

Corruption in Indonesia: Causes, History, Impacts, and Possible Cures

I. Introduction

In the past few years, Indonesia has been consistently listed by Transparency International as one of the most corrupt country in the world. The country ranked 80th out of 85 countries surveyed by the Corruption Perception Index of the organization in 1998, 96th out of 99 countries in 1999, and 85th out of 90 countries this year (Transparency International 1998, 1999 & 2000). Corruption has been so endemic inside the country that it affects everyone from the village level all the way to the center of power in Jakarta. Massive corruption has been blamed as one of the causes of Indonesia's economic stagnation that occurred after the onset of the Asian Economic Crisis. The questions to be answered on this paper are: Why corruption is so prevalent in Indonesia? What factors (economic, political, socio-cultural) make corruption so prevalent inside the Indonesian society? What are the consequences of corruption, especially among poor Indonesians who have to bear the cost of corruption the most? What steps could be taken to combat corruption in the country?

The paper structure is the following. First, it will review the existing theories that try to explain the causes of corruption in developing countries and then it will apply these theories in the case of Indonesia. Second, it will present a history of corruption in Indonesia, from the colonial era to present time. Third, it will describe how corruption has affected the Indonesian society (e.g., business transactions, culture, the poor, etc). Finally, it will conclude with some policy recommendation on

how to fight corruption in Indonesia and describe what institutional changes need to be done so that these reforms would be successful.

II. Theoretical Perspectives on Corruption

Corruption study scholars grouped the theories that try to explain the causes of endemic corruption in developing countries into three groups: mainstream economic theory, patrimonialism, and kleptocratic state theory. Each of these approaches will be explained separately in this section.

a. Mainstream Economic Analysis of Corruption

Most economists who have studied corruption extensively have found that corruption are more likely to occur in countries which has the following features:

- 1) The state plays a dominant role in which the public sector plays a major role in the economy and the private sector plays minimal role in the economy.
- 2) The state produces much of the goods consumed by the public and there is little competition from the private sector.
- 3) There are too many regulations that regulate the country's economy.
- 4) Public officials have a lot of discretion in the implementation of these regulations.
- 5) There is no system of accountability and transparency that discourage corrupt transactions, no rules that determine how the market should work properly (Krueger, 1974; Lambsdorff 1999: 2-4; Mauro 1997: 85; Tanzi 1998).

Under such circumstances, the state often acts as a monopoly that controls much of the country's economic activity. Since it is almost impossible for private to operate without extraneous intervention from the government, they have to make payoffs to government officials so that they could gain favor from government officials and

would be allowed to operate with little intervention from the state (Klitgaard 1988: 31; Mauro 1997: 85). Empirical research has confirm this assumption and finds that the higher the overall size of the government's budget relative to the GDP, the higher the corruption level inside this country (LaPalombara 1994: 338). On the other hand, the more competitive and open a country is, the less likely corruption would become an endemic problem within it (Ades & Di Tella 1995). Thus, these studies confirm that corruption strongly correlates with the high level of government intervention in the economy.

From the corrupt official's perspective, since they occupy relatively important positions in the government that affect the welfare of the society, but receive little compensation for performing their duties, they believe they deserve to receive extra rent for performing their services to the public. Hence, they would engage in "rent-seeking" behavior that would enhance the welfare of themselves and their clients, but not necessarily the welfare of society as a whole (Klitgaard: 43; Krueger 1974). In addition, when the punishment for engaging in such behavior is lax, or even worse, when their supervisors encourage such behavior, public officials are more likely engage in corrupt behavior (Klitgaard: 69-72).

