6.8	−5.2	−3.2	−1.8	−3.4	−1.5	−5.0	−5.3	−3.5
Current account	−.3	−.1	−.2	−6.1	−4.1	−3.2	−3.9	−.7	−.9	−.3	−.7
Imports	.7	.4	−.6	−33.4	−13.1	−11.9	−11.5	7.3	5.1	.7	4.9
Exports	1.0	.5	.6	40.0	12.5	12.4	11.5	8.7	6.8	1.1	6.2
Exchange rate (Rp/US$)[c]	—	—	235.0	235.0	235.0	300.1	326.0	10.4	36.9	70.1	33.4
Prices of export goods[d]											
Rubber (US¢/kg)	191.8	177.9	184.0	164.0	140.1	132.7	168.9	284.9	248.4	188.9	249.6
Tin (US$/metric ton)	8,586.0	11,436.0	12,977.0	11,492.0	10,608.0	10,019.0	10,451.0	8,484.7	7,710.5	10,329.8	8,770.3
Coffee (US¢/kg)	299.0	361.1	356.3	336.0	294.3	301.0	302.4	537.9	358.4	329.9	434.6
Income velocity of money	16.1	15.2	14.6	26.8	23.0	24.1	18.3	12.6	8.0	14.8	11.9

Sources: BPS, *Statistical Pocketbook of Indonesia,* 1960–71 editions. Bank Indonesia, *Report of the Governor,* various issues covering financial years 1950/51 through 1960/65, IMF and World Bank databases.

Note: Dash indicates that data were not available.

[a]In foreign currency (US $).

[b]Minus sign indicates a deficit.

[c]Official exchange rates at Jakarta.

[d]In 1980 constant U.S. dollars.

national income. The Bank Indonesia Act of 1953 restrained the use of deficit financing to a level equal at most to five times the amount of the nation's gold and foreign exchange reserves. Inflation during this phase was largely due to positive external shocks. The rise in exports because of the Korean War boom in 1950–51 increased domestic income as well as the monetary base.

As shown in table 2.1, the rates of growth of the money supply and inflation rates fluctuated sharply during 1950–57, reflecting the efforts of various governments to check the inflation rate. The exceptional rate of growth of the money supply in 1954 was related to the rising campaign expenditures of various political parties for the general election in 1955, the first to be held after achieving independence. The incumbent government expanded bank credit and used the trade licensing system to, in essence, buy political supporters.

Inflation during the second phase, 1958–61, was primarily related to a combination of a supply shock and a sharp increase in government expenditures. These simultaneous adverse events were the result of, first, the twin rebellions in 1958 on the wealthy, export-earning islands of Sumatra and Sulawesi and, second, the nationalization of foreign-owned firms and expulsion of expatriate managers and technicians in 1957–58. The combination of inflation, widespread trade licensing, and unrealistic multiple exchange rates reduced profitability in the traded sector, thus creating disincentives for the transfer of productive resources in that direction. As shown in table 2.1a, the margin between official and market exchange rates became wider over time. The fall in production and exports eroded the tax base and reduced government tax revenue, both in real and nominal terms. At the same time, the rebellions created pressure for an expansion of military expenditures to restore political unity. The size of the budget deficit increased dramatically, and expenditure allocation for investment purposes was reduced substantially.

The combination of supply shocks and pressure for higher budget expenditures accelerated during 1962–65. The political conflict with Singapore and Malaysia in 1963 led to a break of trade which further reduced exports. This was because Singapore and Penang were important entrepôt ports for Indonesian exports. As shown in table 2.1, the ratio of exports to GDP declined from 8.7 percent (1951–57) to 6.8 percent (1958–61), and then to 1.1 percent during the third phase (1962–65).

The 1962–65 period was marked by an intensified contest for power among the president, the army, and the PKI. The contest was reflected in the making of policy, the exercise of patronage, and control over financial resources. As the struggle for budget allocation became more of a political dispute than a technical one, the political and administrative control of the Ministry of Finance declined. Since 1959 many ministries maintained extra budgets which were not reported in the budget document. The president and

Table 2.1a   **Exchange Rates (rupiah/U.S. dollar)**

Year	Market Rates	Year	Market Rates
1946	2.7	1961	45.0[a]
1947	2.7		45.0[a]–72.0[b]
1948	2.7		200.0[c]
1949	3.8	1962	45.0–173.0[a]
1950	3.8		45.0–270.0[b]
1951	3.8		900.0–1,170.0[c]
1952	11.4–11.7	1963	NA
1953	11.4–11.7	1964	NA
1954	11.4	1965	235.0[d]
1955	11.4		235.0[e]
1956	11.4–13.6[a]		235.0[f]
1957	22.7[a]	1966	235.0[d]
	28.4–42.6[b]		235.0[e]
	56.8–78.1[c]		235.0[f]
1958	30.3[a]	1967	235.0[d]
	37.9–56.8[b]		235.0[e]
	75.8–104.2[c]		153.7[f]
1959	36.0[a]	1968	326.0[d]
	45.0–67.5[b]		326.0[e]
	90.0–135.0[c]		300.1[f]
1960	45.0[a]	1969	326.0[d]
	45.0–72.0[b]		326.0[e]
	200.0[c]		326.0[f]

Source: International Financial Statistics, various issues.

[a]Principal export rates.

[b]Principal import rates.

[c]Other import rates.

[d]The end-of-period national currency value of the SDR.

[e]Refers to end-of-period market exchange rates for countries quoting rates in units of national currency per U.S. dollar.

[f]Refers to period averages of market exchange rates for countries quoting rates in units of national currency per U.S. dollar.

NA: not available.

his cabinet ministries controlled the so-called Revolution Fund which was financed separately from the reported government revenues. The use of this fund was not reported to anybody but the president. During the later part of the term of President Soekarno, the government did not even bother to submit its draft budget proposal to get approval from the parliament.

The supply of money and the inflation rate accelerated during 1962–64. In this period, both the money supply and the cost-of-living index roughly doubled every year, and by the end of 1965 they were doubling every few weeks. In May 1957 the government enacted Emergency Law No. 14 which freed Bank Indonesia from its obligation to maintain the 20 percent cover on gold and foreign exchange reserves. In 1965 Bank Indonesia merged with three of the four existing state commercial banks and the sole state-owned savings bank to form Bank Negara Indonesia. With these changes, the

government budget deficits were automatically financed by credit from the central bank.

