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SCHUMPETER PERSPECTIVE IN INDONESIAN SOCIOLOGY

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Abstract

Joseph A. Schumpeter declared that Capitalism, Socialism and Democracy (1976) become the important economic system as well as value system in society. Capitalism has exceeded itself as the economic system and the moral economy comprise of spirit, social virtues characterized by reciprocity and strategy formation at the same time. Schumpeter’s concept on creative destruction enable to analyze Indonesian Economic Sociology. Starting from Weber and Marx as the philosophy background of Schumpeter on Capitalism and Socialism, combined with Ibn Chaldun’s ashabiyah or social solidarity that highly influence the grand theory of some western Sociology scholars. The ashabiyah is emphasized where the social system containing not only the value but also spirit. The existence of the spirit enable to transform Puritan into the rational economic system namely capitalism as Weber mentioned in Protestant Ethic and Spirit of Capitalism. Social solidarity is one of the element in social capital shaping, in which creates the economic network.

Capitalism according to Schumpeter’s monumental discourse “creative destruction” provided excellent instrument for economic mobility where the old system will be systematically replace into the new one. The actor of creative destruction in building group formation required sufficient social capital. Without social capital and the spirit of capitalism, the creative destruction process will not meet.

Indonesian economic sociology will be feasible to be analyzed using creative destruction where in at the recent time Indonesia has insufficient of social capital to do so. This framework also explain that the lack of social capital in Indonesian society avoids Indonesia in adopting welfare state system substantively.

The additional analysis due to welfare state and creative destruction is the notion that after providing the excellent instrument, the creative destruction process will be occurred not only in business activities, but expanded into the political system. Since the capitalism incessantly destroy the system itself from within by elaborating the instrument of socialism to support welfare state. It is notably that the emerging of welfare state will be marked by the decline of capitalism and the revival of socialism. This analysis is to explain the important statement of Schumpeter on “Can Capitalism survive? I don’t think it can”.

Keywords: capitalism, social capital, socialism, Indonesian sociology, creative destruction, welfare state

I. INTRODUCTION

Indonesia is the most populous Muslim-majority country as just over 86% of Indonesia declared Muslim, out of 252.8 million on 2014 according to Indonesia National Statistical Bureau data. For Islamic world, Indonesia is a promising country due to its large number of population, nevertheless there are some social problem that impact to economic aspect. Regarding to the Corruption Perception Index 2014 Indonesia, Indonesia at 107 out of 175 rank with 34 out of 100 score. The Indonesia achievement is considered low compared to i.e Singapore at rank 7 with 84 score that notably Singapore is not known as Muslim majority country.

Quality of development in Indonesia indicates there are still amount of problems due to UNDP (2014) on Human Development Index related to Indonesia rank at 108 out of 187 countries, far below others ASEAN countries such as Singapore (9), Brunei (30), Malaysia (62) and Thailand (89). Moreover, Global Competitiveness Index 2015 Indonesia rank at 34 out of 144 countries, meanwhile Malaysia (20), Thailand (31), Singapore at (2) and China (2). These data show that Indonesia has not achieved the quality of growth and development regarding to total government spending of 2,019.9 trillion Rupiah to financing development. The quality of growth considered low related to basic needs fulfilment i.e health facility standard are relatively poor. Maternal mortality rate considered high to 236 died out of 1.000 maternity. But, at the same time UNDP has classified Indonesia as the middle income country.

Amazingly, particular condition explains that Indonesia facing major problem in term of internal contradiction occurred; as the most populous Muslim country with higher Corruption Perception Index, as the middle income country with high maternal mortality rate, and as claimed to be modern society with low rate of competitiveness in global market.

This contradiction drives a big question on several dimensions, nevertheless this paper will observe on sociological context related to Schumpeter perspective. Schumpeter’s sociological perspective has highly rooted in Weber tradition that immensely popular in describing value driven on social economic activities in society, furthermore so called as moral of economy.

