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POLITICAL ECONOMY OF
THE INDONESIAN MASS KILLINGS OF 1965-1966

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Abstract

This chapter sketches the build up to the mass killing (politicide) of communists and communist sympathisers in Indonesia, during 1965 to 1966. Our key contribution is to explain why ordinary individuals, not belonging to the elite, might wish to participate in the act of murder. The mass murder aided the consolidation of the new order autocratic regime of Suharto, but his ascension to power cannot be separated from the cold war politics of the time. Over three decades of authoritarian rule did bring about broad based economic progress. In time, the authoritarian contract sustaining the regime became untenable and the contract lacked credible commitment in the absence of the transfer of some political power to the new middle class. This mirrors the modernization theory of endogenous democracy, which states that at higher level of income, the pressure for democracy becomes inexorable.

1. INTRODUCTION

Indonesia is sadly among the list of nations that have experienced mass killing bordering on genocide in the last half a century. Following its independence from Dutch rule in 1949, Indonesia was ruled by two strong men until 1998: first the charismatic leader Sukarno (until 1966) and then by Suharto (1966-1998).[1] The genocide in question was carried out doing the transition from power via a coup d' état from Sukarno to Suharto, and helped to consolidate the latter's grip on power by eliminating the left wing challenge to autocratic rule. Sukarno was a staunch nationalist and leader of the global non-aligned movement, and therefore of necessity

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[1] Sukarno was the Indonesian president during 1945-1966, however he was a dictator only during the period of Guided Democracy (1957-1966). Indonesia experienced a war of independence during 1945-49 when the effectiveness of the central government was largely in question. The country adopted a

suspect to the West. The Indonesian case of mass murder that is analysed in this paper is more akin to what political scientists refer to as politicide; see definitions and references in Anderton (2010). While genocide refers to an attempt at liquidating members of a distinct national, ethnic, racial or religious group, politicide describes the mass murder of political opponents drawn from a political grouping, and the killing of communists and suspected communists in Indonesia during 1965 to 1966 fits best in to the politicide category. The next section briefly sketches the lead up to these events in Indonesia, and how they unfolded in different parts of the country. It has to be borne in mind that this epoch represented a high point in the cold war, and the domino theory fed angst about the spread of the communism in East Asia.

Anderton (2010) develops a rational choice theoretical model where genocide or politicide is a strategy chosen by an aggressor group in a game of power, based on expected payoffs where the return from eliminating a persistent rival compared with the cost of concessions and compromise incentivises mass killing as a dominant strategy. Its attractiveness can rise with imperfect information, indivisibilities, enforcement costs of peaceful sharing agreements and the long shadow cast by the disutility of the antagonist's future existence. This choice theoretic framework for the aggressor group's leadership is as it should be, but it still raises the question as to why individual perpetrators of genocide or politicide within the aggressor group choose to participate. Anderton (2010) sheds light on this issue by categorising individuals in the aggressor group as hardliners (eager to commit genocide), bystanders or resisters (to mass murder). Individual choices are based on payoffs and costs imposed by stronger members of the group. But there could be other deep, innate behavioural

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parliamentary democracy system during 1950-1957, where the executive power was held by Prime Ministers and the President was largely assigned a symbolic role.

factors that drive individual decisions to participate in the genocide, and we analyse these in a behavioural model in the third section of this chapter.

Economics and politics are in practice inseparable, and the run up to mass murder always has economic underpinnings, as does its aftermath. In the case we are interested in, serious economic mismanagement, a stagnant economy and poverty bordering on famine characterised the period between 1957 and 1966 in Indonesia. It would be fair to say that per-capita GDP was lower in Indonesia compared with most sub-Saharan African economies, as hinted to by Myrdal (1968). What would be the distributional and macroeconomic consequences of the genocide? In the aftermath of mass killing per-capita income can rise in agrarian economies characterised by surplus labour provided there is not much infrastructural destruction, as is shown to be the case in Europe from the 14th to the 17th centuries (Voightländer and Voth, 2013). Will the leadership have an interest in growing the economy following the climacteric experience of mass murder? This process can be further complicated in the presence of natural resource rents such as oil revenues, however the economy of Indonesia remained dominated by agriculture particularly in the densely populated island of Java. In resource rich economies, the leadership has sometimes an incentive to diversify the economic base in the face of volatile resource rents, and in the process they can avoid 'Dutch' disease[2] and make the economy grow (Dunning, 2005). Occasionally, the leadership has an interest in reducing regional disparities and poverty. These incentives appear to be present in the post-politicide Suharto 'new order regime'. We analyse these factors in the fourth section of this work, followed by a speculative counterfactual analysis of no regime change and economic stagnation continuing.

In short, we present a theory of individual motivation to participate in collective action based upon the utility they derive from their group identity and how a hate message from a self seeking politician can spur them into action, all in the context of poverty and economic decline. We also look at a post-genocidal economic aftermath, as the politicide or genocide was part and parcel of effecting political transition and therefore it is important to examine the leadership's political (and economic) consolidation strategy.

2. THE POLITICIDE OF 1965-66

The Indonesian mass killing of the communists, communist sympathisers and suspected communists took place mainly between October 1965 and March 1966. The period was the second most momentous moment in the Indonesian history after the war of independence in the late 1940s; the third would be the fall of Suharto in May 1998. With regard to fatalities of the mass killing, most scholars cite figures in the region of half a million deaths, although estimates vary between a hundred thousand to two million (Cribb, 1990, 2001). The genocide and mass killing data sets reviewed in chapter 3 of the volume report fatality estimates ranging from 375,000 to 750,000 for this case (Easterly, Gatti and Kurlat, 2006). This was the end of the Indonesian Communist Party (*Partai Komunis Indonesia* - PKI). The killing was nationally orchestrated by the army supported by different elements in each localities mainly Muslims and nationalists. The killing was concentrated in East and Central Java, where the PKI had its strongest base. Large scale massacres also occurred in Bali, North Sumatra and West Java; while killing on a smaller scale erupted in the outer

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[2] The Dutch disease refers an overvalued currency and other mechanisms that hamper the development of all other sectors beyond resource extraction, often leading to growth failure; see Warr (1986).

islands of Sumatra, Kalimantan, Sulawesi and Nusatenggara. Unfortunately, the mass killing received far less academic scrutiny compared with its pretext.

2.1 The pretext

The pretext for the Communist purge was the September 30th Movement, a one-day affair that took place in Indonesian capital, Jakarta. In the early morning of 1 October 1965, six high ranking army generals and a lieutenant were abducted and murdered by a group of conspirators in the Indonesian army. Consisting of young progressive officers led by a lieutenant colonel, the group announced that they acted to safeguard President Sukarno from a coup planned by a right-wing Council of Generals. By the early evening of that day, the movement was put down by the Army under the leadership of the senior surviving Army general, Major General Suharto, and the mass killing ensued. It was the start of Sukarno's loss of grip on the Presidency, and Suharto's seizure of state power. It has to be noted that the assassination of six army generals was more than simply a 'pretext' as it had a lingering transformative effect on the Indonesian politics for decades to come: the battle between left and right has not resumed in Indonesian politics even after nearly two decades since the fall of Suharto in 1998.