The government made some effort to finance its budget deficits by selling bonds to the general public in the early 1950s. The Jakarta stock exchange, which was closed during the Pacific War, reopened on 4 June 1952. However, because of the public's unfamiliarity with the stock exchange and because of their preference for other forms of assets, the government was not able to raise any significant amount of funds through the stock exchange. The erosion of real value by high inflation helped make financial assets, including government bonds, unattractive.

2.3   The Government Budget

None of the coalition governments during the period of liberal democracy (1950–59) had an adequate mandate to take bold measures, nor survived long enough to implement an economic stabilization program. The key element in the contest for power within the coalition was the budget allocations. For example, one of the prime ministers, Wilopo, failed to prune back the personnel budget in 1952 because of strong political opposition from all over, including from his own party. The series of secessions between 1957 and 1965 led to greater military expenditures. In addition, President Soekarno, who had the dominant political position between 1959 and 1965 and who was not interested in economic issues, also demanded higher expenditures for his pet projects.

Table 2.1 shows that the ability of the government to raise revenue declined from an average of 13 percent of GDP in 1951–61 to 5 percent in 1962–66. However, the average ratio of annual government expenditures to GDP rose from 14.7 percent (1951–57) to 18.4 percent (1958–61). This ratio dropped to 9.9 percent in 1962–66, in line with the decline in the government's ability to tax. The ratio of budget deficit to GDP has risen from 1.5 percent in the first phase to around 5 percent in the second and third phases.

The size of the government budget from 1950 to 1969 is given in table 2.2. Column (5) of the table, which gives the budget deficit as a percentage of gross expenditures, shows an exceptionally low percentage in 1956 (7.7 percent). This was due to extensive deregulations introduced by Professor Sumitro Djojohadikusumo, minister of economic affairs in the short-lived 1955 cabinet of Burhanudin Harahap. To combat inflation the government had liberalized imports and then released extra foreign exchange reserve to finance them. The increase in imports and exports raised revenue from the tax on foreign trade which, in turn, moderated the budget deficit.

Table 2.3 depicts the major components of government expenditures and their rates of growth. The table shows that roughly half of government expenditures were for personnel and other current expenditures. Some of the

Table 2.2   Government Budget 1950–69 (in billions of rupiahs)

Year (1)	Gross Revenue (2)	Gross Expenditure (3)	Total Budget Deficits (4)	Deficits as % of (3) (5)
1950	7.00	8.70	−1.7	−19.5
1951	11.80	10.60	1.2	11.3
1952	12.30	15.00	−2.7	−18.0
1953	13.60	15.70	−2.1	−13.4
1954	12.50	15.40	−2.9	−18.8
1955	14.20	16.30	−2.1	−12.9
1956	19.20	20.80	−1.6	−7.7
1957	20.60	25.60	−5.0	−19.5
1958	25.30	35.50	−10.2	−28.7
1959	30.50	44.30	−13.8	−31.2
1960	49.82	58.34	−8.5	−14.6
1961	62.20	88.50	−26.3	−29.7
1962	75.00	122.1	−47.1	−38.6
1963	161.00	329.80	−168.8	−51.2
1964	282.10	681.30	−399.2	−58.6
1965	960.77	2,526.32	−1,565.6	−62.0
1966	13.14	29.43	−16.3	−55.3
1967	60.2	87.55	−27.3	−31.2
1968	149.8	185.3	−35.5	−19.2
1969	45.9	58.6	−12.7	−21.7
1969/70	251.6	342.7	−91.1	−26.6

Source: Bank Indonesia, *Annual Report,* various issues; World Bank sources. 1966 on: data in new rupiahs (1 new = 1,000 old). 1969: Jan.–Mar. 1969/70: fiscal year that begins 1 April 1969.

current expenditures were subsidies for public utilities and state-owned enterprises. The next biggest expenditure item was for defense, which accounted for between 20 to (nearly) 47 percent of the budget throughout 1950–65. The share of defense outlays as a portion of total expenditures markedly increased during 1958–62 and again in 1965 to meet the security crises in these periods. Increases in the shares of current and defense expenditures reduced the shares of outlays for economic and social services, as well as for investment. Since 1963 the share of investment expenditure rose significantly, mainly to finance pet projects of the president such as the Senayan Sport Complex, the National Monument, the massive Istiqlal mosque, and the giant Ganefo complex.

As shown in the lower section of table 2.3, the annual average growth rate of government expenditures increased from 15.8 percent in 1950–57 to 36.3 percent in 1958–61, and then jumped to 275 percent during 1962–66. During the first phase, the rate of growth of government expenditures was roughly equal to the average annual inflation rate at 15.8 percent. Since 1958, however, the rate of growth of government expenditure has consistently been higher than the inflation rate.

The structure of government revenue, as shown in table 2.4, was heavily dependent upon taxing foreign trade (import and export taxes). As a result, tax revenue was quite sensitive to foreign trade activities and to government

Table 2.3   **Major Components of Government Expenditures, 1951–66 (in millions of rupiahs)**

Year	Defense		Economic Service		Social Service		Other Current Expenditure		Investment		Total
1951	3,269	(30.8)	313	(2.9)	1,034	(9.7)	5,343	(50.3)	666	(6.3)	10,625
1952	3,032	(20.2)	1,758	(11.7)	1,435	(9.6)	7,726	(51.4)	1,074	(7.1)	15,025
1953	3,892	(24.9)	1,579	(10.1)	1,245	(8.0)	8,005	(51.1)	938	(6.0)	15,659
1954	3,327	(22.0)	1,844	(12.2)	1,436	(9.5)	7,401	(48.9)	1,133	(7.5)	15,141
1955	3,937	(24.1)	1,483	(9.1)	1,564	(9.6)	8,302	(50.9)	1,030	(6.3)	16,316
1956	4,075	(20.4)	984	(4.9)	2,120	(10.6)	11,642	(58.2)	1,180	(5.9)	20,001
1957	6,051	(23.6)	1,082	(4.2)	2,334	(9.1)	15,078	(58.9)	1,065	(4.2)	25,610
1958	11,085	(31.4)	1,404	(4.0)	2,884	(8.2)	18,646	(52.8)	1,294	(3.7)	35,313
1959	14,071	(31.7)	1,927	(4.3)	3,124	(7.0)	23,279	(52.5)	1,949	(4.4)	44,350
1960	22,431	(38.5)	3,036	(5.2)	5,083	(8.7)	23,962	(41.1)	3,824	(6.6)	58,336
1961	41,607	(46.5)	6,218	(6.9)	6,945	(7.8)	27,678	(30.0)	7,051	(7.9)	89,499
1962	57,438	(46.6)	5,615	(4.6)	6,816	(5.5)	48,880	(39.7)	4,510	(3.7)	123,259
1963	97,900	(29.7)	53,600	(16.3)	23,000	(7.0)	47,000	(14.3)	108,300	(32.8)	329,800
1964	195,200	(28.7)	40,700	(6.0)	41,400	(6.1)	144,900	(21.3)	259,100	(38.0)	681,300
1965	1,009,100	(40.0)	193,800	(7.7)	108,600	(4.3)	354,000	(14.0)	860,200	(34.1)	2,525,700
1966[a]	2,260	(9.3)	—	—	18,400	(75.5)	—	—	3,700	(15.2)	24,360