It has to be noted that mainstream economic theories on corruption do not explain why corruption remains prevalent in countries that have undergone significant liberalization and deregulation of their economies. More would be said about this when we discuss the kleptocratic state theory.

b. Patrimonialism and Corruption

Patrimonialists such as Max Weber thought that corruption could serve as a way to promote political integration among fractious tribes, parties, and factions

within the government (Weber 1947: 346-351; Klitgaard: 31-32). By sharing some of the wealth to other parties in the government, the ruler could maintain his power and could prevent political turmoil and disintegration of the country. Under this scenario, the country would benefit from corruption, since it would not disintegrate due to conflicts within the ruling elite (Klitgaard: 32).

German sociologist Max Weber's thought that the type of authority that a state has help to explain the political system on that state and under which conditions variables such as authoritarianism, corruption, democracy, and professional civil service exist within the state. Weber thought that there are three types of authority: traditional authority, in which authority is based on the hereditary claims based on tradition and rulers tend to have absolute power, charismatic authority, in which authority is based on the charisma of the leader and his ability to convince the public to follow his orders, and rational/legal authority, in which the leader obtains authority thorough legal and professional means instead of coming from heritage, tradition, or charismatic powers (Weber 1947). Weber thought that in states based on traditional authority, officers in the bureaucracy are not recruited using professional/ merit requirements, but instead are recruited based on their family/clan relations or personal loyalty to the ruler. To support these officers, the ruler could either pay them salaries or could allow them to have "privileges" in which they could collect income from the public. He could play with this power to reward or punish officers and to maintain their loyalty to him. This system is called patrimonialism (Weber: 342-347, 351-352).

In patrimonial system, there are no separation between what is public property and the private property of the ruler and his¹ officers. This is why corrupt and extortion practices could occur on a mass-scale basis within the system. Since they are

not legally prohibited and even encouraged by existing laws, they are not called corrupt under this frame. As a result, the public has to pay enormous rents to the officers to receive government services and those who seek to become government officials have to provide large sums of money to buy the offices they seek to occupy and to show their loyalty to the ruler (Lenski & Lenski 1987: 193). This practice could become very problematic in states that have “formal” legal rules that supposed to limit these behaviors, but is ruled by rulers who receive and maintain their power using the traditional ways. These rulers would tend to ignore the formal laws and would continue the practice that they believe is a right for them to exercise. This is particularly a major problem in developing countries, which are expected to achieve developing status through building strong rules and legal infrastructure, but at the same time have a traditional political system. In this case, formal legal rules could become irrelevant and the practice of using public office for private gain could become widespread even when formal laws are prohibiting them. And as the economies of these countries expanded, government officials acted to increase their economic rents and issued rules that would benefit them at the expense of the public (Lenski & Lenski: 194).

One weaknesses of the patrimonialism theory is that it normally assumes that the corrupt state would be a dominant force in the economy of the country, while as we could see in the discussion of the kleptocratic state theory below, even states where the state have little role in the economy could have a major corruption problem, if the ruler still have strong discretionary power to reward contracts to favored private interests (Rose-Ackerman 1999: 119).

¹ On this paper it is assumed that the ruler a male. Even though women have assumed more leadership

c. Kleptocratic State Theory.

Kleptocratic state theory is based on the mainstream economic theory of corruption, but carries the analyses further with assumptions that mainstream economic theory do not carry. It states that endemic corruption exists in regimes that are ruled by head of states whose sole goal/interest in office is to maximize their own income. A kleptocrat is defined as someone whose primary goal is personal enrichment, who possesses the power to further this aim while holding public office (Andreski 1968). The political system is made to maximize the economic interests of the governmental elite who acts like a private monopolist, which strives for productive efficiency, but also restricting the output of the monopoly in order to maximize their profits (Olson 1993). Laws and other regulations (such as taxes, subsidies, even privatization) are made not because of their necessities, but maximizing the benefits of the elite (Rose-Ackerman 1999: 117).

