

Economic Development
Indonesia Project
C/58-10

HATTA AND COOPERATIVES: THE MIDDLE WAY FOR INDONESIA?

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A review of Mohammad Hatta, The Co-operative Movement in Indonesia,
prepared for The Annals of the American Academy
of Political and Social Science

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Cambridge, Massachusetts
May 1958

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Indonesia's achievement of independence in December 1949 has been followed by eight stormy years with eight different governments. Throughout most of this period, Sukarno as President and Hatta as Vice President were the major elements of stability in Indonesian government. Hatta became the symbol of moderation as well as stability; during the succession of cabinets dominated by Masjumi (Moslem), right-wing PNI (Nationalists) and PSI (Socialist) parties, he served both as mediator and buffer between the Cabinet and the President, who relied increasingly on left-wing Nationalist and Communist support. The two Ali Sastroamidjojo cabinets and the Djuanda cabinet were supported by this same faction, and were closely associated with the President. Under these administrations, Hatta was unable to play his traditional role. By December 1956 he felt himself no longer able to remain in the government and submitted his resignation. Hatta's resignation was widely regarded as a threat to Indonesia's unity, and pressure has been exerted on him from various quarters to return to the government, either as Vice President or as Prime Minister of a new cabinet. With the outbreak of civil war early this year, the infant Republic faces its most severe crisis yet. Many people, both in and out of Indonesia, are looking to Hatta, as a "middle of the way" man, to lead the country out of its present dilemma and back to the path of unity and progress.

Thus the publication in English of Hatta's book of essays has an interest far beyond its immediate content. What manner of man does it reveal? What is Hatta's program for Indonesia? What is the relationship of this program to the current conflict?

Hatta's Background

Indonesian political observers are fond of dividing Indonesian political parties into three categories: Moslem, Nationalist, and Marxist. One of the reasons for Hatta's success as a middle-of-the-way moderator is that he combines all three strains of Indonesian political thought in his own ideology. He is a devout Moslem. His father was a well-known Ulama (Moslem religious scholar) who gave him a thorough training in Islam. He was one of the early leaders of the Indonesian nationalist movement which culminated in the revolution in 1945. As early as 1918, at the age of sixteen, he became Treasurer of the young Sumatran Association, a local nationalist movement. As a student in Holland, he was a leader of the Perhimpunan Indonesia (Indonesian Association); and by 1927 his campaign for Indonesian independence was influential enough for him to be arrested by the Dutch and imprisoned for six months. Seven years later, Hatta was arrested again and this time was sent to a concentration camp in New Guinea. He joined Sukarno in the Declaration of Independence on August 17, 1945, and became Vice President at that time. During the crucial period of negotiations for independence and until August 1950, Hatta served as Prime Minister of the new Republic, and then became Vice President again.

Hatta also shares with most of the educated Indonesian leaders a distinct Marxist bent, acquiring his Marxist views as a university student in Holland. Hatta graduated with distinction from the leading Dutch high school (now Djakarta) in Batavia/in 1921, and spent the following ten years studying at the Rotterdam School of Commerce, earning the degree Doctorandus in Economics.¹

¹"Doctorandus" is a title given to students who have satisfied all requirements for the Doctorate except the dissertation.

Thus Hatta's education is European, and particularly Dutch; during the formative years between the age of nineteen and the age of thirty, he was in Dutch high schools and universities. Consequently, he approaches questions of economic and social policy with a European as well as an Asian point of view.

Like other non-Communist Indonesian leaders, Hatta had his period of flirtation with the Communist Party during his student days. Hatta's early speeches and writings suggest that he thought of Indonesian Communists mainly as Indonesian nationalists. Gradually, however, he seems to have decided that Communism was the wrong course for Indonesia. While he has been considerably less out-spoken than his fellow Sumatren Sjafrudin, "Prime Minister" of the rebel government, he could probably be classed as an anti-Communist, while retaining Marxist attitudes towards the Western World and capitalism.

