

# IN SEARCH OF NEW OPPORTUNITIES: THE INDONESIANISASI OF ECONOMIC LIFE IN YOGYAKARTA IN THE 1950s

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## ABSTRACT

A flourishing study on Indonesia's economic history in the last two decades has still been unable to change a general impression of limited role of the indigenous people in economic activities during modern times. The transformation of the Indonesian economy from a colonial economy to a national economy through the process of *Indonesianisasi*, went through different historical patterns. The independent Indonesia did not translate the idea of political nationalism directly into economic prosperity until the late 1950s. As a result, there is always only a small portion of independent entrepreneurs among the population, namely those who are supposed to run the public economy smoothly without political intervention. This paper provides theoretical considerations and historical facts on the process of *Indonesianisasi*. It discusses the economic life of people in Yogyakarta, the capital city Republic of Indonesia during the war of independence, soon after the recognition of Indonesia's independence in December 1949.

**Keywords:** Indonesianisasi, Colonial period, Foreign domination, Yogyakarta

## INTRODUCTION

A flourishing study on Indonesia's economic history in the last two decades has still been unable to change a general impression of how limited the role of the indigenous people in economic activities of the archipelago were during modern times (Lindblad 1993; Lindblad 1996; Booth 1998; Dick *et al.* 2002; Van Zanden & Marks 2012). It is often argued that the indigenous Indonesians played only a marginal role in the economic activities of colonial Indonesia. This should not surprise us in as far as these activities are concerned with big enterprises. Despite the re-emergence of indigenous Muslim *santri*

entrepreneurs in some areas, such as southern Sulawesi, all over Java, southern Sulawesi, and southern Kalimantan by the late nineteenth century, foreign immigrants, particularly the Chinese and Western capitalists were the major actors in the world of business and commerce until the late colonial era.

The successful *batik* producer and traders from Solo and Yogyakarta or *kretek* manufacturers from Kudus, Ponorogo, and Tulungagung, for example, were soon replaced by the newly arrival Chinese immigrants (Suminarsih 1999; Castles 1967; Dobbin 1994). Meanwhile, indigenous traders, including those who came from various islands in the archipelago, also remained behind foreign competitors, particularly in long-distance commerce. Besides the disadvantaged structure of the colonial economy, according to Anne Booth there are at least two other reasons that explain those failures, as already mentioned by many scholars. Those are 'excessive individualism led to commercial jealousy and infighting rather than the kind of networking and mutual support' and failed to participate properly in the bazaar economy which demanded literacy, numeracy and commercial skills which few indigenous Indonesians possessed' (Booth 1998). As a result, in terms of historiography, the history of the indigenous Indonesians in Indonesia's economic history is deeply marginalized.

Before the Pacific war, Indonesia's nationalist leaders had argued that the long foreign domination had clearly disadvantaged the indigenous Indonesian entrepreneurs in most parts of the country. Therefore, it is not surprising when the government of the newly independent state introduced a policy, which provided special rights to the indigenous Indonesians against the 'foreign' elements in business and commerce. The Indonesian government provided special assistance to indigenous Indonesians to set up small business, and import licenses for certain easy to sell goods were given only to indigenous Indonesian importers.

Some previous studies have argued that these *Indonesianisasi* programs clearly made no difference because the indigenous Indonesian soon found out that these programs had failed to alleviate the economic disadvantages among the indigenous Indonesians, and that were also not able to create powerful indigenous merchant communities (Mackie 1971). Consequently, the lack of rational economic behaviour among the indigenous Indonesians and the necessary role of foreign elements in day-to-day economic life under changing regimes was discussed once again within the context of the 1950s.

Despite some successes in a few cases, some Indonesians criticized the discriminative policy as an ineffective way to foster new productive Indonesian enterprises. Selo Soemardjan has argued that besides unrealistic competition between political parties to control economic sources, *Indonesianisasi* as a prominent political economic consideration since independence, is one important factor for the failure to create a major breakthrough in the economic life in Yogyakarta in the early 1950s (Soemardjan 1962).