While some kleptocrats relied on a strong state involvement in the economy to maximize their rents, not all kleptocrats want a strong state role. Others are more receptive toward the use of the market to increase the productivity of their country, as long as they could reap much of the benefits that come from this economic liberalization themselves. They might even be willing to forgo opportunities to make more rents in the present time if they predict that they could make more rents in the future. In this case, while the economic system is market-based, it is not a completely perfect market either, since the kleptocrat makes sure that he would get the benefits from these actions. (Rose-Ackerman 1999: 118). For instances, contracts and privatization of state-owned enterprises might be manipulated and awarded to the

roles, men are still dominating the polity of most developing countries.

party who is willing to pay the highest bribes to government officials. In other cases, government officials might require the winner of privatization contracts to have partnership with local companies owned by their own families or friends (Rose-Ackerman 1999: 118-119). Thus, while some kleptocrats might undermine the economy by designing rules and regulations that would benefit them, others could still be corrupt and yet able to generate good economic growth for the country (Rose-Ackerman: 120). However, whether in the long run they would be able to do so remains a question, as we could see in the Indonesian case the Suharto regime that for a long run was able to generate strong economic growth for the country finally brought down the country's economy after corruption has become very prevalent throughout the country.

It has to be noted that the behavior of the kleptocrat is followed closely by his subordinates from top to bottom, causing the corruption problem worse, and in the long run, could help bring about the collapse of the economy, even when the kleptocratic ruler tried to maximize his long term economic rent by minimizing the amount of rents he could collect at the present time. Thus, it might be in the kleptocrats' interest to try to crack down on low-level corruption, although since the lower-ranking officials only imitates the behavior of their higher ranking supervisors, it might not be possible to eliminate low-ranking corruption completely (Rose-Ackerman: 120-121).

One thing that distinguishes kleptocratic state theory from mainstream economic theory on corruption is that the latter states that only government policies that intervene in the economy would result in rent-seeking behavior and that more open competitive economies would have less corruption (Krueger 1974), while the former also argues that even policies to reduce economic activities of the state and

making it more competitive and open could also result in rent-seeking behavior, if government officials see an opportunity to enrich themselves during the process and have an ability/ power to manipulate the outcome of the transaction. Traditional economic theorists also thought that government officers only want to maximize their present welfare, not future ones, while the kleptocratic theory assumes that if it is on their interest to do so, they could forego present opportunities to seek rent if more could come to them in future times.

d. Applications of These Theories in the Indonesian Case

We could find evidences that support each of these theories in Indonesia. Economists who have followed the Indonesian economy closely thought that part of the reason why corruption is rampant in Indonesia is that especially before Indonesia liberalizes its economy in mid 1980s, the Indonesian government played a major role in running the country's economy. Regulations such as trade restrictions, financial repressions, and economic licenses are often putting significant barriers to Indonesian businesses, but those who have resources to circumvent these laws or have political connections with the powers that be are always able to conduct their commerce without problems, even when they are illegal under the law (Robertson-Snape: 4-5; Soesastro 2000: 126-129). Even after Indonesia has liberalized its economy, the state still plays a major role in the economy and rent-seeking behavior continues to occur even when the economy is liberalized (King 2000; Robertson-Snape 1999). Thus, the mainstream economic liberalization belief that corruption will be reduced after the economy has not liberalized does not apply in the Indonesian case, because those who condone and are actively the practice during the pre-liberalization period still remain in power after the liberalization of the economy.

Support for the patrimonial theory could be found in works by Anderson (1972: 33-39) and Liddle (1997: 87-88) who claimed that the Javanese culture, which dominates Indonesian politics, is a patrimonial culture. Specifically, rulers have a claim to the resources of the country and in turn, distribute these resources among his family, friends, subordinates, and loyal supporters. The Javanese culture is also very stratified. Ordinary people have little access to power and they tend to accept whatever the ruler does, even though he might violate their rights in the process (Robertson-Snape: 7-9). Under such system, corruption would unchecked and could easily becomes rampant, as we could see in Indonesia today. Especially during the long tenure of former president Suharto, Indonesia truly becomes a patrimonial state, since Suharto, an ethnic Javanese, used his position and power to reward supporters with access to the economic resources of the state to maintain their support and loyalty to him. At the same time, since Suharto ruled the country with an iron fist, there is no check and balance mechanisms to watch over his power. Because of these factors corruption has gone significantly worse during Suharto's era (Liddle 1997; Robertson-Snape 1999).