Moral of economy means the value adhered by society affected social action and plays important role on economic action. The value adhered shall be categorized as core value that is
playing important role in affecting social action accordingly. In Weber perspective, religion serves as moral driven that emerged capitalism that well known as the spirit of capitalism. Spirit in sociological context is transcendent but connect to real systematic economic action. Regarding to the context, it is interesting to discuss Indonesia sociological aspect mentioned above through Schumpeter perspective to find the answer on prominent question why Indonesia as the most populous Muslim country unable to maximize, dynamic religious value as, the ‘religious infrastructure’. In this context, I assume it is provided by Islam teaching to enhance the quality of growth.

Historically, Indonesian society has experiences tremendous spirit of religion for trading initiatives wherein Islam contributed in establishment of the Sarekat Islam, previously Sarekat Dagang Islam, the elite Muslim trader group, as the first modern and solid organization in Indonesia during Dutch colonialism. This organization initiated the notion of Indonesia’s independence to be the sovereign nation-state. Indirectly, Islam as the religion affects the Muslim traders to organize the movement to grab Indonesia independence. This historical dynamic driven by Islamic value of anti-colonialism is well recorded done by former generation. But it is contrasts to recent Indonesia where is the spirit of religion is domesticated only for personal life.

II. THEORETICAL FRAMEWORK

2.1. From Marx and Weber to Schumpeter: The Sociology of Capitalist

Greediness has been a prominent label stick on capitalism. Capitalism has a dark side in its emergence phase since Marx criticized the former capitalism emerged in 19th century as the economic system that put the labor as the minor instrument in production process. The main goal of capitalist mode of production is to accumulate capital, whereas capitalist gains higher profit namely surplus value by paying labor with minimum wage, long daily working hour without weekend and regular leaves, and minimum compensation or allowance as well as no social facilities and insurance provided by the owner. Marx says that the weakness of labor bargain due to them has no production instrument in manufacture and industrial system. In a changing mode of production from traditional agriculture to manufacture industry, labor forces have less choices due to limited availability of jobs, therefore they have no choice other than workin under exploitative capitalist system.
Labor social economic under exploitative system according to Marx can only overcome and change by radical revolution where labor demand on normal working hour, allowance, social facilities and insurance failed. Market system that created class of economy should be demolished as well as capital and instrument of production should be controlled by state comprehensively. The system of no class is the ideal form of society and its social structure, wherein the prosperity for all will be created.

Nevertheless, until the advanced capitalist system in 21st century is fundamentally formed and strongly supported by welfare state system, the labor movement to revolution that Marx emphasized on is failed. Even the theory of surplus value and exploitation remain monumental and fully prophetic due to its epistemological context and its spirit staying side of diadvantaged group, which is still relevance in recent context.

Capitalism as the economic system also has the long history that embedded to social stratification was introduced by Weber through his monumental works The Protestant Ethic and Spirit of Capitalism. Regarding to Weber’s work on emerging the capitalist, it is obviously that economic life has a strong relation to social structure. Schumpeter’s quoted on Weber that capitalism substantively emerged from a certain environment such as social classes and ethnically homogeneous community where a social group has the so-called a certain aptitude in business.

Capitalist according to Weber’s “The Protestant Ethics and the Spirit of Capitalism” came from Calvinist, one of three sects in Protestant namely Zwing Lie, Luther and Calvin its self. The Calvinist believe that the chosen one who praises the God by hard work, restrict consumption especially the luxurious and restless, continues and systematic in a worldly calling, as a highest means to asceticism. This doctrine drives the believers to work hard, restrict their consumption and broaden their occupation to the highest achievement.

In the same time, Weber stated that the surest and the most evidence proof of rebirth and genuine faith, must have been conceivable lever to expansion of that attitude toward life which we called with the spirit of capitalism (Weber, 1958: 172). The God of Calvinism demanded of his believers not a single good work, but a whole life of good work, combined into a unified system.

Calvinism, according to Weber’s argument, supplies the moral energy and drive of capitalist entrepreneur. At the middle and lower levels of capitalist organization, the doctrine role plays mainly enhancing labor discipline. Weber’s study on world of religion made The Protestant
Ethic as a fragment of the root of any systematic-modern structure in society. In his study in India, Weber placed particular emphasis upon the period when Hinduism became first establishment of bureaucratic officials. The double-entry-book keeping in Europe, in Weber view, this was a phenomenon of major importance in opening the way for regularizing of capitalistic enterprise.

