

DEVELOPMENT OF EDUCATION IN INDONESIA : ECONOMIC AND BUSINESS EDUCATION

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I

Higher education in Indonesia started late in comparison with other Asian countries. By the beginning of the twentieth century several universities had already been established in India and the Philippines.

The first Technical Faculty in Bandung was established in 1920. It was sponsored by the Colonial Government, but organized by a group of Dutch industrialists. However, after it had thus been established (a few years later), the Technical Faculty was taken over by the Colonial Government. At that time most of those enrolled were Dutch and only eleven were Indonesian students, one of whom was Sukarno, now President of the Republic of Indonesia. A Law Faculty was established in 1924 in Djakarta, and was followed by the setting up of another faculty in the same city, namely the Faculty of Medicine. To these three faculties, two more were added, namely the Faculty of Arts and Philosophy in Djakarta and the Faculty of Agriculture in Bogor. Thus it may be seen that the group of faculties was concentrated in Java, specifically in West Java, and consequently students from other islands who wanted to continue their studies were forced to go to Java, thus necessitating sacrifices on the part of families living in villages. The total number of Indonesian students enrolled in the five faculties was not more than 800 persons in 1939.

One of the consequences of the colonial policy in higher education was that only persons from the upper class were able to attend universities. Students therefore were usually from feudal families, from amongst the rich, in addition to a small group of persons who were financed by whole extended families living in the villages. Going to Djakarta for further studies was an expensive proposition: tuition fees were high, as were living expenses also, whilst there were other expenditures such as for books, etc., and altogether these costs prohibited the majority from attending the various faculties in West Java.

After the Proclamation of Independence in 1945, one of the first tasks of the Indonesian Government was to look for ways and means of developing higher education.

Table 1 demonstrates in terms of number of students, faculties, and

Table 1. ENROLMENT OF STUDENTS, NUMBER OF UNIVERSITIES/
FACULTIES AND GRADUATES

| | 1939 | March 1962 | December 1963 |
|---|------|-----------------|-----------------|
| State Universities | 0 | 15 | 28 |
| Faculties | 5 | 96 | 147 |
| Students | 800 | 65,000 | 115,000 |
| Private Universities | 0 | 112 | 155 |
| Faculties | 0 | (not available) | (not available) |
| Students | 0 | 26,000 | 45,000 |
| Academies of Various Government Agencies | 0 | 37 | 60 |
| Students | 0 | 9,000 | 20,000 |
| Total Number of Students | 800 | 100,000 | 180,000 |
| Graduates (total) | 800 | 1,500 | 2,500 |

Source: Department of Higher Education.

graduates, the development of higher education in Indonesia.

To the 180,000 students who were enrolled in the various state and private universities at the end of 1963 should be added another 5,000 students who were studying abroad. The students studying abroad are to be found in Australia, Belgium, Bulgaria, Canada, Czechoslovakia, France, Great Britain, Holland, Italy, India, Japan, Poland, the People's Republic of China, Russia, and the United States of America, being thus spread amongst many countries with different social and economic systems.

As Table 1 indicates, the total number of graduates of the total number of students enrolled is very low, representing only around 1.5% in March 1962 and 1.4% in December, 1963. The reasons for this very low percentage can be explained as being the result of the limiting factors which prevail. The living conditions of the average student are below normal. Often, students have no electricity at home, and have therefore to do their evening study with the assistance of a kerosene lamp or by candle-light. More serious still is that in many cases food is inadequate because the monthly allowance the students receive (from a scholarship or from their parents) is not sufficient, and, in consequence, their health is affected, apart from the fact that they will not be able to buy the required books and other equipment. Along with such factors which affect the living conditions of the average student, the facilities which they are provided by the Universities (especially that of the private universities) are also limited. For the exact sciences, there are not enough laboratory facilities; the various libraries do not provide enough textbooks and other required study material; class-rooms are also too crowded, so that the lectures cannot be as effective as they should. These poor facilities result from the small allocation made available by the Government from the Budget for educational purposes, which approximated, on the average, to only 5.2% of the total budget during the period 1950-1959.¹ Allocations made available after 1959 have been no higher than

