

**IN SEARCH OF MODEL FOR IMPLEMENTING LOCAL AUTONOMY:
SRUCTURAL MEDIATION PERSPECTIVE ***

By

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INTRODUCTION

On January 1, 2001, Indonesian Government officially passed two laws, law no.22/1999 (currently revised through law no 32/2004) on local autonomy, and law no.25/1999 (currently complemented by law no.33/2004) on local finance. Despite the fact that the country has been continually managed in a highly centralized way since resumed its independence in 1945, these two laws introduced the new way of managing the country both politically and administratively. Politically, the new laws provide ample room for democracy by giving up greater power and control to local governments and communities. Administratively, these two laws aimed to decentralize decision making process particularly in providing goods and services to local community. Regardless whether the initial ideas of these two laws were crystallized from internal political dynamics or adopted from external global demands, there were very sound expectations that these laws will eventually result in more autonomous local governments and promote better life and welfare for local communities. It was also expected that the existing uneven development among regions, in particular between Java and the outer islands, will be reduced. By applying a new way of governance, it was expected that national welfare will be more evenly and equally distributed among localities across the country.

However, as far as empirical evidence is concerned, the reality is not always lift up into expectation. Political and administrative reform is not always end up with somehow crystallized democracy, but the widely spread of communal conflicts. Power devolution is not always resulting in more autonomous local governments with higher capacity in providing common goods and services for the public. Instead, it generates even more corruption at the local level. Therefore, the most intriguing theoretical question for Indonesian context is two-folds. Firstly, to what extent the implementation of local autonomy enforce democracy at local level amenable to the unitary state of Indonesia? Secondly, to what extent administrative reform at local level end up with a more autonomous government sensitively responsive to generate economic welfare of the local public? This effort, aims to identify challenges on the implementation of the new laws, both politically and administratively. It is also intended to search model for administrative reform that enforce democracy and generate economic welfare at the local level.

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Within this context, the main focus is not merely the relationship between power devolution from the central government in Jakarta to the local *kabupaten* and *kotamadya*, but ultimately the relationship between local *kabupaten* and *kotamadya* with the local public. This paper explores a model based on a widely held belief among sociologists is that the social structure of the local communities determines, at least in part, the effective local government and the level of community welfare.

LOCAL AUTONOMY FOR DEMOCRACY AND WELFARE

Reformasi era, as many Indonesian noted, is somewhat paradoxical. On one side, there is so clear and sound demand for democracy, and at the same time most Indonesian are witnessing of brutal anarchism on the other side. Strong need for democracy is stemmed from the voiceless and right less feeling of the general public under authoritarian regime. While the almost unmanageable anarchism can be traced back from aggressive and powerless expression of the general public facing the norm less anomic conditions. The most critical issue, then, will democracy be crystallized into Indonesian social reality or will it be remained the unreachable political myth? Comparatively speaking, some empirical experiences show that many democratic regimes started a heroic political movement for democracy, but only a few can stay in power to guard democracy into being. There is no guarantee that the new democratic regime politically stable and survive. The fall of political regimes in Nigeria 1983 and Sudan 1989, were the perfect examples. The transition period to democracy ended up with civil war and returned of the authoritarian regime. Democratization is a multistage process in which one nation can fail in any point at a continuum line from authoritarian to democratic condition (Casper and Taylor, 1996).

At this point, Indonesia has shown the world its ability to manage its very critical moment of transition by passing through unstable succession process of its regimes from Soeharto to Habibie, Abdurachman Wahid, Megawati and finally Soesilo Bambang Yudoyono. Although Yudoyono was directly elected by the people, so that he has sound political legitimacy to stay in power, democracy in Indonesia has not passed the other test yet. Having examining some empirical cases, Casper and Taylor argue that to implant democracy into existing political system is just the beginning. There are two other major steps, according to them, should be taken for bringing a nation into a mature democratic one. Firstly, the short-term step, searching relatively acceptable solutions for those who were standing behind the old authoritarian regime. Secondly, the long-term step, focusing on how to consolidate the new democratic elements. Given the theoretical framework above, the real political challenges for Yudoyono and his regime are, first of all, to solve mounted problems related to the old authoritarian political regime. It seems there is no need so much effort in combating political resistant to democratic movement itself, even from the military. It is so much to do with destroying very strong corruption linkages and practices of the old