While in earlier era Indonesia might not be considered as a kleptocratic state, it has become increasingly so during the Suharto era, especially after his children actively participated in rent-seeking activities by forcefully imposing control over many of Indonesia's economic resources, by creating domestic monopolies and by requiring foreign investors who want to tap into these resources to have them as their business partners. It has to be noted that during Suharto later rules, Indonesia has transformed itself from a state-run economic system to a market-run one. However, corrupt behaviors continued to be rampant and outside experts thought it might actually getting worse, thereby proving the kleptocratic state theory assumption that

officials could pursue market-friendly economic policies while remain corrupt (McLeod 2000a; Schwarz 2000). Even when Suharto has been ousted, Indonesia are still considered by many as a kleptocratic state, since government officials, uncertain with the continuation of their tenures in office, seek as much economic rents as possible, driving out many foreign investors in the process (Lindsey 2000: 282-285).

In conclusion, we could find support for all of the corruption theories described in this section in the case of Indonesia. This outcome is not necessarily bad, it might be even positive for further analysis, since despite their different focus and predictions, these theories could complement one another in trying to predict corruption in developing countries such as Indonesia.

III. A History of Corruption in Indonesia

Corruption has been in existence in Indonesia since ancient times. Before European colonization, merchants who come to Indonesia to trade (especially in Java), have to pay tribute to the ruler of the state he visited, as a guarantee that he would be protected by the ruler (Anderson 1972; King 2000). During the Dutch colonial period, corruption is made worse by the action of Dutch officials, who are encouraged to become corrupt due to their low salaries. The Dutch government also left the ancient practice of paying tribute to the native rulers intact, therefore continuing the rent-seeking behavior done by the local elites (King 2000). After independence in 1945, corruption decreased for a short period, due to nationalistic fervor and policies made by early Indonesian government to create professional bureaucracy, check and balance mechanisms, and legal system (Feith 1962; King 2000). However, after 1955, corruption increased again, due to the increasing need of political parties to seek spoils and reward supporters and also due to the abolishment

of democratic rule by President Sukarno in 1959, which ended all check and balance mechanisms on the executive branch and made the government to be not accountable to anyone. The nationalization of Dutch-owned enterprises during this period also contributed to the rise of corruption, since government officials who were charged to manage these enterprises did not have any managerial skills at all and they treated their companies like their own fiefdoms that could be exploited at their discretion. In this climate, corruption flourished again (Feith 1962; King 2000). During the final years of Sukarno's rule, when inflation was rising out-of-control and when government officials were not able to maintain a decent living standard due to their low salaries and high inflation rates, corruption under Sukarno reached its nadir point (Robertson-Snape: 4).

Corruption grew even worse after General Suharto took over power from Sukarno in 1966. Despite early efforts made by him to cut back corruption (Alatas 1990: 80-81), corruption is mostly going on unchecked, and Suharto proved to be a master in distributing state resources to family members and other cronies, just like ancient Javanese rulers. Suharto's rule could be divided into two periods. The early years were from 1966 to mid 1980s, this was the period in which the Indonesian economy was state-based with import substitution policies and the government ran most of the major enterprises. The later years started from mid 1980s to 1998, in which Indonesia followed World Bank's recommendation to privatize its economy and give private enterprises a bigger role in national development. During his early years, Suharto's cronies were ethnic Chinese businessmen who have *cukong* relationship with him. *Cukong* is the relationship between ethnic Chinese businessmen and native Indonesian civil and military officers, in which in exchange for kickbacks, the officers promise to protect the businessmen from possible

