Elites and economic policies in Indonesia and Nigeria, 1966-1998
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This chapter discusses the first turning point of economic divergence between Indonesia and Nigeria, the late 1960s. After emerging from the political turbulence and economic chaos of the mid-1960s, Indonesia embarked on a period of seemingly miraculous economic growth. In the period 1970 to 1990, Indonesia’s gross domestic product (GDP) grew robustly (7 percent annually on average). In contrast, Nigerian GDP in that period grew only about 3 percent annually (World Bank, 2007b). Moreover, World Bank data shows that average growth of GDP per capita in Nigeria in the 1980s was minus 1.5 percent annually. The portion of the population living below the poverty line in Indonesia decreased
significantly, from 60 percent in 1970 to 28 percent in 1986\textsuperscript{16} (World Bank, 1990b:xv; 2007b). In Nigeria, however, the poverty headcount ratio increased from an estimated 40 or 50 percent in 1973-1985 to 65 percent in 1986\textsuperscript{17} (World Bank, 1996:iv; 2007b).

Interestingly, as David Henley (2008) argues, the rapid economic development and poverty alleviation in Indonesia in the 1970s and 1980s can be attributed partly to a pronounced rural-agricultural bias in development spending. Meanwhile, the poor economic conditions in Nigeria can be argued to have resulted from neglect of the rural-agricultural sector and an over-emphasis on industrialization. The importance of rural-agricultural-biased policies for poverty reduction is also emphasized by scholars such as Kuyvenhoven (2007) and Birner and Resnick (2010) when comparing economic development in Asia and Africa.

This chapter investigates factors that led policy elites in the two countries to choose different strategies in developing their economies. Why did Indonesian policy-makers make rural-agricultural development their first priority, while Nigerian policy-makers in the 1970s preferred industrialization at an early stage of development? In this chapter I explore possible explanations by examining policy-makers’ personal biographies. I argue that, in addition to socio-political and economic conditions, the differing educational background of the policy elites contributed to the differences in their development vision.

Special attention is given to the economist-technocrats who dominated economic policy-making from the onset of Indonesia’s New Order in 1966, particularly Widjojo Nitisastro. Widjojo was the chief architect of Indonesia’s New Order economy, and is known as the leader

\textsuperscript{16} Data for 1986 is the percentage of the population living on less than one dollar a day (PPP); while data for 1970 is based on national poverty lines, which are lower than one dollar a day. With a one dollar a day poverty line, the percentage of the population living in poverty in 1970 would be even higher than the figure presented.

\textsuperscript{17} Data for 1986 is the percentage of the population living on less than one dollar a day (PPP). There is no reliable data available for the 1970s; the 1973-1985 figures are based on national measurements.
of the ‘Berkeley Mafia’ that dominated the government’s economic policy-making. The performance of the Indonesian economy in the first fifteen years of the New Order can be attributed to Widjojo’s ability as director of the economy. He was head of the National Development Planning Board (Bappenas) (1967-1983) and coordinating minister of economy, finance and industry (1973-1983). The New Order’s Five-Year Development Plans (Repelita) were written under his supervision.

In this chapter I also examine the biographies of the technocrat-bureaucrats who dominated economic policy-making in Nigeria from the beginning of the military regime in 1966, particularly Allison Ayida. Allison was assistant secretary of the Federal Ministry of Finance (1957-1963), permanent secretary in the Ministries of Finance and Economic Development (1963-1975), and secretary of the Federal Military Government of Nigeria (1975-1977). Like Widjojo’s role in drafting Indonesia’s Five-Year Plans, Allison was very much involved in the writing of Nigeria’s first, second and third National Development Plans. Along with Phillip Asiodu and Ahmed Joda, Allison was known as a ‘super-permanent secretary’ because of his strong influence on Nigerian policy-making.

This chapter first shows how development in Indonesia and Nigeria started to diverge in the late 1960s because of the difference in emphasis on the agricultural sector. I then explore some possible explanations for the difference in development vision of the two countries. I examine the primacy of policy ideas related to the social origins and educational background of policy-makers in explaining policy differences between the two countries.

**Rural-Agricultural Development: Point of Divergence**

Close analysis of the economic development of Indonesia shows that the Indonesian economy started to grow significantly from 1968. After experiencing slow economic growth in the first half of the 1960s due to economic and political chaos, the Indonesian economy grew more than 12 percent in 1968. From 1968 to 1981, GDP grew 8.2 percent annually on average (World Bank, 2007b). At the same time, the poverty rate decreased substantially. In 1964-1965, more than 70 percent of the
population was classified as poor or very poor (78.4 percent in Java and 69.3 percent in the Outer Islands). In 1981, the poor population had dropped by about half (to 38.1 percent in Java and 25.6 percent in the Outer Islands) (Booth, 1989:1241).

This spectacular economic development was achieved before export-oriented industrialization took hold in the country. The agricultural sector was the prime mover of the first fifteen years of sustained economic growth of New Order Indonesia, before export-oriented manufacturing started to grow in the early 1980s. In the period 1968 to 1981, the average contribution of agriculture to GDP was 34.5 percent, and the contribution of agriculture to merchandise exports was 20.9 percent. Meanwhile, the manufacturing sector contributed on average only 10.6 percent of GDP, and constituted a mere 1.7 percent of merchandise exports (World Bank, 2007b).

In 1994, on the 50th birthday of the World Bank and the International Monetary Fund (IMF), Widjojo Nitisastro, the main architect of Indonesia’s New Order economy, said:

Of key importance to poverty reduction in the 1970s and early 1980s was the high rate of growth in the agricultural sector, on which most of the population and the poor depended. Production of rice, the most important crop, grew by nearly 5.3 percent a year between 1971 and 1983.

The sources of rapid growth in rice production have been a combination of the rapid spread of irrigation, the provision of key inputs, and the spread of high-yielding varieties. At the same time, investment in rural infrastructure, as well as price policy, public procurement, and price stabilization, increased the level and stability of the prices received by the farmer. This early emphasis on agriculture played a decisive role in breaking the downward cycle of poverty, population growth, and environmental degradation. (Nitisastro, 1994:177)

Since the mid-1960s, Indonesia along with India and the Philippines was the pioneer of the Green Revolution. The Indonesian government embarked on development policies that focused on increasing
small farms’ productivity (Birner & Resnick, 2010: 1443). These government policies, including provision of high-yielding varieties of rice, subsidized fertilizers, financing irrigation infrastructure, agricultural credit and price guarantees, worked together to increase the productivity of the majority of the country’s inhabitants.