Weber conducted his research on ancient Judaism, Hinduism and Buddhism and Confucianism. Weber also planned a full-scale study of Islam, but unfortunately the research did not complete. Nevertheless, The Protestant Ethic traced ‘only one side of the causal chain’ connecting Puritanism to modern capitalism. Weber’s identification on religion ethics in economics influences extensively in some substantial part from the so-called ‘historical-school’ of economics in which outer economics aspect such as social, culture and politics are embedded in economic activities. The fruit of the Weber’s endeavor is the substantive finding on ‘spirit’ or ‘Geist’ within real economic activities.

Schumpeter notion that the ‘angel’ side of advance capitalism related to the system represents hardworking, high achievement and willing to compete in creating innovation and best result. These process tend to creating mature market system. In capitalistic mechanism, society not only gained the profit but also benefit in other life dimension. Capitalism has been transform from economic mechanism into different form of social driven value such as other individual or social group that was occurred in Muslim traders who organized themselves in Sarekat Islam against Idenburg the Governor General of Dutch colonial. What Schumpeter trying to say is capitalism is more than economic system, furthermore capitalism attached to the spirit of struggle to keep identity group exist. Social solidarity emerged related to the Muslim traders has ownership and capital in struggling their dream on Indonesia Independence. The issues arose here that capitalism also functioning as a mental and spirit to main the existence both individual of group even the state.

2.2. Social Solidarity and Modernity of Prominent Islamic Sociologist: The Legacy of Ibn Chaldun on Spirit in Society

Capitalism can be grown up effectively if it is supported by social solidarity as it is mentioned by Weber. Far prior Durkheim identify social solidarity consisted mechanic solidarity and organic solidarity, even Weber with gemeinschaft and gesselschaft Ibn Khaldun deliver a
concept on *syawkah ashabiyah* (the strength of social solidarity) on the 14th century. Ibn Chaldun explain on how and why the state and civilization (*umran*) is established. Social solidarity is the order of norms that organize individual into a grup, creates the structure of values that force every group member to consistently conduct virtue, good deed and obedience of Islam society during until 14th century. Social solidarity or *ashabiyah* is the core value during the time.

*Ashabiyah* is the spirit and the key principal of the birth and establish of a nation due to ashabiyah is the spirit of tied up each group member of tribes. It is functioning as social cultural ties enable to measure the strength of other social group as well. Therefore, *ashabiyah* is a social solidarity is emphasized on consciousness, cohesion and group unification. *Ashabiyah* is the important factor determines the victory and sustainability of a nation, dynasty or kingdom. Without *ashabiyah*, the survival and existence of a nation will be difficult to be achieved, in other words, the nation in a situation of a downfall into disintegration.

In the history of Islamic civilization, *ashabiyah*, shaped social solidarity of Islamic society to work together, put aside personal interest upon social obligation. Even *ashabiyah*, regarding to Ibn Chaldun has two opposites meaning. First, *ashabiyah* refer to positive understanding on brotherhood. The spirit of brotherhood encourage the creation of social order and becomes a very powerful force in supporting the revival and civilization progress. The second opposite one, *ashabiyah* refer to fanaticism.

*Ashabiyah* is the spirit enable to lever the group force up to certain level where number in some cases are not significant. It is evidenced during the Yarmuk and Qadisiyah war, where the number of Muslims only 30,000 people, and total number of the Persian army in Qadisiyah are 120,000 people, while the army of Heraclitos, approximately 400,000 people (Chaldun: . Inspite of Muslims forces less than the opposite army, nevertheless, the high spirit of unity, shaped by the role of religion, lead to win the battle).