disruptions and also give access to government largesse to the businessmen (e.g., low interest credit, tax breaks, etc.). The *cukong* relationships were very beneficial to Indonesian Chinese businessmen who seek contracts with government agencies and state-run enterprises (Liddle: 122, Schwarz 2000). Since the *cukong* relationship becomes widespread all across the country during Suharto's rule, it is not surprising to find that many Chinese Indonesians became very affluent and had control over a significant portion of the economy. This caused enormous resentment by native Indonesians toward Chinese Indonesians culminating in a mass-scale riot directed against them in May 1998, when Suharto was removed in a popular revolt (Mackie 2000; Schwarz: 354-356). The indigenous Indonesians who received economic benefits from Suharto during his early years were mostly Indonesian army officers who allied themselves with Suharto during his tenure in the Indonesian Army. Suharto appointed many of these officers as cabinet ministers, high-ranking bureaucrats, and directors of state-owned enterprises, and they had ample opportunity to enrich themselves while they were occupying these positions. Rewarding these officers with economic favors also benefit Suharto, since they would not rebel against him after they have received these favors from him (McLeod 2000c; Robertson-Snape 2000; Soesastro 2000).

During his later years, Suharto started to change the beneficiaries of his policies from the Indonesian Chinese businessmen to that of his own family. All of Suharto's children and siblings owned huge business conglomerates, often they own monopoly rights to highly valued economic resources. Both domestic and foreign companies have no choice but to accept them as their business partners, less they would lose favor from the government. For instances, Suharto's daughter Tutut owned the right to make and manage public highways and his son Tommy owned the

right to build Indonesia's national car and the right to buy and sell cloves (Schwarz: 149, 153-157). As Suharto's families became more dominant in the economy, criticisms and opposition against Suharto's rule increased. It has become evident to Indonesians that there is many occasions where government rules and regulations were made to benefit Suharto's family, this in turn fueled criticisms and discontents against his rule (Schwarz: 144-147, 153-157). These criticisms reached a boiling point during the Asian Economic Crisis. When the country's economy sank into a deep depression, Suharto's ability to maintain his power and patronage decreased significantly. Finally, he was ousted in a popular uprising in May 1998. It is estimated that today Suharto alone is worth at least \$15 billion and the cumulative wealth of his family is about \$30 billion (Schwarz: 144). This amount certainly could go a long way to provide relief to poor and disadvantaged Indonesians, who have to bear the heavy burden of the economic crisis.

Suharto's legacy of kleptocratic corruption is very costly to the country and its people. Virtually all aspects of public service, from business license applications to personal applications for driver's license, national ID card, and even birth and marriage certificates, required payment of bribes to officers before the application is even considered (Robertson-Snape 2000). Seeking justice through court is impossible for most Indonesians, since the police, prosecutors, and judges are selling justice to the highest bidders, leaving poor Indonesians without any opportunities for recourse when their rights are being abused by the government or powerful private interests (Lindsey 2000).

Unfortunately, corruption did not go away when Suharto's gone. Most experts believed that corruption actually getting worst during the rule of B.J. Habibie, Suharto's last vice president. Given the fact that Habibie and most of the members of

his government were part of Suharto's patronage system, it is not surprising that they are not willing to eliminate the system. As a matter of fact, since people believed that Habibie's regime would be a short one, government officials increased their corrupt intakes significantly during his tenure so that they would gain huge amount of wealth when they are replaced by the newly elected government (King: 2000; Schwarz: 376-380). No government programs are not touched by corruption, even the social safety net program directed toward Indonesians who are suffering from the effect of the crisis are not immune from corruption (Schwarz: 410-411). It is no wonder that foreign investors and even domestic businessmen are reluctant to invest their money in Indonesia, they prefer to put their money in countries with more clear rule of laws and much less corruption (Johnson 2000: 80-83).

