

The State, Class Struggle, and Capitalist Development in Indonesia and South Korea: A Marxist View

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Abstract

This paper aims to understand why similar efforts of state intervention can generate different economic outcomes. It argues that the different economic outcomes of state intervention can be traced back to the different processes of class struggle. Mobilizing Marxist view, it suggests that the state role in the economy should be understood as inseparable from capitalist development. That is, economic development is the terrain for class struggle between capital and labor. Although the contradictory relation between capital and labor is universal and global in capitalism, the form of contradiction will always be different across societies. That is the case because the form of class struggle depends on the specific development of the configuration of class power that has developed historically in each country alongside with its international process due to the expansive nature of capitalism itself.

Keywords:

State; Class Struggle; Capitalist Development

INTRODUCTION

This paper aims to understand why similar efforts of state intervention can generate different economic outcomes. To address this question, this article will use the cases of economic development in Indonesia and South Korea. The reason for this choice of cases comes from the fact that both countries have implemented

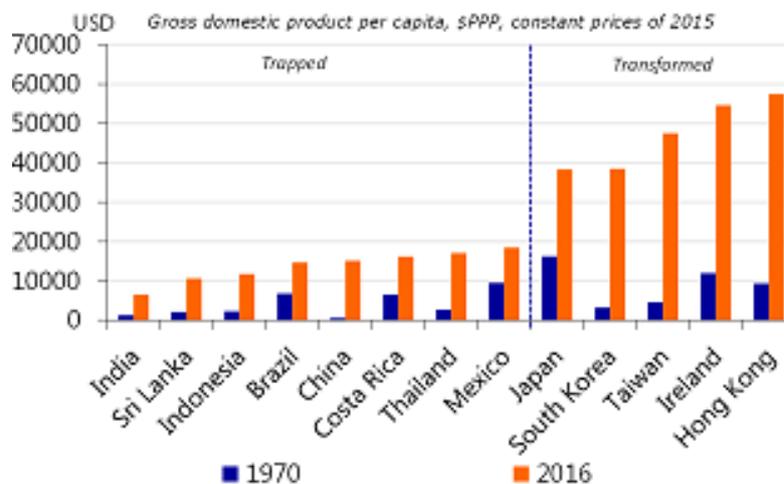
state intervention to enhance their economic development. Especially under the rule of the authoritarian governments of Suharto and Park Chung Hee in the 1960s, both countries enacted systematic and comprehensive economic plans to develop the national economy. The economic trajectories of these two nations also have strong similarities: Neither Indonesia nor South Korea interfered under the orientation of a socialist centralized economy, and both consciously made a serious effort to build a modernized capitalist economy.

Nevertheless, these similarities did not translate into identical outcomes. The level of development is significantly diffe-

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Graph I



Source: Rabobank in Erken (2017)

-rent between the two countries. South Korea has been declared a new developed country in the global economy, while Indonesia's economy is still struggling to be dominant in an international constellation. The difference can be seen on how the two countries compare according to GDP in 1970 and in 2016. Erken (2017) finds that in 1970, the GDPs of Indonesian and South Korea was marked by relative similarity. Nevertheless, in 2016, the level of GDP between those two countries was different drastically different.

This article argues from a Marxist view that the state role in the economy should be understood as inseparable from capitalist development. That is, economic development is the terrain for class struggle between capital and labor. Although the contradictory relation

between capital and labor is universal in capitalism, the form of contradiction will always be different across societies. That is the case because the form of class struggle depends on the specific development of the configuration of class power that has developed historically in each country. One needs also to bear in mind that this specific development is attributable not only to the national process but also to the international process due to the expansive nature of capitalism itself. Thus, this article argues that the different economic outcomes of state intervention can be traced back to the different processes of class struggle.

Problematizing the State in Development

Before we continue our analysis, there should be an explanation of why Marxist analysis is preferable to other

theoretical positions. I argue that although there is a burgeoning scholarship that aims to explain the role of the state in development, most studies propose that a certain distinct quality of the state is necessary in promoting development. The purpose of the analyses in these studies then is to illuminate those qualities of the state for explaining economic development. In this view, there is a precise position of the state that is most preferable for economic development. In these works, three main positions aim to explain the unique quality of the state.

