

When the Market Makes the State

The Interaction between The State and The Neoliberal Regime

in Indonesia's Post New Order Era

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Abstract

This paper aims to explain the struggle between state and neoliberal regime in post-New Order Indonesia by focusing on two aspects. Firstly, It argues that the process of market transformation is not neutral in essence. It is far from the neoliberal and hyper-globalist scholars who believe that market can run harmoniously through the logic of invisible hand, this paper argues that behaviours and interests of the market have been defined and constructed by the structure of world's capitalists system designed by the dominant actors. The neoliberal regime has constructed not only the interaction of states in economic pattern but also in the state formation.

Secondly, by using ideas of "steering" from Alexander Wendt, this article argues that state weakness in fostering democracy is partly a product of the construction of the state from outside. Neoliberal pressures have imposed to a depoliticization of the state, such that its main role no longer lies in actively managing the democratic space in response to the people, but in passively managing a corporate agenda in response to external institutions and donor agencies. Just as the New Order era created a depoliticized "floating mass", the neoliberal order, it will be argued, has created a depoliticized "floating state". If floating mass policy has produce political anomie in society during New Order era, floating state will bring state as a rootless entity in neoliberal circumstance.

Key words: *neoliberalism, floating mass, floating state, Indonesia, post-colonial state, democracy, new order*

Introduction

The dynamic and history of interaction between Indonesia and capitalist regime in Indonesia show that the construction of “state” is determined by external institutions than by domestic struggle. Through a process of "training capitalism" by the United States in the early years after Indonesia's independence, the construction of state and its characteristic simultaneously crafted. Simpson (2008) showed that the construction of the New Order and all aspects of development in this regime have a strong relationship with the United States world view about global politics. According to Simpson, after supporting the Indonesian independence, the United States provided some very intensive technical assistance. The intensive assistance was provided by Washington since 1950 aiming to create a representative state, pro-capitalist and pro-western government. The other preference of US assistance is for block of communist widespread in South East Asia region. The US always sees Indonesia as a strategic partner that has a pivotal role for maintain US foreign policy.

Since the fall of New Order in 1998, Indonesia has been in the very liberal democracy. Furthermore, it does not represent the *developmental-state* as a lens from some scholars when (or who?) try to construct the Asian state's formation. Today, penetration of neoliberal regime is also followed by political *euphoria* in the mass level. It is interesting to examine how deep is the relationship between Indonesia and the international regime has given birth to democratization on the one hand, but the emerging democracy have continually started some problems such as the re-emerge of political identity or –to borrow a very popular term from Clifford Geertz -- ‘*aliran*’, at

the domestic level. This article attempts to answer how deep the construction of the state in the context of deepening relationship to neo-liberal regime.

Indonesia under Neoliberal Regime: From Floating Mass to Floating State

Important differences as can be seen from the nature of developmental state in the '80s and the regulatory state after the 90s up to now located in the interaction patterns and outcomes between global economic countries and regimes. In the developmental state model and the regulatory state, the state remain an instrument of mass control. Under the New Order, state become important agents for the process of capital accumulation. On the other hand, the regime of contributor maintain the relationship without too much concentration on the domestic political agendas. In other words, there is a separation between economic and political aspects that the international economic regimes have at the time. In some aspects, it contributes to the process of macro-economic stability. But on the other aspect, this pattern makes the problems of political offenses such as human rights and democratization blocked.

Economic discipline is the attention of most major international economic institutions. While in the context of state and society relations at the domestic level, there are still ongoing pattern of political discipline by the state. Through corporatic political policy, state control of social-political movement grow at that time. Various organizations and associations grow in the New Order, but they must refer to a strict political discipline of the state. It also illustrates that the separatist policy of international economic institutions at that time, still give the space for sovereignty to the state.

The positions of countries as seemed to be a single entity have implications on the domestic political dynamics. Concentrating on pushing economic aspects of the New Order regime could create a model of corporatic political institutionalization to control masses. The purpose of this corporation is very clear, namely how political identities are still maintained within the norms of society and the state ideology. Among constructivist point of views the identity is as something born from the inter-subjective relations between the actors. The interest will work on top of the identity.

The logic of constructivists help us understand that the state is formed in the outer identity. In the context of the New Ore regime is beyond the identity of the donor countries. While at the same time, the state also established the identity of its people in order to safeguard the interests of states and international regimes. Authoritarianism is essentially a representation of country that wants to establish the identity of people as units of production rather than as a political actor.