¹ M. Hutasoit, *Mémorandum on the Ministry of Education*, April 2, 1959.

this average. For example: the President of the University of Indonesia made the following report:¹

“We submit herewith figures for the budget of the University of Indonesia requested, and what was actually agreed upon by the Minister of Education:

| | <u>Requested</u> | <u>Granted</u> |
|--------------------------|------------------|------------------|
| <u>1958</u> | | |
| Budget for personnel | Rp. 83.002.300 | Rp. 29.648.900 |
| Budget for equipment | Rp. 39.651.600 | Rp. 30.636.667 |
| Budget for capital goods | Rp. 52.606.700 | Rp. 18.104.000 |
| Budget for construction | Rp. 197.015.103 | Rp. 21.561.245 |
| | Rp. 372.275.703 | Rp. 99.950.812 |
| <u>1959</u> | | |
| Budget for personnel | Rp. 102.890.400 | Rp. 31.131.300 |
| Budget for equipment | Rp. 37.527.300 | Rp. 23.850.000 |
| Budget for capital goods | Rp. 183.720.600 | Rp. 72.031.300 |
| Budget for construction | Rp. 256.941.906 | Rp. 30.000.000 |
| | Rp. 581.080.206 | Rp. 157.012.600” |

The Minister of Education has to cut the amount requested from the University of Indonesia because the Budget allowed to him was also deducted.

It appears essential that if the performance of the students is to improve a higher percentage of the Government budget should be made available for education along with the upgrading of lecturers as well as the improvement in the social and economic conditions of the students.

In the framework of upgrading university lecturers, the University of Indonesia's Faculty of Medicine started in July 1954 an Affiliation with the University of California. This was followed by the Faculty of Economics (July 1956) with an affiliation with the same foreign university, and a similar arrangement was also effected by the Faculty of Veterinary Sciences and the Faculty of Agriculture with the University of Kentucky (September 1957). The Faculty of Technology also made a similar arrangement with the University of Kentucky in July 1957. The State University of Gadjah Mada and its various faculties established affiliations with the University of California and the University of Wisconsin, whilst in the field of teacher training various arrangements have been made with various American universities. The University of Airlangga in Surabaya made a similar arrangement with the University of California for their Medical Faculty. The affiliation projects of the University of Indonesia were financed by the I.C.A. except that of the Faculty of Economics which was financed by the Ford Foundation.

At present, the government's policy is to pay special attention to the pure sciences. It has been stated by the Minister of Higher Education that the ratio between the faculties of pure science and those of the social sciences

¹ President of University of Indonesia, *Some Facts Concerning the University of Indonesia*, February 14, 1959.

which was 46 to 43 in March 1962, had become 76 to 52 in December 1963, and it was hoped that a ratio of 110 to 55 would be realized by the end of 1965.

Private universities play a relatively important role in meeting the demands for higher education in Indonesia and account for about 40% of the total enrolment, this representing 45,000 students (December 1963) spread throughout the 155 private universities. Private universities are usually established and sponsored either by religious groups (Moslems, Protestants, and Catholics) or by political parties.

The policy of the Government is to recognize the private universities as soon as they can satisfy certain prerequisites. Thus, whereas some private universities have been allowed to grant degrees as high as the Ph. D., the degrees granted by others are only recognized up to the level of B. A. or M. A., whilst still other private universities which have not yet fulfilled the requirements are considered only as registered universities, whose degrees have no official standing.

Along with the private universities, there are around 60 academies which are generally organized by various Departments (ministerial level) in order to train their own staff. The Department of Finance, the Police Department, Department of Trade, Department of Foreign Affairs, etc., thus have their own academies. Graduates from these academies are employed by their own departments.