regime and its business cronies that put Indonesia as the most corrupted country in Asia, even in the universe. The real political challenges of Yudoyono's regime is to make themselves clean, otherwise one cannot combating corruption with corruptors. Indonesian public is now witnessing of some serious efforts, but still expecting much better results. The latest case of KPU gives a clear picture of how deep the corruption has rooted. If this is the case, local autonomy laws, then, just put the country into double jeopardy: spreading the best practices of corruption to the local levels, and at worst meaning to prolong the previous authoritarian regime (at least in spirit).

Another challenge for current political regime in Indonesia is to consolidate pro-democratic elements both in government and the general public. Again, the main challenge is not so much related to preaching democracy in the class-room or on the street, but rather related to translating democratic way of thinking into political, social and economic actions impacting the public. Free-fight boxing demonstrated by the honorary parliamentary members shown on national television was regretting action of democracy. The general public will not learn democracy as it is preached by their political leaders or as it is written in the state constitution, but from their daily experiences and examples shown by the regime through policy making process and its implementations. Local autonomy laws, therefore, can only be effective if both governments and people at local level experience more autonomous then before, otherwise they might see local autonomy as a political tool to shift financial burdens from Jakarta to the local authority of *kabupaten* and *kotamadya*. This is true both for *kabupaten* and *kotamadya* which has very limited and abundant natural resources. Therefore, the real political challenge at this point, is to keep the feeling of togetherness as one nation. The separation of Timor L'Este (previously East Timor province of Indonesia) was another traumatic political memory for most of Indonesian especially the military, seen as the failure of democratic exercise by civilian President Habibie. Separation movements of GAM in Aceh, RMS in Maluku, and Papua Merdeka in West Irian challenge Yudoyono's policy towards the unitary state of Indonesia. The critical question, then, to what extend local autonomy laws can keep the existence of NKRI in one peace.

The third political challenge for the implementation of local autonomy is the extend to which Yudoyono's regime be able to resolve various communal conflicts spread across the country and to fight anarchism and *premanism* stemming from poor economic and other living conditions. This problem, therefore, is not only related to set a repressive strategy for each particular phenomenon, but ultimately related to hook with grand strategies in reducing the main cause of the smoke. One of the major problems is basic policy in macro-economy which provides sufficiently job opportunities for the public in order to fulfill very basic human needs: food, housing, health and education. Inability of local government to provide such primary needs would lessen *charisma* of the autonomy laws. Providing sufficient amount of public goods and services at the expected level and quality is also a political key-point to the

successful implementation of the respective laws. The fact that both natural and social conditions vary across localities, highly centralized economic policy, including overlapping tax policy, just makes no sense for the local public.

Finally, another central political issue is a fair and just mechanism for conflict resolutions and straight forward law enforcement for anarchism. Any playful scenario, un-just conflict resolution, or half-heartedly law enforcement towards *premanism*, once again, will just putting the implementation of local autonomy laws into another double jeopardy: wider communal conflicts and economically un-productive. It is important to note, that these critical issues have been spoken about above, must be clearly and explicitly stated and a sound and profound political agenda. Otherwise, will easily be shifted and blown by the continuously changing political wind.