	Average Annual Rates of Growth			
	1951–57	1958–61	1962–66	1951–66
Defense	10.8	55.4	150.5	54.6
Economic service	23.0	64.2	225.6[b]	22.5[c]
Social service	14.5	34.0	620.8	92.0
Other current expenditure	18.9	14.1	93.5[b]	34.9[c]
Investment	8.1	76.0	435.2	77.7
Total expenditure	15.8	36.3	274.9	67.5
Inflation rate	24.4	36.6	330.0	123.0

Source: Biro Pusat Statistik.

Note: Dash indicates that data were not available. Figures in parentheses are expenditures as a percentage of the total.

[a]In new rupiahs beginning 1966 (1 new rupiah equals 1,000 old rupiahs).

[b]Average growth rates for 1962–65.

[c]Average growth rates for 1951–65.

policies toward the trade sector. Tax collection from the foreign trade sector was easy to administrate and faced practically no political opposition since the taxes were paid by foreigners (Dutch trading firms until 1958) or by the Chinese who dominated foreign trade activities. Revenue from the external sector was also raised by instituting different exchange rates for exports and imports. The result of multiple exchange rates was an upsurge in smuggling exports and imports. This illegal trade reduced the government's tax revenue. At the same time, the high inflation rate and the inefficiency of domestic tax administration eroded revenue from personal and business income taxes. The share of nontax revenue increased steadily from 1959 on as there was an increasing contribution to the treasury of profit from the newly nationalized state enterprises.

Table 2.4   **Sources of Government Revenue 1951–69 (in percentages)**

Year	Personal Income Tax	Business Income Tax	Other Tax on Income[a]	Tax on Consumption	Import Tax	Export Tax	Nontax Revenue	Development Revenue
1951	6.6	6.4	.3	17.1	53.6	12.7	3.3	.0
1952	8.6	9.3	.3	20.5	35.9	18.8	6.7	.0
1953	9.0	11.1	.4	22.5	32.6	10.3	13.2	.0
1954	12.4	15.7	.5	28.8	25.7	9.9	6.9	.0
1955	12.1	17.5	.7	25.1	28.6	10.6	5.4	.0
1956	9.5	10.0	.3	19.4	43.6	4.0	13.2	.0
1957	9.9	10.3	.3	26.2	25.7	19.2	8.8	.0
1958	10.4	9.9	.4	25.9	23.2	20.3	9.8	.0
1959	8.6	10.9	.3	20.2	28.3	20.9	10.6	.0
1960	6.6	10.3	.4	21.7	18.9	13.3	27.4	1.3
1961	5.3	13.5	.4	19.8	10.8	5.4	29.4	15.6
1962	8.4	15.2	.2	30.7	6.5	6.6	30.3	2.1
1963	8.0	12.4	.6	26.1	8.1	1.1	43.4	.3
1964	10.1	14.5	.5	27.2	12.0	.3	34.7	.8
1965	4.7	9.2	15.2	27.8	5.6	.0	37.5	.0
1966	4.9	4.6	4.1	37.1	28.1	15.0	6.2	.0
1967	3.7	12.7	3.4	17.2	19.9	12.5	1.5	29.1
1968	5.1	18.9	3.6	15.6	23.4	11.7	2.6	19.2
1969	3.6	19.1	4.6	15.1	22.0	7.4	.9	27.2

Source: 1951–65: Bank Indonesia, *Annual Report*, 1951–52 through 1960–65 issues. 1966–69: Bank Indonesia, *Indonesian Financial Statistics*, monthly bulletin, July 1969.

[a]Includes land tax.

2.4   The Monetary Purges

The government of the newly independent Republic of Indonesia in January 1950 inherited two types of money in circulation. Each of the local governments of the Republic of Indonesia during the war for independence issued its own currency as legal tender in any territory under its control. The Republican government issued currency known as *Uang Republik Indonesia* (URI) and the Dutch military authority issued currency notes popularly referred to as the *Nica* or ''Red'' money. At the end of 1949 the amount of URI of all types that was in circulation was estimated at about Rp 6 billion, and the amount of Dutch currency in circulation amounted to over Rp 3.3 billion.

To bring monetary order and restore stability of the rupiah, the government decided upon the first monetary purge in April 1950. The *Nica* money and any Java Bank notes higher than Rp 2.50 were literally to be cut into two pieces. The right-hand side was to be exchanged for 3 percent government bonds and the left-hand side was to be exchanged for new Java Bank notes. Currency denominated at Rp 2.50 or less was excluded. Half of time and demand deposits over Rp 400 were to be exchanged for government bonds to be redeemed in installments within a forty-year period. The URI money with a denomination of Rp 50 or more could be exchanged for the

new Java Bank notes at rates that varied from one region to another. URI money of smaller denomination could be deposited with the Bank Negara Indonesia.

Monetary stability brought about by the monetary purge did not remain for long due to the way the government financed its budget deficit and to transmission of international inflation into the domestic economy during the Korean War boom. Lack of confidence in government domestic economic policy after the monetary purge raised the income velocity of money which, in turn, aggravated inflationary pressures. The lack of confidence was also due to an unequal distribution of the burdens of the monetary purge and inflation. The purge had sharply reduced the cash position of the business sector as shown by a 1.2 percent reduction in demand deposits in 1951 (table 2.5). To restore normal business operations, bank credit had to be expanded to the business sector. By September 1950, six months after the purge, the total money supply exceeded the amount in circulation before the purge.