Institutional Attribution

This position suggests that the success (and failure) of the state is attributable to certain characteristics of the institution of the state. This position can be seen in the work of Acemoglu and Robinson (2012). Through their historical reading, they suggest that the state institution is crucial for “providing economic incentives and prosperity” (Robinson, 2012: 102). In order for the institution to be supportive of development, its institutional character should be inclusive. For Acemoglu and Robinson, the inclusivity of the institution must be based on “intense conflict as different groups competed for power,

contesting the authority of others, and attempting to structure institution in their own favor” (Robinson, 2012: 102). Similar yet different from Acemoglu and Robinson’s proposition is Johnson’s (1982) exposition on Japan’s development. He suggests that the Japanese government was success in rationally planning development through a strategic, or goal-oriented, approach to the economy” (Johnson, 1982: 19). While the Japanese government also introduced close collaboration with the domestic business sector, this collaboration was founded under a competitive basis which “stress[ed] rule and reciprocal concession” (Johnson, 1982: 20) related to the overall development goal of the country. It is unsurprising that the economic rationality of the Japanese government required details of “state policy at micro level” (Johnson, 1982: 27) which enabled the individual enterprise to strictly follow and be guided by the developmental goal. Johnson argues that this degree of intervention made the institution of the Japanese state-led market economy distinct from other economies.

The institutional attribution argument emphasizes the specific nature of institution that is compatible with capitalist development. However, that

argument omits an elaboration on the unevenness of the state institution. One also needs to address why a certain state can have an interest and be successful in promoting that kind of inclusive and rational institution while others cannot promote this kind of institutional attribution which leads to developmental failure. In this case, institutional attribution argument neglect relational nature of the state with other states in particular and broader societal process in general. It is unsurprising that due to this omission, the argument of institutional attribution seems to posit that there is an exact institutional prescription for economic development in which the role of the state is just following this definite prescription.

Structural-Organizational Condition

Unlike the institutional attribution argument which seems obsessed with developmental prescription, the state-structural argument aims to understand the structural dynamic of the state that enables development. This position is represented by Evans' (1989) work on "embedded autonomy" which argues about the importance of the structural autonomy of the state organization such as bureaucracy with "dense public-private

ties" (Evans', 1989: 581). Following Polanyi and Weber, Evans stresses the capacity of the state to constrain economic power by the existence of socially insulated bureaucratic institutions (Evans', 1989: 567) as an important factor that determines the state's successful role in development. Evans' argument is reaffirmed by Skocpol's (1985) which posits that the essence of state autonomy lies in the position of the state "as a set of organizations through which collectivities of officials may be able to formulate and implement distinctive strategies or policies" (Skocpol, 1985: 20-21). Consequently, Skocpol suggests that the state as organization has a certain capacity to place itself beyond social relation. That is, the degree of the autonomy varies from a "committee of the bourgeoisie' to the absolutely autonomous state" (Chang, 2009: 20).

The structural-organization argument provides a more fundamental explanation about the nature of the state in development than does the institutional attribution argument. For proponents of the structural-organizational approach, the success of the state in pursuing development relies heavily on the insulation of the state organization from particular social interests or groups that

might harm the agenda of the state organization. However, by using this definition, the explanation of the developmental process of the state might succumb into ahistorical position. Although Evans suggests the importance of history, his historical exposition is limited to certain historical facts suggesting that the state has the capacity to control the market. Thus, the structural-organization argument, shared by Evans, over-stretches the status of the state as external to the historical existence of society. Understanding the state as organization also overlooks the possibility of social relation to penetrate into and through the state beyond the actor position. As this article will argue, this penetration can be seen in how a particular logic of capitalist social relation affects the political preference of the state organization.

Historical Process

The third argument situates the historical process as the main factor in explaining the success of state intervention. Thus, the structure that sustains economic development within the state is strongly determined by the history of the existence of the state itself. The eminent work of Kohli (1994) on the

Japanese lineage of South Korea developmental success represents this argument. Kohli suggest that Japanese colonialism transformed the social institution of South Korea “into highly authoritarian, penetrating organization, capable of simultaneously controlling... production oriented alliances... and the lower classes in both city and the countryside.” (Kohli, 1994: 1269). Thus, in Kohli’s argument, Japan’s colonial rule became a blessing in disguise since it provided a necessary foundation for the enabling role of the state in development. Vu (2007), among other scholars, proposes a different view, despite his agreement with Kohli’s framework on the importance of historical process. Rather than emphasizing the role of colonialism, Vu suggests that the history of the divergent dynamics of elites (whether they compromise or polarize) and masses (whether they are incorporated or suppressed) are the basis for the developmental structure of the state. For Vu, the state ability to develop is the result of a power struggle that occurs historically and thus explains why some state political leaders are more capable to promote a development institution than other leaders.

