

Efforts to Build a Pancasila Economy: Making Nusantara Local Wisdom the Antithesis of Neo-Capitalism

Suhardi Somomoeljono

Postgraduate Studies, Matla'ul Anwar University, Banten, Indonesia

Email: suhardi.somo@gmail.com

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Abstract

This study explores the conceptual and structural efforts to build a New Paradigm of the Pancasila Economic System, positioning it as a direct, humane alternative to the destructive tendencies of Neo-Capitalism. Grounded in the constitutional mandate of the Fifth Sila (*Social Justice for All Indonesian People*), this paper argues that the modern formulation of Pancasila Economics must derive its core postulates from the rich soil of Nusantara's local wisdom. Using a qualitative-descriptive approach and conceptual-philosophical analysis, this research deconstructs the hyper-individualism and market tyranny of Neo-Capitalism, contrasting them with time-tested indigenous practices such as *Gotong Royong* (mutual cooperation), *Musyawaharah* (deliberation), and localized ecological management frameworks like *Subak* and *Sasi*. The findings demonstrate that by structuring these communal values into a formal macroeconomic model, capital can be subjected to ethical, social, and spiritual boundaries, ensuring equitable wealth distribution over corporate greed. Furthermore, this study addresses the harsh reality of systemic domestic corruption, asserting that true nation-building demands unwavering academic resilience. Ultimately, this paper offers a rigorous conceptual framework that serves as an act of intellectual decolonization, proving that Indonesia's economic sovereignty lies in reclaiming its ancestral, egalitarian roots.

Keywords: Pancasila Economy, Local Wisdom, Nusantara, Neo-Capitalism, Social Justice, Academic Resilience

A. Introduction

The contemporary global economic landscape is heavily dominated by the paradigms of free-market capitalism and globalization. While these systems have driven macroeconomic growth, they have concurrently exacerbated wealth disparity, environmental degradation, and social alienation vividly illustrating the systemic flaws of Neo-Capitalism. For a socio-culturally diverse nation like Indonesia, blindly adopting these Western-centric models often conflicts with the nation's foundational ethos. Therefore, revitalizing the Pancasila Economic System is no longer just an alternative discourse; it is an urgent structural necessity to safeguard the constitutional mandate of social justice. Harvey, D. (2025).

This paper explores the conceptualization of the Pancasila Economy not merely as a moral guideline, but as a rigorous, actionable economic model. The core argument posits that the true strength of this system lies in its ability to elevate Nusantara's Local Wisdom (*Kearifan Lokal*) as a formidable antithesis to Neo-Capitalism. Unlike Neo-Capitalism, which prioritizes

individualism and capital accumulation, the diverse indigenous traditions across the Indonesian archipelago such as *gotong royong* (mutual cooperation), *musyawarah* (deliberation), and community-based resource management emphasize collective well-being, equity, and harmony. Mubyarto. (2000).

By restructuring these localized socio-economic values into a modern macroeconomic framework, this study aims to formulate a distinct economic paradigm. Ultimately, this research seeks to demonstrate how transitioning from a capital-driven economy to a humanity-and-deity-driven Pancasila economy can pave the way toward a more resilient, self-reliant, and equitable nation. Harvey, D. (2021).

B. Research Method

1. Research Approach and Design

This study employs a qualitative approach with a conceptual and philosophical research design. Given that the primary objective is to construct a new paradigm for the Pancasila Economic System, this study does not rely on statistical or empirical-quantitative metrics. Instead, it focuses on deep conceptual exploration, critical analysis, and paradigm formulation. The study analyzes how the core values of Nusantara's local wisdom can be structured into a formal economic framework to serve as a viable antithesis to Neo-Capitalism. Irianto, S., & Cole, B. (2025).

2. Data Sources

To achieve a comprehensive analysis, data for this research are drawn from secondary sources (library research), categorized as follows:

- a. Primary Academic Sources: The philosophical foundations of Pancasila (the 1945 Constitution, particularly Article 33, and the speeches of Indonesia's founding fathers), as well as seminal literature on Pancasila Economics (e.g., the works of Mubyarto and Sri-Edi Swasono).
- b. Secondary Academic Sources: Peer-reviewed journal articles, books, and research papers addressing the mechanisms of Neo-Capitalism, global political economy, and documented anthropological studies of various Nusantara local wisdoms (such as *gotong royong*, *subak*, *sasi*, and *lumbung desa*). Prasetyo, A., & Nugroho, Y. (2025).

3. Framework of Analysis

The analytical process in this study is guided by three interconnected frameworks:

- a. Critical Paradigm Analysis: Used to deconstruct the mechanisms of Neo-Capitalism, highlighting its structural flaws, such as extreme individualism, market exploitation, and socio-economic inequality.
- b. Philosophical Hermeneutics: Employed to interpret and extract the underlying economic principles embedded within Nusantara's diverse local wisdoms, translating traditional communal values into modern economic concepts.
- c. Synthesis and Model-Building: The insights gained from the previous steps are synthesized to formulate the "New Paradigm of Pancasila Economy" demonstrating how indigenous equity and cooperation can structurally counter capitalistic greed. Saraswati, N. K., & Wibowo, A. (2026).

