

# Post-1998 Changes in Rural Java: The Rapid Expansion of the Middle Class\*

Agung Wicaksono\*\*

After the 1997–98 Asian financial crisis, for the first time the rural middle-class population in Indonesia grew faster than the urban population in relative terms. This was somewhat astonishing, given that in Indonesia the middle class has historically been synonymous with the urban population. This paper asks what factors allowed such a rapid expansion and what its impacts were on rural life. It argues that this phenomenon was partly the result of good governance, which dismantled most elements of state patronage. In tandem with the structural-economic changes characterized by a shift from the formal to the informal sector, this new setting paved the way for the aspiring lower class, which has historically been marginalized by the system, to climb the socioeconomic ladder. The transition also brought about a new morality regarding material affluence. Even though this new setting might suit the wishes of the aspirational lower class following the gradual dismantling of strong state clientelism, it has been accompanied by an increase in economic inequality.

**Keywords:** middle class, rural areas, state clientelism,  
democratization of village government, high inequality

## I Introduction

The implementation of Law No. 6/2014 on villages may have marked a new watershed for Indonesian villages and their dwellers. The law sets out a framework for village autonomy, particularly in villages' capacity to manage their own budgets and resource allocations. Each village receives approximately 1 billion rupiah per year, with the central government having allocated 67 trillion rupiah to villages in 2015–16 (Republik Indonesia, Kementerian Keuangan 2018). The injection of such vast amounts of money undeniably boosted the economy of rural areas.

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\*\* Departemen Antropologi, Fakultas Ilmu Budaya, Universitas Gadjah Mada, Jl. Nusantara 1, Bulaksumur, Yogyakarta 55281, Indonesia  
e-mail: agung\_wicaksono87@yahoo.com

If more attention is paid to rural Java, a remarkable change can be seen to have taken place since the mid-2000s. For the first time, the rural middle-class population has grown faster than the urban population, albeit in relative terms. From 1999 to 2009, the urban and rural middle-class populations increased by 41 percent and 111 percent respectively (ADB 2010). The increasing size of the rural middle-class population, as reported by ADB, is not an illusion. Evidence of middle-classness can be found wherever one looks, starting with ownership of a furnished house and a car.

The research site for this study consisted of six villages. Household survey data was gathered in these six villages in 1990 and 2012. A comparison of data for the two years shows that the percentage of middle-class households grew from 6 percent to 26.7 percent in these areas.

If the evidence suggests that the circumstances are in alignment with each other, one must ask: What are the factors that allowed such a rapid expansion, and what are the implications for rural life? Although these questions beg further inquiry, the increase in the rural middle-class population has not triggered critical studies by social scholars on what factor(s) engendered this rapid expansion and how it can be precisely worked out. Based on a research study carried out in six villages in the eastern part of Pemalang, Central Java, this paper aims to explain what factors enabled this phenomenon, how the process took place, and what are the implications for village life.

The rise of the middle class has often been linked to sound economic growth (Gerke 2002; Pinches 2005; ADB 2010). This is not a novel idea in light of the success of the industrial revolution in England (King *et al.* 1981; Gunn and Bell 2003) and the large-scale development programs in developing countries (Goodman and Robison 1996; Robison 1996), which provide ample evidence for this claim. The recent case of Indonesia also corresponds with that postulate: the gradual economic recovery after the Asian financial crisis of 1997–98 was followed by a rapid expansion of the middle class (Kurasawa 2015). However, the assumption that sound macroeconomic conditions are the sole factor affecting the size of the middle-class population can be misleading. If this was the case, rapid expansion should have occurred in Indonesia from the New Order period, when the economy grew at an unprecedented rate, reaching nearly 7 percent per annum (Booth 2016, 67).

A political approach to the question of why the rural middle class remained small during the New Order regime seems to hold more promise. Until the late 1950s, the middle class was confined to a small cohort of technocrats and bureaucrats living in urban areas (Wertheim 1955). Some might argue that there was an indigenous business class in small towns; however, they could not be classified as the rural middle class. Political turmoil, economic crisis, and Sukarno's decision to embrace Partai Komunis Indonesia

(Communist Party of Indonesia, PKI) drove this cohort in toppling Sukarno in the 1960s (Dick 1985). In the following period, the urban middle class grew quickly in alignment with the expansion of bureaucracy and private enterprises supported by easy money from the oil boom and tremendous foreign direct investment. The further question is, why did the rural middle class in Java remain small until the end of Suharto's rule, despite rural Java also having received a substantial amount of state largesse?

The answer to that question might be found in the manner of Suharto's governance. As articulated by Harold Crouch (1979), the stability of Suharto's power was due to patrimonialism. Patrimonialism is a sociopolitical system in which the power of the ruler is reliant on their prowess in embracing the contending political elites, particularly through material distribution (Crouch 1979, 572). Suharto's patrimonial state was perfected thanks to his ability to homogenize the elites' ideology and produce politically quiescent citizens through the "floating mass" (Crouch 1979, 572). In the countryside, Suharto's patrimonialism transformed villages into an arena of political control and development (Antlöv 2005, 200). Political control took place when the elites functioned as the guardians of political stability by promoting consensus and harmony rather than liberal democracy (Antlöv 2005, 200). This was formalized by the implementation of Law No. 5/1979 on village governance, which enabled village heads to have considerable power in rural society (Antlöv 2003, 195). Occupying a strategic position also enabled village heads to reward their allies with the facilities to embark upon new businesses and, at the same time, discourage non-state clients (see Antlöv 2005, 193–194). It was therefore no surprise that the size of the rural middle class was perpetually tiny, confined to the small cohort of dominant rural groups centered on the village apparatus.

Becoming a state client was also indistinguishable from having material affluence. As a result, common villagers viewed the middle class and their prosperity with hostility and suspicion, as symbolizing decreased morality (Antlöv 2005, ch. 7; Heryanto 2005, ch. 6). The pervasive state patronage also created an apathetic mentality among the poor. This engendered an increase in mysticism and a frenzy of lottery ticket purchasing, given that the only other way to significantly increase one's wealth was to be a state client (Kleden 1990, ch. 13). In other words, the state's clientelism undermined the people's creativity.

The financial crisis in the late 1990s brought the pervasive state patronage to the brink of collapse. In addition, the global discourse of good governance quickly gained the spotlight in Indonesia, leading to the denouncement of the massive corruption, collusion, and nepotism (Thompson 2007). Lidia Schiavo and Pierre Vercauteren (2016) argue that good governance radically changed the state's role and redefined its function from being an active economic actor to becoming a mere market facilitator by providing the right

institutions under the credo of neoliberalism. Jolle Demmers *et al.* (2004, 2) show eloquently that technocratically, the phrase “good governance” implies efficiency, authority, and accountability of the state. This new set of institutional frameworks was assumed to stand against patrimonialism and clientelism. However, these frameworks seemed to simplify the political and economic dynamics, as the elites had proven their success in retaining or reconfiguring their power during the period of transition (Hadiz and Robison 2005).

Instead of restating the peculiarity or ambivalence of good governance, this study will look closely at the reforms that were achieved and their impacts. The political transition of 1998 brought about democratization of state institutions, including village government. It started with decentralization under the idea of good governance and yielded to Law No. 22/1999. This law not only outlined the district-level decentralization but also replaced Law No. 5/1979 on village governance (Antlöv 2003, 197). It recognized that the basis for the new regulations on village government was diversity, participation, genuine autonomy, democratization, and people’s empowerment (Antlöv 2003, 197).<sup>1)</sup>

The new law brought about significant changes. Under the scheme of autonomy, the village head was no longer positioned as the main instrument of central government. The law also limited the authority of the village head, as village officials came to be elected, appointed, or approved by the Badan Permusyawaratan Desa (Village Consultative Board) instead of being arbitrarily appointed by the village head, which was the case formerly.<sup>2)</sup> The village head’s maximum term of office was also reduced incrementally from 16 to 10 years in 1999 and only 6 years afterward.<sup>3)</sup> To refine the quality of the state apparatus, the central government also issued Law No. 43/1999, which prohibited civil servants, including the village apparatus, from engaging with political parties previously entrenched under mono-loyalty.<sup>4)</sup> This law, in tandem with Law No. 22/1999, attempted to strengthen reform at the village level by dissociating bureaucratic tasks from politics. The more democratic village institution, which was a result of the political transition in 1999, brought an end to political control and development. This led to many benefits for common villagers. The absence of political control and development meant that there was no more discrimination against non-state clients, which provided an incentive for them to improve their lives: common villagers’ past efforts at self-improvement had been hampered by village officials.

