

For the last 250, from the times of the creation of scientific economics, linked to the publications of Adam Smith, there are on-going attempts to answer the question concerning the rise of the wealth of nations. The research problem of this work are the interrelations between institutional measures and their underlying ideas and economic policy and results. The reason for choosing Indonesia is that the historical and contemporary reasons for Chinese economic growth are sufficiently explained in the literature while the evolution of Indonesia's economic system and the country's rapid path of economic growth is not that well known (especially so in Poland). Indonesia is one of the most populous countries in the world, which in recent years has seen dynamic development and a leading role among ASEAN countries.

The subject of research is the changing economic system of Indonesia. Institutional analysis methods have been used in this thesis, using the perspective of economic history. The intuitional approach mainly draws on the work of Douglas C. North. The thesis consist of 7 chapters, where I describe the specifics of research on postcolonial countries (chapter 1), liberalism and interventionism in economic systems (chapter 2), the institutional workshop focused on economic system research (chapter 3). In the next three chapters of the thesis I describe the institutions, the way they work in Indonesia and real-economy consequences in three economic systems (the colonial economy; the guided economy system (known as the Old Order, 1945-1966; and the system of a partially market economy (known as the New Order, 1966-1998). The thesis ends with conclusions (chapter 7).

The main research hypothesis is the significant role of institutions in freeing economic growth. In the author's opinion the success of the adopted economic policy is dependent on institutional factors (institutional quality). It is this quality, together with historical path dependence, which determines the evolution of the entire economic system. Because institutions are very durable, especially so in the case of informal institutions, their influence on the creation of economic growth is key. This thesis verifies the hypothesis that in order to free economic growth „first-order” institutions are sufficient, that is:

- a) institutions guaranteeing the enforcement of contracts and protection of property rights and economy-stabilising institutions (a balanced budget, low inflation).
- b) institutions enabling agents to contract on the market (goods and services exchange on the market). In the thesis I intend to describe and measure the effectiveness of the institutions which enable market transactions (credit markets, incentives for the exchange of goods, infrastructure).
- c) educational institutions (institutions enabling access to education and educational development for the great majority of citizens).

The method used to test the hypothesis insofar as the functioning of the institutions which enable exchange is developing a measure of institutional effectiveness with the example of the agricultural market. Because Indonesia has been a rural economy for the large part of its existence, and one of the most important consumption doubts has been (and still is) rice, and the effectiveness of the rice market can be an indicator of the institutional structure effectiveness of the institutions which enable market transactions, and of the system as a whole. Measuring the changes is possible by observing seasonal rice price variations, which are evidence for the interest rate, which, as noted by Douglas North, is an important indicator of institutional effectiveness. Data for seasonal rice price variations are available for long periods (from 1824), which made long-term observations possible. Also data on educational attainment are available from 1870, which makes it possible to test the hypothesis in terms of its educational part.

The conclusions drawn by the author from the evolution of the Indonesian economic system for the last several centuries, as described in the thesis, are that adequate institutions create positive incentives for individuals, which adds up to economic growth and improving standards of living. Meanwhile a lack of such institutions causes a long-term barrier to growth.