It can be argued that the historical process argument is more nuanced than the structural-organization argument and institutional attribution argument. It argues about the importance of the historical social relation that shaped the condition of the state and how that relation can also contribute to the state developmental agenda. However, the historical process argument seems to fall into a deterministic view of history since it fails to recognize the fluid character of the historical process. The relation between the past and current events cannot be understood linearly. There might be some forms of social relation that do not necessarily comply with the construction of historical categorization, but might also play a role in shaping the state outcome. For example, the active role of US imperialism in shaping the dynamics and political option of the state after World War II is almost neglected in the historical process argument, although one cannot ignore the fact that this imperialist power has always become a factor in any global historical development.

What these three positions share in understanding the state role in development is how the state is defined as an entity isolated from a broader social relation. Consequently, this kind of

argument posits the state as an entity that is immune from the dynamic of broad social relation. For example, despite the “success” of the state role in development, no state is immune from economic crisis. One can argue that such a crisis might be external in its cause. But by looking to the fact that a state’s economic crises tend to happen regularly, it is hard to see that the state can be separate from a certain social relation of the regular occurrence of economic crisis. Therefore, it is important to illuminate the social relation as a whole systemic understanding that shapes the characteristic of the state.

Marxist Theory of the State: A Theoretical Reconstruction

As a body of thought, Marxism has various explanations on how the state should be defined. However, there is common ground in Marxist analysis in which the existence of the state should be related to the historical development of capitalism. According to Marx and Engels (1948), the state is best understood as the “executive committee of the bourgeoisie.” They suggest that the state has an intimate relationship with the capitalist class which is manifested through the state’s role in managing the common affairs of the whole capitalist’s

class. This intimacy necessarily leads to the position that the executive committee should be understood as merely the instrument of the capitalist class that usually rules the market (Lenin, 1968; Miliband, 1969; Engels, 1978).

However, Poulantzas (1980) argues that the state should be understood as relation rather than static because class struggle effectively is present in the physical space of a given state's apparatuses. The state is not the direct determination of class power, but is rather the condensation of the material relationship of force determined by class struggle. Consequently, it can be said that the state is a locus for the collision and contestation of power. This notion means that the state is not necessarily simply determined by the capitalist class; it suggests no deterministic outcome in the relation between the state and class. Jessop (1990) argues that this non-deterministic relation is a strategic relationship. By strategic, he means a system whose structure and operation are more accessible to some forms of political strategy than others. Thus, a given type of state policy will be more open for certain class interests than others, according to the strategies that have been adopted to gain state power. This theoretical position

can be defined as the "relative autonomy" argument, since the state should be analyzed as relatively autonomous from the operation of capital power.

Despite of its merit, this kind of "relative autonomy" argument seems to obscure the exploitative nature of labor under capitalism that sustain by the state power (Bonfeld, 1993: 36). It reduces capitalism as merely "the economy" which structurally can be distinguished from the state as "the politics." The problem then, this analytical proposition neglects the abstract operation of the capitalist law of motion that can transcend this structural distinction. To preserve what is important in "relative autonomy" argument, one needs to be coherent about the nature of the state with regards to the capitalist's law of motion. The state is imperative in capitalism since it "contain and manage" (Kennedy, 2006: 190) the fundamental contradictory relation of capital and labor (i.e. worker) in capitalism. As capital tries to gain profit through exploiting labor, labor will simultaneously resist against capital exploitation. If this relation left on its own, capital accumulation as a whole will be declined and as a system is not sustainable. For this particular logic then the entity of extra economy like the state

becomes inevitable in securing accumulation process of capitalism. process leads to what McGill and Parry's (1948) call as "the unity of the opposites" of the state in capitalism; while its role is fundamentally different from capitalism, its existence cannot be separated from capitalism itself.

