



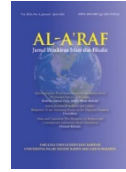
# AL-A'RAF

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## ISLAM AND CAPITALISM: THE DYNAMICS OF RELIGION AND CONTEMPORARY INDONESIAN WORK ORIENTATION

**Husnul Khitam**

University of Tennessee-Knoxville, United State of America

### *Abstrak*

#### **Kata Kunci:**

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Religion; and  
Work  
Orientation

*Indonesia adalah negara terpadat keempat di dunia, dengan sekitar 265 juta penduduk dan jumlah pemeluk Islam paling besar. Indonesia juga dikenal sebagai salah satu 'macan baru' Asia Tenggara pada pertengahan tahun 80-an dengan perkembangan ekonomi yang tinggi. Dengan pertumbuhan ekonomi yang mengesankan pada tingkat rata-rata 5 persen, tingkat inflasi rendah pada 2,36, peningkatan pertumbuhan konsumsi 5,1 persen, penurunan penduduk miskin yang cepat, dan indeks rasio Gini yang rendah pada 0,382 menunjukkan betapa vitalnya Indonesia sebagai contoh pertumbuhan kapitalisme di wilayah bagian Selatan. Fakta bahwa mayoritas penduduk Muslim tersebar di wilayah Asia Tenggara dan Indonesia, akan menjadi contoh terbaik untuk menunjukkan bagaimana kapitalisme dan agama memainkan peran penting, dengan karakteristik budaya dan sosialnya. Oleh karena itu, tujuan utama dari studi ini adalah untuk menganalisis situasi Indonesia kontemporer melalui lensa teori sosiologi klasik, terutama dalam mengungkap pertanyaan mendasar tentang bagaimana kapitalisme, agama dan orientasi kerja masyarakat Indonesia? Dari kompleksitas Indonesia kontemporer dan ketegangan antara kapitalisme dan agama, studi ini menunjukkan adanya hubungan dan dinamika di antara keduanya, yang kemudian membentuk jenis kapitalisme lain.*

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Corresponding author:

e-mail: [hkhitam@vols.utk.edu](mailto:hkhitam@vols.utk.edu)

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**Abstract**

**Keywords:**  
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Orientation

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Indonesia is the world's fourth most populous nation, with about 265 million people, and has the most significant number of adherents to Islam. The country also was well known as one of the new tigers of Southeast Asia in the mid-80s with high economic development. The impressive economic growth at an average level of 5 percent, a low rate of inflation at 2.36, the rise of consumption growth to 5.1 percent, the rapid decline of poor people, and the low Gini ratio index at 0.382 show how vital Indonesia as an exemplar of the growth of capitalism in the global south. The fact that the most populous Muslims are spread widely in Southeast Asia and Indonesia would be the best example of how capitalism and religion play their role along with their cultural and social characteristics. Therefore, the main aim of the following study is to analyze contemporary Indonesia through the lenses of classical sociology theory, especially to reveal the fundamental question of how capitalist, religious, and work-oriented Indonesian society is? Within Indonesia's contemporary context and the tension between capitalism and religion, this study shows the relationships and dynamics between the two and forms another kind of capitalism.

## Introduction

Indonesia is the world's fourth most populous nation, with about 265 million people. Even though it is not a religious-based country such as several Gulf countries or Middle Eastern countries, it has the most significant number of adherents to Islam. Indonesia also was well known as one of the new tigers of Southeast Asia in the mid-80s with high economic development. However, rapid economic development has stopped since the beginning of 1997. An economic crisis hit the country and mostly broke down the economic sector. Interestingly, the crisis came with two positive surprises: a moderate economic recovery and the transition from an authoritarian regime to a functioning and credible democracy.<sup>1</sup>

In the last five years, Indonesia has shown the most impressive stability in economic growth among the G20 members at an average level of 5 percent, a low inflation rate of 2.36 in July 2019, and the consumption growth rose to 5.1 percent in March 2019. The number of poor people has declined rapidly in the last five years, with the Gini ratio index at 0.382

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<sup>1</sup> Hal Hill, "Asia's Third Giant: A Survey of the Indonesian Economy," *Economic Record* 94, no. 307 (2018): 469–499.

in March 2019. To pursue the economic growth ambition, the government has also deepened and broadened the financial market since the stock-market capitalization is only 46 percent of GDP compared to Japan in around 200 percent.<sup>2</sup> To pursue the economic growth ambition, the government has also deepened and broadened the financial market since the stock-market capitalization is only 46 percent of GDP compared to Japan in around 200 percent.<sup>3</sup>

