Elites and economic policies in Indonesia and Nigeria, 1966-1998
Fuady, A.H.

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This study analyses why Indonesia and Nigeria experienced contrasting development trajectories from the mid-1960s to the mid-1990s, despite their similar socio-economic and political conditions. During this period, Indonesia became more successful than Nigeria in managing economic development. It is argued in this study that policy elites in the two countries had different visions of development that were decisive for differences in the design and implementation of economic policies. I propose that Nigeria’s economic failure is mainly due not to institutional arrangements, including ethnic and political fragmentation as well as bureaucratic incapacity, but rather to misguided policies.

Indonesia and Nigeria are both located in the tropics, have a large, ethnically diverse population, are rich in natural resources (particularly oil), and have a long history of an economy dominated by
agriculture. The two countries, however, experienced a sharp contrast in their economic development, particularly since the onset of the 1970s oil boom. In 1967, in Indonesia, per capita gross national product (GNP) was only US$ 50, or roughly half of Nigeria’s per capita GNP. However, by the late 1980s, Indonesia’s purchasing power parity and per capita GNP were double that of Nigeria, accompanied by a more equal income distribution (Bevan, Collier, & Gunning, 1999). In terms of poverty alleviation, industrialization, life expectancy and adult literacy rate, Indonesia also progressed more than Nigeria in the period 1960 to 1997 (Lawrence & Thirtle, 2001; World Bank, 2007b). These indicators show that Indonesia managed its development better than Nigeria did. Put simply, Nigeria turned into a development ‘tragedy’, while Indonesia turned into an economic ‘miracle’.

Interestingly, the divergence in economic development occurred during a period when the political structures of both countries were dominated by military regimes. After a failed attempted coup in January 1966, Major General Ironsi took over the Nigerian leadership. From then on, Nigeria was dominated by military regimes until 1999. In succession, military officers claimed the Nigerian presidency in coup after coup. They were Yakubu Gowon, Murtala Muhammad, Olusegun Obasanjo,

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1 This economic indicator perhaps does not accurately reflect real living conditions in the two countries in the 1960s, since life expectancy and mortality rate were better in Indonesia than in Nigeria. However, a deteriorated balance of payments, ultra-high inflation, as well as food shortages in Indonesia in the late 1960s are clear evidence of how chaotic Indonesia’s economy was, compared to a relatively stable Nigerian economy at that time.

2 The World Bank (1993) definition of ‘miracle’ and Easterly and Levine’s (1995, 1997) definition of ‘tragedy’ fit very well with the pair of Indonesia and Nigeria. In fact, comparison of the two countries offers a microscopic sample of what has been happening in Asia and Africa in the last few decades. In 1993 the World Bank published *The East Asian Miracle*, highlighting how Asian countries managed to achieve rapid economic growth and impressive poverty reduction. Meanwhile, Easterly and Levine (1995) published *Africa’s Growth Tragedy*, because Africa has ‘potential unfulfilled, with disastrous consequences’. Africa’s economy, which was predicted to grow ahead of East Asia, in fact experienced a stagnation of per capita income from the 1960s (Easterly & Levine, 1995, 1997).
Muhammadu Buhari, Ibrahim Badamasi Babangida and Sani Abacha, proclaimed as head of state in that order. After the death of Abacha in July 1998, Major General Abdulsalami Abubakar led the transition to a civilian government, and a new president was elected in 1999. Before that, the only civilian administrations were those headed by Shehu Shagari during the Second Republic (1979-1983) and Ernest Shonekan in 1993. In Indonesia, Major General Suharto seized power in March 1966. Even though claiming to be democratic and holding general elections to justify his leadership, Suharto used military power to maintain his position until the 1998 crisis and the reform movement forced him to resign from the presidency.

This study examines the contrast in economic development outcomes in the relatively similar political, social and economic contexts of the two countries. First, it describes what the Indonesian government did to ‘miraculously’ develop the economy and what the Nigerian government did not do. Second, it analyses why the policy elites in the two countries had different priorities while facing similar economic challenges.

The analysis focuses on two points in time when the two countries started to show a diverging path of economic performance. First, the late 1960s, when the Indonesian economy started to grow rapidly and continuously with the agricultural sector as the engine of growth, while the Nigerian economy failed to grow because of the neglect of agriculture. Second, the early 1980s. At a time when oil prices were starting to drop, Indonesia embarked on export-oriented industrialization with a series of liberalization measures, while Nigeria failed to depart from its import-substitution strategy. I also analyse how it happened that the policy elites in the two countries chose contrasting exchange-rate policies, which contributed to the divergence in economic performance. Furthermore, I explore why the policy-makers in the two countries chose different policies by analysing their individual background (their family, ethnicity, religion, professional and educational affiliations) as well as their life experience. I argue that educational background and life experience of the economic policy elites are an important determinant in the policy contrast between Indonesia and Nigeria.
Previous Studies
The differing economic performance between Indonesia and Nigeria has attracted scholars’ attention, particularly because of the boom and subsequent drop in oil prices in the 1970s and 1980s. Brian Pinto (1987), for instance, provides a perspective on Nigerian economic policies during and after the oil boom, compared with those in Indonesia. His study analyses the interplay of macroeconomic measures in Indonesia and Nigeria, including oil prices, public expenditure, inflation, and real exchange-rate appreciation. Pinto (1987) identifies important differences between Indonesia and Nigeria with regard to fiscal and exchange-rate policies, foreign borrowing strategies, and agricultural policies. Sara J. Scherr (1989) also notes the importance of macroeconomic management, and concludes that the most effective measure influencing agricultural performance during the export boom was direct government expenditure and investment.

Similar to Pinto’s work, Chowdhury (2004) examines the movement of macroeconomic variables, such as relative prices, employment, wages, and structural transformation following the 1970s oil boom for Indonesia and Nigeria, and during the early 1990s for Papua New Guinea (PNG). He concludes that even though the timing and magnitude of the resource boom were similar, the outcome was significantly different across these countries. Macroeconomic policy responses, particularly trade policy, are argued to account for this difference. Unfortunately, like Pinto, Chowdhury does not investigate the factors underlying the different policy responses.