Other proposition that important in understanding the motion of capital is the role of capitalist competition. Competition in capitalist world is not a perfect competition in which firms tends to be passive in determining the price and cost of production (Moudud, 2010: 15). Rather, capitalist competition imposes every firms to be active in minimizing their unit cost and thus maximizing profit. Therefore, it is imperative for firms to utilize tactics and strategy in order to hold market share. Price cutting and reduction of cost become the major features of capitalist competition (Shaikh, 1980; Shaikh, 2016). According to Marx (1981), competition facilitates the capitalist to lower the unit cost of the capitalists by mechanization of means of production in the long run. It means that the imperative for increasing the investment in machinery to boost productivity becomes inevitable. Mechanization makes the process of

production more efficient since it can reduce the needs for worker while increasing the number of commodity production. For Marx, since profit is a money-form of surplus value and the accumulation of capital understood as accumulation of surplus value of unpaid labor in commodity production, investment over machinery enable worker to produce more commodity which means more surplus value i.e. profit. This then makes the firms more profitable than before.

Within this capitalist competition, it is unsurprising for some capitalist to concentrate and centralize the ownership of capital. Concentration of capital understood as the increase of capital through the capitalization of surplus value by capital, while the centralization of capital is the joining together of various individual capital unit which thus form a new larger unit (Bukharin, 1927: 117). In here, the competition between those firms which are able to mechanized their productive forces and those firms which unable to do that create a winner-loser relation in which the winner will crush the loser in competition. The centralization and concentration lead to what Trotsky (Allinson & Anievas, 2009) calls as uneven and combined development. He

suggests that competition generates geopolitical relation which constitute internal development of a nation (Allinson & Anievas, 2009: 51). He uses the experience of Russia during the end of 19th century in which its economic development was determined by geopolitical rivalries due to direct economic competition. The development and innovation of economic technique and organization in the developed Western countries restrains the development of Russian economics. This relation leads to the imbalance relation of geopolitical power that generates a world capitalist system which consisting of less developed (periphery and semi periphery) and developed (advanced and core) countries. The structural implication of this relation is it enable the relation of exploitation of surplus in by the core countries to peripheral countries. This exploitative phenomenon between countries is known as imperialism (Lenin, 1999). Capitalist competition that leads to concentration of wealth will enable high level of capital monopolization in certain countries. If this capital monopolization is not channeled into a more profitable outlet in a particular country, then the crisis of overproduction might occur in that country. Therefore, it is important to

expand beyond the territory of the country in which the state has to play a crucial role in securing property for investment and ensuring capital accumulation in overseas territories.

This theoretical abstraction suggests that the state is integral to the operation of capitalism. The state's existence will always be related to class struggle. However, the form of the class struggle cannot be generalized, since capitalism always operates in uneven conditions. Due to the unevenness, the class power that emerges in certain state might have a different form of social alliance which is the power basis of the state and its relative autonomy. This argument puts the importance of seeing the form of class struggle within a certain state in its specificity, since the degree of capitalist development might differ from one state or another. This argument also suggests that capitalism also should be seen as a global system in which national development can influence the international process and vice versa. Thus, rather than seeing the international condition as mere background, the international factor can play an active role in shaping the state outcome of development.

Putting South Korea and Indonesia in Historical Context

In understanding how capital and class struggle shaped Indonesia's and South Korea's economic trajectories, we need to trace the political dynamics of post-colonialism in both countries. The first dynamic is the power configuration in the post-colonial state that was shaped by colonialism. In Indonesia, the configuration has tended to be centralized in Java. The reason for this development is that Java is the most populated island in Indonesia. Therefore, Dutch colonial development in Indonesia concentrated on Java to generate a high level of economic surplus. This process has led Java to be the primary terrain of political struggle among social forces in Indonesia. The form of these social forces tends to be arranged according to an ideology that is strongly related to the class structure that arose from the colonial development.

Three ideological lines have dominated Indonesian politics since the Independence: Islamism, Nationalism, and Marxism. Islamism as a political force is socially based in the urban and rural middle class. Nationalism comes from the layer of the aristocratic middle class (*priyayi*) that had a strong relation to Dutch bureaucracy. Marxism was divided

into democratic-socialist and communist streams. The socialists mostly originated from the Western-educated middle class and the communists from the working class and small peasantry.