Thus, strong solidarity effects the existence the nation. Further *ashabiyah* formation, Ibn Chaldun argues that religion has an important role in forming the union. The spirit of unity within the group member is formed through religion subsequently cannot be replace by spirit of unity that is shaped by other factor. Even in recent social phenomenon *ashabiyah* that is based on Islam that is fundamentally shaped the social solidarity, nevertheless *ashabiyah* is the grand theory of Sociology explains on a value tied up individuals into the social group. *Ashabiyah* concept inspire classical western sociologist over decades due to its concept
III. SOCIOLOGY OF INDONESIAN PERSPECTIVE

3.1. The Lack of Social Capital in Society

How do we observe social life in Indonesia? Everyday life reflects our complex dimensions such as politics and economy. For example, total consumption describes type of social economic and cultural dimension at one time. When a person spends the most of income for consumptive goods, partly amount but less than consumption to spend for education, whereas he/she comes from under level of urban middle class. In the opposite, we find the other person comes from a wealthy family, spend the money to gain better opportunity by having extra education to enhance skill, less consumptive goods spending from their total income beside their formal education. We can analyze how their social mobility by comparing the two different sample groups. Person mentioned firstly will face the downgrade living standard according to less capacity in competition in labor market. The second one, he/she will have economic mobility further. This example, show us how the consumption habit effects economic dimension. Furthermore, it show us there are interconnected issues between social and economic dimension. This approach, social economic, is described by Marx, Weber and Schumpeter in framing the analysis.

Social mobility has been emphasized by scholars over generations. Furnivall on 1930s noted that Indonesia social system during Dutch colonialism in Indonesia and Burma consist of European, Chinese, India and Native (Indonesia). These social stratification explain economic class as well. European as the prominent citizen and ruling class, control the political affairs and decision making process. Chinese is the trader at second social level and also have important role as intermediary group. Chinese plays economic role and having close connection to the European regarding to lives stock and food supplies are in their hand. Most of Indian is the middle and lower administrator at Dutch corporation, plantation and trading chamber. The lowest class is native or in –this context is Indonesian-, well-known at the time as *koeli* due to their minor role in economy and politic.

The social stratification has changed during post-colonial drastically. Indonesian became the elite group and rule the internal political affairs. Thus, the remaining stratification changes except Chinese. Indian role has been declining during post-
colonialism and Chinese keep the economic domination. Not only the overseas Chinese, but nowadays Chinese continental also played important part in Indonesian economy through their expansive economic policy. In Indonesia, Chinese keep up the trading domination, even more there were political force prohibited Chinese participation in bureaucracy and politic. Indian simply disappear from Indonesia social stratification.

Regional economic situation follows ASEAN Economic Community 2015 implementation. One of the AEC pillar is free flow of skill labor. It has been taken for benefit by recent young Indian generation that is increasingly flow of Indian labor to Indonesia. Indian in global and regional jobs has dominantly occupied at middle to executive level management such as middle manager to CEO (Chief Executive Officer), Indian has expertise in modern management. AEC has been gradually changed urban social stratification in several big city in Indonesia, wherein most the velocity of money occurred. The flow of foreign labor that seeps up to middle level occupation, can be observed through how the social group made comprehensive preparation facing AEC. Spirit to overcome the competition and seize the opportunity is the social capital that moves the race of gaining higher position in job stratification. Fukuyama (1995: 26) argues that social capital is a capability that arises from prevalence of trust in a society in a certain parts of it. It can be embodied in the smallest and most basic social group, the family, as well as largest of all groups, the nation, and in all the other groups in between.

Social capital refers to collective value of all “social networks” and the inclination that arise from these networks to do things for each other or can be called as norms of reciprocity. Social capital creates value for the people who are connected into a specific reciprocal relation and works through multiple channel such as in economic activities. Social capital facilitates the information flows i.e job recruitment, candidates running for office, exchanging ideas at college, etc depending on social capital.

In accordance to job competition during AEC implementation, professional group refer to social capital wherein the competition become harder. The network is aimed to secure the opportunity, hence the group member enable to access. Therefore, it is commonly occurred where a professional group consisting of the people of certain ethnic or other social and cultural groups. People of the same social background such as ethnic, school, skill category etc. are united and create their network to overcome the scarcity of
job opportunity.