In October 1999, Abdurrahman Wahid replaced Habibie, who became the first democratically elected president of the country in its 50-plus years history. However, despite earlier hopes that Wahid will move to clean up corruption, it seems unlikely that this goal would be achieved anytime soon. Wahid has to rely on members of Indonesian bureaucracy and Suharto's former party Golkar for support. Since most former government officials under Suharto-Habibie era are members of the Golkar Party and since the Indonesian bureaucracy is very corrupt, it is not likely that anti-corruption reforms would occur in Indonesia anytime soon. In fact, corruption seems to continue to be widespread among the country's bureaucracy. The first state budget audit conducted during the Wahid administration revealed that as much as 71% of the state expenditures during the 1999/2000 fiscal year are either misspent or misused (Kompas Online 10/27/2000). Lately, Wahid himself was implicated in several corruption scandals, which has tainted his credibility as a reformer (Kraar 2000, McLeod 2000b: 7-8). Rent-seeking behaviors have also affected other parties.

Virtually all-major political parties in Indonesia have courted wealthy businessmen to become active in their campaigns, in hope that they would serve as funding sources for the parties in the next election. Many of these businessmen have won favor from parties and are now occupying high party positions such as party's treasurers and parliament members (IBOnWeb 10/2000). We can conclude from these that corruption is no longer a monopoly of Suharto and his cronies. Virtually everyone who is involved in Indonesian politics nowadays does it. Indonesia still has a long way to go before it could significantly reduce and reform corruption in the country. Some skeptics even stated that it would never happen in this lifetime.

IV. Consequences of Corruption in Indonesia

The consequences of prevalent corruption in Indonesia that seems to remain a big problem in the country for ages is very severe and very damaging to its economy, its socio-cultural norms, and its future. First, corruption imposed a high burden in business transactions, since virtually all transactions with government bureaucrats require huge illicit payments (Robertson-Snape 2000). This could serve as barriers for newly started businesses with little political connections. It is good to assume that many businesses who could not afford the high cost of bribing government officials are either move to the underground economy, which often requires less "corruption-tax" or go out of business together. If we look at the list of the leading Indonesian business enterprises, we would see that virtually all of them were able to become successful in their venues because they have built relationships with former president Suharto and other leading government officials (King 2000; Schwarz 2000). This pattern has become so perverse that the only way for a business to become a leading player in the Indonesian economy is through joining hands with the powers that be, as

illustrated in the example of Prajogo Pangestu, a previously unknown Indonesian Chinese businessman who became one of Suharto's leading business ally after his business were threatened by other businessmen close to Suharto (Schwarz: 140-141).

Second, corruption is also has a huge impact on the culture of Indonesians. It becomes a norm right now that any dealings between citizens and government officials have to be sealed with payment of bribes (Robertson-Snape 2000). Many social commentators have concluded that Indonesia has a culture that tolerates corruption (*budaya korupsi*), in which social behavior and cultural norms have become so ingrained and so tolerating of corrupt behavior that it is virtually impossible to fight it (The Jakarta Post 11/27/2000). The most pessimist observers even stated that corruption in Indonesia should be legalized, which would end its status as an illegal, underground activity, but would leave Indonesians without secure property rights, public property, and the rule of law (The Jakarta Post 11/27/2000). One of the example of the prevalent of the corruption culture in Indonesia is the expectations that government officials should use his position to enrich themselves and those who refuse to do this would be called "unsuccessful bureaucrats" or "fools" (The Jakarta Post 11/27/2000). Another one could be seen in a public opinion poll conducted last year which states that 78% of the poll respondents believed that paying bribes are necessary when one deals with any government offices (Robertson-Snape: 2). We could see from these examples that the culture of corruption in Indonesia is a real phenomena that are believed by most Indonesians and thus, could not simply be dismissed by experts and observers.