ADMINISTRATIVE REFORM FOR DEMOCRACY AND WELFARE

Public administration, according to Pfiffner and Presthus (1967), is a discipline concerning means of implementing political values. Their claim is in line with the initial idea of Woodrow Wilson (1887), the founding father of modern Public Administration in the United States of America. He notes that historically public administration was born from further development of political science, however Wilson suggests to make clear separation between the two which later known as politico-administration dichotomy. According to Wilson, the main concerns of public administration are two-folds:

1. *What government can properly and successfully do?*
2. *How it can do these proper things with the utmost possible efficiency and at the least possible cost either of money or of energy?*

The critical question, then, to what extent administrative reform can be devoted to support democracy and to generate welfare at the local level? Will state bureaucracy, both at the center and local level, be part of the solution instead of problem? Comparatively, positive evident shows that public administration, of course, can play significant role in both process of democratization and welfare generating activities. In Taiwan, as in many other countries, government faces the challenge of how to reconcile traditional culture, democracy and industrialization. In order to cope with such challenging problem, public administration experts in Taiwan help decision makers to adopt strategic planning approach (Sun and Gargan, 1996). It is sad to say that the role of administrative body, such as National Planning Bureau (*Bappenas*) and Local Planning Bureau (*Bappeda*), is currently less important than ever before. Revitalizing credible administrative planning bureau at local level, as mentioned above, is one of the very strategic administrative reforms in line with the implementation of local autonomy laws. In the past local planning bureau was sounding Jakarta's will, now they are sounding nobody's will but the donors.

Despite the fact that planning bureau is now less function to support administrative reform, still an optimistic view on the role of public administration in promoting democracy is also claimed by O'toole (1997). He concludes that

current development of public administration is not too hierarchical and parochial, but like a web of network allowing very positive impact on the development of democracy, including responsibility towards public interests, public preferences, political liberation, peace promotion and development of public trust. The web-like public administration, according to O'toole, will effectively support democratic management and strengthen government who rely on democratic values and administrative actions. In some cases like in Sub-Sahara region, public administration cannot be utilized as catalyst for democracy. When the military came into power, the rule the country with military commands, banded political parties, froze the state constitution, and dysfunction legislation body. They recruited civilian political elites to give necessary input for decision making process. Interestingly the involvement of civilian elites in military regime is a valid predictor that the respective elites will use military commands when they are in power. Within this political climate, public administration will not in support for democracy. Since 1998, Indonesia has eventually moved far forward from such political condition. What is lacking now is strong administration that is necessary to guard and crystallize democracy into a mature form.

The most notable administrative reform is currently represented by New Public Management (NPM) movement rooted in liberal economic tradition with entrepreneurship and '*reinventing government*' as its icons. It is claimed that bureaucratic administrative bodies which strong command and tight control is now becoming obsolete. The entrepreneurial government is now on stage. The problem is *does it works?* Should this model be implanted to Indonesian public administration context? It might not necessary. Reasons are mounted in comparative perspective. Using meta-analysis towards 170 case studies in 104 federal bureaus, Wolf (1997) concludes that the effectiveness of the respective bureaus remain unchanged after reinventing government was promoted in the United States. Reinventing government is more political myth than reality; it is too good to be true as a revolutionary administrative reform. According to Cope (1997), in addition, entrepreneurial approach and techniques employed in public administration have some serious negative implications for political responsiveness. In particular, financial system that based on entrepreneurial approach might blow up the income, but reduce political responsiveness. Stressing customer service can be interpreted particular individuals, while public service aims to serve the general public as a whole. Private and public partnership end ups with mounted ethical problems. In his study on partnership between county government and local chamber of commerce, Ghere (1997) notes the misused of public money in the partnership, both from the perspective of individual moral standard and policy ethic. There is strong indication that public administration ethic was under mind. Would it be working within Indonesian context? So much cases exemplify the failure story the the successful one.

Having such comparative framework, searching for indigenouse model for administrative reform for democracy and welfare is not totally impossible. In

South Korea, for instance, administrative reform is not the main issue at the beginning (Jung, 1996). People are mainly interested in two things: political democracy and direct distribution of public goods and services. However, it is apparent that the successful result is fully supported by administrative reform done by Kim Young-Sam, the civilian leader after 30 years of military regime. Indonesia can learn so many lessons from South Korea as well as from Sweden and other countries in order to build and manage its own administrative reform. The most important thing, however, how does any Indonesian people and political leaders understand themselves and their society. From self understanding, it is possible to formulate the sense of urgency and set the political priority that can be supported by administrative reform. As if Indonesian government, like in South Korea, has set democracy and welfare as the main political agenda, the suitable administrative reform then can be initiated.