In 2030, Indonesia has predicted as the seventh-largest economy in the world, with 135 million members of the consuming class and 71 percent of its population in cities producing 86 percent of GDP and around \$1.8 trillion in market opportunity in consumer services, agriculture, fisheries, resources, and education.<sup>4</sup>

Since 2009, the Indonesian democracy index has improved rapidly from 67.3 to 72.11 in 2017. However, the freedom house scores Indonesian freedom 62 of 100 with partly free status. This status comes from the country's challenges, such as systematic corruption, discrimination, violence against some minority groups, separatist tension, and blasphemy law politicization.<sup>5</sup> Therefore, the Indonesian path to becoming a new, developed, high-income nation is challenging. The need for constant economic growth for at least two decades and the government's attempt to distribute the development outside Java island is highly appreciated and considered as the prerequisite of its inclusive economic development.<sup>6</sup>

These facets of economy and democracy show how significant Indonesia is as an exemplar of the growth of capitalism in the global south.

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<sup>2</sup> KSP, *Lima Tahun Maju Bersama: Capaian Pemerintahan Joko Widodo - Jusuf Kalla [Five Years Get Onward Together: Achievements of Joko Widodo - Jusuf Kalla Administration]* (Jakarta, 2019).

<sup>3</sup> OECD, *Oecd Economic Surveys: Indonesia*, 2018.

<sup>4</sup> Fraser Thompson and Morten Rosse Raoul Oberman, Richard Dobbs, Arief Budiman, *The Archipelago Economy: Unleashing Indonesia's Potential*, 2012.

<sup>5</sup> <https://freedomhouse.org/report/freedom-world/2019/indonesia>, accessed on November, 9<sup>th</sup> 2019 at 10pm.

<sup>6</sup> Hal Hill and Siwage Dharma Negara, "Introduction: The Indonesian Economy in Transition--Policy Challenges in the Jokowi Era and Beyond," *2018* 35, no. 2 (2018): 121.

Moreover, Muslims are recognized as the world's fastest-growing religious group and are projected to grow more than twice between 2015 and 2060. This growing number will likely surpass Christians by the second half of this century.<sup>7</sup> Therefore, it is not only the global north capitalism that has been widely debated for centuries and always looked like the only capitalism in the world. The growing population, along with political and economic development, has potentially created global south capitalism with its characteristics. One example is the conjunction between economic development and religion that might result in several ways or forms of capitalism. One of its intriguing forms is called the spiritual economy.<sup>8</sup>

Even though Islam as a religion is only one, Islam has been multifaceted in terms of socio-political differences and the dispersion of geographical adherents. Many scholars tend to see Islam only in the Middle East, which seems like the only representation around the globe. The fact that the most populous Muslims are spread widely in Southeast Asia is often neglected, and Indonesia would be the best example of how capitalism and religion play their role along with its cultural and social characteristics. Therefore, the main aim of the following paper is to analyze contemporary Indonesia through the lenses of classical sociology theory, especially to reveal the fundamental question of how capitalist, religious, and work-oriented Indonesian society is?

### **Capitalism and Its Compatibility with Islam**

By looking deeply into the issue and the debate of capitalism, it is necessary to overview several related pieces of literature, especially those in a close debate between Marx, Weber, and Durkheim, with Islam and Indonesia as the exemplar of the paper.

Most likely, capitalism is always related to Karl Marx. With his

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<sup>7</sup> PEW, *The Changing Global Religious Landscape*, 2017.

<sup>8</sup> Daromir Rudnyckyj, "Spiritual Economies: Islam and Neoliberalism in Contemporary Indonesia," *Cultural Anthropology* 24, no. 1 (2009): 104–41.; Daromir Rudnyckyj, *Spiritual Economies: Islam, Globalization, and the Afterlife of Development* (Ithaca, New York: Cornell University Press, 2010).

outstanding work on dismantling the work of capitalism as an economic system in western society and capitalism as an ideology. Many scholars have tried to use his conception in other parts of the globe, such as Muslim countries. Rather than seeing Marxists on an opposite side to Islam, Maxime Rodinson, a French sociologist, argued that Islam has compatibility with Marx, and there was an enthusiasm for Marxism in the late 1950s and 1960s.<sup>9</sup> In terms capitalism, he argues that industrial capitalism appeared in the Muslim East as an imitation of West capitalism.<sup>10</sup>

