Elites and economic policies in Indonesia and Nigeria, 1966-1998
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Elites and Economic Policy: Conclusion

Economic progress of a country has often been associated with policies driven by institutions, such as rule of law, organizational capacity, and social fragmentation. Such a notion suggests that without supportive institutional arrangements, an economy will fail to progress. Very little attention has been given to the actors who design the policies. The ability of the actors to act independently, with free choice, and their ability to manoeuvre within institutional arrangements, have been largely overlooked. This study shows the role of policy-makers’ background in shaping economic development in the developing world. I show how important the personal background of the top authorities in economic
policy-making can be for economic development. Comparing the cases of economic development in Indonesia and Nigeria, I show that a contrast in economic performance arose under roughly similar institutional arrangements, and that contrast arose from the response of policy-makers to institutional challenges. Without neglecting the role of institutional arrangements in shaping policy decisions, I argue that knowledge and beliefs accumulated by policy-makers through their life experience and educational training were decisive for the course of development.

The two countries being compared, Indonesia and Nigeria, show similarities in many respects, ranging from geography to social and political challenges, but they grew differently. Both are located in a tropical area, have the largest population in their respective region, have an ethnically highly diverse population, experienced a long history of colonialism, and are rich in natural resources, particularly oil. Both countries were ruled by military leaders from 1966 to 1998, the period under study (with two brief civilian administrations in Nigeria in 1979-1983 and 1993). In addition, both countries are notorious for their high level of corruption. Yet their economic performance shows a stark contrast. In the wake of independence, in the 1960s, Nigeria was full of optimism about the future of the economy. However, like a tragedy, up to the end of the 1990s the economy grew very slowly and often grew negatively, while two thirds of the population lived below the poverty line and inequality increased considerably. By contrast, after years of pessimism and chaos in the 1960s, like a miracle, Indonesia’s economy not only grew continuously at a high rate, but the proportion of the population living below the poverty line was also significantly reduced.

What did the Indonesian government do to successfully manage the economy that the Nigerian government did not do? Why did policy-makers in the two countries choose to do or not to do something? My analysis focuses on these two questions. First, it examines the economic policies that led to the diverging economic performance in the two countries. The main contrast that shows up between the two is: Indonesia adopted a rural-agricultural-biased and pragmatic market-oriented strategy, while Nigeria adopted an urban-industrial-biased and regulatory-nationalist strategy. Second, I examine potential factors that might explain such a contrast in policy. Unlike previous studies that analyse the
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On Elite Fragmentation and Technocratic Autonomy:
Primacy of Policy

One influential view on why Nigeria failed to achieve sustainable and equitable economic growth, despite its abundant natural resources, targets the institutional arrangement in the country. The institutional arrangement here usually refers to Nigeria’s fragmented society based on ethnicity, religion and factions within the military and the government (see also Daloz, 2005; Iyoha & Oriakhi, 2008; Lewis, 2007; Osaghae & Suberu, 2005; and Thorbecke, 1998). Lewis (2007:78), for instance, notes that Nigeria’s economic tragedy is linked to the ‘central problem of collective action’. In his view, ‘In a setting of weak formal institutions and myriad conflicts over distribution, the Nigerian state has succumbed to a social dilemma: individuals and groups focus on particular gains at the expense of collective goods and general welfare’ (Lewis, 2007:78). Similarly, Bevan et al. (1999) argue that, unlike Indonesian politics, which is
dominated by Javanese, there is no dominant ethnic group in Nigeria that is able to provide political stability and consensus.

In Indonesia, economic policy-makers came from a very narrow range of society with a roughly similar background. A group of economists from the Faculty of Economics, University of Indonesia, who had been trained in the United States, dominated the country’s economic policy-making. They were similar not only in educational background, but also in terms of generation, social origins, life experience, as well as ethnicity. This similarity has been argued to be decisive for efficient policy-making since it eased forming a consensus and helped to stabilize policy.

