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“Islamic Economics and Justice in Indonesian Elections”

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Since the unprecedented economic meltdown brought on by the Asian financial crisis of 1997, and the subsequent ouster of former president Suharto, Indonesia has embarked on the path toward creating a representative democratic government. In fact, the country’s first direct presidential elections in fifty years will take place beginning on July 5th. The political role that Islam will play in this burgeoning democracy is of great interest to many. And connected to this is the question of how Indonesia’s economic situation will factor in to electoral politics and the democratic future of the country. Given the dramatic rise in the number of people living in poverty since the economic crisis first unfolded, this is even more the case. Indeed, the magnitude of this crisis is difficult to overstate. As Uben Parhusip and Dieter Seibel proclaimed, it amounted to, “a radical financial meltdown such as has never before been recorded in the modern history of economic development” (2000:157). To give the reader a sense of this, after two consecutive decades of sustained economic growth, the percentage of Indonesians living in poverty fell from 60% in the period before 1970 to less than 20% by the beginning of the 1990’s. However, after the 1997 financial crisis USAID estimating in its 2002 Annual Report that, once again, nearly 60% of the population again lives in poverty, earning less than \$2 a day. Many Indonesians still blame the IMF’s austerity measures for exacerbating their problems and the world of international finance and corrupt politicians for causing them in the first place. Moreover, the whole debacle is widely seen as resulting from an arrogant abuse of power designed to protect Western creditors and corrupt banks at the expense of the now vast number of poor Indonesians.

As a result of this, it is easier for Indonesians to see the country’s economy as having been closely associated with a form of external domination. Indeed, the humiliation felt throughout the Archipelago when the picture of former IMF head Michel Camdessus—standing behind the seated Suharto with his arms crossed as the latter signed an agreement on terms that were felicitous to IMF desires—is seared into the memories of Indonesians from all walks of life. In fact, I was there at the time and the picture was reproduced on the front pages of numerous major newspapers—and was much talked about. This image resonates in a unique way for much of the country’s Muslim population, which has become significantly more politically active in recent years.

As a result of this we might expect that Islamic approaches to the economy will play an increasingly significant role in the country's economic and political future. Such a possibility is evidenced by, among other things, a *fatwa* recently issued by the government-appointed Indonesian Council of Islamic Scholars, which declared that the charging of interest (*riba*) was unlawful (*haram*) according to Islamic law. In addition, the increased politicization of Indonesian Islam that began during the early-1990's points to the likelihood of further and more aggressive demands for Islamic approaches to economic development. Indeed, since Suharto's ouster, Islamic banking facilities and services have expanded considerably in Indonesia. The importance of this change should not be seen as being restricted to the financial sector. As Robert Hefner remarked in reference to the opening of Indonesia's first Islamic bank in 1991, "the relative success of this and other economic initiatives will influence not only the economic profile of Indonesian Muslims but also their attitudes toward the state, capitalism, and Indonesia's fragile pluralism."¹

Background to the Current Situation

The question now arises as to the extent to which an Islamic economics can work effectively within a pluralistic society that is experimenting with democracy. This is an important consideration given that, as Joseph Stiglitz recently pointed out, "the very notion that one could separate economics from politics, or a broader understanding of society, illustrates a narrowness of perspective."² Thus, it is important to consider the political and ideological context within which an Islamic economics would be constituted. Firstly, it must be noted that the relationship between economic and governmental systems anywhere is fraught with complexity. Nevertheless, for many, democracy and free market capitalism are assumed to be closely linked. Clearly, the foundational ideologies of the two seem to be cut from the same cloth and mutually supportive. Both assume that putatively autonomous decision-making individuals should determine the nature of each of the two systems through making individual choices (that is, the accumulation of decisions about what to consume or how much to save or invest determine how the economy functions, just as decisions about who to vote for or whether to accept or reject a given proposition shapes the political future of a given country or community). Together they constitute a cumulative, and amoral, disembodied will.