It was not the lack of capital and labour that disrupted the three economic projects initiated by the Sultan Hamengkubuwono IX in Yogyakarta in the early 1950s, but it was rather caused by the *Indonesianisasi* policies of the Indonesian government. This policy prevented all projects from using foreign experts to fill its necessary requirements for technical and managerial assistance in the early stages. The policy also provided no room for the Chinese, including those who already held Indonesian citizenship, to be involved in such projects due to discriminative policies of the Indonesian government against the Chinese after the war. In fact, some prominent Chinese were considered capable to lead the projects to success (Soemardjan 1962).

Alongside the theoretical considerations and historical facts mentioned already, this article will also discuss the economic life of people in Yogyakarta, the capital city Republic of Indonesia during the war of independence, soon after the recognition of Indonesia's independence in December 1949. In fact in a broader perspective, there are still many questions which need to be answered next to the usual interpretation concerning *Indonesianisasi*.<sup>1</sup>

With respect to this, a particular problem was the so-called 'commercial dissemination', another interpretation of the historical process of *Indonesianisasi* of the Indonesian economy. This term refers to efforts by indigenous Indonesians to empower their limited economic sources in search of a temporary as well as a permanent solution to long-standing economic stagnation inherited from the colonial past. To some extent this is a subaltern interpretation of the concept of a national economy in comparison to a similar

<sup>1</sup> For more discussions on *Indonesianisasi* and the nature of Indonesian economic policy between 1950 and 1957, see the survey by Bruce Glassburner of several views of other scholars on that period (Glassburner 1971), a study by John O. Sutter (Sutter 1959), a series of interviews conducted study by Indonesian economic historian Thee Kian Wie (Thee: 2003), and the latest study by J. Thomas Lindblad (Lindblad 2008).

nationalistic slogan introduced by Soejono Hadinoto in the early independence period (Hadinoto 1949).

People did not start from their strength, but turned over their scattered property and limited new opportunity to become productive economic actors. This is more about rational economic responsiveness to market opportunities, rather than taking over foreign assets under changing regimes. People did receive special treatment from the government, but they did not depend on it to maximize quick productive returns.

The data are collected from different sources, particularly those provided by earlier studies. These secondary sources are very useful to identify the nature of the role of indigenous Indonesians in the Indonesian economy during the late colonial and early independence periods. Other important sources were collected from various national and local newspapers and oral history sources.

#### COLONIAL LEGACY AND ECONOMIC UNCERTAINTY

Yogyakarta is an area in central Java where Javanese feudal society, colonial legacy and Indonesian nationalist spirit were melting together into one pot to form a unique historical experience. Yogyakarta was a special princely territory, where both traditional Javanese leaders, namely *Sultan Hamengkubuwono* and *Adipati Pakualam* still retained their traditional authority during the Dutch colonial period, and during the Japanese occupation and when Indonesia had become independent. Although the colonial government acquired most of their traditional economic and political authority, these two Javanese rulers managed to keep their social and cultural influence in society, which is still predominantly characterized by agrarian activities.

It was not until 1918 that the traditional appanage system of land control began to change. Besides those two traditional principals, royal families and royal bureaucrats, the new land policy began to recognize the individual rights of ordinary people to own land. This policy, however, did not change structurally the distribution of land in this area, where the vast majority of the population still hardly had access to land or only controlled a small piece of land. In Bantul and Sleman, where most irrigated land is located, for example, a household owns no more than 0.75 hectare. Meanwhile, most people in other districts of Kulon Progo, Adikarto and Gunung Kidul own dry, infertile land, although every household controlled a larger holding (Soemardjan 1962).

This is also a place where many private companies, particularly Dutch ones, invested their capital in plantations, especially tobacco and sugar, since the second decade of the nineteenth century. Since the early twentieth century, 17 sugar factories and tens of thousands hectare large sugar and tobacco plantations brought many local peasants and migrants to be involved as paid labour, prevented people from using the land properly in a traditional way, and introduced the money economy into the daily life of rural societies. More than 80 per cent of irrigated cultivated lands were converted into plantations, while more than 15,000 people were involved as permanent or seasonal wage labour. This sector contributed nearly eight millions guilders per year in the form of wages for local employees, and about two millions guilders were paid every year to landowners and the local government as rent (Soemardjan 1962; Houben 1994).