In sum, higher education in Indonesia is provided by both state and private universities, the latter being generally sponsored by religious groups and political parties. In developing the needed academic manpower affiliation has been organized with well-known foreign universities.

II

Economic education¹ is rather a late-comer in Indonesia as part of the University education, when compared with higher education in law, medicine or technology. Before the war, persons wanting to study economics had to go abroad, to Holland, then the metropolitan power, to the universities at which Indonesian Senior High School graduation gave admittance. In addition, because of the prohibitive cost of such studies, generally only rich people could afford to send their children to study in Holland. The total number of economic graduates before the war was not more than 15 persons, most of whom had graduated from Rotterdam, with a few from Amsterdam or from the Catholic University at Tilburg. Dr. M. Hatta, former Vice-President of the Republic of Indonesia, is counted amongst those graduates.

However, it is to be noted that courses on the principles of economics and on "tropical economics" were given at the Faculty of Law in Djakarta,

¹ Economic education in Indonesia is divided between the departments of Economics, Business Administration, Accountancy and Administration of Economics Affairs/Public Administration.

and hence many of the lawyers who graduated before World War II had some knowledge of elementary economics; it was only after World War II (in 1950) that a Faculty of Economics was established in Indonesia at the University of Indonesia. Shaped after the pattern of Dutch universities, business administration (*bedrijfseconomie*) and accountancy are only departments within a faculty, and have not yet developed into a school or faculty of their own. This is quite different from the situation in the U. S. A., where business administration is separated from the Faculty of Economics. The curriculum of the Faculty of Economics first incorporated the work of four different departments, namely (a) general economics, (b) business administration, (c) accountancy, and (d) administration of government affairs. Later, around

Table 2. GRADUATES OF THE FACULTY OF ECONOMICS, UNIVERSITY OF INDONESIA

| Academic Year | Graduates in the Department of | | | |
|---------------|--------------------------------|-------------------------|-------------|-------|
| | General Economics | Business Administration | Accountancy | Total |
| 1950-1951 | — | — | — | — |
| 1951-1952 | — | — | — | — |
| 1952-1953 | M | 2 | — | 2 |
| | F | — | — | — |
| 1953-1954 | M | 1 | — | 1 |
| | F | — | — | — |
| 1954-1955 | M | 4 | 1 | 5 |
| | F | — | — | — |
| 1955-1956 | M | 13 | 9 | 22 |
| | F | 1 | — | 1 |
| 1956-1957 | M | 15 | 9 | 28 |
| | F | 2 | — | 2 |
| 1957-1958 | M | 11 | 9 | 21 |
| | F | — | — | — |
| 1958-1959 | M | 42 | 22 | 66 |
| | F | 3 | — | 3 |
| 1959-1960 | M | 131 | 36 | 186 |
| | F | 15 | 1 | 17 |
| 1960-1961 | M | 72 | 33 | 132 |
| | F | 4 | 1 | 6 |
| 1961-1962 | M | 55 | 32 | 95 |
| | F | 3 | 4 | 8 |
| 1962-1963 | M | 57 | 47 | 124 |
| | F | 1 | 3 | 4 |
| 1963-1964 | M | NA | NA | NA |
| | F | NA | NA | NA |
| Total | M | 400 | 201 | 682 |
| | F | 29 | 9 | 41 |

Source: Faculty of Economics, University of Indonesia.

1954, this was simplified so that students could then major in the department of economics, business administration and accountancy only. Those who wanted to major in accountancy had however to be graduates of the department of business administration, but during the academic year 1958 this requirement was abolished, so that now, after finishing their undergraduate work, students who desire to do so are allowed to major in the department of accountancy. This was very much the result of the influence of American teachers and particularly also because of the urgent need for accountants, for it must be recalled that at about that time, in 1958, we had no more than 10 fully qualified accountants.

