

# Financing Politics in Indonesia

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## Abstract

*This paper aims to map out practices of political financing in Indonesia from the political to the socio-historical perspective. Arguing about the party financing and the corruption of politicians and the parties, this paper also proposes about strategies at the individual level for performing financing politics, as well as factors that help to explain their performance. It compares cases in three different periods of Indonesian history: the post-independence, the Suharto (New Order) era, and reformasi after the fall of Suharto in 1998. This paper discusses and analyses the financing politics belonging to the political and socio-historical perspective, the issue of financing politics, the results of mapping students' theses from three universities in Java together with relevant papers by LIPI (the Indonesian Sciences Institute), and directly presents three case studies of individual performing financing politics. Two of the case studies concern with politicians from the post-independence and Suharto era, while the third concerns a member of the city of Solo's local parliament. This paper shows how financing politics would be no longer relevant, as the cultural capital, political capital, and social capital also may contribute in supporting one's political career.*

## Introduction

Over the past few decades, democratisation has become the major factor behind political changes in the 'Global South'. These changes have been significant to the existence of political parties and yet, in terms of financial subsidies, many political parties in the

64 Global South still rely on government support in countries such as in Africa, Latin America and Eastern Europe (Bryan & Baer, 2005; Pinto-Duschinsky, 2002; Mwangi, 2008). Under authoritarian regimes, governments in these countries played an important role in financing political parties through various subsidies. Hence, government support has been significant for the sustainability of political parties and democracy in the Third World.

Due to various budgetary constraints, governments have reduced subsidies for political parties (Biezen, 2004). It has often led to an increase in illicit practices in political financing, including corruption, collusion, and nepotism, since the political party's need to survive comes at a significant cost. This phenomenon is also evident in Indonesia, one of the largest democratic countries in the world. Following a series of funding cuts, political parties have been forced to find alternative sources of income to cover their increasing expenses, especially during elections. Often, these new sources of revenue are secured through illegal means and activities, at least in the case of Indonesia (Mietzner, 2007).

This article aims to map out practices of political financing in Indonesia from the perspective of 'political' and 'socio-historical' schools of thought. The 'political' approach refers to activities of party financing that are related to democratisation in general and explores, for example, the extent to which issues of party financing support or hinder democratisation. The approach applied here is more a legal-formal one. In its approach, the 'political school' focuses on parties as the unit of analysis. The second approach explores the issue of financing parties from a sociological point of view. It examines how politicians (or political activists) come into being, how they finance their political activities and how they sustain their political careers. The reason for including these two approaches is because there has been a domination of the political school in the study of 'financing politics'. Within this approach, at least in the Indonesian case, the focus of study has, in the main, been on party financing and the corruption or ill behaviour both of politicians and the parties. In this article, however, we argue that the issues of political financing do not just concern the study of parties and their behaviour.

The discussion can be broadened by including the sociological approach of examining how individuals finance their political activities. By broadening the discussion, the article proposes a more nuanced overview of the topic: it is not just about the corruption of parties, but also about strategies at the individual level for performing politics, as well as factors that help to explain their performance. The initial plan for this study was to compare cases in three different periods of Indonesian history: the post-independence, the Soeharto (New Order) era, and *reformasi* after the fall of Soeharto in 1998. However, important individual sources for the first period were difficult to find as most of them have passed away. It was instead decided to map the studies on financing politics in Indonesia by combining a literature review of graduate theses along with the case studies (one being based on empirical studies).

This article consists of four sections. The first section covers the main literature on financing politics belonging to the political and socio-historical schools. The discussion also includes literature on political economy which discusses the issue of financing politics indirectly. The second section introduces the analytical instrument to be used—‘types of capital’—in exploring the case studies. The third section turns to a discussion on the results of mapping students’ theses from three universities in Java together with relevant papers by LIPI (the Indonesian Sciences Institute). We collected 256 theses with titles containing the words ‘political parties’ and ‘financing parties’. Indeed, the theses on the topic of financing politics demonstrate the dominance of the political approach. The fourth section covers three case studies—two at the national level and one at the local level. Two of the case studies concern politicians from the post-independence and Suharto eras, while the third concerns a member of the city of Solo’s local parliament. Through these three cases, we seek to substantiate our argument on the merits of the sociological approach.

*Political approach*

Finance is a vital aspect of politics and political parties in particular (Mwangi, 2008). Furthermore, parties need funding in order to survive, compete, and perform their democratic functions (Bryan & Baer, 2005). In many developed countries, such as those in Europe, state subsidies began in the late 1970s. Previously, all of a political party's costs were sourced from the party's membership. It was possible to mobilise funds due to the nature and form of parties in many European countries, where a majority at that time were mass-based parties. Over the past few decades, this type of party system has shifted to the point where such parties are increasingly difficult to find (Pierre et al., 2000). In the developing countries of Africa, South Asia, Latin America and East Europe, there has been a shift towards a multi-party system in which most political parties are supported through state subsidies (Austin & Tjernström, 2005).

'Political financing' is defined as the money needed to flow legally or illegally into the various elements of political systems—the politicians, the administrations, pressure groups and, not least, party coffers. However, experts have suggested that it is difficult to distinguish the term 'political financing' from 'political finance and money in politics', 'political money and politicians' money', and 'the cost of democracy' and 'cost of democratic politics'. The existing literature suggests various meanings of 'financing political parties', including: (i) activities of financing political parties in terms of the parties' internal management, such as seeking funds for parties' activities (Austin & Tjernström, 2005; Pinto-Duschinsky, 2002), (ii) state subsidies for political parties (Pierre et al., 2000; Biezen, 2004), and (iii) corruption in political parties (Biezen, 2004; Pierre et al., 2000). The first group of studies examines various strategies that parties employ in order to fulfil their routine expenses. The second examines the pattern of the relationship between the state and political parties through the issue of state subsidies, as well as examining the pattern of behaviour of politicians and conducting cross-national comparative studies on the pattern and amount of subsidies given to

political parties (Biezen & Kopecký, 2007). The third focuses on the assessment of the way parties seek funds and the ways in which these funds are obtained, whether legally or by violating laws.