For South Korea, the configuration was quite different. Prior to the civil war in the 1950s, Korea was a unified country (in which South Korea was part). However, the relation between the north and the south was conditioned by Japan's partial colonial development in Korea in which it tended to industrialize the north and eliminate the royal families. In the 1930s, Japan developed mines, hydro-electric dams, steel mills, and manufacturing plants in northern Korea (Cumming, 2005: 174-5) to maintain its presence in neighboring Manchuria in order to challenge the growing influence of the Soviet Union in the region. The consequence of this partial development was crucial to the form of the power relation in post-colonial Korea. The dominant social forces that appear in the post-colonial north came mostly from a working class background as a consequence of Japan's industrialization. There was also a commercial and manufacturing bourgeoisie elite in the north with relatively uninfluential power due to its small number and historical

character as subservient to the Japanese. In the South, while the economic structure was still dominated by agriculture, the destruction of the feudal system created definite social forces. The South's social terrain was dominated by the middle class yangban (the bureaucrats that work for the feudal lord) that mostly worked and collaborated with colonialist Japan, the local landlords and the lower class such as peasants. This process generated a unique ideological line in Korea. The North tended to be unified and communist ideology became the dominant force, while in the South, because of its variety of social classes, ideology tended to be scattered, with conservative, liberal moderate, and left-wing radical elements (Barone, 1983: 57).

Another political dynamic that need to be accounted for is the international context of capitalist development. The anti-colonial struggle that generated the emergence of the post-colonial state was a systemic reaction to the domination of capital toward the nation. As argued by Arrighi, et.al. (1987), the main aim of anti-colonial struggle (i.e. national liberation movement) is to change the "unequal relation among different zones of the modern world-system... the form of

capitalist world-system... [that] subordinated them, and held them tightly within an integrated whole" (Arrighi, et.al., 1987). The issue, then, is that the structural delinking that resulted from anti-colonial struggle does not necessarily undermine the power of capital at the international level. The change of the power constellation at the international level after World War II, with the rise of the US as a superpower nation, maintains the power and domination of capital. This constellation itself emerged as a response to the increasing influence of the "real existing socialism" of the Soviet Union in the post-war international order that might threaten the influence of the capitalist world-system. Known as a "cold war" between the US and the Soviet Union, this international constellation became the representation on how capital operates and shapes the form of power relation within the post-colonial state.

These two dynamics of within (power configuration) and outside (international context) of the state with relation to capital power became the important processes for the structure of capitalist development in Indonesia and South Korea.

Struggle for the Soul of the Nation

As a post-colonial state emerges, class struggle appears as part of political contestation in shaping the political agenda of the state. However, the form of the class struggle will vary according to the context of power configuration, as explained before. Contestation is related to the struggle for organizing the new state and how this organizing process is related to the international context of capitalism as a whole. Different forms of class struggle therefore become an important factor affecting the social relation for sustaining further capitalist development.

Indonesian Case

In the case of Indonesia, the form of class struggle seems characterized by consensus between antagonistic classes. Before Indonesia gained its official independence, the new political elite was successful in reaching a consensus about the foundation of the state. The plurality of ideological lines was acknowledged and accommodated in the state constitution. The elite promoted Pancasila (five principles) which consists of principles, believing in God, humanity, unity, democracy, and social justice, that implicitly recognized the tenets of Islam, Nationalism, and Marxism (Mintz, 1965).

However, the ideological unification at the level of state foundation was not necessarily translated into unification of class forces to support development. The contrasting points of view became the source of political instability in the new independent state. In its first seven years, Indonesia experienced the rise and fall of seven cabinets (Vu, 2007: 43). For some moderate forces (especially that comes from the Islamists, Nationalists, and some faction of Socialists), Indonesia's development should follow a pragmatist approach in which the government should accommodate capitalist economic rationalization and reduces the influence of politics (especially mass politics). Meanwhile for some radical forces, mostly coming from the communists, the post-colonial government should maintain its anti-colonial tendency in development. Therefore, economic development could not be separated from the political process, and mass participation in development became inevitable. Such deep political division hinders the effectiveness of any economic initiative introduced by the government, since no social force can play a dominant role to support a certain policy measure. This dynamic can be seen in how a government initiates an industrialization

strategy through “restrained nationalization” (White, 2012: 1284), in which nationalization of a colonial corporation should not harm international trade. The Indonesian government still saw the importance of international trade to develop the indigenous capitalist class that was weakened during colonial rule. Thus it is unsurprising that with the condition of balance of forces, the nationalization and development of capitalist class policy failed to reach the objective to develop Indonesian economy.

