

Foreword

by Rector of

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When the founding fathers of Indonesia penned down principles of the national economic life in the Constitution of the newly independent state, they chose not to adopt the American-style capitalistic model or the Russian-style etatist economic model. Their dream was a national economy capable of creating welfare for the people with equity and social justice, as officially stated in Article 33 of the 1945 Constitution. Students of European economic thoughts could easily trace back the origin of Indonesian economic model to the European model of social market economy. The choice of the European model of social economy as viable alternative model for Indonesian economy was understandable as our national economists at the time received their training at European universities.

The search for an economic model which is capable to escalate national productivity with social justice and equity has not recede until today, as indicated by the continuing numbers of academic discourses and publications on social justice economy. Nick Pearce's book "*Social Justice*", published early this year, is a proof of the enduring intellectual search for better models for the management of contemporary national economy.

Compared to their European counterparts, however, Indonesian economic community was less enthusiastic in this intellectual search. In the early 1980s the economic faculty of Gadjah Mada University was swept by a burst of enthusiasm to examine the issue of *Pancasila Economy*. Publications were produced, seminars and lectures were organized in search for a better economic model and instrumental policies to correct the widening income gaps between social groups and regions, and other flaws of the national economic policies during the period. The intellectual search did not last long, however, it died soon in its infancy. In this search for Indonesian economic model Mubyarto was always at the forefront, until he passed away on May 24, 2005.

The discussions on Pancasila economy initiated by the economic faculty of Gadjah Mada University 25 years ago are far from finish and has not yet produced adequately systematized and substantive theoretical foundation we may call the Indonesian model of social market economy. Budiono, a leading economic theoretician at the University, in his memoriam for Professor Mubyarto, concludes the series of discussion in Bulaksumur Campus in 1980s identified three main attributes of Pancasila economy, all of which he considered as relevant for political economy management of the country's economy. First, the national economic life of Indonesia is based on a profit and loss calculus and expediency and be guided by basic values encapsulated in the state ideology, Pancasila, namely religious and moral norms, humanism, nasionalism, socio-democracy, and social justice. Second, a viable national economy is a 'nationalistic

economy', even the world is globalizing it shall first and foremost served the interests and welfare of the Indonesian people. Third, the view that Indonesian economy should rest on market as the primary instrument for welfare creation, guided by the spirits of egalitarianism and distributive justice. If we can imagine the possibility of something we call Indonesian economic model, especially the form of a social market economy guided by moral norms and values embraced by majority of Indonesian people, it suggests the possibility of an alternative economic model that the founding fathers aspired for, an economy with equality and social justice spirits. It should be made clear at the outset, however, that the way towards a full scientifically acceptable Indonesian model of market economy is still far from finish. Basic elements of scientific knowledge, namely assumptions, concepts, premises, postulates, propositions and theories describing basic features of the so called Indonesian economic life should be identified, systematized and formulated into an Indonesian model of social market economy. Indonesian economists like the late Mubyarto and Sri-Edi Swasono enthrone the name 'Pancasila economy'.

Among the basic values advocated by Indonesian Revolution, *kekeluargaan*, Indonesian translation of collectivism, familism or brotherhood, possibly the functional equivalent of French enlightenment concept of *fraternite*, has been considered the fundamental norm on which Indonesian modern economic thoughts are constructed. An alternative model of modern conomic life can then be formulated based on the basic assumptions of this collectivistic principle. First, Indonesian economy, in the words of Indonesia's first Vice President Hatta, is an economy of brotherhood based on collective ownership, collective production and for the welfare of all. Second, for such an economy, government role in a market economy is not only necessary but also desirable. Contrary to the positions of mainstream economics which consider the market can provide invisible hand for ordering society, social market economy believes that a government that is responsive to the public needs, responsible for the welfare of the people, and accountable to the society is highly required for creation of and maintenance of order.

As a social scientist I observe with despair the lack of interest among Indonesian economists to carry on the development of theoretical foundation for our economic life. Professor Mubyarto was one of the few who spent almost his entire life to probe into this basic question as he clearly prove with his many publications. I do hope this book "Indonesian Economic Manifesto" will not only be Professor Mubyarto's legacy and a lasting mark on what we call 'the Bulaksumur thoughts' and on Gadjah Mada University, but shall also be considered as the first step toward a long journey to the formulation of a Pancasila economic thoughts as a viable Indonesian model of social market economic based on cultural and ideological endowments of her society.

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