If we look at the background of Nigerian policy-makers, they came from more diverse origins than Indonesian policy-makers. They were appointed to the cabinet to meet ethnic, regional and religious balances to reflect the federal character of the state. The institutional view suggests that the diverse and fragmented elites in Nigeria made it difficult for them to arrive at a consensus within the government, which then led to inefficient policies. The inefficiency can be seen, for instance, on deciding where certain projects would be located and in the struggle over a revenue-sharing formula. This study, however, shows that there was no significant difference in development vision among the diverse Nigerian policy-makers. Regardless of their ethnicity or religion, they were all particularly interested in transforming the economy into a self-reliant, industrialized, and state-driven economy.

This study shows that regional, ethnic and religious differences in Nigeria did not lead to difficulty in forming a consensus about the overall development direction. Northerner or Southerner, Muslim or Christian, Hausa or Yoruba, they did not have contrasting development policy orientations. The Indigenization Decree in the 1970s, for instance, was supported by policy-makers regardless of their background. Similarly, the decision not to devalue the naira in the early 1980s was supported not only by Southern Christian elites, but also by Northern Muslim elites. There was no disagreement among factions and fractions on the urban-biased and regulatory-nationalist economic goal.

Moreover, the primacy of ideas is clearly seen when the autonomy of the policy elites in policy-making is examined. Along with
political fragmentation, political pressure and regime instability have been seen as major obstacles to development in Nigeria. However, the trajectory of development in the two countries leads me to reject this notion. The economic policy elites in both Indonesia and Nigeria were working under military regimes. My interviews with members of the policy elites in the two countries show that they in fact were sufficiently insulated from military and political pressure. To some extent, of course, policy-makers had to follow their military masters, but in return they were given insulation that enabled them to formulate their ideas into policies. Indonesia’s technocrats enjoyed Suharto’s protection from interference in formulating economic policy. Similarly, the military masters in Nigeria (like Gowon, Buhari, Babangida and Abacha) shielded their technocrats from political interference so that they could have sufficient room to formulate their ideas into policies.

This all supports the argument that implemented economic policies in the country reflected policy-makers’ ideas and vision of development, and were not merely a result of institutional problems such as elite fragmentation or political pressure. Nigeria’s policy-makers might have come from a more diverse background than Indonesian policy-makers, but their vision of development was not fragmented along the lines of diversity.

Contrasting Policies

*Rural versus Urban-Biased Policies*

Throughout this study, particularly in Chapters 2 and 4, I have noted that the first point of divergence between Nigeria and Indonesia was in the late 1960s. After that point, with agriculture as the engine of growth, Indonesia’s economy grew rapidly, accompanied by a steady reduction in poverty. By contrast, the Nigerian economy slowed down. This was triggered in particular by the neglect of agriculture, which provided the largest contribution to the economy. In Indonesia policy-makers focused all their efforts on agriculture, while Nigeria’s policy-makers neglected the agricultural sector. This can be seen in the government budget allocations; whereas in Indonesia a large portion of the national
government budget was allocated to the agricultural sector, in Nigeria only a small portion was.

Indonesia’s policy elite argued that only by increasing the income of the majority of the population, namely those who lived in rural areas, could economic growth be achieved. Agricultural development would increase the income of the majority and would thus increase national income. Moreover, the increase in agricultural output as well as in the income of farmers was expected to increase demand for the industrial sector that provided supplies needed by the farmers. Increasing domestic food production was also needed to reduce spending of foreign reserves for food imports and to reduce the threat of inflation resulting from the pressure of rising food prices.

In contrast to Indonesia’s policy-makers, who prioritized development of the rural-agricultural sector, Nigeria’s policy-makers prioritized development of the urban-manufacturing sector, which they believed would bring with it growth, development and modernization. For Nigerian policy elites, developing the manufacturing sector would yield more value added than merely producing raw materials, and this was seen as the only way for the economy to advance. Without a rapid increase in value added in the manufacturing sector and sufficient transfer of technology, policy-makers believed that the Nigerian economy would remain merely a supplier of raw materials for the developed world.