4. Data Analysis Technique

The data collected undergo a systematic content analysis and interactive qualitative analysis, consisting of three simultaneous flows of activity:

- a. Data Reduction: Selecting, focusing, and abstracting the relevant philosophies of local wisdom and economic theories from the literature.

b. Data Display: Organizing the conceptual contrasts between Neo-Capitalism and the Pancasila Economy into a structured narrative or comparative matrices for clarity.

Conclusion Drawing/Verification: Formulating the logical postulations of the new paradigm, ensuring that the proposed model directly addresses the mandate of the Fifth Sila (Social Justice) while remaining academically robust and defensible. Subadi, T., & Rahmawati, E. (2024).

C. Result

The findings of this study demonstrate that constructing a Pancasila Economic System is not merely a nostalgic reversion to agrarian traditions, but a structural and philosophical necessity. By positioning Nusantara’s local wisdom as the core postulation, this system offers a robust, humane paradigm capable of systematically countering the destructive tendencies of Neo-Capitalism. Swasono, S.-E. (2023).

1. The Deconstruction of Neo-Capitalism and the Urgency for an Alternative

The analysis reveals that Neo-Capitalism relies heavily on several core tenets: extreme individualism, unregulated market mechanisms, and the relentless accumulation of capital (\$K\$) as the primary driver of growth. Under this mechanism, wealth tends to concentrate within a small elite, widening the socio-economic gap and causing structural alienation among the working class. Wicaksono, B., & Siregar, H. (2026).

In the Indonesian context, the adoption of Neo-Capitalist traits has directly contradicted the mandate of the Fifth Sila (*Social Justice for All Indonesian People*). The results indicate that market-driven growth without ethical anchors fails to distribute prosperity equitably. Therefore, deconstructing Neo-Capitalism requires shifting the economic foundation from a capital-centered paradigm to a human-and-community-centered paradigm. Yustika, A. E. (2024).

2. Nusantara’s Local Wisdom as the Foundational Postulate

This study identifies that the diverse indigenous practices across the Indonesian archipelago possess sophisticated, embedded socio-economic systems. Far from being obsolete, these traditions serve as the primary raw material for a modern Pancasila economic model. Alisjahbana, A. S., & Busch, J. (2021).

Local Wisdom Concept	Neo-Capitalist Counterpart	Pancasila Economic Transformation
<i>Gotong Royong</i> (Mutual Cooperation)	Hyper-Individual Competition	Institutionalized cooperatives and collaborative state-private-communal partnerships.
<i>Musyawah</i> (Deliberation for Consensus)	Market Tyranny / Price Dictation	Democratic economic planning and participatory budgeting that protects small enterprises.
<i>Subak & Sasi</i> (Ecological Harmony)	Unchecked Resource Exploitation	Sustainable Resource Management (\$SRM\$) where ecology and community welfare supersede profit margins.

These local wisdoms prove that economic transactions do not have to be zero-sum games. Instead, they demonstrate that economic resilience is highest when capital is managed collectively to ensure mutual survival and communal well-being. Arif, M., & Wijaya, H. (2023).

3. Synthesizing the New Paradigm: The Pancasila Economic Model

By synthesizing constitutional mandates (specifically Article 33 of the 1945 Constitution) with Nusantara's indigenous values, this study outlines the structural pillars of the New Paradigm of the Pancasila Economic System:

- a. The Principle of Brotherhood (*Asas Kekeluargaan*): The economy is structured as a joint effort based on familial principles. The primary metric of success is not gross corporate profit, but collective welfare distribution.
- b. Ethical Constraints on Capital: Unlike Neo-Capitalism, where capital commands absolute power, the Pancasila economy subjects capital to ethical, social, and spiritual boundaries. Production branches crucial to the state and the livelihoods of the masses must remain under public or state stewardship.
- c. Equilibrium of Rights: The system establishes a balance between individual property rights and social utility. Private ownership is recognized, but it cannot be exercised to exploit others or degrade communal resources. Budiman, A. (2022).

4. Overcoming Internal Obstacles: Academic Resilience Against Corruption

A critical finding of this research acknowledges that the greatest hurdle to realizing this paradigm is not a lack of conceptual clarity, but internal structural decay specifically rampant systemic corruption and the illegal hoarding of state wealth. Fanggidae, V., & Hasan, R. (2024).

However, the results of this conceptual formulation argue that intellectual defeatism is not an option. While bad actors exploit the nation's wealth for personal gain, the true strength of nation-building lies in institutionalizing values through academic and structural frameworks. By offering a rigorous, intellectually defensible alternative to Neo-Capitalism, this research provides the younger generation, policymakers, and academics with the cognitive tools needed to rebuild Indonesia's economic sovereignty from the ground up. Kusuma, I. W., & Ramadhan, F. (2023).