Figure 4.1 Fertilizer consumption (100 grams per hectare of arable land)

The success of the New Order in developing the agricultural sector had proved that the ‘orthodox view’ of food-crop production in Indonesia was no longer valid (Booth, 1989:1240). The orthodox view, advanced by Boeke and Geertz, was that Indonesian peasants were unable to absorb modern agricultural production techniques, particularly the use of chemical fertilizers (Booth, 1989:1). However, World Bank (2007b) figures show that agricultural production doubled between 1968 and 1984. During the first fifteen years of the New Order, Indonesia increased agricultural production by 4.5 percent annually on average, with the benefit of high-yield varieties, chemical fertilizers, and improvement of irrigation systems. Fertilizer consumption per hectare of arable land in Indonesia increased eightfold, from 10,000 grams in 1970 to 80,000
grams in 1982 (see Figure 4.1). From 1969 to 1993, the Indonesian government built new irrigation networks that irrigated 1,600,000 hectares of land, and rehabilitated irrigation networks that irrigated about 2,900,000 hectares, in Java, Sumatra, Sulawesi, Nusa Tenggara and Kalimantan (Republik Indonesia, 2009:128), which made it possible in many areas to grow two crops a year.

Government emphasis on rural development accompanied by introduction of modern agricultural production techniques boosted rice production. The fast growth of food-crop production, combined with the success of the family planning program, which decreased population growth from 2.35 percent annually in the 1970s to 1.86 percent annually in the 1980s (World Bank, 2007b), helped Indonesia achieve rice self-sufficiency in 1984. In 1984 Indonesia produced 38.13 million tonnes of rice, double its production in 1970 (Ministry of Agriculture Republic of Indonesia, 2010). This was a very good and important achievement considering that the country had been the world’s second biggest milled-rice importer, after Vietnam, in the early 1970s, importing more than 9.56 million tonnes in 1970 (FAO Statistics Division, 2010). In recognition of this achievement, in 1985 President Suharto was invited by the Food and Agriculture Organization (FAO) to address its annual meeting in Rome to represent developing countries.

In Nigeria, by contrast, economic development had been very slow, or had even contracted, since the early 1970s. On average, GDP grew only 3.8 percent per year between 1970 and 1985. In 1970, Nigerian GDP per capita was about US$ 368. It increased to US$ 460 in 1974, but then decreased to only US$ 330 in 1985 (World Bank, 2007b).

The slow growth of the Nigerian economy can be attributed to the neglect of the agricultural sector, in which most of the population earned their living. As in Indonesia, a large portion of the Nigerian population live in rural areas, and most of them are employed in the agricultural sector. In 1970, for instance, about 43.6 million people, or 77 percent of the Nigerian population, lived in rural areas (FAO Statistics Division, 2010). Therefore, as noted by Olanrewaju (1992: xvi), the lack of rural development is the core of Nigeria’s overall national development problem.
From 1970 to 1985, the growth of Nigeria’s agricultural sector averaged only 1.3 percent per year (World Bank, 2007b). With the population growing at a rate of 2.8 percent per year during the same period, Nigeria could no longer achieve food sufficiency. In 1985, for instance, Nigeria imported 356.14 thousand tonnes of milled rice, or more than 200 times its rice imports in 1970 (FAO Statistics Division, 2010). In addition, Okereke (1982:110) notes that production of starchy staples such as yam, cocoyam (taro) and cassava had decreased since the second half of the 1960s.

The huge increase in rice imports, which shows the inability of the economy to meet food demand from urban areas (Scherr, 1989:550), and the decreasing supply of starchy staple foods had increased the cost of living. Higher food prices prompted agitated workers to demand higher wages (Okereke, 1982:109, 114). The inflationary effects of the food crisis could not be avoided, since the largest portion of total consumption expenditure in underdeveloped countries is for food (Okereke, 1982:113). In the period 1975-1985, the annual inflation rate in Nigeria averaged 17.6 percent (World Bank, 2007b). The National Bureau of Statistics notes that in 1996 food expenditure was 63.6 percent of total expenditure in Nigeria (NBS, 2007:21). Similarly, the share of food items in the CPI (Food Weight in Consumer Price Index, FWCPI) was 69.1 percent in 1985 (NBS, 2007:23).

Indonesia’s success in attaining rice self-sufficiency in the mid-1980s is not surprising considering the level of commitment of the New Order to the agricultural sector. From the start of the New Order, the Indonesian government made agricultural development their first priority. The introduction to the First Five-Year Development Plan (1969-1974) clearly states that agriculture ‘is the central arena in which all efforts are concentrated and results expected’. Most important, the commitment was not mere lip service. The commitment was visible in government budget allocation. Government development expenditure on agricultural development was the largest single item in Indonesia's First and Second Five-Year Development Plans (Repelita), ahead of expenditure on transport, mining, industry, education or health. As can be seen in Table
4.1, the agricultural sector received more than 30 percent of the national development budget in the first Repelita.

Can we see such a commitment in Nigeria? Many policy-makers in Nigeria say that agriculture was not neglected. They argue that Nigeria made several attempts to boost agricultural production. Almost every regime in the country launched an agricultural development project. In March 1972, Gowon’s military regime (1966-1975) launched the National Accelerated Food Production Project (NAFPP). This project targeted selected food crops, such as cassava, rice, sorghum, millet and wheat, for development, in order to raise the general standard of living (Okereke, 1982:115). However, this project, consisting of research, extension, and agro services, was not taken seriously by federal and state governments; they were unwilling to fund the NAFPP (Njoku & Mijindadi, 1985:180).

Obasanjo, military head of state (1976-1979), launched Operation Feed the Nation (OFN) in May 1976. The program was an emergency national campaign to boost farming for all Nigerians, so that the country could produce enough food to feed itself. OFN provided technical assistance as well as fertilizers, pesticides, seeds and livestock at subsidized prices, in order to achieve food self-sufficiency. However, as noted by Okuneye (1992:69), the program hardly benefited small-scale farmers, who formed over 90 percent of the farming population and contributed more than 75 percent of agricultural output. In addition, in 1976, eleven River Basin Development Authorities (RBDAs) were established around the country. The objective of the RBDAs was to provide irrigation water to agricultural areas, because only a small part of the country has sufficient rain for non-irrigated crops (Okuneye, 1992:70). The RBDAs focused particularly on production of import-substituting crops, such as rice and wheat, as well as crops like sugar cane and cotton to produce raw materials for industry (Salau, 1986:328). However, these crops are more important for the consumption of urban populations than of rural dwellers. Even worse, large-scale farmers were the ones who benefited from the scheme. ‘Also, many small-scale farmers who could not afford to cultivate the specified crops as dictated by the authorities either rent out or sell their plots’ (Salau, 1986:331).