Bevan et al. (1996; 1999) also emphasize the use of enormous oil windfall profits since 1973. They conclude that the Indonesian government’s ability to turn oil income to productive use, and the Nigerian government’s prestige projects, explain the difference in outcome. Credit must be given to Bevan et al. since they also propose initial conditions that may explain the policy differences. They argue that vulnerability to fluctuating world food prices in Indonesia led the government to establish policies to increase the food supply (Bevan, et al., 1999:418-9). Second, as opposed to the conventional Nigerian army, the ‘dual function’ of the Indonesian army allowed the army to take on civilian tasks, such as providing infrastructure in rural areas (Bevan, et al.,
This contributes to the difference in perspective of the military, as an elite, in determining development priorities (Bevan, et al., 1999:419). Third, Indonesia historically had a greater export orientation and there was more smuggling between the islands outside Java and neighbouring countries (Bevan, et al., 1999:419). These conditions made an outward orientation in Indonesian economic policies more acceptable to policy-makers. Fourth, Javanese domination of the Indonesian government has deep roots ‘not only numerically, but also historically and culturally’, and Javanese elites achieved greater political security and affinity with the advent of market capitalism (Bevan, et al., 1999:419-20). On the other hand, the Nigerian government was dominated by Northerners, who held only a ‘precarious plurality’ and whose educational achievements were meagre (Bevan, et al., 1999:420).

The initial conditions in the two countries, however, according to Bevan et al., only became decisive after a series of events, namely ‘the oil shocks, the [1982] Mexican debt crisis, and the 1975 whistle-blowing reaction to misspending’ (Bevan, et al., 1999:424). In Indonesia, these events became more decisive because of interacting with the country’s unique experience: Sukarno’s emphasis on social cohesion, the 1966 hyperinflation, the emergence of technocrats in drafting economic policy, and successful externally-oriented neighbouring economies (Bevan, et al., 1999). Thus, the differences in policy choices between the two countries are attributed to initial conditions together with events inside and outside the countries.

Erick Thorbecke (1998) examines the economic divergence of Indonesia from the level attained by Indonesia and Nigeria in the 1960s by looking for differences in political and economic institutional factors. Thorbecke examines the initial conditions in the two countries, but from a different angle than Bevan et al. (1999). Thorbecke puts more emphasis on the initial conditions in terms of the fragmentation of society, seeing fragmentation as an obstacle for achieving collective action. Thorbecke sees Indonesia as less fragmented than Nigeria in terms of ethnic distribution, because the country is mainly dominated by Javanese. The Javanese, however, cannot afford to neglect the interests of the other Indonesian islands. Besides social fragmentation, Thorbecke also
emphasizes the process by which independence was obtained, federalism, and the background of the leaders, and why all of that inhibited the process of establishing collective action in Nigeria. In his conclusion, Thorbecke highlights three important factors leading to the differences in economic performance. First is the macroeconomic foundation and fiscal discipline. Second, Indonesia had an agricultural bias in development policy through exchange-rate management, large-scale irrigation projects, and fertilizer subsidies, while Nigeria ‘squeezed’ the agricultural sector through marketing boards and exchange-rate management. Third, corruption in Nigeria is characterized as ‘an end in itself’, meaning the money from corruption is not used for productive purposes (Thorbecke, 1998:134).

Eifert et al. (2002) explain the differences in economic performance between Indonesia and Nigeria from a comparative institutional perspective. Both countries had autocratic governments and ranked very low in terms of transparency. However, Eifert et al. (2002:23) note that in Nigeria, political power was fragmented along regional and ethnic lines, not in occupational or class terms. This, they believe, ‘has led to a continuous search for a constitutional formula to hold together the Nigerian Federation and to an ongoing battle over the regional allocation of public revenues’ (Eifert, et al., 2002:23). Unfortunately, they further argue, there was no dominant party that could represent farming interests and no active commitment to enhancing equity (Eifert, et al., 2002:23). By contrast, Indonesia’s chaotic and severe economic problems in the 1960s, among them hyperinflation, food shortages, political instability, and a huge drop in GDP under the Sukarno regime, forced the new regime to adopt an agenda of economic stabilization and reconstruction, especially in rural areas (Eifert, et al., 2002:23).

Studies on Indonesia’s and Nigeria’s development individually, or in comparison with other countries, also offer a broader understanding of the divergence in development. Bienen (1983) analyses the political and institutional factors that shaped the Nigerian strategy during the oil boom. A weak class-based movement led to weak pressure for redistributive measures. The absence of a landed class, for instance, meant there was ‘little demand for direct redistributive measures’ (Bienen, 1983:45). Nigerian policy-makers also valued the importance of
an ‘exit’ option from agriculture in the process of social mobility, which meant that agriculture received little attention, and led to policies biased toward the service sector, particularly education and road construction in urban areas (Bienen, 1983:45).

Kohli (2004) explains the divergence in industrialization – in South Korea, Brazil, India and Nigeria – by differences in patterns of state construction and state intervention in promoting industrialization. Kohli (2004:327) argues that failure in Nigeria’s industrialization can be traced back to the colonial period, in which ‘British “effortless” colonialism laid the foundation of a distorted state and a commodity-dependent economy’. Even worse, the ‘effortless’ colonialism took place in a country that ‘had not experienced order and prosperity of a centralised state; centuries of slavery had robbed them of their best; they existed in relative isolation […]; and they hardly used written language’, which is important for public administration (Kohli, 2004:326). Moreover, in the post-colonial period, Nigeria has indeed been an ineffective state. The country is characterized by a personalistic and ethnically fragmented political elite, combined with an army and bureaucrats that are not competent, and lack of long-term vision (Kohli, 2004:363-4). The state’s ineffectiveness, lacking the vision and organizational capacity to promote industrialization, is thus argued to have contributed to Nigeria’s development failures.

Peter Lewis (2007), using an institutional approach in comparing the performance of Nigeria and Indonesia, concludes that the failure of development in Nigeria was due to the absence of political and institutional preconditions for economic development. Similar to Kohli, Lewis highlights how policy elites in Nigeria were divided along communal and factional lines, and concludes that this made them unable to achieve stable political regimes or capable bureaucratic organizations. Moreover, patronage, clientelism, ethnic division, rent seeking, and conflict over welfare distribution led the country astray (Lewis, 2007:77-78).

In general, the literature cited above falls into two categories. The first group (Chowdhury, 2004; Pinto, 1987; Scherr, 1989) simply compare implemented policies in the two countries. They do not examine
the institutional context surrounding the policies or the agency behind those policies. The second group (including Bevan, et al., 1999; Eifert, et al., 2002; and Lewis, 2007; Thorbecke, 1998) attempt to explain the economic divergence by examining the institutional contexts in the two countries. Different to previous studies, in this study I show the importance of personal background and life experience of policy-makers in shaping development in Indonesia and Nigeria, which has received very little attention in the existing literature.