**IN SEARCH OF MODEL FOR LOCAL AUTONOMY:
STRUCTURAL MEDIATION PERSPECTIVE**

Assuming that the implementation of local autonomy is both politically and administratively justified to flourish democracy and generate welfare at the local level, the answer can be both historical and comparative. Both approaches are powerful within some sets of assumptions. The following explanation is neither historical nor comparative in the tight sense, but rather taking liberty to exercise in translating abstract sociological concepts into more practical model.

Basic theoretical conceptualization

A widely held belief among sociologists is that the social structure of the local community determines, at least in part, the level of community welfare. In contrast, the explanation derived from economic theory hold that the market position is the principal determinant of welfare. The latter explanation emphasizes the role of individual skill and motivation in a process that reaches back to comparatively advantaged production responding to demand. Still another explanation focuses specifically on the organization of production. In different ways, Mills and Ulmer (1946) and Piore and Sabel (1984) elaborate this position by arguing that large industry limits welfare levels while small industry increase it. The mechanics of the two explanations are different, but they agree that small industry has a positive impact on communities. In contrast, Harrison (1994) believes that large business not only is alive and well, but is becoming more flexible and efficient.

Sociology has not yet produced a cohesive alternative explanation of welfare, but it has nevertheless long advocated that social variables are primary, while economic organization is secondary. The classical source of this idea is Polanyi's (1944/1957) work as articulated by Granovetter (1985) and other proponents of economic sociology. Young (1994) has proposed a version of the "Polanyi principle" that explains welfare in terms of a combination of structural dimension and economic organization.

Polanyi's Framework

The most provocative sociological argument against market-based explanations was represented by the economic historian, Karl Polanyi (1944). In his seminal work *The Great Transformation*, Polanyi proposed that market processes are embedded in social institutions. His work, which was concerned with the political and economic origin of the decline of nineteenth century civilization, identifies four institutions which he feels were pillars of the nineteenth century civilization: the international balance of power, the gold standard, self regulating markets, and the liberal state. Of these four, the self regulating market was clearly the most important, being not only the "fount" that gave rise to a particular civilization, but also the institution Polanyi held most responsible for the decline of civilization in his own time, that is, after the first World War.

It was Polanyi's belief that a market economy could not exist for a prolonged period of time without devastating the society around it. This happened not only because economic relations were held to be primary, but also because "the ideal system" of the "new economics" required a "relentless abnegation" of the social status of the human being. The "satanic mills" of capitalism ignored all human needs, as they cruelly ground society into its atomic elements. MacIver underscored this message in Polanyi's work in his introduction to the 1957 version of this book, which read:

"Men failed to realize what the cohesion of society meant. The inner temple of human life was despoiled and violated. The tremendous problem of the social control of a revolutionary change was unappreciated; optimistic philosophies obscured it, shortsighted philanthropies conspired with power interest to conceal it, and the wisdom of time was still unborn."

Polanyi argued that faced with such an atomistic force, society took measures to protect itself, but whatever measures it took destroyed the self-regulation of the market, disorganized industrial life, and finally endangered society itself by disrupting the existing social organization based upon it. The collapse of the international system happened because the balance-of-power could not ensure peace once the world economy on which it rested had failed. The industrial revolution, in his opinion, had miraculously improved the technology of economic production, but it was accompanied by dislocation of lives of the common people. It reduced man to labor and nature to land. In short, he believed that the breakdown of human civilization which he witnessed during the Second World War rested on the market economy. However, Polanyi traced the seeds of this economic failure to the social conditions of Western Europe which themselves gave birth to and became the foundations of the market economy.

