

The Form of State Interference with the Business World According to the Indonesian Economic Law System in Its Position as a Welfare State

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Abstract

State interference in the business world is still pro and contra, there are those who state that the state should intervene for the orderly economy. But there are also those who argue that the right system is not free as now the state's hands are no longer needed, because state interference that will cause too much dependency. Departing from the fact that in this paper will be analyzed normatif notch Indonesia Country as Welfare Country (Welfare State) may I intervetion such countries. Based on the provisions of Article 33 UUD 1945 state given a mandate to manage the economy to achieve prosperity for its citizens.

Keywords: state intervention; BUMN; state hand panic.

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A. Introduction

Indonesia as a welfare state today raises a question about how its role in the economic system exists. This question becomes a problem along with the birth of an open economic system. The role of the state in the open industrial system is considered to be a rigid ruler because it obstructs economic development which gives a role for the private sector. However, when viewed from a constitutional mandate as outlined in Article 33 UUD 1945, demonstrating the reversibility where requires interference from the government/state in Indonesian economic system for the welfare of its citizens. The existence of the pros and cons is interesting for the writer to analyze it.

B. Methodology

Through normative research the author will analyze the Form of State Interference Against the Business World in Indonesia, with the mindset of syllogism that originates in Research covering the scope of research on positive legal inventory, which is a preliminary and basic activity to find the principles and principles contained in Law No. 19 of 2003 concerning harmony and alignment in the form of BUMN with a constitutional basis and Indonesian economic system, as stated in Article 33 of the 1945 Constitution of the Republic of Indonesia. Furthermore in-abstracto legal research obtained from legal inventory activities, functions as a minor premise, then through a process syllogism conclusio will be obtained in the form of positive law in concreto sought.²

C. Discussion

1. Ontology of Indonesia as a Welfare Country

If you look at 1945, both before and after the amendment, express clearly that the state has a responsibility in the fulfillment of all social justice. Article 33 Paragraph (2) states that, "Production branches that are important to the state and which control the livelihood of many people are controlled by the state". Meanwhile, Article 34 states that the state maintains the poor and neglected children (Paragraph 1), develops a social security system for

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² Ronny Hanitjo Soemitro, 1988, Legal and Jurimetric Research Methodology, Jakarta, Ghalia Indonesia, p. 22.

all people and empowers weak and inadequate communities in accordance with human dignity (Paragraph 2), and is responsible for providing health care facilities and public services (Paragraph 3).¹

The two articles explicitly describe the responsibilities and roles of the state in terms of fulfilling social justice and welfare, as in the concept of the welfare state. Many of these ideas are linked to the thinking of the developing welfare state.² In Western Europe and the United States, which was influenced by the thinking of the British economist John Maynard Keynes, who declared the failure of the laissez-faire model in *The End of Laissez Faire* (1926). The basic idea of the welfare state is generally formulated as a state whose power is managed deliberatively and used through politics and administration in an effort to modify the role of the market, at least in three directions: first, by guaranteeing the minimum income of individuals and families by ignoring the value of work and ownership according to the market; second, by minimizing the situation of such insecurity that allows everyone and their families to face "social uncertainty" (eg sickness, old age and unemployment) that will bring crisis to individuals and families; third, guaranteeing every citizen without differentiating their status or social class to get the best standard of social service. In this concept the function of the state is³ to take care of the people or citizens, at least trying to meet the minimum living standards of their citizens by managing available natural resources. Article 33 specifically mandates this task to the state, which in general is formulated in the concept of the welfare state.⁴

This spirit also encouraged the idea that the state must interfere in the economy, or what is also referred to as "regular economy", as stated by Saroso Wirodihardjo, that: Regular economy in national economic problems can be accounted for because in the description depicted above the role and effort of the Government is needed to plan and channel economic and social development and to follow and control the implementation. However, on the other hand, Wirodihardjo also rejects total and total government interference in the economy, with the argument that regular economies should not be "economics of regulations" because according to him, not all things in the