In another stance, Ernest Gellner tries to compare Islam and Marxism. He argues that Islam has a contrasting point of view by looking at two major issues, religiosity, and civil society. While Marxism erodes the role of religion in Soviet and Eastern Europe and turns into secularization while strengthening civil society, Islam has shown a significant commitment to faith and very little yearning for civil society.<sup>11</sup> Another interesting point of how capitalism emerges in the global south is related to Peter L Berger. He argues in a more upbeat tune regarding capitalism, with the successful capitalist societies in East Asia, which have to be seen as the “second case” of capitalism, rather than as an extension of western capitalism.<sup>12</sup>

Despite the compatibility and incompatibility of Islam and capitalism, the relationship between politics and the economy shows an exciting feature. The trajectory of Indonesian Islamic politics, in terms of state formation, socio-economic, and political changes, is always related to the advance of the market economy and the pressure of globalization.<sup>13</sup>

Weber is well known for his central thesis on protestant ethics as

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<sup>9</sup> Maxime Rodinson, *Marxism and the Muslim World* (London: Zed Books, 2015).

<sup>10</sup> Maxime Rodinson, *Islam and Capitalism* (New York: Pantheon Books, 1973).

<sup>11</sup> Ernest Gellner, “Islam and Marxism: Some Comparisons,” *International Affairs* 1944- 1995 67, no. 1 (1991): 1.

<sup>12</sup> Peter L. Berger, *The Capitalist Revolution: Fifty Propositions About Prosperity, Equality, and Liberty* (New York: Basic Books, 1986).

<sup>13</sup> Vedi R. Hadiz & Richard Robison, “Political Economy and Islamic Politics: Insights from the Indonesian Case,” *New Political Economy* 2, no. 137–155 (17AD).

the foundation of capitalism, especially for Calvinism. Nevertheless, he failed to identify the same aspect of another religion. Weber's sociology of Islam focused most of his attention on the Middle East as a warrior religion and neglected other regions.<sup>14</sup> Weber also, in his research, put an incorrect question on Islam by neglecting the explanation of the transition of Islam from a monetary economy to an agricultural, military regime.<sup>15</sup>

This argument shows the gap in the Weberian tradition. It forces the deepening research on other regions, such as Indonesia and Malaysia, the two most populous Muslim societies. In Indonesia, several conceptions of Weber have been used as a tool of analysis. Wertheim shows how Hindu civilization was transmitted by Brahmas and their influence used by Indonesian princes to expand their legitimation in Javanese villages and the monarchy in pre-colonial Java. In contemporary Indonesia, Sukidi argues that Indonesian Islam has shown a different portrait from how Weber sees Islam in the Middle East. He argues that Muhammadiyah, a puritan and second-largest Muslim organization in Indonesia, corresponds to the ascetic Protestantism in Calvinism.<sup>16</sup>

Another issue that needs to be addressed in this paper is how the conception of solidarity in Durkheim's division of labor is helpful to Indonesian society. With the frame of a multicultural society, the differentiation between rural with more traditional than modern urban is closely related to the establishment of the conception of mechanical solidarity and organic solidarity rather than seeing the society as an evolutionary form of solidarity. It is also essential to investigate the other related concepts, such as Civil Religion.<sup>17</sup> Looking more deeply into the Indonesian case, the role of its civil religion, Pancasila, has three leading

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<sup>14</sup> Bryan S. Turner, "Islam, Capitalism and the Weber Theses," *The British Journal of Sociology* 61, no. (2010): 147.

<sup>15</sup> Bryan S Turner, "Revisiting Weber and Islam," *British Journal of Sociology* 61, no. 1 (2010): 161–66.

<sup>16</sup> Sukidi, "Max Weber's Remarks on Islam: The Protestant Ethic among Muslim Puritans," *Islam and Christian-Muslim Relations* 17, no. 2 (2006): 195–205.

<sup>17</sup> Robert Neelly Bellah, *No Title Beyond Belief: Essays on Religion in a Post-Traditional World* (New York: Harper & Row, 1970).

roles, namely as an integrationist, a legitimizer, and the prophetic dimension of the society.<sup>18</sup>

Within the complexity of contemporary Indonesia and the tension between capitalism and religion, it remains content to see that the form of capitalism in Indonesia might show piety capitalism and likely be similar to Berger's "second case" capitalism. As practiced by the puritan group, Islamic ethics also play a crucial role as the foundation of its economy as corresponds to the protestant ethic.

