

Crises, Coalitions, and Change in Indonesia and Malaysia

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The Cases

Two countries: Indonesia and Malaysia

Two shocks: mid-1980s oil shocks and
late-1990s financial crises

Big politics in all four

Authoritarian breakdowns in only one—
Indonesia 1998

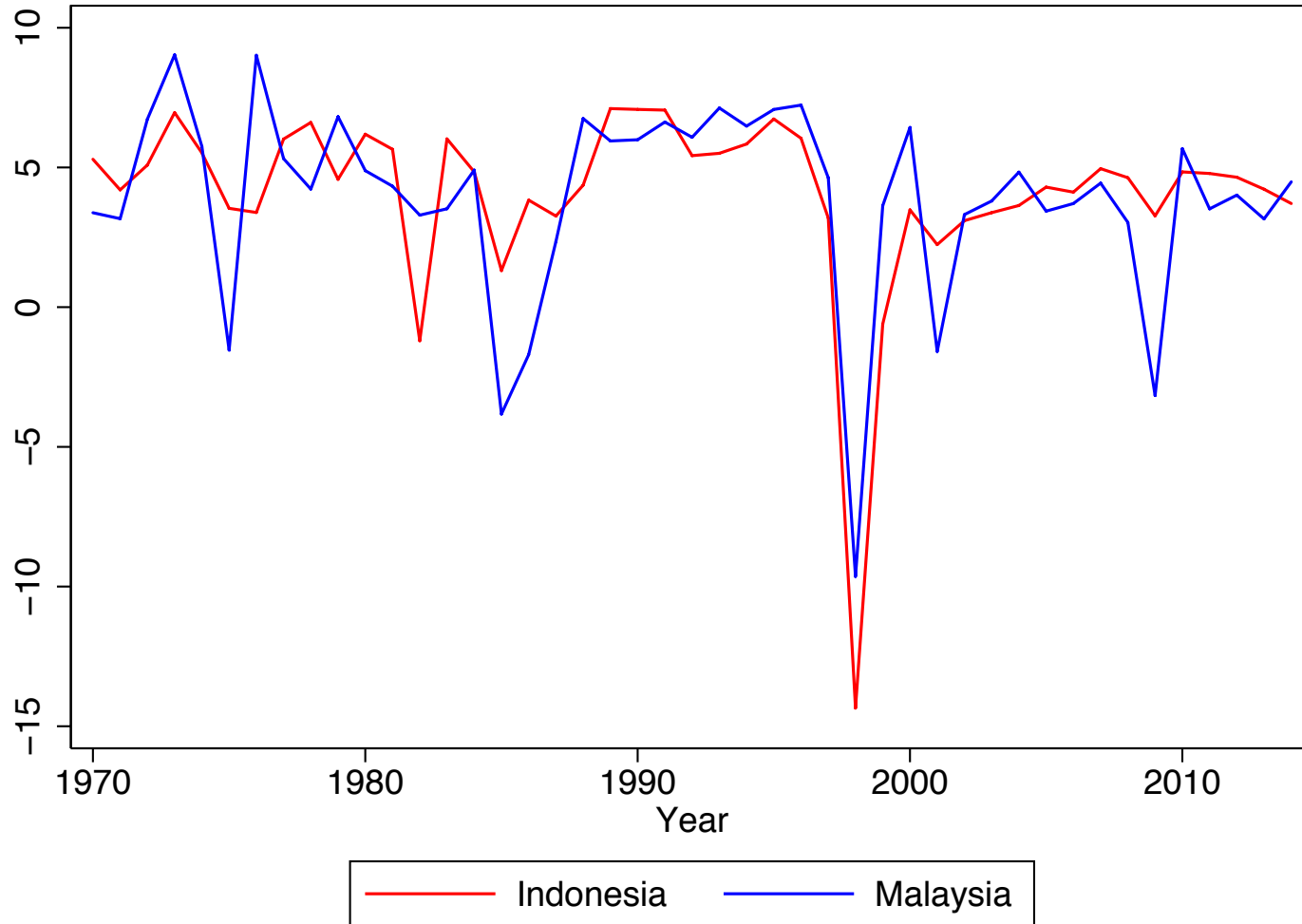
The Argument

Mid-1980s Crisis

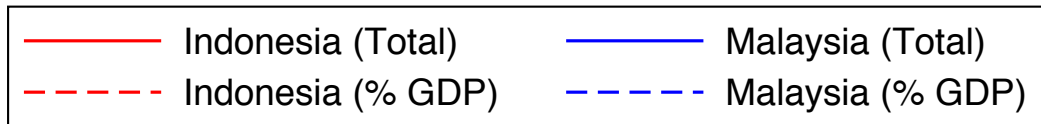
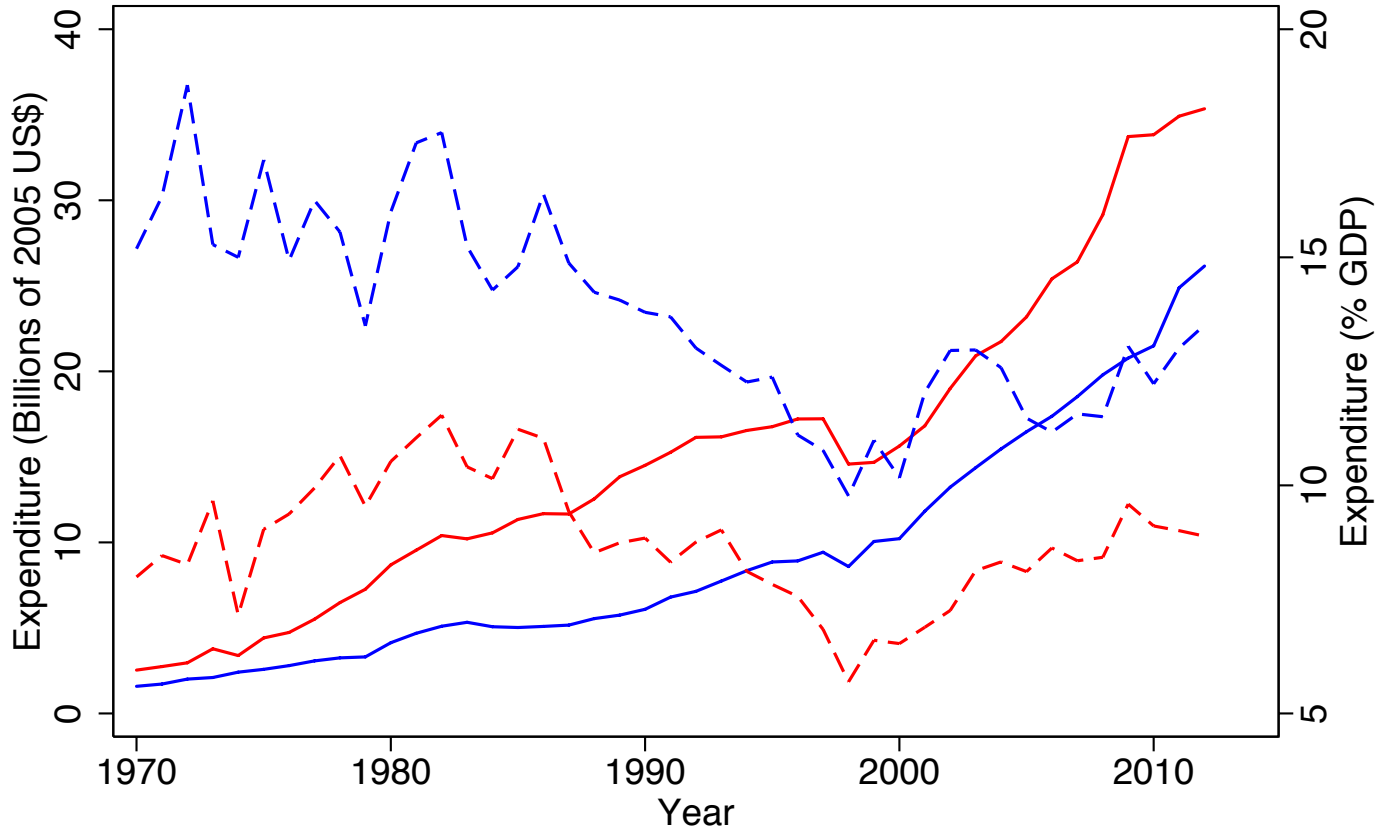
Asian Financial Crisis

<i>Indonesia</i>	Policy Consequence: Liberalization and Privatization Coalition Effects: New Capitalists, Military Balanced Regime Outcome: Survival	Policy Consequence: Structural Adjustment Coalition Effects: Conflict between Fixed and Mobile Capital Regime Outcome: Breakdown
<i>Malaysia</i>	Policy Consequence: Liberalization and Privatization Coalition Effects: New Capitalists, Masses Balanced Regime Outcome: Survival	Policy Consequence: Heterodox adjustment Coalition Effects: None Regime Outcome: Survival