Unfortunately, Nigeria’s policy elites pursued development of the urban-manufacturing sector by neglecting the sector that provided income for the majority of the population, namely agriculture. Moreover, practices of government intervention in agriculture in Nigeria taxed the sector heavily, such as through commodity marketing boards, rather than offering incentives for the sector to grow. This does not mean that there was no agricultural development program at all in Nigeria during the period of analysis. However, the efforts of Nigeria’s policy-makers to develop the rural-agricultural sector, such as Operation Feed the Nation and the Green Revolution, were merely rhetoric, symbolic political gestures.

Also, most of the programs designed for agricultural development in Nigeria did not target small-scale or peasant farmers. Rather, they focused on developing large-scale farms or plantations. These programs
are very different to the massive agricultural development in Indonesia that targeted small-scale farmers to boost rice production. Rapid development of irrigation, as well as provision of high-yielding crop varieties and agricultural credit, were designed to directly target Indonesia’s peasants, and thus the majority of the population.

In sum, the rural-biased policies chosen by Indonesia’s policy-makers provided a foundation for the country to sustain rapid economic growth. In contrast, the urban-biased policies chosen by Nigeria’s policy-makers led the economy into jeopardy, slow economic growth, and increasing inequality, instead of becoming a modern and high-growth economy.

**Market-Oriented Pragmatism versus Regulatory Nationalism**

Indonesia’s policy elites were very pragmatic in their way of thinking. They believed that market forces were necessary for the economy to progress, but they also realized the importance of government intervention to handle market failures. In the second half of the 1960s they took a very liberal stance toward foreign direct investment, for instance by allowing full foreign equity ownership and offering tax holidays. At the same time, they were strongly interventionist in the agricultural sector, for instance by subsidizing agricultural inputs and stabilizing prices of rice. Widjojo Nitisastro, chief of the New Order technocrats, believed in a planned development that followed the laws of economics. Given the perceived importance of planning, Bappenas (National Development Planning Board) played a central role in the New Order’s economic policy-making.

The pragmatism of Indonesian policy-makers is also shown by swings in policy from time to time. After radically liberalizing the economy in the late 1960s, when oil revenue increased substantially in the 1970s they returned to the economic nationalism of Sukarno’s period. However, after the 1980s, they again shifted the orientation of the economy, to provide more room for domestic private and foreign participation. Indonesia’s policy-makers realized that too much state intervention – as was the case in the 1950s, in the early years after independence – or too much protection, as in the 1970s, did not really
help the manufacturing sector to become competitive internationally. Therefore, starting in the 1980s they embarked on an export-oriented industrialization strategy, believing that exposure of the domestic economy to the international market was the best way to sustain economic growth.

In Nigeria, the economic orientation of the policy elites did not really change much in the decades after independence. Since independence in the 1960s, policy-makers were obsessed with promoting value-added industries through an active role of government. Protection of the domestic economy and state intervention were advocated and strengthened, for instance through the Indigenization Decree in the 1970s. This decree aimed to increase the role of domestic actors in the industrial sector by transferring equity ownership from foreign actors to domestic actors, with the aim of reducing dependence on foreign investment, foreign raw materials, and foreign expertise. During the 1970s, Nigeria’s policy-makers adopted an import-substitution industrialization strategy, with protective tariff and non-tariff barriers on imported manufactured goods.

When oil revenue decreased in the 1980s, Nigeria’s policy-makers still did not want to change economic direction, until the introduction of the structural adjustment program. Moreover, the implementation of the structural adjustment program resulted in only half-hearted economic reforms, and belief in the need of state intervention in the economy remained strong. Nigeria’s politicians and policy-makers kept chasing after the goal of becoming an independent economy and defeating ‘neo-colonial ghosts’ that exploited the economy.