Inflationary pressures again rose to an alarming level in 1959. This was due to rapid growth of the money supply to finance the budget deficit, a

Table 2.5   Money Supply and Its Composition, 1950–67 (in billions of rupiah)

Year	Currency (C)	Demand Deposit (DD)	Total Money (M)	Percent of Total		Rate of Growth (%)			Income Velocity of Money
				Currency	Demand Deposit	Currency	Demand Deposit	Money Supply	
1950	2.58	1.73	4.31	59.9	40.1	47.4	10.9	30.2	—
1951	3.33	1.71	5.03	66.1	33.9	29.1	−1.2	16.7	14.5
1952	4.35	2.26	6.60	65.9	34.1	30.6	32.2	31.2	14.4
1953	5.22	2.27	7.49	69.7	30.3	20.0	.4	13.5	12.6
1954	7.47	3.64	11.12	67.2	32.8	43.1	60.4	48.5	13.1
1955	8.65	3.59	12.23	70.7	29.3	15.8	−1.4	10.0	10.9
1956	9.37	4.02	13.39	70.0	30.0	8.3	12.0	9.5	11.8
1957	14.09	4.82	18.91	74.5	25.5	50.4	19.9	41.2	10.9
1958	19.87	9.49	29.37	67.7	32.3	41.0	96.9	55.3	7.6
1959	26.38	8.50	34.88	75.6	24.4	32.8	−10.4	18.8	6.9
1960	34.08	13.76	47.84	71.2	28.8	29.2	61.9	37.2	9.4
1961	48.54	19.10	67.64	71.8	24.7	42.4	38.8	41.4	8.1
1962	102.28	33.62	135.90	75.3	33.0	110.7	76.0	100.9	13.1
1963	175.46	87.90	263.36	67.0	38.4	71.5	161.5	93.8	16.1
1964	447.00	278.00	725.00	61.6	29.6	154.8	216.3	175.3	15.2
1965	1,811.00	761.00	2,572.00	70.4	35.3	305.1	173.7	254.8	14.6
1966	14.36	7.85	22.21	64.7	33.8	692.9	931.5	763.5	26.8
1967	34.10	17.37	51.47	66.2	34.4	137.5	121.3	131.7	23.0
1968	74.68	39.21	113.89	65.6	36.9	119.0	125.7	121.3	24.1
1969	115.70	67.74	183.44	63.1	38.2	54.9	72.8	61.1	18.3

Source: BPS, *Statistical Pocketbook of Indonesia,* various issues.

Notes: Income velocity of money is defined as $Yt/[\frac{1}{2}([Mt-1] + Mt)]$, where Yt = GDP at time t and Mt = money supply at time t.

New rupiah since 1966.

Dash indicates that data were not available.

reduction in exports as a result of the nationalization of foreign firms in 1957, as well as the closing of non-Indonesian Chinese rural stores. The black market value of the rupiah responded to the surge in inflation by dropping sharply from Rp 100 to Rp 150 per U.S. dollar between April and July 1959.

On 25 August 1959 the government undertook a monetary purge for the second time. Bank notes with a value of Rp 500 or Rp 1000 had their face values reduced by a factor of ten. Ninety percent of all bank deposits of Rp 25,000 or more were frozen. The purge reduced the volume of currency in circulation from Rp 34 billion to Rp 21 billion overnight. The government also devalued the rupiah by almost 300 percent and increased taxes on trade. A 20 percent tax was put on all exports, and imports were classified into six categories with tariffs ranging up to 200 percent.

The price stability brought by the second monetary purge and the tax increases again did not last long. Government expenditures on prestige projects financed by money creation started up again in 1961. To induce external aid as a way to contain the renewed inflation, in May 1963 the government implemented a stabilization program designed by the IMF. The program was a combination of budget austerity, relaxation of price controls, introduction of new foreign exchange regulations to encourage exports, and tight money policy. The effects of the stabilization program were dramatic but short-lived. The availability of foreign aid and loans increased imports and flattened out the general price index between June and August.

In September 1963 Indonesia entered into a political conflict with Malaysia. The resulting increase in military expenditures widened the budget deficit so much that the stabilization program was undermined. Diversion of resources and transportation facilities from the civilian sector for military use reduced the productive capacity of the economy. In April 1964 the IMF stabilization program was formally abrogated. The government reverted to money-financing the budget deficits and reimposed extensive price controls. The money supply increased by 156 percent in 1964, 283 percent in 1965, and 764 percent in 1966. Under such circumstances, price controls were unable to curb the inflation rate.

2.5 The Foreign Sector

The Indonesian economy was heavily dependent on the export of a narrow range of primary products such as rubber, crude oil, tin, palm oil, and coffee. Rubber, for example, accounted for about 45 percent of the total value of Indonesia's exports in 1955 and in 1960 (table 2.6). Export of petroleum amounted to 23 percent of the total value of exports in 1955 and 26 percent in 1960; copra accounted for nearly 4.5 percent of the total export proceeds in 1955 and 4 percent in 1960. The figures for tin were 6 percent in 1955 and in 1960.