Besides the University of Indonesia, a Faculty of Economics with its various departments can now be found also in practically every state university (except at the Institute of Technology and the Institute of Agriculture), as well as in almost every private university. One can also say that these faculties will be found to have three departments, namely general economics, business administration, and accountancy. It is to be noted that in addition to these, the Faculty of Economics of the University of Indonesia has just started a new department, that of administration of economic affairs, now better known as development administration. As may be seen from Table 3, which gives the number of the total student enrolment at the Faculty of Economics, University of Indonesia, the number of students majoring in business administration and accountancy has been increasing.

In general, graduates majoring in business administration are usually employed by state enterprises or private business, while the majority prefer the state enterprises and in particular the state trading corporations above the private business. The state enterprises could give them more status and prestige as well as more power. Graduates majoring in general economics are generally employed by government agencies (planning office, department of finance, department of trade, etc). Accountants generally try to associate with practising public accountants or to open themselves a public accountant's office.

The general trend at the Faculty of Economics, University of Indonesia seems to be towards majoring in business administration as is to be seen from Table 3 (observed earlier).

A similar pattern to that which was evolved at the Faculty of Economics,

Table 3. STUDENTS REGISTERED AT THE DIFFERENT DEPARTMENTS,
ACADEMIC YEAR 1963-1964 (GRADUATE LEVEL)

| Department | Total Students | | |
|-------------------------|--------------------|--------------------|-------|
| | 1st Year Graduates | 2nd Year Graduates | Total |
| General Economics | 26 | 104 | 130 |
| Business Administration | 101 | 280 | 381 |
| Accountancy | 44 | 87 | 131 |
| Total | 171 | 471 | 642 |

Source: Faculty of Economics, University of Indonesia.

University of Indonesia can also be observed in other state or private universities.¹ One of the main reasons for this trend can be explained as being the increasing role of the government in the economic field, in consequence of which one thousand state enterprises have been set up. All these state enterprises, including the state banks, are requesting graduates who have majored in business administration and accountancy. Other government agencies prefer to employ graduates from the general economics department. But the demand for graduates majoring in business administration is still much more than for graduates in general economics.

When the various faculties of economics started around 1950, most of the faculty members were Indonesians who had graduated in Holland, and the recruitment of teachers from Holland went on till 1954. This meant naturally that economic education was very much influenced by the Dutch system at that time, and, whilst literature used in the general economics department was drawn from relatively wide international sources, the literature used in the departments of business administration and accountancy was predominantly in Dutch.

The disadvantages resulting from such an arrangement were recognized, but this situation was accepted as being only a temporary one. Means were discussed as to how the faculty of economics could develop its own supply of teachers. In order to form and train a group of teachers, it was necessary to be able to gather a group of prospective teachers who could fully devote their time and energy to the development of the Faculty of Economics. In this matter, the Faculty of Economics of the University of Indonesia in particular produced a long-range manpower plan. It was decided that prospective faculty members would be trained outside the country, while the gap in teachers would be temporarily filled by foreign teachers. To execute this plan, a foreign university which was willing to be the counterpart had to be approached, as well as a foundation willing and able to finance such an affiliation. The Faculty of Economics of the University of Indonesia finally succeeded in reaching an agreement with the University of California, and the affiliation was financed by the Ford Foundation. The first contract was signed in 1956 for two years, and, with renewals, the affiliation lasted till 1963. Altogether, some 20 American professors/instructors have assisted the Faculty of Economics during the course of the affiliation, and around 50 to 60 Indonesians were trained at the various American universities. Four of these were able to finish their Ph. D. theses at the University of California, while others did their preparatory work in the U. S. A., but presented their Ph. D. theses at the University of Indonesia. A similar agreement was reached between the Faculty of Economics of the University of Gadjah Mada, Jogjakarta, whose affiliation was with the University of Wisconsin. Gadjah Mada also has been able to train a group of Indonesian faculty members abroad. In Medan, a private university, the University of Nomensen, which