In fact, the early 1980s, when oil prices started to decrease, marked the second point of divergence between the two economies (Chapter 6). From this period, the Indonesian economy embarked on an export-oriented industrialization strategy that sustained the rapid growth of the economy. A series of liberalization measures was introduced and made the manufacturing sector the engine of exports, surpassing the oil and the agricultural sectors. By contrast, Nigeria’s policy-makers half-heartedly liberalized the economy and the economy deteriorated further after the 1980s; the economy grew very slowly, GDP per capita decreased, and manufacturing industries were in difficulty.
In agreement with Bevan et al. (1999), this study shows that Indonesia’s policy-makers were more open to the international market than Nigerian policy-makers, who preferred a regulatory nationalism with a strong role of the government. While Nigeria’s policy-makers held on to a nationalist economic way of thinking, Indonesia’s policy-makers pragmatically adopted market-oriented policies.

**Devaluation versus a Strong Currency**

The contrast between a rural-based and an urban-based development vision, as well as between market-oriented pragmatism and regulatory nationalism, can be seen clearly in the two countries’ macroeconomic, particularly exchange-rate, policies. As discussed in Chapter 5, Indonesia’s policy-makers devalued the rupiah several times, which increased the competitiveness of Indonesia’s exports on the world market. In contrast, Nigeria’s policy-makers maintained the overvalued naira, which caused exports to deteriorate, and further stimulated import dependence as well as reliance on oil revenue.

Indonesia’s policy-makers were orthodox in macroeconomic management, particularly on inflation and exchange-rate fluctuation. In terms of exchange-rate policy, even though Indonesia’s New Order technocrats adopted a pegged exchange rate, they always tried to keep the rupiah close to its market value through devaluation. The choice to devalue the rupiah in 1978, 1983 and 1986 by tens of percentage points not only helped the economy to avoid the Dutch Disease, but also further exposed the economy to the international market. The devaluations increased the competitiveness of Indonesia’s non-oil exports, particularly agricultural products in the 1970s and manufacturing exports in the 1980s. They also prevented excessive spending of foreign reserves to finance imported goods.

Meanwhile, Nigeria’s policy-makers were concentrating on maintaining a strong naira, so that it did not lose value to the dollar. Even though the naira had been severely overvalued since the second half of the 1970s because of oil revenue, the government refused to devalue the currency. The decision not to correct the naira to its market value jeopardized non-oil exports, making them lose competitiveness on the
international market. The agricultural sector, which had previously contributed the majority of the country’s exports, was priced out. Moreover, the agricultural sector, on which most of the population relied, suffered from import competition. In the early 1980s, for instance, Nigeria heavily imported food products to satisfy demand by urban consumers.

From a political economy point of view, the decision of Nigeria’s policy-makers not to devalue the naira shows that they did not attach too much importance to agricultural development in rural areas. They were more concerned about how devaluation might harm the urban-industrial sector, which relied heavily on imported raw materials. A strong naira also benefited urban consumers in the short term, at the cost of ordinary Nigerian farmers. In contrast, devaluation in Indonesia helped boost the income of Indonesian producers of export crops, especially in rural areas outside Java.

In sum, devaluation helped the Indonesian economy to benefit from integration into the world market, while including the rural population in the development process. The Nigerian economy, in contrast, deteriorated because of unrealistic exchange-rate policies. The policy elites preferred to have a strong currency, rather than a strong economy. Nigeria’s policy-makers failed to recognize the importance of having a realistic exchange rate to boost economic performance.

**Explaining the Contrast in Policies**
The question remains: what contributed to such a contrast in development vision and policy in the two countries? Why did Indonesian policy-makers prefer rural-biased policies while Nigerian policy-makers preferred urban-biased policies? Why did Indonesian policy-makers choose pragmatic market-oriented economic policies rather than dogmatic regulatory-nationalist policies, as adopted by Nigerian policy-makers?

