

FORMULATION OF THE DEVELOPMENT POLITICAL CONCEPT OF NEW ECONOMY BASED ON ISLAMIC ECONOMIC IN INDONESIA

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Abstract

The development political approach in Indonesia used the political concept of trickle-down effects during the New Order government up to economic reform period. This political approach holds that the upper classes become the target of development and therefore it should take precedence in the acquisition of income. The class will serve as the locomotive towing a country's economy that pulls the economy of the lower class indirectly. In fact, the implementation of this political economic approach was not run well and caused imbalance on the distribution of the development, especially in the economic sector. This political economic approach did not run in line with the underlying assumptions should be. The purpose of this study is to criticize the approach and mechanism of political economic development in Indonesia which was not in accordance with the expectations of the development of the Indonesia. The second objective is to formulate the concept of a new political economic development approach that based on Islamic economic system. This study used the paradigm of critical (critical paradigm) with policy research approach. This study found a concept of political economic development approach that called squirt up political economic development. It means that economic development which squirt up windfall from the bottom to the top class. Supporting pillars of this political economic approach are 1) the economic reform program, 2) Improving the quality of health and education, 3) strengthening the technological capabilities and 4) structural adjustment program with the growth of new industries. Economic instruments of this pillars include: 1) the financial system should be consistent with justice (fairness) for all market participants. 2) Implementing the finance schemes, namely profit-sharing system and equity. 3) Transaction of debt contract agreement must be created through the buying and selling of goods and services in the real sector, not through direct credit transactions in the financial sector. 4) Regulation and supervision of Islamic financial institutions are adequate and integral in creating Islamic financial market discipline system. While the strategic steps are the development that rely on the program pro-growth, pro-job, pro-poor and pro-environment.

Keywords: trickle-down effect, Islamic economics, squirt up

Introduction

Philosophy and economic system adopted and applied to produce a strategy approach that is very biased to the high groups, especially those who are very close to the inner circle of power (Misanam, 2010). Meanwhile, the economic performance is only measured quantitatively and do not promote the quality of the distribution of economic results . The implementation of a such strategy clearly has strayed far from the moral code there so it's not surprising that the economy is very fragile and there is economic crisis, as happened in 1998an.

The impact of the economic crisis in 1997 in Indonesia is still felt to this day. These conditions have prompted many people to make corrections to the economic order in Indonesia. Why the crisis ? What is wrong in our economy so that our country is so poor at that time ? These are the questions that need to be answered. Many economists argue that the emergence of this problem is caused partly because of uncontrolled private foreign debt and the fragility of the banking system. Another reason is the notion of the high value of imports of goods produced and integrated industrial structure are not entirely, so that it can not take advantage of the momentum of increased exports as the adjustment factor. Many people see things that are pragmatic, but not much to see and understand the philosophical aspects and economic system that has been adopted .

IMBALANCE OF THE ECONOMIC GROWTH RESULT

The crisis can be considered as a result of the impartiality of government policies in the interests of ordinary people. Parties belonging to the little people are farmers and laborers. Small farmers and laborers are the majority community of the country, but its presence is neglected. This condition causes the small people do not get subsidies from the government and vice versa on more enjoy government subsidies (Misanam, 2010). The government has been spoiling the upper classes. This is done in order to realize the stability and reliability of government power. As a result of these policies, the income of lower people are very low.

Why is the government at that time were keen to set wages at a low level ? It can not be separated from the international trading strategies that rely on comparative advantage (comparative advantage). Comparative advantage which can be extracted sourced entirely on the availability of raw materials , natural resources and cheap labor. Cheapening of labor costs is used as the main tool to attract international investors to enter the local perekonomian (Muhamad, 2008). This should be recognized that the comparative advantage of this approach successfully attract foreign investors so that foreign investors made it into the Indonesian economy .