There can be little doubt that Sukarno's proposal for "democracy with leadership" after his return from Russia, Yugoslavia, and China was the final straw that led to Hatta's resignation. Not that either Sukarno's "conception", or the struggle between Sukarno, the left-wing Nationalists and Communists on the one hand, and the Moslem and moderate groups on the other was anything new. Sukarno's proposal was really little more than a recommendation that Indonesia restore to the Presidency the powers conferred on that position in earlier constitutions. The process of constitutional reform from the 1945 through the 1949 constitution to the present one of 1950 was one of progressive clipping of the wings of the President, and Sukarno had resisted this process from the beginning.¹ Moreover, the 1945 constitution also

¹See A. K. Pringgodiggo, The Office of President in Indonesia as Defined in the Three Constitutions in Theory and Practice, Cornell Modern Indonesia Project, 1957.

provided for a Supreme Advisory Council not unlike the advisory council involved in Sukarno's "conception". At least as early as October 17, 1952, the struggle between the two major factions became an open one. The "October 17th Affair" was an effort of a few Cabinet Ministers, backed by the Army, to seize power in a coup d'etat, in order to overcome what they regarded as the extreme and irrational nationalism of the Sukarno faction.¹ The fall of the two Ali Sastroamidjojo governments as a result of Army opposition was a reflection of the same basic conflict.² But while the struggle between the two factions, represented by Sukarno on the one hand and Hatta on the other,³ is one of long standing, the growing strength of the Communist Party gave it a new significance. The Communists emerged from the elections of November 1955 as the fourth biggest party, with about a quarter of the popular vote. They increased their share of the popular vote in the elections for the Constituent Assembly, and local elections since indicate that the Communists may have over thirty percent of the popular support of the country and nearly half the popular support on the island of Java. In this situation, Hatta found himself no longer able to serve as Vice President to a President

¹Cf. Justus van der Kroef, "Instability in Indonesia", Far Eastern Survey, April 1957, and "Guided Democracy in Indonesia", Far Eastern Survey, August 1957; James H. Mysberg, "The Indonesian Elite", ibid., March 1957; and Leslie H. Palmer, "Sukarno, the Nationalist", Pacific Affairs, June 1957.

²For a brief outline of this conflict, cf. Benjamin Higgins, Indonesia's Economic Stabilization and Development, New York (Institute of Pacific Relations), 1957, Introduction and chapters 3 and 4.

³At a reception at the Indonesian Embassy in Washington in 1955 the wife of the then Military Attaché asked me, "Who do you think will win the election, Sukarno or Hatta?" Since neither Sukarno nor Hatta was running for office, the question struck me at the time as being slightly naive. Not until my knowledge of Indonesian politics deepened did I realize how apt a summary of the major issues this question was.

who wanted broader powers for himself and greater representation of the Communists in the government.

At the same time, Sumatran though he is, Hatta has refused to give his support to the rebels. If he is anti-Communist, why does he not support the anti-Communist rebellion, centered on his own home region?

The answer to this question can be found in the book under review. It shows clearly that Hatta's attitude to "communism versus capitalism" is "a plague on both your houses", and that he thinks of cooperatives as a "middle way" between capitalism and communism, as many Europeans did during the 1920's and early 1930's. Let us turn, therefore, to the Hatta "conception" of the cooperative state as a middle way for Indonesia.

Cooperatives and the Constitution

Article 38 of the present (1950) Indonesian constitution states:

1. The national economy shall be organized on a co-operative basis.
2. Branches of production of importance to the State and which vitally affect the life of the people shall be controlled by the State.
3. Land and water and the natural riches contained therein shall be controlled by the State and used for the maximum prosperity of the people.¹

Hatta takes this Article literally; he considers it a goal and an obligation of the Indonesian people to establish a cooperative society. In a 1951 address he said,

As a nation which has struggled against imperialism and colonialism for many a decade, we have the highest ideals concerning the fundamental principles of life. We want to see our nation live in prosperity and well-being, free from want. This ideal of ours is laid

¹This is the semi-official translation as prepared by the Ministry of Information. It is not a literal translation of the Indonesian text.

down in the Constitution: "The national economy shall be organized on a co-operative basis." These words of the Constitution are not only a reflection of one of our national ideals, but also an injunction to do our best for its fulfillment. A national economy on a co-operative basis is what we aspire to.¹

He also indentifies the cooperative state with the Pantjasila. He writes,

In realizing our national ideal that "the economy should be organized on a cooperative basis," we should not forget that our state is based on moral principles, which are embodied in the Pantjasila, the five principles: Divine Omnipotence, humanity, national consciousness, democracy and social justice. (p. 76)

He also indicates that the creation of a national economy along cooperative lines is the proper outlet for Indonesian nationalism.