### **The Problem of Weber's View of Islam and Capitalism**

Weber's view of Islam was intriguing and problematic. As Schluchter pointed out, Weber's knowledge of Islam arrived before World War I between 1911 and 1914. He does not have sufficient time to deepen and broaden his knowledge of Islam extensively.<sup>19</sup> Unlike his study of other religions, Weber's study of Islam in the Middle East found the absence of many institutional prerequisites of capitalism, such as rational law, free markets, and technology (Turner 1974). Weber noted that Islam was a sociological companion for his analysis of the Protestant Ethic and was seen as opposition to puritanism.

Weber saw Islam as a religion of warrior class and made the first adherents become the wealthiest because of the spoils of war, which is in opposition to wealth in the Puritan religion. For him, Islam was alien to salvation and displayed the character of the feudal spirit.<sup>20</sup> Weber then categorized Islam as resembling Buddha, Hindu, and Chinese Taoism. He concluded his view as follows:

Capitalism existed among all these religions, even those religions of the type known in occidental antiquity and the medieval period. However, there was no development toward modern capitalism, nor

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<sup>18</sup> Susan Purdy, "The Civil Religion Thesis as It Applies to a Pluralistic Society: Pancasila Democracy in Indonesia (1945-1965)," *Journal of International Affairs* 36, no. 2 (1982): 307.

<sup>19</sup> Toby E. Huff & Wolfgang Schluchter, "Max Weber and Islam," in *Max Weber and Islam* (New Brunswick: Transaction Publishers, 1999).

<sup>20</sup> Max Weber, *The Sociology of Religion* (Boston: Beacon Press, 1964).

even any stirrings in that direction, in these religions. Above all, no capitalist spirit evolved because it is distinctive from ascetic Protestantism. However, to assume that the Hindu, Chinese, or Muslim merchant, trader, artisan, and coolie was animated by a weaker acquisitive drive than the ascetic Protestant is to fly in the face of the facts. Indeed, the reverse would seem to be accurate, for what is distinctive of Puritanism is the rational and ethical limitation of the quest for profit. At present, all these people import economic rationalism as an essential product of the Occident, and their capitalistic development is impeded only by the presence among them of rigid traditions, such as existed among us in the Middle Ages, not by any lack of ability or will.<sup>21</sup>

Weber identified that historical, motivational, and institutional factors were why modern industrial capitalism was undeveloped in the Islamic world. In the Muslim world, Weber argued that Muslims rarely experience the great ambivalence and anxiety of being chosen because Islam only requires the performance of the five pillars.<sup>22</sup>

With his work on *Protestant Ethic and the Spirit of Capitalism*, Weber realized that religious orientation had driven the economic motivation and the growth of rationality. It systematically integrated units of the social and cultural organization.<sup>23</sup> He also focused on the distinction between substantive and formal rationality and concerned the law system as one of its driving forces.

Huff (2019) identified that Islamic legal tradition has gone in a different direction than Western tradition. The latter showed a more developed, comprehensive, and systematic legal system and became the basic structure of its modernity. In contrast, Islamic law as a functioning system has reduced to only family law and inheritance and let the other

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<sup>21</sup> Max Weber, *The Sociology of Religion* (Boston: Beacon Press, 1964).

<sup>22</sup> The Five Pillars of Islam are the five obligations of every Muslim and consist of: 1) Sahadah or reciting the Muslim profession of faith; 2) Salat or performing ritual prayers five times each day; 3) Zakat or paying an alms tax to benefit the poor and the needy; 4) Sawm or fasting during the month of Ramadan; 5) Hajj or pilgrimage to Mecca.; Toby E. Huff & Wolfgang Schluchter, "Max Weber Islam."

<sup>23</sup> Toby Huff, "Max Weber, Islam, and Rationalization: A Comparative View," *Historická sociologie* 11, no. 1 (2019): 117–28.



spheres of law<sup>24</sup> remain underdeveloped.

Turner (2010) briefly identified four of Weber's arguments concerning Islam. Firstly, Weber focused on the Prophet Muhammad's role as a military leader and the founder of the state. Secondly, in the relationship between religious and secular power, Weber saw a problem in establishing of religious authority over secular processes. Thirdly, Weber argued that the dynamic between revelation and rationalization in Islam was problematic because of the strict interpretation of Islamic religious law through a chain of authority of witnesses as practiced by orthodox Islam. He argued that the making of ad hoc legal decision-making could resolve the gap between the law and reality. Fourth, the religious idea has never detached the Islamic world's cities to become autonomous civil institutions.. At the time, cities more close to a military camp under the tribe or family.