After the economic crisis, Indonesian including as an international investment destination after Malaysia. International investment has many contributions in promoting economic growth of a country. International investment has a lot of contribution in encouraging economic growth in Indonesia until just before the financial crisis occurred (Muhamad, 2008). In other words, economic growth occured has been widely requested sacrifice the lower class community, especially the labors and farmer. However, the reward is far from what they've contributed to the country's economy .

The conditions stated above indicated that the high economic growth in a country (like Indonesia) until the financial crisis is mostly enjoyed by the upper class only. Meanwhile, when the

financial crisis occurred, the group most likely to bear the burden is lower class. This condition showed that there is an asymmetry in the distribution of burdens and benefits of economic growth over the years. This condition is clearly not fair to be retained longer in the future (Misanam, 2010). The economy must be arranged based on the principle of the real results obtained by each group in the economy. The party who contributing significantly to the economy of the country should get a share in accordance with the contributions given by.

CRITICS TO TRICKLE DOWN EFFECT APPROACH

Thesis of development that have been used are oriented to economic growth over. Economic growth only pursue growth quantitatively without thinking about how it could improve the welfare of society as a whole (Kuncoro, 2009). Based on the condition that mentioned previously, there is a question that what a strategic step is to be done in order to arrange a more fair economy that reflects the contributions and sacrifices given to the economy? The Strategic steps that must be done is to change the development thesis. There are two theses of development which has been used: (1) economic growth oriented upward and (2) economic growth with a quantitative scale (Misanam, 2010).

What devices are used for this? Theoretical device that is used as a justification of the unfair economic thesis is a trickle-down effect mechanism. This mechanism means that the blessing which was accepted by the upper classes will drip (menetes) through natural processes in the economic mechanism. Lower class will receive droplets fortune from the upper class group. This proposition is based on several assumptions. First, that the upper class has a tendency to consume relatively lower when compared to the lower class (Misanam, 2010). The trend of low consumption will create saving. Saving will be transformed into a force to build the capital. Capital can push investment and then will increase revenue, both in the lower and upper class. Second, consumption of large amounts absolutely from upper class will be partially supplied by the lower classes so that increasing income of upper class will pull the lower class income. This is contrary to the concept of economic equality in Islam, as stated in the word of God, which means: "... that the goods was not circulated among the wealthy among you". (QS. Al-Hashr: 7)

Assumptions as described above were undenied. But, in the reality, these are not always happened. The upper class had large consumption but they did not use or consumed product from upper class (Muhamad, 2008). Moreover, upper class consumed foreign products. As a result, increasing revenue of upper class will increase the economies of other countries. In addition, there are other things that cause inhibition mechanism trickle down effect, namely monopolistic practices (Muhamad, 2010). Monopoly has created distortions in the market and create greed. Monopoly has given economic rent (economic usury) which is very excessive to the holders of the monopoly. Enormous economic rents besides inhibiting the creation of efficiency at the company also has hindered the process of sub-contracts.

Although monopolists get much profit but it is not encourage monopolists to share a part of their activity to smaller unit outside his company or company group. Actually, this sub-contract flow will connect upper and lower class economy. It was believed that activity is able to pull the lower economy class. As a result, the mechanism trickle down effect which is believed to act as autonomous balancing income distribution can not be implemented (Misanam, 2010).

FORMULATION OF DEVELOPMENT POLITICAL APPROACH BASED ON ISLAMIC ECONOMIC

Islamic economics is a science to realize welfare (falah) humans through the allocation and distribution of resources base on maqasidh sharia, creating macroeconomic and ecological balance, without restraining the freedom of the individual and social solidarity and the role of family also community networks (Chapra, 2001) Thus, Islamic Economics is as implementation of development thesis. Islamic economy is an economy that is concerned to the distribution of income between the upper and lower class. It means that Islamic economics is more emphasis on the application of democratic economy (Muhamad, 2010).

It is clear that Islamic economics as an alternative of development approach which can increase business opportunities for small and medium enterprise. This happens because the income of the lower and medium class in a large amounts will be spent on domestic products where domestic products are derived from the production of lower and middle classes. This condition is clearly different from the consumption of upper-class, which consume products from foreign products in very large than domestic products.