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1) In the following period, the government issued Law No. 32/2000 and Government Regulation 72/2005.

2) Recently, the recruitment of village officials has been done through an open test.

3) See Antlöv (2003) and Law No. 6/2014 on villages.

4) Presidential Instruction No. 6/1970 forced civil servants, including the village apparatus, to support Golkar under the idea of mono-loyalty (Antlöv 2003, 196).

The structural-economic changes ushered in by the post-New Order regime helped to promote the rapid expansion of the rural middle class. The Indonesian economy post-1998 grew moderately. Paradoxically, the growth took place while Indonesia was dealing with deindustrialization, an economic condition in which the contribution of the manufacturing sector to both total employment and total GDP decreases (Priyarsono *et al.* 2010, 144). Indonesia's deindustrialization after the 1997–98 financial crisis was proved by the high contribution to its economy of coal and palm oil exports and the service sector. Moreover, although the government encouraged the development of downstream industries from 2009, this had little overall impact on the Indonesian economy (Mizuno n.d., 1–2). In other words, Indonesia's moderate growth was driven by the flourishing of its informal sector. The dismantling of most elements of state patronage, which eventually provided more inclusive economic opportunities, in tandem with the new structure of the Indonesian economy played a crucial role in encouraging people to climb the socioeconomic ladder through a variety of business activities. This paved the way for the rapid expansion of the rural middle class. This trajectory is in contrast with the traditional assumption that middle-classness is linked primarily to industrialization and the expansion of the formal sector.

Heavy reliance on the market has also changed villagers' conception of morality. In the past, the rich were satisfied with being hesitant capitalists carrying out rent-seeking practices and feeling secure enough to enjoy state support through various pro-farmer policies (Hüsken 1989, 326). Nowadays, with villagers perceiving material affluence as stemming from hard work rather than connections, they no longer view prosperity with hostility or suspicion. Unfortunately, several villagers are unprepared for this new economic setting. Consequently, although the rural middle class's growth can be attributed to economic growth, a better quality of life, and an increase in employment opportunities, the circumstances have also fostered economic inequality.

## II Definition of the Middle Class

In the Indonesian context, the middle class can be defined as *orang-orang mapan*.<sup>5)</sup> The dictionary defines *mapan* as “*mantap [baik, tidak goyah, stabil] kedudukannya [kehidupannya]*,” or a robust (sound, steady, and stable) position (life) (KBBI n.d.). In essence, a robust position is closely related to economic standing and somewhat congru-

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5) *Mapan* is, to some degree, congruent with the American rhetoric for middle-class living conditions, that is, comfort consisting of common and inexpensive means of enjoyment (F. Spencer Baldwin in Moskowitz 2012, 81).

ent with the Javanese definition. *Maḅan* differs from *miskin* (poor) or *cukupān* (enough or sufficient), although the former cannot be classified as *hartawan* (tycoons).<sup>6)</sup> To belong to the middle class, people must have a secure occupation that brings in a steady income and perform little, if any, manual labor. A steady income and the absence of manual labor imply the possession of assets.<sup>7)</sup>

*Maḅan* is contextual rather than a fixed concept. In the past, the rural middle class was restricted to a small group of state employees or those constituting the village apparatus and, to a lesser extent, big landowners. With the asset of an organization (bureaucracy) or property (land) in hand, they had a relatively high and steady income to cover their basic needs and lifestyles. More recently, although civil servants are still considered part of the middle class, there are many occupations that produce a high income based primarily on micro and small enterprises such as those in clothing, construction, food business, or retail. In essence, skill has become a crucial asset with which to carve out wealth.

At the village level, people can easily distinguish who belongs to the middle class or lower class, even in the case of those who do not work in the formal sector. The middle class is viewed as having less anxiety about the future as they rely on ownership of assets (property, organizations, or skills). Saprani, a manual worker in Trukosari village, commented that people like Pak Bagus, who was the head of a farmer group that organized jasmine farmers for supplying to tea factories, could live comfortably as they earned a stable income from their position. Meanwhile, as a physical laborer, Saprani frequently felt insecure as he was preoccupied with finding the next job in construction or agriculture once he had finished one task.

Conceptualizing the middle class as *orang-orang maḅan* helps this study to assess the size of the rural middle class in the six villages studied. For 1990, this study defines middle-classness in terms of the possession of consumer durables: households that owned both a motorcycle and a television are categorized as middle class.<sup>8)</sup> In 1990 these were valuable goods, and possessing them distinguished the owner from the lower class. Televisions and motorcycles also represented modern life and connected their owners with an urban—or even global—lifestyle. As argued by Solvay Gerke (2002, 137), con-

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6) Solvay Gerke (2002) has a different stratification model based on consumption.

7) I derive this concept from Mike Savage *et al.* (1992), who argue that people can be classified as middle class based on the possession of an asset, whether property, organization, or skill.

8) For 1980, Jamie Mackie assumed that households possessing either a motorcycle or a television could be classified as middle class (Mackie 1990). Using such a definition, middle-class households made up around 9 percent and 5 percent respectively. For 1990, such indicators had become too low and were consequently no longer relevant. Thus, this study argues that for 1990, rural middle-class households were indicated by the simultaneous possession of a motorcycle and a television.

sumerism could also be an independent standard of reference for social integration, involving the creation and communication of this identity to others by obscuring the different economic bases and facilitating social integration.

Using the same parameters to define the middle class at different times is misleading, because things that were considered valuable in the past might no longer have the same value in the present. For 2012, this study employs the income threshold, rather than the consumption expenditure threshold used by ADB. In its special chapter “The Rise of Asia’s Middle Class,” ADB clearly noted: “This report uses an absolute approach defining the middle class as those with consumption expenditures of \$2–\$20 per person per day in 2005 PPP \$” (ADB 2010, 6). This study employs data based on income rather than expenditure data. The low threshold as employed by ADB has been strongly criticized as an accounting trick: “the per-capita household expenditure threshold has been reduced to a very low US\$2 a day. . . . Anybody not in absolute poverty is assigned to the middle class” (Van Klinken 2014, 1). Although Van Klinken’s criticisms are reasonable, one cannot deny that by rural standards a household with a per capita income of at least US\$2 per day<sup>9)</sup> can be classed as being middle class. To sum up, either the possession of a television and motorcycle for 1990 or a per capita income of US\$2 per day for 2012 represents middle-classness or *kemapanan*.

### III The Research Site and Methods

Although the title seems to imply that this study discusses the growth of the Indonesian rural middle class, it does not mean that the entire region is covered. Rather, this study focuses on one particular region’s socioeconomic dynamics. By determining the socioeconomic dynamics in a particular historical range, we can analyze how the middle class emerged and expanded. Therefore, this study was carried out in a region that had previously been studied, and this is the reason why the six villages<sup>10)</sup> in the eastern part of Pematang were chosen.

This region is a suitable social laboratory since all villages around the former Comal Baru sugar factory were surveyed by the Dutch researcher J.F.A.C. van Moll in 1903–5. In that survey, all 2,889 households in 24 villages were questioned about their ownership of assets such as land, livestock, and plough as well as house value and annual agricultural yield. Van Moll’s research provides comprehensive baseline data on the villagers’ econ-

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9) Exchange rate 2012.