The expansion of highly capitalized private companies and commercial activities attracted more Europeans, predominantly Dutchmen and Chinese living in Yogyakarta, particularly since the early twentieth century. The number of Europeans rose rapidly from 2,097 in 1890 to 4,885 in 1920 and 7,317 in 1930. Besides staying in the area close to the plantations or factories, these new arrivals and more prosperous Europeans began to set up new exclusive settlements in the city of Yogyakarta, such as in Kotabaru, Jetis, and Gondokusuman. More than 450 new houses were built specially for Europeans in the city of Yogyakarta between 1920 and 1930 (Hudiyanto 1997). Nearly at the same time, the Chinese population in this area also increased significantly. If in 1890 there were only less than 3,000 Chinese living in this area, their number rose to more than 5,000 in 1900 and 7,000 five years later. In 25 years between 1905 and 1930, the number of the Chinese population in Yogyakarta increased by more than 5,000. The 1930 census recorded 12,640 Chinese living in this residency. Together with European traders, Chinese traders, middlemen and manufacturers controlled most commercial and industrial activities Yogyakarta (Kwartanada 1997).

At the same time, a group of local entrepreneurs emerged in certain communities, particularly in the city of Yogyakarta, such as Kotagede, Kauman, Prawirotaman, Tirtodipuran, and Karangajen. They were involved in small and medium-size home industry and trading activity, particularly in different kinds of textile products and silver-brass-bronze-gold crafts. Most craftsmen employed 10-20 workers, but some big *juragan* had 50 to

100 employees (Darban 2000; Purwanto & Amini 2003). Some workers were local people, but many came from the surrounding regions, including people from outside Yogyakarta. Thus, Yogyakarta had changed from a town of court artisans to a centre of indigenous industry and trade. Yogyakarta was now tied economically with most centres of economic activities in Java. One of the *batik* manufacturers, somebody called Haji Bilal for example, was able to tie his business with the 'Big Five' of Dutch companies during the Dutch colonial era and exported his products overseas. Meanwhile a Javanese trader specialized on agricultural products namely Surorejo, was regarded by most Chinese traders as a competitive competitor (Kwartanada 1997).

The rise of indigenous commercial activities accelerated the formation of a more heterogeneous community in Yogyakarta by the late colonial period. Besides the traditional peasants and the royal tied communities, the later economic expansion paved the way for the increasing number of labour and highly respected indigenous merchant communities in this area. The latest mentioned community together with new Western educated elites shared a higher status in society, something previously enjoyed only by certain people around the court and royal family. These all created new social formations and social relations in Yogyakarta society, when Indonesia proclaimed its independence in 1945 (Surjomihardjo 2000; Gunawan & Harnoko 1994).

Competition between indigenous Indonesians with foreigners, particularly Chinese, was unavoidable. Although there were only 28 Chinese batik enterprises compared to 178 indigenous *batik* manufacturers in Yogyakarta in 1930, there was a tight competition between the two, since most Chinese manufacturers were big business. From more than 20 indigenous commercial associations listed by Didi Kwartanada in his study on the Chinese of Yogyakarta, in fact, many indigenous people were also involved in the same commercial activities, such as hotels and restaurants, contractors, retailers, bakeries, transportation, tailor shops, laundry shops and various urban-based industries.

As mentioned above, however, these indigenous entrepreneurs mostly depended on Chinese traders for raw materials, such as unbleached cloth for *batik*, wax, thread, and unprocessed silver, bronze or gold. Some people even received capital assistance from the Chinese in exchange for special arrangements in marketing the products. Thus, it was difficult for most indigenous Indonesians to compete on equal terms with foreign commercial

interests. This became even harder since the colonial government failed to provide reasonable financial, managerial and technical assistance to indigenous Indonesians in order to fill the gap between competitors. Some indigenous leaders in Yogyakarta were aware of this situation and urged local people to form commercial associations, such as *Kemadjoean Ekonomi Indonesia* (KEI), founded in 1941.<sup>2</sup> This organization then played a very important role during the Japanese occupation, when it obtained special rights to be the only distribution agency for indigenous enterprises in July 1942.