In the context of Indonesia, studies on financing politics have so far focused on state subsidies and the corrupt nature of political parties (Mietzner, 2007; Sulaiman & Klinken, 2007; Hadiz & Robison, 2004; Lay, 1993). Mietzner (2007) relates the issue of state subsidies to political parties, the shift of the Indonesian party system and the more illicit practices of politicians and political parties. He points out that since the 1999 elections, Indonesian political parties faced more challenges to maintaining office, including intensifying competition due to the steep increase in the number of political parties (from three parties in 1997 to 24 parties in the 2009 elections). At the same time, there has been an increasing frequency of legislative, presidential and local elections. The rising number of elections has significantly increased the funds needed by political parties.

Electoral democracy is a cost-intensive activity, both from the perspective of the committee, i.e. the Indonesian government, as well as the participants, i.e. Indonesian citizens who want to run for public office. The total budget allocation for the general elections in 2004 and 2009 was IDR 4 trillion (US\$ 40 million) and IDR 6.4 trillion (US\$ 64 million) respectively. For the forthcoming 2014 elections, funding allocation from the national budget is set at IDR 8.1 trillion (US\$ 81 million). At the local level, the funding required for holding local elections is of course less in comparison to the national one. To give an example, Central Java province, the province with the largest population in Indonesia, allocated IDR 169 billion (US\$ 16.9 million) for the 2009 elections.

At the individual level, to run for office at the district/city level in the 2009 elections required funds of between IDR 200-400 million. The amount depends on the size of the region and the size of the population, the two major contributing factors to the cost of campaign activities. To run for mayor, a candidate should prepare around IDR 3 billion (US\$ 0.3 million) for a small town in Central Java with a population below 400,000 and a moderately

68 sized geographical area. For larger areas, the costs more than double. For the presidential campaign, candidates are expected to provide between IDR 140-500 billion (US\$ 14-50 million).

Based on government regulation No. 51/2001, parties obtained subsidies from state worth up to IDR 1,000 per vote in the 2004 elections. This was the first systematic state subsidy for political parties in Indonesian history. However, political parties were later to face a new challenge in the form of declining subsidies for contesting election. This was due to the changing formula for delivering state subsidies—from vote-based to seat-based, as regulated by government regulation No. 29/2005. As a result, total state subsidies have fallen 89 percent since before 2005 from IDR 105 billion to IDR 10.5 billion (Mietzner, 2007, p.244). These factors have forced political parties to seek alternative sources of funding in order to maintain their activities. The need to find other sources of funding, according to Mietzner, often leads to corrupt practices, such as money politics and the use of state facilities during elections.

*Table 1*

*Comparison in the decline in state subsidies for political parties between the 2004 and 2009 elections*

Political parties	Amount of state subsidies (000.000 in IDR)	
	1999	2004
Demokrat	NA	2,338
Golkar	23,741	1,623
PDIP	35,689	1,574
PKS	1,436	886
PAN	7,528	677
PPP	11,329	598
PKB	13,336	555
Gerindra	NA	501
Hanura	NA	423

The corruption of state funds by political parties and politicians also takes place at the local level. State subsidies for local political parties are sourced from the local budget (APBD). A study conducted by Sulaiman and van Klinken (2007) revealed corrupt practices by local politicians in the province of Nanggroe Aceh Darussalam (NAD). For example, Abdullah Puteh was a party activist from the well-established Golkar party. With the intention of strengthening his own position, he utilised all the resources available to him by taking advantage of his connections with the party's leaders in order to maintain power. Shortly after being elected, governor of Aceh, Puteh, divvied up influential positions and lucrative projects to members of his family and cronies who helped him winning the gubernatorial election. However, Puteh was accused of corruption and an investigation revealed how he employed his long-established connections with top figures in Golkar, such as former chairman, Akbar Tanjung, to help him out of difficulties. Only after Yudhoyono came to power and Akbar Tanjung lost his influential role as chairman of Golkar, was Puteh brought to trial for corruption.

Evidence of the ill-behaviour of politicians and political parties can also be found in other parts of the archipelago. Buehler and Paige (2007, p41) studied a local election in Gowa District, South Sulawesi, where they found evidence that local party elites manipulated the candidates who ran in the district head elections as 'cash cows' with which to increase funding for their respective political parties. Choi (2007) studied the 2005 gubernatorial elections in Riau, where he found inconsistencies within party coalitions that demonstrated how they had been pragmatic and ad-hoc in their alliance despite a lack of ideological similarities. He also found that vote buying was rampant (2007: 340-341). All these examples evidence the dominance of local elites in the practice of local democracy in Indonesia.

### **The state's role in financing politics**

The importance of state subsidies on the life of political parties in Indonesia can hardly be separated from the dominant role of the state in Indonesia in economic development and politics over the three decades prior to political reform in 1998. The dominant role

of the state in economic development affects how political actors finance their politics. It is not just typical of the Indonesian case as this can be found in Asia in general and Southeast Asia, a region widely recognised for intermingling between politics and business, in particular. Here, business actors are also political actors (Yoshihara 1989; McVey 1992, Robison 1986, Robison and Rosser 1998; Hadiz and Robison 2004). The literature has focused more on business actors. However, because business actors are also political actors who needed to finance their political activities, we have read this literature through the lens of financing politics.

Experts have argued that this intermingling between business and politics, or between money and politics, is a consequence of the state's dominance—which is in turn also part of the colonial legacy (Robison, 1986). Scholars that have often been labelled 'culturalists' have advocated that the intermingling between business and politics is something inherent in the Asian culture, an aspect of 'Asian Values' predominantly relating to Confucianism. In exploring the roles of Confucianism in South Korean development, List-Jensen (2008, p.11) summarises the essential values of Confucianism as: 1) hierarchy as the core notion in the human relationships between generations, within families and between the ruler and the ruled; 2) its emphasis on family, groups, norms, social harmony and moral, political, and economic order.