This study has outlined possible answers to these questions. An economic explanation usually starts from the Dutch Disease theory: it was rising oil prices that made the Nigerian government neglect the agricultural sector. It has been argued that the oil boom became doom in Nigeria. However, still, why did Indonesia, which also experienced a substantial increase in oil revenue, not fall into a similar condition?
Despite the oil revenue, the Indonesian government still spent largely on the agricultural sector. Similarly, when we taken into account the distribution of rural and urban populations in these two countries, both had the majority of the population living in rural areas. If policy elites in these two countries merely thought in terms of numbers in choosing their constituencies, they would both be expected to have chosen the rural-agricultural sector to be developed. Why did that not happen in Nigeria?

This study contributes to the literature by exploring policymakers’ personal biographies and how these may have influenced their economic policy choices. It shows that there are two important factors, namely life experience and educational background, which are consistently linked with contrasts in economic policy in the two countries.

Life Experience
Chapter 3 notes that members of the policy elites in Indonesia and Nigeria came from a roughly similar social background. As in Indonesia, most members of Nigeria’s policy elites came from middle-class families, with parents having occupations such as bureaucrats, teachers, traders and traditional rulers; only a few of them came from a peasant background. However, this does not mean that they had no experience of rural living. Most policy-makers in this study were born in the 1920s or 1930s, when agriculture was the main source of livelihood. Also, at that time, the medium-sized cities where most of them grew up were not completely separated from agricultural farms. For instance, even though their fathers were teachers, Widjojo (who grew up in Malang) and Ayida (who grew up in Gbelebu and Warri) were familiar with the surrounding agricultural area.

However, Indonesian and Nigerian policy-makers learned to perceive the agricultural sector differently. Suharto, who was Indonesia’s president for 32 years, was very proud of his agrarian roots. Similarly, Widjojo, a key person in Indonesian economic policy-making, must have learned the importance of improving the lot of peasants from his father, who was a member of Parindra (Greater Indonesia Party), one of whose main activities was developing peasant organizations during the colonial period. In contrast, Nigeria’s elites had been taught to move out of the
agricultural sector to urban life in order to avoid poverty. As was the case in many countries, poverty was primarily to be found in the agricultural sector. Biographies of Obasanjo and Ayida, for instance, clearly show their fathers’ conviction that moving out of rural life was the best way to get ahead. Having learned from their parents the necessity of moving into urban life to avoid poverty, may have made it more natural for Obasanjo and Ayida to adopt the goal of developing the urban-industrial sector, rather than developing the rural-agricultural sector, as a way of developing the country and reducing poverty.

In addition, there is a difference between the two countries in the perceived social and cultural divide between town and countryside. In Nigeria, this cultural divide appears to have been wider than in Indonesia, and there was a tendency to idealize urban living. Lagos, for instance, was seen as setting the standard for modernization. In Ayida’s biography, Lagos was perceived by locals as ‘the land just next door to England’, and it was necessary to visit there if someone wanted to go ‘to the United Kingdom, to the white’s man land, to learn the white man’s ways, and to be completely transformed into an educated and civilized man’ (Kayode & Otobo, 2004:16). Lagos, the largest urban industrial and commercial centre, thus served as the ideal of modernity pursued by Nigerians. In this perspective, for Nigerians, development meant a transition toward urban life, which was associated with modernity and technological advances. The greater attraction of pursuing modern urban living may be partly because development of urban areas in Nigeria is a relatively new phenomenon compared to the much earlier urbanization of Indonesia.

This study also shows that policy elites in Indonesia and Nigeria experienced different forms of nationalism and struggle for independence. In Indonesia, many policy-makers had spent their formative years in the struggle for independence. At high school age, most members of Indonesia’s policy elites had joined a student army (Tentara Republik Indonesia Pelajar, or TRIP) and participated in guerrilla wars, where they had to mingle with the rural population in order to disguise themselves from colonial armed forces. This experience made them feel closer to peasant life. Nigeria’s elites did not experience such a struggle for independence where they had to mingle with peasants. In contrast, during their formative years prior to Nigerian independence, they experienced an
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elite urban lifestyle. Many members of Nigeria’s policy elites, for instance, had been exposed to Western cultural activities, such as dancing and tea parties, during their high school years in Lagos. This does not mean that Nigeria’s policy-makers were less nationalistic than Indonesia’s policy-makers, but they must have learned a different vision of modern life.