The economic depression of the 1930s, the Japanese occupation, and the Indonesian revolution, however, caused significant social and economic changes in general. Some entrepreneurs, indigenous as well as foreigners, lost their business due to economic uncertainty. Most sugar factories and tobacco plantations stopped their production, and allowed their former workers to be unemployed.

Some of them worked in the traditional agricultural sector, because most of the land was no longer occupied by the plantations. The rural economy of Yogyakarta shifted from a high dependence on the capitalist economy, and returned to traditional agriculture. A more important change took place among the royal circles. Noble families began to lose their prestige among society, since many of them fell into poverty. Social mobility was no longer determined by its relations with traditional circles. Socially, royal elites had to accept a new lower status since independence. One thing should be noted, however, the decolonization process in fact strengthened the role of Sultan Hamengkubuwono IX, since he was a *Republiken*.<sup>3</sup> His own traditional

<sup>2</sup> Indigenous commercial associations including *Persatuan Pengusaha Batik Bumiputera*, *Persatuan Warung Indonesia*, *Persatuan Perusahaan Perak Kotagede*, *Persatuan Pedagang Batik Indonesia*, *Persatuan Ahli Dagang Roti Indonesia*, *Persatuan Jagal Indonesian Mataram*, *Persatuan Penjahit Indonesia*, *Persatuan Toko Indonesia Mataram*, *Persatuan Pemborong Rumah*, *Persatuan Saudagar Kayu Mataram*, *Persatuan Angkutan*, *Persatuan Pemerias Susu Indonesia*, *Golongan Rumah Makan dan Penginapan Indonesia*, *Persatuan Saudagar Hasil Bumi Indonesia*, *Persatuan Pertemuan Indonesia Mataram*, *Persatuan Pedagang Pasar*, *Persatuan Bengkel Sepeda*, *Persatuan Pedagang Tahu Tempe*, *Persatuan Perusahaan Rokok Indonesia*, *Persatuan Perusahaan Sikat Gigi Indonesia*, *Perusahaan Perusahaan Penatu Indonesia*, *Persatuan Perusahaan Teh Indonesia Mataram*, *Golongan Pemasak Kulit Mataram*, *Persatuan Perusahaan Barang-barang Kulit Mataram*, *Persatuan Saudagar Batik Bumiputera*, *Persatuan Perusahaan Dendeng Mataram*, *Koperasi Warung Merdeka* and many others were members of this organization (Kwartanada 1997).

<sup>3</sup> This term is usually used to identify supporters of the newly independent Republic of Indonesia. Sometimes people also used term *kiblik* as the opposite to *kaum federal*, the federalist who were considered as Dutch supporters, although this was not always the case.

authority to some extent also had created a different atmosphere in the economic life of Yogyakarta during and after the revolution.

### IN SEARCH OF A BRIGHTER FUTURE

Yogyakarta was the area where the *Republiken* received tremendous support during the process of decolonization, particularly after the capital city of Indonesia had been moved from Jakarta to Yogyakarta in early January 1946, when Allied and Dutch troops were able to control the city and the *Republiken* no longer felt safe to retain their position in Jakarta. Yogyakarta was identical with the Republic of Indonesia and the primary symbol for her existence against the returning Dutch. Sultan Hamengkubuwono IX himself was the major supporter of the *Republiken*. His support to the Republic of Indonesia was proven further, when he rejected to cooperate with the Dutch troops, who had occupied Yogyakarta after their military action on 19 December 1948. Besides sacrificing much of his personal properties, there were nearly 3,000 people under his jurisdiction who lost their lives between 19 December 1949 and 30 July 1949. A rough calculation also indicated that local people lost more than Rp. 252 million of their properties during that period (Kementerian Penerangan 1953). That situation had saved the traditional Javanese authority in Yogyakarta from the revolutionary actions of Indonesian nationalists to diminish the existence of traditional elites, as they did in other areas.