D. Discussion

The reconstruction of the Pancasila Economic System through the lens of Nusantara's local wisdom provides a critical breakthrough in contemporary political economy. For decades, developing nations like Indonesia have been trapped in a false binary: adopting a ruthless, market-driven Neo-Capitalist model or reverting to rigid, state-controlled command economies. The results of this study demonstrate that the New Paradigm of Pancasila Economy offers a third way a distinct, culturally rooted paradigm that shifts the economic objective from mere capital accumulation to holistic social justice, as mandated by the Fifth Sila. Lestari, P., & Wright, T. (2024).

1. Theoretical Confrontation: Pancasila vs. Neo-Capitalism

At its core, Neo-Capitalism operates on the assumption of *Homo Economicus* the belief that humans are purely rational, self-interested actors driven by utility maximization. This philosophy justifies unregulated market competition, leading to structural inequality where wealth naturally aggregates at the top of the economic pyramid. Purwo, S., & Santoso, B. (2021).

By contrast, the Pancasila Economic System redefines the economic actor as *Homo Socio-Religious*. By injecting Nusantara's local wisdom into the macroeconomic framework, the system introduces a radical shift:

- a. From Competition to Collaboration: While Neo-Capitalism treats economic survival as a zero-sum game, the principle of *Gotong Royong* (mutual cooperation) proves that collective efficiency can outperform individualistic greed.
- b. From Exploitation to Harmony: Traditional frameworks like *Subak* in Bali or *Sasi* in Maluku demonstrate that resource management is most sustainable when guided by communal ethics rather than quarterly profit margins. Sudarsono, H. (2022).

Therefore, local wisdom is not an outdated, primitive relic; it is a sophisticated, time-tested mechanism designed to prevent the market failures and social alienation inherent to Neo-Capitalism. Wicaksono, B., & Siregar, H. (2025).

2. Translating Philosophy into Macroeconomic Postulates

The primary challenge of Pancasila Economics has historically been its perceived abstraction. Critics often dismiss it as a moral philosophy rather than a functional economic system. This discussion argues that local wisdom provides the exact structural postulates needed to operationalize the system. Mahi, B. R. (2022).

When *Gotong Royong* is institutionalized, it manifests as robust cooperatives and MSMEs (Micro, Small, and Medium Enterprises) that hold genuine market power, rather than being marginalized by monopolies. When *Musyawarah* (deliberation) is applied to macroeconomics, it translates into participatory budgeting and democratic economic planning, ensuring that state policies serve the public good rather than corporate lobbyists. This aligns perfectly with Article 33 of the 1945 Constitution, creating an economy where the state controls vital resources not to stifle freedom, but to guarantee equitable distribution. Nugroho, Y., & Prasetyo, A. (2025).

E. Conclusion and Suggestions

1. Conclusion

The endeavor to construct a New Paradigm of the Pancasila Economic System is a vital act of intellectual decolonization and a structural necessity for Indonesia. This study concludes that the relentless adoption of Neo-Capitalist models has failed to deliver the constitutional mandate of the Fifth Sila *Social Justice for All Indonesian People* instead resulting in wealth concentration, systemic corruption, and social inequality.

By positioning Nusantara's Local Wisdom as the primary foundational postulate, this research successfully demonstrates that Indonesia's indigenous traditions are not obsolete historical relics. Concepts such as *Gotong Royong* (mutual cooperation), *Musyawarah* (deliberation), and localized ecological management frameworks like *Subak* and *Sasi* offer a sophisticated, humane, and sustainable antithesis to Neo-Capitalism. While Neo-Capitalism fosters a hyper-individualistic, capital-driven economy, the Pancasila Economy proposes a community-and-deity-driven model where capital is subjected to ethical and social boundaries.

Furthermore, despite the daunting realities of domestic structural decay and systemic corruption, this paper asserts that academic fidelity remains a powerful vehicle for nation-building. Loyal to the nation's founding philosophy, this study provides a robust conceptual framework, proving that true Indonesian prosperity relies on institutionalizing collective welfare, equity, and the timeless ethos of Pancasila.

2. Suggestion

Based on the analysis and findings of this study, the following actions are recommended to transition from theoretical discourse to structural reality: For Policymakers and the Government

- a. Institutionalize *Gotong Royong* in Macro-Policy: The state must structurally empower cooperatives and Micro, Small, and Medium Enterprises (MSMEs) through progressive taxation, access to capital, and protective regulations, ensuring they can compete against multinational monopolies.
- b. Legislate the Protection of Adat (Customary) Rights: Formally protect indigenous lands (*tanah ulayat*) and local economic practices from aggressive corporate exploitation, validating local wisdom as a recognized legal framework for resource management.

For Academics and Educators

- a. De-monopolize Economic Pedagogy: Academic institutions should overhaul current economic curricula, which are heavily dominated by Western-centric Neo-Liberal theories, and integrate the "New Paradigm of Pancasila Economics" as a rigorous, mainstream discipline.
- b. Maintain Intellectual Integrity: Scholars must remain steadfast in utilizing their academic capacities to expose the flaws of predatory capitalism and corruption, providing continuous research that serves as an ethical compass for national development.

For the Community and Grassroots Movements

- a. Revitalize Local Economic Hubs: Communities should actively revive traditional, cooperative-based economic networks to achieve localized food, energy, and economic sovereignty, effectively reducing dependency on volatile global capitalist markets.

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