However, Weber did not consider that during his writing, the Muslim world was under European domination, and the Ottoman Empire was under the control of German experts. Weber did not envisage the vanishment "Caesaropapism" and its consequences for Islam.<sup>25</sup> The way Weber saw Islam's "feudal ethics" as a result of the warrior stratum of the first adherents as its social carrier is factually wrong.<sup>26</sup>

Turner has explained very well his critique of Weber's Islam. His first critique was his point on the extreme condition that formal rational law helps capitalist development. He argued that the rigidity of Islamic law and its prohibition of usury never really interfered with commerce; instead, the decline of Islam's money economy is better explained by the terms of patrimonial structure.<sup>27</sup> For Turner, this structural explanation was more helpful in explaining the decline of Islamic society than the conception of

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<sup>24</sup> Toby huff identified the spheres of law as follow: urban law, commercial law, criminal law, administrative law, patent law, and so on. In his comparison, he tried to look over between European law and Islamic law in the late medieval era.

<sup>25</sup> Y. Djedi, "Max Weber, Islam and Modernity," *Max Weber Studies* 1, no. 1 (2011): 35.

<sup>26</sup> Bryan S. Turner, "Islam, Capitalism and the Weber Theses."

<sup>27</sup> Bryan S. Turner, "Revisiting Weber and Islam."

individual ascetic motivation.

However, entrepreneurship sees similarities between Islamic entrepreneurs and Weber's Calvinists.<sup>28</sup> Islamic entrepreneurs support hard work, economic success, and wealth accumulation as religious obligations. Therefore, rather than contrasting Islam as the opposite side of the idea of the Protestant ethic, the merchant ethic ultimately transforms it consistently with the values of capitalism.<sup>29</sup>

Sukidi (2006) attempted to see more closely the relation between Calvinism and the Muslim puritans, especially in Indonesia. In his piece, what he means by the Muslim puritans is Muhammadiyah, the religious reform movement in Indonesian, with a Protestant type of Islamic reform. He mentioned several similarities between Calvinism and Muslim puritans. First, both have preached the doctrine of scripturalism. Second, Muslim puritans also stand directly before God as Calvinists and must be proved by ascetic action in a this-worldly activity. Third, Muslim puritans have also struggled with excluding magical elements from Islam's practice and endorsed rational calculation and behavior. Fourth, Muslim puritans emphasize rationalization as developed by the shift from charisma to modern bureaucracy and re-interpretation of Islamic doctrines on modern rationality and progress and linked with the habits of entrepreneurship. Finally, both Calvinist and Muslim puritans adopted inner-worldly asceticism as the driving force of transformation.

### **The Practices of “Islamic Ethic and the Spirit of Capitalism” in Indonesia**

While born in the Middle East, Islam has proliferated in Southeast Asia, and Indonesia and Malaysia are the two majorities. To some degree, there was a kind of protestant ethic in some communities in the Muslim

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<sup>28</sup> Emin Baki Adas, “The Making of Entrepreneurial Islam and the Islamic Spirit of Capitalism,” *Journal for Cultural Research* 10, no. 2 (2006): 113–110.1080/1479758060062474537.

<sup>29</sup> William H. Swatos, “Islam and Capitalism: A Weberian Perspective on Resurgence,” in *Religion and the Transformations of Capitalism: Comparative Approaches*, ed. R. H. Roberts` (London: Routledge, 1995).

world.<sup>30</sup> Besides, some scholars suggested seeing the relevance of Weber's thesis on social and cultural developments in Indonesia, Malaysia<sup>31</sup> and elsewhere on the Pacific rim.<sup>32</sup> As Swatos concluded in his article:

...This is not a refutation of Weber's understanding of the Islamic ethic, which refers to an early period in the expansion of Middle Eastern patrimonialism, but rather a confirmation of the processes inherent in the Protestant ethic thesis as a case study of the *complex interactionism* that characterizes Max Weber's understanding of the cultural integration of economic development.<sup>33</sup>

Indonesian Islam cannot be understood apart from the complexities of Indonesian history and culture.<sup>34</sup> One of the complexities of Indonesian Islam is its various religious organizations. Nahdlatul Ulama and Muhammadiyah are the two giants of Indonesian Islam. Both organizations have always been politically, socially, and economically powerful as mainstream Islam. Muhammadiyah, as one of the cases of this paper, was founded in 1912 as a new variant of reformist Islam.<sup>35</sup>