It has been only since the inception of the national movement, starting with Budi Utomo, that the ideas of economic co-operation have begun to come to life in the Indonesian community. It can therefore be said that it was the national movement which stimulated the development of the cooperative movement. National feeling became its guiding spirit. (p. 7)

Cooperation as a Development Technique

For Hatta, however, the organization of cooperatives is much more than an expression of nationalism or the striving for an ideal; it is the appropriate development technique for his country. Indeed, he states at one point that "because the strength of a people economically weak can be brought about only through the cooperative movement, cooperatives are a conditio sine qua non as a base for the people's economy" (p. 31). Cooperation, he argues, is the only way to eradicate the national "inferiority complex"; it alone is "capable of tearing the remnant of colonialism from the soul of our nation" (p. 44).

¹From Vice-President Hatta's address on Indonesia's First Co-operatives Day, July 11, 1951.

As an example of what cooperatives can do to develop the Indonesian economy, he cites the possibility of organizing collectively owned smokehouses; "If the raw rubber were smoked, it would be easy to produce at least fifth-grade sheet rubber, for which there is a ready world market, at a price up to three times that of raw rubber", which the smallholder is now selling (p. 50). He refers to Denmark as a country which "by means of co-operative organization", has "successfully raised themselves from a poor nation to one of the most prosperous nations of the world" (p. 54).

Cooperatives and Gotong Rojong

At the same time, Hatta believes that cooperatives are a modern expression of the ancient traditions of unanimity versus majority rule, mutual aid, working together, the family-like society, and similar village traditions. Mutual assistance, he says, is "second nature to our people" (p. 1). In the Indonesian village "social co-operation is performed without regard to exact economic calculations. . . This type of social intercourse makes for a strong feeling of solidarity, the feeling of harmoniously belonging together" (p. 2). At some points he seems to argue that the co-operative movement should be supported because people who believe in it are nicer than others. In a co-operative store "all weights and measures. . . must be true" (p. 35). Co-operatives must "keep prices reasonable for the people", in contrast with ordinary traders who "take advantage of shortages and try to sell at the highest possible price". (He does not indicate how cooperatives would overcome shortages when they occur, nor how they would ration short supplies if prices/are fixed below the market level.) The principles of the cooperative movement requires that "we must carry on a struggle in which we must be

sustained by a purity of heart" (p. 97).

Hatta does say that economic cooperation requires "individuality" as well as the traditional "solidarity" (pp. 3-4), but he warns

that individuality should not be confused with individualism. Individualism is an understanding or philosophy of living which places the individual before society as we find in the economic teachings of Adam Smith. Individuality is the nature of an individual who is conscious of self-respect and has faith in himself. (pp. 32-33)

Anti-Capitalism

The strength of Hatta's anti-capitalist sentiments is apparent throughout the book. In 1951, Hatta was saying that private enterprise is all right in the short run, although it should disappear in the long run. "A realistic economic policy", he maintains, "should be able to make a distinction between long term and short term economic policy. . . Our long term economic policy includes all efforts and plans for the gradual establishment of the Indonesian economy on a co-operative basis." In the short run, however, the government must direct its attention to the immediate needs of the people: food, clothing, and housing; and "as long as the state and the cooperatives are not yet equipped to manage the national economy, in our community private initiative will fulfill the function of developing the economy and providing a living for many thousands of people of the have not category." Even then, however, he added, "it is the duty of the government to protect the people's weak economy against foreign economic oppression and to improve the system of sharing the earnings" (pp. 39-40).