¹ In "*The Prince*", Niccolo Machiavelli said that "goodness plays an important role because it has become the nature of human not to be separated from all the goodness that have been given as the goodness that they have received". The idea which is based on this ecclesiastical law is a philosophical foundation that can be applied in Indonesia in eradicating corruption. This is also supported by four (4) main elements, namely:

1. Life because there are ancient religious laws (although the prince behaving badly)
2. Prince has a country and not keeping it
3. Prince has the people and not setting them
4. Although the state and the people are not kept, they all are peaceful and pleasant as enforced through the power of the Divine (God)

See Tomy Michael, *Corruption And Niccolo Machiavelli, Asia Pacific Fraud Jurnal Volume 1, No.2nd Edition (July-December 2016)* ISSN 2502-8731.

² If you want to trace it, the term "welfare state" was first used in the 1940s and was embedded in the tradition of British political philosophy since the end of the 19th century. In this tradition the state was assumed to be a manifestation of the idea of "common good" followed by a program. specific welfare program which is a manifestation of the interests of every citizen. Meanwhile, the use of the term "welfare state" was first published by William Temple, who was the Archbishop of New York published a book called *Citizen and churchman*, in which he compared state power by dictators to the growing welfare state in democracy. This phrase was then used by a politician named Clement Attlee as a slogan in his campaign in the 1950 elections, which later expanded widely. See Brian Lund, 2002, *Understanding State Welfare: Social Justice or Social Exclusion ?*, London: Sage Publication, p. 1.

³ Asa Briggs, *The Welfare State in Historical Perspective*, in Christopher Pierson and Francis G. Castels (eds.), 2006, *The Welfare State Reader*, Cambridge: Polity Press, p. 17.

⁴ Besides England, Germany is also often referred to as the pioneer of developing the "welfare state" idea, especially in the Bismarck era. The reforms carried out by Bismarck in Germany in the 1880s introduced compulsory insurance in terms of health, accidents, elderly and disabled (disabled), including the pension scheme, which was later imitated by Denmark. Many of the Bismarck policies were referred to as a form of welfare state, while around 1906-1914 the Liberal government in England was trying to eradicate the "welfare state" policies. See Asa Briggs, *ibid.*, p. 19.

economy must be managed by the government but also provides space for the private sector to engage in economic activities.¹

The idea that the state is a central figure in the economy is based on the view that only if the economy is under state control even if it is not fully, will people's welfare be achieved, because if the economy is left entirely to the private sector and individuals, the fulfillment of people's welfare will be difficult to achieve. The perfect form of "national economy" in the view of Sujono Hadinoto, the Chair of the Indonesian National Party (PNI) at that time, was a model of democracy-socialism. In his writing, Sujono described the ideological aspects of Indonesian economic planning which he called economic democracy based on the democratic system of socialism. Economic democracy, according to Sujono², means that opportunities are equally happy and must exist, because the basis of democracy is equality of opportunity. Social democracy means that equality of rights and learning opportunities must be the same, the right to opportunity to experience cultural outcomes must be the same. Democracy in the economic field means "the implementation of the economy in such a way so that equitable welfare, is not limited to one or several groups at all". For Sujono Hadinoto, what Indonesia must do is: Returning to economic democracy, it can only be realized with a democratic system of socialism. Therefore, our economic politics must be channeled there, because there is no other economic system that is compatible with the spirit of our nation, which can bring people's prosperity and fulfill the requirements of democracy.