Let us explore the first understanding of the historical factor. Following independence throughout Asia, newly born states attempted to fulfil their sovereign dreams. These dreams were difficult to fulfil due to an abundance of problems faced as part of colonial legacies. In the economic field, economies consisted of an abundance of an indigenous work force working on extractive activities sufficient only for subsistence, while industrial sectors remained in the hands of former colonies. Furthermore, the economic functions remained under the control of former colonial powers or minority groups, while poverty and inequality were common in post-colonial countries in East Asia (Robison, 1986; Lindblad & Post, 2009). In the social and political realm, civil society organisations were weak or poorly developed and political actors were fragmented. There was no other

actor that could solve those post-colonial problems other than the state. As a result, the state has been dominant in many Asian countries. Business actors and political actors would go to the state for help. It has made them dependent on the state for accessing resources, something that has happened throughout the post-colonial period.

Following the independence and during state developmental, business people were mostly actors with close connections to national elites. They were mostly former independence fighters that had assumed power after independence. In order to maintain the resources they had gained from the state, business actors then become politicians, or at least they maintained proximities with the state. Robison (1986) labelled these people with double roles—those of politician and business actor—as ‘bureaucratic capitalists’.

In post-crisis Indonesia, Hadiz and Robison (2004, p.221) suggest that these networks have survived and transformed themselves into ‘predators’ and ‘private oligarchs’. However these politicians turned business actors are labelled, they are all in essence point to the success of these business actors in Southeast Asian countries as being due to their activities in politics—and it has endured under various political regimes. One of the reasons for the survival of old political networks is perhaps linked to the high cost of electoral democracy. It has opened up a kind of chain of supply and demand, between candidates, who are eager to assume public position but who do not have sufficient capital, and the business actors, the capitalists, who are mostly part of the old political networks. In the context of the Indonesian Chinese conglomerates, the business communities that used to be protected by the ruling party Golkar during the New Order through the patronage system lost their old patrons. However, they still want to keep their businesses running. Political reform has paved the way for their involvement in politics by either becoming politicians themselves or through the use of societal space, such as the media (Chua, 2010, p. 216). Chua also suggests that since political reform, it is much easier for business tycoons to influence the policy-making process in Indonesia through politics, particularly the legislative body. Moreover, Indonesia is heading toward ‘a political system significantly defined and molded by the interest of capital’

(*ibid.*). Thus, in an attempt to maintain access to the state's resources, the ethnic-Chinese conglomerates have become part of the electoral democracy, both directly by becoming politicians or indirectly through lobbying and taking on roles in societal organizations.

To summarize, the topic of 'financing politics'—from the perspective of the political approach— is mostly concerned with the role of the state in democracy, and particularly with the state subsidies in the life of political parties. It also concerns the role of capitalists and their attempts to influence the policy-making process.

### *Socio-historical approach*

The second approach to the literature is spread across different areas of study, but mostly situated in the area of political economy. In the case of Indonesia, studies focus on relations between the state and political actors and the extent to which actors benefit from economic policies and capitalist development in Indonesia. Within the framework of this relationship, the literature has also addressed how actors—political and business actors—accumulate power and wealth through the assistance of the state, and how these actors establish their political power. We have suggested that this literature can be framed within the discussion of 'financing politics', albeit indirectly. From these materials, the social origins of politicians—showing how individual politicians have come into being, what factors have supported or impeded their existence and the success of their careers—can be traced. In addition, certain historical contexts surrounding the emergence of politicians are important for analysing politicians and, especially, how they finance politics. It provides a more sociological point of view of the topic of financing politics. By broadening the discussion, we have stepped into line with Biezen's argument that suggests: "The scope of studying political finance [...] should thus be seen as broader than merely involving illicit transactions" (2003, p 12).

Another scholar that can be useful for understanding the practice of political financing is Bourdieu (1986), who is famous for his notion of capital. According to Bourdieu, there are four types

of capital. The first is economic capital, which he describes as assets such as material wealth in the form of property, money or shares that may be converted into money. The second is social capital. The third is cultural capital, and the fourth is symbolic capital. Bourdieu defines social capital as the “sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalised relationships of mutual acquaintance and recognition” (Bourdieu and Wacquant 1992, p119). Cultural capital is “the formal educational credentials that an individual possesses and the more intangible complex of values and knowledge of cultural forms in his or her behaviour” (1986). Symbolic capital refers to legitimate authority in the form of prestige, honour, reputation, and fame (Stokke: 2002, p. 9-10). Political capital finally is symbolic capital applied in political field.

Among the four types of capital, the most famous is the notion of social capital. Bourdieu and the American sociologist James Coleman (1993) are the two scholars who first suggested the notion of ‘social capital’, although they refer to different meanings. Regardless, it has become currency in the social sciences and beyond, especially in development studies, and has been widely adapted by multilateral institutions such as the World Bank in their development strategies (Fine 1999), alongside the contribution of Robert Putnam (1993). There are two views on the argument of social capital. Coleman views the notion of social capital as an *individual* attribute, Putnam regards it as a *collective* one, while Bourdieu seems to refer to neither as he focuses the notion of capital in unity with his other notions of ‘field’, ‘practice’, and ‘habitus’ (Bourdieu 1992). To link these debates on ‘capital’ in the context of ‘financing politics’, the term is used pragmatically, and mostly in relation to how an individual accumulates and makes best use of social capital for the accumulation of power and wealth.

As mentioned above, Bourdieu also coined the concept of ‘field’, which he suggested is part and a parcel of the notion of ‘capital’ (Bourdieu: 1992). He defines field as a “network, or a configuration, of objective relations between positions”. Capital exists within a particular field. Thus, ‘field’ and ‘capital’ are relational

as they influence each other. Also, ‘capital’ is not a fixed thing. It has certain volume and structure, and it evolves over time (*ibid*, 1992: 99). Using the same line of argument, in the context of social movements, Stokke observes the dynamic dimensions of capital (Stokke 2002). He suggests that by its very nature, capital does not activate automatically. Specifically on economic capital, Stokke suggests that it is “not in itself enough to gain power within the fields of art or education, but economic capital may be used to acquire the specific cultural capital that is the basis for legitimate authority within these fields”. He also notes that capital needs to be activated by actors. Although Stokke formulates it in the context of agency in social movement, he emphasises the dynamics of capital that this article proposes. Furthermore, it brings us to the issue of what activates the capital to be beneficial, or in Bourdieu’s term, the “convertibility of element of capital”.