¹ No figures are available, but this was the general impression which the author got from the various interviews with the Deans of the Faculty of Economics.

was sponsored by a Protestant group, also obtained the necessary funds for sending their teachers for training in the U.S.A. Both this project and that of Gadjah Mada University were also financed by the Ford Foundation. Along with the financial assistance from the Ford Foundation, the various faculties of economics of the state universities have also sent their teachers abroad through funds obtained from the A. I. D. and other such institutions. Through the Colombo Plan, various faculties have been able to send their members to countries like Australia, New Zealand, Great Britain, etc. The Humboldt Foundation has in 1963 offered scholarships to members of various faculties of economics. Offers of scholarships also came from socialist countries like Russia, Yugoslavia, the People's Republic of China, etc. Through these grants various of our teachers have been sent abroad.

To summarize: at the beginning faculty members were primarily recruited from graduates of Dutch faculties of economics. A change took place when the faculties of economics in Indonesia started an affiliation programme with American universities. Additional training of faculty members was done through the Colombo Plan, while other scholarship programmes from Western and Socialist countries likewise assisted. This means that the training of our faculty members has been predominantly done abroad. Such faculty members have now to learn to adapt all their knowledge to Indonesian circumstances. This process of adaptation is taking place. Practically all teaching members are of the opinion that what was acquired abroad are just the tools, which have to be used in practice and adjusted to the Indonesian economic, social, and political environment.

III

This process of adjustment to Indonesian circumstances is very important. Since many of the faculty members are under 40 years of age and have not yet been able to acquire practical experience, it was felt that regular contact must be made with the practical world. How could this be realized? One way to get feedback from the managers was to organize executive development programmes, which however presented the problem of how to start such programmes. Finally it was decided to send a group of executives (including a faculty member of the University of Indonesia) to the Advanced Management Program in Baguio (Philippines), which is organized by a Faculty of the Harvard University Graduate School of Business Administration. This was a two-months course and it was attended for the first time by five Indonesians in 1957. When they came back, this group approached the Faculty of Economics of the University of Indonesia about the possibilities of starting such a course in Indonesia, so that more Indonesian executives might benefit from a national executive development programme.¹ The Dean of

¹ The first proposal was made by the author and was published as a chapter in: J. Panglaykim, *Masalah² Management* (Management Problems), Djakarta, P. T. Djakarta Press, 1959, pp. 135-147.

the Faculty of Economics of the University of Indonesia considered this to be one way of obtaining feedback from the practical world along with the objective of assisting the Government in the training of manpower. It was decided to hold such a course once a year at some mountain resort. In 1960 the Economic Faculty of the University of Indonesia (assisted by a group of foreign professors) set up its first Executive Development Programme and there has been one every year since.¹

The first two programmes were based on studies of case histories, but this method was modified in 1962 because it had not proved completely satisfactory—the manager trainees being still unfamiliar with the basic principles of management and organization. Case studies were still included in the Third Programme, but lectures were also given on the principles of management, financial management, and production. In 1963 a similar curriculum was adopted with the addition of panel discussions on topics of current interest under the chairmanship of high government officials. In the 1964 Programme, which began last August, equal emphasis is laid on case studies and lectures, plus the panel discussion, but this year (1964) foreign lecturers (Yugoslav, American) have been invited to take part to give the trainees an idea of management problems under differing economic systems.

The trainees are recruited from top level and middle-level managerial positions and they come from all spheres of the country's economic activities, including groups from the Army, the Air Force, State banks, State Trading Corporations, insurance and shipping firms, State Industrial Enterprises, and various government agencies. The curriculum in 1964 included courses in general, personnel, financial, production and marketing management and managerial accounting.

While in the early days of the Programmes some case studies from foreign countries were used, they are now almost all Indonesian and the studies themselves are conducted in the Indonesian language. There are no longer any foreign instructors, the course being run by about 15 Indonesian professors who make up the lecturing staff and four permanent campus officials. The visiting foreign professors, however, give the organizers useful advice on adapting the curriculum to the needs of the country. They were assigned to lecture in comparative management problems under differing economic systems.