**Role of the State**

A discussion of policy elites cannot be separated from the role of the state in which the policies are made. Therefore, before discussing the importance of the elites and the factors that influence their beliefs and behaviour in policy-making, I first briefly review the role of the state and the position of policy-makers in that structure. The role of the state is emphasized in Keynes’s *General Theory* (1936), which criticizes the laissez-faire paradigm and assigns an important role to government intervention in case of market failure (see Chibber, 2002:954; Marcuzzo, 2008). Keynes proposed that the solution to unemployment and depression in the 1930s was to reduce interest rates and increase government expenditure on infrastructure. Gerschenkron (1962), as well, argues that an active role of the state is required, especially in less developed economies and not only during economic depressions (Kalu, 1996:238). ‘It is the role of the state to organize investment and seek out capital, especially in situations where private investment may be unwilling to take risks’ (Kalu, 1996:238).

Empirical experience of East Asian economies emphasizes the role of the state. The World Bank (1993), in *The East Asian Miracle*, for instance, notes the importance of careful policy intervention in East Asian economies. ‘Government interventions resulted in higher and more equal growth than otherwise would have occurred’ (World Bank, 1993:6). Similarly, Campos and Root (1996) note the important role of the state in building a ‘shared growth’ consensus that is essential for economic development. Such a consensus ensures that economic growth will benefit all groups in the economy. To build a consensus, however, involves
complex coordination, which only ‘effective’ states can facilitate (Campos & Root, 1996; see also World Bank, 1993:13).

Here, it is important to note the concept of the ‘developmental state’ that was widely used in the 1980s, based mainly on the empirical experience of East Asian and to some extent Southeast Asian economies (see Öniş, 1991). Pioneers in this discourse were Johnson (1982) and Amsden (1989). The developmental state discourse is basically a critique of the neoclassical paradigm, which prefers to rely on market forces to drive the economy rather than on state interventions. In the neoclassical paradigm, state interventions, for example to promote import-substituting industries, are believed to generate inefficiency because they are more damaging than market failures. Neoclassical proponents believe that protection of industry will inhibit international competitiveness. Moreover, state interventions will create rent-seeking behaviour, which could redirect economic resources from productive to non-productive sectors. However, the experience of East Asian economies, such as Japan and South Korea, provides evidence that state interventions in the economy are necessary (see Amsden, 1989; Johnson, 1982). Öniş (1991:112) notes that:

The government has performed a strategic role in taming domestic and international forces and harnessing them to national economic interests. […] The state has heavily subsidized and directed a selected group of industries and subsequently exposed them to international competition. […] Hence a high degree of selectivity has been the centerpiece of industrial policy. The state has retained sufficient instruments of control so that, whatever happened in the rest of the economy, sufficient investment would be forthcoming in the strategic sectors. Thus, the market was guided by a conception of the longer-term rationality of investment formulated by the state elites. Furthermore, the state has provided a stable and predictable environment within which the corporations could undertake long-term risks.
In addition, in contrast to the logic of the neoclassical paradigm, in the East Asian economies, price distortion because of government intervention did not lead to a waste of resources. Instead, it significantly enhanced investment in strategic sectors (Öniş, 1991:12). By distorting market prices, the government directed investment to the economic sectors that needed to be developed.

The developmental state standpoint, however, does not simply follow the argument of the important role of the state in correcting market failures. Instead of doing that, the developmental state moves beyond a state-versus-market dichotomy ‘towards differences in the ways that market-oriented or capitalist economies are organized and towards how these organizational differences contribute to the contrasts in both policies implemented and the subsequent economic performance’ (Öniş, 1991:110). It is important to find a balance between market forces and state intervention. Therefore, Bolesta (2007:105) notes that the ‘[d]evelopmental state is often conceptually positioned between a liberal open economy model and a central-planned model’.

One important feature of developmental states is a commitment to national economic development targets. Such states ‘promote visionary, committed leadership; create meritocratic civil service in key areas, imbued by strong esprit de corps and concern for national goals’ (Fritz & Menochal, 2007:539). Not only should the leadership commit to the targets, but everyone in government should be directed to attain the goal, because achievement of the goal, the performance of the economy, is the foundation of state legitimacy. Öniş (1991:111) notes that economic targets are simplified in terms of growth and competitiveness with reference to external economies. It is unavoidable that society is attracted to the paradigm of growth. Öniş (1991:111), however, exaggerates when he says that in a developmental state there is an ‘absence of […] any commitment to equality and social welfare’. To the contrary, national economic goals of increasing growth and competitiveness can become shared projects, which promise to benefit all groups in the economy. A growth coalition is required to achieve the goals, and therefore the promise of equality should not be separated from the goals (see Campos & Root, 1996).
In a developmental state, there is no commitment to a particular type of regime. In contrast to the concept of good governance, which posits a normative commitment to democracy and attempts to strengthen democratic rule, a developmental state does not have such a commitment (Fritz & Menochal, 2007:539). A number of authoritarian states can be classified in this group, such as Indonesia, China and Vietnam. Furthermore, in contrast to good governance’s emphasis on transparency and accountability, the core aspects of the developmental state are state capacity and an ‘embedded autonomy’ (Fritz & Menochal, 2007:539). ‘Embedded autonomy’ means that the state should be embedded in society to meet society’s demands, but the bureaucracy should be rational, professional and insulated from political pressure and from rent-seeking groups (Fritz & Menochal, 2007:535).

Another important element in the developmental state is a political system that gives the bureaucracy sufficient space for initiatives and effective operation. Insulation of the bureaucracy from political pressure and the resulting autonomy is crucial for bureaucrats to be able to take measures necessary to achieve development. ‘The objective of the political elite is [only] to legitimize the actions of the elite bureaucratic agencies and make space for the latter's actions’ (Öniş, 1991:111). Therefore, it is not surprising that a technocracy is also characterized by this notion. A developmental state requires that qualified technocrat-bureaucrats choose and implement development policies. ‘In order to be effective as a developmental state, bureaucratic rationality must also be structured in an appropriate apportionment of power among state policy agencies’ (Chibber, 2002:952). Thus, political and bureaucratic elites play a central role.

**Why Elites?**
This study examines biographies of members of economic policy elites to explain diverging economic policies for two main reasons. First, policy elites played a central role in policy-making; in fact it was the elites who made the policies. As noted by Putnam (1976:ix), ‘Insofar as political decisions matter, political decision makers do, too’. The important role of elites has long been recognized. Since the pioneering works by two Italian
sociologists, Vilfredo Pareto (1848-1923) and Gaetano Mosca (1858-1941), the study of elites has been a central element in sociological and political analysis (see Parry, 1969:15; Scott, 1990).