The movement could be seen as an internal Army affair in the form of a mutiny. The group of Left-leaning young officers received political support from the chairman of PKI who secretly discussed the issue with a handful of the party's Politburo members. The September 30th Movement was never a policy of the party as it was never been discussed in the party's central committee (Roosa, 2006). However, PKI as an institution was blamed by the Army for puppet-mastering the movement; therefore, logically, the Party had to be destroyed down to its roots. This was the

rationale for the ensued mass killing. Roosa (2006) concludes that the movement was a mutiny; it was a purge of the Army's high command by lower ranking military officers. The movement was not a coup; the reaction to the movement by the Army under the leadership of General Suharto who finally seized power from Sukarno could be seen as a coup. They used the movement as a pretext to break the power of both the PKI and Sukarno.

The head to head collison between the PKI and the Army was rooted in the years preceding the movement, dating back to the start of Sukarno's guided democracy in 1957. Although Indonesia was one of the initiators of the Non-Aligned Movement, Sukarno showed his increasingly anti-Western policy and moved towards a Hanoi-Peking-Moscow alliance. Sukarno was supported by two competing dominant powers around him, the largely anti-communist Army and the Indonesian Communist Party (PKI).

In 1965, the PKI was at the peak of its political performance. It was the largest and the most organised political party in the country with a very strong cadre system and grass root base. It secured fourth position with 16 percent of the vote in the 1955 national elections, won a majority of the Javanese votes in the 1957 regional elections (with only 27 percent) and enjoyed Sukarno's political support. Sukarno was at the height of his grand idea to bring together three dominant political forces; nationalist, religious (Islamists) and communist. The PKI was the largest communist party outside the Soviet Union and China. At that time, many believed that the PKI would win the plurality of votes if elections were held again (Roosa, 2006).

The Army was the only viable force that challenged the growing PKI influence nationwide. Sukarno, who was not able to fully control the Army, but used the PKI to keep a balance. The Army was aware that Sukarno was not on their side

and did not directly challenge Sukarno because of his very strong political base, but waited for a right moment to do so. The September 30th Movement provided the perfect opportunity.

Indonesian society and politics in the mid-1960s was deeply polarised between pro and anti- Communists. With such macro setting of the mass killing, Roosa (2006: 224) concludes, 'we are dealing with a boxer who not only knocks out his opponent in the ring but goes on to attack all of that boxer's fans in the stadium, then hunts down and attacks his opponent's fans throughout the country, even those living far away who had not even heard about the match.' However, the above boxing analogy could be spurious as Roosa tries to suggest that the politics of Guided Democracy was as normal as, say, U.S. politics. The army versus PKI conflict was a contest for the soul of Indonesia, a struggle in which both sides were vicious and ruthless. It had its roots in the ideologically irreconcilable differences of nationalists, Islamists and communists that brought the Indonesian parliamentary democracy to an end in 1957, when Sukarno introduced the Guided Democracy.

2.2. The mass killing

The mass killing of suspected Communists was centrally orchestrated by the Army, where the Army's Special Force unit (*Resimen Para Komando Angkatan Darat* - RPKAD) played a central role. It began with quickly putting down the movement in Jakarta in the evening of 1 October 1965. And then, the mass killing throughout the country followed. Although orchestrated by the Army, the role of civilians was crucial in the massive scale of killing. The civilians who participated in the killings were usually members of militias who had received training from the military, along with weapons, vehicles, and assurances of impunity. The mass killing

was accompanied by mass detentions of suspected communists, mostly without trials. In the mid-1970s, it was estimated that around one million were detained for alleged involvement with the PKI (Friend, 2003).

In Central Java, the RPKAD played a leading role in organizing anti-communist violence. Its commander, Colonel Sarwo Edhie Wibowo, in person joined his troops in the capital city of Central Java, Semarang, on 19 October. On that night, RPKAD detained more than 1,000 people and encouraged youths from religious groups (Nahdatul Ulama, Muhammadiyah and the Catholic Party) and nationalist group (Indonesian National party - PNI) to attack communist and Chinese buildings in Semarang. The pattern of the RPKAD operation, mass detention and rioting by anti-communist groups against PKI and ethnic Chinese were soon repeated in towns throughout Central Java and Yogyakarta. Due limited military personnel to carry out the mission, RPKAD trained and armed religious and nationalist militias. The operation in Central Java was closely monitored by General Suharto who toured the province in mid-November (Jenkins and Kammen, 2012).

The story of the mass killing in East Java is a bit different, although the Army played a key role; much of the violence was carried out by members of the traditionalist Muslim mass organization, Nahdatul Ulama (NU) (Fealy and Mc Gregor, 2012). The violence was the outcome of heightened polarization between the Islamists and the communists in Indonesian society. East Java was the strongest based of NU but facing growing challenge from the PKI that posed a big threat to the socio-economic standing of NU elites. While the PKI represented landless farmers, peasant and the poor, the NU was backed by big land owners and merchants. Fealy and Mc Gregor (2012) argue that political and socio-economic factors were more important

than religion, although, among NU followers, religion was often used as a central justification of the killing.

By the end of 1965, it is estimated that around 100,000 people had been murdered and 70,000 detained in Centra Java, while some 200,000 people had been massacred and some 25,000 detained in East Java (Kammen and McGregor 2012).

In Bali, supporters of the nationalist PNI party conducted most of the killing. The arrival of the Special Force in December 1965 coincided with the rapid intensification of the killing in the province. Between December 1965 and February 1966, the mass killing took the lives of some 80,000 Balinese representing 5 percent of the island's population (Robinson, 1995); Bali recorded the highest rate of killing per capita in the event of 1965-66.

In West Kalimantan, the Army used civilian paramilitaries to proscribe communists creating an inter-ethnic pogrom; ethnic Dayaks were mobilised to hunt down ethnic Chinese in rural areas where around 100,000 were expelled and some 3,000 killed (Davidson and Kammen, 2002).

Elsewhere, numbers of casualties were far lower than in East Java, Central Java and Bali. In North Sumatra, it is estimated that some 15,000 were killed and another 15,000 detained, with some anti-Chinese nature of the killing as in West Kalimantan. In West Java, less than 10,000 were killed and 10,000 detained. A few thousand were killed in South Sulawesi ((Kammen and McGregor 2012).

The Communist genocide was not only the main part of the overall attack on the Indonesian left, Sukarno, as well as his social base and ideals, but it should also be viewed from a larger process of re-integration of Indonesia into the capitalist world economy. The Communist party's destruction was welcomed and supported by the West (Simpson, 2008).

The event of the mass killing must be situated within the global polarization in the context of the Cold War between the US led Western capitalist bloc and the Soviet led communist. The real battle actually took place in the newly de-colonized developing world and Indonesia was very much part of it. As commonly found in other newly independent countries in Asia and Africa after World War II, left leaning nationalistic policies were a dominant feature in many of those countries. The reaction by the West was often to encourage Western oriented military dictatorships to take power. Therefore, Suharto's rise to power in Indonesia was similar to the stories of Mobutu in Zaire (Congo DR) and Pinochet in Chile (Schmitz, 2006).