In the absence of a normal economic life, the situation caused some tensions within the society, where people were struggling to find their proper portion in the *Indonesianisasi* processes. Some Chinese and Dutch properties were taken over by local people during the revolution. Fifteen out of seventeen sugar factories in Yogyakarta were totally destroyed during the war, while most exclusive houses belonging to Chinese and Dutch families, such as in Kotabaru, were taken over by Indonesian elites as well as the ordinary people. Many Chinese shops located nearby the *kampung* of indigenous Indonesian, such as in Lempuyangan, Gondokusuman, Pingit, Gondomanan, Ngampilan, and Kotagede, were robbed. Two Chinese shops in the nearby town market of Kotagede, for example, were plundered, while the owners were in refugee camps avoiding the war. They were also not allowed to reopen their shops when the war had ended. However, some Chinese families in the southeast suburb of Yogyakarta on the border with Bantul were left untouched due to a special role of a charismatic and respected Chinese *dukun* and their



special relations with some personalities in a group of the Indonesian military (Soemarto, interview, Bantul, August 1998; Soegati, interview, Bantul, October 2003).

Four years after the proclamation of Indonesia's independence, the macroeconomic condition of Yogyakarta was still unstable. This instability was caused by several factors, such as the unfinished impact of the economic depression in the 1930s, the Japanese occupation, revolution, and the structural colonial heritage. Despite this, there was a high hope at the beginning, although the business and commercial activities did not grow smoothly as expected in Yogyakarta. KEI, the most successful indigenous commercial association in the previous era was no longer able to play such an important role. Although it is difficult to identify precisely what happened to this association due to the limited information, it could be said that KEI was dying in 1947 due to managerial disability and the lack of personal interest of its new directors. Many of her properties were found under personal possession when the war ended (Kwartanada 1997).

When most *Republiken* were celebrating the fourth year of Indonesia's independence on 17 August 1949, local newspapers reported that the people of Yogyakarta had to make a long queue in front of some *toko* along Malioboro, Tugu, Karang Kajen, and other places around the town to buy cloth, rice, salt and sugar under the coupon system (Kedaulatan Rakjat, 23 August 1949). The local bureaucracy of *Kemantren Pamong Projo*, *Rukun Kampung*, *Kapanewon* and *Kalurahan* was responsible for the fair distribution of the coupons to the local people. The coupon listed the name of goods, the amount allowed to purchase, and the name of shop where goods could be obtained. Every household was allowed to buy a maximum of five meters of textiles of 21 different qualities in exchange for one coupon in one of the 50 shops which had been recommended by *PERDU* (*Perusahaan Dagang Umum* - Public Trade Enterprise) at fixed prices. In the case of salt, every household was allowed to buy according to the number of people living in that house. The allocation of every person was 200 gram per month in exchange for 7 cent. Moreover, every household was allowed only to exchange their coupon with a kilogram of sugar priced at Rp. 1.60 per month.

The office of manpower and social affairs also provided free sandals, shirts, *batik*, or cloth to unemployed local people recommended by the neighbourhood association or *kampung* association. The office served many people who would

get the goods because they distributed only 50 pieces of goods for 150 people who participated in the scheme a day. Meanwhile, the government office responsible for the distribution of goods arranged basic materials, such as unbleached cloth and wax in order to encourage indigenous as well as Chinese *batik* enterprises to restart production, which was mostly stopped during the war. The distribution was coordinated through *PPBI* in Panembahan street and *PPPDJ* in Jagang Kuaman street for indigenous or batik division of CHTH in Kadaster Street (*Kedaulatan Rakjat* 16 July 1949).

Soon after the recognition of independence, some foreigners tried to get their properties back by using different ways. The Chinese, for example, succeeded in regaining their business complex around the Lempuyangan train station and market by paying a sum of compensation money or at the full price, but they were not allowed return to Bantul and Kotagede. A Chinese family in north Yogyakarta was also able to have their factory back because the local people recognized the family role in Indonesia's nationalist movement before and during the war. A workshop used to provide technical assistance to most sugar factories in Yogyakarta owned by the Dutch was bought by the local government and then modified as an industrial plant to produce various metal tools and house wares for the local market and surrounding regions. Ironically, however, different groups of the *Republiken* supporters and the Indonesian government competed with each other to control some Chinese and Dutch warehouses and factories around Yogyakarta seized during the war.

