

# STATE ROLE IN BUILDING PEOPLE'S ECONOMY AMID ECONOMIC GLOBALIZATION

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## Abstract

Indonesian nation demanded an active role in building a new world order and a new economic order that is orderly, fair and prosperous, while continuing to protect national interests and ensure social justice in accordance with the principles of economic democracy outlined by Article 33 of the 1945 Constitution. Therefore, have to be prepared the legal / justice system that is able to anticipate the development of the international political economy, by building the legal system of national economy, which is based on the principles of the 1945 Constitution, to achieve the goals it is necessary to do a reorientation of the role of the state in economic reform. Economic reforms by build up the people's economy through cooperative institutions, small and medium businesses. Economic development of the people has the twin objectives of improving the efficiency of the national economy and at the same time removing various economic injustice with the ultimate goal the establishment of a just and prosperous society based on Pancasila

*Keywords* : State role, Economic Globalization

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## 1. BACKGROUND

Indonesian nation experienced the greatest economic crisis in history after the old order in 1997. The economic crisis had a tremendous impact on the economy of Indonesia, where more than 80 percent of large businesses went bankrupt and the unemployment rate reached 38.5 million people. This is due to the national economy that is built for over 30 years filled with distortions and also shows the strength of the economic fundamentals are weak. Almost all economic indicators point to an alarming level, such as instability of the dollar against the rupiah, the burden of foreign debt is very large <sup>1</sup>, a bad banking system order and the political climate is not favorable to business and investment, results in a sharp economic slowdown. The root causes of the economic crisis according Adi Sasono <sup>2</sup> associated with the mainstays of growth process and economic development that is not democratic, because the process is highly dependent on large businesses (conglomerate), while the economy of the people who are very dominant in number about 70 percent of the labor force do not get serious attention of government. Small businesses that run by the people can survive the economic crisis, such as microfinance institutions grow steeply, one of which is cooperative. <sup>3</sup> The most successful cooperatives currently version of the magazine is the official cooperation PIP PT Indosat (Kopindosat). Businesses managed includes nine business units, in 2009, the cooperative has a total turnover of Rp. 682 409 billion. While the benefits of net income (SHU) worth Rp.30.050 billion. Similarly, the credit cooperatives. Kospin credit unions have a net worth of services around Rp. 1,120,681 trillion in 2010. <sup>4</sup>

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<sup>1</sup> Economic development has been the State and the Government-led switch to led by private initiatives and market. Government debt / official / state dropped from USD. 80 billion to USD. 50 billion at the end of the year 1996, while private debt soared so quickly. If the Private Debt in 1996 remained at the level of USD. 15 billion, then at the end of 1996 had increased to between USD. 65 billion - USD. 75 billion. (Frans Seda: Government Economic Adviser, Former Minister of Finance Paper presented in the People's Deepening Economic Seminar, Monetary Crisis Indonesia, Jakarta, 9 April 2002)

<sup>2</sup> Adi Sasono, *menjadi Tuan Di negeri Sendiri, Pergulatan Kerakyatan, Kemartabatan, Dan Kemandirian*, Jakarta, grafindo Books Media, 2013, hlm. 95

<sup>3</sup> UN Resolution No.: 64/136/2012, declared the year 2012 as a cooperative year in the world (International Year cooperative). The UN recognizes the role of cooperatives, especially cooperatives in Indonesia, as a business organization that proved able to survive in the midst of the global crisis, economic growth, and creating jobs.

<sup>4</sup> M. Saelany Machfudz, *Berpikir Besar Dalam Koperasi*, Catatan 36 Tahun Kospin Jasa, Pekalongan, Perintis Jasa Grafika, 2010, hlm. 21

Another impact of the economic crisis in 1997, the shift in the power structure of the business of the conglomerate era move to strengthen the small business sector and cooperatives. Development paradigm that should be based on the power of the people ideally, can actually be used as a reliable actor in the economy. The development of needs and national development challenges needed economic political alignments provide the opportunity, support, and economic development of the people that includes cooperatives, small and medium enterprises as the main pillar of national economic development.

## 2. PROBLEMS

Why the role of the state is needed in economic development of the people in an era of economic globalization?

## 3. DISCUSSION

National development is essentially complete Indonesian human development and the development of Indonesian society, with Pancasila as the national development goals and guidelines.<sup>5</sup> Economic development cannot be separated from the legal framework of the development of national law. The basis values of national laws development are clearly stated in the Preamble of the 1945 Constitution. To realize the above-mentioned role of the state, the state has a role as described by Wolfgang Friedman, the state has a function as a guarantor (provider) the welfare of the people, the state as a regulator (regulator), the state as an entrepreneur or run certain sectors through the body state-owned enterprises (SOEs), and the country as a referee (umpire) to formulate standards regarding fair economic sectors, including state-owned enterprises (state corporation), a theoretical basis for the state in the welfare of the people. Interference of the state in terms of state functions as a guarantor of the welfare of the people seen in basic constitutional laws in Indonesian politics, namely 1945 Constitution that in its opening portrait of the ideal laws of Indonesia which is the option value and purpose of life of state and society with four conception, namely the concept of a unitary state, the concept of social justice state, the concept of state sovereignty of the people (democracy), and the concept of morality in the society of the nation by basing itself on one almighty deity. The basic concept is closely related to the economic system was initiated by the Founding Fathers, the economic system that is based on democratic economy with the basic values of social justice. If seen from the formulation of the BPUPKI committee that gave birth a memorandum on "about the economy of Indonesia Merdeka". The Memorandum of Economic Problem of Free Indonesia contain economic ideology that should be the course of the national economy. Economic ideology is based on four main principles, namely<sup>6</sup>:

Indonesia's economy will be based on the ideals of mutual assistance and joint venture (cooperative), large companies that dominate the lives of many should be under state control, and the incarnation will shape public cooperation. Land as the most important factor of production, under the authority of the state, a large mining company will be run as State enterprises. Embodiment of economic justice based on Pancasila should be placed within the framework of justice and public welfare more broadly. The people in this sense is a political concept that refers to the demos (common people) or the overall public interest that transcends the interests of individuals and groups. Economic justice must also be seen association with dimensions of public life, are also based on the values of Pancasila interrelationships

Discourse on democratic economy<sup>7</sup> starts writing a populist socialist economists, namely Sarbini Sumawiyata. Sarbini populist economic ideas are based on the idea that the social economy in the idea of

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<sup>5</sup> Indonesia did not adopt the liberal philosophy, but philosophy the Pancasila. From the philosophy the Pancasila philosophy of law is structured according to the philosophy of the Pancasila. Summary of the philosophy of law, embodied in the form of "opening" of the Constitution of 1945. The legal philosophy that must be determine Rechtsidee we profess and impregnated. From the Rechtsidee it built the basic law of our country. As an explanation of the basic law by the Act of 1945, emphasized that the need to distinguish between the basic law which is unwritten and written basic law. Basic law that says only a small part of the basic law that is not written ... Mochamad Koesnoe, *Rampai Flower Development in Indonesian Law, the Law Expert Scientific Bandung*; Eresco, 1995, hlm.169-173

<sup>6</sup> Yudi Latif, *Negara Paripurna Historisitas, Rasionalitas, dan Aktualitas Pancasila*, Jakarta: Gramedia Pustaka utama, 2011, hlm. 543

<sup>7</sup> The terms of the people's economy, and the economic theory of democracy, was never discussed after the proclamation of independence in 1945 until the early 1980s. Discourse on community economic theory does not appear among both practitioners and not be developed in universities.

socialism first time by Sutan Sjarir. People's economy, according to Sarbini, better understood as a program that is driven from the top, by providing fiscal stimulus that is realized in the form of funds through banks.

The concept of social economy is also initiated by Mubyarto developed from the concept of Pancasila economy. The basic concept of Pancasila economic system by Mubyarto formulated as an immoral economic system of Pancasila, the five platform as a manifestation of the principles of Pancasila religious moral, social equity moral, economic nationalism moral, populist moral, social and justice moral. Pancasila economy is moral principles (ideology) that derive from economic ethics and philosophy of Pancasila. Therefore, in addition to containing the visionary ideals of social justice, it also raised the reality of socio-economic culture of the people of Indonesia, as well as 'signs' of historical value for not falling prey to the ideology of liberalism and capitalism.<sup>8</sup>

Mubyarto more democratic economy according to a strategy of empowerment at lower levels. The approach used by Sarbini Sumawiyata and Mubyarto almost have in common, they both saw that the people's economy requires fiscal stimulus, while for Mubyarto tend to favor monetary stimulus through people's credit. Unlike from both of the above figures, Hatta see more that the system is in fact can be a cooperative forum for economic empowerment. Hatta tendency is actually can also be seen from the history of people's economic existence. In 1898, Patih Purwokerto Aria Wiriaatmaja establish *Hulp en Spaarbank*, a cooperative bank financial institutions that shaped the people and for the members among employees and farmers. Establishment of a cooperative that are Western Europe's institution, is a rational action that responds to the market, the needs for credit, but in the form of savings and credit cooperatives because it is appropriate to the cultural values of mutual help of the natives.

Community economic development discourse today is a continuation of the discourse of social welfare that began the 20th century. If during the Dutch political welfare of the natives focused on agriculture and the rural economy, the current discourse over again extends throughout the economy.

The successful development of people's economy depends on the political economy run by the government. The government taking sides to the economic development of the people, is a serious challenge for the Indonesian people, because today in addition to the necessity of thought and hard work to overcome the crisis and increasing competitiveness in the economic it is also seriously necessary to change the paradigm and the conglomerate economic into people's economy. To put the small and medium entrepreneurs., and also cooperatives as an important and strategic part of the social economy are several important reasons can be stated as follows:<sup>9</sup>

1. Small and medium entrepreneurs and cooperatives is generally flexible, easy to adapt to environmental changes because its not too big. This flexibility properties of small and medium entrepreneurs and cooperative established itself capable of acting as a safety valve of national economy.
2. Because the amount is very large and very widely spread, small and medium entrepreneurs and cooperatives is an absorber of labor and also the largest provider of employment.
3. Small entrepreneurs, medium, and cooperatives have huge potential in order to support the large-scale businesses, thus the role of small entrepreneurs, medium, and cooperatives are also very important to support the industrialization process.
4. The development of small entrepreneurs, medium, and cooperative is strongly associated with the efforts of solving the problems of socio-economic backwardness of the community.