The course is under the direct control of the Institute for Management, a branch of the Economic Faculty; more details will be found in the coming pages.

The success of these courses is demonstrated by the high rate of promotion achieved by trainees after taking their training. This fact also improved the acceptance of this course among the employees. Contacts made during their training have also proved beneficial in enabling managers to smooth out many rigid, bureaucratic rules. Every year the organizers of the course observe a great improvement in the personal qualities and educational standard

¹ The following report was published by J. Panglaykim, "Training Managers," *Far Eastern Economic Review*, Vol. XLVI, No. 3, October 15, 1964, p. 127.

of the participants.

Along with the Faculty of Economics, various privately-sponsored and government-sponsored organizations have set up similar executive development programmes (courses). Generally these courses are not run by full-time teachers, but make use of instructors remunerated on an hourly basis. These programmes vary in length from one week to two months.

The executive development programmes are really a feedback for various facilities of economics. One way is through the case study system. Another way is personal exchange of experiences during the programmes and also the discussion of the case studies. Further, lasting contacts are laid down for prospective/research in the various economic sectors.

In order to co-ordinate the various activities in its department of business administration, the University of Indonesia established in 1964 an Institute for Management. Its main objectives are, first, to accept consultation work from government agencies, state enterprises, and firms from the private sector. This is another way of obtaining a feedback from the practical world. The second and more important task is to organize research projects which will be carried out by the Faculty members. Third, the organization of executive development programme and also company training. Various state enterprises and government agencies have requested that Institute to design in-service training programmes.

IV

The method of case studies introduced in the Executive Development Programmes has also been practised at the graduate level of the Faculty of Economics.

Before the introduction of case studies, or courses in seminar form, the system at the various faculties of economics was predominantly based on lectures. This was a consequence of the influence of the system of higher education in Holland. The lecture type can be considered a passive way of teaching, since students have only to listen to the professors. During the lectures practically no discussion is allowed. This passive method of teaching was used by practically all the teachers who were trained in Europe.

This type of lecture is still to be found, but at the undergraduate level; at the graduate level, however, almost all courses make use of the seminar type or case study system. The students are forced to participate actively in the discussion, and have to prepare their material. Regular term-papers are also required.

Field trips to the various industrial and other economic units are organized by the various faculty members.

Along with the change in teaching methods, the Faculty of Medicine introduced "guided study" during the academic year 1955-1956. "Guided study" has resulted in a higher percentage of students passing their examination. Impressed by this result, the Faculty of Economics also introduced

“guided study” (academic year 1958–1959) along with a change into a semester system (academic year 1963–1964). Formerly, each academic year consisted of a one-year course. A course, for instance, in Marketing Principles had to be taught during the whole year. With the introduction of the semester system, each course is designed for four months. This means that each academic year consists of two semesters. The other four months are used for examinations, correcting examination papers, other extension activities, and vacations.

V

With regard to the extension courses, the Faculty of Economics of the University of Indonesia has been responsible for conducting an evening school, starting around 1956. This evening school is the “School of Business Administration,” which provides a five-year course, at the end of which everyone graduating is given the degree of Master of Business Administration. In practice, however, it takes the average student some seven to eight years before graduating. This is mainly due to the fact that the evening school is attended predominantly by persons holding a full-time job during the day hours.

Faculty members of the University of Indonesia (Faculty of Economics) are also assigned to conduct these evening classes, and this is executed on a rotation basis (yearly). Usually the subjects taught are of a practical nature and are not designed to educate prospective scholars.

Along with the “School of Business Administration” conducted by the University of Indonesia, private universities (faculties of economics) also conduct various degree courses during the evening hours. Some of them have unfortunately become diploma mills.