In the early 1910s, Schrieke identified capitalism's emergence in Minangkabau as the farmers most likely planted more profitable and commercial crops than rice. This case showed the emergence of the spirit of capitalism in Europe.<sup>36</sup> A more concrete example of the relation between Islamic belief and economic behavior has been shown by the

<sup>30</sup> Emin Baki Adas, "The Making of Entrepreneurial Islam and the Islamic Spirit of Capitalism.," Aisalkyn Botoeva, "Islam and the Spirits of Capitalism: Competing Articulations of the Islamic Economy," *Politics & Society* 46, no. 2 (2018): 235–264.; Gadilya G. Kornoukhova, "Muslim Ethics and the Spirit of Capitalism: The Characteristics of Islamic Entrepreneurship Development in the Russian Empire between the Nineteenth and Early Twentieth Centuries," *Social Evolution & History* 17, no. 2 (2018): 121–139.

<sup>31</sup> Bryan S. Turner, "Revisiting Weber and Islam."

<sup>32</sup> William H. Swatos, "Islam and Capitalism: A Weberian Perspective on Resurgence."

<sup>33</sup> William H. Swatos, "Islam and Capitalism: A Weberian Perspective on Resurgence," 60.

<sup>34</sup> Robert Pringle, *Understanding Islam in Indonesia: Politics and Diversity* (Honolulu: University of Hawai'i Press, 2010).

<sup>35</sup> Robert Pringle, *Understanding Islam in Indonesia: Politics and Diversity*.

<sup>36</sup> Ajat Sudrajat, "Tesis Weber dan Islam di Indonesia [Weber Thesis and Islam in Indonesia]," *Cakrawala Pendidikan* 11, no. 1 (1992): 121–31.

Muslim puritans in Mojokuto, Java. Clifford Geertz had observed the Javanese people. He found a “santri”<sup>37</sup> variant, among other types of Javanese religious life such as Abangan<sup>38</sup> and Prijaji,<sup>39</sup> closely related to economic activity (Geertz 1960). He called this group petty capitalism.<sup>40</sup>

Geertz (1963) saw the relation between Muslim puritans and capitalism. Through the lens of Weber of Protestantism, he saw that the santri in such a community in Modjokuto were part of reformist Muslims and played the reform role in Islam. The majority of this type, as he categorized as Muslim puritans, are entrepreneurs with the ideology of radical purification and critical of a wide range of established usages of ethics and worship.

Emphasizing that the systematic and untiring pursuit of worldly ends may be a religiously significant virtue of fundamental importance, Reformism, which swept the urban trading classes all over Java from 1912 to 1920, paved the way for the creation of a genuinely bourgeois ethic. By purifying Indonesian Islam of Hinduist and animist mystical and ritualistic accretions and focusing attention on dogma and morality, severely criticizing the traditional aversion of the Muslim community to the formal organization of any kind, and by substituting a progress-oriented self-determinism for the creed's classical fatalism, it injected a new dynamic into the Pasar context. Chinese-owned enterprises aside, of the seven well-established modern stores in Modjokuto, six are run by Reform or Reform-influenced Moslems; of the two dozen or more small factories, all but three or four are pious Muslim hands. Thus, as far as Modjokuto is concerned, economic development is tending to take, despite marked

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<sup>37</sup> Santri is a term of a people which stresses the Islamic aspect of Javanese blend of religious beliefs and practices and related to the trading element.

<sup>38</sup> Abangan is a term of a people who are apparently most syncretistic and represents a stress on the animistic aspects of the overall Javanese syncretism and broadly related to the peasant element in the population.

<sup>39</sup> Prijaji is the least type and stressing the Hinduistic aspects and related to the bureaucratic element and historically most recent and least syncretistic, at least in its modernist form.

<sup>40</sup> Sukidi, “Max Weber’s Remarks on Islam: The Protestant Ethic among Muslim Puritans.”

cultural differences, the classical form we have known in the West: an at least in part religiously motivated, generally disesteemed group of small shopkeepers and petty manufacturers arising out of a traditional trading class is attempting to secure an improved status in a changing society one in which the established barriers to mobility are weakening through the rational, systematic pursuit of wealth.<sup>41</sup>

Following this example, Sukidi (2006) described how Muhammadiyah has an “Islamic ethic” as the basis of the spirit of capitalism. He first mentioned that the founder, Ahmad Dahlan, was both an ascetic reformist-puritan Muslim and a merchant. Dahlan was born into a pious family and grew up in Kauman village, a Muslim concentration and movement center with their devout religiosity in the dynamic of Islamic history in the Archipelago.<sup>42</sup> Dahlan went on pilgrimage to Mecca and transformed his life into an official religious preacher and a manufacturer of batik fabric. In Dahlan, the blending of asceticism and self-discipline has motivated his economic life. Hard work and honesty virtues drove him toward accepting a Calvinist-type ethic.