Pareto (1935:1424), in *The Mind and Society*, notes that a population is stratified into elite and non-elite. The elite is ‘a class of people who have the highest indices in their branch of activity’, such as the best lawyer, the best thieves, and the best poets (Pareto, 1935:1423). The elite consists of governing and non-governing elites; governing elites comprise individuals who take an active part in government and political offices, such as ministers, senators, generals and chiefs of justice, while non-governing elites are the remaining elite groups (Pareto, 1935:1423-4).

Similarly, Mosca (1939:50), in *The Ruling Class*, notes that in every society there are two classes of people: ‘A class that rules and a class that is ruled’. According to Mosca (1939:50), ‘The first class, always the less numerous, performs all political functions, monopolizes power and enjoys the advantages that power brings, whereas the second, the more numerous class, is directed and controlled by the first’. Further, ‘The ruling minorities are usually so constituted that the individuals who make them up are distinguished from the mass of the governed by qualities that give them certain material, intellectual, or even moral superiority; or else they are the heirs of individuals who possessed such qualities’ (Mosca, 1939:53).

In line with those two scholars, Robert Michel’s (1968), in *Political Parties*, notes that the majority of people in a society are unorganized. To organize complex cooperative activities, technical expertise is required. Unfortunately, the masses do not have the expertise and therefore they pass control over organization over to the hands of leading politicians and the bureaucracy (Parry, 1969:43). Thus, the structure of organized society inevitably gives rise to elites and develops into an oligarchy because the leaders will organize and consolidate their own interests. In Michaels’s formulation, ‘Whoever says organization, says oligarchy’ (1968:365).

Now I turn to the second reason to study policy elites in relation to the nature of institutions in the two countries. Both Indonesia and Nigeria are countries with weak institutions. As Liddle (1983:68) notes,
in countries with weak institutions, and the accompanying structureless environment, the personal role of elites has been the almost inevitable alternative. Individual political leaders can play an important role in bridging the transition from traditional weak institutions to modern strong institutions. Mallarangeng (2002:29), similar to Liddle, notes that there is no need to use macro variables, such as ‘state’ and ‘bourgeois’, to understand politics and policy interaction. He proposes that a smaller unit of analysis is a better way to identify the interests of the state and of any economic and political powers. The state-centred approach relies on a high degree of aggregation and lacks empirical support (Liddle, 1991).

Liddle (1983) emphasizes the rule of Suharto, who was remarkably successful and consistent in maintaining power and establishing a ‘pyramid of New Order’ institutions, with Suharto’s presidency at the apex. Even more, McLeod (2003:7) calls Suharto the owner of ‘franchise’, that produced ‘the right to engage in “private taxation”’ – that is, various forms of taxation imposed by public sector officials (franchisees) for their personal benefit’. Even though his characterization of a ‘pyramid institution’ is debatable, Liddle’s work has contributed to the discussion on policy-making through his individual-rule approach. This approach allows us to examine policy elites and institutions in more direct and concrete terms, viewed as having their own life and history.

Indonesia has had weak political institutions due to centralization of political power. During the New Order, there were limited checks and balances from the legislative branch since it was always dominated by Golkar (Golongan Karya), which served as the ruling party. In addition, the central government took control over the political process at the local and provincial levels, imposing a uniform model of local administration in 1979 (Hofman, Rodrick-Jones, & Thee, 2004:4). With the army as ‘political stabilizer’, Suharto could (harshly) repress any opposing force to maintain his power.

Nigeria also had weak institutions, but in a different sense. According to Lewis (2007:285), ‘the polarization of political elites and the weakness of central institutions gave rise to the more fragmented, competitive, and anarchic realm of rent allocation and corruption’. Lewis
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(2007:285) notes how this led to weak central authority, which failed to make use of state organization and personnel. Similarly, Kohli (2004) notes that fragmented elites lead to state ineffectiveness. Given the lack of a nationalist movement, political elites in Nigeria were fragmented along ethnic lines. Unfortunately, there was no dominant ethnic group that could drive the country. Bureaucratic growth did not enhance the quality of the civil service (Kohli, 2004:348). Even though Nigeria experienced a different kind of weak institution to Indonesia, personal rule played an equally central role.

**Defining Economic Policy Elites**

An intriguing issue is to identify the elites that shaped economic policy in the two countries, for instance were they political elites or bureaucratic elites? As suggested by Weber, ‘the bureaucracy could very easily obtain a dominant position by means of its organization of information and the efficiency of its executive hierarchy unless it were balanced by a powerful body of responsible elected political leaders’ (Parry, 1969:81). When a strong political leader is absent, or under conditions where political leaders lack experience, the bureaucratic or administrative elites become ‘the de facto ruling group’ (Parry, 1969:81).

Fortunately, there are approaches that can be used to identify policy elites. Hoffmann-Lange (1987:29-30) describes three traditional approaches to elite identification, namely the reputational, decisional and positional approaches. The reputational approach selects elites according to experts’ judgement of the elite’s reputation. This approach is subjective and depends on experts’ access to the policy-making process and their relation with the elites. The decisional approach identifies elites based on their actual participation in policy-making, whether they participate directly or have an indirect influence on policy-making.

The positional approach simply identifies members of a policy elite based on their formal positions in the policy-making structure. This approach is the most widely used, not only because of its simplicity but also because formal holders of top-level positions play a crucial role in modern societies. As Charles Wright Mills (1959:4) notes, ‘Whether they [elites] do or do not make such decisions is less important than the fact that they do occupy such pivotal positions: their failure to act, their failure
to make decisions, is itself an act that is often of greater consequence than the decisions they do make.’

In this study, I adopt the positional approach in identifying the economic policy elites in Indonesia and Nigeria. In fact, the decisional approach and the reputational approach did not lead to the identification of different elites in the two countries. Without intending to downplay the role of non-formal actors, this study excludes non-formal political elites. I also bear in mind the different nature of the policy elites in the two countries. In Indonesia for instance, the distinction between political and bureaucratic elites is sometimes irrelevant, since they are mixed with one another. In Indonesia, technocrats have filled political positions as ministers in cabinets, while at the same time, they do not hesitate to take on bureaucratic jobs. For instance, while serving as minister of finance, Radius Prawiro also took on the position of head of customs to ensure the effectiveness of the government’s economic policies.