Table 2.6   **Export by Commodity as Percentage of Total Exports (1951–69)**

	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
										By Value									
Rubber	50.6	44.9	33.0	30.5	45.4	40.1	36.0	34.6	45.0	44.9	39.0	43.8	35.2	32.6	31.4	32.9	25.3	24.0	26.5
Petroleum and petroleum products	14.3	20.5	24.5	26.2	22.8	25.5	33.3	37.4	30.7	26.3	33.1	31.7	38.6	36.9	38.5	30.0	36.2	42.2	44.9
Tin and tin ore	6.3	9.2	9.9	7.1	6.3	7.2	5.6	5.0	3.9	6.0	4.2	5.1	2.7	4.4	5.7	4.7	7.8	5.6	4.8
Copra and copra cakes	10.3	6.0	7.8	6.7	4.5	5.1	4.4	2.8	3.6	4.1	5.1	2.7	2.5	3.9	2.6	2.2	2.0	3.5	2.3
Coffee	1.7	1.9	3.7	4.6	1.7	3.4	3.0	2.4	2.0	1.6	1.8	1.8	2.9	3.7	4.5	4.8	6.8	6.2	7.0
Tea	2.8	2.5	2.9	4.6	3.3	3.4	3.1	3.3	3.2	3.3	3.3	3.0	2.6	2.4	1.8	2.5	1.5	2.2	1.1
Tobacco	1.8	2.5	3.0	3.8	2.9	3.3	3.5	4.0	2.6	3.4	3.1	2.4	2.7	3.0	2.7	3.5	2.2	2.0	0.6
Palm oil and palm kernels	2.9	3.3	4.1	3.5	2.8	3.5	3.1	3.7	2.6	2.9	3.1	3.1	3.4	4.3	4.5	5.5	4.1	3.3	3.3
Other	9.4	9.3	11.2	13.1	10.3	8.7	8.0	6.9	6.4	7.6	7.4	6.5	9.5	9.0	8.5	13.8	14.1	10.9	9.6
										By Volume									
Rubber	7.8	7.2	5.5	5.8	5.8	5.0	3.6	3.7	4.9	3.6	3.6	4.7	3.3	3.3	3.6	3.7	3.0	2.8	2.2
Petroleum and petroleum products	69.1	76.5	78.7	84.6	79.5	80.8	86.8	86.8	84.7	86.7	86.2	85.0	86.6	88.6	88.1	86.9	87.1	87.1	82.3
Tin and tin ore	0.5	0.5	0.4	0.4	0.4	0.4	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Copra and copra cakes	6.1	4.2	3.4	3.4	3.2	3.0	2.4	1.5	1.0	1.0	1.3	1.4	0.6	0.9	1.3	1.4	1.3	1.2	1.9
Coffee	0.2	0.2	0.3	0.3	0.2	0.4	0.3	0.2	0.3	0.3	0.4	0.4	0.5	0.3	0.5	0.5	0.6	0.3	0.5
Tea	0.4	0.3	0.2	0.3	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Tobacco	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Palm oil and palm kernels	1.3	1.5	1.4	1.4	1.3	1.3	0.9	1.1	0.7	0.7	0.7	0.7	0.6	0.7	0.8	1.1	0.8	0.7	0.5
Other	14.6	9.5	10.0	3.7	9.4	8.8	5.6	6.1	8.0	7.2	7.5	7.4	8.0	5.8	5.3	6.0	6.8	7.5	12.4

Source: Bank Indonesia, *Annual Report*, various issues.

Table 2.7 shows an almost continuous deficit in the goods and services account during 1951–66. As has been pointed out earlier, since economic policies had been subordinated to political maneuvering, government expenditure could not be cut. The only adjustment measures that could be taken by the government were to reduce private consumption and private investment expenditures. To achieve the reduction in private spending, the government used a mixture of devaluation, tariff, trade restrictions, and export-inducement certificates.

Devaluation gives a price incentive in domestic currency to factors of production in the traded sector. The price incentive is expected to encourage the movement of factors from the nontraded to the traded sector, thereby changing the structure of the economy to a more efficient one. The growth in output and the structural change in the economy, however, did not happen in Indonesia due to political instabilities and extensive dirigisme.

Undoubtedly, quantitative import restrictions are more effective in restraining imports than a devaluation or a tariff, since their effects can be felt immediately. However, the resulting distortions decrease the efficiency of the economy and ultimately its growth potential.

The first system of export-inducement certificates was introduced on 11 March 1950. In this system, exporters were required to sell their export proceeds to the Foreign Exchange Fund, LAAPLN (*Lembaga Alat-Alat Pemabayaran Luar Negeri*). In addition to the countervalue in rupiah at the official exchange rate (Rp 3.80/U.S.$), they received a certificate to buy foreign exchange equal to 50 percent of the rupiah value of the foreign exchange they turned in. The export certificates could be sold in the free market at a pegged price which was equal to 200 percent of the official rate. The buyers who wanted to use foreign exchange were required to turn in certificates equal to the full countervalue of the foreign exchange. In this system, therefore, exporters received 200 percent of the official exchange rate, importers paid 300 percent, and the government collected the difference as tax revenue.

However, the constant need for additional government revenue made sustained export promotion efforts impossible. On 4 February 1952 the government imposed "additional export duties" on a wide range of export products to supplement the existing 8 percent general rate. The so-called strong products, such as rubber and copra, were subject to an additional 25 percent export tax, while the "weak products," such as tin, palm oil, petroleum, and coffee, were subject to an additional 15 percent export tax. And finally, in February 1953 the export certificate system was abolished.

The Burhanudin Harahap government introduced a major economic policy reform on 1 September 1955. To encourage exports, the authorities introduced a new export certificate, the BPE (*Bukti Pendorong Ekspor*) system. Export premium in the new system was given in foreign exchange, unlike in the old one which gave it in local currency. The percentage amount

Table 2.7   Indonesia's Balance of Payments, 1950–69 (in millions of U.S. dollars)