The ideological conflict in Indonesia faced a crucial juncture when an internal rebellion known as PRRI-Permesta (Pemerintahan Revolusioner Republik Indonesia-Piagam Perjuangan Permesta, Revolutionary Government of the Republic of Indonesia-Universal Struggle Charter) challenged the existing power relation in 1957. One has to acknowledge that in post-Independence Indonesia, the emergence of rebellions was quite regular. Most of the rebellions were caused by the dissatisfaction among certain factions of (para) military groups, as the state had decided for military professionalization and the marginalization for these groups although they had played an active role during the physical struggle for independence (Rianto, 2013). However,

with the PRRI-Permesta rebellion, the situation was quite different, because in 1958 this rebellion was also supported by the foreign forces of the US. The US successfully rode the anti-government sentiment that came from non-Java’s civil and military elite that led to the PRRI-Permesta rebellion. The reason for US intervention came from the Indonesian decision to nationalize US and Dutch corporations’ assets to industrialize the economy.

The precedence of US intervention led to the increasing of anti-colonialist sentiment within Indonesian society. Thus it provided justification for the reinforcement of the communists and the marginalization of the moderates in the constellation of power. The communists successfully penetrated the government by creating a strategic alliance between the Communist Party of Indonesia with the then president, Sukarno, who also had an interest in stabilizing the country and blocking any foreign intervention. At the international level, Sukarno also allied himself with communist countries such as China. In order to balance the growing influence of the communists, Sukarno also brought the military into the alliance. The reason for this inclusion was that many anti-colonialist measures that the

government want to pursue required an effective state machinery which only the military was capable of providing.

The inclusion of the military became problematic in the radical anti-colonial measure, because, as an institution, the Indonesian military consisted of many class interests with many ideological backgrounds. This ideological plurality created an obstacle to how the government could effectively enact its radical measure. The case of the enactment of a land reform bill in 1960 illuminates this issue. Aiming to address inequality and to strengthen the basis for industrialization, the bill allowed state occupation of any lands that were considered unproductive. However, many state officials seemed reluctant to implement this policy. This reluctance provoked many landless peasants, many of whom had a relation with the communists, to conduct unilateral action (*aksi sepihak*) to seize any land that was identified as unproductive. Land seized through such unilateral action not only was owned not only by landlords, by the military as a result of the nationalization of Dutch plantations after independence. This condition led to rising tension not only between the communist and the military but also within the military itself,

between those the factions that supported the radical policy and those who were against it. Consequently, the radical measure of the land reform program failed to be fully implemented within the existing political constellation.

The hidden conflict between the communists and the military burst open in 1965 when some radical sympathizers in the military failed to evict "contra-revolutionary" officers in September 1965 (Anderson & McVey, 2009). This failure became a pretext for the military faction that rejected the radical agenda not only to purge the radical faction, but also to aim at eliminating the communists (Roosa, 2006). Under the leadership of Suharto, the anti-radical faction successfully consolidated its power by winning the confidence of Sukarno and purging the military institution from any radical influence. Once the military as a whole was controlled by the anti-radical faction, the military starting to destroy the communists. To destroy the communists, the military mobilized Islamic forces which had been marginalized during the rise of communist influence. This moment period is marked by the political massacre in 1965 in which more than 500,000 people who were identified as

communists were killed by the military or the Islamic paramilitary.

The growing influence of the military in 1965 provided an opportunity for Suharto to topple Sukarno. The possibility of Suharto's replacing Sukarno became larger when the US returned to intervene in Indonesia. With the approval of the US, Suharto successfully convinced Sukarno to give him a full mandate to maintain the stability of the country. This transfer of power then became legitimation for succession from Sukarno to Suharto in the midst of political crisis. With the rise of Suharto, the radical anti-colonial agenda was put to an end as a full-blown capitalist agenda started to emerge.

South Korean Case

In the South Korean case, the division between the north and the south became an important factor in shaping the class struggle. The industrialized north became dominated by the working class politics represented by the left-wing radicals. In the south, the underdevelopment led to the domination of the social class that previously had a relation with Korean feudalism. This social class included landlords and some conservative yangban who represented the interest of the right-wing current in Korea. However, their

domination remained hostile to resistance coming from the peasantry and the progressive middle class which mostly still maintained a relationship with the left-wing forces in the north and sympathized with their radical agenda. This geopolitico division between the north and the south enabled foreign intervention from the existing international super powers to intervene in Korea's affair. The first moment of foreign intervention occurred in 1945 when Soviet Union entry the north region, due to its contribution in fighting the Japanese colonialism in the Korea peninsula. Worried about the rising influence of the Soviet Union's strengthening its influence on the left-wing force in Korea, right wing politicians in Korea invited the US to post a military base in the south. The intervention of the US played a major role in shaping the class structure in the south that was inclusive of capitalism (Cumings, 2005).