All efforts to restructure the Indonesian economy, however, were affected when the new government of the United States of Indonesia (RIS) under finance minister Sjafruddin Prawiranegara introduced a new financial policy, known as '*gunting Sjafruddin*' in March 1950. The government only recognized half of the nominal value all bank notes of 5 *rupiah* and above as a medium of change, and another half could be used only for buying government obligations and certificates (Purwanto 1991). The policy created market disorder in Yogyakarta. Some indigenous *batik* manufacturers were struck by the fact that the value of their customers newly paid debt the day before was only half of the original value, while they had to pay the full price in new money for unbleached cloth, wax and other batik materials taken from the Chinese distributors. Some agricultural commodity traders from Bantul and Kulon Progo experienced a similar situation.

The condition became harder for them when they found that their money in local banks had been devalued directly by half of the original amount since 18 March 1950. Since Yogyakarta was the capital of the Republic of Indonesia and because of their nationalist sentiment, most indigenous traders received more ORI or URI (Oe(u)ang Republik Indonesia-Indonesian money) than the Dutch ‘red money’ in their commercial transactions. In many places, the indigenous traders even refused to accept Dutch money (*Kedaulatan Rakjat* 2 July 1949). The new financial policy, however, had forced them into a very difficult position, because the ORI would not be used any longer from 1 May 1950 and valued less than the new money (*Warta Indonesia* 20 March 1950). They had to change their money, but at a lower exchange rate. Thus, many became bankrupt, while many others had to slow down their economic expansion. Apart from some optimism about rice reserved for people living in Yogyakarta and for the annual *Sekaten* festival one year after the recognition of Indonesia’s independence; in fact, local newspapers reported a food crisis in this special territory. The papers mentioned that most people in Wonosari and Adikarto still ate *gaplek* of dried cassava as their daily diet, while the rice price rose considerably because of a harvest failure in many rice producing areas (*Kedaulatan Rakjat* 16 December 1950).

Further efforts were made by the local government or by Sultan Hamengkubuwono IX after the recognition of Indonesia’s independence by initiating some economic projects which involved many people in the rural areas, in order to alleviate economic inequality in the this region. In this respect, the agricultural *Vak Organisasi Tani Primair* (VOTP) project of tobacco cultivation started in 1954 was an example of this attempt. This project, however, failed to continue due to mismanagement, corruption and political conflict. The first sign of its collapse came just after the first tobacco harvest, when the management was not able to distinguish properly the quality of tobacco leafs produced by participating local peasants. VOTP and its counterpart *Jakti* also failed to play their role to mediate between the peasants and the project. With or without learning from his failure with VOTP-Jakti project, Sultan Hamengkubuwono IX also tried to create another economic centre to accelerate the economic growth of Yogyakarta through the construction of a sugar factory in 1956. But until late 1950s, this factory failed to operate due to technical and management problems (Soemardjan 1962).

A similar pessimism was clearly expressed by the local government in a comment on the economic condition of Yogyakarta in 1957. Besides the failure of some projects, the local government also criticized the failure to renovate the cigar factory of 'Taru Martani' and an ice factory which had been discussed for a long time in the local parliament (*Panitya Peringatan 10 Tahun Kotapradja Jogjakarta*: 1957). Like the 17 sugar factories, the cigar plant did not operate at all because of war damage.