10) The pseudonyms for these villages are: Karyokasil, A; Parigaga, B; Kidulratan, C; Karanggondang, D; Trimakmur, E; and Trukosari, F (see Map 1).



omy in the early twentieth century. In an attempt to trace how this region had changed, two further surveys were carried out in 1990<sup>11)</sup> and 2012<sup>12)</sup>—this time in six of the 24 villages studied by Van Moll. The numbers of households interviewed were 500 and 1,000,<sup>13)</sup> while the questionnaire was developed to accommodate new variables such as occupation, income, migration, education, and new types of material possessions. Since I was part of the third survey (2012), I have a right to utilize the entire survey data.

Having both historical and extensive household data gathered from the same villages allowed this study to inquire into both how the middle class was formed and its size during and after the New Order regime. A follow-up ethnographical study was carried out over a period of six months (two months in 2015 and four months in 2016) to gauge people's perception of the socioeconomic changes, the obstacles experienced historically, present opportunities, and the residents' future aspirations. This paper provides a historical socioeconomic study based on archival research and fieldwork on six villages in Pemalang District, Central Java. It starts with a nuanced description of the socioeconomic conditions of the six villages in the aftermath of the 1965 Communist purge and during the New Order regime. It then discusses the changing landscape of the villages with the coming of Reformasi in 1998.

#### IV The Six Villages during the New Order Regime

Following the 1955 general election, the PKI gained 16.4 percent of the total valid votes (Mortimer 2006). The province of Central Java, where Pemalang District is located, was the main base for the PKI. This was a significant gain as the Party's agenda prior to 1959 was limited to an attempt to show that the "PKI was the party most concerned with the villagers' overall interests" (Mortimer 2006, 276). Although the Party's members and sympathizers increased quickly and the Party secured its position as the biggest Communist Party in any non-Communist nation in the early 1960s (Vickers 2013), the situation changed drastically in October 1965 when the Party was blamed for the massacre of seven high-ranking Indonesian Army officials. In the absence of a comprehensive inquiry, the rumor immediately spread that the PKI had carried out a coup. There was

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11) This was a collaborative research study by three institutions: P3PK UGM of Indonesia, IOC-UT of Japan, and Casa of the Netherlands.

12) This research was funded by the government of Japan and supervised by Prof. Mizuno Kosuke, Prof. Kano Hiroyoshi, and Dr. Pujo Semedi. All surveyors were Gadjah Mada University students.

13) The number of households sampled was around 10 percent in 1990 and 12 percent in 2012. The samples were determined through a random sampling method. I was personally involved in the 2012 survey as an assistant researcher.



a call for a purge of PKI members, followed by army-led massacres in Java and Bali. Many PKI members who were not killed were imprisoned without trial for years.

PKI sympathizers within each of the six villages probably made up 20 percent to 30 percent of the total population. Purges took place in Karyokasil (A), Karanggondang (D), and Trukosari (F) villages (see Map 1). Despite studies showing that many PKI members were killed during the political unrest of 1965–66,<sup>14</sup> I have no official data on these six villages. Familial ties, to some extent, were able to protect people affiliated with the PKI from the massacre.<sup>15</sup> In Karanggondang the village head escorted 150 PKI sympathizers to be dealt with by the Subdistrict Military Command (Hüsken 1996, ch. 8), in order to avert a brutal attack by members of Nahdlatul Ulama (NU) and Partai Nasional Indonesia (Indonesian National Party, PNI). As the new climate placed the PNI and NU as winners in the political turmoil, members of these two parties ruthlessly burned the houses of PKI sympathizers, looted their assets, and in a few cases harassed their wives.

The annihilation of the PKI marked the onset of the New Order regime. Aside from the removal of village heads affiliated with the PKI, as was the case in Trimakmur village, other village heads formerly affiliated with the NU and PNI immediately joined Golkar. They then encouraged the dominant rural groups to do the same, given that they were their allies. An exemplary case emerged from Trukosari when Truno, the new village head, succeeded in consolidating his power by embracing the *kiyais* and big farmers. He then appointed many of them to strategic positions, such as the administrator of a Koperasi Unit Desa (Village Unit Cooperative, KUD) or the head of a farmer group, which eventually led to material benefits. There seemed to be a similar pattern in other villages.

The material benefits for state clients came to fruition in various ways. After the failure of the block credit system of Bimas Gotong Rojong (mutual aid mass guidance) in the late 1960s, the government introduced low-interest loans to support new types of Bimas. However, access to such credit required not only a stringent minimum standard of irrigation and farm area but also the village head's recommendation (Hart 1986). Through this scheme, the village elites and village apparatus, which invariably had a sizable amount of land and could thus afford to take risks, became the main beneficiaries, while small farmers and the landless received the residue. The village elites also benefited from the government's policy to increase the floor price of rice rather than the ceiling price of fertilizer. Unfortunately, the KUDs were unable to control the floor price of rice because of their limited capacity to purchase farmers' yields during the harvest

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14) In Banyuwangi District, the official report stated that 6,008 were killed and 50,727 imprisoned (Luthfi 2018, 65).

15) There were three PKI activists in Trukosari. Two of them were sent to Buru island, while one was imprisoned in Pematang.

period. The village elites exploited this niche by purchasing farmers' yields in the harvest period and reselling them to the KUD at a higher price when the supply declined, as the cooperatives usually consisted of either rice-mill owners or rice traders (Hart 1986).<sup>16</sup>

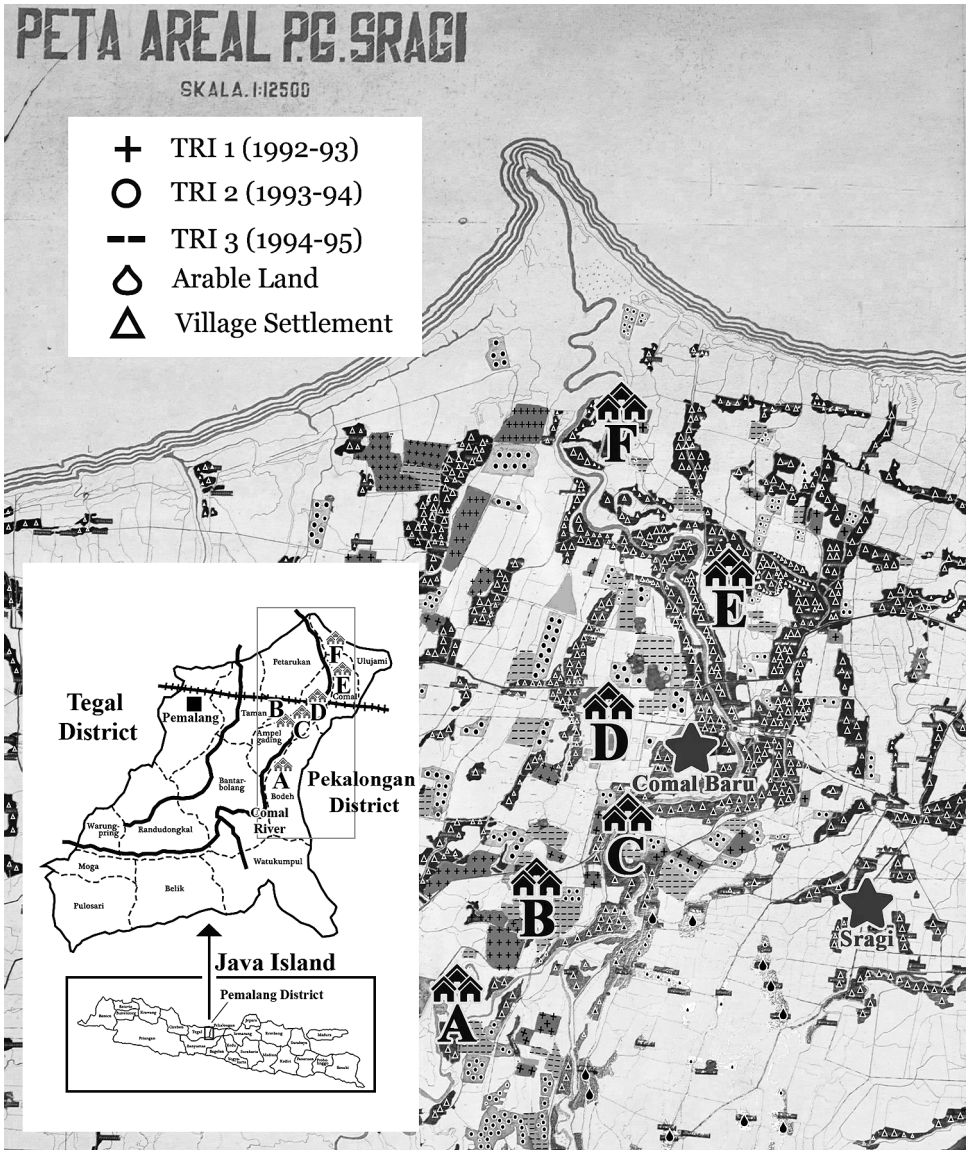
Another policy advantageous to village elites was launched in 1975, when Suharto issued Presidential Instruction No. 9 on Tebu Rakyat Intensifikasi (TRI). One aim of the TRI program was to increase sugarcane productivity based on the assumption that an increase in production would be accompanied by an improvement in the farmers' welfare. The field area where the sugarcane was to be cultivated was run through a rotation system stipulated by the Satpel Bimas. A sizable amount of arable land in the village was divided into three parts; each part would be planted with sugarcane cyclically in the first, second, and third years. Paradoxically, farmers' participation in this cultivation was based on state coercion and so was not voluntary.