A similar view also came from Mohammad Hatta who put forward the idea of social democracy as a forum for fulfilling the ideals of social justice, on the basis of collectivism which was characteristic of Indonesian society³, especially rural areas. Based on that, Hatta defined a model of Indonesian socialism on the basis of a collective model of the original Indonesian village community, in which land was used as a collective (village) property, not owned by individuals. With this model, every person (village) in using their economic power will continue to feel bound to the agreement of the people (village).⁴

Richard Robison saw the emergence of the New Order state as a consequence of long and protracted social, economic and political conflicts, which were characterized by a number of conditions: first, the weakening of social classes, especially the failure of the national bourgeoisie, allowed the growth of state apparatus where political and bureaucratic forces were taken and integrated by the military, parties and state officials. In the struggle for power between political-bureaucratic groups, it was the military that won victory; second, the failure of the state and the national bourgeoisie to reorganize the Indonesian economy from an economy oriented to the export of agricultural products during the colonial period which has drastically declined, becoming a state-run manufacturing economy oriented to import substitution industrialization; third, the failure of the emergence of forces for a social revolution consisting of significant elements such as laborers, peasants and intellectuals, to seize political power from the hands of conservative forces. conditions, which then gave way to the emergence of military power with the support of national conservative forces (in intellectuals, birchocrats and politicians) who were fully supported by international forces, took power in 1966, and established the New Order state, which was consolidated in under military, bureaucratic and international capital.

¹ Ibid. p. 46.

² Sujono Hadinoto, 1949, *Ekonomi Indonesia: Dari Ekonomi Kolonial ke Ekonomi Nasional*, Jakarta: Grafica, p. 65.

³ Mohammad Hatta, 2000, *Karya Lengkap Bung Hatta: Kemerdekaan dan Demokrasi*, Buku 2, Jakarta: LP3ES, 435.

⁴ Mohammad Hatta, 2001, *Karya Lengkap Bung Hatta: Perdamaian Dunia dan Keadilan Sosial*, Buku 3, Jakarta: LP3ES, 562-563.

According to Robison,¹ the dominance can take place not only because of the political success of the military in building corporate structures and repressive apparatus, or also the weakening of social classes, but more because the state is able to master strategic positions in the economic sphere. Important sources of oil, gas, and mineral (mining) reserves in very large quantities do not benefit the national bourgeoisie, but are the income of the state (and officials) who participate in exploiting these resources through production sharing agreements with foreign companies. Coupled with a very substantial amount of foreign debt and foreign aid channeled directly to the government, a clear picture of the emergence of financial autonomy from national sources can be seen.

The movement of globalization with neoliberal economic practices began to be effectively carried out by the Ronald Reagan governments in the United States and Margaret Thatcher in the United Kingdom. Based on the ideas of the classical liberal philosopher Adam Smith, and with reference to the more contemporary libertarian philosophers' thoughts, Friedrich Hayek and Milton Friedman.² Referring to the thoughts of Milton Friedman and Friedrich Hayek which Thatcher recognized as "prophets" the market economy of the neoliberalism project began to move and enter infiltrate into the smallest areas of society, through a number of policies forced through governments in countries The Third World. The Reagan and Thatcher governments paved the way for the birth of the national economic empire which moved beyond various national borders.

Hayek's main argument is how to minimize the danger of tyranny, and not merely defend capitalism on the basis of not maximizing utility. For Hayek, giving the state power to regulate economic exchange for concentration of power and because power tends to be corrupt, market regulation is the first step towards what he calls "the road to serfdom". That is, if the state increasingly has control over economic life, the country will increasingly be able (and willing) to regulate all aspects of human life. So at this point, for Hayek, freedom of capitalism is needed to safeguard and manage the civil and political freedom of mankind. Libertarians prefer markets that are very free and reject government regulations not in the name of economic efficiency, but in the name of human freedom. The main claim of libertarians is that everyone has a fundamental right to liberty, namely the right to do whatever he wants for the goods he owns, and respect the rights of others to do the same.