The existence of the US provincial military government changed the balance of power between competing forces in supporting the right-wing developmental agenda in the south. To defuse mass radicalization from the peasantry and to promote industrialization, the right wing politicians, backed by the US, launched a

partial land reform to redistribute land assets, with a policy implemented in 1945. The US military government redistributed 600,000 acres of land which mostly had been confiscated from the Japanese which then sold it to Korean tenant. With the support of the US, the right wing could effectively neutralize the political challenge coming from the progressive and communist forces. At the same time, the US abolished a radical program of the Peoples' Committee that aimed to replace the colonial Japanese political structure but reestablish a colonial administrative structure, one governed by lower Korean officials who had previously worked for the Japanese. The US also reutilized the Korean police that had been trained by the Japanese and were hated by the Korean people (Barone, 1983: 57). The political influence of the US was at its peak when it held an election in 1948 which was boycotted by all political parties except the right-wing which elected a conservative figure, Syngman Rhee, and declared South Korea the Republic of Korea with Rhee as its head of state.

However, the emergence of South Korea that consolidated with the right wing through the support of the US did not necessarily create stability. The source

of the instability came from the resentment of the peasantry and the educated middle class against Rhee's incapable and corrupt government and its subordination to US power. The instability was then exacerbated with the reaction of the north which felt provoked by the existence of the state of South Korea. One year after the establishment of South Korea, the north established the People's Democratic Republic of Korea. To reduce the instability that was beneficial for the communist north, Rhee's government, with US backing, launched a second land reform policy. This second land reform was much more comprehensive because it eliminated the landlord class by constraining land tenants to less than three hectares (Barone, 1983: 60). Landlords were compensated for the confiscated land and many then became the new capitalist class. The elimination of landlords became a necessary factor for the high acceleration of capitalist development in South Korea.

Despite the success of Rhee's government in maintaining right-wing domination in South Korea with the support of the US, the existing right-wing government was still unable to boost the economy. Even after the civil war at 1953, South Korea's economic

performance was not much improved. Reckless governance combined with deep corrupt behavior in the government hindered economic development. This condition then led to resistance of the masses against the government which the government responded to with repressive measures. However, these measures failed to subdue the resistance, leading to the resignation of Rhee as president in 1960.

With Rhee's resignation, the parliament elected Yun Posun as the new head of the state. Posun preserved the agenda of the right-wing politics but with less authoritarianism. Yet, under Posun's leadership, South Korea still faced economic problems with government corruption. This condition led the popular masses once again to rise against the government. Interestingly, within the masses, some leftist forces reemerged and played an important role in challenging the regime. These forces consisted of "a unification movement..., supported by socialist parties, student organizations, labor unions, and other moderate groups who continued to be alienated from the new regime" (Barone, 1983: 60). This reformation of the left alarmed the right wing ruling class, as the rising leftist force might threaten their capitalist agenda.

Fortunately, the mass revolt was put to an end when the military enacted a coup in 1963. Under the leadership of Major Park Chung Hee, the military took over the civil government and established a military control government. This new military regime was not ideologically different from the previous regime: it maintained the right wing's capitalist and anti-communist line. However, under Hee, the capitalism seemed to develop in a specific way which became the marker for enhancing capitalist development in South Korea.

Different Economic Outcome in Indonesia and South Korea

The form of class struggle inherited by Suharto and Park Chung Hee each became an important factor in determining the capacity of state intervention in shaping the capitalist economy. As is already known, the leaders shared a similar political character: anti-communist, authoritarian and having a friendly relation with foreign capital. Institutionally, both regimes also were involved in and nurtured a corrupt political process between the government and the capitalist class (Robison & Hadiz, 2004; Winters, 2013; Krang, 2002; You, 2005). Due to the different forms of class

struggle prior to their rule, these leaders enacted the process for the establishment of capitalist development differently.

In the Indonesian case, the political transition that led to the emergence of Suharto's New Order regime had successfully eliminated the political power of the working class. The regime itself was founded in the consolidation of the state machinery, like the military and the bureaucracy, which became its political basis (Robison, 1978). To control any potential opposition, all other political forces, like political parties, were enforcedly subordinated under Suharto's rule. Under the New Order, Indonesia also had a weak capitalist class. The failure of land reform implementation, which was contributed to by the role of the military faction that supported the New Order, led to the absence of a generative condition for the creation of a new capitalist class. With the absence of a strong capitalist class and increasing repressive power of the state, Indonesian capitalist development was highly dependent on the political choice made by the regime (Robison, 1986).