VI

A problem which still remains to be solved is the training of prospective teachers for the numerous faculties of economics at the state level, as well as at the private universities.

At a conference convened in Bandung in 1962 by the Minister of Higher Education he proposed appointing the Faculty of Economics, University of Indonesia as a feeder University. Under such an arrangement prospective faculty members would be sent for upgrading to the Faculty of Economics in Djakarta, while they would be given special courses in their field of specialization, these courses being conducted by senior members of the Faculty. After two years training, they were to return to their various universities and accept teaching assignments. This proposal, which later became a ministerial decision, is now in the process of execution, and various prospective teaching members are now being trained in Djakarta.

Besides the upgrading programme realized through the system proposed by the Minister of Higher Education, which centres on the assistance of the

University of Indonesia, there should also be mentioned the efforts being made by those Faculties which have been able to gather a group of qualified teachers to upgrade faculty members on a continuous basis. One way is for such teachers to attend various seminars abroad in their specialized fields; then there is research work, the availability of journals, literature, etc. This is made possible by a consortium between three Indonesian universities (Gadjah Mada, Nomensen University, and University of Indonesia) and three American universities (Harvard University, University of California, and University of Wisconsin). A certain amount was made available by the Ford Foundation to finance this consortium. This fund will also be available for teachers who want to work for a Ph. D., or for a three-months reading course. It can also be used for an exchange of faculty members between the American and Indonesian universities (if the Indonesian universities will be able to release their qualified members). Through this consortium teaching members of the three Indonesian universities will be able to keep their knowledge constantly up-to-date.

The problem of staffing the private universities is more complex. Generally the private universities suffer from a shortage of funds. Most of the private universities generally staff their faculties with members of the faculties of the state universities working on a part-time basis. For teachers of the state universities, on the one hand, these extra assignments are considered a welcome addition to their earnings, since their salaries from the state universities are grossly inadequate, whilst, for the private universities on the other hand, this means the obtaining of qualified teachers. For the Minister of Higher Education this will no doubt be one of the important considerations in granting them (the private universities) recognition. But this type of arrangement, i. e. the employment of part-timers, has the consequence that those teachers employed on a part-time basis do not have much time to devote to the students of these privately-run faculties. The consequences of this system will probably be seen in the percentage of students who graduate. Until now no figures are available.

This type of arrangement will need to be changed if the private universities seek after quality.

It is not only the private universities who employ part-time teachers from state universities, but state universities from the provinces also employ part-time teachers from Djakarta. As mentioned earlier, the setting up of faculties of economics in practically all state universities in the provinces created a shortage of teachers.¹ This shortage was especially felt at the graduate level. In order to overcome these difficulties various faculties of economics in the outer islands have requested the Faculty of Economics of the University of Indonesia to assist them with teachers. This type of assistance is also called affiliation. The Faculty of Economics from the University of Sjahkuala (Atjeh), from the University of Sriwidjaja (Palembang), from the University

¹ Gadjah Mada University provides part-time teachers for the state universities in Central and East Java.

of West Sumatra, etc. have engaged in such affiliations with the University of Indonesia. Each month a teacher from Djakarta spends a week in their respective campuses teaching various subjects. The amount of work which would normally have to be done in one month has to be finished in one week. Then the teacher has to rush to Djakarta. This means that the "flying" teacher does not have much time left for other university activities. Moreover, not enough books are available at the various faculties of economics on the outer islands. All these handicaps will leave their mark on the quality of teaching and on the ability of the students.

VII

Having described the development of economic education in Indonesia, the question might be asked what the impact will be of these institutions and their graduates.

As mentioned earlier, graduates from the general economics department are inclined to find employment in the Government agencies, where they generally serve in the bureaucracy. Graduates from the business administration department are predominantly employed in the various state enterprises, with a small number in the apparatus of the bureaucracy. Accountants try to open their own offices or try to associate as junior with some or other public accountant office.