The analytical tools on the types of capital that one has possessed and the role of actors in activating is what guides our study in this article. We have identified types of capital that politicians utilise and spend to finance their political costs, covering all types of capital as aforementioned. Our identification is historical, meaning that it is situated within certain political regimes, or what we refer to as the ‘field’. We have observed the moment when the capital was firstly accumulated, occurring in one particular period, how it was activated and, finally, how the exercise of capital within a specific field resulted in successfully supporting one’s political and economic career in the later periods.

### **Financing Politics in Indonesian Graduate Theses<sup>1</sup>: Dominance of the Political Approach**

This section maps out and discusses findings on undergraduate and postgraduate theses written on the issue of financing politics.

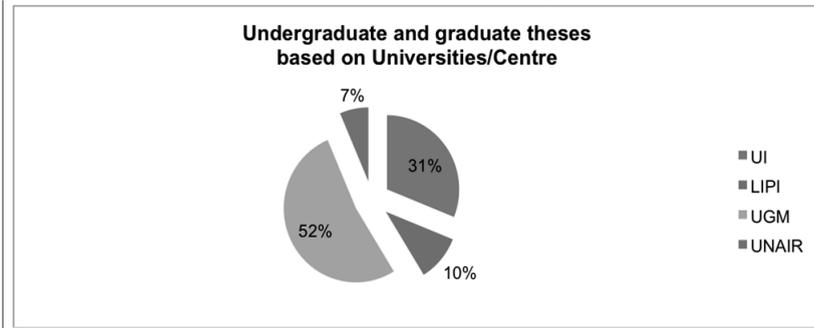
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<sup>1</sup> We thank our research assistants who conducted library research at the three state universities in Yogyakarta, Surabaya and Jakarta: Wening Hapsari and Chindy Grafia Farasati Harahap at Gadjah Mada University; Juwita Hayyuning at Airlangga University, Surabaya; Muhammad Yusron Halim at University of Indonesia and LIPI, Jakarta.

The operational definition of ‘financing politics’ is the involvement of money during elections at all administrative levels—in the village, district/municipality, province, and national levels. It includes vote buying, costs for candidacy in political parties, costs of election campaigns, and the role of investors in elections. Desk studies in three different universities in Java, the top three university in Indonesia, with their well-known departments of political science—University of Indonesia (UI) in Jakarta; Gadjah Mada University (UGM) in Yogyakarta and the University of Airlangga (UNAIR) in Surabaya, East Java—together with LIPI (the Indonesian Sciences Institute). In terms of periodisation, we attempted to collect all of the theses published in the early 1990s until 2010, covering a 20 year span. However, the archive systems in each of the university libraries are varied. UGM still has hard copies of theses from the mid-1990s, while UI and UNAIR have only kept copies since early 2000. It was decided, however, to allow the different time spans as the study concerned only with three universities and other data from LIPI.

Of a total 256 theses, 13 percent of it was written during the Soeharto era and 87 percent during the post-Suharto era. Clearly, there has been significant increase in interest on the theme of political parties since the fall of Suharto. It perhaps relates to the more open and relaxed political life in Indonesia as well as the vibrancy of political parties post-Suharto era. Previously, studies on political parties were limited, as there were only three parties allowed—and they were controlled by the government, while elections were held with expected results.

Graph 1: Undergraduate and graduate theses based on sources (Three Universities and LIPI)

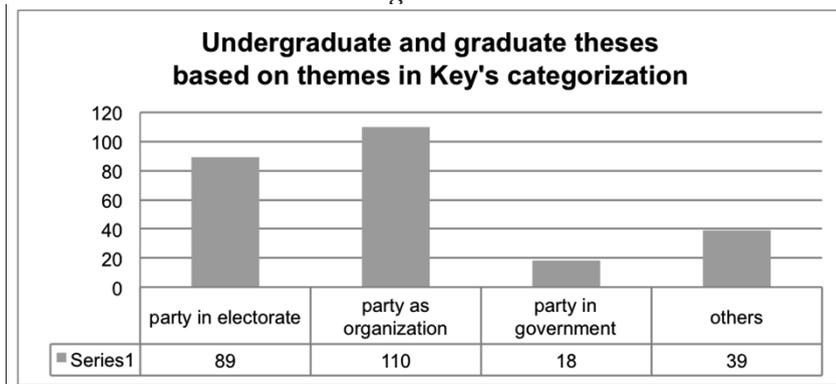


The total 256 theses keywords of ‘political parties’ were categorised based on V.O Key’s (1963: 163-164) subdivision on studying parties, namely: (i) party as an organisation,(ii) party in government,(iii) party in electorate. In essence, these three categories refer to the ‘function of parties’ in the three arenas of government, organisation (internal parties), and in elections. In the first arena, the parties’ functions refer to internal organisation—to recruit political leaders, train and educate cadres, articulate party interests, and aggregate voter interest. The second category covers functions such as creating a majority in government, structuring power in the legislative body through monitoring, controlling, and incentive distribution, implementing and controlling policies issued by government, and controlling the government’s daily function. In essence, a key function is to ensure that all kinds of policies issued by the government will be to the benefit of parties and the parties’ constituents. In the last arena, parties function as a tool with which to simplify political options that are available hence it will be easier for voters to understand the complexity of political issues, and to mobilise voters and to educate the citizens (Dalton and Wattenberg 2000: 5-10).