3. INDIVIDUAL MOTIVATION TO PARTICIPATE IN THE GENOCIDE

The objective of this section is to provide a choice theoretic framework as to why individuals may partake in non-conformism, extremism and even mass murder. It has to be emphasised that we shall be positing a spectrum of activity ranging from non-conformist acts to violence. We begin with an individual who derives direct utility from actions related to their identity, including faith related actions. We then show, how group or peer pressure can make the individual conform to a group norm. We then analyse how a hate message from a (self-seeking) can galvanise threatened members of the group into collective action, including mass murder and genocide. Mobilisation, in this regard, is aided by the presence of poverty and socioeconomic disadvantage. In this way, we hope to demonstrate and provide a theoretical explanation for individual participation in genocidal acts utilising the toolkit of rational choice theory. Similar foci on why individuals may choose to become suicide bombers can be found in Iannaccone (2006) and Wintrobe (2006).

In the model below related to the paradigm in Murshed (2011) there are two groups: Muslims, who facilitated by the military government might perpetrate genocide on their ideological opponents, the communists. We model individual Muslim motivation to take action against communists based on prior beliefs and current signals, moving from there to Muslim collective action in this regard. Of course, not all Muslims will engage in killing. We, thus, begin with individual Muslim motivation to participate in direct action against communists, followed by alienated group dynamics leading to genocide. This is based both on socially induced and innate behavioural considerations, as well as a pecuniary component.

As far as individuals are concerned, following Akerlof and Kranton (2000), we postulate that individuals *directly* obtain utility from their identity, and the *behaviour* demanded by that sense of belonging. Thus, an individual member (*r*) of a Muslim group derives utility (U_r) from identity related actions in the following manner[3]:

$$U_r = U_s(s_r, s_j, I_r) + U_o(k_r) \cdots j \neq r$$
where $\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad$ (1)
$$I_r = I_r(s_r, s_j, \mu)$$

Here the parameter *s* refers to principal (Muslim) identity based actions, which yield utility (U_s) from actions (s_r), as well as utility (U_o) from other identity based actions, k_r as a good Indonesian citizen who does not behave extremely in the cause of his religion. The former is like a club good, and the latter similar to a private good. These two enter individual utility in an additive and separable fashion. Unlike in Akerlof and Kranton (2000), an individual is permitted to possess multiple identities (Sen, 2008), and corresponding to these are additive separable inputs into his utility function, which is an innovation of this model. The individual not only derives utility

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[3] The utility function that follows is in terms of behavioural actions, not consumption.

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from a vector of his own actions (s_r), but also similar actions of other like-minded individuals belonging to his group (s_j), and above all his own identity or self image (I_r), which in turn depends on the actions (s_r, s_j) just described, as well as another parameter inciting hatred of the communist 'other', μ. This has similarities with Boulding's (1956) concept of image. Boulding regards image to be the basis of behaviour. Image, including self-image, is always subject to messages, akin to signals, which can either be internalised or lead to changes in the image, which, on occasion, can be quite dramatic or revolutionary.

S_r denotes the total endowment of possible individual actions divided up amongst Muslim identity and nationalist citizenry based actions:

$$S_r \leq s_r(\mu) + k_r \qquad\qquad\qquad (2)$$

It is postulated that the attractiveness of inputs into own-identity type behaviour (s_r) rises with μ.

Following Akerlof and Kranton (2000) it is also possible to show that individuals derive disutility from the non-conformity of other group members. Secondly, if the costs of so-doing are low compared with the pain inflicted on errant members, individuals of a group will exert effort to bring back members who have strayed from ideal group behaviour back to the fold, as analysed by Akerlof and Kranton (2000). Such behaviour can also be said to describe the strategies adopted by conflict entrepreneurs amongst Muslim groups who are bent on confrontation. If another group member (j) suffers disutility (I_j) from other-identity based behaviour (k_r) by person r, they may lure the errant individual back to the fold provided that the cost of doing so to themselves (c_j) is not too large and is less than the loss inflicted (l_r) on the deviant group member through a cooperative game. If the loss or punishment to

the deviant member is too great than then he may not conform to group behaviour at all, choosing permanent exit. It requires the condition:

$$c_j < I_j < l_r \tag{3}$$

This condition above is more likely to hold amongst poor communities suffering from widespread poverty and low human capital (educational) endowments, living in close proximity. Moreover, the Muslim group may use the behaviour denoted in (3) to resolve mutual mistrust, the collective action problem as described by Olson (1965). Thus, group grievances become individual grievances, and individuals act upon their collective grievances. This, at the extreme, can induce genocidal acts similar to choices made about suicide bombing outlined in Wintrobe (2006), with $k_r = 0$.

We now turn to the determination of hatred of the communists, μ. The parameter μ denotes a spectrum of dislike to hatred which in the extreme can induce homicidal behaviour. A higher μ implies more confrontative attitudes, including at the extreme genocide or politicide. Following Glaeser (2005) we can think of μ as originating in a signal sent out by a politician or military group. They may deliberately send out a false hate message as a way of consolidating their hold on power, by encouraging others to eliminate their opponents. Its attractiveness to the public will depend on their need for scapegoats and their own personal life experiences of the 'other'. Not all these signals will be believed: for example, some hate mongering politicians may be mistrusted, the better educated among the public may discount part of the message and others with greater knowledge based upon personal interaction may similarly disregard this signal. There is a cost (z) to individuals of verifying the veracity of the signal through a search process. Let φ be the probability that the politician is sending out a false message and the communist

group in question is largely innocent; $1 - \varphi$ is the probability that they are not, and will therefore impose a net cost μ on members of the Muslim community. Individuals update their Bayesian prior for this in the following manner:

$$\frac{\varphi}{\varphi + (1-\varphi)\mu} \tag{4}$$

The prior may be updated subject to the aforementioned search cost z, and other exogenous events like riots and acts of terrorism (close to home) perpetrated by communists. The public is composed of two types: a high cost type (indexed by subscript h) who both suffer greater potential damage (μ) and also have higher search costs (z); and, a low cost type (subscript l) who suffer less disutility from a potential communist threat and have lower search costs of finding out the truth (because of education, say). The former may include the less educated, the more socio-economically disadvantaged, and those who would like to find scapegoats for their poverty and vulnerability. In general:

$$
\begin{aligned}
&V_i = y_i - \mu_i(z)(1-\varphi) - z(i)\cdots i = h,l \\
&\Rightarrow \mu_{hz}(1-\varphi) > z_h \cdots \textit{for high cost types} \\
&\textit{and } \mu_{lz}(1-\varphi) < z_l \cdots \textit{for low cost types}
\end{aligned} \tag{5}
$$

Where V represents expected (pecuniary) utility and y income of individuals of $i = h,l$ types, diminished by μ and z costs. Maximization of this expected utility with respect to search (z) leads to the conditions described in the second and third lines of (5) respectively. The high cost type of individual suffers both a greater perceived loss from communists (μ_h) and has a higher cost of verification of the signal (z_h). This is all the more so, if the search costs of verifying the signal entail an earlier lumpy fixed cost in education, say. These individuals are more likely to abandon the search for

truth in favour of the hate message, setting $\varphi = 0$. Even the low cost type individual (who will engage in the search for truth) may at certain times randomise the probability of φ around 0 or 1, if say equilibrium $\varphi \approx 1/2$ in (5). Also, after major incidents like a communist uprising or a famine, all individuals from the majority community may set φ to zero for a certain time, effectively tarring all communists and quasi-communists with the same brush. If enough Muslims believe the signal then collective action against communists becomes more likely.