These graduates are now spread all over Indonesia. Some of the graduates are to be found in many responsible positions, from rectors of state and private universities, deans of faculties of economics, to directors of state enterprises, directors of private and state banks, directors of the central bank, etc. Gradually they will be offered more and more responsible positions. The group of young economists, along with graduates from other faculties, can be considered as persons who are in the possession of authority of knowledge, which they have acquired through formal education as well as from a few years of practical experience. But they are still in a minority in comparison with the group of experienced persons who are in the possession of authority of function. This latter group of older persons is usually employed in the apparatus of the bureaucracy, state enterprises, etc. In general, they average some 25 years or more of experience in various capacities, but the formal education they received often never went beyond the Senior High School level.

Our observation in the various organizations is that between the two groups, the older group which possess the authority of function and the emerging young graduates who are in the possession of the authority of knowledge, a kind of friction has evolved. One of the major problems is to solve this problem, so that the "old established forces" can co-operate with the "new emerging" group. Both can learn from each other. Wisdom and leadership are required to fuse these two groups into an effective single body. It is realized that this is a never-ending process, involving the conflict between

authority of knowledge and authority of function. But the problem in Indonesia is that this conflict can be directed in such a way that benefits can be derived from the positive aspects of the conflict. One can imagine that out of it a new system could be introduced that would increase the effectiveness and efficiency of the organization.

The impact with regard to the Faculties of Economics as institutions can be depicted in the following way. Government agencies, Ministers from various Departments, the Planning Board, etc. have one by one approached the Faculties of Economics for research, consultation, project design, etc. For instance, the Faculty of Economics of the University of Indonesia, with its two Institutes (Institute of Social and Economic Research and Institute for Management) is engaged in around 15 research projects. Among the 15 projects there are: Capital Formation in Indonesia, Regional Economic Development, the Taxation System of Indonesia, Exports and Foreign Marketing Aspects, Decentralization in Management, the Economic Aspects of Defense, etc.

This means that the Faculties of Economics as institutions are gradually taking part in the collection and analysis of data for the top decision-makers in the country, although still in an indirect way.

VIII

The above description shows how economic education in Indonesia started after World War II, and was carried out by the various Faculties of Economics within the framework of state as well as private universities.

The development of the various faculties of economics shows differing stages of development with some, like the Faculties of Economics of the University of Indonesia, the University of Gadjah Mada, and of the Nommensen University belonging to that group of Faculties of Economics which have reached the level of self-propelling growth, and others still in their formative stage in the state universities, such as the Faculties of Economics of the University of Hassanudin (Macassar), of the University of Airlangga (Surabaya), and of the University of Padjadjaran (Bandung). The other state universities and private institutions are still far from being even in their formative stage, since their staff has been recruited predominantly on a part-time basis from teachers of other well-established faculties of economics, and is remunerated on an hourly basis.

This means in addition that the first group of faculties of economics, which have already reached the stage of self-propelling growth, are also adversely affected by the recruiting system of other state and private universities. The fact that the Minister of Higher Education appointed the Faculty of Economics of the University of Indonesia as the feeder University indicates that the Government is aware of the importance and urgency of forming prospective teachers for the other state universities since this is a determining factor for the growth of those universities, and the policy is now being

implemented. It is expected that within five years the faculties of economics of the other state universities will be able to be staffed with full-time teaching members.

The conclusion we can draw is that economic education in Indonesia as provided by the various universities (state and private) shows an uneven development, ranging from faculties which have reached the stage of self-propelling growth to those which are still in their initial stage. Efforts are being made to assist the faculties of economics which are still in their initial stage.

The impact of the graduates on society is evident from the responsible position they now hold. As institutions the economic faculties become an important element in the process of decision-making. This does not mean, however, that all economic analysis will be accepted by the top executives who in practice are more politically oriented. Whilst it indicates that politicians must have a full understanding of economic problems, it also means that economists must understand the political factors.