For the first category—‘party as organisation’—we found 110 theses, the largest number. Yuliani (1994), for example, wrote about political recruitment by the provincial branches of Partai Demokrasi

Indonesia<sup>2</sup> (PDI). Simbolon (2005) wrote about Golkar (Golongan Karya) party presidential recruitment for the 2004-2009 tenure. Hasyim (2006) wrote on elite conflict within the Partai Persatuan Pembangunan (PPP) in 2005. The second largest theme was 'party in electorate', which accounted for 89 theses. Haryanto (2010) wrote on campaign strategies adopted by the new political party, Gerindra (Gerakan Indonesia Raya), in the 2009 legislative elections. Davina (2009) wrote about media strategies during the 2008 gubernatorial election in East Java Province. Another example under the theme of 'party in electorate' was a thesis written about the victory of the Partai Keadilan Sejahtera (PKS) in the 2004 legislative election in Jakarta (Azlina 2005). The last group of theses focused on 'party in government', which accounted for 18 theses. Examples include: the ways in which factions and political parties influence the performance of local parliament in Sambas District, West Kalimantan, in formulating local regulations (Perda) (Bujang 2002). Another example is a thesis on the Yudhoyono administration's opposition to the Partai Demokrasi Indonesia Perjuangan (PDIP) in 2009 written by Dora (2009).

*Graph 2: Undergraduate and graduate theses based on themes in Key's categorisation*



<sup>2</sup> In the 1999 elections, the PDI changed its name to PDI Perjuangan (Indonesian Democratic party for Struggle).

Of the 256 theses, there were only five that focused on financing political parties, and all of these were published after the fall of Soeharto. This means that during the Soeharto era there was hardly any academic writing on this theme. In turn, the five theses on financing politics focused mostly on the role of 'money politics' (Kosandi 2002; Sudarmadji 2002). In the first study, factors found to contribute to the exercise of money politics were the pragmatic behaviour of citizens, the economic context of the area (villages were known as poor areas), cultural factors that suggest vote buying is a normal thing to do, and weak law of enforcement. The second thesis on money politics was written at the University of Indonesia in 2003 concerning the 1999 elections in a suburb of Jakarta. The thesis explored the role of state apparatus—the administrators or bureaucracy—in supporting the incumbent candidate who was formerly part of such apparatus. Support was given through government programmes such as the social safety net programme, or (JPS—Jaring Pengaman Sosial), soft loan schemes channelled through cooperatives or the Farmers Credit Union (KUT—Kredit Usaha Tani), infrastructure provision through the General Works Department, and the urban poverty reduction programs such as the P2KP (Proyek Penanggulangan Kemiskinan Perkotaan). All of these programmes were claimed as the initiatives of a particular candidate.

The third thesis, written as part of the National Security postgraduate program at UI in Jakarta, highlighted the impact of money politics in village head elections in Sleman, Yogyakarta, and the extent to which it affected the village's security (Sudarmadji 2002). The paper concluded that there was hardly any correlation between the practice of money politics and village security, because this would depend on various factors such as: (i) the quality of the village head after the election; (ii) the performance of the elected village head to deliver services for the villagers; (iii) the vast social networks of the village head to pacify any possible conflict that emerged.

The fourth thesis on the strategies of candidates in local elections in Sleman, Yogyakarta, suggests that money plays an important role in three phases of local elections, namely the candidate's recruitment to a political party, campaign activities, and the day of the election. The

money spent in these three phases was sourced from the candidate, the candidate's family, businesspeople, social organisations that the candidate was connected to, and, in the case of incumbent candidates, from government programme budgets. The last thesis was written by a student at Airlangga University on capital and village elections in Wonotengah Village in Kediri, East Java (Kholan 2009) who suggests that it was the role of capital that contributed to the victory of the village head.

As these findings show, the political approach dominates studies on political financing in Indonesia. They all suggest that financing politics means the corrupt behaviour of politicians and parties. This result is expected because it is the dominant understanding of financing politics in Indonesia, and the academic world seems to follow this main discourse.

### **Socio-historical Approach on Financing Politics: Case Studies**

This section explores the socio-historical approach to the study of financing politics. It consists of three case studies on the careers of two politicians at the national level, and one at the local level. The cases studies offer an attempt to compliment the theses written by graduate students at the top three universities, including thesis documented by LIPI, given that none of them touched on the socio-historical approach to the issue of financing politics. From the three case studies, we demonstrate how this topic goes beyond the discipline of political science, and beyond the behaviour of parties and politicians, including their ill behaviours. The topic of financing politics is situated in a wider socio-political context that influences the way politicians behave. It is thus being a macro approach to the study of financing politics. We concentrate on three politicians from the beginning of their careers. Three types of capital, as mentioned earlier, will be explored in analysing their careers.

### **Soedarpo Sastrosatomo: From Social-cultural Capital to Economic Capital**

Soedarpo Sastrosatomo (1922-2007) was a political activist during the period of independence in the mid-1940s. He became a successful entrepreneur and was labelled as the Indonesian 'king of shipping' due to his giant international shipping sector business interests. He was a Sumatran-born ethnic Javanese affiliated to the Indonesian Socialist Party (*Partai Sosialis Indonesia*, PSI), a party banned in the 1960s. Together with his brother, Soebadio Sastrosatomo, Soedarpo acted as liaison between Sutan Sjahrir, a PSI leader later to become the first Indonesian prime minister under Sukarno (Anwar 1995: 107-108). At that time, the Sastrosatomo brothers were both medical students in Jakarta, although neither succeeded in finishing their courses. They, together with the late Soedjatmoko (former Indonesian ambassador to the UN), were known as 'The Sjahrir Boys' (Anwar, 2009: 232), a label that reflected their proximity to the first prime minister. Because of his activities in business and in politics, a Jakarta-based English language newspaper labelled him as a 'patriotic businessman' in its obituary news when he passed away in 2007 (*Jakarta Post*, 23 October, 2007).

A political event that was crucial for the future career of Soedarpo was the Linggardjati conference attended by Indonesia and The Netherlands convened to settle a number of economic issues, such as the ownership of enterprises belonging to the former colony after independence. In addition, his networks of friends included high-profile figures in Indonesian politics and throughout a vast international network. For example, the late Soemitro Djojohadikusumo, a Dutch-trained leading economist who was a finance minister during Sukarno era, and was an economist advisor during Suharto era, also assisted him in gaining international exposure.