Political construction through corporatic state agencies grow the typical political identity during the New Order, which by some political observers called a *floating mass*. The floating mass is actually the mass whose identity is formed from the outside - in this case through the state and its agents like the military and bureaucracy. Furthermore, the state prevents the presence of other identities based on the experience and political ideology beyond the existing ideology. The genealogical of floating mass represent militaristic point of view on the power. The concept comes from the influential military thinkers in the New Order, Ali Moertopo.

There is a kind of logic that economic growth can only take place in an orderly political situation. National development is understood in the context of no competing

identities, and if necessary as the process of homogenization. Moertopo then pushed them to be the efficient actors, which facilitates the market to easily work, maintained the harmony between global investors and the state as the *compatriot*. Furthermore, Moertopo wrote in detail about the identity of people considered quite parallel with the goal of state capital accumulation.

For about three decades, the floating mass have become an identity giving the role of the state to function as agents of the global capitalist regime. To some extent, the floating mass would be effective to make the *depoliticization* of society. However, in terms of political identity, in fact the pattern is not really growing to muffle another identity outside of the state. As the *constructivists* beliefs, identity is not something fixed. The identity will be determined by changes in ideas and social structures. The floating mass is deemed necessary as the potential presence of resistance can be the reducer and the order can be maintained.

Along with the growth of neoliberal regime, change is also the construction for the state desired by the international structure. Construction of the agents of the capitalist world are changing. If capitalism is like the presence of the state as an agent of repressive, neoliberal regime try to construct a democratic state as an agent. Important to add that the neoliberal regimes also began by working directly with the political identity that they expect the level of domestic society. As Ian Bremmer stated, the neoliberal regime required the opened, efficient, transparent and market friendly. No wonder then when the topics of efficiency, transparency and accountability as a key discourse of neo-liberal regime.

In a conference organized by Organization for Economic Co-operation and Development (OECD) in Paris in 2005, under theme "Paris Declaration on Aid Effectiveness." The Declaration reflects the change in orientation and projects that try to expand the dimensions of the economic assistance to non-economic area.

According to Edward Asprinall (2010), Indonesianists from the Australian National University, the orientation of international donor agencies began to lead the agenda for "assessing democracy assistance" as an effort to build democracy at the level of harmonization of state and society. Asprinall revealed an interesting description of link between the program of Indonesian democracy after New Order with the support of international institutions role. The contributing agencies on democracy programs in Indonesia have been coming either through multilateral institutions like the World Bank and IMF, the contributing agencies from the major countries such as AUSAID (Australia), USAID (United States), international NGOs from Europe such as Oxfam (UK), HIVOS and NOVIB (Netherlands). Besides, there are also affiliated with the help of political forces in Germany as from the liberal wing as *Friedrich Naumann Stiftung* (FNS) and of the social democratic path such as the *Friedrich Ebert Stiftung* (FES). The Open Society Institute, which established a stockbroker George Soros, is also an international NGO to distribute the relatively big aids for democracy programs in Indonesia.

The assistance from international agencies such as USAID, the Ford Foundation, Asia Foundation and some other assistance are affiliated with political parties in European countries like Germany, show a very drastic improvement. Such assistance is aimed at both civil society organizations (CSOs) as well as new

institutions of government considered to be a new pillar of democracy such as the Election Commission, National Commission for Human Rights, the House of Representatives (parliament) and Supreme Court. Even until now, Indonesia is the largest recipient of USAID's democratization program. Some attention to the process of democratic transition in Indonesia is reflected in the strategy that launched the USAID, "Making Deliver Democratic Governance." Countries and donor agencies provide an important concern on six key issues, namely: decentralization, development of electoral systems, electoral commission, security and law enforcement agencies, political parties and parliaments, civil society and conflict resolution. This policy reaffirms much Simpson's review of Washington's efforts to construct the figure of the country at the beginning of Indonesian independence.

State as a Market Apparatus

After the fall of Suharto's regime, there are original assumptions of the circles believing in the thesis by Samuel Huntington on the waves of democratization. The normative-liberal also assumes that democracy will grow a strong civil society and will play an important role in the consolidation phase of democracy. Even, in hyperglobalist perspective, globalization and neoliberal era will bring state only for administrative function (Ohmae, 1997).