By 1956 private enterprise had sunk to the level of a necessary evil in Hatta's view. The best he could say for it was, "Whether it is desired or not, those activities not undertaken by the government or by the cooperative

movement in this period of reconstruction and development are left to be taken up by private concerns" (p. 100). However, "as there are set up more and more state enterprises, . . . and as the cooperative movement develops, the scope available to private enterprise will accordingly diminish and finally disappear entirely" (p. 101). He did add, however, that "this ultimate development should not be brought about by draconic government regulations, dogmatically formulated, but rather as a result of the predominance acquired by state and cooperative undertakings."

Hatta regards the unexpected vigor of Indonesian enterprise as a threat to the long run goals and ideals of Indonesians. Article 38 is imperiled, he argues, because "there is an ever widening penetration of the idea of national capitalism within the ranks of the influential political parties in Indonesia. . . Apparently the party leaders have not, in this transitional stage, sufficient authority to check this damaging trend" (p. 99). He admits that "there was a time when the principle of laissez-faire. . . brought prosperity to the peoples of the world. . . (It) caused the collapse of all that was weak and destroyed backward production techniques, time and again causing crises in unemployment. However, the economic improvements and progress which it had created outweighed the misery resulting from it." But, "capitalism will run its course, and its historical mission will be over. Its further development from free competition into a system of monopolies, is no longer in agreement with its original mission. The destruction it causes has become greater than all the good and improvement it has brought" (pp. 86-87). The Marxist ring of these statements is unmistakable.

Another indication that Hatta still accepts the Marxist view of capitalism appears in his discussion of large scale cooperative industries. It is of

course true, he states, that "large scale industries cannot be organized on a cooperative basis in capitalist countries because the workers who would become the partners in these cooperatives do not own any capital." However, he sees no reason why Indonesia, with its whole economy organized on a cooperative basis, should not be able to accumulate sufficient savings to organize large scale enterprises on a cooperative basis (p. 80).

Throughout the book he treats cooperatives as the antithesis of capitalism. Large scale enterprise in capitalist countries, he says, are "to a large extent still subject to a conflict of needs and interests between labor and capital and, because of that, carries with it an overt or covert class struggle. In the cooperative movement there is basically no class struggle" (p. 24). At another point, he goes so far as to state that "a private concern with shareholders is an embodiment of class antagonism", while "in a cooperative enterprise there cannot exist any class or class interests" (p. 103). In a cooperative system "wages are decided in line with the importance of the job and the amount of responsibility borne by an individual in the running of the enterprise": he implies that such factors exercise no influence on wage determination in capitalist countries.

Among the backers of the rebel government in Sumatra are some of the very "national capitalists" that Hatta regards as a threat to Indonesia's ideals; his failure to throw his support to the rebels may well be the result of his distaste for this element of their support.

Cooperatives and Indonesia's Development Problem

Despite its wide range of natural resources, Indonesia has a complex and difficult development problem. Two-thirds of the country's eighty-five

million people are crowded together on the one small island of Java, making it the most densely populated large area in the world. There is no hope for the achievement of even reasonably high per capita incomes on Java without moving much of the population into industry on Java, or into industry or larger scale agriculture on the outer islands. Either approach is expensive. Most of the industrial potential--including plantations as industries--is in the outer islands, especially Sumatra. Realization of this potential will also require heavy investment of capital and skills. The estimates made by the M.I.T. Indonesia Project suggest that Indonesia needs investment of Rp. 12 to Rp. 15 billion per year to get over the hump to self-sustained growth--about twice what has been invested in recent years or what is called for in the current Five Year Plan. National income is about Rp. 100 billion, so these investment requirements correspond to the twelve to fifteen percent of national income widely accepted as the capital requirements for a "take-off" into economic growth.

How do these figures compare with the scale of the present cooperative movement in Indonesia? In 1956 (the latest year for which figures are available at time of writing) there were about 12,000 cooperative societies in Indonesia, with a membership of just over two million--less than ten percent of the labor force. Total capital amounted to Rp. 394 million, less than three percent of capital requirements. Total transactions--credits and sales combined--were just over Rp. two billion, or some two percent of national income.