Map 1 displays TRI cultivation by the Sragi sugar factory in the eastern part of Pematang, in which the six study villages are located (A–F). Satpel Bimas's stipulation regarding the field in which sugarcane should be annually planted originally appeared in different marks from those on the map. The implementation of the TRI program was very effective even though it was carried out arbitrarily, without farmers' involvement. The effectiveness is evident from the survey data collected in 1990 summarized in Table 1 below.

Trukosari village is worth excluding when drawing conclusions about the data collected, as this area is dominated by dry fields and fishponds, which make it unsuitable for sugarcane. With that in mind, in 1990 the percentage of landowners involved in the program was approximately 23–45 percent, while the ratio of land planted with sugarcane was similar, making up 28–50 percent of the total area. This survey data is seemingly in parallel with the stipulation of Satpel Bimas above. Under the TRI program, sugarcane was cultivated through a collective system where all activities, such as land tilling and cane milling in the factory, were undertaken by a group of farmers. The landowner would earn a net income after the processed cane (sugar) was sold and the production costs were deducted. Although the profit was far less than that from cultivating paddy, the farmers had no power to go against the TRI program apart from engaging in sabotage (*Suara Merdeka* 1994). The lack of transparency allowed the heads of farmer groups to engage in corrupt practices. Since these heads were mostly members of the Golkar party,

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16) Kenneth Young provides an example of another trick practiced by village elites that is relevant to this issue. The KUD is responsible for buying rice, which is then to be sold at the government floor price to the local government purchasing warehouse (Subdolog). But it is not unusual for the village elites, in their capacity as elected managers of the KUD, to subcontract the entire rice acquisition process to private traders (Young 1990, 157).



Map 1 TRI Cultivation under the Supervision of Sragi Sugar Factory

Source: Personal documentation.

who had a close relationship with the village apparatus, farmers were in no position to ask for a fairer deal. In other words, farmers' engagement with sugarcane cultivation tended to result in a relation of "adverse incorporation" (McCarthy 2010, 823).

The heads of farmer groups were typically rural rent-seekers who used their privi-

**Table 1** Household Engagement in the TRI Program

Village	No. of Surveyed Households	No. of Landowners	% of Landowners Who Planted Sugarcane	Total Land Surveyed (ha)	% of Land Planted with Sugarcane
A	90	59	<b>45%</b>	26.9	<b>50%</b>
B	70	45	<b>42%</b>	20.2	<b>33%</b>
C	75	19	<b>32%</b>	4.7	<b>28%</b>
D	60	28	<b>50%</b>	8.6	<b>31%</b>
E	80	22	<b>23%</b>	5.1	<b>35%</b>
F	125	46	<b>6%</b>	12.3	<b>2%</b>

Source: Survey data (1990) (n = 500 households).

lege to exploit the government program. In 1992–93 the minister of cooperatives stated that the debt of cane farmers in Central Java Province had reached 100.59 billion rupiah (*Suara Merdeka*, January 6, 1993). The borrowers were usually big farmers who were simultaneously the heads of farmer groups, part of the village apparatus, or KUD members. Small farmers could not dare to take such loans. The big farmers also borrowed vast amounts of money from sugar factories using farmers' sugarcane as collateral. Using their status as state clients, village officials and their allies did not hesitate to abuse their power.

The regime also invested in expanding educational services. However, the lower class faced numerous barriers due to the pervasive discriminatory practices of government officials. With a limited range of employment opportunities, the lower class were set aside since the recruitment of new civil servants always involved “connection[s]” and bribery.<sup>17)</sup> Under such conditions, the rural elites, equipped with their close connections to higher officials, invariably succeeded in taking advantage of each new opportunity (Young 1990). Consequently, the education system functioned as a form of social closure that effectively excluded the lower class.

In the non-bureaucratic and agricultural sectors, the villagers' efforts to embark upon entrepreneurial work were also discouraged by the implementation of the “disciplinary powers of registration” (Antlöv 2005, 194). In other words, village officials could endorse their families and allies for starting a new business and, at the same time, hamper their opponents and other villagers from obtaining commensurate services. Pervasive state patronage had a detrimental impact on village life because it facilitated rent-seeking practices among state clients and apathy among common villagers. The stark social cleavage between state clients and common villagers was indicated by the socio-

17) A survey carried out by *Kompas* in the early 1980s on 70 respondents, consisting of top- and middle-level managers and professionals, showed how strong state clientelism was. The report concluded that 60.6 percent of respondents believed that their career was determined by “connections” or their ability to make use of connections (*Kompas* 1990).

economic conditions of sampled households from the six villages studied in 1990 shown in Fig. 1 below.

Based on the 1990 survey data, only 32 percent of household heads had finished primary school. Less than 8 percent had graduated from senior high school. Most household heads (61 percent) were farmers, although the aggregate labor force engaged in agricultural activities must have been higher. When considering that only 44.2 percent of surveyed households owned arable land—either rice or dry field—in 1990, this must mean that many villagers were working as agricultural wage laborers. The practice of land leasing and sharecropping in the six villages was less intensive than in other regions of Java (see White and Wiradi 1989, 279). In 1990, only 16 percent of landowners (37 out of 221) leased or sharecropped their land. Since the 1990 survey research focused on both rice and dry fields, the ownership and role of the home garden remain unclear. Another picture of village backwardness is reinforced by the fact that around 25.4 percent of respondents' houses still had a thatched roof, while 56.6 percent of respondents' houses had earthen floors. Meanwhile, only 15.8 percent and 8.8 percent of the surveyed households owned a television and a motorcycle respectively.

As mentioned earlier, for 1990, households that owned both a motorcycle and a television were categorized as rural middle class. Meanwhile, I classified households with either a television or a motorcycle as the sufficient cohort (*kelompok cukupan*) and families without either of these goods as the lower class. Social classification based on goods ownership is shown in Table 2.

Table 2 shows that in 1990, only 6 percent of the sampled households could be defined as the rural middle class; this argument has been strengthened by other variables. First, the average landownership for this cohort (4,478 m<sup>2</sup>) was almost four and two times higher than the lower class and the sufficient cohort respectively. The figure becomes even higher when landless households are excluded (7,070 m<sup>2</sup>). With this amount of land,

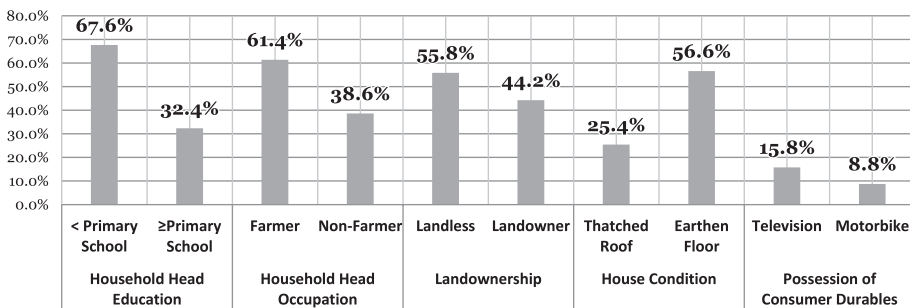


Fig. 1 Socioeconomic Conditions of 500 Surveyed Households, 1990

Source: Survey data (1990).