The systemic doctrine of the libertarian model becomes "spirit" from the Washington Consensus. According to Joseph E. Stiglitz, the Washington Consensus policy is supported by three main pillars, namely: fiscal austerity, privatization, and market liberalization, initially designed to respond to the most obvious problems in Latin American countries and make very important meanings. One³ of the basic assumptions is that when trade liberalization decreases tariffs and the elimination of other protectionist measures is done in the right way and at the right speed, new jobs will be created and inefficient jobs will be lost, then, at this point significant efficiency will be achieved. The idea of Stiglitz, which is widely referred to in Indonesia, is often referred to as the new-

¹ Richard Robinson, Power and Economy in Soeharto's Indonesia, Journal of Contemporary, Manila: Asia Publisher, p. 36-41.

² Libertarian views actually refer to the classical liberal views of the models of Herbert Spencer and Adam Smith, and reject modern liberal views such as John Maynard Keynes. In both classical and libertarian liberal views such as Friedrich Hayek and Robert Nozick, the role of the state in economic life must be as minimal as possible. Generally libertarians fight for market freedom, and demand restrictions to use the state in managing social life. Libertarians even reject the application of redistributive tax schemes to implement the concept of equality in liberal theory. See Will Kymlicka, 1990, Contemporary Political Philosophy: An Introduction, Oxford: Oxford University Press, p. 95.

³ Washington Consensus neoliberal is a market-oriented rule and principle designed by the government of the United States and international financial institutions, which are dominated and implemented by them in various ways towards more vulnerable people, often in the form of structural adjustment programs (structural adjustment program). See Noam Chomsky, 1999, Profit Over People: Neoliberalism and Global Order, New York: Seven Stories Press, p. 19-20.

development economics approach, better known as the Post-Washington Consensus, which many consider to not provide renewal ideas, but rather deal with mistakes made by the Washington Consensus regime, because this approach is still rooted in mainstream economic theory which is trying to understand the problem of development through the idea of globalization.¹

John Rawls, describes the concept of justice on three interrelated ideas, namely: liberty, equality, and rewards² for actions that provide that contribute to mutual benefit. In his *A Theory of Justice*, Rawls describes the principle of freedom which refers to equal liberty in which the principle of rights and obligations becomes the main basis for freedom. In the principle of equality, it does not mean that Rawls rejects the existence of inequalities in society (eg rich-poor, superiors, etc.), but Rawls accepts social and economic inequalities on two conditions: inequality is obtained for the benefit of the most disadvantaged in society, namely the difference principle, and is the result of open and fair equality of opportunities for positions and positions in society.

Rawls put forward the idea of two principles of justice. The first principle is that everyone should obtain the most broad rights to basic freedom and be in line with the same freedom for others. The first principle is usually known as the equal liberty principle which is needed to guarantee basic freedom, namely: freedom of thought, will, opinion, assembly, choice, freedom not to be arbitrarily arrested, the right to have public office and private ownership. The second principle consists of two parts. The first is the "principle difference" (the difference principle) that allows the occurrence of social and economic inequality only if it maximizes profits for the most disadvantaged citizens. The second part demands "fair equality of opportunity" for all. This equality does not only mean equality in employment opportunities, but also in the opportunity to live. These two principles are described by Rawls, All social values are liberty and opportunity, income and wealth, and the social bases of self-respect are distributed to everyone's advantage.

The views above show a dilemma in bringing together issues of individual freedom and popular sovereignty and social justice. Problems that also persist in political discourse in Indonesia, to put the 1945 Constitution and Letter of Intent with the IMF side by side. When referring to the Soekarno era government, this dilemma did not arise, because economic policy was based on a factual situation, which meant that the foundation was a constitution, because the constitution was also born from the antithesis of colonialism and liberalism. Economic policy Guided Democracy, likes or dislikes, has a foothold in the constitution, but policies made since Soeharto to Susilo Bambang Yudhoyono, if examined clearly and seriously, many contradict the constitution, especially since reform.