Hence, reciprocity required in economic activities such as job seeking, managing supply chain or trading formation in accordance to overcome the limited of access upon job, business, trade and other economic activities. Spirit to gain economic advantage through the social group shaping the social group into the strategic formation. Wherein people with certain level of education, skill, ethnic or nationality unite in a network to seize economic advantage is the capitalist spirit. They manage their selves in a formation, share information and provide opportunity each other, designing strategy altogether. In several cases they organize the borderless network, across nationality even continental. This well-manage informal social formation can be operated effectively which is the same way on Schumpeter concept on Creative Destruction as the civilization on capitalism where rational attitude presumably forced itself on the human mind primarily the economic necessity. Pre-capitalist man is in fact the “less grabbing” than “capitalist man”. Peasant serves the land lords assert their self-interest with the brutal energy of all their own. But capitalism develops rationality and adds a new edge to it two interconnected ways (Schumpeter, 1942,1947, 1950, 1976: 122-124).

The rising of capitalism produces not only the mental attitude of modern science, the attitude that consist in asking certain question, but also men and the means. Regarding to Indonesia economics overview there are challenges upon increasing of the skill labor flow from ASEAN countries. The recent poverty trend according to the recent Sussex University research mentioned that many middle income countries are successfully to increase their PDB up to 5-6 percent, nevertheless, the poverty rate did not decrease accordingly. The survey said that half of the poor live in high density populated countries such as India and China. One and fourth of the poor live in middle income counties such as Pakistan and Indonesia. The number will be higher due to increasing of poverty rate. This social situation is the warning on the existence of veiled threat of poverty. If the community has high level of social capital, they enable to increase their access to economic resources. But social capital in Indonesia considered low, regarding to HDI rate in ASEAN countries and the Indonesian entrepreneur only less than 1 percent or 0,7 percent exactly, since the minimum entrepreneur rate should be 2 percent from total productive age of population.
Entrepreneur is prime mover of private sector to ensure economic sustainability. In Schumpeter’s phrase there is lack of mental of capitalism in Indonesia society, the economic system cannot be avoided for recent economics. While Indonesia has lack of network, skill labor and competitive advantage, it means Indonesia is facing a major obstacle to address the economic competition.

3.2. Trust, Trade and Islam: Lost of Business Strategy

Can capitalism survive? Schumpeter straightly answered, “No. I do not think it can (Schumpeter: 1942, 1947, 1950, 1976: 61). As previously mentioned capitalism is not simply an economic system but it is also a value and mental formation. Capitalism has successfully to create a well-managed comprehensive private sector from small scale business into global enterprises. But why Schumpeter argues that capitalism can survive. As Schumpeter said:

“The opening up of new market, foreign or domestic, and organizational development from the craft shop or industrial mutation—if I may use the biological term— that incessantly revolutionize the economy structure from within, incessantly destroying the old one, incessantly creating the new one. This process of Creative Destruction is the essential part about capitalism. It is what capitalism consists in and what every capitalist concern has got to live.” (Schumpeter, ibid: 83).

Through Schumpeter statements above that capitalist risen the comprehensive system far beyond the capitalism itself. Capitalism inspires the good governance and creating “reinventing government”. These two system are widely implemented in public sector and bureaucracy to be more effective by adopting the market mechanism attached to capitalism. These systems are eventually enable to lever public trust to the government. In Schumpeter thesis, capitalism has a close relation to democracy where democracy in-debt to mechanism in capitalism that is addressed the inefficiency of public spending and good governance. Political system, in this case, adopt the pattern of capitalism; its spirit, mechanism and overall system value to increase public trust as consequently to increase public obedience.

Looking backward to Indonesia history from previous sub-chapter, as the comparison of different social background, capitalism also has the similar impact to the social value system in struggling Indonesia independence. The emergence of Islam during Indonesia pre-revolution history is also spread by the traders from Persian and
Gujarat. The elite economic group or trader, in so called a capitalist, established the Sarekat Islam as the first modern social organization. The ownership of the traders partly dedicated to fund the movement. It means, since the capitalism existed, social change enable to be occurred. Islam in Indonesian historical fact also explain why recent Indonesian social-economic has less developed than other new industrial countries, such as China, South Korea or Malaysia.