Since I have defined economic policy as the focus of this study, I start by identifying organizations that are responsible for economic policy. At this stage I have a list of organizations including the Ministry of Economic Coordination, Ministry of Finance, Ministry of Trade, Ministry of Industry, Economic and Development Planning Board, and the Central Bank. The next stage is to look at the leaders of these organizations, which I hereafter simply call ‘economic ministers’. These economic ministers form the policy elite that is the subject of this study.

I am aware of the fact that Nigeria has had drastic changes in public administration. Prior to the 1988 Civil Service Reforms, permanent secretaries rather than ministers had a crucial role in policy-making. In administrative ministries, the permanent secretary served as the chief administrator and chief advisor to the minister. The permanent secretary had a wide range of responsibilities, including formulating policies and determining how they were to be implemented, interpreting policies, coordinating ministry activities, supervising functional execution and monitoring, and safeguarding the ministry’s interests in inter-ministerial meetings and in relation to other agencies (Koehn, 1990:12). In the technical ministries, the permanent secretaries were also responsible for the overall coordination of ministry functions, including financial matters
(Koehn, 1990:13). In sum, the permanent secretaries held a powerful function in policy formulation and implementation in both administrative and technical ministries (Koehn, 1990:13).

The 1988 Civil Service Reforms, however, changed ministerial organization, and altered the role of the permanent secretary considerably. After the reforms, it is now the minister, not the permanent secretary, who holds the title of ‘chief executive and accounting officer’ (Koehn, 1990:39). The permanent secretary serves as the deputy of the minister and is referred to as director-general (Koehn, 1990:39). Now, however, the minister is required to delegate substantial functions and authority to the director-general, who is intended to be fully involved in the decision-making process (Koehn, 1990:40). Interestingly, the director-generals are political positions, directly serving the president, and therefore must resign with the government that appointed them.

Considering the importance of the permanent secretary in the pre-1988 period, this study includes some Nigerian permanent secretaries, particularly during the Gowon period (1966-1975), when they played a decisive role in economic policy.

**Biographies of Elites: Background and Life Experience**

The personal background (family, regional origins, ethnicity, religion, education, as well as political and professional affiliation) of policy elites is important for understanding how their opinions are formed and what kinds of policies they are likely to support. There are at least two reasons. First, a policy elite is often obligated to serve the interests of their group. This obligation usually comes from the background that provides the elite a basis for holding and maintaining their power. A policy elite drawn from a political party is required to serve the party’s interests. Similarly, a policy elite who make use of class or ethnic sentiments to gain political power will need to serve their constituents. Of course, this tendency also works in the reverse direction. Educational background, for example, brings with it community networks that are important in maintaining an elite’s power. This is not only in terms of alumni networks of a school, but also intellectual networks that share similar belief systems, codes of conduct and a certain established behaviour. Such an intellectual network, also known as an epistemic community, may support the elite’s choices in
policy-making. This epistemic community can help to provide policy arguments, not only for the policy elite, but also for the public. This community can serve as ‘guardian angels’ for the elite’s policy choices. A full-page advertisement of a group of ‘liberal’ persons in Kompas, a nationally distributed newspaper, supporting the Indonesian government’s decision to increase national fuel prices in 2005, is an example of this function.

Second, personal background may shape an elite’s belief in certain values and ideas that they think suit them or their society (see also Guiso, Sapienza, & Zingales, 2006; Harrison, 2000; and Ziegler, 1995:345). ‘Different religious affiliations and ethnic backgrounds are associated with different preferences for redistribution [and] different preferences for redistribution affect actual redistribution’ (Guiso, et al., 2006:24). Intellectual background, for instance, will help to explain an elite’s perception of certain policy ideas, because, as Derlien (1990:350) notes, ‘certain types of education and training might be better suited towards devising and carrying out a specific required policy’. Those trained in a liberal economics school of thought, for instance, are more likely to prefer liberal economic policies relying on market forces rather than a regulatory economy or state interventions.

It should be realized, however, that having a certain social background is not a guarantee that an elite will act according to the interests predicted by that background. For instance, a policy-maker of rural origins will not automatically prefer rural-biased policies. It depends on how the person perceives being of rural origin. It is possible that having childhood memories of growing up in rural areas will lead the policy-maker to prioritize development in rural areas. However, there is also the possibility that the policy-maker will perceive rural areas as ‘backward’, and therefore prioritize the development of ‘modern’ urban areas. Here, we have to take into account how the person has been taught by his parents: develop rural areas in order to tackle the ‘backwardness’, or escape from the ‘backwardness’ and focus on urban development.

Examining the background of members of an elite, however, does not imply denying their ability to change. Even though they learned attitudes about authority, development, morality and democracy in
childhood, this does not mean that they cannot change. Life experience provides the possibility for policy-makers to learn about the necessity of certain policy measures, about what kind of policy would be the ‘right’ or ‘wrong’ policy. A policy elite can learn from success or failure of policies that have been implemented by themselves or by previous policy-makers. In Indonesia, experiencing the mismanaged economy in the 1950s and early 1960s, with disastrous consequences, provided important lessons for the policy elite in Suharto’s period not to commit similar mistakes. A ‘shocking’ experience provides a ‘wake-up call’ for a policy elite to be alert to possible consequences of their decision-making.

Experience in social events, like the independence period, is also important in shaping the beliefs and ideas of an elite. MacDougall (1975:310), for instance, notes that Indonesian elites had shared experience in the military phase of the struggle for independence, which contributed to their closeness. Shared emotional experience can serve to tighten bonds, and therefore can enhance a group’s policy effectiveness. Experiencing the guerrilla wars after independence, when they needed to stay in forests and villages in rural areas, influenced how Indonesian policy-makers perceived rural development. In addition, secession attempts in Sumatra and Sulawesi in the mid-1950s had served as a warning for the Indonesian government not to neglect development in the Outer Islands. In Nigeria, even though the Biafran war in the late 1960s worsened ethnic relations in the country, at the same time it strengthened bonds among the policy elite.

**Interrelationships and the Policy Arena**

Parry (1969:97) notes that the process of ‘political socialization’ is dynamic and therefore the outlook of members of an elite can change fundamentally during their careers. Close encounters with business professionals and international donors, for instance, may lead policy-makers to more practical decisions. Also, participation in national policy-making may bring members of an elite closer together, and inspire them with a spirit of togetherness within their circle, which may lead them to a new policy stance. Therefore, social networks and interrelationships are important to understanding an elite’s knowledge, beliefs and behaviour. ‘Differences in the way in which organizations are structured, as well as
in the positions people occupy within them, affect the flow of information, constraining not only the amount but the specific content of information that people receive’ (Trotter, 1999:2).