However, there is a good deal of variation to be found amongst democracies and capitalist economies. In fact, there is no one economic or political model that has endured for any length of time. Indeed, we have seen rather dramatic changes in capitalism over the course of its history—even within individual societies. For example, Max Weber's notion one hundred years ago of what the spirit of capitalism was and the requisite protestant ethic that spurred it on (i.e. that, ideally, individuals were frugal and moderate in their consumption) seems rather quaint and off the mark in relation to today's consumption-driven economy. Likewise, we see how democracy has developed into many different forms (i.e. parliamentary systems, two party, and multi-party constitutional democracies—some of which have direct elections; some with indirect ones). What is interesting to note is that there is an accelerating momentum within certain influential circles to make democratic

¹ Hefner, Robert, *Islamizing Capitalism: On the Founding of Indonesia's First Islamic Bank*. In *Toward a New Paradigm, Recent Developments in Indonesian Islamic Thought*. Mark Woodward, ed., pp.291-322. Tempe (Arizona): Arizona State University, Program for Southeast Asian Studies, 1996, p. 296.

² Stiglitz, Joseph E., *Globalization and its Discontents*. New York and London: W.W. Norton & Company, 2002, p. 47.

choices more direct and economies more free from external regulation and control. Much of this can be attributed to the end of the Cold War and the *carte blanche* that this seemed to offer free marketeers to push through a far more radical form of individual freedom of choice.

The drive to unfetter these two systems comes at a time when there is a growing backlash across the world against economic globalization and the deregulation that is associated with it. The backlash against democratic freedom is in a more nascent stage and does not enjoy the diversity of ideological thrusts directed at it. However, some Muslims remain skeptical about the nature of Western liberal democracy and its reputed lack of an ethical foundation. (Fareed Zakaria makes a related argument about American democracy by showing that widespread direct referendum voting on public policies in California has created an escalating range of problems. In other words, he argues that too much “free” and direct democracy can be a bad thing.)

Islamic Economics

Islamic economics can be understood, in great part, as a form of resistance to the rising economic order of globalized free market capitalism. Given the increasingly politicized religiosity of Muslims throughout the world (within the context of the widespread worldview that Muslims have long been suffering forms of Western domination) we see many turning to *shari'a* both for guidance, and as a means to thwart this domination. These Muslims seek an organized Islamic approach based on eternal moral principals rather than relying on an amoral system that depends on fallible human beings making discrete choices that ultimately determine the very nature of the economic system.

Islamic economics has been growing dramatically in popularity since it first became popularized nearly 40 years ago. In early 1999 it was estimated that Islamic financial institutions around the world had assets exceeding 200 billion dollars.³ While it is too complex a subject to address in any depth here, I will highlight some of the key aspects of Islamic economic theory and practice that are widely agreed upon. Firstly, the primary goal of Islamic economics is the creation and maintenance of an optimally just society where economic exploitation and large disparities in wealth are kept at a minimum. The centerpiece of most versions of Islamic economics is a ban on the charging or proffering of interest (*riba* in Arabic) on loans. Such an approach, it is argued, will work against economic exploitation as it spreads the risk taken more evenly between creditors and debtors. In addition, there is the expectation that a system of tithing payments (i.e. *zakat*—one of the five pillars of Islamic faith) will redistribute wealth from the well-off to the poor. Finally, activities or products deemed to be *haram* will not be permitted to circulate in the marketplace. There are many very complex and diverse applications that strive to remain filial to the above principals that often involve a good deal of accounting gymnastics. In fact, there is still a good deal of controversy about the different financial products that have been created in the name of Islamic economics. Thus, as with capitalism, there is much variation to be found in that which falls under the rubric of Islamic economics. This is not surprising given that Muslim scripture that deals with this subject is not overly specific. However, the spirit behind the endeavor to create an Islamic approach to the economy is irreducibly tied to the goal of establishing economic and social justice—a reigning theme throughout the Qu'ran..

³ Warde, Ibrahim, *Islamic Finance in the Global Economy*. Edinburgh: Edinburgh University Press, 2000, p. 6.