Similarly, Shehu Shagari’s civilian administration (1979-1984), which was known as the Second Republic, launched the Green
Revolution Programme (GRP) in 1980 to accelerate agricultural production. Like Obasanjo’s OFN, Shagari’s GRP aimed to achieve self-sufficiency in basic foods. Besides that, the GRP also aimed to increase agricultural export products. It covered not only food crops, but also export crops.

However, unlike in Indonesia, where the government concentrated on increasing smallholder production, Nigerian policy-makers sought to boost agricultural production by subsidizing large-scale farming, for instance during the GRP period. Watts notes that:

The Buhari government [1984-1985] declared a commitment to smallholder production, but there was little in the budgetary priorities – or in the decision to continue large-scale imports of rice and wheat – to suggest a radical departure. On the contrary, the 1984 agricultural budget was most conspicuous in its attempt to provide large incentives to […] ‘medium size U.S. investment’ and ‘large Nigerian creditor companies’ […] including tax relief, the removal of import duties on agricultural machinery, tax holidays, the abandonment of indigenization requirements, and state provision of land for large-scale plantations. (Watts, 1987:293)

In fact, policy-makers in Nigeria also say that they did not want to neglect the agricultural sector, and even in National Development Plans the agricultural sector had been made the first priority. Philip Asiodu, for instance, says emphatically, ‘In the 1970-1974 plan the first priority was agro-allied’ (Interview 08/06/2009). Similarly, Ahmed Joda says,

I do not think it is fair to say that agriculture was neglected in the planning. […] The failure was in implementation. The plan was very comprehensive. (Interview 11/07/2009)

However, the budgets for the plans show that this priority was not translated into government spending. In Nigeria, allocation of the development budget to agriculture was much lower than in Indonesia (see Table 4.1). In addition, Olomola (1998:45) notes, ‘More often than not,
there are divergences between budgetary allocation and actual release of funds as well as between funds actually released and funds actually expended’. The poor implementation, according to Ayida, was due to ‘a weak institutional framework and a poor executive absorptive capacity’ (Kayode & Otobo, 2004:44).

Table 4.1 Proportion (%) of national development budget allocated to agriculture, 1960-1985

<table>
<thead>
<tr>
<th>Indonesia</th>
<th>Nigeria</th>
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Source: Henley (2009)

Moreover, Ayida (1972:57) notes, ‘Every government functionary, from the highest authority to the lowly paid public official, believes in paying this deserving lip-service to agriculture’. Agricultural development projects, from Operation Feed Yourself to OFN to the Green Revolution, were merely ‘rhetorics and slogans’ that did nothing to revive Nigeria’s agricultural sector (Ayida, 1987:264). Similarly, Babangida, former Nigerian president (1985-1993), says that the OFN was ‘more of symbolism’ and the Green Revolution during Shagari was only ‘political’ (Interview 19/08/2009).

Policy-makers involved in the preparation of Nigeria’s National Development Plans also argue that agricultural development was the responsibility of state governments, instead of the federal government.
Therefore, Ahmad Joda says, the expenditure of state governments, rather than of the federal government, is a better measure of the level of commitment to agricultural development in the country (Interview 11/07/2009). Also, in the 1954 and the 1963 Constitutions, agriculture was claimed to be the responsibility of the states (Idachaba, 1989:5), while the federal government was responsible for research activities only. Agricultural responsibility at federal level only included ‘scientific and industrial research’ (point 21 of Schedule Part II of the 1963 Constitution). The Second National Development Plan (1970-1974) notes that, ‘Under the restrictions imposed by the Constitution, the Federal Government has hitherto confined itself to research activities in primary production’ (Federal Republic of Nigeria, 1970:112). In fact, the federal government also tried to play a more dynamic role in assisting the sector. According to the Second National Development Plan, the federal government provided: (1) grants to the states for the development of agriculture, (2) Special Agricultural Schemes, and (3) National Agricultural Credit.

In addition, the agricultural sector had previously been the main source of income for state governments, and therefore should fall under their authority. Marketing boards, such as for cocoa and palm oil, contributed significant revenue to state governments in the form of export taxes. Unfortunately, these marketing boards in fact squeezed agricultural production rather than promoting the sector.

Interestingly, state governments in Nigeria assigned agricultural development a low priority, no better than the federal government did. Table 4.2 presents the allocation of the government budget to agriculture in four selected states; Bendel and Ondo, with relatively fertile soil, are in the south, while Sokoto and Borno, with relatively unfertile soil, are in the north. In all these four states, however, the majority of the population made their living in the agricultural sector. In the four selected states between 1976 and 1990, the share of expenditure on agriculture increased. However, on average less than 7 percent of expenditure went to the agricultural sector.
Table 4.2 Proportion (%) of expenditure\(^{18}\) allocated to agriculture in selected states in Nigeria, 1976-1990

<table>
<thead>
<tr>
<th>Period</th>
<th>Bendel</th>
<th>Borno</th>
<th>Ondo</th>
<th>Sokoto</th>
<th>Total 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976-1980</td>
<td>3.31</td>
<td>4.51</td>
<td>6.32</td>
<td>5.79</td>
<td>4.98</td>
</tr>
<tr>
<td>1981-1985</td>
<td>3.23</td>
<td>5.91</td>
<td>6.82</td>
<td>7.74</td>
<td>5.92</td>
</tr>
<tr>
<td>1986-1990</td>
<td>4.20</td>
<td>5.51</td>
<td>5.85</td>
<td>23.13</td>
<td>9.67</td>
</tr>
<tr>
<td><strong>1976-1990</strong></td>
<td><strong>3.58</strong></td>
<td><strong>5.31</strong></td>
<td><strong>6.33</strong></td>
<td><strong>12.22</strong></td>
<td><strong>6.86</strong></td>
</tr>
</tbody>
</table>

*Source: Calculated from Olomola (1998:24), based on data from the Ministries of Agriculture and Natural Resources and the Ministries of Finance and Economic Development of the four states*

This section has outlined how agricultural development in the 1970s became a point of divergence between Indonesia’s and Nigeria’s economic performance. Driven by agricultural production, the Indonesian economy had grown steadily at a high pace since the early 1970s, long before export-oriented industries took hold in the economy. In the 1970s, Indonesia’s rate of poverty also dropped very fast. This contrasts with the situation in Nigeria, where the agricultural sector was neglected and the poverty rate remained high.