The logic of social network analysis can also be applied to the policy arena. The policy arena, or playing field of policy-making, involves many ideas and actors that may restrict or support a policy elite in adopting certain policies. Within this arena, policy-makers have to manoeuvre according to restrictions and opportunities coming from various forces, such as from a dominant epistemic community (Sutton, 1999:8). As Crone (1993:58) notes, ‘the critical element in state capacity is a broader pattern of socioeconomic elite support, not democracy’. Strong pressure to choose a certain development strategy will narrow an elite’s options for policy choices. However, sometimes a member of an elite ‘has a substantial amount of leverage over the process, able to assert his or her own preferences’ (Sutton, 1999:8).

A member of an elite can merely pursue the dominant group’s preferences, but can also act differently by joining another group, using coercive power, or manipulating social pressure (Crone, 1988:255). To act independently, policy-makers need insulation from social pressure. This insulation is necessary to achieve substantial state capacity. ‘If [it is] lacking, political resources are wasted on designing ineffective policies that, regardless of their technical merits, will meet with resistance when they are enforced’ (Crone, 1988:256).

Since the focus of this study is the period between 1966 and 1998, a period in which Indonesia and Nigeria were ruled by military regimes, the relationship between the policy elite and the military is crucial for the analysis. Anene (1997:66-7) notes that ‘civilian cabinet members who bring political skills to the military administration are the natural political opponents of the military’. Civilians and the military are rivals in controlling the state. Their relations, however, are complex, as the rivalry may become a complementary relationship. Bienen (1978:222-3) notes:

In Nigeria a mixed civilian-military system had a good deal of civilian input at central decision-making levels. Since politicians were prevented from operating openly
at local levels, and the military had not established its own political networks at local or middle levels of politics, a political vacuum existed. In some places, civil servants moved to fill this vacuum. Sometimes it was easier to co-opt civilians, both politicians and civil servants, and attach them to the military regime at the highest levels of politics. Perhaps civilians were easily co-opted because the central elites in Nigeria fundamentally share the same values irrespective of civilian or military allegiances. The military felt it could control central decision making even when civilians participated in the process. Local politics, on the other hand, seemed to be harder for military elites to control and to understand.

In Indonesia, the relationship between the military and civilians also grew very complex. Mohammad Sadli (1993:42), a technocrat during the New Order, notes that the ‘Indonesian military in general had also accepted the economic program prepared by the technocrats, they did not interfere with our work’. He describes how the relationship between the military and technocrats grew from academic exploration, when the technocrats gave lectures at Seskoad, Seskoau and Seskoal (schools for high officers of the army, air force and navy respectively) prior to the emergence of the New Order. ‘These courses […] became an important part of the military-civilian alliance which in 1966 overthrew the Old Order (Orla) government and established the New Order (Orba)’ (Sadli, 1993:39).

In fact, civilians and the military are also rivals. A well-known example is the case of Pertamina, the Indonesian state-owned oil company, which was led by General Ibnu Sutowo. The rivalry between the military group in Pertamina and the economist-technocrats always caused tension. Radius Prawiro, the first governor of the central bank in the New Order, says that there was struggle over power in the cabinet between the economic ministers and those who supported Pertamina; Pertamina was ‘another Indonesian development agency’ (Prawiro, 1998b:142,144). Different approaches to development also contributed to
the rivalry. The economists’ group in the cabinet wanted careful macroeconomic management to avoid inflation and to guarantee long-term growth, while the supporters of Pertamina argued that such policies would inhibit private entrepreneurship (Prawiro, 1998b:144).

Interaction between policy-makers and international agencies may also explain policy choices. In Nigeria, it seems that the inadequate implementation of the structural adjustment program (SAP) resulted from conflicting power relations between Nigerian policy-makers and the IMF. The SAP, which mandated devaluation of the Nigerian naira and a reduction of the government budget, was only half-heartedly accepted by the Nigerian government in 1986 in a situation of economic emergency (see Biersteker & Lewis, 1997; Lewis, 2007:162). The role of foreign advisors was an important one in Indonesia, too, even though Indonesia voluntarily liberalized its economy in the 1980s. Sadli (1993:42) notes that relations between the technocrats and representatives of the IMF and the World Bank ‘were very good and grew more personal over time’. Moreover, Indonesia was highly dependent on foreign aid. Weinstein (1971:129) observes that the Indonesian policy elite realized that development was impossible in Indonesia without foreign aid. In this sense it is useful to consider the geopolitical situation, since Indonesia’s elites seem to have benefited from the Cold War in the 1960s and 1970s. Unlike sub-Saharan Africa, Southeast Asia was a major battlefield of the Cold War, so that Indonesia was able to extract abundant foreign aid from the United States.

**Testing Some Conventional Propositions**

1. *Market-oriented policies and an export-oriented industrialization strategy are keys for economic growth for developing countries.*

What kinds of policies lead to rapid and sustainable economic growth? Openness has been regarded as an important determinant for economic growth. Hill (1997:133) underlines that, along with macroeconomic orthodoxy and equity, openness was crucial for rapid growth in Southeast Asian countries. This openness, according to Hill, refers to ‘exposure of the domestic economy to the international marketplace, through trade in
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goods and services, various forms of capital flows, and the movement of people and ideas’ (1997:133). In a broader context, much empirical evidence suggests that external openness is strongly associated with economic growth (Stiglitz, 1998:36). Thus, the OECD (1998:36) concludes: ‘More open and outward-oriented economies consistently outperform countries with restrictive trade and investment regimes’.

In the context of the Indonesia and Nigeria comparison, Bevan et al. (1999:4) note that Nigerian elites were more hostile to liberalization than were Indonesian elites. This can be seen, for instance, in the different exchange-rate strategies. In 1978, the Indonesian government realized the need to maintain export competitiveness through currency devaluation. By contrast, the Nigerian government maintained their emphasis on import-substituting industries, and allowed the exchange rate to remain overvalued and even to appreciate during the 1970s oil boom, which led to a deterioration in export competitiveness (see Bevan, et al., 1999:4; Lewis, 2007:194; Pinto, 1987:427). In 1982, in response to the drop in world oil prices, the Indonesian government began to significantly liberalize trade policies (Bevan, et al., 1999:418), while the Nigerian government was still busy with its indigenization projects to limit foreign participation in the economy. A structural adjustment program was half-heartedly accepted by Nigeria in 1986 because of economic deterioration following the decrease in oil prices.