Clearly, the cooperative movement cannot be expected to make much of a contribution to Indonesian economic development in the short run. Hatta does not suggest that it can; "the co-operative movement", he says, "calls for

education and training which not only cannot be acquired in a short while but must consume decades" (p. 27). He recognizes that "the man in the street cannot live by ideals only, he has not got the patience to wait for the realization of the co-operative community of Indonesia, which can be established only gradually and after a fairly long time. He wants action, of any kind, that makes life less of a burden to him right now" (p. 38).

But action of what kind? Here Hatta fails us. He provides no program for the short run. Foreign aid, he says (p. 31) can be effective only if it works through the cooperative movement. Yet Indonesia badly needs an effective program to get through the short run, if she is ever to enjoy the long-run potential of her economy, organized in cooperative fashion or any other way. Much of the unrest in Indonesia reflects the wide and deep disappointment that Merdeka failed to bring prosperity in its wake; and the struggle between Java and outer islands reflects a feeling that the central government has not done what it could to build on the "growing points and leading sectors" in the outer islands.

The government's failure to convert Indonesia's considerable development potential into a rising standard of living results from the inability of Indonesian leaders to resolve their ideological conflicts. All governments and all parties have expressed themselves in favor of "converting the colonial economy into a national economy", but the concept of a "national economy" differed from party to party and from leader to leader; indeed only the Communists had a clear idea of what a "national" economy would be. All parties also pay lip-service to the national goal of "organizing the economy along cooperative lines" which was written into the Provisional Constitution; but this goal also has lacked clear definition.

Most leaders agree that Indonesia is not to be developed on "capitalist" lines. Rugged individualism, free competition, private enterprise, had few enthusiastic backers. They were associated in the minds of most Indonesians with imperialism, colonialism, materialism, and a ruthlessly exploitative, ferociously competitive, "devil-take-the-hindmost" approach to social organization. Indonesians did not want such "capitalism". So what was the economic and social system to be? No one but the Communists was quite sure. Meanwhile, it was considered necessary to avoid making decisions on particular projects--financing the Asahan Valley scheme, disposition of the North Sumatra oil properties--lest the decisions prove inconsistent with the ultimate definition of social and economic aims.

Similarly, while everyone agreed that the political system was to be "democratic", they also agreed that it was not to be democratic in the ordinary "Western" sense. No one but the Communists wanted a "People's Democracy". It was to be an "Indonesian" democracy, reflecting the spirit of gotong rojong and musjawarat desa, (mutual aid and unanimity) and rejecting--as Sukarno put it-- "the principle that fifty percent plus one is right". But what exactly did this mean? No one was quite sure, and the Constituent Assembly may take years to decide. Meanwhile, it was felt that "as the twig bent so is the tree inclined". No new institutions should be set up that might prejudice the final outcome.

With such confusion regarding ultimate goals much time and energy of national leaders was dissipated in fruitless debate at the ideological level. Meanwhile pressing economic issues absorbed the attention of only a handful of leaders in the agencies directly concerned--the Bank Indonesia, the Ministry

of Finance, the National Planning Bureau, the Industrial Development Bank. Such questions as, "How can we best protect our dwindling foreign exchange reserves? Where can we find capital for development projects? Should we re-introduce a land tax? Should we develop Asahan or increase hydro-electric capacity in Java?" could never be answered in terms of economic effectiveness alone. At some point they always ran into an ideological or nationalist issue. Whenever it was a choice between an effective stabilization or development policy and satisfying nationalist sentiments, nationalism won.

What Indonesia needs most from her leaders at this point is a large dose of pragmatism--or, to use an expression conceived to describe the policy which kept the Canadian Liberals in office for such an extraordinary length of time--"ad hocery". Indonesia needs a leader with the common sense to deal with the country's problems one by one, in a straightforward and practical manner, and without too much appeal to one ideology or another. This leader must also have the popular appeal to get support for such a program. The importance of Hatta's contribution to the Indonesian revolution and to keeping the Republic afloat in its early years is beyond dispute. The loftiness of his ideals and his personal integrity have never been questioned. No doubt it will be necessary to bring him back into the government in some capacity to provide a facade of unity. But judging from his book, there is room for doubt as to whether Hatta alone can give Indonesia the kind of leadership she needs in her present crisis.