When the Indonesian political system adopted the parliamentary system in 1950 and Sutan Sjahrir, the PSI leader, became prime

minister, Soedarpo's political career continued. He was appointed as the head of foreign correspondents at the ministry of foreign affairs to serve journalists who came from across the world to cover news on the newly born republic. His English was good—thanks to the BBC and Voice of America, which he listened regularly in his childhood. He became an Indonesian representative at the UN Security Council in New York from 1948-1951 to defend Indonesia's diplomacy against The Netherlands (Robison, 1986).

All his political activities allowed him to enjoy proximity with the national elites (Wie, 2008, p. 134-138). It was his social capital. He had also been active in the PSI since its establishment. It exposed him to political figures such as Sultan Hamengkubuwana IX, the Sultan of Yogyakarta, who after the independence was a Minister of Defence (Robison, 1986: 55-56; Muhaimin, 1990: 226). These figures were his political capital.

The PSI won five parliamentary seats and ten Constitutional Assembly (*Konstituante*) seats in the first elections in Indonesia (Feith, 1955). In parliament, the PSI controlled the ministries of Trade and Finance, the State Bank and all of the state-owned companies (Muhaimin, *ibid*). The PSI asked Soedarpo to manage Indonesian export commodities such as coffee, rubber and opium (Wie, 2008: p.131-132). Previously, he had established an enterprise in the export and import sector called N.V Soedarpo in 1952. The five seats that PSI won helped his business. At that time, the newly born republic had just launched a nationalistic economic programme called the 'Benteng' programme. It was an economic programme set out to facilitate the emergence of indigenous entrepreneurs by providing them with state protection.<sup>3</sup> In addition to his export-import enterprises, he also owned a license for importing cars with brands including Dodge, Chrysler, and Jeep Willys Overland. His expanding business interests can't be separated from his activities in politics. "It

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<sup>3</sup> The protection aims to support entrepreneurs to compete with existing former Dutch economic power represented by the 'big-five' of Dutch companies and the Chinese Indonesian enterprises, which during the colonial time played a role as middle traders between the Dutch colonial and the native Indonesian. Soedarpo's enterprise was set in the context of state's protection in the 1950s.

was alleged in parliament that N.V Soedarpo, along with other PSI companies, had received contracts to import vehicle and arms for the military...” (Robison 1986, p 56). On 1 March 1953, he established a shipping company called the International Shipping and Transport Agency (ISTA), and later the Samudra Indonesia Corporation. The company was the first international shipping company owned by an indigenous Indonesian. Because of his success he became known as the ‘king of shipping’ in Indonesia. His business interests developed considerably, consisting of 32 enterprises covering trade and commerce, banking, insurance, leasing and consumer credit, and transportation (Robison, 1986, p.55).

As politics shifted back from the parliamentary to the presidential system in 1959, power returned to President Sukarno. It brought about the decline of the PSI’s political power and, later, to the outlawing of the party in the 1960s. Sjahrir, the party leader, was imprisoned. Soedarpo officially resigned from politics whereupon he fully converted his social and political capital into economic capital. He tried to be independent from the state’s protection, and his business has survived until today, although Soedarpo passed away in 2007 (Anwar, 2003, p.236).

The story of Soedarpo highlights the case of a former political activist during the period of independence that succeeded in transform himself into a successful businessman. He managed to capitalise on his cultural, social, and political capital, turning it into economic capital. His cultural capital was his educated family background. As part of an educated family, he had been exposed to the international milieu, including listening to the BBC from the time he was small. It then further developed when he entered medical school at Indonesia’s top university, joining other students from quite similar social economic backgrounds. The cultural capital that he owned later developed into social capital as he constructed networks of friends at medical school. Later this social capital was activated into political capital when he became a PSI politician and part of a circle of people who had access to power and resources. His period as political activist was a moment in which he accumulated social and political networks both at domestic and international levels, which

later became important for his business.

The time Soedarpo entered into university and during the struggle for independence contributed to the conversion of his cultural capital into social capital. Later, the political field added more volume to his capital. His accumulation of cultural, social, and political capital resulted in him having strong economic capital, which helped in successfully establishing his business interests in various sectors. We could speculate that if the fields were different, possible types of capital that Soedarpo had to develop would have been different. He may not have been as successful as he in fact became.

The story of Soedarpo does not link directly to the issue of financing politics in the way that we define the term today, that is activities—both legal and illegal—that involve capital to support a political career. After independence, there was no such thing as ‘money politics’. It was not an issue at that time. Political parties had not yet institutionalised, and things remained chaotic. Soedarpo was already part of the inner circle of the party when it was established. He needed no financial support to be in that circle. His political career did not develop because he financed it, but mostly because of his cultural capital as an educated Indonesian. After independence, the newly born country was in need of high quality human resources of which it lacked at that time. What Soedarpo did as a PSI politician was to serve his nation in various positions to which he was assigned, and these were mostly abroad. By serving as the party’s representative, he cultivated and accumulated social networks. Later, when he signed off officially from politics to become a businessman, the social and political networks were useful for his business expansion. In short, Soedarpo did not finance his political activities, but it was quite the other way around: it was his politics that financed him or supported him to be a successful businessman, domestically and internationally.

This case of Soedarpo offers a nuanced view on the issues of financing politics. The dominant assumption about financing politics claims the existence of established political parties and a political system, with individuals attempting to become a part of them and also to play a role in them. Yet, as this case shows, the independence

84 period was not characterised by this type of political system. Within such a context, the financing of politics operates differently in terms of the way types of capital work in supporting the career of a politician. Within the dominant understanding of financing politics, mostly equated as ‘money politics’, economic capital is assumed to support political careers. The term money politics also assumes that there is a certain ‘sequence’ to the way capital works. First of all, one should at least have one type of capital to be involved in politics. One should have political networks (political capital) to enter politics—and, from this, one could develop economic capital. Or, one should have economic capital to enter politics—and, from this, increases this economic capital.