Third, corruption has destroyed confidence among citizens toward government officials and bureaucrats, which has reduced their authority among citizens. Because government officials' credibility among citizens has been sharply reduced and the

people feel they could not do anything to make the bureaucrats accountable to their actions, the level of social anomie and powerlessness among the least well-off members of the society, who suffered the most from the impact of corruption, would increase significantly. This could lead into major social problems such as increase in crime rates, decline in social solidarity, and increasing use of violence as a means to solve problems, since official legal recourse is impossible to obtain due to the prevalence of corruption within the Indonesian legal system (Lindsey 2000). Because of this, there is an increasing tendency of Indonesians to take matters into their own hands, which has resulted in the huge increase in crime, violence, unrests, and calls of secessions from the country that has been started in many regions in Indonesia, most notably in East Timor, West Papua, and Aceh. An example of this discontent is the massive protests by Indonesian farmers in their villages who demanded the resignation of the village heads (*kepala desa*) and the return of their lands that are being taken over by the government or private plantations. Often, these protests ended in violent collisions between the protesters and the local security forces (police and the army). The protesters refused the authority's demands to disband and to seek solutions to their grievances through non-violent means, because they believe that the authority (local government and security forces) are part of the corrupt system that has exploited them. This is why the protests often ended up using violence to ensure that the authority would hear their grieves (Soetrisno 1999: 166-169).

In sum, 50-plus years of corrupt government rule has serve as a barrier to business that wants to play by the rules to become successful in the country's economy. It has also create the culture of corruption among Indonesian citizens who believe that since corruption has become so prevalent, there is no way to eliminate it and thus, people could do nothing except behave corruptly when the situation calls

them to do so. Finally, corruption has been blamed as one of the cause of social grievances that are widespread in many part of Indonesia that if not being addressed immediately, could bring the Indonesian state to the brink of collapse.

V. Proposals to Reduce Corruption in Indonesia

There are a couple of steps that could be taken by countries that want to reduce corruption. There are as follows:

- 1) Reduce the government's role in the economy. By eliminating inefficient government regulations or programs that encourage corruption, public officials would lose sources that they normally use to extract rents from citizens. In addition, it would also create more efficient and competitive market (Rose-Ackerman 1999:39-41). However, simply reducing government's role in the economy is not sufficient, since in many countries like Indonesia, corruption still occurs even when government has reduce its role in the economy. Thus, this step should be taken along with the other reform proposals below.
- 2) Pass a tough anti-corruption law and strictly enforce it to deter government officials from committing corruption. If there were a strong anti-corruption law that is enforceable, with a higher probability that offenders will be convicted and serve a long prison term, corruption would be reduced (Rose-Ackerman: 53). Indonesia already revised its anti-corruption law last year, with a maximum sentence of death to the most corrupt offenders. The problem with this law, along with the previous anti-corruption statutes, is that enforcement has been weak so far (Lindsay 2000; Soetjipto 2000). No major government officials or former government officials have been convicted under this new law, and in the case of the most prominent offender prosecuted and convicted under this law, Suharto's

son Tommy, he disappeared on the day he supposed to start his jail sentence and the authorities are not able to find him (CNN.com 11/08/2000). Thus, passing a new anti-corruption law by itself is not enough to deter corrupt behavior. What we need is strong enforcement of the law so that government officials would be discouraged from engaging in corrupt acts.

- 3) Reform the civil servant's recruitment and promotion system. Recruitment and promotion of government officials should be based on merits and achievements rather than the ability to buy these offices. Research shown that professional recruitment and promotion of civil servants correlates with less corruption (Wei 1999: 18). In addition, steps should be taken to provide education and training for civil servants so that they could gain new skills, to adopt a strong ethics code inside government agencies, to punish corrupt officials, and to increase professionalization of government agencies by changing the organizational culture from one that condones corruption to a new one with zero tolerance towards it (Klitgaard: 78-82, 90-93). In the Indonesian case, recruitment and promotion should be based on merits rather than personal loyalty to the ruler or the ability of the official to buy his position like what has occurred under Suharto's rule (Robertson-Snape 2000; Schwarz 2000). However, the current trend right now is not encouraging, since it seems that loyalty to the party and campaign donations continue to play an important role in acquiring government positions under President Wahid (IbonWeb 10/2000).
- 4) Increase the salaries of civil servant to match the salaries offered in the private labor market. It has been proven that low salaries of government officials increase the probability of them to become corrupt and high salaries decrease it (Tanzi 1998, Rose-Ackerman: 71-75). In addition, steps could be taken to reward