Adam Smith, the founding father of market economy, claimed that the welfare of society depended upon the existence of markets, upon the "propensity to barter, truck and exchange one thing for another," but Polanyi staunchly disagreed. He argued that liberal economic formulas such as "world peace through world trade" were not sufficient to bring about their stated goals. Neither a national nor an international system could depend on automatic regulators such as the balance budget and free enterprise. Rather the key word in Polanyi's mind was "society." **Only society itself could guarantee its welfare.** Thus nineteenth century Europe developed social mechanisms to guide and control the economy. The international gold standard was not strictly an economic institution, but primarily a social mechanism through which international society regulated itself. Thus the restoration of the gold standard was an expression of renewed solidarity among nations. More generally Polanyi believed that economy was submerged in the social relationships. As he explained:

"The outstanding discovery of recent historical and anthropological research is that man's economy, as a rule, is submerged in his social relationships. He does not act so as to safeguard his individual interest in the possession of material goods; he acts so as to safeguard his social standing, his social claims, his social assets." (Polanyi 1944/1957, p.46).

To strengthen his argument, Polanyi raised the example of the Trobriand Islander of Western Melanesia, for which he drew extensively on the work of Malinowski who had suggested that Trobriand society was based on two basic principles of behavior neither of which was primarily economic in motivation. They were reciprocity within marriage and kinship relations, and redistribution within power structures and social stratification. About the Trobriand community Polanyi stated:

"In a community the idea of profit is barred; higgling and haggling is decried; giving freely is acclaimed as a virtue; the supposed propensity to barter, truck and exchange does not appear. The economic system is, in effect, a mere function of social organization." (Polanyi 1944/1957, p.49).

Furthermore, Polanyi believed, these principles held not only in a traditional society like the Trobriand, but also were equally true in modern society such as Western Europe. As he argued:

"Broadly, the proposition holds that all economic systems known to us up to the end of feudalism in Western Europe were organized either on the principles of reciprocity or redistribution, or house holding, or some combination of the three. These principles were institutionalized with the help of a social organization which, inter alia, made use of the patterns of symmetry, centricity and autarchy...Custom and law, magic and religion cooperated in inducing the individual to comply with the rules of behavior which, eventually, ensured his functioning in the economic system." (Polanyi 1944/1957, p.55).

The message for sociologists, although not addressed to them specifically, was to bring society back into their accounts. It is a message for which there is considerable sympathy among contemporary theorists. Surprisingly or unsurprisingly he found the answer within the unbroken chain of social relations; society. As Maclver (pp.x-xii) rephrased it,

"...[w]hat our age needs is the reaffirmation, for its own condition and for its own needs, of the essential values of human life... from Polanyi one can learn to look beyond the inadequate alternatives that are usually offered to him or her, the thus far and no farther of liberalism, the all or nothing of collectivism, the seer negation of individualism, for these all tend to make some economic system the primary objective. Only by the primacy of society, the inclusive coherent unity of human interdependence, that we can hope to transcend the perplexities and the contradictions of our time."

Granovetter's Embeddedness

Polanyi's theoretical framework is freshly articulated by Mark Granovetter (1985), a prominent proponent of economic sociology. Granovetter not only raises the central question of whether individual behaviors and institutions are embedded within ongoing social relations, but also tries to illuminate how this may be the case. He approaches this problem by adopting Polanyi's position, attacking the standard assumptions of classical and neoclassical economics which postulates that rational, self interest behaviors are minimally affected by social relations. Granovetter asserts, instead, that *both individual behaviors and institutions are embedded in on-going social relations.*

There are three basic assumptions underlying Granovetter's claims. **First**, economic action is a form of social action. **Second**, economic action is socially situated. Third, economic institutions are social constructions. **Furthermore**, Granovetter believes that economic embeddedness is a substantial and relatively constant presence not only in traditional non-market societies, but also in a modern capitalist one.