Moreover, comparative studies between Asian and African countries were partly triggered by the World Bank (1993) publication of The East Asian Miracle that describes the rapid growth of the first generation of newly industrialized economies (NIEs) (Hong Kong, Singapore, South Korea and Taiwan) in the 1970s as well as the second generation of NIEs, like Malaysia, Thailand and Indonesia, in the 1980s. The experience of rapid growth and poverty reduction in these Asian countries was believed to be useful for Africans. Interestingly, lessons learned from the Asian experience have usually been associated with rapid growth in manufacturing exports. Weis (2005:2) notes that ‘it is an obvious and outstanding fact that the Miracle economies experienced extremely rapid manufacturing export growth’. The general consensus is that industrialization is necessary for a developing country to progress. Collier (2007:121-2) suggests that for African countries to progress and to
reduce poverty, financial aid should be directed at improving infrastructure to support the export sector, such as labour-intensive manufacturing industries, rather than the agricultural sector.

To examine the first proposition, I first identify the turning point of economic growth in Indonesia and Nigeria. In fact, the Indonesian economy grew rapidly from the late 1960s, more than a decade before export-oriented industrialization took hold. The period of rapid economic growth and reduction of poverty took off when the Indonesian government prioritized agricultural policies in its development strategy. In contrast, Nigeria’s economic stagnation started when the agricultural sector was neglected. This shows that rural-agricultural-biased policies, which directly target the majority of the people, namely the poor, are the key for economic growth and poverty reduction.

My analysis also shows that at the second turning point, the early 1980s, economic policy in Indonesia was more liberal than that in Nigeria. However, taking into account the 1970s, this study shows that the Indonesian economic policy elite adopted economic measures that were not less interventionist than economic measures in Nigeria, particularly in the agricultural sector.

(2) The existence of a non-politicized and technocratic elite leads to the adoption of successful development strategies.

In the ‘developmental state’ discourse, qualified policy-makers are necessary for development. Chibber (2002:952) notes that to have an effective developmental state, bureaucratic rationality must be structured in politics. Derlien (1990:350) adds that certain types of education and training are important for devising and implementing the required policies. These qualifications, however, apply not merely to the technical capacity of the policy-makers, but also to their commitment to development. Thus, it is important to insulate policy-makers from political pressure and political activities. The only task for policy-makers is, then, to deliver rapid economic growth which is decisive for maintaining the government’s legitimacy.
To examine the second proposition, it is crucial to trace the recruitment of policy elites. How a policy elite hold on to their position of power determines their behaviour. Drawing on Max Weber’s notion of the bureaucratic state, the Indonesian bureaucracy is relatively close to Weber’s rational bureaucracy, in which officials are appointed on the basis of performance and technical qualifications, and they exercise their authority in compliance with impersonal rules. Indonesia’s policy elite tend to be portrayed as professional technocrats that are ‘politically astute’ (see for instance Hill, 1997:136). They are recruited from universities, not from political parties. On the other hand, Nigeria is relatively close to Weber’s patrimonial bureaucracy, in which bureaucratic positions and behaviours in the whole bureaucratic system are based on personal, patron-client, relations. Nigerian policy elites are usually portrayed as working with and for their own political interests. Nigerian policy-makers are recruited from diverse groups and regions, to represent the diversity of their constituents. Moreover, Kohli (2004:363-4) classifies Nigerian policy-makers as not competent and lacking in long-term vision.

This study, however, shows that we should be careful in characterizing Nigerian policy elites, considering the dynamics of public administration in the country. In fact, before the mass retirement of civil servants in the mid-1970s, Nigeria had well-trained civil servants recruited from among the country’s best candidates. As noted by Olowu (2001:117), the Nigerian civil service was among the best in the Commonwealth in the 1960s and 1970s. Moreover, civil servants held a strategic position for economic policy-making. During the Gowon period, for instance, ‘a coterie of senior civil servants’ held strategic ministerial positions and were thus in a position to steer Nigeria’s economic policy (Lewis, 2007:134-5). These civil servants were de facto technocrats who designed the country’s strategic policies. However, the heyday of the technocrat-bureaucrats in the early 1970s was ‘precisely the period in which Nigerian and Indonesian development trajectories began their fatal divergence’ (Henley, 2009:3). It is therefore doubtful that economic failure in Nigeria was due simply to lack of a technocratic elite.
Crone (1988:258) highlights the importance of the structure of elite coalitions to explain a state’s capacity for development. According to Crone (1988:258), a broader coalition would increase the state’s capacity, while a narrower coalition would limit its capacity. Similarly, Easterly and Levine (1995) found that ethnic diversity led to lower economic growth (see also Alessina & Ferrara, 2005; Montalvo & Reynal-Querol, 2005; and Posner, 2004). This assumption, that elite fragmentation hinders development, is often highlighted in the Nigerian case. This is not surprising, considering the ethnic politics of the country. Daloz (2005), for instance, notes that political life in Nigeria is fragmented because of *fractions*, based on primordial solidarities (e.g. ethnic, regional and religious lines), and *factions*, based on alliances (see also Osaghae & Suberu, 2005:13). This fragmentation, according to Thorbecke (1998), has prevented collective action from taking place in Nigeria. A similar argument on the issue of collective action in the country has been proposed by Lewis (2007) and Bevan et al. (1999). This contrasts with Indonesian politics, which is dominated by Javanese Muslims, and where members of the policy elite have a strong mutual bond acquired during the revolutionary period (see Bevan, et al., 1999:419-20). In general, ethnic diversity and ethnic fragmentation will prevent rational economic policy because each ethnic group has its own interests, and policy elites will choose policies according to the interests of their group (Easterly, 2001:693).

I examine the third proposition by identifying the background of members of the economic policy elite, such as their ethnicity, education, religion, as well as their regional and political affiliations. I then analyse whether differences in these policy-makers’ background correspond to differences in their policies. Interestingly, I found that Nigerian economic policy elites have quite similar preferences on development priorities, regardless of their diverse ethnic and regional origins. This makes it seem doubtful that elite fragmentation is the main source of economic mismanagement in the country. The direction of economic policy in
Nigeria was considerably stable from the 1960s to the 1990s. Without economic challenges and outside pressures, there would be more policy stability. Ethnic fragmentation does not necessarily lead to policy instability. This study suggests that educational background as well as life experience of policy elites have more influence on what kinds of policies are implemented.