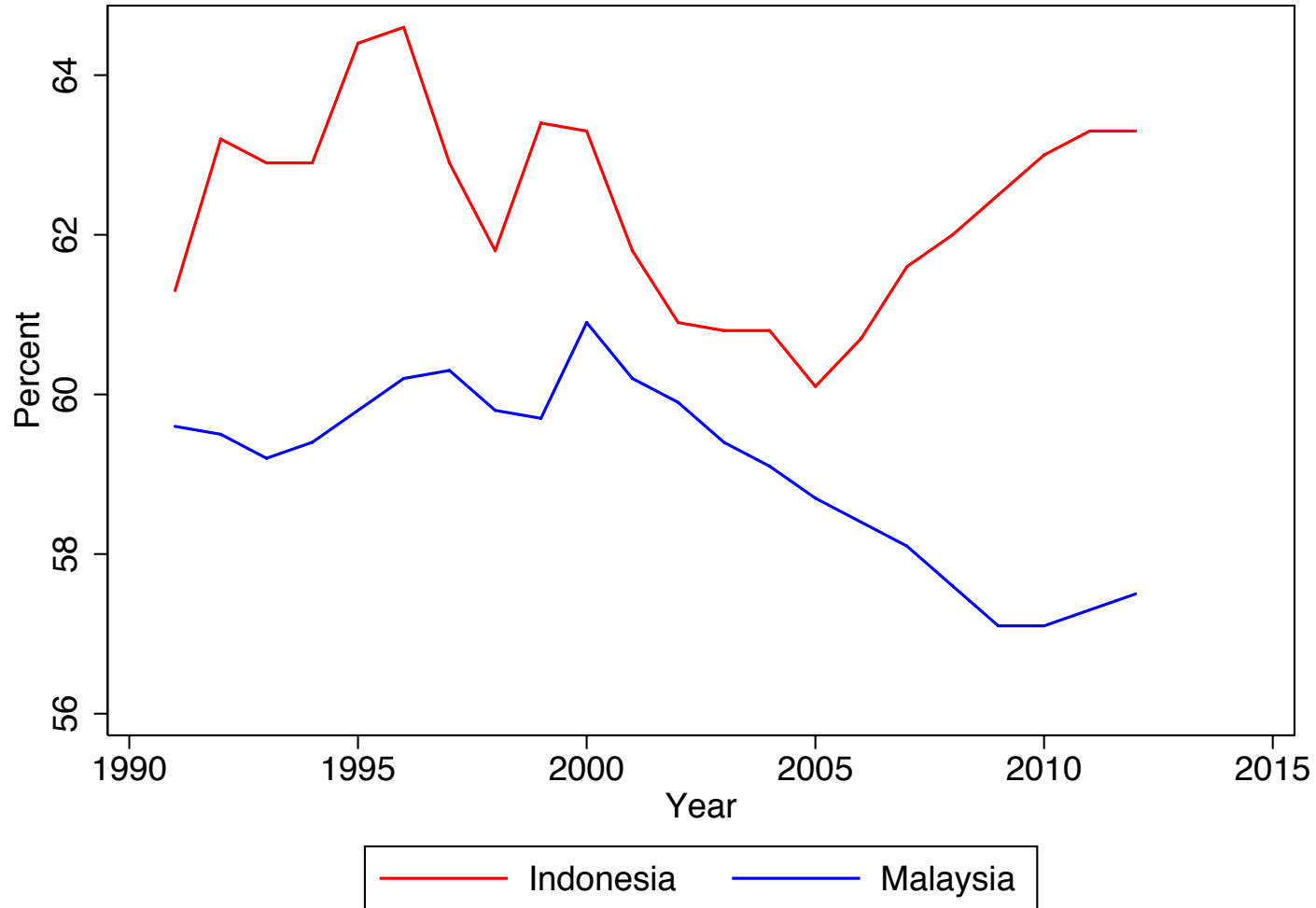
Basic Facts: Growth



Basic Facts: Expenditures



Basic Facts: Employment



Basic Facts: 1980s Summary

1. Not as serious, less acute
2. Did affect revenue, expenditures, employment
3. Did not affect poverty reduction, real wages (OECD structural adjustment studies)

Basic Facts: 1990s Summary

1. Deep and acute crisis
2. Did affect revenue, expenditures, employment
3. Did affect poverty reduction and real wages

Politics

Authors	Indonesia	Malaysia
Cheibub, Gandhi, Vreeland	Civilian Dictatorship (1949-1965) Military Dictatorship (1966-1998) Presidential Democracy (1999-)	Civilian Dictatorship (1958-)
Geddes, Wright, Frantz	Personalist (1950-1966) Triple Threat (1967-1999)	Party Based (1958-)
Wahman, Teorell, Hadenius	Military Multiparty (1972-1996) Limited Multiparty (1997-2003) Democracy (2004-)	Democracy (1972-1973) Limited Multiparty (1974-)

Politics: 1980s

New Order coalition

- military, *pribumi* business, Chinese cronies
- Soeharto's rule consolidated

Barisan Nasional coalition

- Malay masses, *bumiputera* entrepreneurs
- Mahathir Mohamad newly ascendent

Post-Crisis Politics: 1980s

Policy response -> privatization and deregulation

Coalitional consequences -> relative empowerment of the private sector

Political conflict ->

- Competing factions within UMNO
- New cronies, ICMI, Murdani out, civil society

Post-Crisis Politics: 1990s

Key point: **different coalition** faced a **different crisis**

1. Policy constraints -> distributional conflict
2. Fast-moving crisis -> commitment problems and high stakes

The Fall of Soeharto

1. Evidence of policy conflict
2. Evidence of regime awareness of political threat
3. Timing and manner *consistent with* policy divide rather than mass pressure
4. No evidence of business-military coordination, interest group activism

Summary

crisis ->

adjustment ->

change ->

crisis ->

breakdown?

Lingering Questions

1. What makes these crises “external”?
2. Why was privatization politically “easy”?
3. Why are some crises “fast” or “slow”?