A different situation occurred in South Korea. While internally Park neutralized any political opposition, geopolitically South Korea was still overshadowed by

North Korea. This situation led to geopolitical competition for South Korea against North Korea. South Korea needed to promote rapid development in order to contain the influence of North Korea which had already industrialized. The geopolitical condition also constituted a "cold war" effect on the Korean peninsula in which one could not ignore the role of the US in South Korea's development. The US had shifted its foreign policy orientation from military to economic since the communist bloc started to show rapid industrialization (Kim & Park, 2007: 193). The active role of the US became the defining factor that enabled South Korea's economic enhancement. The US has an interest in developing South Korea because weak development in South Korea might lead to popular discontent that might then harm the geopolitical interest of the US in the region.

In the case of Indonesia, the regime's centralization of power without any effective competitive environment created autonomy regarding the influence of international capital. This autonomy can be seen on how the regime promoted a "back-and-forth" relationship in developing its economy. Just after the Suharto gained power, the New Order regime launched an economic policy

known as the foreign capital investment bill to attract foreign investment in Indonesia. Through this bill, the Indonesian economy become highly dependent on the power of international capital. However, this pattern of development did not last long. As Indonesia was experiencing an oil boom in 1973, the government changed its development orientation to a more domestic-minded one. During the oil boom, Indonesia promoted import-substitution industrialization and selectively limited foreign investment (Masami, 2003: 13). This domestic orientation had to be changed in 1982 due to the downturn in the price of oil. The regime then changed its industrial policy to be more export-oriented. To support this measure, in 1986 the regime also launched partial liberalization of the Indonesian economy through deregulating the banking sector. The reason for the partiality was that the regime still had to undertake an industrialization measure by promoting state enterprise and state-supported conglomerates (Masami, 2003: 14). Nonetheless, the change of economic orientation resulted in industrialization. The problem was that the industrialization being established was

mostly in light industries such as processing food and textiles.

Meanwhile, the imperative to undermine North Korea and its communist counterparts in the region became an important reason for the US to “support” South Korea. US support for South Korea’s economy can be seen during the US engagement in the Vietnam War. From 1966-1969, 30% of foreign exchange in South Korea was contributed to by the US due to its support for the US war effort in Vietnam (Hart-Landsberg, 1988: 49). As argued by Glassman and Choi (2014), US war engagement also provided an opportunity for South Korean industrialists, since it opened access for South Korean firms to supply war logistics. The US influence on South Korea’s economy continued when Park’s government normalized its relation with Japan in 1966 (Kim & Park, 2007: 196) to enable Japan’s investment in South Korea. Japan’s investment changed the industrial structure of South Korea, since most of the investment was in capital-intensive industries with a high technological level. This process can be seen in how a high amount of South Korea’s automobile export to the US in 1985 was directly related to the increase

of imports from Japan (Hart-Landsberg, 1988: 50).

This historical process suggests that South Korea's industry is more technologically advanced compared to that of Indonesia. In terms of value-added, South Korea's industrial structure has more value-production than Indonesia's industry (Pratap, 2014). This difference explains why South Korea's economic development is higher than Indonesia's despite their similarity in the intention and agenda of state intervention.

CONCLUSION

The reason that similar state intervention can result in different economic outcomes is related to different forms of class struggle. Although capitalism is a universal and global system, its operationalization cannot escape local context. The role of context can be seen in how capitalist development emerged in Indonesia and South Korea. Different processes of capitalist development during the colonial era generated different power relations among class forces in the post-colonial states. The result of class struggle during the post-colonial era had an impact on the character of the developmental

structure of both the Indonesian and South Korean states.

One can casually observe in the comparison of Indonesian and South Korea that the degree of imperialist involvement in the state is important in encouraging economic development. However, it can also be said that the political pressure that occurs as a consequence of class struggle needs to be taking into account. The South Korean experience would have been impossible if the geopolitical competition with North Korea had not existed. A corresponding perspective can be taken in the Indonesian case in which the absence of effective class opposition to create political pressure on the regime led to arbitrariness in the orientation toward industry.

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