Secondly, the involvement of Dahlan and other ascetics Muslims both in the early phase of the movement and the batik industry has shown the affinity between Islam and the spirit of capitalism. As one of the largest industries, most batik firms are owned by the Muslim puritans of the Muhammadiyah, and the business's driving force was based on the Islamic call for honesty. Lastly, Muslim reformist-puritans may be considered urban traders and bourgeois Muslims. Their ethical philosophy and ascetic Islamic faith strongly displayed bourgeois individualism and rationalism.

Another interesting example of how Islamic ethic works with economic activity has shown by Sobary (2007) in his research on the

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<sup>41</sup> Clifford Geertz, *Peddlers and Princes; Social Change and Economic Modernization in Two Indonesian Towns* (Chicago: University of Chicago Press, 1963).

<sup>42</sup> Haedar Nashir, *Muhammadiyah a Reform Movement* (Surakarta: Muhammadiyah University Press, 2015).

Betawi<sup>43</sup> community in Suralaya village, Tangerang.<sup>44</sup> It is located in the greater area of Jakarta. The research context is during the rising commercial economy, such as trading and other services. Suralaya community is a pious Muslims who run their business strictly under Islamic values.

Sobary has differentiated two types of piety religious piety and social piety. He identified that social piety was strongly correlated to people's economic activity as a merchant. In the community, hard work and saving have inherently believed as the value basis to develop and expand their business. In short, their tenacity and perseverance in doing business have been identified as a manifestation of religious calling.

### **Capitalism and Islam in Contemporary Indonesia**

In the final paragraph of his article, Sukidi (2006) mentioned that the intimate relationship between Muslim puritans and the rise of petty capitalism has been in severe decline since the late 1960s. The two main reasons were the shifting of the government's economic orientation to economic liberalization and the shift of the younger generations to civil service positions instead of business.

The conjunction between Islam and economic development in Indonesia during the New Order era, between 1967 to 1998, has changed dramatically. The government introduced development ideology to the Muslim community, especially Muslim organizations and their leaders. The idea was well-received because it had understood that there was no contradiction between Islam and economic development. This acceptance was congruent with religious and pragmatic considerations and fulfilled the material and spiritual needs,<sup>45</sup> especially since there was political

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<sup>43</sup> Betawi is an indigenous community in greater Jakarta and most of them are an adherent of Islam.

<sup>44</sup> Mohammad Sobary, *Kesalehan Sosial [a Social Piety]* (Yogyakarta: LKiS PELANGI AKSARA, 2007).

<sup>45</sup> Muhamad Ali, *Islam and Economic Development in New Order's Indonesia (1967-1998)* (Honolulu: East-West Center, 2004).

tension between Islam, communism, and nationalism in the previous regime.<sup>46</sup>

The New Order regime promoted the idea of national development under the ideology of Pancasila<sup>47</sup> and the 1945 constitution. The regime claimed to restore the economic ideology, not under capitalism nor socialism, but a constitution-based economy called the Pancasila economy. However, during the period, Soeharto<sup>48</sup> recruited neo-classic economists and determined them as his economic planners and started to see religious development as a prerequisite to economic development.<sup>49</sup> Instead of seeing religion as an essential factor for economic development under religious ethics and values, Soeharto put religion more in the framework of religious tolerance in support of political stability.<sup>50</sup>

In the consequences of de-politicization and de-ideologization practiced by the regime, the religious role has eroded significantly, and development ideology played the most significant role. With the most significant population, the Muslim community was underdeveloped and backward. In contrast, most of the wealthiest people at the time were Chinese people, Soeharto's family, and the government's relatives.

The Muslim community argued that they should revive their religiousness to boost their progress and put Islam as ethics of development rather than a radical political ideology that challenged the state's legitimacy.<sup>51</sup> In the early 1980s, it gained momentum with the broad ideas of the Islamic economy. The idea was believed as an alternative to

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<sup>46</sup> Prior to the New Order, Indonesia gained independence in 1945 and ruled by the charismatic leader, Soekarno. He established the Old Order and ruled the country for 21 years. Nearly the end of his downfall, he attempted to combine nationalism, religion, and communism.