Another government sponsored economic activity in the process of *Indonesianisasi* in Yogyakarta was the establishment of *Gabungan Koperasi Batik Indonesia* (GKBI), a federation of Indonesian *batik* cooperatives. This organization was established by several indigenous *batik* associations in Yogyakarta in 1948 at a government initiative. The federation soon played a very important role in the *batik* economy, particularly after the introduction of a special economic policy to encourage indigenous Indonesian businessmen through the *Benteng* program. After given mandatory rights to decide how much unbleached cloth could be imported every year in 1952, GKBI received its special right as a single institution allowed to import unbleached cloth in 1955. Subsequently, the federation built a cambric factory in Medari north of Yogyakarta in 1962, when the plant employed nearly 2,000 workers (Sulistiyorini 1993). Although it was not comparable to the previous successful KEI, it is not an exaggeration to say that GKBI was the first successful 'indigenous cooperative federation' until the 1950s.

Besides some activities already mentioned above, the issue of *Indonesianisasi* in Yogyakarta must be found in the internal dynamics of the local communities. A productive idea, however, emerged unexpectedly from some local communities in the middle of this uncertain economic condition. A village in south Yogyakarta, for example, was able to create a cooperative which provided credit to the local people. The capital was extracted from the sugar allocated to local communities in July 1949. Since the local people did not need sugar, the local chief then sold them in order to get cash instead.

One study noted that the total money circulated among more than 2,000 people living in this neighbourhood recorded a growth from Rp. 3,200 at the beginning to Rp. 90,000 in 1958. A similar attempt was also taken by some neighbourhood villages and among the local people in coconut producing centres of Kulon Progo. Concerning the coconut producer, a further development of the cooperative was jeopardized by the presence of military

in the business. The local military office issued several regulations in order to protect indigenous peasant as members of a cooperative from Chinese middlemen. However, this involvement slowed down the already well running coconut oil production in this area. Some producers, including indigenous coconut oil manufacturers, even had to stop their production because there was not enough copra available in the market (Soemardjan 1962).

Moreover in southeast Yogyakarta, a local community also took an important economically oriented action led by members of a village legislative board elected in 1950. One leading figure on the board, who was also a carpenter and contractor, trained local youths and provided them with jobs and even capital. It was less than two years, during which the local community had been well known as the main furniture producer and many worked as carpenters in construction projects in surrounding areas and even in Yogyakarta. They also played an important role in renovating *Kepatihan*, the local government administrative centre after the war, and in the renovation of two Catholic churches in Yogyakarta. Some people from this hamlet were also involved as skilled workers in the reconstruction of a new sugar factory in Padokan, which was initiated by Sultan Hamengkubuwono IX in 1956 (Soemarto, interview, Bantul, August 1998).

A similar initiative was taken by *Persatuan Perusahaan Batik Indonesia* (PPBI), a new name for the *Persatoean Pengoesaha Batik Boemi Poetra* (PPBBP), an organization of indigenous *batik* entrepreneurs established in 1934. This association took some actions in order to encourage indigenous *batik* manufacturers with five or more workers to restart their business (*Kedaulatan Rakjat*, 10 September 1949). This association provided all the basic materials and marketing assistance for their members since September 1949. Although this association was also a member of GKBI and received government assistance, it was able to mobilize sustainable fund from her own members to help new and unfortunate members.

Another indigenous textile association, called *Perusahaan Pertenunan dan Pematikan Daerah Jogjakarta* (PPPDJ), also took a similar action from November 1949. The association assisted only its members under the condition that a person already owning weaving tools of the ‘TIB’ model, who really wanted to produce cloths (*Kedaulatan Rakjat*, 5 November 1949). This effort stimulated some traditional weaving producers in Yogyakarta to expand their activity, such as the people in Moyudan, northwest of Yogyakarta.

People in some villages of this under district had already produced various kinds of traditional cloth, such as *setagen*, *selendang*, sarong, and towels, but production was disrupted during the Japanese occupation and the war of independence. The capital and technical assistance from the association stimulated some people to use new technology and expanded their production in the early 1950s. Consequently, Moyudan emerged as a prominent weaving producer in Yogyakarta from the mid-1950s (Santosa 2001).

