

Indonesia at a Crossroads: Toward a Hybrid Model of Capitalism and Socialism to Address Corruption and Inequality

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ABSTRACT

Indonesia's economic growth and Vision 2045 ambitions project optimism for the country's future. Yet alongside these achievements, persistent corruption, widening inequality, and oligarchic dominance reveal systemic weaknesses that risk undermining inclusive development (Transparency International, 2024). While technical reforms in governance and economic management have attracted significant scholarly and policy attention, the ideological underpinnings of Indonesia's development trajectory remain underexplored. This study addresses that gap by reframing corruption and inequality not as isolated governance failures, but as structural consequences of oligarchic capitalism. It advances the argument that a hybrid system, combining capitalist innovation with socialist redistribution, offers a more sustainable foundation for Indonesia's long-term development.

Oligarchic capitalism in Indonesia privileges elite accumulation while narrowing the scope of democratic accountability. Formal electoral mechanisms exist, but policy outcomes frequently align with concentrated economic interests rather than the broader public good. This dynamic echoes critiques of capitalism as inherently prone to concentration and inequality (Marx, 1990). At the same time, socialism, which could function as a corrective by embedding redistribution and welfare guarantees, has long been marginalized in Indonesia due to Cold War-era narratives that conflated it with authoritarian communism. As Polanyi (2001) argued, markets are always embedded within social and political structures; overlooking this interdependence leaves states vulnerable to social fragmentation and weakened legitimacy.

To illustrate alternatives, the study employs a qualitative comparative analysis, drawing on governance indicators, corruption indices, welfare expenditure reports, and foundational works in political economy (Marx, 1990; Polanyi, 2001). Finland is selected as the primary comparator because it exemplifies the Nordic Model, combining global market competitiveness with robust welfare systems. Unlike Norway, Finland does not rely heavily on natural resource rents, making it a particularly relevant case for demonstrating how redistribution and competitiveness can coexist without extraordinary external advantages (OECD, 2025; UNDP, 2023).

The analysis contrasts Indonesia's rent-seeking capitalism with Finland's hybrid model, with supporting data presented in Tables 1 and 2. This comparative framework highlights how Finland institutionalizes welfare commitments while sustaining innovation-driven growth, in contrast to Indonesia's system where inequality and corruption are normalized. From this comparison, the study argues that embedding socialist principles in welfare sectors such as healthcare, education, housing, and natural resources, while allowing capitalist mechanisms to flourish in industry and technology would create a more balanced and resilient system. Essential mechanisms include progressive taxation, systemic anti-corruption safeguards, and depoliticized state-owned enterprises oriented toward collective welfare.

The contribution of this research lies in repositioning ideology as a central variable in Indonesia's development debate. By foregrounding the structural implications of oligarchic capitalism and drawing lessons from Finland's hybrid model, the study bridges normative political economy with empirical governance studies. This perspective underscores that institutional reform alone is insufficient without ideological transformation. For Indonesia to realize the aspirations of Vision 2045, it must embrace a hybrid system that reflects both capitalist dynamism and socialist justice, consistent with the principles of Pancasila.

Table 1. Governance and Corruption Indicators: Indonesia vs. Finland (2023-2024).

Indicator	Indonesia	Finland	Source
Corruption Perceptions Index (0-100, higher = better)	34 (rank 115/180)	88 (rank 2/180)	Transparency International, 2024
Happiness Index (rank/143)	84	1	UNDP, 2023
Rule of Law Index (percentile)	44th	98th	World Justice Project, 2023

Table 2. Social Protection and Welfare in Finland (2022-2025).

Indicator	Value	Source
Social protection expenditure	€80 billion (2022)	THL Finland, 2023
Change in social protection expenditure	4% lower than 2021 (inflation-adjusted)	THL Finland, 2023
Projected social assistance recipients	+100,000 by 2027	SGI Network, 2024
Jobs expected from welfare and tax reforms	+100,000 by 2027	OECD, 2025

Keywords: *Capitalism, Socialism, Corruption, Hybrid Governance, Indonesia 2045, Finland*

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