2. Indonesian Economic System According to the 1945 Constitution

For a long time Indonesian economists and politicians discussed what was the right name for the Indonesian economic system as intended by the 1945 Constitution, especially Article 33 both before and after the 1945 Constitution Amendment. Article 33 (Original) reads: the economy is structured as a joint venture based on family principles, production branches that are important to the state and which control the livelihood of many

¹ Friedrich A. Hayek, 1960, *The Constitution of Liberty*, London: Routledge and Kegan Paul, p. 121. And Michael J. Sandel, 2009, *Justice: What's the Right Thing To Do*, London: Allen Lane, p. 59-60.

² Joseph E. Stiglitz, 2002, *Globalization and Its Discontents*, London: Penguin Books, p. 53. Stiglitz mentions that the "most obvious" problems in Latin American countries are: the amount of money lost due to inefficient government companies contributes a lot of deficits; loss of money due to inefficient private companies that pressure consumers to pay high fees; loss of money due to monetary policy which causes inflation to run out of control.

people are controlled by the state and the earth and water and the natural wealth is controlled by the state and used for the greatest prosperity of the people.

Whereas after amended through the fourth amendment in 2002, Article 33 was added with 2 new verses, namely: the national economy is organized based on economic democracy with the principle of togetherness, fairness, sustainability, environmental insight, independence, and by maintaining a balance of progress and national economic unity and further provisions regarding the implementation of this article are regulated in law. So now Article 33 consists of 5 (five) verses as mentioned above.¹

Although in the 1945 Constitution Article 33 and the explanation is only brief, the ideology contained in it is clear and firm, so that it fulfills the requirements to be called an economic system. Because it departs from the principle of Pancasila in particular to realize the fifth principle (five), namely social justice for all the people of Indonesia, it is agreed to name the meaning contained in Article 33 of the Pancasila Economic

System (SEP). The orders or mandates contained in Article 33 and their explanations are clear and explicit because they affirm the principles, what is controlled by the state, and the objectives to be achieved, namely to realize the prosperity of the people, not the prosperity of the people.²

Therefore, the process or mechanism towards the goals to be achieved must not be deviated, especially contrary to its main purpose, which is people's prosperity. This means that from the outset all efforts or processes to realize social justice must be aligned, not twisted or postponed for various reasons, as is often the case. The Institute for the Assessment of the 1945 Constitution which was formed by the MPR in 2015, through an in-depth study agreed to name what was contained in Article 33 as the Pancasila Economic System.

It is said as an economic system because Article 33 clearly states its purpose, regulates or mandates who controls what, who produces who, and regulates the principles of economic actors. Pasa 133 emphasizes that the State must be present and play an active role since the ownership / control of the means of production and distribution of goods and services "certain". The definition of "certain" is what is important for the State and what controls the livelihood of the people, which from time to time may change in line with the level of prosperity of the community. While the remaining goods and services can be handled by the private sector (people). Therefore Article 33 fulfills the requirements to be declared as a system that we call the Pancasila Economic System.

The difference is where the level of tendency is heavy. If the state is heavy with its various variations, which are marked by the magnitude of the role of the State or the public sector/non-commercial values, then it tends to be economical socialist. If it is heavier to private heavy (commercial market) which also has various variations marked by the lack of the role of the State or in other words practically the economy is controlled by private actors, so it tends towards / or is called a capitalist economy or free market. So the key is to divide the role of the market, namely who is the owner / ruler of economic resources, who plays the role of producer, and what goods and services are regulated by the state, both production, distribution and price.

Therefore it is necessary to begin with the views and explanations of Article 33 of the

¹ John Rawls, 2001, *Constitutional Liberty and the Concept of Justice*, Massachusetts: Harvard University Press, p. 75, John Rawls, 2001, *Constitutional Liberty and the Concept of Justice*, Massachusetts: Harvard University Press, p. 75 and John Rawls, 2000, *A Theory of Justice*, Oxford: Oxford University Press, p. 52-53.

² Denny Indrayana, 2007, *Amandemen UUD 1945: Antara Mitos dan Pembongkaran*, Bandung: PT. Mizan Pustaka, p. 49.