Muslim group behaviour is arrived at after summing the choices regarding s_r from individual utility maximization described in (1), subject to constraints (2):

$$\sum_{r=1}^{n} s_r = e \tag{6}$$

For collective action (like a club good) to take place via the adoption of the group strategy (e), a critical threshold of aggregate own-identity based actions, $\sum s_r$, must be chosen. Not all individuals will engage in own-identity based actions, and not all actions (s_r) are violent. In order to keep the analysis tractable, we do not specify an exact tipping point where actions turn violent or genocidal, choosing to focus on a continuum instead. The forging of collective action requires high enough values of e; condition (3) must also hold so that it is not too costly to deter non-own-identity based actions through cooperative games; at high enough values of μ condition (3) becomes more relaxed, as more self-enforcing and sincere own-identity based behaviour takes place via (2). Note that e also denotes a continuum of peaceful actions, which is the converse of violence.

The Muslim *group*, objective or utility function, R, takes the following form:

$$R = \pi(a,e)R^P + (1-\pi)(\cdot)R^C - E(e) \qquad (7)$$

where:

$$R^P = Y^R + T + pF^R(\mu)$$
$$R^C = Y^R + T + cF^R(\mu); F_\mu^R > 0$$
$$e = \frac{T(A)}{F^R(\mu)} \qquad (8)$$
$$c > p > 0, c + p = 1, \pi_{a,e} > 0$$

The superscripts p and c refer to states which are more peaceful and confrontative, with probabilities π and $1-\pi$ respectively. The probability of peace rises with an action (e) by the dissident group, and (a) on the part of the communists to be outlined below. Note that the probabilities increase with rising efforts and actions such that $\pi_e, \pi_a > 0$, but with diminishing returns such that $\pi_{ee}, \pi_{aa} < 0$. Both group strategies are a hybrid of accommodation and aggression. R^P and R^C describe Muslim group pay-offs in the two states, with utility greater in peaceful states. Utility is derived from income (Y^R), and a transfer (T) obtained from the state. Strategic choices surround e (effort with regard to peace) obtained from (6); fighting, F^R, is greater when the parameter μ rises implying greater hatred for communists. This can happen if there are exogenous events increasing poverty, food shortages, communist bids to seize power or encouragement from the state towards hatred. E describes the aggregate cost function for undertaking e, composed of psychic costs of 'capitulation' and the total costs of inducing own-identity based behaviour in (3), with E_e and $E_{ee} >$

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0. Note that as e rises there is more peace with the communists; a decline in e defines greater militancy.

Collective group behaviour, via the group strategy, e, is akin to a club or associational good (Cornes and Sandler, 1996). A club good is excludable in nature, only those who subscribe or contribute can partake in it. It is 'voluntary' because individuals do not have to participate, unlike in the case of non-excludable pure public goods. With club goods, membership and provision are inseparable. Differentiating the dissident group's strategic variable (e) in (8) we find:

$$de = \frac{1}{F^R(\mu)} dT - \frac{T(\bullet)}{F_{\mu}^{R2}} d\mu \qquad (9)$$

The first term on the right-hand side of (9) is positive, e rises with T, but falls with μ.

The Muslim group will maximise (7) with respect to e, equating its marginal benefit to marginal cost:

$$\pi_e\left[R^P(.) - R^C(.)\right] = E_e \qquad (10)$$

Ignoring individual communist member behaviour, which can be argued to be similar to the Muslim group, the utility of the communist group is given by:

$$G = \pi(a,e)G^P + (1-\pi)(\cdot)G^C - C(a) \qquad (11)$$

where:

$$G^P = Y^G + pF^G(\mu) + T$$
$$G^C = Y^G + cF^G(\mu) + T \qquad (12)$$
$$a = \frac{T}{F^G(\mu)}$$

G^P and G^C refer to exogenous pay-offs to the communists in the two states with G^P $> G^C$ due to conflict induced loss of endowments and transfers.

C refers to the cost of undertaking peaceful actions a by the communists, $C_a > 0$. These costs consist of pecuniary and non-pecuniary elements; the first because of the loss of 'power'; the latter because of a political cost by alienating those in the group opposed to accommodation. The communists maximise (11) with respect to a:

$$\pi_a[G^P(.) - G^C(.)] = C_a \qquad (13)$$

Equations (10) and (13) form the basis of the reaction functions for both sides, obtained by totally differentiating them with respect to a and e. Thus:

$$\frac{da}{de/R^R} = \frac{E_{ee} + \pi_{ee}\left[R^C(\cdot) - R^P(\cdot)\right]}{\pi_{ae}\left[R^P(\cdot) - R^C(\cdot)\right]} \gtreqless 0 \; if \; \pi_{ae} \gtreqless 0 \qquad (14)$$

And

$$\frac{da}{de/R^G} = \frac{\pi_{ae}\left[G^P(\cdot) - G^C(\cdot)\right]}{C_{aa} + \pi_{aa}\left[G^C(\cdot) - G^P(\cdot)\right]} \gtreqless 0 \; if \; \pi_{ae} \gtreqless 0 \qquad (15)$$

Note that $\pi_{ae} = \pi_{ea}$ by symmetry.

The reaction functions are positively sloped if $\pi_{ae} > 0$, implying that the two strategies are complements. In other words, they represent a tit for tat strategy on the part of both antagonists; if one side behaves more peacefully its opponent does the same, and vice versa. This is the standard assumption in the literature on conflict. It means that increases in fighting or peaceful efforts by one side are matched in the same direction by the other side. In our model, however, we allow for the possibility

that $\pi_{ae} < 0$, the choice variables are strategic substitutes, and the reaction functions could slope downwards (Figure 1). This can only occur because the strategy space is defined in terms of peace. Thus, if one side behaves more peacefully, because it feels weaker or is on the defensive, it increases the utility of both parties, and the other side may free ride on this expected response by actually reducing their own action. Note that the free riding does not necessarily lead to a rise in the equilibrium level of conflict, as the side raising its efforts may compensate more than proportionately for the group lowering their action.