Granovetter's position contradicted the traditional view shared by sociologists, anthropologists, political scientists and historians who long maintained that economic behavior was heavily embedded in social relations in pre-market societies but became more autonomous with modernization. The conventional position held that with modernization the economy becomes an increasingly separated and differentiated sphere, until economic transaction is no longer defined by social or kinship obligation of those transacting but by rational calculations of individual gain. It is further argued that even in traditional situation economic relations becomes an "epiphenomenon" of the market.¹

¹. The embeddedness argument, as noted by Granovetter, is associated with "substantivist" school in

Granovetter's embeddedness principles also stand in direct opposition to the tenets of "new institutional economists". Their basic argument is that individual behaviors and institutions that were previously interpreted as evidence of embeddedness can be better understood as resulting from the rational calculation of self-interest and atomized individuals. For example, Williamson (1975) has argued that transactions in modern capitalist society are carried out in a market which has subsumed personal relationships within hierarchically organized firms. Responding to such claims, Granovetter does not base his theoretical argument on traditional societies as Polanyi or Malinowski did, instead he proceeds by a theoretical elaboration of the concept of embeddedness, whose value is then illustrated with a problem from modern society, currently important in the new institutional economics (Granovetter, 1985/1992:54).

His theoretical position is well summarized in the following quote:

"the level of embeddedness of economic behavior is lower in non market societies than is claimed by substantivists and development theorists, and it has changed less with 'modernization' than they believe; but...this level has always been and continues to be more substantial than is allowed for by formalists and economists." (Granovetter, 1992:54).

In addressing the relative importance of individual versus social forces in shaping economic behavior, Granovetter accepts neither the social determinism suggested by traditional Parsonians, nor the rational individualism endorsed by classical and neo-classical economists. The former, which Granovetter describes as "over-socialized", assumes that people, being sensitive to the opinion of others, act in accordance with a shared system of norms and values developed consensually. Because they internalized these beliefs through the socialization processes, obedience to social norms, is not perceived to be an obligation (Parsons 1937, pp.89-94). Classical and neoclassical economists, whose position Granovetter describes as "under-socialized", disallow any impact of social structure or social relations on economic processes including production, distribution, and consumption. According to their paradigm, a well-functioning competitive market allows no collaboration with respect to supply, demand, prices or other terms of trade. Albert Hirschman (1982: 1473) indicates that in ideal market situation

"...large numbers of price-taking anonymous buyers and sellers supplied with perfect information ... function without any prolonged human or social

anthropology like Polanyi (1944), and the idea of moral economy in history and political science (Thompson 1971, Scott 1976). In contrast to this view, economists assert that embeddedness in traditional societies was not greater than the low level found in amodern markets. Since labor was the only factor of production in primitive society, goods must have exchanged in proportion to their labor costs. Such a view is in accordance with the general assertion of classical theory of exchange in which "formalist anthropology" has argued since 1920s. Similar with economists, they basically argued, that even in tribal societies, economic behavior was independent of social relation, therefore standard neoclassical analysis is useful.



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Kepada yth,
Bapak Pius Suratman Kartasasmita, Ph.D
Di tempat

Dengan hormat,

Sehubungan dengan diselenggarakannya Workshop Internasional dengan tema
"Tantangan Administrasi Publik dalam Problematika Otonomi Daerah :
Retrospeksi dan Prospek" pada :

Hari/Tanggal : Kamis – Jum'at, 28 – 29 April 2005
Tempat : Operation Room, Gedung 0
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Jurusan Ilmu Administrasi Negara memohon kesediaan Bapak untuk menjadi
pembicara pada session I dengan sub tema "**Implikasi Otonomi bagi
Penyelenggaraan Pemerintahan Daerah**".

Untuk keperluan persiapan, maka kami mohon makalah dapat diserahkan kepada
kami 21 April 2005.


Demikian surat permohonan kami, atas perhatiannya kami ucapkan terima kasih.

Bandung, 7 April 2005
Hormat kami,

Mengetahui,


Deny M. Tri Aryadi, Drs., M.Si
Ketua Jurusan Ilmu Adm. Negara




Maria Rosarie Harni Triastuti, S.IP., M.Si
Ketua Pelaksana

Tembusan,
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