Indonesia

Now we return to Indonesia, which, despite the fact that it is the largest Muslim-populated country in the world, has long been under-recognized as an important player both within and outside the Muslim *umat*. In fact, its tremendous geopolitical and military significance (as a potential southern bullwork against China, a major determiner of Southeast Asian political stability, and as a controller of some of the most important shipping lanes in the world) is unquestioned. Moreover, it is one of the only countries with a large majority Muslim population that has a democratic form of government. This is especially significant given its large minority population (between 12 and 15 %) of different faiths and ethnic backgrounds.

Indonesian Muslims have, and continue to be, deeply affected by Arabic political concerns, theological views, and culture despite the vast geographic distance between Southeast Asia and the Muslim heartland in the Middle East. In addition, the various forms of Islam there reflect a variety of other “outside” influences that we see shaping the religion elsewhere (such as the global capitalist economy, international politics and violent conflict, to name a few). Moreover, certain aggressive and anti-Western representations of Islam in Indonesia have become more visible on the world stage, and will continue to in the future. In a rather sensational way, we can see the beginnings of this with the attention-grabbing bombings of the nightclub in Bali and the Marriott Hotel in Jakarta.

But we can also see many other and perhaps more telling sides to Islam in Indonesia. In this regard we need to continue efforts to better understand how the religion adapts to the country’s uneven, at times halting, integration into the global capitalist economy. We must also pay attention to how the diversity of opinion within the Muslim community is mediated and how Indonesia’s recent dramatic moves toward a democratic form of government are both accommodated for and resisted by Muslims.

In fact, open and public debates about various aspects of Islam have quickly and dramatically emerged since Suharto’s downfall. In many respects, the range and sophistication of these debates in public forums are unparalleled anywhere in the Muslim world. Indonesia therefore stands to become a potentially vibrant source for the Muslim imagination during these difficult times. A prosperous, peaceful, diverse, and democratic Indonesia would serve as a positive model for the Muslim *umat*—and by extension, be a watershed for the whole world.

Nevertheless, there are less sanguine scenarios that could come about. Continual violent separatist movements along with inter-ethnic and inter-religious conflict in various parts of the archipelago severely threaten the survival of this fledgling democracy. In a similar vein, endemic corruption, an underdeveloped civil society (the result of decades of oppressive and authoritarian rule) and the country’s relatively small middle class might doom Indonesia to some troubled times ahead.

Indonesia is now at a critical juncture as it transitions into a democratic society. The same can be said for the political and cultural future of Islam there. Indeed, a more confident articulation of a vibrant and politically viable Islam by Indonesian Muslims is taking place all over the archipelago and has dramatically accelerated in the last five years. Concomitant with this has been a steadily increasing Islamic influence in Indonesian civil society and, to a lesser extent, governmental politics. Nevertheless, the lingering economic problems that began with the financial crisis of 1997 and the political upheavals that followed have left many Indonesians unsure of their country’s future.

In any case, Islam will surely play a central role in determining the fate of the country's experiment with democracy and its economic development. It should be noted that there are many different Islamic viewpoints in Indonesia—and not all are supportive of the secular democratic model currently in place. Indeed, many have begun to assert this view far more aggressively now that they can. Some from this camp call for an Islamic state based on *Shari'a*. However, most are of the more tolerant strain—the type that Indonesia has long been portrayed as being comprised of. In the end, the sympathies of all Muslims in Indonesia are being vied for by political parties coming from a wide range of ideological persuasions.