An increase in poverty induced or government sponsored hatred of communists, will shift the reaction function of the Muslim group (R^R_0 to R^R_1) along the reaction function of the communists (R^G_0), and the equilibrium will move from A to B in figure 1. Here the communist behave more peacefully or defensively, but the Muslim group does the converse, and genocide or politicide of communists could ensue. Should the cost of peaceful behaviour rise exogenously for the communists as well, their reaction function could move down, with a new equilibrium at C. Genocide occurs when $e = 0$, but the strategic value of a is not necessarily equal to zero, implying a corner solution.

Figure 1: Strategic Interaction
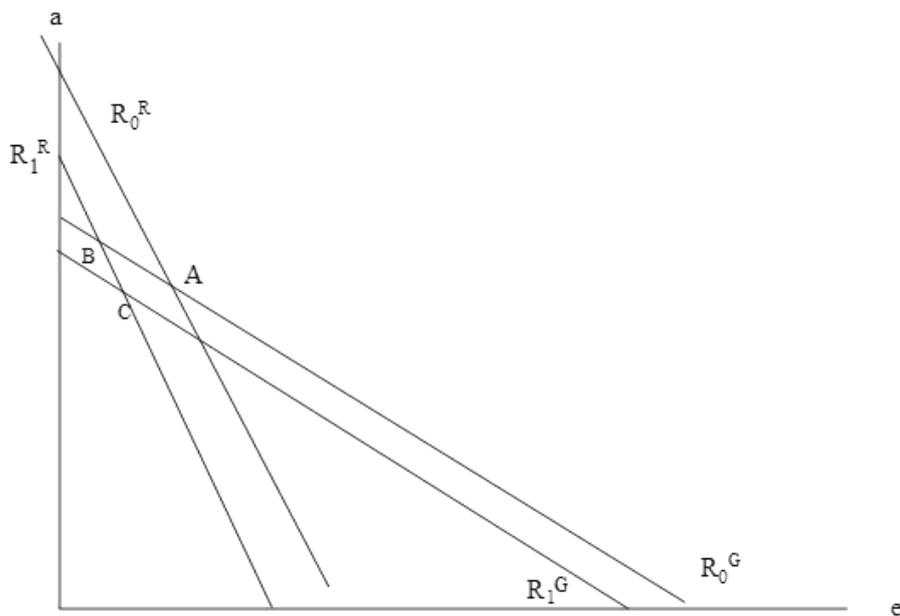
4. THE ECONOMIC AFTERMATH: MACROECONOMY AND POVERTY-INEQUALITY

Two decades after independence, the Indonesian economy in the mid-1960s was characterised by widespread poverty and stagnant growth. Indonesia reflected the general trend in Africa and elsewhere in the developing world, where the early post-independence eras were periods of decline caused by violence, political instability and poor growth record (Van Zanden and Marks, 2012). Indonesia was pre-occupied with politics at the time.

According to an academic observer, T.K. Tan, writing in 1967, the heart of the problem lay with President Sukarno's inability to grasp the saliency of sound economic management. "Sukarno was accustomed to live with the conviction that, economically illiterate as he was, the President should not be held responsible for the economic wellbeing of the nation. Such responsibility should rest with his team of

economic advisers" (Tan, 1967: vii). In January 1967, a cabinet minister frankly declared that 'one of Sukarno's sins is his ignorance of economics' (Tan, 1967: viii).

The Indonesian political independence officially gained in late 1949 after a four year war of independence was not followed by economic independence. There was a huge problem relating to the transition from the colonial primary export economy into a national economy. In the 1950s, it is estimated that the Dutch owned segment of the Indonesian modern economic sector accounted for 25 percent of national GDP and 10 percent of total employment (Higgins, 1990).

The period that follow could be divided into two. The first is the period of parliamentary democracy (1949-1957), where Sukarno's largely played a role of symbolic solidarity maker, while the executive was headed by a Prime Minister. The second is the period Guided Democracy (1957-1965), where Sukarno turned into a dictator.

The newly independent Indonesia inherited the colonial economic structure with a classically dual economic system consisting of modern capitalist economic enterprises run by Dutch colonialists mainly in the forms of plantation agriculture, shipping and trading companies; and the traditional subsistence peasant economy with a weakly developed indigenous merchant class (Boeke, 1953). The two were hardly interlinked except from the perspective of labour supply.

Economic performance, however, was tolerable during 1949-1957 with total GDP and per capita GDP annually grew at 5.5 per cent and 2.9 per cent respectively (Table 1). The dual economy largely continued during this period, where the modern colonial capitalist enterprises significantly contributed to growth. While the government tried to expand their role in the modern economic sector, the successive prime ministers from different parties during the period were very cautious about any

policies to nationalise foreign (colonial) enterprises aware of potential damage the policy might have.

The situation significantly changed in 1957 when Sukarno started to become a dictator with his vision of guided democracy and guided economy. Due to this, Mohamad Hatta tendered his resignation after serving as Sukarno's Vice President since independence. A series of measures during the 1950s were undertaken to reduce Dutch predominance in the Indonesian economy culminating in the unilateral nationalization of all Dutch enterprises in 1957-1959 followed by the British and Americans in 1963-1965. Between 1967 and 1965, nearly all foreign-owned enterprises were taken over by the state (Gibson, 1967). These state owned enterprises were run by military officers not familiar with running commercial enterprises efficiently. Parallel to the effort to reduce the remaining colonial economic role, measures to limit economic roles of ethnic Chinese were also part of the creation of the national economy. This ultra nationalist economic policy of nationalisation destroyed the productive capacity of the already thin modern economic sector of the country, akin to Robert Mugabe's move to nationalise Europeans owned plantations in Zimbabwe.

There two measures, nationalization of Dutch enterprises and limiting the business dominance of ethnic Chinese, significantly contributed to the deterioration of the Indonesian economy during the course of Sukarno's guided democracy (1957-65) without the emergence of indigenous Indonesian entrepreneurs. The first affirmative policy of the *Benteng* (fortress) program in the 1950s aimed at promoting indigenous Indonesian entrepreneurs was unsuccessful. Indonesian economic policies in the 1950s could be characterised as socialist-leaning economic nationalism as commonly found in most of newly de-colonised countries in Asia and Africa after World War II.

Writing in the 1960s, Gunnar Myrdal was pessimistic about the development prospects for Indonesia, although his main focus was India (Myrdal, 1968). He believed that the traditional power structures were likely to endure and the chances of economic take off were slim. This was largely because the government was too soft, and unable to impose discipline needed to implement development plans. Myrdal concluded that democracy might not be the best system to achieve the desired development progress and that authoritarian regimes might do it better. In fact, Sukarno's authoritarian turn to guided democracy in 1959 after the country's experiment with the Western-style liberal democracy during the 1950s was in line with Myrdal's assessment, albeit with an anti-Western tone and rather narrow nationalistic orientation. The new Suharto regime that ruled the country after the mass killing was essentially a continuation of the authoritarian regime, but with a clear Western orientation, openness to foreign capital investing mainly in natural resource exploitation, and more importantly the harnessing of available ethnic Chinese entrepreneurship.