Such assumptions seem inadequate, at least until one decade since the reform project distributed. Civil society movement in Indonesia after New Order showed an interesting pattern, the hero of the reform began making noise (trouble makers) into

democracy. Civil society presenting in Indonesia political constellation after the New Order show itself in two forms, namely good and bad civil society (Hadiwinata, 2003). Deepening neo-liberal regime has been going on systematically, especially when a number of regulations created to open the widest market for global corporate engagement for exploit a variety of natural resources. Countries must not only perform their function as the agents for the mainstream of neoliberal ideology but also become a floating entity which this paper called as a “floating state”. Similar to floating mass that has happen in New Order period, there is still in an effort to keep the accumulation of capital. The difference lies in the surrounding structure. Floating mass is growing due to the loss of community identity in politics because they save a resistance to the regime. This is like a politic of identity for subjugating society in Suharto’s regime. Furthermore, the floating state is at a similar logic: to build a public identity to the identity of the cosmopolitan democracy, the potential of the state as an agent of global resistance against the regime would easily be reduced, especially when working in an optimal privatization projects so the country really never have the strength anymore. This is sugjugation of state from external economic institutions. The floating state is not a consequence. It is a construction that has consistency with the wishes of the neoliberal regime in order to maintain the market working properly and become octopus economic system in the world.

When the state's relationship and deepening of neo-liberal regime happen, domestic politics is characterized by the presence of new political identities such as that brought by the social movements which brought radical ideas. Utilizing the democratic political circumstance, the presence of radical groups of Islamic political power during

the New Order can be controlled by the state, get the very free articulation. In the conflict between the Ahmadis and hardline Islamic groups, for example, the state position is very weak. Economic demands in various areas such as in Papua, demanding justice, it gasps countries in dealing with corruption scandals and tax, as the examples of positioning a floating state. State only focus to serve and put red carpet for global corporations or investors but at the same time hand-off from regional political tension.

The concept of post-colonial state is understood as the construction of identity rather than a historical sequence. As a result of identity construction, the post-coloniality is not just a historical attribution, but a *structuration* attached to the ex-colonial countries though they have been formally independent. Hamza Alavi (1972) argued that post-colonial states are those have "handed over various rights of development that exaggerated the creations coming from outside. In Alavi's views, the state was "over-developed "due to its foreign creation. For the realists and neo-liberalism, the fact (in this case, the international politics), is something that can be explained by the same way as a natural fact. Likewise, the fact and value are two separate things. This is a typical view of the positivist and rationalist.

By contrast, the constructivists such as Alexander Wendt, see the "objective facts" (including "international politics") as a socially-constructed world and not a given fact freely present. The identity of actors such as state is always never fixed and changing. Alexander Wendt sees the problem arising in the international politics is the presence of steering power or some kinds of driving forces. Steering is what producing

the norms and controls of the direction of international politics and also discourse and then construct various actors in international politics.

The constructivists believe that actors in the international political act - whether in the context of conflict or build the cooperation - is strongly influenced by the identity. Interaction among identities shape the international system, whether it's in the economic system, politics and trade. Ideally, international relations based on the spirit of emancipation to understand each other and establish norms share the identity. But in the fact, according to Wendt, the identity of actors involved in the agency and structure is the norm producing and constructing the identity outside of himself. Herewith then, Wendt seen any sorts of steering the global system. The steering then arranges a number of ideas through the involvement and control in which they have entered into the system and create. As Wendt writes: "... if the international steering system presupposes a driver, then perhaps the first problem .." (*Wendt, 2001*). Actors controlling the neoliberal regime are the countries of the investors, their economic institutions influence the construction and the World Bank, IMF and UNDP as well as the presence of multi-national corporations. Washington Consensus reflects the idea of actors portraying themselves as political steering in the world. And developing or post-colonial countries are "participants" to be the of the "good state" continues to neoliberal were exposed by steering through their agents. Finally, the steering become a global stage in which developing. countries like Indonesia constructed by its norms, laws and conditions. Therefore, the steering create state formation, including in democracy mainstreaming today.

Conclusion

Until now Indonesia has entered and celebrated liberal democracy. But until this paper is written, the demands on various issues such as addressing corruption, human rights, regional autonomy and the scandals involving public policy still continue. Furthermore, the violence that makes the religious sentiment can give an idea of the weak state on the liberal democracy in the middle of the space. When the actor is busy running the agendas designed by neoliberal institutions, a floating state – presents. Floating state has similar characteristics with floating mass that emerged in the New Order era. Floating state emerges as a result of imposing international economic on the one hand and the state must accommodate democratic politics on the other hand. Floating state is the identity of the existing when the international politics was dominated by neo-liberal regime as the steering.

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