The Indonesian Elections

Indonesia's diversity is reflected in the large number of political parties contending this election. The first phase of the elections took place in April (deciding the composition of the legislative body) and, despite a variety of concerns beforehand, seemed to have gone off rather well. They were contested by a large number of parties, and we can expect that given that this is a transitional democracy many will be winnowed out over time. There were no clear-cut winners—although six of the parties will have a candidate stand in the presidential elections July 5th. Much speculation has been made about whether the Islamic-oriented parties would garner strong support. The two that did well enough to contest for the upcoming presidential elections garnered about 18% of the national vote together (United Development Party—10.5%; Prosperous Justice Party 7.3%). These two parties do not aggressively espouse forming a government based strictly on *shari'a*, although their political platforms advocate incorporating it into the legal system. Both, however, publicly acknowledge the need to make accommodations for Indonesia's highly diverse society. The other contending parties maintain a basis in the secular nationalist *pancasila* doctrine that was the ideological foundation of Suharto's efforts at political control. This ideology predated Suharto's regime and has been largely cleansed of an association with the former dictator. In fact, the National Mandate Party is headed by the high-profile Muslim leader Amien Reis and embraces the *pancasila* doctrine. Yet, despite this, the Forum Umat Islam recently proclaimed that Reis was the only viable Muslim candidate standing for election.

Because this process is so new, we can see a number of factors working against an Islamist political party garnering widespread political support. These include historical factors such as the continued presence of political players from the Suharto era; longstanding traditional biases against the religious domination of national politics, the de-politicization of religion under Suharto, and a politics dominated by regional loyalties combining with newer ones—i.e. personal popularity playing a key role and the general unfamiliarity with democratic processes. All work together to produce this result. The complex demographics of Indonesia naturally contributes to this as well.

In fact, the tremendous amount of political coercion during the Suharto era that aggressively indoctrinated citizens with the secular-nationalist *pancasila* doctrine, including the demand that every political party pronounce their fealty to this ideology, still resonates within Indonesia's political dynamics. The heavy stress on economic development also shaped the political terrain.

The United Development Party (P3), which came in fourth, was one of the three parties allowed to function by the Suharto government and therefore had a well-established and longstanding presence throughout Indonesia. They will be represented by former vice-president Hamzah Haz. The prosperous Justice party is very urban based, modernist, and supported by the well-educated, according to Nurcholish Madjid, a leading "modernist" Muslim intellectual. How these parties will

do in the presidential elections depends heavily on their candidate's overall popularity and not the particular ideology they espouse. Indeed, we see several candidates coming from a strong Islamic background who not only head political parties that do not espouse a strong Muslim line but who have also chosen running mates of entirely different religious persuasions. Moreover, we see candidates jumping from one party to another with surprising frequency. Much of this can be attributed to the fact that this is still the beginning stage of a political experiment. But it also points to a longstanding accommodationist strain in Indonesian Islam—both in terms of attitudes toward other religions as well as toward the tremendous diversity of views within Islam that we find in Indonesia. In fact, Indonesia's unique history, tremendous demographic diversity, and its existence on the periphery of the Muslim ummat have all contributed to produce this outlook and diverse range of theological doctrines. Nevertheless, the increased exposure to the political turmoil in the Middle East, more aggressive efforts of some (including non-Indonesians) to inculcate a more politicized and less tolerant brand of Islam, along with the polarizing nature of current US foreign policy is contributing to the changing face of Islam in Indonesia.

The Role of Islamic Economics in Indonesia's future

While the economy, in the broadest sense, is an important issue in this election, and will remain so in its aftermath, Islamic economics has not been a key feature of political discourse. The complex nature of electoral politics and the novelty of these elections simply preclude any heavy emphasis on complex issues such as this. Nevertheless, we can expect that calls for a more just economic system based on Islamic values will continue to gain momentum in Indonesia and elsewhere in the Muslim world given the increasingly dire economic situation in many Muslim communities and the resulting turmoil that comes from this. Most Indonesians seem to be voting for more stability, both politically and economically. Thus, we see that, aside from Megawati, the two candidates with best chances of winning were former generals during the Suharto regime. This has hindered efforts at creating a nationalist politics of Islam. Nevertheless, regardless of the outcome, the trend toward a more politicized and aggressive Islam is likely to continue unabated. Similarly, we can expect that the economy will remain a central political issue and calls for an Islamic approach to economic development are almost certain to become louder and louder.