**Table 2** Characteristics of Social Class in the Six Villages Studied

	Possession of Consumer Durables	N	% of Sampled House-holds	Average Landownership		Graduated from Primary School	Household Heads in Non-Farm Occupations
				All Households (m <sup>2</sup> )	Landless Excluded (m <sup>2</sup> )		
Lower class	No motorcycle or television	406	81%	1,244	2,990	25.4%	27.3%
Sufficient ( <i>cukup</i> )	Television or motorcycle	64	13%	2,179	4,500	53.1%	62.5%
Middle class	Television and motorcycle	30	6%	4,478	7,070	83.3%	76.6%

Source: Survey data (1990) (n = 500 households).

the rural middle class were the main receivers of state subsidies in the agricultural sector. The household heads' educational background also exposes the remarkable difference between the middle class and the lower class or—particularly—the sufficient group; the percentage of household heads graduating from primary school was 25 percent and 53 percent for the lower-class and sufficient group respectively, while it was around 83 percent for the middle class, indicating that educational services were accessed almost exclusively by the latter group. The data above contradict the pattern at the national level, where more young villagers, even from the lower class, can attain a higher level of education. Regardless of the pattern at the national level, villagers strongly believed that the promise of upward social mobility still depended on whether they had connections or not: for example, a senior teacher claimed that in 1986 he was able to easily achieve tenure because of his close connection with a higher official in Semarang.

The last column in Table 2 confirms the distinction between the middle and lower classes. Although the average landownership level was higher for the middle class than the other classes, most households (76 percent) declared that they were not farmers. This implied that most respondents must have been part of the village apparatus, civil servants, small entrepreneurs, or heads of farmer groups thanks to their strategic position as government clients.

The data from the 500 surveyed households above reinforces the argument that the middle class were the main beneficiaries of state largesse because they owned large amounts of arable land. Combined with a higher level of education and supposedly a close connection to upper-level officials, they could easily engage in non-farming sectors. On the other hand, the lower class, without sufficient levels of landownership or adequate education, mostly stayed in the low-income agricultural sector and at the same time were discouraged from embarking upon entrepreneurial activities. Consequently, pervasive state clientelism precluded the smooth social mobility of the lower class, which eventually hampered the growth of the rural middle class.

## V The Gradual Dismantling of State Patronage

The political upheaval that brought down Suharto under the flag of Reformasi swept the big cities in 1998. To a lesser extent, the movement also ignited a myriad of villagers to vent their resentment both toward the government that had discriminated against them and toward their right-hand accomplices, the village apparatus. The issues of abuse of authority, repression, and corruption were consequently utilized to denounce the village apparatus. The feeling of discontent with Suharto's policies, however, had appeared years before Reformasi. When the regime's legitimacy and power started to recede, farmers began to abstain from the long-established practice of planting sugarcane under the TRI program.<sup>18)</sup> This phenomenon is clearly revealed by the production data of Sragi sugar factory. Under the New Order's repression, the farmers' sugarcane cultivation area remained stable between 1986 and 1996, at around 5,000 hectares; but it dropped abruptly after 1997 (Fig. 2). This marks the decline of strong state patronage, considering the vast area of sugarcane cultivation enabled the heads of farmer groups to both receive state largesse and exploit small farmers.

The post-Suharto government was marked by various institutional reforms under the credo of good governance as demanded by the International Monetary Fund. These reforms were momentous for moderate Indonesian technocrats in promulgating a new type of governmentality based on decentralization. The technocrats' argument was that the model of administrative and economic centralization had drained the central government's energy to inquire into the dynamics of global financial and economic tendencies (Syaukani *et al.* 2002, 172). With decentralization, districts received significant autonomy

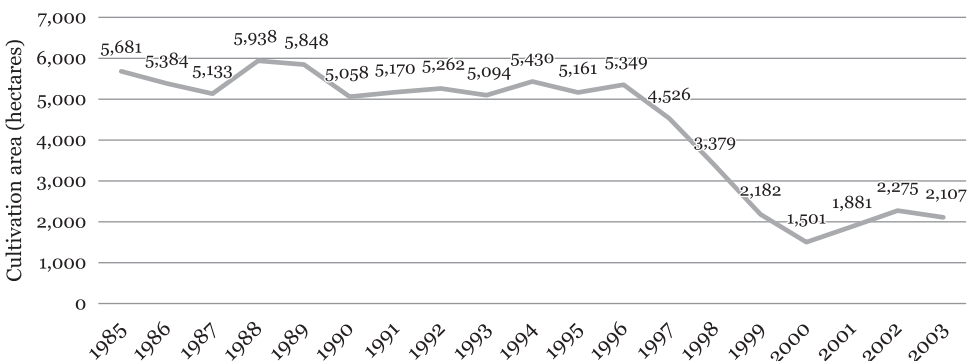


Fig. 2 Cultivation Area of Sragi Sugar Factory

Source: Production data of Sragi sugar factory.

18) This was eventually terminated by Presidential Instruction No. 5/1998.

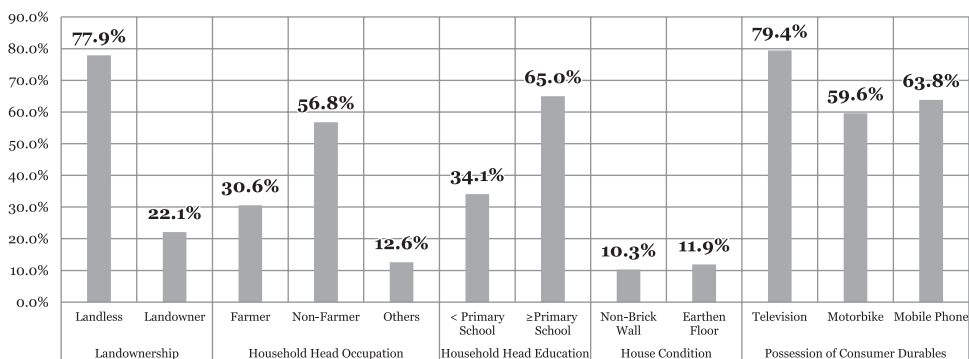


to take proper measures in creating and implementing local policies (Syaukani *et al.* 2002, 172–175).

As a product of Reformasi, Law No. 22/1999 not only outlined decentralization but also made village governments more democratic (Antlöv 2003). It diminished the village head's authority and at the same time dismantled political control and development. Previously, political control and development were employed by village heads to reward their allies and discriminate against common villagers. The more democratic state institution was perfected by the issuance of Law No. 43/1999, which prohibited civil servants, including the village apparatus, from engaging with political parties that had formerly provided them with strong legitimation to abuse their power. In sum, the disappearance of political backup combined with the villagers' awareness of transparency under the new type of governmentality led to decreased corruption in the village apparatus. This was because the continuation of corrupt practices would otherwise lead to political exploitation via the village apparatus's competitors.

The various institutional reforms carried out by the government to resolve the financial crisis brought about significant changes at the macro level, as demonstrated by the country's sound economic growth since 2004 (Booth 2016). Unlike in the past, the fruits of such growth were no longer distributed exclusively among state clients, as strong state clientelism had evaporated. Evidence of the more even distribution of prosperity can be seen in the survey data collected in 2012 appeared in Fig. 3 below.