**Oil Revenue and the Dutch Disease**

The Dutch Disease has long been the most widely accepted explanation of the neglect of agricultural development in Nigeria (Bevan, et al., 1999; Pinto, 1987; Scherr, 1989). The neoclassical model of the Dutch Disease predicts that, after a boom, resources will shift from traditional tradable goods to the sector that experienced the boom (in our case the oil sector), the non-tradable sector, and services. The increase in oil revenue usually triggers expansion of government spending, particularly on infrastructure and bureaucracy. Expansion of urban construction stimulates ‘rural-to-urban migration [which] exacerbates seasonal labor bottlenecks in agriculture’ (Richards, 1987:98-9). In addition, because of the expansion of government spending, the Dutch Disease model predicts the currency

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\(^{18}\) Expenditure here consists of both recurrent and capital expenditure.
will become overvalued, which leads to cheap food imports that become a disincentive for local food production.

With the increasing world oil prices in the first half of the 1970s, Nigerian policy-makers no longer paid attention to agriculture, which previously had been the prime mover of the economy. Oil revenue had increased more than 17 times between 1970 and 1974 (Richards, 1987:95). While in 1970 oil contributed only 26 percent of government revenue, in 1975 it contributed 81 percent (Lewis, 2007:187). The increase had pushed the agricultural sector into a marginal position. Olanrewaju (1992:xv) notes that one of the reasons for the neglect of agricultural development in Nigeria was the discovery of petroleum and the rise of oil prices on the international market. Not only the military elite lost sight of agriculture because of the oil windfall, but also ordinary people. Newswatch Magazine, on 28 July 2009, published an article on how Nigeria’s boom became doom:

With the advent of the oil boom era, the rural-urban migration increased as people attempted to reap or benefit from the windfall from oil. ‘You didn’t have to farm to eat anymore. As a Nigerian, all you just needed to do was to come with your bowls to the nation’s capital city and collect your own share of the oil money. So, people felt it was no longer necessary to farm. I think it is the oil boom era that took us to where we are now, where we are battling to overcome food insecurity.’ (Ajaero, 2009)

Similar reasoning is given by Allison Ayida in the 1988 National Day Lecture. In Self-Sufficiency: The Path to a Virile Nationhood, Ayida notes that:

Nigeria seems to have lost the art and the know-how [of self-sufficiency] with the attainment of national independence on 1 October 1960, especially with the emergence of the petronaira era after the Civil War in 1970.

[...]

The tragedy of our situation has been not so much because $23 billion is a lot of money compared to what this nation
was able to earn in one year at some point in time, but the bulk of the money came from one easy source and that we got to depend on it so much that we abandoned or neglected the traditional agricultural areas and local industries. We imported the (and still tend to import whatever is) importable! The result was that when a down-turn occurred, we became very badly exposed. Unless a miracle occurs and oil prices rise very substantially, we must change our taste, our style and our attitudes to enable us to survive in a drastically altered environment. (Ayida, 1990: 39,41)

Although Ayida’s comparison of the situation during the colonial period with post-independence Nigeria focuses mainly on the manufacturing sector, the comparison is also valid for the agricultural sector. Under the colonial administration, ‘the Nigerian economy was established as a self-sufficient unit [that was] financed from internally generated resources, with a healthy balance of payments’ (Ayida, 1990:40). In the post-independence period, Nigeria was less self-sufficient and had a greater dependency on the industrialized countries. The oil boom had created ‘an illusion of wealth’ (Kayode & Otobo, 2004:44).

In addition, the oil boom increased indirect taxes on agriculture through exchange-rate overvaluation. Increasing revenue from the oil sector increased demand and prices in the non-tradable sector, which made the nominal value of the naira higher than its real value. The overvaluation was devastating for agricultural exports because it made exports less competitive. This indirect tax on agriculture through macroeconomic policy, unfortunately, could be three times as high as a direct export tax (Birner & Resnick, 2010:1443). Moreover, the overvaluation also made imported food cheaper and made Nigerians prefer to import foodstuffs rather than to make efforts to produce them domestically.

However, the argument of increasing oil prices as the source of Nigeria’s neglect of agriculture is questionable if we take Indonesia as a comparison. Even though Indonesia did not enjoy skyrocketing government revenue from oil to the extent that Nigeria did, Indonesia’s
government revenue nevertheless reached a level that had never been seen before. Instead of being trapped in the Dutch Disease, however, Indonesian policy-makers used a considerable part of the oil money to finance the agricultural sector. Indonesian policy-makers still perceived that they had to prioritize agriculture, even though the oil money was very ‘intoxicating’ (Prawiro, 1998a:145). Ali Wardhana says that the government realized that the economy could not depend merely on oil (Interview 29/11/2008).

The Indonesian government devoted much of its increased revenue to expansion of rural infrastructure and rehabilitation, such as irrigation and roads. The government also set up a program to extend agricultural credit to small farmers (Booth, 1989:1242). With the oil revenue, the government was also able to subsidize fertilizers so that the use of these chemicals increased substantially. More than 134.5 billion rupiahs, or more than 50 percent of the agriculture and irrigation budget, was allocated to fertilizer and pesticide subsidies. Therefore, the use of nitrogen, phosphate, and potash increased on average by 19.7 percent, 28.7 percent and 13.7 percent per year from 1972 to 1986 (Hedley & Tabor, 1989).

In addition, unlike in Nigeria, Indonesian policy-makers did not allow the currency to stay overvalued. Several times they devalued the rupiah to make exports more competitive, particularly for the agricultural sector, including forest products. Thus, Indonesia’s macroeconomic policies provided incentives to boost exports, instead of taxing exports as in Nigeria. Further discussion of exchange-rate policy is provided in Chapter 5.

Interestingly, Ayida revised his opinion about the relation between the oil boom and the neglect of Nigeria’s agriculture. In Nigeria’s Economic Recovery: Lessons of Experience and Options (1985), he writes that

Our present predicament has not been due to the neglect of agriculture arising from the petroleum boom. Many African countries without petroleum are facing similar situations. (Ayida, 1987:264)
Increasing oil revenue and the Dutch Disease without a doubt contributed to the neglect of agriculture in Nigeria. However, the question remains: why did Indonesia not fall into such a trap? Instead, Indonesian development consistently followed the model of Asian economies by making the agricultural sector the foundation for economic development. It is probably no coincidence that Nigeria became a typical African country that neglected agriculture.

**Political Explanations**

Indonesia’s rural-based development has often been attributed to fear of rural farmers as the government’s main constituency. The majority of the Indonesian population lived in rural areas, and most people made their living from agricultural activities. In 1965, 84.2 percent of the Indonesian population lived in rural areas (FAO Statistics Division, 2010). Thus, the New Order government had to increase rural welfare to achieve their legitimacy.