Politically, the Sukarno's guided democracy preserved the unity of the country. In early 1960s, a series of regional rebellions were put down and Sukarno successfully integrated West Papua, as the last remaining former Dutch colony in Southeast Asia, to Indonesia. However, the period was a total economic failure as presented in Table 1. The decline in GDP growth and the decline in growth rates across all sectors during the 1957-1966 period are dramatic. This indicates how economic decline and malaise correlate with genocide and mass atrocities (GMA), as in the Armenian and Rwandan cases; catastrophic economic conditions seem to accompany the increased risk of GMA.

In 1959, a first major economic program initiated under the guided economy was *sandang- pangan* (fulfilment of basic needs such food, clothing and other necessities for the people). By 1964, the *sandang-pangan* program was totally abandoned and Sukarno's shifted the discourse to the absurd 'nation and character building' away from the real economic problem of the basic needs of the people. At the end of Sukarno's effective presidency in early 1966, *sandang-pangan* remained the country's principle economic problem (Tan, 1967).

In 1965, Indonesia was among the poorest economies in the world, with a very dominant agriculture sector and very small manufacturing industry (Table 2). Between 1950 and 1967, the central government ran budget deficits in all years except in 1951 and 1952. The periods 1965-67, as well as 1957-66, were economically disastrous (falling real per-capita income) significantly contributing to the political drama of 1965-66. Sukarno misjudged the dire political consequences of the economic decline (Van Zanden and Marks, 2012).

Table 1. Sectoral real GDP growth (annual average percent), 1949-1966

Sector	1949-1966	1949-1957	1957-1966
Agriculture	2.5	2.4	2.7
Manufacturing	5.1	10.9	0.3
Oil and gas	8.4	12.9	4.5
Trade	3.8	5.9	2.1
Transport	2.4	7.3	-1.7
Government	0.4	6.8	-4.9
Other services	3.0	4.5	1.8
Total services	3.0	5.5	0.9
Total GDP	3.5	5.5	1.8
Non oil-gas GDP	2.2	4.3	0.4
GDP per capita	1.0	2.9	-0.6

Source: Van Zanden and Marks (2012: 151, Table 7.5)

Table 2. Indonesia in 1965 in a comparative perspective

	GDP per capita (1990 international dollars)	Trade (as % of GDP)	Agriculture (as % of GDP)
Indonesia	983	24	53
South Korea	1436	27	36
Malaysia	1804	80	29
Taiwan	1810	41	24
Thailand	1308	35	32
South Asia	763	21	40
Sub-Sharan Africa	1099	43	39
Latin America	3709	36	21

Source: Van Zanden and Marks (2012: 168, Table 8.1)

The new military centred authoritarian regime of Suharto was fully aware of the political weaknesses embedded in the previous Sukarno's authoritarian guided democracy. After totally eliminating the left in Indonesian socio-political life, Sukarno's grand idea of accommodating three dominant social forces --nationalist, religion (Islamist) and communist—was further dismantled while keeping an artificial façade of democracy as a lip service. The military-created functional group party (*Golongan Karya* - GOLKAR) was designed to win elections since the first elections conducted by Suharto's regime. The nationalist and Islamist parties were grouped into two new parties making up only three political parties (GOLKAR, nationalist and Islamist) allowed to contest elections during three decades of Suharto's rule. The GOLKAR enjoyed full support from the military and the bureaucracy was deliberately designed to win in every election, while the other two parties were suppressed, but continued to barely exist. This was ironical, given the support provided by militias from the Islamist and nationalist groups to the Army in conducting the mass killing.

The capitalist (free market) military dictatorship concealed within a pseudo democracy was able to offer sort of stability. Although society was forced to accept

the authoritarian rule and political freedom was not brought back, unlike the situation in the 1950s prior to the guided democracy, the Suharto regime, in return, delivered a broad-based increased in socio-economic prosperity across the archipelago; this has been labelled as a Hobbesian bargain (Liddle, 1999). Between late-1960s and mid-1990s, average per capita income more than quadrupled, the poverty head count dropped from 70 percent to only 13 percent, infant mortality dropped from 159 to 49 per thousand live births, the adult illiteracy rate fell from 61 percent to 14 percent and inequality, measured by the Gini coefficient of expenditure, was broadly stable, varying between 32 and 35: low by international standards (UNDP, 2001).

The relatively remarkable socio-economic performance of the Suharto's military dictatorship despite its highly corrupt nature merits further explanation. First, this reflects the overall superiority of outward-looking liberal capitalist economic system vis-à-vis inward looking socialist central planning approach to development. The former largely characterized economic policies in the context of East Asian miracle, while the latter can be associated with the poor economic performances of pre-1979 reformed China and pre-1991 reformed India. Second, authoritarian political stability, albeit at the expense of political rights of the Indonesian left, secured the economy under a strong state without unnecessary political noise. This probably echoes Myrdal's preference for an (effective) authoritarian regime allowing for economic gains. Third, Suharto's decision to appoint capable technocrats to run the economy played a major role. During the course of his regime, the group of technocrats were able to manage the economy in relative isolation from day-to-day politics. And to their credit, the oil boom in the 1970s provided fresh financing for the development and the economy avoided 'Dutch' disease.

After assuming power, Suharto's main economic priority was to chalk up stabilisation and rehabilitation programmes, aimed at providing guidelines for Indonesia's economic recovery and specific policies on a balanced budget, the balance of payments, rehabilitation of physical infrastructure and agricultural development. These were helped by foreign investment, foreign aid and the overall international orientation of the economy. Growth performance in the earlier period of the Suharto's new order proved to be the most impressive (Table 3). In a comparative perspective, overall the new order was regarded as an economic success story (World Bank, 1993; ADB, 1997).

Table 3. Sectoral economic (annual average percent) growth, 1967-1996

Sector	1967-1996	1967-1972	1972-1980	1980-1986	1986-1996
Agriculture	4.1	5.2	4.7	3.3	3.5
Manufacturing	10.8	12.7	10.3	9.1	11.3
Oil and gas	3.7	16.5	4.8	-3.7	1.6
Trade	7.6	8.9	7.8	4.4	8.9
Transport	7.1	5.8	7.3	6.4	8.1
Government	10.7	20.5	17.5	6.2	3.7
Other services	6.8	5.7	5.7	5.6	8.9
Total services	7.4	7.7	8.0	5.4	8.0
Total GDP	6.9	10.2	6.8	3.8	7.6
Non oil-gas GDP	7.4	8.0	7.3	5.3	8.4
GDP per capita	5.2	6.5	4.7	2.8	6.5

Source: Van Zanden and Marks (2012: 169, Table 8.2)

The above trend hinting at the economic supremacy of authoritarian government, however, could not be assumed as a generic pattern of Western-backed military dictatorships emerging from the Cold War. In this regard, the contrasting experiences of Suharto's Indonesia and Mobutu's Zaire, as discussed in Dunning (2005), are telling examples. In Indonesia, after eliminating the left for an obvious reason and sidelining the Islamists and the nationalists due to potential threats they

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might pose to the regime, Suharto deliberately opted for economic diversification away from reliance on a natural resource based economy (chiefly petroleum) and chose to pragmatically align with minority ethnic Chinese for their private sector entrepreneurial skills. The Chinese community in Indonesia represented an economically powerful but politically weak community who would not challenge Suharto's leadership. Providing them with incentives and other public goods to develop the import competing sector resulted in economic diversification away from the natural resource export dependence.