## Case 2

### **Fahmi Idris: From Political Capital to Economic Capital**

The second is the case of Fahmi Idris (b.1943). Idris was the minister for manpower and transmigration in 2004 during the Habibie presidency and industrial minister during Yudhyono’s presidency in 2005. Idris was a student activist in 1966, a period of political transition from Sukarno’s presidency to Suharto’s New Order. He was the chair of the student organisation at the Faculty of Economics at the University of Indonesia in 1965-1966, and was at the forefront of student demonstrations demanding the outlawing of communism. He was also active in the Islamic Student Organisation (*Himpunan Mahasiswa Islam*, HMI).

After he graduated from university, he went into business by using political connections he had established when he was a student activist. In 1984, he joined Golkar, the ruling party of the Suharto regime. As a politician, he was appointed national chair of the party between 1998-2004. As he began to get involved in business, he was active in the Indonesian Young Entrepreneurs Association (HIPMI-Himpunan Pengusaha Muda Indonesia) and ICMI (Ikatan Cendekiawan Muslim Indonesia), the Muslim intellectual association. HIPMI was a lobby group that ‘defended’ indigenous entrepreneurs, mostly against ethnic Chinese. ICMI was a lobby

group that attempted to influence policy making processes by advocating Muslim interests in general and in business in particular.

Alongside friends and associates—who were also business people connected to Golkar—Idris established the company PT KODEL, (an abbreviation of *Kongsi Delapan*, meaning ‘the eight members of cooperation’). The other founders were Aburizal Bakrie, Ponco Sutowo, Sugeng Suryadi, Abdul Latief, Mahir Al Gadri, Said Umar Husain, and Yan Damardi. These were all part of the second generation of indigenous entrepreneurs who became politicians. They attained business success during the Suharto era (Kano 2007, p.276) and obtained access to various business opportunities during the second oil boom in the 1970s (Sato 2003, p.18). It was a major turning point for the expansion of KODEL’s business (Raillon 2001).

Idris’ activities in Golkar have provided him with opportunities in various fields of businesses including construction, import and export, insurance (Maskapai Asuransi Parolamas), agrochemicals (PT Parama Bina Tani), hotels and tourism (PT Permadani Khatulistiwa Nusantara), property (PT Permadani Propertindo Developer), trading and investment (PT Kodel Investindo Nusa), and the automotive industry (PT KramaYudha).<sup>4</sup>

Political economists have identified Fahmi Idris and other Golkar businessmen turned politicians as part of the monopolistic and oligopolistic economic system that existed under Suharto. He is also considered an example of ‘client capitalists’—a type of indigenous capitalist who emerges as a business actor not because of their entrepreneurial skills, but mostly due to politics and proximity to the state (Robison 1986; Muhaimin 1990: 190).

Idris’ case shows how being a student activist during a period of transition of power within a regime aligned to the ‘winning’ political power can be beneficial to establishing economic capital in a later stage of life. Idris established political capital as a student activist, as he networked among politicians. Later, he activated the political network to build a new economic network, opening the way for him

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4 His profile is compiled from internet-based sources such as [www.tempointeraktif.com/.../nrs,20040925-01,id](http://www.tempointeraktif.com/.../nrs,20040925-01,id), [www.tempo.co.id/ang/min/02](http://www.tempo.co.id/ang/min/02)

to become a successful businessman. His case also shows how he has financed his political activities *through* his political networks. The field he engaged with was rather different from Soedarpo's. Idris' field was the New Order regime, a relatively politically settled regime compared to the period marked by the independence struggle. Also, the types of fields that Idris engaged in were relatively stable, namely the political regime of Soeharto. In comparison, Soedarpo experienced at least two types of 'fields': the struggle for independence and post-independence. The types and varieties of fields that one experiences, we have suggested, influence the volumes and structures of capital that one possesses. Thus, Idris' experience in managing his capital was different from Soedarpo's due to different types of fields they both experienced.

### Case 3

#### **YF Sukasno of Solo, Central Java: Social Capital as a Mean of Financing Politics**

This section explores empirical evidence that demonstrates the third type of financing politics in Indonesia, especially in post-Suharto Indonesia. If in the cases of Soedarpo and Idris above, the contexts were the early years of Indonesian independence and the political transition from Sukarno to Suharto, the following case has its place in the on-going political processes of the post-Suharto era. While exploring this case, we will also touch upon the existing party political and electoral system in which they are situated, as these partly contribute to their political behaviour.

Y.F. Sukasno (b.1959) is the head of local parliament (Dewan Perwakilan Rakyat Daerah, DPRD) in Surakarta, also known as Solo, Central Java. His party is the Indonesian Democratic Party for Struggle (Partai Demokrasi Indonesia Perjuangan, PDIP), which has 15 of a total 40 seats in the Solo DPRD. He has been in politics since the party was still named the Indonesian Democratic Party (Partai Demokrasi Indonesia, PDI) during the New Order era at the beginning of the 1980s.

Sukasno started his career from below. He was the chair of the PDI at the village-branch level in 1982. Twenty years later he became a member of the DPRD, replacing a PDIP cadre who had passed away. He ran for parliament in 2004 and was successful. During the 2004 election, the electoral system was based on the ranking numbers in the list of candidates (*nomo rurut*), in which the higher the candidate's number, the greater the possibility of becoming a member of parliament. Alongside this number candidacy system, voters would vote for a political party and then it was up to the party to decide who from its cadres would take a seat in the DPRD. The system has changed since 2009 and now candidates are directly elected to the DPRD (*suara terbanyak*). Thus, the voters now elect both the party and the candidate. In the 2009 elections, Sukasno gained the third largest vote of DPRD members in Solo.

Sukasno has stated that his victory in the two elections was due to the social activities that he has engaged in since the early 1980s. "I have always been with my constituents all of my life, and there is no need for me to buy their votes. They know me and they acknowledge what I have done for them all this time", he said in an interview. When asked how much he spent to finance his 2009 campaign, he claimed that the figure was around IDR100 million (US\$10,000). This figure is not as high as that of the other candidates, who spent four times that amount.

