

However, even assuming that the central plan allocation for the states is increased by 15 per cent, it will still not compensate the states for the loss they have been incurring year after year on account of lower devolution of central tax revenues, because of the failure of the union finance ministry to implement the alternative devolution formula recommended by the Tenth Finance Commission (TFC). Under this formula, the states are to get 29 per cent of total central tax revenues in lieu of what they are entitled to as their share of revenues from central income tax and excise duty.

It had been agreed at the meeting of the Interstate Council in July 1997 that the TFC recommendation would be implemented from 1996-97. Thanks, however, to a succession of union finance ministers, starting with P Chidambaram, the centre has backtracked on the commitment made by it in the Interstate Council. The result is that the state governments have been shortchanged by almost Rs 4,000 crore annually since 1996-97. The agreement now reported to have been reached between the finance minister and the deputy chairman of the Planning Commission to raise the plan allocation for the states by 15 per cent is unlikely to compensate the states for even by one quarter of the loss they are currently incurring because of the failure of the centre to meet its obligations under the TFC's alternative devolution formula.

In the light of the above, the question arises whether the Planning Commission needed at all to press the union finance ministry for a larger plan allocation for the states. The centre should instead be required to fulfil without further vacillation its commitment made in the Interstate Council with regard to implementing the TFC's recommendation. The finance minister loses no opportunity to shed tears over the deteriorating financial position of the states, without acknowledging the extent to which the failure of his ministry to fulfil its obligations to the states is responsible for the difficult financial situation the states face. [27]

INDONESIA

The Day After

Olle Tornquist writes:

Time moves swiftly in Indonesia. Just two years ago, the Asian crisis put an end to authoritarian development and the hallelujah choir fell silent. The dominant west was as bewildered as the oppressed opposition was weak. Six months later, the students instead ensured that Suharto was deposed and that most agreed that democracy was the only solution. The military was weakened. The monopolists were shaken. Ordinary people demanded those responsible to be held accountable. With the June elections this year, democracy was born. But now the party is over and the day after is already here.

Suharto's 'new order' has been replaced by Gus Dur's 'pact order'. The people voted their protest and won the election, but the elite horse-traded their stakes and won the presidency. All the important groups – including the military, the former ruling Golkar Party and the conservative Muslims – are part of the new government. The genuine democrats are essentially marginalised or else free to pursue their private projects in civil society. So who has the time and the inclination to develop political democracy? Even the west lost interest as soon as the election was over.

Certainly, Gus Dur is the charming and liberal Muslim that the world needs. But even if he is not, as people say, crazy about

women like Sukarno, crazy about money like Suharto or absolutely crazy like Habibie, he is instead driving everyone crazy with his capricious manoeuvres. And so, democracy is no longer seen as a solution. The elite now worry instead about how to keep the country together if Aceh is given free rein, how to pay all the debts if the provinces are allowed to share revenues, and how to constrain the fury of the people when subsidies are withdrawn. The civilian defence minister Juwono Sudarsono has gone so far as to request a nearly doubled budget in exchange for keeping the military out of politics and the economy, and is threatening a coup if the politicians cannot create a "healthy and strong" political atmosphere. So while the media are sending warnings of a breakdown and neighbouring countries are having nightmares about boat refugees and pirates, 'realists', including in the west, are delicately refraining from 'provoking' the military by pointing out their crimes against human rights.

This position is, of course, wrong on the facts. First and foremost, however, the position is a political catastrophe. For when Sudarsono is speaking up and others are mumbling about the weak capacity of democracy to uphold stability, they rely on the same justification as the west did when supporting Suharto: that democracy is impossible before economic and social development controlled by the elite has created a strong middle class with a strong civil society. But not even 30 years of such modernisation helped. Democracy did not emerge until the project broke down.

If we wish to learn from history, we must realise that the root of the present situation is not the absence of state control, but rather the lack of democratic institutions and people's capacity to use them. The first problem, then, is that the former powers have been given new legitimacy. Golkar is recovering quickly. The students' discovery of the falsified history has not brought new curricula and cultural transformation. The elite is avoiding the accounting of decades of state violence that could give common people the courage to build democracy and the country the chance to regain its former stature. Corruption is condemned and decentralisation commended, but there is no policy to promote the social and political movements that could bring forward a society founded on the rule of law and counteract the power of local bosses.

The second problem is that there is only a political pact among the elite, no social pact with the people. Consequently, the prerequisites are lacking to handle social and economic setbacks through, for instance, negotiated agreements between the state, labour and capital rather than fighting in the streets. The ministry of labour is still unprioritised and is controlled by Golkar. The ministry of social services has been disbanded (a feat unmatched by even Margaret Thatcher) with its duties dispatched to the districts, which have little administrative capacity, and the civil society, which mainly consists of competing religious groups that vulnerable people are now becoming even more dependent upon.

The third problem is that both unitarians who sing the praises of nationalism and federalists who call Indonesia a colonial construction seem to believe that the country will fall apart without stringent central control. Few are pausing to consider that Indonesia grew forth from the anti-colonial struggle for freedom and democracy. Few are taking note of the fact that today's problems are due to the steamrolling of democracy since the late-50s. And few are discussing whether the problems and demands at the local level might be better resolved through a return to democratic element in the original national project rather than to despotic modernism in Jakarta or rivalling ethnic and religious communities in the provinces. [27]