officials who report incidents of corruption to their supervisors and to punish those who were caught in engaging in corrupt acts (Klitgaard: 77-82). It has been recognized that salary of Indonesian government officials have been kept low for a long time, part of the reason is to encourage them to extract “unofficial” income from the public (King 2000; McLeod 2000c: 152). That is why the Wahid administration has increased the salary of government officials across the board by 30 percent. At the same time, salary of the President has been increased by 78 percent and Vice President’s salary was increased by 120 percent (King: 9). However, increasing government official’s salaries is not sufficient by itself to reduce corruption. What is needed is genuine commitment from officials to reduce corrupt behavior and strong enforcement of corruption laws to deter officials to commit corrupt acts (The Jakarta Post 11/27/2000).

- 5) Increase independent supervision of corruption. Creation of independent corruption “watchdog” groups also could serve as a mean of reducing corruption. Such groups could be created in form of an independent judicial system, an official anti corruption agency, grassroots “watchdog” organizations, telephone “hot-line” that allows citizens to report corruption directly to the government, public opinion polls, independent media, and promotion of democracy (Wei 1999: 21-22). Besides preventing corruption, such groups could also increase citizens’ participation in the public realm and move the country to become more democratic and transparent. In Indonesia, the Wahid administration has created a national commission that would investigate alleged corrupt behavior of officials. Independent “watchdog” groups such as the Indonesian Corruption Watch (ICW) has been created by Indonesian NGOs and civil society members who are concerned about corruption. In addition, the Indonesian media, freed from

Suharto's censorship and restrictions, has published almost daily accounts of alleged corrupt conducts of public officials (King: 10). However, these independent monitor groups need to be taken seriously by the government in order to perform their duties effectively, and there has been accusations that the government is reluctant to let NGOs and civil society organizations to play a bigger role in the country's polity. If the government is not taking them seriously, it is doubtful that they would have much of an effect on the continuing fight against corruption in Indonesia.

- 6) Finally, we have to recognize that long-term corruption reduction schemes have to be followed with a strong political will from those in the high positions in the government. Achieving this is difficult, since these people are the ones who stand to gain from this corrupt system. Thus, they would fight any anti-corruption reforms that are being proposed. It is important for the Indonesian government (and any other governments) to replace corrupt officials with those who have clean reputation and high integrity (Alatas: 1990). Without doing this, corruption reform efforts would never become successful.

VI. Conclusion

The history of Indonesia has been clouded with the never-ending problem of corruption that has been ingrained in the nation's culture long before its independence in 1945. The autocratic and patrimonial rule of former president Suharto has made the problem worse, to the point that corruption is now fully entrenched in the Indonesian society. Indonesia now faces a tough challenge to reform its parasitic and rotten corrupt system. There are several good proposals that are being proposed to reduce corruption in Indonesian society such as tougher anti-corruption laws, higher salaries

and merit-based promotions for government officials, and the creation of independent “watchdog” groups. However, these reform measures require strong political will from the government in order for them to be fully implemented and enforceable.

Thus, reform would be very difficult, since there are many special interests that stand to lose from a major anti-corruption reform campaign. However, due to the high toll of costs that need to be bear by ordinary Indonesians as a consequences of the corrupt government that the have, it has to be done if Indonesia wants to regain its status as an emerging economy of Asia and even to survive as a nation, since without meaningful reforms, it is feared that Indonesia could disintegrate into many unrecognizable parts within the next few years.

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