It is to be noted that there is no mutually exclusive relation between increasing of income lower-middle class and income of upper classes. Thing that would happen is the relevance of all levels of society in the distribution of income. It can clearly be seen that the lower classes will not be able to produce its own all the needs that they need, and this of course can only be supplied by classes on it. Obviously this is a process of squirting up from lower class to upper (Muhamad, 2010). Squirting up from the bottom to the top society is certain and not rely on a particular situation which is a prerequisite, as happened in the trickle-down approach which has many assumptions that can not be fulfilled in practice.

Economy development mechanism based on squirt up is expected to provide answers to the problems of economic development mechanism based on trickle-down effect, which until finally not able to solve the problems of the lower class and middle (Muhamad, 2010). The problems is the widely gap between poor and rich. The gaps occur caused by activity to enrich themselves. Such action effect to poverty. Therefore, need to understand the roots of the problems faced by humanitarian groups linked to the concept of poverty. By understanding the root of the problem, it will be easier for us to understand the phenomenon of growing poverty around us. The root of poverty is a corrupt bureaucracy and centralization of power in the hands of political power also the owners of capital that no clear where the public interest and where personal interests. The root of poverty is the result of our own crime.

Islam has many efforts and concepts related to make a public policy that can be used as a guide for poverty alleviation program. Concept in Islam is also aimed at minimizing unemployment by inviting investors, both local and non-local to overall job creation. Islam always boost economic growth that gives benefit to the wide community. Islam offers an ideal concept to achieve the purpose through two main gate. They are the prohibition of usury and encourage real sector activities (Hamid, 2010). The prohibition of usury will effectively control inflation so that the purchasing power of people awake and create economic stability. At the same time, Islam directs capital in productive economic activity through economic cooperation and business such as mudaraba, muzara'ah, and musaqat. Thus, it will create harmony condition in the real sector, so that economic growth can run continuously (Muhamad, 2009).

Government need populist programs to create a budget that pro to mostly society. There are three principles in achieving it in Islamic history, they are the strict fiscal discipline, good government governance, and the use of

the budget entirely to the public interest. During the reign of the Prophet Muhammad, only once experienced a budget deficit that is at after Fath Makkah (Mecca agreement) (Karim, 2008). The state budget is public property so that the budget be very responsive to the interests of the poor, such as providing food, pay for funeral expenses and debts, provide interest-free loans for commercial purposes, and scholarships for the study of religion.

Moreover, Islam does not prohibit the construction of infrastructure that have positive externalities in order to increase the capacity and efficiency of the economy. Prophet Muhammad allot land in Medina to the community to build houses, establish public baths corner of the city, building markets, expanding the road network, and maintenance of public services. Islam encourages the provision of basic public services, namely amanah bureaucratic to serve not only for its group but also for the public, clean up the bureaucracy by terminating the corrupt employe, the development of education and health as a source of productivity for long-term economic growth.

Therefore, in order to establish a strong lower class as a base for future growth, it is necessary done following things (Muhamad, 2010): First, disassemble monopoly totally either overtly or not visible. In addition to this monopoly as a source of market distortion, monopoly also tend not to give access to small entrepreneurs who will enter the market. In this framework is also needed laws of small businesses protection. Second, the typical problems faced by micro entrepreneurs is the minimum of capital ownership. Loans from banks are the main expectations of the increase in business for small entrepreneurs. However, this expectation is often far from reality. This happens due to the banking system applying collateral (guarantee) that sometimes can not be met by small entrepreneurs. Third, creating government policies that take side to small businesses. This can be done by breaking large projects into several smaller projects, so that small businesses have a greater opportunity to compete for these projects.