It should also be remembered that the birth of Indonesia’s New Order was legitimized by the suppression of the Indonesian Communist Party (PKI) rebellion in 1965, including assassination of more than half a million peasants (Huizer, 1999:33). Rural-based development would serve as a very effective measure to prevent resurrection of the PKI, since people in agricultural areas had been the main constituency of the Communist Party. The Indonesian Peasant Front (Barisan Tani Indonesia, or BTI), a peasant wing of the PKI, for instance, had over 8.5 million members in September 1964 (Huizer, 1999:32). Developing rural areas would limit the communists’ room for manoeuvre.

The fear of revolt in rural areas, where the majority of the population live, was intensified by the tradition of peasant revolt in Indonesia. Indonesian peasants had the proven ability to organize themselves, or to be organized, as a pressure group. The New Order government probably saw a potential threat in this ability of peasants to confront problems by collective action. The government understood that the BTI was not only the largest constituent of the PKI, but also ‘one of the most spectacular peasant mobilizations in Asia’ (Huizer, 1999:31).

In addition, the New Order started out under unfavourable economic conditions. The New Order’s first challenge was the high level
of inflation, driven mainly by rising food prices. Providing incentives for the rural population to produce more rice was important in order to reduce inflation and to provide food for urban dwellers. At the time when inflation reached more than 600 percent in the mid-1960s, Indonesia was a chronic rice importer. In 1970, Indonesia imported about a quarter of the world’s marketable rice, and was the second biggest rice importer in the world (Salim 2009). This situation was a heavy burden on the government budget, which had only limited foreign reserves. In addition, from January to August 1972, Indonesia experienced a severe drought, followed by flooding that damaged more than 160,000 hectares of rice fields (Nitisastro, 2010: 279). Therefore, having an agenda to overcome the food crisis and the country’s dependence on imported rice would be a good way to achieve legitimacy for the new regime. Subsidized agricultural inputs, as well as a guaranteed minimum rice price, together with other forms of rural investment, were important in securing the loyalty of rural dwellers (Hedley & Tabor, 1989) as well as urban dwellers.

Can we apply a similar reasoning to Nigeria? As in Indonesia, the majority of the population of Nigeria also lived in rural areas. In 1965, more than 40 million, or about 80 percent of Nigerians, lived in rural areas (FAO Statistics Division, 2010). However, Nigerian policy elites perceived the urban sector, rather than the rural sector, as their main constituency. Bienen and Gersovitz (1985:741) note that the ‘immediate constituency for African rulers are civil servants, members of armed forces, and workers organized in trade unions (and frequently employed in the public sector)’. Similarly, Osaghae et al. (1998:24-25) note that Nigerian policy-makers tend to perceive urban areas as their core political constituency, and leave rural areas out of the political space. Urban dwellers are seen as the relevant political constituency not only because of their proximity to government, but also because of their proven opposition to the poor performance of government; rural dwellers, on the other hand, are passive and ‘operate outside the public realm’ (Osaghae, et al., 1998:24-25).

The neglect of rural areas can be partly attributed to the absence of pressure from rural dwellers in Nigeria, as argued by Bienen (1983:45).
The absence of a landed class and the weakness of class (peasant) movements in Nigeria (Bienen, 1983:45) are argued to have led to policy-makers’ orientation toward urban development. In contrast to Indonesia, there was no experience of radicalism among Nigerian farmers. Partly because of this, Nigerian policy-makers felt no obligation to raise rural living standards. In addition, Nigeria never experienced a food crisis as severe as those in Indonesia. Even though Nigeria’s rice imports increased dramatically to meet demand from urban areas in the early 1980s, domestic production and trade of traditional staple foods, such as yam, cocoyam (taro) and cassava, contributing more than 90 percent of total output of domestic food crops, remained stable (Scherr, 1989:550).

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<tbody>
<tr>
<td>Indonesia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arable land (1000 ha)</td>
<td>18,000</td>
<td>18,000</td>
<td>18,100</td>
<td>20,081</td>
<td>22,000</td>
</tr>
<tr>
<td>Permanent crops (1000 ha)</td>
<td>8,000</td>
<td>8,000</td>
<td>11,451</td>
<td>13,200</td>
<td>15,100</td>
</tr>
<tr>
<td>Cultivated area (1000 ha)</td>
<td>26,000</td>
<td>26,000</td>
<td>29,551</td>
<td>33,281</td>
<td>37,100</td>
</tr>
<tr>
<td>Rural population (% of total)</td>
<td>82</td>
<td>76</td>
<td>67</td>
<td>55</td>
<td>48</td>
</tr>
<tr>
<td>Economically active population in agriculture (%)</td>
<td>57</td>
<td>54</td>
<td>47</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td>Agriculture, value added to GDP (%)</td>
<td>38.36</td>
<td>23.94</td>
<td>18.68</td>
<td>16.07</td>
<td>14.4</td>
</tr>
<tr>
<td>Nigeria</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arable land (1000 ha)</td>
<td>27,420</td>
<td>28,013</td>
<td>29,922</td>
<td>32,000</td>
<td>37,500</td>
</tr>
<tr>
<td>Permanent crops (1000 ha)</td>
<td>2,480</td>
<td>2,535</td>
<td>2,535</td>
<td>2,800</td>
<td>3,000</td>
</tr>
<tr>
<td>Cultivated area (1000 ha)</td>
<td>29,900</td>
<td>30,548</td>
<td>32,457</td>
<td>34,800</td>
<td>40,500</td>
</tr>
<tr>
<td>Rural population (% of total)</td>
<td>76</td>
<td>70</td>
<td>63</td>
<td>56</td>
<td>52</td>
</tr>
<tr>
<td>Economically active population in agriculture (%)</td>
<td>52</td>
<td>41</td>
<td>31</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>Agriculture, value added to GDP (%)*</td>
<td>41.3</td>
<td>20.6</td>
<td>32.7</td>
<td>48.57</td>
<td>30.68</td>
</tr>
</tbody>
</table>

* Source: FAO (2011)

Following this line of argument of a political imperative could be interesting. However, my interviews with policy-makers from the two countries suggest that such a political imperative is not the main calculation that led to the policy divergence. The need to prevent communist influence in rural areas indeed gave the Indonesian government an incentive to invest in rural development. However, Ali Wardhana and Emil Salim, two influential technocrats during the New Order, stated categorically that the rural-agricultural projects of the early New Order had nothing to do with the communist threat. According to them, the projects were based purely on a rational calculation as being the easiest way to raise the welfare of the people, given that the majority of the population lived in rural areas (Interview 01/12/2008; Interview 29/11/2008). Similarly, Nigerian policy-makers are reluctant to acknowledge that their neglect of rural development had to do with the political imperative of the urban constituency.