Capitalism as economic system and its spirit has capability to infiltrate even to opposite system such as into People Republic of China, which is clearly a state with Communist ideology. Nevertheless, China’s culture has spirit of capitalism through kinship business linkage that reach all over the world. Therefore, the social group enrich with social capital attached to capitalism will be the capitalist whatever political ideology is enacted. China enable to grab global economic opportunity through their network. Conversely, Indonesia has declined the economic status due to its lack of social capital, wherein the less entrepreneurship effected in decreasing economic status substantially. Even, in the mean times Indonesian has a trading group, but it was declined during physical-revolution phase. Less capitalism means less innovation and creativity not only in private sector, but also in public sector. These spiritless community deliver less social capital, whereas Islam is potentially to be the system support of developing of trust and source of social capital and also business strategy. Primordial sentiment such as kinship, religion and ethnic are widely used in international trading. Since Indonesia has the lack of social capital in term of network and less succeed to gain trust from public and consumer, industrialization, trading or other form of economic activity also will be declined. Indonesia is losing an important step of forward momentum to gain economics advantage during early AEC implementation, this year 2015.

While social virtues that is categorized by reciprocity facilitate the emerging of prosperity (Fukuyama: 1995) in several social group in advance industrial countries, Indonesian society have less effective in maximizing this social capital to increase the competitiveness. Reciprocity has failed to transform to be the network. On contrary, reciprocity becomes the instrument to facilitate corruption and collusion that made Indonesia going down and deeper into distrust. Recent example of market distrust where market responded political turmoil with the free fall of IDR exchange rate since
November 2014. Nevertheless, the Indonesian society gives minor response upon the problem. Even the expression of distrust addressed to government or economic system enacted in Indonesia, but there is no sufficient movement enable to destroy the old system that change it into the new one. Regarding to Schumpeter thought, it is needed an advance well-experienced and understanding social group or society to make the change or carry out the creative destruction. The Indonesian social capital is insufficient to design a creative destruction required.

3.1. **Indonesian Economy and Sociology: Embeddedness in Making**

Indonesian society facing challenges on social capital issues regarding to establishing capitalist formation. The capitalist formation or entrepreneur group are formerly a social connection that tied up by cohesiveness. Social integration is attained through reciprocity. Hereafter, social cohesiveness creates economic cohesiveness or it is called as network. Ever since classical Sociology scholars put notice profoundly on social cohesiveness, the discussion of cohesiveness issues become broaden due to its important role in shaping solidarity. As Weber mentioned, prior social group developed in homogeneity or *Gemeinschaft*. The society group characterized based on cultural, religion, race or other identification that refer to primordial group identity.

Where society become more complex, marked by increasing of economic demand and people begin to accumulate ownership as much as it can, therefore social group change as well. Economic status become strong rooted in society, even replace several social status level in traditional society. Hence, the change of social group into economic identity group marked by differentiation and division of labor occurs in lack social cohesiveness. In contrary, this type of society increases on economic activities cohesiveness such as professional group, university connection and the other cohort group. This society become more complex consisting of various social elements which most of them related to economic activities and characterized by urban society. Weber called the complex society as *Gesellschaft*. In recent society there are mix social systems between *Gemeinschaft* and *Gesellschaft*.

In term of recent industrialization phase, the society needs to have more *Gesellschaft* upon *Gemeinschaft (*Gemeinschaft* refers to primordial sentiment based
group and *gesselschaft* refer to professional group). Combination in this type of society group is required to create capitalist formation, hence even in industrial counties will be found certain ethnic group dominates certain type of job and commodity not only at local but also global level.

Regarding to Indonesia native, there are lack of the profound combination ‘*Gesselschaft-Gemeinschaft*’ in creating capitalist group. The social cultural system indicates have less support in smoothing the transformation of traditional values into modern values. Social cohesiveness in term of ethnic and religion did noot operate as Chinese kinship traditions in creating modern capitalist formation.