PRACTICAL IMPLEMENTATION: Need Pillar Sustainer

As explained in the previous section, an attempt to create an alternative political approach to the economic development of a country whose economy in favor of the lower and middle class society, need to be equipped with four supporting pillars. These four supporting pillars are: 1) The program of economic reform, 2) Improving the quality of public health and education, 3) Strengthening the technological capabilities and 4) structural adjustment program with the growth of new industries (Kuncoro, 2009)

The four pillars above must be completed by waking democratic economy in Indonesia, such involved and improve the community's ability to run the nation's economy. All this time, development concept does not involve the community, especially the lower classes. By carrying out the four main pillars of development based on squirt up economic development, strategic tactical programs should be developed are a pro-growth, pro-jobs, pro-poor and pro-environment.

Therefore, to implement the vision and mission of the development, it is done through a politic program of pro-growth, pro-jobs, pro-poor and pro-environment. Implementation is done by providing capital for lower class group, soft loans for cooperation and SMEs, providing job and education. In addition, also give cheap health service and provide facilitation along to the corporation. The government does not just rely on exports to foreign countries to boost the region's economy. Another step is done by applying the domestic trade.

Although it can not be denied, that the problem of unemployment and poverty will definitely

happen on a country's economy. However, the country needs to make efforts to minimize the amount of jobless and economic inequality. Therefore, the four pillars of economic development or political lines must can be done.

First, pro-growth pillar done through preferential exports and investment. In addition, this politic is also focused on the micro-economic sectors of the business community such as small businesses, micro and informal businesses. Second, pro-job includes increasing the capacity of labor, labor protection, and real sector programs supported by the improvement of the investment climate and regulatory framework, budgetary framework, and cooperation with the private sector.

Third, pro-poor pillar covers three clusters, namely (1) family-based social assistance programs; (2) community empowerment programs, and (3) empowerment programs of micro and small enterprises. As the previous two pillars, pro-poor strategies are also often conveyed by Mr Susilo Bambang Yudhoyono on various occasions speech. Mr Susilo Bambang Yudhoyono is the previous president before Mr Joko Widodo, the current president of Indonesia. Mr Susilo Bambang Yudhoyono was very aware that the necessary programs to reduce poverty and real action. For that, since 2007, Indonesia government made integrated poverty reduction with three types of packages. The first package is the assistance and social protection. The second package is empower sub-districts and villages through the National Program for Community Empowerment (Program Nasional Pemberdayaan Masyarakat). The third package is providing small loans (Kredit Untuk Rakyat) for small and medium businesses.

Fourth, pro environment is program to anticipate the effect climate change. So that it becomes a four-track politic strategy. Therefore, economic development in Islam should consider the following: 1) The concept of economic development is the concept of development 'fully human' to the top of the beautiful life (fi ahsani taqwiin), 2) Development which is based on the purification of the soul (tazkiyatun nafs) in order to create the harmony of life (internal harmony) through a process of social transformation that unites moral values and pareto optimum level of Islamic economic.

CONCLUSION

Development political approach based on the trickle down effect has led to widening inequality. Therefore, it needs a political approach to the new economic development. Development political approach is squirt up economic development political approach. Political approach to economic development is supported by the four pillars of economic development or political lines, namely: a program of pro-growth, pro-jobs, pro-poor and pro-environment.

Programs to drive the four pillars (pro-growth, pro-jobs, pro-poor and pro-environment), its implementation must be equipped with economic instruments by introducing profit and loss sharing (PLS). Therefore, the Islamic financial will push the appear of market discipline more robust because it requires the owner of the funds to share the risk in financing. Islamic finance will also associate financing expansion with the economic growth in the real sector.

Such situation will establish a strong Islamic economics and finance. The strenght of Islamic economics and finance characterized by: First, the financial system must be consistent with

justice (fairness) for all market players. Second, the system should emphasize the importance of PLS and equity financing schemes. Third, the debt contract transaction agreement must be created through the buying and selling of goods and services in the real sector, not through direct credit transactions in the financial sector. Fourth, regulation and supervision of financial institutions may be inadequate. To the moral values of Islamic financial Human Resources should be an integral part in achieving market discipline Islamic financial system.

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