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
Goods and services	174.0	164.2	−265.4	−135.8	−40.6	102.2	−157.6	−42.7	−96.9	25.2
Merchandise	250.4	401.6	−90.9	66.1	61.1	251.0	−48.6	23.2	83.6	234.8
Exports	629.1	1254.6	890.5	853.5	769.8	877.4	845.7	425.6	961.2	816.9
Imports	−378.7	−853.0	−981.4	−787.4	−708.7	−626.4	−894.3	−402.4	−877.6	−582.1
Nonmonetary gold movement	0.0	0.0	0.0	1.7	0.3	0.1	0.1	0.0	0.0	0.0
Foreign travel	−8.7	−7.1	−9.3	−7.9	−6.8	−7.1	−9.7	−5.2	−9.9	−10.0
Transportation	−21.5	−5.8	−11.1	−13.1	−7.7	−13.3	−11.7	−4.7	−20.2	−53.7
Insurance	−10.0	−7.7	−12.1	−12.9	−9.7	−12.4	−12.7	−4.6	−5.9	−3.2
Investment income	−24.1	−42.3	−38.0	−54.3	−70.3	−107.6	−64.0	−42.6	−102.0	−77.5
Government n.i.e.	−26.5	−25.6	−18.6	−16.1	−7.5	−8.5	−11.0	−8.8	−42.5	−15.1
Miscellaneous	14.4	−43.4	−32.3	−44.4	0.0	0.0	0.0	0.0	0.0	−50.1
Oil Companies	0.0	−105.5	−53.1	−54.9	0.0	0.0	0.0	0.0	0.0	0.0
Donations	39.1	0.4	7.3	3.3	2.7	1.3	1.4	6.0	280.4	16.7
Private	N.A.	N.A.	N.A.	N.A.	0.6	0.4	0.6	0.2	0.3	0.2
Official	N.A.	N.A.	N.A.	N.A.	2.1	0.9	0.8	5.8	280.1	16.5
Total current transaction	213.2	164.7	−258.2	−132.5	−44.1	103.5	−156.2	−36.7	183.4	41.8
Private, exclusive banks										
Long-term loans	−4.7	8.2	7.9	1.6	−0.4	0.4	0.1	0.8	5.7	1.4
Oil companies investment	0.0	0.0	0.0	0.0	15.8	25.6	2.3	1.5	7.8	0.0
Other long-term loan movements	0.0	0.0	0.0	0.0	−16.2	−25.2	−2.2	−0.7	−2.0	1.4
Short-term loans	0.0	−0.1	0.0	−0.1	−0.8	0.7	0.8	0.0	0.0	0.0
Long-term improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	−0.3
Short-term improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	1.2	0.0
Government and banks										
Long-term loans	7.6	−39.4	−78.4	−7.2	−2.4	−15.9	−11.0	−2.5	−3.4	120.9
Short-term loans	161.4	0.0	0.0	26.1	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities to IMF & IBRD	0.0	0.0	0.0	0.0	14.9	0.0	27.5	0.0	0.0	−9.1
Other short-term loan movements	0.0	0.0	0.0	0.0	0.0	0.0	36.9	22.9	11.2	8.7
Long-term improvements	0.0	0.0	0.0	0.0	0.0	0.0	1.2	−1.7	−17.9	0.0
Short-term improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	−21.3
Foreign exchange & gold holdings	116.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign exchange holdings	0.0	76.6	−181.1	89.6	−22.6	97.6	60.8	12.1	−170.9	−124.2
Monetary gold holdings	0.0	−70.6	−44.2	5.6	55.3	8.9	37.1	2.7	2.2	4.8
Total movements of capital, foreign exchange & monetary gold	194.7	115.9	−295.7	115.5	44.1	−103.5	153.4	35.1	−171.8	−18.9
Transitory items	18.4	48.7	37.5	16.9	0.0	0.0	2.7	1.7	−11.6	−22.8

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Goods and services	−83.5	−523.5	−248.4	−227.8	−229.8	−248.0	−132.0	−282.0	−251.00	−361.00
Merchandise	132.2	−289.9	−25.4	54.4	41.8	39.0	110.0	−35.0	41.0	2.0
Exports	881.2	766.1	710.8	616.4	631.5	634.0	714.0	770.0	872.0	995.0
Imports	−749.0	−1056.0	−736.2	−562.0	−589.8	−595.0	−604.0	−805.0	−831.0	−993.0
Nonmonetary gold movement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign travel	−7.6	−7.5	−3.0	−5.6	−6.5	−8.0	−18.0	−4.0	−14.0	−10.0
Transportation	−50.7	−65.6	−51.8	−39.7	−44.1	−11.0	−7.0	−9.0	−3.0	−3.0
Insurance	−3.2	−3.4	−2.3	−3.2	−1.2	−60.0	−63.0	−86.0	−92.0	−107.0
Investment income	−67.0	−86.3	−100.8	−97.5	−92.6	−95.0	−47.0	−63.0	−78.0	−107.0
Government n.i.e.	−10.3	−15.5	−23.8	−50.8	−52.7	−52.0	−35.0	−23.0	−23.0	−18.0
Miscellaneous	−76.9	−55.2	−41.2	−85.4	−74.4	−61.0	−72.0	−62.0	−82.0	−118.0
Oil Companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Donations	24.5	60.0	36.5	26.4	24.0	24.7	15.0	28.0	26.0	47.0
Private	0.8	0.3	0.2	0.4	0.4	0.0	0.0	0.0	0.0	0.0
Official	23.8	59.7	36.3	25.9	23.6	24.7	15.0	28.0	26.0	47.0
Total current transaction	−58.9	−463.5	−211.8	−201.5	−205.7	−222.8	−117.0	−254.0	−225.0	−314.0
Private, exclusive banks										
Long-term loans	18.3	−11.7	12.5	9.4	25.1	18.0	−16.0	−10.0	3.0	31.0
Oil companies investment	18.7	−12.5	11.5	9.7	25.0	18.0	−16.0	−12.0	−3.0	31.0
Other long-term loan movements	−0.4	0.7	0.9	0.4	0.1	0.0	0.0	2.0	6.0	0.0
Short-term loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	28.0	12.0	8.0
Long-term improvements	0.1	0.0	0.0	0.0	0.0	0.0	50.0	66.0	35.0	12.0
Short-term improvements	1.8	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government and banks										
Long-term loans	119.5	349.6	45.7	85.3	78.8	5.8	51.0	187.0	179.0	290.0
Short-term loans	0.0	0.0	0.0	0.0	0.0	0.0	30.0	4.0	12.0	8.0
Liabilities to IMF & IBRD	−19.0	34.0	21.3	20.0	0.0	0.0	0.0	0.0	0.0	0.0
Other short-term loan movements	38.5	−42.0	43.5	25.3	50.1	222.7	0.0	0.0	0.0	0.0
Long-term improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term improvements	−22.2	−2.7	3.1	0.7	0.2	−0.8	0.0	0.0	0.0	0.0
Foreign exchange & gold holdings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign exchange holdings	−42.6	119.6	130.5	89.1	5.5	12.5	5.0	−6.0	0.0	35.0
Monetary gold holdings	−25.4	15.0	−0.7	8.6	33.2	0.0	0.0	0.0	0.0	0.0
Total movements of capital, foreign exchange & monetary gold	68.8	462.4	255.9	239.2	192.8	258.3	126.0	284.0	229.0	279.0
Transitory items	−9.8	1.1	−44.1	−37.7	12.9	−35.5	−9.0	−30.0	−4.0	35.0

Source: Bank Indonesia, *Annual Report*, various issues.

Note: N.A. = data not available. n.i.e. = not included elsewhere.

of export premium was divided into eight groups ranging from 2 to 20 percent. The BPE certificate could be sold in the free market within three months. In early September 1956 the free market value of the BPE certificate was 260 percent of the official rate.