Some scholars argue that Indonesian policy elites also perceived urban dwellers as their main constituency. According to this view, subsidies for the agricultural sector were merely a means to make peasants produce more rice which could be used to feed the urban population. This enabled the government to meet the political imperative to give incentives to producers, ‘and more importantly, producing an adequate surplus for the urban markets, while keeping urban prices stable enough to minimize the risks of deprivation and protest amongst the politically volatile urban fixed-income earners’ (Hedley & Tabor, 1989:51). However, even if policy elites in both countries perceived the urban population as their main constituency, it is still interesting to ask why Indonesian policy-makers thought the best way to overcome urban problems was by investing in the rural-agricultural sector, while Nigerian policy-makers tried to directly satisfy urban dwellers with cheap imports.

The Primacy of Ideas
During the New Order, there was a battle of arguments about how the Indonesian economy should be directed, as also happened in Sukarno’s period. In the early 1950s, there were proponents of an industrialization-led economy, advocated by Sumitro Djojohadikusumo, and proponents of
an agriculture-led economy, advocated by Syafruddin Prawiranegara. During the Sukarno period, Sumitro was able to turn his vision into economic policies, particularly through the Urgency Plan (Rencana Urgensi Perekonomian).

Early in the New Order, too, there were two groups in government that disagreed on development strategies. The first group wanted to prioritize industry to accelerate the economy, while the second wanted to prioritize agriculture. The industrialization group consisted mainly of military officers such as Ibnu Sutowo, who was director of Pertamina, the state oil company. The group that wanted to prioritize agriculture consisted of economist-technocrats, lecturers at the Faculty of Economics of the University of Indonesia, later known as the Berkeley Mafia, led by Widjojo Nitisatro. They had been students of Sumitro Djojohadikusumo, and had learned from the failure of industrialization that had been advocated by their teacher in the Sukarno period. Thus, unlike their teacher, this new generation of economists believed that Indonesia’s economy could only be developed by developing the agricultural sector.

In the opening of his speech at the Food Workshop, held by the Indonesian Institute of Sciences (LIPI) in Jakarta in May 1968, Widjojo said:

> Increased domestic food production is the main requirement for long-term economic growth. If domestic food production does not increase substantially, too much [foreign] reserves will have to be spent for food imports, and the inflation threat will continue because of the pressure of food prices. (Nitisastro, 2010:154)

A simple calculation made by the group is explained by Subroto, a member of the economist-technocrats group, as follows.

> Seventy percent of Indonesians live in rural areas and most of them are farmers. So, if we want to improve Indonesians’ income, we should start from the seventy percent in the rural areas. (Interview 21/08/2008)
Elites and Economic Policies

Ali Wardhana, minister of finance at the time, adds that the choice was also based on a cost-benefit analysis. The investment cost for industrialization was considered too high. With a limited budget, it was better to invest in agriculture, which was cheaper and could reach a larger population (Interview 29/11/2008).

The reasons are summarized clearly in the introduction to the First Five-Year Development Plan:

Increased production in the agricultural food sector will have a major influence on the growth of the Indonesian economy. The price of food in the country can be further stabilized with a positive effect on general price stability. Only in a stable economy can rapid growth be anticipated. […] Increased food production also makes possible a decrease in rice imports. Hence a contribution is made toward conserving foreign exchange. […] Progress in the agricultural sector stimulates progress in other sectors. Increased agricultural output enlarges the market for the industrial sector, which produces basic materials needed by the agricultural sector. The demand for fertilizer, cement, insecticides, pesticides and other chemicals will increase as agricultural production expands. […] The producers of agricultural products will earn more because of increased production. Usually they spend additional earnings for commodities not produced by agriculture, thus promoting the industrial sector which supplies the needs of consumers in the agricultural sector. The stabilization of food prices through increased food production will also stabilize wages. Thus the industrial sector can operate with a cost-pattern which is not too unstable. […] Above all, agriculture has been selected because the greater part of the Indonesian people lives in this sector, working either as farmer producers or as farm labourers. Agricultural development increases the earnings of the majority of the Indonesian people and thus increases national income. It is clear that the choice of the agricultural sector for first priority is based on a broad strategy. The
development of the agricultural sector is expected to open up growth possibilities in other sectors so that an opportunity will be created to combat the backwardness of the Indonesian economy on many fronts. (cited in Henley, 2009:4-5)

In Nigeria, interestingly, policy-makers were obsessed with the idea of developing value-added industries (Henley, 2009). In contrast to Indonesia’s technocrats, Nigeria’s policy-makers’ ideas of development were biased toward the industrial sector because it provided more value added. For instance, Philip Asiodu recalls the discussion during the preparation of the Second National Development Plan:

We had to prioritize, where we were, up to the 1960s, very much depended on export of primary raw agricultural materials, cocoa as cocoa, groundnuts as groundnuts, palm oil as palm oil, palm kernel as palm kernel. No transformation, no value added. [...] We were really concerned with value added. […] All] the planning we did, was to allow us to begin to produce value added, manufactured exports. (Interview 08/06/2009)

Therefore, in his paper Planning for Further Industrial Development in Nigeria, presented at the seminar to prepare for the Second National Development Plan, Asiodu notes that:

We must aim for the most rapid increase in the volume and diversity of manufacturing activity. There are however other objectives equally important: large increases in value added and the retained portion of value added; manpower development and a significant transfer of technology; greater Nigerian ownership of industrial investment and a greater dispersal of new investments taking into full account the criterion of viability. (Asiodu, 1969: 11)

The aim of boosting the industrial sector and increasing value added, was also shared by other members of the policy elite, like Allison Ayida and Ojetunji Aboyade, who were behind the Plans. In the Third National Development Plan, for instance, they outlined the importance of
economic diversification so that value added in industry could be accelerated during the plan period (Henley, 2009:7). Nigeria’s policy elite had mistakenly assumed that ‘urban bias meant growth, development, and modernization’ but failed to realize that it could also mean ‘inequity, inefficiency, and persistent mass poverty’ (Lipton, 1975: 52). Their urban bias had led policy-makers to advocate industrialization to boost economic growth. Unfortunately, they did so at the cost of the agricultural sector.

Social Origins of the Elites

Indonesian policy-makers during the New Order always refer to President Suharto as the key person behind the country’s rural-based development. Ali Wardhana, who served for twenty years as minister in Suharto’s cabinet, acknowledges how lucky Indonesia was to have Suharto, a son of a farmer, as president. Suharto, who was born in a farming family in Kemusuk, a small village outside Yogyakarta, in 1921, provided strong support to rural development since he considered himself a farmer (Interview 29/11/2008). Similarly, Emil Salim recalls how Suharto enjoyed studying farming and how he loved the memories of his childhood playing in the forest and bathing his cows while swimming in the river. Suharto had an emotional attachment to rural life that made any rural development project ‘sound his string’ (Interview 01/12/2008).