Small scale and medium entrepreneurs and cooperatives as an important part of the national business world, if successfully empowered to be a reliable business community, and is supported by a conducive business climate to increase the ability of small businesses and cooperatives as well as the economic policies that are pro-people, it will be realized a though economic structure. The existence of cooperatives and small entrepreneurs with a very large number, it is proper to have fair access fair in the process of production, distribution, and consumption.

According to data from the Ministry of Cooperatives and Small and Medium Enterprises (KUKM) in 2012 Indonesia has as many as 192 443 units cooperatives, producer cooperatives of that number is the largest unit that is 17.98 per cent, savings and loans unit of 4.53 percent, the marketing unit of 1, 24

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<sup>8</sup> Awan Santosa, Asisten Peneliti pada Pusat Studi Ekonomi Pancasila (PUSTEP) UGM. Makalah Bulanan, Yogyakarta, 5 Pebruari 2004

<sup>9</sup> Fahrudin Salim,dan Muhtar Hadyu (Editor). *Keluar Dari Krisis, Agenda Aksi Pemulihan Dan Pengembangan Ekonomi Indonesia*. Pimpinan Pusat Gerakan Pemuda Ansor. Jakarta. 2000, hlm. 200

percent and the last unit of services by 0.36 percent. Such rapid growth of cooperatives also has an impact on the number of members and the workforce continues to increase every year.

Tabel 2 The Number of Cooperatives's Member and Employees

No.	Year	Number of Cooperatives Members	Number of Employees *
1	2009	29.240.271	357.330
2	2010	30.461.121	358.768
3	2011	30.849.913	377.238
4	2012	33.687.417	425.822

Source: Ministry of Cooperatives and Small and Medium Enterprises (KUKM)

\* workers in cooperatives such as managers, employees and some members of the cooperative that absorbed

The amount of labor that can be absorbed increased from year to year as shown in the table above indicate that if people's economic activity is managed properly people can become a driving force to achieve the welfare of the community. Welfare as goals to be achieved related to our nation's economic philosophy that are the activities carried out from the people, by the people and for the greatest prosperity of the people, thus the essential requirements in the fight for the people's economy, namely: *First*, the goal is prosperity of all people. Secondly, the involvement (participation) many people in the production process and in the enjoyment of its results.

Economic development of the people came under pressure because since the 70s have grown double symptoms, economic liberalization trend that began with the regulatory October 5, 1966 followed by issuance of the Law of Foreign Investment in 1967 and the Domestic Investment Law 1968. Liberalization, trade and free foreign exchange system. In the early 1980s, the liberalization policy was made in order to increase non-oil. This is due to receding oil reserves, resulting in a budget crisis. Economic liberalization was followed by the 1983 tax reform and banking reform. Liberalization of the banking sector is intended to encourage the development of the private sector is escorted by deregulation and de-bureaucratization.

Economic liberalization policies led to economic forces conglomeration of one hand, but on the other hand also creates economic inequality in the economic actors of the people. From the above description can be described that policy in Indonesia is growing dualism. On one hand there are policies to encourage economic growth liberalism. On the other hand, there is also a more populist economic policies lead to equitable development and poverty eradication through social economy. This is where the orientation of the development of Indonesia met with neoliberal globalization.

Interesting to follow the grooves mind Francis Fukuyama, who stated that at this time there has been a broad recognition that in the postindustrial society, improvement of community cannot be done through an ambitious social engineering. We no longer have a realistic expectation that we will be able to create a large community (great society) through an extensive government program. Therefore, by removing the promise of "social engineering" almost all serious observers understand that the vitality of liberal political and economic institutions rely on civil society that are healthy and dynamic.<sup>10</sup>

Of that opinion encourages our belief that small business sectors in Indonesia need to be given the opportunity to play more. Therefore the people economically development paradigm is worthy applied in a practical level.

#### 4. RESUME

Role of the state in terms of the function of the state as the guarantor of the people's welfare is the constitutional mandate that seen in basic constitutional law in Indonesian politics, namely the 1945 Constitution, in its preamble that describes the nature of national development, the complete Indonesian human development and the development of complete Indonesian society, with Pancasila as the destination and guidelines for national development. Construction of the development is not desired "cold and frightening", but the construction of the "friendly" means that development should be a process that facilitates people to develop life by the roots of its own dynamics and move on its own power, the development will not be successful if contrary to basic values adopted by the community.

<sup>10</sup> Dian Ediana Rae, *Transaksi Derivatif dan Masalah Regulasi Ekonomi Di Indonesi*, Jakarta: Kompas Gramedia, 2008, hlm. 262

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