The basic calculation of the money needed by candidates relates to the so-called 'BPP' electoral system, or *bagian pembagi pemilih* which refers to the proportion of seats in the legislative body, along with the total population eligible to vote in a particular area. The BPP in Surakarta city is 5800. The closer a candidate reaches the BPP, the better the chance of becoming a member of parliament. Now let's calculate the funds required by a candidate to spend based on the BPP. If a candidate wants to reach half of the BPP—around 3000—they ideally need to provide a set of campaign attributes such as t-shirts, the cost for meetings, and cost of political rallies. The cost of one t-shirt with the picture of candidate is around IDR15,000 (US\$1.5). To reach half of the BPP requires a supply of 3000 t-shirts. In addition to this, the candidate needs a media campaign that

88 includes propaganda items such as calendars and posters. Other cost considerations include petrol and snacks for visitors at the candidate's residence. In total, a candidate needs around IDR100,000 (US\$10) per potential voter. Therefore, to garner half of the BPP, one must spend IDR300 million (US\$30,000).

This number is a cost projection that a candidate estimates for the cost of running for a legislative position. Since there is no standard for the spending per potential vote, and candidates have no clue of how much their competitors will spend, the sums involved can be much higher. Each candidate will, therefore, spend as much as possible. The election system based on securing the highest number votes consumes large funds. Thus, this system has increased the financing of politics among the parliamentary candidates since 2009. Only candidates with considerable funds are likely to be successful and win a seat in parliament. "I can never compete against people with money," said Sukasno.

Sukasno also suggests that this system allows investors to finance the political costs of parliamentary candidates. To reduce this threat, Sukasno suggests that the political system must become socially rooted.

When they come to your place for help, you help them out, regardless whether it was a campaign period or not. It is what I have been doing all this time. I have always attended wedding ceremonies in the area of my constituents (*Daerah Pemilihan* or *Dapil*). I respond to the problems my people encounter in accessing health care and education. I hang out with them routinely. I don't even need to print my personal picture in the area where constituents live to promote myself. I have always been with them. I have done it since I have been active in the PDIP for more than 20 years now. My social activities reduce my political costs. I think this is what politics is about—to be with the people you represent, not just buying their votes. Because of that the voters mock you by asking for more, but not electing you on the D-day" (Interview, Solo).

Sukasno's case demonstrates how a local politician is able to finance his political activities through the social networks he has

accumulated. His strong social capital has reduced the cost of his political campaign—without which he would not have become successful to become a member of local parliament. This does not mean he has paid nothing for his political activities, just that it has been much less than what it would have cost had he not nurtured his social network. In terms of economic capital, Sukasno claims that he is just an ordinary person, meaning he does not have a great deal of economic capital.

In this case, the use social capital—being rooted among the people—is established first as a political strategy. Sukasno invests in people through his good deeds, and they later vote for him at election time. In the meantime, his field is different to the fields of Soedarpo and Idris. Indonesian politics after Suharto is politics at the local level. This is the field of Sukasno, contributing to his volume and structure of capital. Due to his lack of economic capital, in order to win at the local level he has to maximise his social capital. Otherwise, he would never be able to compete with politicians who possess stronger economic capital.

From the three cases explored above, there are at least four main arguments we can draw. *First*, at the level of individual cases, there are more nuances of how politics is financed. It is both a combination of capacity to mobilise strategies of access to the state's resources, as well as individual resources. Furthermore, these strategies are situated within particular historical trajectories: post-independence, the New Order, and post New Order era. *Second*, the level at which these strategies are mobilised, whether it is at the national or local level, contributes to the types of strategies deployed in financing the politics. *Third*, each of the historical trajectories requires certain types of capital. Post-independence Indonesia allowed someone with strong political capital to entrench the state's resources, and even to have the ability to convert this political capital into economic capital. Under the authoritarian New Order regime, political capital—or being close to the elite circle of the ruling party, Golkar—has been an important factor in financing politics. During post-Suharto Indonesia, especially at the local level—reducing the cost of politics can only be done when one is embedded socially within one's own

community or constituency. The proximity to elite parties at the local or national level contributes less to success in politics. *Fourth*, the three case studies also demonstrate how the state's role in financing politics operates differently. It has been substantial only during the authoritarian regime of New Order, while it has been less marked during both the post-independence as well as in post-Suharto era.

To address the three cases on a more abstract level and to link the cases with the main approach of studying the topic of financing politics, i.e. the political and socio-historical approach, it is evident that the two approaches operate as a combination of the two, at least at the individual level. It is not just about how states support political activities, or how capitalists attempts to influence policy-making processes in order to ensure access to state resources; it is also about capacity at the individual level to play out and activate the type of capital they possess to finance their political activities.

## Conclusion

This article has explored financing politics from the perspective of political and sociology schools of thought. It has aimed to broaden the perspective of the study beyond a political science point of view. Two main conclusions can be drawn. Firstly, the political school dominates the study of financing politics. It is clear by looking at the theses of Indonesian students at the graduate level. A majority of the students talk about financing politics as 'money politics'—which is considered a bad influence on democratic life. Students from political science departments emphasise the output of the political system while ignoring the background. Also, the theses assume that the bad behaviour of practicing money politics is rooted in the immoral behaviour of politicians. Implicitly, this would suggest that as long as there is no change in behaviour, the pattern of money politics in financing politics will never change.

Secondly, the sociological approach shows that activities of financing politics are not just about individual behaviour. As case studies reveal, it has something to do with the macro perspective—namely the historical context and existing environment in which

politicians live, or also dubbed the 'field'. Within this field, instruments of capital with which to increase political influence are varied. There are three models of the way in which capital operates: (i) the case of Soedarpo shows how cultural capital (being an educated and well-connected elite in a newly born country) can become a source for supporting political and business careers; (ii) the case of Idris shows how political capital can be a source for supporting political and business careers; (iii) the case of Sukasno shows how social capital can be a source of supporting a political career. Being one of a few elites in the period of Indonesian independence was a field for Soedarpo to becoming part of the national elite, and allowed him to establish and expand his social, political, and economic networks. Being an activist during the regime's transition strengthened Idris's political capital. The third case demonstrates how being a senior local politician with weak economic capital forced Sukasno to be socially embedded in society as part of a strategy to adjust to the high costs of the Indonesian election system since 2009-his field.

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