Nigeria, indeed, had also been ruled by a farmer’s son. Olusegun Obasanjo, who was born in a farming family, was head of state from 1976 to 1979 and elected president from 1999 to 2007. However, unlike Suharto, Obasanjo was taught by his father to escape ‘toilsome farming’ (Henley, Tirtosudarmo, & Fuady, 2012:s62). Even though his father was a relatively wealthy farmer, he believed that moving out from rural agriculture is necessary to escape poverty (Henley, et al., 2012:s62). It is interesting that even though Obasanjo and Suharto both came from farming families, their thinking on poverty alleviation was quite different. As noted by Wing (1988:350), ‘The importance of the peasant background should not be exaggerated, however, because there are too many examples of authoritarian presidents of peasant origins (e.g. Kwame
Nkrumah of Ghana, Idi Amin of Uganda and Seko Toure of Guinea) who did not pursue agriculture-oriented policies.’

How about the social origins of the policy-makers at ministerial level that worked on the development plans in these countries? As discussed in Chapter 3, with the exception of Johanes Baptista Sumarlin, none of Suharto’s economic ministers came from a peasant family. Most of them came from middle-class families, such as bureaucrats and teachers. Widjojo Nitisastro, leader of the New Order technocrats, main author of Indonesia’s Five-Year Development Plans, and the key person behind the agricultural programs, was born in Malang, East Java, on 23 September 1927, in an academic family. His father, an elementary school inspector, was a member of Parindra (Partai Indonesia Raya, Greater Indonesia Party) and an active volunteer in village peasant organizations (Tirtosudarmo, 2009:3). If we want to relate Widjojo’s concerns for agriculture to his social origins, perhaps it came from familiarity with his father’s activities and his agricultural surroundings in Malang.

On the Nigerian side, we can examine the roots of Allison Akene Ayida, a super-permanent secretary during the Gowon period, who was behind the Second and Third National Development Plans. Ayida was born on 16 June 1930 in Gbelebu, an Ijaw village in Siluko, in present-day Edo State. His father, Jones, was a teacher, who then chose to become involved in trade and the timber business (Kayode & Otobo, 2004:15). After his business collapsed because of the world recession in the 1930s, Jones Ayida sought a job to have a better life and ended up in Lagos, the busiest city in Nigeria. However, he could not find a job in the city and returned to Gbelebu, where Allison Ayida spent his early childhood. By the age of seven he was living with his aunt and was enrolled at the United Nigeria African Church School in Gbelebu. Following his aunt, he then transferred to Ubiaja, Edo State, and attended the Roman Catholic Mission School (Kayode & Otobo, 2004:18). After a year and a half, they moved to Warri, where he became a student at Ogitsi Memorial School in Okere, and then the Collegiate School. Young Ayida started to live in Lagos in 1946 when he was admitted to King’s College, the most prestigious school in Nigeria, where he finished in 1952. Just like Widjojo, who spent his childhood in an agricultural area in Malang, Ayida spent his early childhood in rural areas, in Gbelebu and Warri.
However, he then lived and finished growing up in Lagos, a densely populated urban area, the centre of government activities, trade and industry.

Another important distinction between the policy elites of Indonesia and of Nigeria is their experience of colonialism and revolution. As noted by Tirtosudarmo (2008:12), Nigeria at independence was considered to be conservative and ‘pro-Western’. Indonesia, on the other hand, went to war to get its independence. During the time of the Indonesian struggle for independence, Widjojo was studying at a Catholic senior high school in Malang, East Java. At the school, he was a classmate of Rahmat Saleh and Suhadi Mangkusuwondo, who later became important members of the New Order kitchen cabinet. According to Rahmat Saleh, in the Catholic school they could more easily hide their involvement in revolutionary activities; Catholics were less suspect to the Dutch colonial government. Like his friends, Widjojo joined TRIP (Tentara Republik Indonesia Pelajar, a paramilitary unit) and experienced many battles in East Java during the revolutionary period. Participating in revolutionary combat as guerrillas made them feel closer to peasants and rural life.

By contrast, at King’s College in Lagos (1946-1952), Ayida and his friends could enjoy elite cultural activities. Philip Asiodu, a classmate, recalls:

As regards cultural activities, Allison Ayida was elected to the King’s College Society – mainly a debating society but it also organized an Annual Tea party and Dance at the end of Trinity Term in June. This was always a great social occasion for the senior classes in selected secondary schools in Lagos. It was a mixed-sex affair and invitations were rationed out in quotas to the deserving Boys’ and Girls’ Schools to be invited. King’s College Society itself in our days at King’s was rather exclusive – confined to classes IV to VI. Only a given minority number were elected from class IV each year to join the Society. There was great excitement in the days leading to the Annual Event. You could see everywhere boys practising their dance steps in order to acquit themselves
well. Apart from this, our version of the Summer Ball, the Society also organized excursions to interesting places and industrial establishments, etc. I remember Allison Ayida as an active member of the Society. (Asiodu, 2004:215)

This section shows that the policy-makers who designed development policies in the two countries came from similar family backgrounds. However, it seems they had been taught or absorbed different ideas from their parents and environment during their formative years. Whereas Suharto was so proud of his peasant background, Obasanjo was taught to escape from it. Widjojo’s father was a teacher who volunteered in peasant organizations; Ayida’s father was a teacher who preferred to move into trade and urban life. Having lived in rural-agricultural areas clearly does not guarantee that a person’s development vision will be rural biased.

**Education and Intellectual Influences**

Widjojo and Ayida are from the same generation; therefore it is likely that they were exposed to similar ideologies. They were born around 1930, and earned their bachelor’s degrees in economics in the mid-1950s, when nationalism and socialism had their strongest influence after the Second World War. Ayida, for instance, joined the Labour Club as well as the Socialist Club (Asiodu, 2004:216), and this made him familiar with socialist development thought.