In Kotagede, where an indigenous entrepreneur community had been established a long time ago, some people tried to re-establish the glorious past after the war without any assistance from the government (Nakamura 1993). Some people from Kotagede earned much from making various red and white pins during the early revolution, but they did not really limit themselves to one particular product. They diversified their industrial activities in response to market demand. Some started producing different silver, bronze and brass house wares, but they also produced jewellery, decoration, souvenir, cloth, shirt, cigarette and even toothbrushes around (Rojikan, interview, Kotagede, November 1999; Basyori, interview, Kotagede, November 1999) Meanwhile, some established families, particularly among the goldsmiths, continued to produce their traditional products (Ismail, interview, Kotagede, November 1999).

With regard to the capital requirements, some people in Kotagede started their business by investing money they made from black market trading activities during the Japanese occupation and early independence period (Rojikan, interview, Kotagede, November 1999; Yuwono, interview, Kotagede, November 1999). But some of them established their industrial and trading activity really from scratch. They began with family labour and material borrowed from neighbours or collecting them from garbage. Some sources, however, claim that a few prominent new entrepreneurs in Kotagede invested money taken from rich people during the war. Those people made a fortune by plundering their own neighbours, when most people ran to refugee camps to escape from the Dutch troops in late December 1948. This was also the case in Bantul, where some people ran their new business after the war from money provided by a Chinese who received back the stolen goods from their guardian during the revolution. When the war was ended, and life returned to normal conditions, those guards asked for their share (Purwanto & Amini 2003; Purwanto 2005).

## CONCLUSION

In seeking the distinctive features of *Indonesianisasi* of the economy of Yogyakarta in the 1950s, an answer may also have been provided to the question, whether this process was marked by strong Indonesian government support to the indigenous entrepreneurs through a discriminative policy toward the Chinese and by taking over foreign properties or was it more a rational response toward market opportunity by people on their own initiative? However, it seems not possible to give a definite and clear answer to that question with the concept of 'commercial dissemination' into the paper as the descriptive evidence is so fragmentary and unreliable. A further extensive study is required in order to fill the gap between conceptual frameworks, history as a narrative, and historical facts.

It may be more valuable to conclude that the conventional concept of *Indonesianisasi* should be deconstructed in order to get a new understanding of Indonesian economic history in 1950s. As already discussed at length by J. Thomas Lindblad in his *Bridges to New Business* (2008), in terms of space and time, the concept of *Indonesianisasi* is a bridge to connect Indonesia's colonial past and the present or the future Indonesia. According to Lindblad, a delay in the economic decolonization after the declaration of independence does not mean neo-colonialism, since the economy of the country was still based on economic nationalism (Lindblad 2008).

The transformation of the Indonesian economy from a colonial economy to a national economy through the process of *Indonesianisasi*, went through different historical patterns. Some indigenous Indonesian entrepreneurs in Yogyakarta did enjoy special rights through a discriminatory government economic policy and by taking over foreign properties, but it could not be denied that the internal dynamic of certain indigenous communities did produce a significant economic breakthrough in Yogyakarta. Some people even had no contact at all with the government and with foreign economic interests in transforming their economic life. Local people served a growing market with various seeds and they had unlimited economic opportunity in looking for a better future. But then it disappeared suddenly when the government and foreign interests once again took control of their business after the war. In this context, *Indonesianisasi* was never considered as a set of concepts where the public could share in the economic prosperity of the newly independence state.

If that is the case, it can be said that the political decolonization in Indonesia took place without economic *decolonialization*. The government of the newly independent state together with its bureaucracy soon replaced the position of the colonial regime politically, but they inherited the colonial culture as well as its structure as their own. The emergence of a new regime does not constitute a 100 per cent guarantee that there will be an equitable distribution of new economic opportunities. The new elite tended to acquire control over economic sources, despite the fact that at the same time there was a great demand from the vast majority of ordinary Indonesians to be involved directly in different economic activities.

The independent Indonesia did not translate the idea of political nationalism directly into economic prosperity until the late 1950s. As a result, there is always only a small portion of independent entrepreneurs among the population, namely those who are supposed to run the public economy smoothly without political intervention. It is not surprising that the action of ordinary people to search for economic opportunity after achieving political independence was always hampered structurally as what happened to those in the colonial period. Despite all difficulties, people never stopped trying for better opportunities with or without a state-sponsored economy.

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