This study also shows the importance of practical experience of policy elites. The economic and political chaos during Sukarno’s period provided a strong lesson for Suharto’s economists’ team not to make similar mistakes. Therefore, they controlled inflation, ensured food sufficiency, increased the income of the majority of the population through agricultural development, and opened the economy to the world market. They recognized that economic insulation, imprudent macroeconomic management, and neglect of the agricultural sector would only harm the Indonesian economy.

Widjojo and his friends had seen that urban-industrial-based development as proposed by their teacher, Sumitro Djojohadikusumo, during Sukarno’s period had led to the neglect and decline of the agricultural sector, which led to an insufficient food supply. Prioritizing industrial development had caused Indonesia to fall into a serious food crisis in the 1960s. Therefore, policy-makers changed the priority of development and shifted it to the agricultural sector. Sumitro himself also realized that his protectionist policies during Sukarno’s period had provided too much incentive for rent-seeking behaviour. Therefore, after he joined Suharto’s team of economists, he rejected regulatory-nationalist policies.

In Nigeria, decreasing agricultural development since the 1960s, failure of indigenization in the 1970s, and devastating economic conditions in the 1980s could be expected to have served as similar lessons for Nigeria’s elites. However, the nature of the crisis made it difficult to recognize it as policy failure. The decrease in agricultural development was slow, and Nigeria’s staple foods, such as yam and cassava, remained widely available. Deteriorating economic conditions in the 1980s could easily be blamed on decreasing oil prices. This was different to the nature of the crisis in Indonesia in the 1960s, which could
only be blamed on wrong policy. Therefore, Nigeria’s policy-makers were able to keep on neglecting the agricultural sector, and maintaining regulatory nationalism at the expense of the majority of the population.

In addition, Indonesia’s policy-makers had a practical understanding and experience of the radicalism of small-scale farmers. They knew the ability of peasants to organize themselves, and to be organized as a socio-political force, because this had been demonstrated by the Indonesian Communist Party. There is a tradition of rural revolt in Indonesia, which had the potential to be dangerous for the New Order regime. In contrast, Nigeria’s policy-makers knew that peasants in their country had never been equipped with such a capability. There was no tradition of peasant revolt. In Nigeria, as Bienen (1983) argues, the peasant movement was weak and there was no party that saw peasants as their main constituency.

**Educational Background**

Chapters 4, 5 and 6 consistently show that the educational background of the policy elites influenced their contrasting policy choices. Indonesia’s pragmatic policy on rural development, in fact, reflects the ideal of social justice or socialism held throughout history by Indonesia’s elites. This may be related to Indonesia’s tradition of inclusion and mutual-aid groups (*gotong royong*). Sukarno’s ideal to unite nationalist, religious and communist groups (Nasakom) in the government illustrates that regime’s inclusive politics. In spite of regulatory economic policies, Sukarno was also known for his populist-socialist ideology and his concern for the poor (*wong cilik*). Indonesia’s ‘mass guidance’ (*bimbingan massal*, or *bimas*) in agricultural extension during the New Order, incorporating peasants in development programs, in fact was inherited from Sukarno’s guided democracy (Henley, et al., 2012:s67). The socialist ideal of incorporating every member of society during Indonesia’s New Order is not so surprising, given that the New Order technocrats were, in fact, students of Sumitro Djojohadikusumo, an influential member of the Socialist Party (PSI). In addition, the technocrats grew up in the period when nationalism and socialism had a powerful influence.