It has to be borne in mind that natural resource rents are subject to sharper cyclical behaviour over the business cycle, and are subject to episodes of boom and bust. This implies that the growth rates, as well as government revenue and patronage rents for the elite are volatile. Indonesia managed to also avoid many of the features of the economic Dutch disease, associated with resource dependent economies as pointed out by Warr (1986). For example, it carried out a devaluation of its currency as early as November 1978 to maintain the competitiveness of the domestic import competing sector at a time when most all oil rich economies allowed their real exchange rate to appreciate and the international competiveness of their non-oil tradable sector to erode. Warr (1986) points to other macro-policy interventions to maintain international competitiveness. These policies meant that when oil revenues diminished the economy had achieved a degree of export diversification, and would not face a growth collapse. Moreover, the oil boom of the 1970s and later economic diversification helped to maintain buoyant government expenditure, particularly on public goods like health and education.

The success of economic diversification is evident in Table 4. As the economy industrialized, during the heyday of the new order development (1975-95), the role of

the primary sector including oil sharply declined in the sectoral composition of value added. A similar story can also be observed in the changing pattern of exports during the period. Furthermore, the contribution of revenue from oil and gas in the state budget increased from 9 percent in 1967 to the peak of 62 percent in1981/82 then declined to just around 20 percent in 1996/97 (Van Zanden and Marks, 2012).

Table 4. Structural change, 1975-1995

| Sector	Sectoral composition of value added						Sectoral composition of exports				
	1975	1980	1985	1990	1995		1975	1980	1985	1990	1995
Primary	27.7	20.6	22.2	16.7	11.6		6.0	6.7	6.1	2.3	1.1
Oil, gas, mining	20.5	26.3	14.2	14.6	9.8		73.9	70.8	40.6	27.9	17.3
Petrolium refinery	0.6	0.3	5.0	3.2	2.0		1.0	6.8	23.7	14.4	7.5
Manufacturing	10.9	11.1	13.0	19.1	24.6		9.4	7.4	17.9	38.4	51.1
Electricity, gas , water	0.3	0.3	0.4	0.6	0.6		0.0	0.0	0.0	0.0	0.0
Construction	5.0	5.0	6.6	5.8	6.7		0.0	0.0	0.0	0.0	0.0
Finance and insurance	2.4	2.0	2.6	3.8	4.1		0.0	0.2	2.3	3.0	3.3
Other services	32.6	34.4	36.0	36.2	40.6		9.7	8.1	9.3	14.0	19.7
Total	100	100	100	100	100		100	100	100	100	100

Source: Jacob (2005: 429-430, based on input-output tables)

Diversification was good for the economy, and Suharto hoped to gain political leverage from his economic achievements. The growth in the Indonesian economy had a high elasticity of poverty reduction and also there was a conscious effort to lower regional disparities. Tadjoeddin (2014) demonstrates a clear pattern of income convergence across provinces during 1976–96, where initial income levels in 1976 negatively correlated with the annual growth of per capita Regional Gross Domestic product (RGDP) during 1976-96. This means that poorer provinces grew faster than richer ones over the course of two decades.[4] A similar pattern during the period is also observable in terms of poverty reduction across provinces (Figure 2). In this regard, Hill (2000: 235) notes, 'there is no case of a high-income province growing much faster than the national average, or conversely of a poor province falling sharply

behind'. These convergences were achieved through deliberate fiscal equalization policies.

The main instrument of these policies was *Inpres* (*Instruksi Presiden*: Presidential Instruction) introduced in early 1970s that primarily used resource windfalls for the socio-economic development of poorer regions, especially in Java island which has the highest concentration (about 70 percent) of population. Investing in human capital through education and health spending was the key feature of the *Inpres* and this also played a crucial role in the early economic success of East Asian economies (World Bank, 1993). Development expenditure on education and health as proportion of the overall development expenditure in the state budget was on the rise (UNDP, 2001). The outcome is clear; across district regional inequalities of human development related indicators are much lower than that of per capita RGDP (Figure 3).

Figure 2. Inter-provincial regional convergence, 1976-96
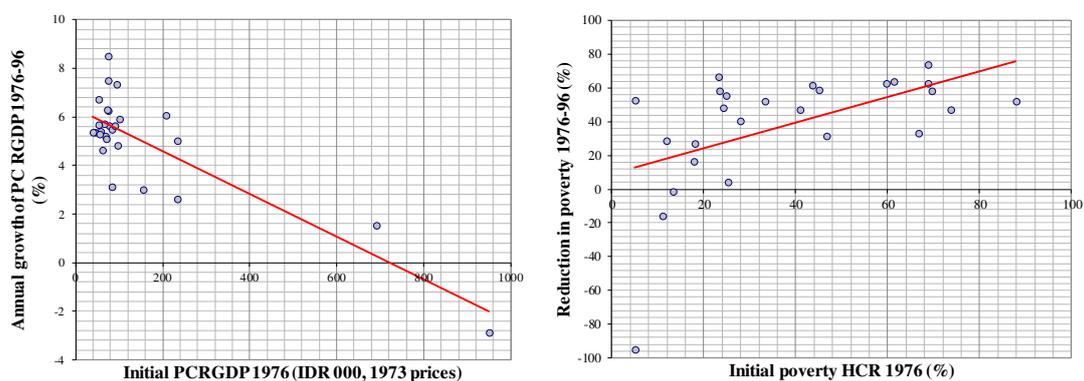
Source: Tadjoeddin (2014: 50-51, Figures 3.2 and 3.3)

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[4] This is based on overall per capita GDP including oil and gas. If oil and gas are excluded, inter regional provincial inequality of per capita GDP would be much lower, but shows a slightly increasing trend during 1980-2000 (Milanovic, 2005).

Figure 3. Regional inequalities of selected indicators, 1996 (Theil-L index measure[#])
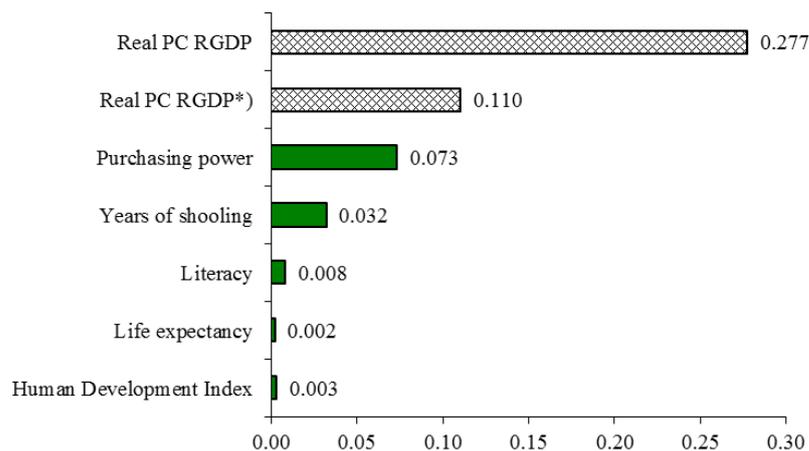
Notes:
[#] Theil-L index in this case is a measure of inter-district inequality of the relevant indicators. Higher index means higher inter-district inequality.
[*] Without oil and gas and thirteen richest districts.