As the population grew, the number of landowners dropped in relative terms from 44.2 percent in 1990 to 22.1 percent in 2012. Meanwhile, household heads' engagement in non-farming activities such as construction, small-scale manufacturing, and work in the service sector jumped from 38 percent in 1990 to more than 56 percent in 2012,



**Fig. 3** Socioeconomic Conditions of Sampled Households, 2012

Source: Survey data (2012).

although the aggregate labor force involved in this sector remained high. In general, the educational level had also substantially increased by 2012. The improved conditions of rural life could be seen from respondents' housing conditions and their possession of durable consumer goods. By 2012 the number of houses with an earthen floor had plummeted when compared with 1990, while ownership of a television, motorbike, and even mobile phone, which used to be markers of middle-classness in the late 1990s, had become increasingly prevalent.

The ADB report (2010) notes that around 28.7 percent of the rural population could be slotted into the middle-class cohort if a loose definition was used: people with an expenditure per capita of more than US\$2 per day. Using the income approach, the result of the six villages studied is congruent with this. If US\$2 per day per capita is used as the lower threshold, 26.7 percent of the surveyed households belonged to the middle-class cohort. In other words, the size of the middle class had grown significantly compared to 1990. It is essential to analyze the distinction between the middle and lower classes in an attempt to discern what factors enabled many villagers to become middle class while others remained poor.

Table 3 shows that the ratio of household heads who completed senior high school was arguably low for both classes. The low educational background of household heads, particularly in middle-class families, indicates that most of them were not working in the bureaucracy or clerical jobs. Second, although there is a remarkable difference in the size of land owned between the two classes, only 32 percent of middle-class families had arable land. This result indicates that the majority of the new middle class were not big landowners. As the new middle class were neither bureaucrats nor big landowners, their source of prosperity had shifted away from land and bureaucracy, which were the main assets for becoming middle class in the past, to other assets, particularly skill, as this enabled villagers to embark on various types of entrepreneurship.

At the same time, the small size of middle-income farmers raises a crucial question. The survey data in 2012 revealed that nearly 70 percent of landowners lived around the poverty line. If agricultural wage labor is added, the number of people engaged in the

**Table 3** Characteristics of Social Classes in the Six Villages Studied

	Household Income per Capita per Day (US\$)	No. of Surveyed Households	% of Landowners	Average Landownership		Graduated from Senior High School	Household Heads in Non-Farm Occupations
				All Households (m <sup>2</sup> )	Landless Excluded (m <sup>2</sup> )		
Lower class	<2	733	20%	434	2,166	8.3%	54.6%
Middle class	≥2	267	32%	1,867	5,798	25.1%	63%

Source: Survey data (2012) (n = 1,000 households).

agricultural sector living near the poverty threshold had substantially increased. My preliminary assumption was that this phenomenon might have been shaped by the lack of cohesive political farmers—farmers who were able to ask for protection from the state or align themselves with a political group and whose ultimate goal was to work with the state government, not oppose it, as in the case of Thai farmers (see Walker 2012).

This condition, as we have seen from the previous discussion, might have been the outcome of the long-term practice of marginalization under the New Order regime, when farmers were not only tamed politically but also disadvantaged economically for the sake of national development. As any social movement by farmers to defend their rights was regarded as subversive, they tended to avoid rather than attach themselves to the state.<sup>19)</sup> When the New Order collapsed, farmers were ill prepared to take cohesive political action—which would have been provided by their newfound democratic circumstances—to lift their well-being. This condition led to the perpetuation of local institutions used to exploit farmers, such as farmer groups. As in the past, farmer groups helped their members with various activities such as cultivation, harvesting, selling, and sometimes distributing government subsidies. Since the position of the leader was inherited rather than decided through democratic election, most of the farmer group leaders from the New Order held on to their position or passed it on to their children.

Having long experience in managing farmer groups, leaders have been able to ingeniously take economic advantage through various cunning means as they did in the past,<sup>20)</sup> masked with generous acts such as lending money without interest or donating money to members when they face misfortune. Although farmer groups seem to provide social security for their members, it is the leaders' initiative to retain their members' loyalty.<sup>21)</sup> This creates fragmentation and estrangement amongst farmers as their main goal is to have a benevolent patron in charge rather than struggle for common interests. The sense of dependency does not only undermine small farmers' potential political power to ask for more protection and subsidies from the government or politicians, but it also enables the heads of farmer groups to easily capitalize on their position by becoming canvassers.<sup>22)</sup>

All in all, the permeation of patrimonialism at the village level precludes the smooth socioeconomic mobility of the lower class, as engagement with non-farming activities is

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19) Burning sugarcane fields was a typical example of this action.

20) In the case of jasmine farmer groups, the leader took around 20 percent of farmers' aggregate revenue (Goto, forthcoming).

21) Feeling economically secure, most of the wealthy farmers in Trukosari do not join farmer groups.

22) Bagus, Karsono, and Karto (the heads of farmer groups) became the canvassers for Samuri (PDIP), Tarjono (PDIP), and Sumono (Golkar). All were chosen in the general election of 2014. Tarto, a chosen parliamentary member from Gerindra, also used his younger brother's position as the head of a harvesting group to gain votes for himself.

more or less barred for them. This is particularly so when it comes to occupations requiring a connection with the government, such as the bureaucracy. As a result, there are just a handful who have succeeded in becoming wealthy through non-bureaucratic occupations. When the New Order regime decayed in the late 1990s, most elements of state patronage evaporated. Although the majority of small or tiny farmers and agricultural wage laborers still live in poverty, many villagers have been able to carve out wealth owing to more inclusive opportunities and, as will be discussed in the following section, the strengthening of the informal sector. The fairly rapid social mobility of the lower class is reflected in the comparison between data collected in the 1990 and 2012 surveys, which show that the number of middle-class households in the six villages studied jumped from 6 percent in 1990 to nearly 27 percent in 2012. Despite the rural middle class's statistical flourishing, the quantitative data is not enough to prove any argument that the oppression or marginality experienced by the common people during the New Order regime has been obliterated. Without resolving this issue, the impact of state patronage's decline on people's socioeconomic creativity remains unclear.

## VI The New Morality of the Rural Population

*Jaman siki sapa-sapa gelem jibaku ya akeh berhasile* (In this age anyone who does *jibaku* [works hard and dares to take risks] is likely to succeed).<sup>23)</sup>

Pak Bagus's statement above seems to reflect the new morality, with the lower class aspiring to work hard and climb the socioeconomic ladder. This has replaced the apathetic mentality of the past, which viewed material affluence as a sign of greed, hostility toward village harmony, individualism, and menace. The dismantling of state patronage could not have been enough to engender this new morality, for it requires an appropriate economic setting.

At constant prices, the Indonesian GDP grew moderately through 2005–14: between 4.6 percent and 6.5 percent (Booth 2016, 110). The stability of Indonesia's economic growth is somewhat peculiar. Some scholars have observed that Indonesia underwent deindustrialization, noting the decline of the manufacturing sector's contribution to GDP (see Priyarsono *et al.* 2010). In 2001 the sector contributed to about 30.7 percent of GDP, while in 2012 the figure dropped to less than 24.8 percent (Mizuno 2016, ch. 2). Since this drop was compensated for by soaring palm oil and coal exports, and an increase in

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23) Interview with Pak Bagus, September 12, 2016, Trukosari village.

domestic consumption (Mizuno 2016), the Indonesian economy was characterized by the strengthening of the informal sector. As this sector requires low capital and less advanced technology, and is easy to copy, myriad people, particularly from the lower social classes, could easily engage. The policy of no illegal fees stipulated by the central government in 2016 might also have aided the flourishing of the informal sector. In this new setting, the lower class, who could invest little in education, plunged into various small businesses, while the old middle class (civil servants and members of the village apparatus), feeling culturally superior, were hesitant to take those opportunities. This is not a fairy tale, as demonstrated by the household survey of 2012, summarized in Table 4.