Methods and Data
This study adopts a comparative analysis, which allows ‘richer insight concerning the influence of cultural milieu, political competition, and governmental structures themselves on the characteristics of public policy’ (Cyr & deLeon, 1975:378). With a comparative method, Boeije (2002:392) notes, ‘the researcher is able to do what is necessary to develop a theory more or less inductively, namely categorizing, coding, delineating categories and connecting them’. In addition, Cyr and deLeon (1975:378) note that a comparative analysis can enable understanding of ‘more complex and diverse situations’, which ‘may lead to more stimulating and incisive conclusions on both the specific and general policy levels’. Further, they argue, it may show the limitations of generalizing about policy on a country-by-country basis. The stagnation of Nigeria’s economy in the 1970s to 1990s, for instance, has often been attributed to a chronically high level of corruption. However, comparing Nigeria with the Indonesian economy, which grew rapidly despite chronic corruption, raises doubts about the impact of corruption on economic growth. A comparative study also offers the possibility of gaining benefits from other countries’ analogous policies. Even though cultural differences and overgeneralization may limit efforts to learn from one country for the benefit of another, ‘possible insights to be gained from pertinent experience in other environs should not be ignored’ (Cyr & deLeon, 1975:378). In this sense, a comparative analysis is a relatively inexpensive experiment.

In this study, I use primary data from interviews as well as written sources collected during my fieldwork in Indonesia (July 2008–March 2009) and Nigeria (March–September 2009). In Indonesia, I mainly interviewed policy-makers, in this case former economic ministers, to obtain their life stories. The main respondents include former
ministers of economic coordination, ministers of finance, ministers of trade, ministers of industry, heads of the National Development Planning Board, and governors of the Central Bank, as well as former permanent secretaries. Interviews with other key persons were also conducted to complement the stories. These key persons included not only other actors in policy-making such as bureaucrats, military officers and foreign advisors, but also family and friends of the policy elites.

I started my fieldwork by looking for the persons on my list. I checked their biography, to find out who they are, what their ideas are, and what their policies were during their tenure in office. Their speeches, newspaper articles, and academic articles were important sources for the purpose. On days that I did not have an interview, I collected written material in libraries (National Library, Parliament Library, Center for Strategic and International Studies (CSIS), Freedom Institute, and LIPI) and through the Internet. I also accessed archives in the National Archives and National Secretariat. I particularly collected biographies and autobiographies of Indonesian policy-makers. The Center for Data and Analysis Tempo (Pusat Data dan Analisis Tempo, or PDAT) was very helpful in providing me with a brief who’s who of Indonesian elites. In Jakarta, I interviewed most of the Indonesian New Order economic ministers.

For Indonesia, a particularly important written source about policy-makers is the *Bulletin of Indonesian Economic Studies* (BIES) recollection series. The series provides reflections of Indonesian policy-makers on their experience and thinking about development during their tenure in office. The recollections also shed light on the policy-makers’ sociological background. The series contains a great deal of biographical material about members of Indonesian policy elites as well as tributes from their friends and colleagues that are important for this study.

At the end of March 2009, I departed for Nigeria, first to Ibadan, the capital of Oyo State. The affiliation of the Tracking Development Project with the Political Science Department, Faculty of Social Science, University of Ibadan, allowed me to enjoy the use of the university’s rich libraries. It is the oldest university in Nigeria, established in 1948 as a college of the University of London, and converted in 1962 into an
autonomous university. As the location of the oldest university and the first television station in Nigeria, Oyo is also known as a ‘pace-setter state’. During my stay in this town, I benefited from extensive periods delving into the literature in the city’s libraries (University Library, Faculty of Social Science Library, Political Science Department Library, IFRA, and also the library of the Nigerian Institute of Social and Economic Research, NISER). NISER, a long-standing and well-known government think-tank for development, has quite a good library in terms of material related to Nigerian development. In the middle of May 2009, I moved to Abuja, the new capital city of Nigeria.

In terms of written material, *Who's Who in Nigeria* provided me with a good brief introduction to the policy-makers on my list, supplying their place and date of birth, education and job experience. Interviews with policy-makers in Nigerian newspapers and magazines, such as the *Daily Times, This Day* and *Newswatch* are also important sources that I accessed, besides biographies and autobiographies of policy-makers. Interviews with policy-makers in newspapers and magazines, also in addition to their biographies, are important sources to complete the story of policy-making in the country, since the written material available does not include such things as minutes of cabinet meetings.

In Nigeria, I interviewed several former ministers of finance, who were key persons for economic policy in the 1980s and 1990s. I also had interesting interviews with two of the three musketeers – ‘super-permanent secretaries’ – that shaped Nigeria, particularly during the Gowon period (1966-1975). I met the key policy-makers from the 1970s, 1980s, and 1990s. My interview with Ibrahim Badamasi Babangida, the former president from 1985 to 1992, provided insights into policy-making during his tenure. In addition, I conducted interviews with former (non-economic) ministers and high-level bureaucrats.

**Outline of the Study**

This introductory chapter presents the background of the study, research objectives, literature review, propositions, methods and data. Chapter 2 provides the rationale for comparing Indonesia and Nigeria. It outlines similarities and differences between the two countries in a brief historical development narrative, including political structure and military
government. It also compares development indicators, particularly economic indicators, of the two countries. Both countries are seen to share many similarities but to have performed very differently, which provides a strong basis for comparison. Further, two turning points for the two economies are identified: (1) the late 1960s, when the Indonesian economy started to grow rapidly, with the agricultural sector as the engine of growth, and (2) the early 1980s, when an export-oriented industrialization strategy provided the basis for economic growth in Indonesia, while Nigeria had no such strategy. Chapter 3 provides a comparative description of economic policy elites in Indonesia and Nigeria, looking at their socio-cultural and regional background, ethnicity, religion, and professional affiliation. Recruitment and circulation of policy elites in the two countries is discussed. In addition, I examine fragmentation of policy elites, as well as characteristics of the technocracy in these two countries.

The next three chapters (4, 5 and 6) provide an analysis of three major policy contrasts between the two countries: rural or urban development orientation, exchange-rate policy, and industrialization policy. Chapter 4 investigates factors that made Indonesian policy-makers put rural-agricultural development as their first priority, while Nigerian policy-makers preferred industrialization at an early stage of development. Chapter 5 examines why Indonesian policy-makers decided to devalue the Indonesian rupiah several times to boost export performance and to break dependence on oil money, while Nigerian policy-makers preferred to have a strong Nigerian naira, and refused to devalue the currency. Chapter 6 examines why Indonesia’s policy elite adopted a series of liberalization measures and switched to an export-oriented strategy to develop manufacturing industries from the mid-1980s, while Nigeria’s policy elite were reluctant to do so. All three chapters show that, along with institutional and structural economic factors, policy-makers’ experience and educational background significantly influenced their policy choices. Chapter 7 provides a summary of the analysis and some reflections on development policy.