<sup>47</sup> Pancasila refers to five principles as the basis of the state: belief in God, humanitarianism, national unity, democracy based on consensus, and social justice.

<sup>48</sup> Soeharto was the second president of Indonesia and the leader of the New Order. He ruled the country for more than 30 years with an authoritarian government and forced to step down in May 2008 after the Asian economic crisis hit the country.

<sup>49</sup> Muhamad Ali, *Islam and Economic Development in New Order's Indonesia (1967-1998)*.

<sup>50</sup> Muhamad Ali, *Islam and Economic Development in New Order's Indonesia (1967-1998)*.

<sup>51</sup> Muhamad Ali, *Islam and Economic Development in New Order's Indonesia (1967-1998)*.

western capitalism and socialism. As the third way, Islamic economics gained trust as a modern movement that asserts Islamic traditions of law and organization and provides a more just and equitable model for economic growth.<sup>52</sup>

The establishment of Islamic banking and the institutionalization of *zakat*<sup>53</sup> collection gained the most extensive debate in the Muslim world at the time. However, establishing Islamic banks in Indonesia did not replace the conventional banking system. It became part of the system as a whole and failed to address the excesses of economic development, such as social injustices, corruption, nepotism, and collusion.<sup>54</sup> These issues then highly contributed to the downfall of the New Order regime in 1998.

Following the reformation era and the changing to a democratic state, Indonesia has come to a more complicated situation. Pancasila, known as the civil religion and used by the previous government as its basis for development, faces dual challenges from the emergence of religious populism and global capitalism. The emergence of Islamic populism, instead of embarking on a religious purification and reestablishing Islamic ethics as the source of economic development, proposed Islam's more conservative and radical nuance. Along with the hardline Islam such as Hizbut Tahrir Indonesia, they promote the complete application of Islamic law against the capitalist system.

Nevertheless, on the other side, the opponent of populism sees no contradiction between capitalism and Islam, as well as Pancasila. The development and the adaptation of Islamic banking, as well as the development of other types of religious products such as Islamic insurance, share trading, medical treatment, Islamic tourism, and multi-level marketing, as a result of an adaptation of Islamic value to the broader system of the economy such as capitalism. In short, this type of religious

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<sup>52</sup> Robert Hefner, "Islamic Economics and Global Capitalism," *Society* 44, no. 1 (2006): 16–22.

<sup>53</sup> Zakat is one of the Islamic five pillars and a tax levied on income and wealth for the purpose of the purification.

<sup>54</sup> Muhamad Ali, *Islam and Economic Development in New Order's Indonesia (1967-1998)*.



adjustment is another form of Islamic commodification, as White and Fealy stated as follows:

Globalization and modernization are lead to destabilized religious identities and a search for moral certainty among urban middle-class Muslims. Commodification produce a spectrum of Islamic expression that is more variegated and segmented but also more subject to rapid change.<sup>55</sup>

Robert Hefner sees that consumerist capitalism and the media and advertising industries it has spawned have strained, if not severed, the ties Max Weber identified a century ago between capitalism and the protestant ethic (Hefner 2006). He argued that what has been shown by the Muslim world is contrary to the homogenization of global culture. The economic development in Indonesia might answer the formation of the second case capitalism by Peter Berger, as shown by the dynamic relationship between Islam and capitalism.

## Conclusion

Indonesia's relationship between Islam and capitalism has shown tremendous dynamics throughout its history. The above cases show how the idea of Islamic ethics has driven the emergence of the spirit of capitalism and raised optimism that Indonesia was ready to embark on modern capitalism. The early beginning of the spreading of Islam in Indonesia by the traders leveraged the number of adherents and met the people's need for both spiritual and economic fulfillment. However, the political and social dynamic has transformed the route of capitalism. Rather than imitating western capitalism, Indonesian Islam shows new conjunction between Islam and capitalism and forms the second case of capitalism, called Islamic capitalism. Nevertheless, the resurgence of Islamic populism and conservatism has raised the consequences of how this form of capitalism accrues in the future.

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<sup>55</sup> Sally White & Greg Fealy, "Introduction," in *Expressing Islam: Religious Life and Politics in Indonesia*, ed. Sally White & Greg Fealy (Singapore: Institute of Southeast Asian Studies, 2008).

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