Judging from the average annual income per capita, the types of occupation listed in Table 4 generate varied amounts of revenue. Compared with other occupations, agriculture yields the lowest earnings: 2.9 million rupiah per capita per year. This sector absorbs 37 percent of the total workforce. The manufacturing sector produces a slightly higher income than agriculture. The construction sector produces a moderate revenue. Since the agricultural sector seems to produce low income, even by rural standards, villagers from the lower social layers undertake various other economic activities to supplement their household income. When the demand for labor in the agricultural sector declines

**Table 4** Number of Workers and Aggregate Revenue for Each Type of Work

Sector	Workforce		Character (million rupiah)		Average Annual Income per Capita (million rupiah)
	Number	%	Formal	Informal	
<b>1 Agriculture</b>	<b>717</b>	<b>37.7</b>	<b>10.4</b>	<b>2,105.9</b>	<b>2.9</b>
(Landholding peasants)	212	11.1	–	964	4.5
(Agricultural laborers)	547	24.5	–	661	1.2
(Others)	38	2	–	478	12.6
2 Fishery	76	4	–	469.9	–
3 Quarrying and mining	42	2.2	–	321.3	–
4 Manufacturing	167	8.8	724.3	778.7	4.6
(Factory workers)	60	3.2	–	–	–
(Household industry)	107	5.6	–	–	–
5 Electricity	1	0.1	–	56	–
6 Construction	260	13.7	21	2,799.7	10.7
7 Trade	265	13.9	85.1	5,575	21
8 Transportation	74	3.9	290.5	857.4	–
9 Finance	10	0.5	484.1	–	–
10 Private-sector service	145	7.6	192.7	2,182.6	15
11 Public service (civil servants)	94	4.9	2,547.9	–	27
12 Pensioners	20	1.1	325.6	–	–
13 Unclear	32	1.7	–	–	–
<b>TOTAL</b>	<b>1,903</b>	<b>100</b>	<b>–</b>	<b>–</b>	<b>–</b>

Source: Survey data (2012), analyzed by Kano (forthcoming).

(during the dry season or off season), male laborers frequently work in small-scale manufacturing, construction, brickmaking, or sand mining, while female laborers switch to the domestic sector, making, for example, palm leaf brooms. Many of the younger generation aggressively attempt to escape from this sector. In sum, the 2012 household economic survey indicates that almost all surveyed households relied on a variety of occupations.

Meanwhile, trading as well as private and public services (civil service) generate substantial income for households. Although the average income of a civil servant is higher than that of a person engaged in business (Table 4), this figure should not be taken at face value. Businesspeople tend to conceal their real income as they are afraid that the researcher will divulge their information to the tax office or competitors (Rutten in Savirani 2015, 45). Even if their figures are accepted, this cohort is tiny, making up 4.9 percent of the total workforce. All in all, the survey research from 2012 shows that the informal sector, such as manufacturing for the local market, trade (such as retail, food, and drinks), and other services characterized by informality have dominated the village economy. As shown in Table 3, 267 of the 1,000 surveyed households could be classified as middle class. If US\$2 per day per capita is used as the lower threshold, 26.7% of the surveyed households (267 out of 1,000) belonged to this cohort. A new economic pattern in the villages becomes clearer when seeing the household head's occupation in middle-class families, as shown in Table 5.

Despite occupations such as farmer and civil servant still being important in creating middle-class families (33 percent), the new rural middle class mostly emerges from small entrepreneurs and company workers (27 percent). The latter figure is increasing because middle-class families whose household heads work in construction or as agricultural wage laborers rely on their children working as entrepreneurs. By 2016 the number of entrepreneurs had increased because many successful entrepreneurs who were relatively immature in 2012 became established, and more villagers became engaged in this sector.

**Table 5** Occupations of Household Heads of Middle-Class Families, 2012

Household Head Occupation	Number	Percentage
Entrepreneur	47	18%
Civil servant	35	13%
Farmer	54	20%
Factory/company worker	23	9%
Construction or agricultural wage laborer	91	34%
Others	17	6%
Total	267	100%

Source: Household economic survey (2012).

Despite these quantitative measurements providing remarkable evidence of the new pattern of the rural economy, little is known about the process of becoming wealthy and its impact on rural life. Examples from Trukosari village will be used to understand the contemporary rural situation. Over the last few decades wheat consumption, including bakery products, among Indonesians has increased drastically. The high demand in this market has encouraged many young villagers, particularly from poor families, to plunge into the bakery business. This is a reasonable undertaking, given that in 2014 Asosiasi Pengusaha Bakery Indonesia (Indonesian Bakery Association, APEBI) reported that the total value of baked products reached 23 trillion rupiah, equal to US\$1.24 billion (Yulisman 2014).

In Trukosari, Lantip is an example of a successful small entrepreneur in this business. After completing junior school in 1997, he went to Jakarta and worked in the construction sector. He then changed direction after a short encounter with a friend who enticed him into working as a bakery salesman. Aside from selling, he also taught himself baking, which eventually allowed him—along with his older brother and sister—to start his own business. Joint ventures based on either familial ties or friendship are commonly set up by new entrepreneurs to overcome capital insufficiency. Initially, Lantip and his siblings produced brownies and cakes and sold them on consignment in small retail shops or food stalls. The strong market allowed their business to grow quickly. Some years later, the joint venture broke up.

Nevertheless, Lantip's business continued to grow rapidly; he employed 24 salesmen in 2012. In early 2014, the heyday of brownies ended due to the market becoming saturated, and he shifted toward other bakery products such as layer cakes and muffins. In 2014 he opened a new stall in Citeureup, Bogor. The popularity of bakery products in this area earned him a lavish profit. Just two years later, he had three bakery stalls in Bogor: near PT Indocement, near Sentul International Circuit, and in Ciluar Market. Each stall employed two or three workers supervised by one trusted employee. Though the business was lucrative, the cost of production was undeniably high. At the time of my fieldwork in 2016, the cost of renting a small stall of 12 square meters was about 30 million rupiah per annum, and Lantip spent more than 100 million rupiah in rental costs alone. Lantip modestly confessed that his gross monthly revenue could reach 200 million rupiah, though the figure varied from month to month.<sup>24)</sup>

In Trukosari, Lantip was not alone in exploiting this market; much of the younger

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24) In the production process, one small bucket of batter could be made into 12 boxed cakes (each box containing one round cake). If three or four types of cake were made daily, they sold at least 36 boxes each day. Since the average price of each box was at least 20,000 rupiah, the stall would receive 720,000 rupiah a day if all cakes sold.



generation were waiting to start their own businesses. In a small bakery stall near Petarukan Market, Ardi, a 17-year-old boy, bemoaned his situation to me: “I am tired of having [to work] for the boss, and I am going to embark [on] my own business.” I knew that he had been involved in the bakery business since he was 14 years old. His is not an exceptional case in light of the high dropout rate of both junior and senior high school students, particularly among the lower class. One reason for the high dropout rate is that the Indonesian manufacturing sector is growing slowly, and so the big factories in and around Jakarta, which used to be the main destination of vocational students from the area, are now inclined to use short-term contract workers. An elderly villager lamented the future of his third son, whose two-year work contract in a company in Jakarta was almost over. “Now most companies are reluctant to employ a tenure,” he moaned. Such insecure conditions have encouraged many juveniles to work rather than continue their education. Moreover, the informal sector, for instance the bakery business, has been proven to succeed in improving the lives of the lower class. Based on my fieldwork, many villagers have engaged in the bakery business, as shown in Table 6.

Trukosari village has seven hamlets, and the distribution of bakery entrepreneurs in each hamlet is slightly different. Generally, large-scale bakery businessmen have at least 4 stalls each, totalling 68 stalls among them. If each stall needs at least two workers, the businessmen employ a total of 136 laborers. Combined with medium and small-scale entrepreneurs, these businesses have absorbed a lot of labor from Trukosari village. Amidst the fierce competition in Java, some villagers have expanded their businesses to cities on other islands such as Sumatra, Bali, Kalimantan, Sulawesi, and even West Papua. Although many of them have been able to develop their business, some have gone bankrupt. In this competitive market, *jibaku* and luck are viewed as the main

**Table 6** Number of Bakery Businessmen in Trukosari\*

Scale	Hamlet							Total
	TJ	BD	PT	KM	PG	PS	SM	
Big	3	6	3	2	1	n/a	2	17
Medium	8	n/a	n/a	n/a	n/a	4	3	15
Small	n/a	n/a	1	n/a	n/a	8	2	11
Total	11	6	4	2	1	12	7	43

Source: Author’s research (2016).\*\*

Notes: \* I define the business scale according to its monthly turnover. A “big” business turns over more than 60 million rupiah; a “medium” business earns between 20 million and 60 million rupiah; a “small” business usually earns less than that amount and is operated by family laborers.