On 20 June 1957 the Monetary Board replaced the BPE certificate with the BE (*Bukti Ekspor*) certificate. The BE certificates, valued in rupiah at the official exchange rate (Rp 11.40), could be sold in the free market within two months. Purchase of the BE certificates was restricted to holders of import permits and licenses and of transfer permits. A 20 percent levy known as PBE (*Pembayaran Bukti Ekspor*) was collected by the government from exports of goods and services. The market price of the new BE certificate immediately soared to 220 percent of the official rate. At the end of 1957 it rose to 250 percent and then to 332 percent in March 1958. In April 1958, however, the government ended the market determination of the BE exchange rate by fixing its value. The BE system was officially ended in August 1959.

The vacillating treatment of the export sector described above characterizes very well the inability of the government to conduct consistent economic policies within any reasonable time horizon. The on-again and off-again use of export incentives continued until the end of the Soekarno regime: the SIVA (*Surat Ijin Valuta Asing*) export certificate in March 1962, the Additional Export-Inducement certificate and Special Export certificate in May 1963, and the SPP (*Surat Pendorang Produksi*) export certificate in April 1964. None of these export certificate schemes lasted long because the tension between taxing exports in order to reduce the budget deficit and promoting exports in order to attenuate the balance-of-payments deficit was never resolved.

2.6   The End of the Soekarno Regime

The internal political struggle culminated with the abortive coup by the communists on the night of 30 September 1965. The political instability aggravated the economic instability. A combination of drastic devaluation and a third monetary purge on December 13 had no effect in controlling inflation. The increasing economic difficulties due to those measures speeded up the transfer of authority from President Soekarno to General Soeharto in the following year.

Appendix

Table A2.1   **Expenditure on GNP at Constant 1960 Prices (in billions of rupiahs)**

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Private	311.4	335.8	359.2	345.0	347.7	356.0	350.8	381.8	396.3	442.0
consumption		(7.8)	(7.0)	(− 4.0)	(.8)	(2.4)	(− 1.5)	(8.8)	(3.8)	(11.5)
Government	45.1	42.0	33.8	34.0	40.0	29.0	40.3	35.8	37.2	42.0
consumption		(− 6.9)	(− 19.5)	(.6)	(17.6)	(− 27.5)	(39.0)	(− 11.2)	(3.9)	(12.9)
Gross capital	30.7	44.1	40.1	30.6	34.8	36.2	40.7	33.2	46.3	52.0
formation		(43.6)	(− 9.1)	(− 23.7)	(13.7)	(4.0)	(12.4)	(− 18.4)	(39.5)	(12.3)
Exports	52.0	56.7	51.8	48.7	54.5	56.2	55.6	55.5	61.3	70.0
		(9.0)	(− 8.6)	(− 6.0)	(11.9)	(3.1)	(− 1.1)	(− .2)	(10.5)	(14.2)
Imports	49.0	66.0	64.7	47.5	51.7	47.5	45.5	58.3	62.3	75.0
		(34.7)	(− 2.0)	(− 26.6)	(8.8)	(− 8.1)	(− 4.2)	(28.1)	(6.9)	(20.4)
GDP at constant										
prices	390.2	412.6	420.2	410.8	425.3	429.9	441.9	448.0	478.8	531.0
GDP at current										
prices	390.2	470.1	1,335.1	3,208.8	7,237.5	23,823.4	419.5	945.2	2,102.9	2,830.7

Source: Biro Pusat Statistik.

Note: Figures in parentheses are growth rates.

Table A2.2   **Percentage Distribution of National Income by Sector of Origin, 1953–69[a]**

Sector	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Agriculture	57.0	58.0	56.0	55.0	52.6	56.0	55.2	53.9	47.9	59.0	57.9	55.4	58.7	53.3	53.9	51.0	49.3
Peasant food crops	36.2	36.9	36.2	36.6	35.5	40.4	35.3	34.4	27.3	42.8	37.7	38.0	35.8	33.8	35.5	34.6	30.3
Peasant export crops	7.9	7.9	8.0	7.1	6.7	3.6	7.7	7.2	7.2	5.4	6.8	5.7	9.1	5.9	5.4	6.3	7.3
Estate crops	4.5	3.8	3.8	3.5	3.4	3.2	3.1	3.3	2.9	2.6	2.3	2.6	3.6	2.6	2.3	2.2	2.5
Livestock	4.2	4.9	4.6	4.5	4.2	5.0	4.7	4.8	4.7	3.6	3.7	2.8	3.5	2.6	3.9	2.5	3.3
Forestry	3.0	2.9	2.9	2.8	2.6	3.0	2.2	2.4	2.5	1.4	1.2	2.3	.9	.8	.7	1.7	2.2
Fishery	2.3	2.2	1.4	1.4	1.3	1.6	2.0	1.9	3.4	3.1	6.1	4.0	5.8	7.7	6.2	3.6	3.7
Minus: export duties																	
and statistical tax	1.1	.6	.9	.9	.9	.8	—	—	—	—	—	—	—	—	—	—	—
Nonagriculture	43.0	42.0	44.0	45.0	47.4	44.0	44.8	46.1	52.1	41.0	42.1	44.6	41.3	46.7	46.1	49.0	50.7
Industry[b]	12.0	11.8	12.2	12.5	14.7	11.0	16.5	14.4	15.4	11.1	12.2	17.2	11.9	11.1	12.1	15.2	17.2
Services	23.1	22.5	23.2	23.4	23.1	19.3	23.2	27.2	31.0	27.3	26.2	24.6	25.8	30.4	29.2	28.2	28.5
Trade & financial							11.8	15.3	18.7	16.1	15.6	14.5	13.2	19.5	18.0	17.5	18.3
Other							11.4	11.9	12.4	11.3	10.6	10.2	12.6	10.9	11.1	10.7	10.2
Government	7.9	7.7	8.6	9.1	10.2	13.7	5.0	4.5	5.6	2.5	3.8	2.7	3.6	5.1	4.8	5.6	5.0

Source: 1953–58: Biro Perancang Negara (1960, 101) 1959–66: BPS, *Statistical Pocketbook of Indonesia,* various issues.

Note: Dash indicates that data were not available.

[a]Based on current prices.

[b]Includes mining, manufacturing, construction, and utilities.