Transformation system from traditional into modern norm required sufficient social capital. It is embedded started from philosophy level. It produces values and delivers social acts. It means the way society think will reflect social action in many other life dimensions such as political and economic action. The achievement of advance capitalist reflects overall system values in society. According to Granovetter’s (1992) notion, the way society think embedded in their social, political and economic action. Or in other words, economic or political system enacted within society is the reflection of the any core values system in society.

Indonesian through Schumpeter’s conception on creative destruction leads to analysis where the social infrastructure of capitalism in difficult to be attained. Whereas, to gain the certain level of prosperity, a society or nation should attain a certain of capitalism level. As Fukuyama (1995) describes that prosperity is attained through social virtues and trust in society. The collaboration and cooperation in economic activities begins from social system. Indonesian, in fact, has less attained in maximizing the value system in transforming society into advance capitalism.

Welfare state is the form and reflection of advance capitalism society. Advance capitalism is being marked by extensive formal economic sector with proper work hours, salary rate, allowance and insurance to the employee. Without comprehensive understanding on profoundly work system and labor regulation, the society will fail to enhance their position into advance capitalism. Advance capitalism is marked by innovation, fair competition and open market regulation. This social economic set of system can be attained only by achieving society or advance capitalist. Indonesia with the
social economic status indicates by high rate corruption index, medium rate of HDI within Asia Pacific, high rate of maternal mortality rate, bubble market where real sector does not cultivate properly as well as other social economic and political problems will meet difficulties in increasing the capitalist formation. Indonesian society will trap in a vicious circle of economy due to its difficulties in overcome global competition. Or in Geertz (1963) notion as *involution*, the concept describes on traditional agriculture which created complicated system even in subsistence economy. According to this social situation, Indonesia will be left behind in term of economic status, social condition enhancement and improvement on market regulation from other new industrial counties.

The other side of the sociological perspective on Indonesian emphasizes Schumpeter’s statement on the question on “Can capitalism survive? Schumpeter personally answers: “No. I don’t it can”. The answer can be analyze as the advance capitalism is the combination system where socialist instrument in market regulation and improvement of labor conditions.

Hence, today capitalism has different system compared to former capitalism. It can not be survived without adopting part of welfare socialist system. Collaboration between the two prominent social economic systems will deliver welfare state that implement in most of advance industrial counties. The term and condition to establish welfare state, off course required sufficient social capital, since synchronizes between systems needs comprehensive thought.

IV. CONCLUSION

Schumpeter’s perspective on creative destruction becomes interesting point of view to analyze recent Indonesian social-economic trends. Wherein existing Indonesian social groups provide potential values to enhance and endure economic activities such as solidarity, cohesiveness, religious value of Islam that transforming the spirit of gaining profit through the right and rational way combining with economic transaction as its nature. In some way, Indonesia has available natural economic resources and social capital as well as religious spirit.

Unfortunately, the social capital of Indonesia society failed to bring Indonesian to gain the economic glorious. Social solidarity is potentially enable to facilitate the establishing network. But, in contrary, it is transformed into corruption and collusion practices by elite groups, that
impacting the decreasing Indonesian quality of growth. Religious values are more practices to be transformed into the form what Ibn Chaldun stated as fanaticism, the negative *ashabiyah* spirit.

At the same time, Indonesia facing Asian Economic Community (AEC) where the all ASEAN countries struggle to gain maximum advantage on implementation of ASEAN open market system. High competition among AEC countries will put Indonesia into the spiritless society. Regarding to Schumpeter’s point of view on capitalism, Indonesia have not been succeed to establish the capitalist formation or creative destruction troops, the economic group creating innovation, technology improvement and supporting fair trade.

Gaining social economic prosperity can be facilitated by well practices of social capital and hard working value system lead to smoothen transition phase from middle-income into advance prosperous country. With regards to develop the capitalist formation towards AEC, Indonesian society indicates would left behind other new industrial ASEAN countries, because of unconvinced social capitals.

Can capitalism long lasting survive? Can and Cannot! Since, the advanced capitalism is the combination between social and capitalist system, where socialist instruments in market regulation and improvement of labor conditions are practiced.

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