Similarly, it is difficult to think that Widjojo did not have socialist ideas in mind, because he grew up in a revolutionary period and was a student of Sumitro Djojohadikusumo, a member of the Indonesian Socialist Party (PSI). At least he was able to use socialist quotes and jargon pragmatically to sell his ideas. For instance, he opened his speech at the Economics and Finance Seminar held by KAMI FEUI (10-20 January 1966) by referring to *The Commitment of the Intellectual* by P.A. Baran, a well-known socialist scholar. Similarly, in his professorial speech on 10 August 1963, titled *Analisa Ekonomi dan Perencanaan Pembangunan* (Economic and Development Planning Analysis), after quoting Oskar Lange’s *The Political Economy of Socialism*, he concludes his speech by saying:
To achieve a **socialist society** in Indonesia, our efforts to implement planned development can be accelerated if we can better understand the nature of the development process and consciously use economic laws for economic development purposes. (translated from Nitisastro, 2010:28)

To what extent, then, did educational background contribute to differences in the ideas of policy-makers in the two countries? Widjojo earned his bachelor’s in economics at the Faculty of Economics, University of Indonesia (FEUI) in 1955. At that time, most of the lecturers at FEUI were from the Netherlands. Sumitro Djojohadikusumo, the dean of FEUI, was the only Indonesian economist on the faculty. A member of PSI (Partai Sosialis Indonesia, Indonesian Socialist Party), Sumitro was also involved in government and political activities. Widjojo, during his university years, was already active at the state planning bureau (Biro Perancang Negara). Soon after completing his bachelor’s degree, Widjojo succeeded Sumitro as director of the Institute for Economic and Social Research (LPEM, Lembaga Penyelidikan Ekonomi dan Masyarakat) at FEUI.

After obtaining a scholarship from the Ford Foundation in 1957, Widjojo pursued his studies of economics and demography at the University of California, Berkeley, USA. He finished his PhD in 1961 with a thesis entitled *Migration, Population Growth, and Economic Development in Indonesia: A Study of Economic Consequences of Alternative Patterns of Inter-island Migration*. He was among the first generation of Indonesian lecturers trained in the US, prepared to replace the foreign lecturers at FEUI as nationalist sentiment grew at the university (Salim 2010:xiii).

Unlike Suharto, Widjojo was not from a peasant family. Neither was he formally trained in agriculture. Walter P. Falcon, a professor in agricultural policy who worked at Bappenas in 1968, notes that

[Widjojo] was not at that time a fully wise and self-confident food-policy specialist. But he may well have been the most savvy student who had ever entered the food-policy arena. (Falcon, 2007:26)
Then where did he get his rural-based development vision? During his stay at Berkeley, Widjojo organized discussions about Indonesian economic conditions with his Indonesian colleagues, who later became his partners in the New Order cabinets, such as Ali Wardhana, Emil Salim, Barli Halim, and Sumarlin. Ali Wardhana recalls that because of limited statistical data on Indonesia, they had to use newspapers and magazines as well as guests from Indonesia to get up-to-date information. The discussions still continued after Widjojo was appointed dean of FEUI as well as director of Leknas (Lembaga Ekonomi dan Kemasyarakatan Nasional, National Institute of Economics and Social Sciences) in 1964. It was also at Berkeley that Widjojo and his friends learned about economic policy tools. Emil Salim says that they learned the philosophical aspects of economics from Dutch professors at FEUI, but it was in the United States that they learned ‘how to formulate a policy’ (Salim, 1997:55). It seems that Widjojo’s rural-based development view came from the policy-oriented economics that he had learned in the United States.

Similar to Widjojo, Ayida studied economics. However, his educational background was different since Ayida was trained more in political economy than in economics. He was educated at King’s College, Lagos, before going to Queen’s College, Oxford, and the London School of Economics. From his history teachers at King’s College, Ayida had learned the relevance of politics, philosophy and economics for his country’s needs, and decided to study these subjects at Oxford. He studied at Oxford for about three years, from 1953 to 1956, and earned his bachelor’s degree. At Oxford, he studied together with Philip Asiodu, who had been his friend since their years at King’s. Asiodu was Ayida’s close ally during the Gowon period, and together with Ahmed Joda, they were known as ‘super-permanent secretaries’. In the UK, he also met Ojetunji Aboyade and H.M.A. Onitiri, who later became distinguished economists at the University of Ibadan and the Nigerian Institute for Social and Economics Research (NISER), and were very influential in Nigeria’s economic policy. After graduating from Oxford, Ayida enrolled in the master’s program in finance and banking at the London School of Economics from 1956 to 1957, but did not complete it because he had to
return to Nigeria when his father died (Kayode & Otobo, 2004:27-8). His educational background in political economy seems to have contributed to the way Ayida and his colleagues saw the importance of the state in promoting industry. They tended to see the Nigerian economy as a periphery of the world capitalist system that exported only raw agricultural products; and for Nigeria to become an independent and self-sufficient economy, it needed to have a strong industrial sector that was not dependent on foreign forces.

**Conclusion**

Agricultural-based development is an important point of divergence between Indonesia’s and Nigeria’s economic performance. Through its emphasis on rural-agricultural development, Indonesia’s New Order managed to escape economic chaos in the mid-1960s. Backboned by the agricultural sector, the economy grew miraculously in the first fifteen years of the New Order. Moreover, during that period, the rate of poverty in Indonesia decreased significantly. The World Bank regarded it as the fastest case of poverty reduction in world history. In contrast, Nigeria’s economy failed to grow because of neglect of the agricultural sector from the 1970s. Even when Nigeria’s policy-makers wanted to boost the agricultural sector, this ‘led to policies and practices directly or indirectly aimed at the evolution of large-scale farms’ (Ekong, 1983: 169). The failure to develop agriculture increased the proportion of the Nigerian population living below the poverty line. This supports the notion that policies aimed at small farmers are a proven strategy to reduce poverty (Birner & Resnick, 2010:1442), which would best serve the interests of a developing economy like Nigeria. As noted by Oshima (1987:313), ‘If a country starts out with capital-intensive industrialization at the neglect of agriculture, not only will resources and wealth be concentrated in the hands of a smaller group but rapid growth will not be sustained.’

This chapter shows that the different visions of development in Nigeria and Indonesia were not only driven by political pressure and external economic factors. Political pressure and increasing oil revenue have the potential to lead to a devastating situation, such as the Dutch Disease. However, it was the vision of policy-makers that determined
what kind of policy responses were generated to avoid such a devastating situation. Indonesia’s policy-makers chose rural-based development, while Nigeria’s policy-makers preferred urban-based development.

The differing visions of the policy elites came from their differing sociological origins as well as educational background. Even though not all Indonesian policy-makers were from a peasant background, they were more attached to the rural sector than were their Nigerian counterparts. Nigeria’s policy-makers had been taught to move out of the agricultural sector to urban life in order to avoid poverty. In terms of educational background, Indonesian policy-makers were mostly trained in the United States as policy-oriented economists. In contrast, Nigerian policy-makers were mainly trained in the United Kingdom in other subjects, such as philosophy and politics.