Table A2.3   **Expenditure Composition of National Income (GDP), 1960–69 (in percentages)**

	Private Consumption	Government Consumption	Investment	Export	Import
1960	79.8	11.6	7.9	13.3	12.6
1961	82.0	11.8	10.2	9.6	13.6
1962	88.4	6.2	5.6	5.2	5.4
1963	85.0	7.1	8.2	9.1	9.3
1964	80.4	7.0	11.9	12.1	12.9
1965	87.7	5.6	6.7	5.3	5.7
1966	72.3	6.6	3.4	9.6	16.6
1967	83.2	6.6	7.2	7.9	15.1
1968	84.2	6.8	8.5	10.8	15.5
1969	81.2	7.0	11.2	11.6	15.0

Source: Biro Pusat Statistik.

Table A2.4   **Selected Agricultural and Mining Production (1951–69)**

	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
Agriculture (million kgs)										
Paddy	11.968	12.773	14.064	15.061	14.432	14.619	14.677	15.344	15.950	16.860
Maize	1.398	1.638	1.815	2.720	1.971	1.965	1.860	2.634	2.092	2.460
Cassava	7.133	7.535	8.953	9.569	9.317	9.131	10.118	11.278	12.697	11.377
Sweet Potatoes	1.303	2.292	2.176	2.111	1.898	2.638	2.653	3.103	2.877	2.670
Peanuts	.194	.167	.204	.288	.207	.218	.232	.232	.256	.256
Soya beans	.276	.286	.306	.400	.346	.357	.339	.418	.431	.443
Rubber	.219	.299	.309	.288	.267	.266	.258	.245	.228	.219
Coffee	.012	.013	.022	.014	.016	.013	.015	.013	.019	.018
Tea	.046	.047	.037	.047	.044	.043	.048	.049	.044	.046
Sugar	.428	.458	.620	.718	.852	.786	.828	.771	.855	.678
Palm oil	.121	.146	.160	.169	.166	.165	.160	.148	.137	.141
Mining (billion kgs)										
Crude petroleum	8.093	8.523	10.261	10.813	11.818	12.820	15.559	16.310	18.721	20.606
Natural gas	1.013	1.379	1.763	2.041	2.462	2.638	2.798	2.693	2.877	3.137
Tin in ore	.031	.036	.034	.036	.034	.031	.028	.024	.022	.023
Coal	.868	.969	.897	.900	.814	.828	.717	.603	.638	.658
Bauxite	.642	.344	.150	.173	.264	.303	.241	.344	.387	.396
Manganese ore	0	.009	.022	.020	.039	.108	.054	.044	.043	.011

	1961	1962	1963	1964	1965	1966	1967	1968	1969
Agriculture (million kgs)									
Paddy	15.900	17.111	15.276	16.192	17.072	17.960	17.398	20.032	20.464
Maize	2.283	3.243	2.358	3.769	2.365	3.717	2.369	3.102	2.271
Cassava	11.190	11.386	11.679	12.262	12.643	11.233	10.747	11.268	10.845
Sweet Potatoes	2.464	3.680	3.070	3.958	2.651	2.476	2.144	2.282	1.904
Peanuts	.252	.261	.235	.261	.244	.264	.241	.273	.257
Soya beans	.426	.397	.350	.392	.410	.417	.416	.389	.416
Rubber	.231	.218	.218	.234	.228	.217	.205	.215	.223
Coffee	.019	.013	.019	.008	.020	.013	.019	.014	.016
Tea	.034	.047	.039	.046	.044	.040	.034	.042	.047
Sugar	.643	.592	.664	.655	.775	.612	.666	.603	.628
Palm oil	.146	.142	.148	.161	.157	.174	.174	.188	.189
Mining (billion kgs)									
Crude petroleum	21.287	22.747	22.231	26.851	27.955	26.778	25.311	34.946	43.086
Natural gas	3.314	3.491	3.610	3.524	3.156	3.162	2.776	3.287	2.604
Tin in ore	.019	.017	.013	.016	.015	.013	.013	.017	.017
Coal	.549	.471	.650	.446	.281	.320	.207	.176	.191
Bauxite	.420	.461	.506	.648	.688	.701	.912	.879	.765
Manganese ore	.013	.050	.001	.005	.052	.001	0	0	0

Sources: BPS, *Statistical Yearbook of Indonesia,* various issues. Bank Indonesia, *Yearly Report,* various issues.

Table A2.5   **Population of Indonesia, 1930–76**

	Population (millions)				Annual Growth Rate (%)		
	1930	1961	1971	1976	1930–61	1961–71	1971–76
Java-Madura							
Rural	—	53.2	62.4	67.9	—	1.6	1.7
Urban	—	9.8	13.7	15.1	—	3.4	2.0
Total	41.7	63.0	76.1	83.0	1.4	1.9	1.9
Outer Islands							
Rural	—	29.5	36.0	40.2	—	2.0	2.2
Urban	—	4.6	7.1	8.6	—	4.4	3.9
Total	18.9	34.0	43.1	48.8	1.9	2.4	2.5
Indonesia							
Rural	—	82.7	98.4	108.1	—	1.8	1.9
Urban	—	14.4	20.8	23.7	—	3.7	2.6
Total	60.6	97.0	119.0	131.8	1.5	2.1	2.0

Note: Dash indicates that data were not available.

Table A2.6   Distribution and Size of Work Force in Indonesia, 1930–76 (in percentages)

Sector	Indonesia				Java-Madura				Outer Islands			
	1930	1961	1971	1976	1930	1961	1971	1976	1930	1961	1971	1976
Agricultural	68.8	73.6	66.2	62.0	64.3	69.4	61.4	58.7	79.5	81.6	75.4	68.4
Manufacturing	10.6	7.8	9.9	10.1	11.6	9.1	11.4	11.3	8.3	5.2	6.9	7.9
Trade	7.7	8.9	13.5	17.3	8.5	10.2	15.9	18.9	5.7	6.6	9.0	14.1
Services	12.9	9.7	10.4	10.6	15.6	11.2	11.3	11.1	6.5	6.6	8.7	9.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total number (millions)	20.9	34.8	44.1	51	14.4	22.7	28.8	33.2	6.2	12.1	15.3	17.8
Annual growth (percent)		1.7	2.4	3.0		1.4	2.4	2.9		2.2	2.4	3.1

Source: David O. Dapice (1980).