Fortunately, Indonesia’s technocrats also had a policy-oriented economics background. Most of them had formal training in economics in
the United States, where they learned about economic policy tools. Their background in policy-oriented economics made them pragmatic, less attached to certain ideologies, in their policy choices. They could at once be very liberal and also interventionist, depending on the needs of the economy. Their empirical and policy-oriented, rather than polemical and philosophical, mindset was very important in their choice of policies. Their arguments for prioritizing rural-agricultural development were based on economic reasoning, such as cost-benefit analysis, income effect, and simply by calculating the occupation of the majority of the population. Rather than thinking of national prestige, they devalued the rupiah because an overvalued currency harmed Indonesian exports. They did not surrender to urban bourgeois nationalist sentiment in developing manufacturing industries, because they knew that regulatory-nationalist policies only protected rent-seekers.

In contrast, Nigeria’s policy-makers had been educated in a greater diversity of subjects, such as law, administration, education and politics. Although a number of Nigeria’s policy-makers had also been trained in economics, it was mainly in the political economy tradition of Europe. Because of their educational background, Nigeria’s policy-makers often believed that economic calculations should not take precedence over political considerations. Indigenization and protectionist policies, for instance, were much influenced by nationalist and anti-neocolonialist sentiments. Similar reasoning led them to choose to prioritize manufacturing over agriculture. This does not mean that there was no economic argument behind the policies, but political considerations took precedence.

Interestingly, the differences in educational background not only influenced the mindset of the policy elites, but also their relationship with other actors in the policy arena. This can be seen clearly in their relationship with international organizations, such as the IMF and the World Bank. The shared language of economics made it easier for Indonesia’s policy-makers to build a partnership with IMF and World Bank officers. In contrast, Nigeria’s policy-makers saw these international organizations as external powers representing a new form of colonialism. Therefore, recommendations from the two international organizations
rarely gained support from Nigeria’s policy elites. One reason why the idea of devaluing the naira in the early 1980s was hard to be accepted, for instance, is simply because it came from the IMF.

**Implications for Scholarship and Policy**

First, this study shows the central role of rural-agricultural-biased policies in the contrasting performance of the Nigerian and Indonesian economies. The usual characterization of the ‘East Asian miracle’, including Indonesia, is related to the success of the export-oriented manufacturing sector. This study, however, shows that Indonesia had started its ‘miraculous’ economic growth and poverty alleviation before the economy embarked on an export-oriented industrialization strategy. In contrast, urban-industrial-biased policies that neglected agriculture, as the Nigerian government chose, worked to hold back economic growth and poverty reduction. This contrast suggests that to have sustainable and equitable growth, government investment in the agricultural sector should be prioritized.

Second, the rural-agricultural-biased strategy adopted by Indonesia also shows a level of commitment to sharing growth, to including the majority of the population in development progress. There was a serious commitment to include the poor, the small-scale farmers, in Indonesia’s development programs. A commitment to benefit all sections of the population, not only the wealthy urban population, is demonstrated to be important to sustain economic growth. This study therefore suggests that the government should attempt to incorporate the majority of the population in development programs.

Third, regulatory nationalism protects rent-seeking behaviour rather than providing incentives for the domestic economy to grow. The story of Indonesia shows that pragmatic market-oriented policies, in which the government is prepared to reduce its role in the economy if the government fails, and is prepared to intervene in case of market failures, are important for sustained economic growth. Providing more room for private capital is therefore necessary. This study therefore suggests carefully integrating into the world market, by providing more incentives for export-oriented industries.
Fourth, this study shows that macroeconomic management, particularly to keep the exchange rate realistic, is important not only for export products to be able to compete on the international market, but also to help to avoid dependence on imports. In the case of Nigeria, currency overvaluation not only was devastating for agricultural exports, but also led to sustained dependence on imported manufactured products. The conclusion is: to increase exports and economic growth, a realistic exchange rate is necessary.

This study suggests that international donor agencies would do well to advise policy elites in developing countries to choose the right policies. Donor agencies need to influence policy-makers to adopt policies that have a direct impact on the majority of the population. In addition, international donors need to support policy elites who are going for the ‘right policies’ in every possible way.