\*\* The actual numbers are likely far higher; these were only the businessmen whom I managed to meet.

1) Trukosari village has seven hamlets: TJ, BD, PT, KM, PG, PS, and SM. The distribution of bakery entrepreneurs in each hamlet is slightly different.

determinants of success. Such a mentality is not confined to the bakery business but pervades throughout other sectors. What I witnessed in Trukosari, in the case of bakery businesses and other small enterprises, was people's willingness to engage in high-risk investments.

As the villagers' material affluence now derives mainly from the informal sector, requiring no background in higher education or connections with bureaucrats or politicians, the new morality of the aspiring villagers is largely defined by *jibaku* (work hard and dare to take risks). A statement by Lantip in conversation with Wiwin, his close friend who worked as a teaching apprentice, illustrates the new villagers' subjectivity. He said to Wiwin:

I tell you, Win, if you become a state employee [teacher], even after you have worked for 10 years you may not be able to purchase a Honda Jazz, unless you get involved in corruption. But if you get involved in this [bakery] business, I can guarantee that your life will change after only two years.

The message is clear: What might have been the main avenue for villagers to gain or retain middle class status in the past is now seemingly obsolete. Small-scale entrepreneurship holds more promise for guaranteeing middle-classness, in terms of both revenue and lifestyle. Since many of the new rich come from the lower social class through *jibaku*, most villagers no longer view material affluence as an indicator of deficient morality. Prosperity is now something that is longed for rather than treated with derision. What villagers now reproach is the failure to adhere to this new ethic, *jibaku* or hard work. Dirman, a villager with a bachelor's degree, is an example of a person who is unable to adhere to the new ethic. Some of the villagers have given him a nickname: Wiranto. The nickname does not refer to the former Indonesian Military chief but is an acronym for *wira-wiri ora nggota* (busy pacing back and forth without doing anything). Amidst the abundant opportunities in the informal sector, the villagers perceive Dirman as indolent.

Nonetheless, an indolent personality per se is not adequate to explain why many villagers remain poor despite the ample opportunities provided by the informal sector. Although this is a complex problem, some assessments can be made. First, engaging in the informal sector requires certain skills, and to become a skillful person requires a lot of effort. Second, as most villagers work in the agricultural sector (37 percent of the total labor force), the absence of political farmers might hamper them from having better living conditions. Third, most poor families do not have enough young and productive laborers who can easily jump into the vibrant informal sector. The survey data of 2012 reveal that poor households tend to have more family members but fewer productive laborers, while in middle-class families it is the opposite.

**Table 7** Gini Index, 2012

Scope	Six villages (1,000 households)	Indonesia (BPS)
Approach	Income approach	Expenditure approach
Per capita Gini index	<b>0.55</b>	<b>0.425</b>

Sources: Survey data (2012); BPS (2020).

Although the flourishing informal sector has allowed for dramatic socioeconomic change, it has also brought about another consequence: high economic inequality (see Rosser *et al.* 2000). This postulate corresponds with the result of the household economic survey analysis undertaken in 2012, as shown in Table 7.

During the New Order regime, inequality—measured by people’s expenditure—was stable, from 0.35 in 1964–65 to 0.34 in 1990 (Akita *et al.* 1999, 202). However, it rose from the early 2000s (see Booth 2016, 170). The Badan Pusat Statistik (Central Bureau of Statistics, BPS) report states that it was 0.425 in 2012, measured in terms of the expenditure approach (BPS 2020, 170). Meanwhile, the analysis of income distribution in the 1,000 sampled households revealed an astonishing result: the Gini index for the six villages based on per capita income for 2012 was extremely high (0.55). Although both measurements show the increasing economic inequality from the early 2000s, villagers’ feelings of widening economic inequality may best be represented by the income rather than expenditure approach, as this calculates rich people’s savings (see Booth 2016, 185).

The fairly low level of economic inequality during the New Order regime was a direct impact of state patronage. As state patronage begs clients’ loyalty, the New Order regime attempted to ensure an even and proportionate material distribution among its clients. At the same time, the New Order also strictly constrained clients’ economic aggressiveness. The emergence of economically aggressive and independent groups would have raised many challenges within the context of the New Order’s supremacy. In this sense, middle-classness was determined not only by one’s connections with the state but also by one’s compliance with its order. Meanwhile, the lower class were excluded from most opportunities to climb the economic ladder, although their condition was slightly improved thanks to the increase in productivity of staple foods under the Green Revolution program. The unaggressive middle class and apathetic lower class helped to reduce economic inequality statistically.

Unpredictable political and economic circumstances since the late 1990s have overturned that landscape. The fall of the New Order regime, followed by a gradual erosion of state patronage, in tandem with the strengthening of the informal sector has opened up more exclusive economic opportunities for aspiring villagers to create wealth. Under

the belief of *jaman duit*, “the age of money” (Antlöv 2005, 195), aggressive economic expansion and accumulation of assets became the main aspirations of the middle class. This was different from years past, when the rich were satisfied with being rent-seekers. Unfortunately, the new economic creativity in the informal sector through various types of entrepreneurship has not been accompanied by a new political creativity, which would potentially aid farmers in improving their livelihood through various democratic means. This condition is a result of the New Order’s long repression, which disorganized the farmers’ movement. Although the patron of businesspeople has shifted from the state to the market, the (small) farmers’ patrons remain the same: the heads of farmer groups. However, it is worth noting that these heads no longer function as instruments of the state in controlling farmers. Along with the increase in the size of the rural middle class, the uneven political and economic processes have increased inequality rather than decreased it.

## VII Conclusion

The rapid expansion of the Indonesian rural middle class, as this paper has shown from the six villages studied, is not the result of sound economic growth after the 1997–98 financial crisis per se; it is a result of the gradual erosion of the pervasive state patronage that existed under patrimonialism. Suharto’s patrimonialism tended to benefit dominant rural groups (state clients) while discriminating against the common people, thus stifling the latter’s creativity. This landscape changed with the financial crisis. The fall of Suharto encouraged the new government to adopt a model of “good governance,” which is commonly translated as transparency, accountability, and the democratization of state institutions. This did not only minimize the role of the state, rendering it as a mere market facilitator that provided to the right institutions, but also created a friendly environment for business. The more inclusive opportunities available, in tandem with a new macroeconomic situation and the flourishing of the informal sector, paved the way for the lower class to become middle class through various entrepreneurial activities. The immediate impact of this was that the size of the middle class grew rapidly—from 6 percent in 1990 to almost 27 percent in 2012.

The availability of historical and ethnographic data helps to show more precisely some (unexpected) impacts of the growing middle class on rural life. First of all, we have seen that it engendered a new moral framework centered around *jibaku* and a respect for material affluence. This new form of morality eroded the old prejudices that largely viewed material affluence as dependent on rent-seeking practices. Although the new

middle class started to change the face of villages, it also brought about the unanticipated outcome of stark economic inequality.

What we can learn from this case is that the democratization of state institutions, such as village governance, dismantled the phenomenon of strong state clientelism. Although this boosted the villagers' economic creativity, their political creativity remained underdeveloped. Such a situation occurs when myriad small farmers and agricultural wage laborers, assumed to be economically vulnerable, cannot rely on more democratic means to enhance their well-being. In these circumstances, despite most villagers earning their income from a variety of economic activities, the agricultural sector becomes a pool for poor households. As the Indonesian economy grew moderately with the strengthening of the informal sector, any further expansion of the rural middle class might exacerbate rather than remedy inequality. The political, economic, social, and historical assessments in this study help to elucidate what has been taking place in the rural areas post-1998.

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