Source: Tadjoeddin (2014: 52, Figure 3.4)

These inter-regional convergences may have been aimed to mollify rebellious tendencies from some regions, but eventually resulted in the rage of rich. This is due to dissatisfaction on the part of a few regions that produced oil and gas for not receiving 'fairer share' of their own resource rents because of the new order's equalization policies. These regions articulated heated secessionist sentiments soon after the fall of Suharto in late 1990s, a problem that has been largely resolved by the country's moves toward democratization and decentralization (Tadjoeddin, 2014).

In Zaire, Mobutu did not opt for economic diversification as he feared it would strengthen political opposition. In contrast to Indonesia, he may have had more to fear from the new elites that would emerge from any economic diversification. However, this argument is not watertight and it can be argued that Suharto discounted the future less and hoped to remain in power long so he wanted to stem popular discontent and cared less about elite challenges. Suharto's achievements in economic diversification and growth were economically rewarding, but at the end, it turned out

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to be politically very costly for the regime. The drive for socio-economic development and economic diversification created societal bases of power outside the control of political elites (Dunning, 2005). These independent bases of power facilitated challenges to the political power of state incumbents, especially during the economic downturns. The growing middle class in a more egalitarian society, largely resulted from the three decades of continuous and broad based socio-economic progress, became his nemesis in 1998. The challenge did not come from the Islamists or nationalists, two groups that he feared earlier. Suharto, eventually, became the victim of his own 'success'.

An interesting question could be, how Indonesia now would look line if the pattern of stagnant economy during 1950-1966 recording only 1.1 percent of average annual growth per capita GDP were continued after 1967? Figure 3 depicts exactly such a speculative counterfactual prediction. If it were the case, Indonesia in 2010 would be poorer than Vietnam or Nigeria.

Figure 4. Real Per capita GDP, 1967-2010 (in 1990 International $)
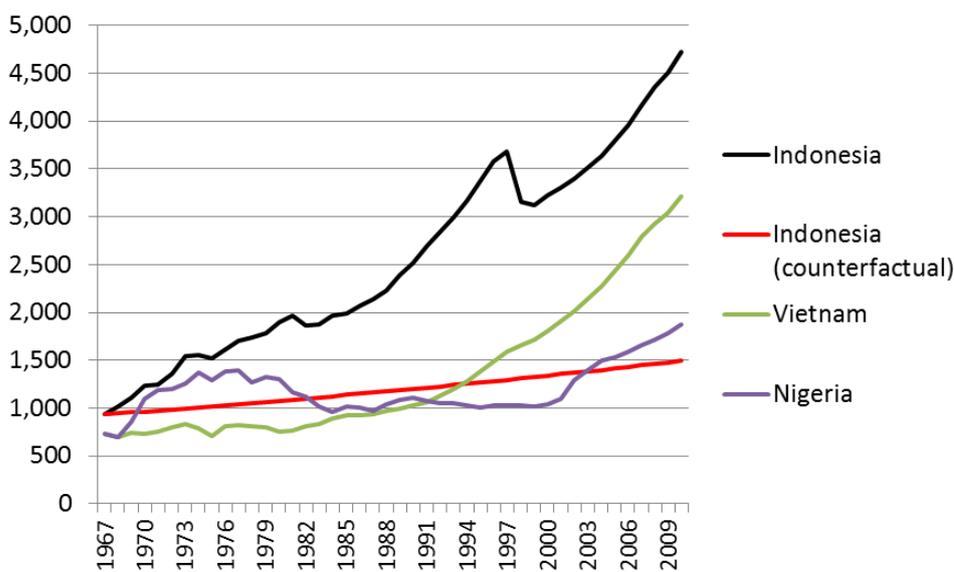
Source: Calculated from Maddison Project Database (http://www.ggdc.net/maddison)

5. CONCLUSIONS

In this work we have sketched the build up to the mass killing (politicide) of communists and communist sympathisers in Indonesia, during 1965 to 1966. One of our contributions is to explain why ordinary individuals, not belonging to the elite, might wish to participate in the act of murder. We maintain that this cannot only be justified on pecuniary grounds, but also has to be situated in innate behavioural factors which also govern individual choices and actions, which we encapsulate into a theoretical model. But even innate behavioural actions do not occur in a socioeconomic vacuum. This requires the scrutiny of the political economy leading up to mass murder. This was a period of economic stagnation and decline in an economy that was poor to begin with, which only serves to intensify any existing hatreds and polarisation. The mass murder of the communists certainly aided the consolidation of the new order regime of Suharto, but his ascension to power has to be seen in the light of cold war politics of the time favouring autocratic right of centre military rulers by the US, particularly in the context of East Asia where the battle against the alternative ideology, communism, was being waged most fiercely.

Polarisation (ideological or ethnic) combined with economic stagnation, domestic political opportunism and external geo-politics favouring a contender increases the risk of mass murder, politicide and genocide. Broad based economic growth combined with policies of redistribution that diminish political and economic polarisation may reduce risks of GMA.

As described above, the broad based economic growth strategy adopted by Suharto, as well as his policies to lower reliance on natural resource based exports, led to economic growth in Indonesia, along with poverty reduction and a diminution of regional disparities. These policies cannot be inferred to be the consequence of

politicide, rather the politicide was a step in the consolidation of power by the new regime who sought to obtain legitimacy by offering better economic conditions within an authoritarian social contract.

The contrasting paths taken by Suharto in Indonesia and Mobutu and Zaire are also worth highlighting. Economic growth and broad-based socio economic progress resulted from the three decade of Suharto's rule in Indonesia ended in the democratic transition when the rising middle class pushed for an endogenous process of democratisation, akin to Lipset's (1960) modernisation thesis, albeit with some violence. However, it has to be noted that, the Suharto regime's consolidation of power was rooted in the mass killing of around half a million Indonesians. By contrast, the no-diversification and no- development choices followed by Mobutu in Zaire only led the country into full blown civil war upon his departure. As hypothesized by Collier and Hoefler (2004), the availability of large impoverished young men and lootable natural resources along with an ailing economy made civil war highly feasible.

To conclude, over three decades of authoritarian rule in Indonesia did bring about broad based economic progress. But the authoritarian contract sustaining the regime simply became untenable and the contract lacked credible commitment without a transfer of some political power to the new middle classes. This mirrors Lipset's (1960) modernisation theory of endogenous democracy, which states that a higher level of income, the pressure for democracy becomes inexorable. But as Przeworski and Limongi (1993) argue in some countries the democratic transition occurs at a lower level of per-capita income, as seems to be the case in Indonesia, compared with other countries in the region such as South Korea and Taiwan.

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