1945 Constitution in terms of the market which is the most important instrument in the economy. In other words, it is these schools of trust in the role of the market that distinguish various schools of economics, including the Pancasila Economic System. The market as it says, is where buyers and sellers transact. Buyers and sellers are commonly referred to as players on the market. Whereas those transacted can include goods and services so-called goods markets or service markets, or labor so that it is called the labor market, or which is traded money so that it is called the money market, or which is traded or securities or shares or debt securities, commonly referred to as the capital market.

Thus the market is the most important mechanism in the implementation of the economy, because it is through this market that "agreed" prices are formed and producers or suppliers produce or supply their merchandise to be purchased by consumers or those who need it (demand). With this background the available economic resources are allocated or allocated to the principle of partiality or the principle of efficiency, depending on the economic school adopted.

The market is also legal and illegal, and even if there is a transaction activity that is legal, it is called under ground economy. There are populist markets such as traditional markets with thousands or millions of people and practically continuous activities for 24 hours. But there are also very elite markets such as stock exchanges that only carry out activities / transactions from 09:00 to 16:00 with 1 hour break, closed Saturday and Sunday and on holidays, housed in cool and luxurious buildings, and tend to be spoiled or leased by the government and used as an indicator of economic success even though the perpetrators are very limited.

Article 33 clearly mandates an active role or presence of the state as a market regulator or as a market actor (as a buyer / consumer or seller / producer) and determines what goods or services the state should be involved in, for the greatest prosperity of the people, namely those who control people live, and what matters to the country. The implementation of Article 33 of the 1945 Constitution will determine or at least influence the level of state's partiality over who or where it depends on the role taken by the state, the rules of the market imposed and what goods or services are involved either directly or indirectly. That is why Article 33 can be declared a separate school or Indonesian economic ideology.

3. The Role of the State in the Economy According to the 1945 Constitution

Article 33 of the 1945 Constitution is under Chapter XIV with the change of title to the fourth change being 'National Economy and Social Welfare'. Indonesia's national economic system is aimed at social welfare. This is in line with the opinion of Dawam Rahardjo who discussed Article 33 from an economic perspective. According to Dawam Rahardjo, when viewed carefully, Article 33 aims to achieve social welfare. In the welfare context, the 1945

Constitution uses two terms, namely general welfare and social welfare. The term general welfare can be found in paragraph IV of the Preamble of the 1945 Constitution; while the term social welfare is in the title of Chapter XIV above. There is no further explanation regarding the two terms referred to. According to Dawam Rahardjo the term social welfare is more often used in the context of development discourse. This was interpreted based on the use of the term for the first time by Bung Karno in his speech before the Preparatory Investigation Board of Indonesian Independence (BPUPKI) in explaining the basic formulation of the country he proposed. Bung Hatta agreed to use the term, but he used the term social justice rather than social welfare. The term social justice emphasizes more on the distribution of welfare obtained in a more just and equitable development.

The meaning of social welfare as stated in Chapter XIV of the 1945 Constitution above, according to Sri Edi Swasono is the formulation of the Indonesian economic system which he calls the Indonesian Welfare Doctrine. Social welfare together with the general welfare, including the welfare of the public (public welfare) which is a state responsibility and mission to make it happen. Therefore, the main task of the state is to include the welfare of the Indonesian people as a whole in addition to 'protecting all bloodshed', 'intellectualizing the life of the nation', 'participating in establishing eternal world peace' as set out in the Aline IV of the 1945 Constitution. the opposite of individual welfare. Therefore, welfare measures are not based on individual income; but communal. In a philosophical (legal) perspective, a measure of general welfare is described by Jeremy Bentham's theory 'the greatest happiness for the greatest number' meaning that if some members of the community feel the benefits and feel happy with a particular policy or situation, then that is the general welfare. But on the contrary, if "the greatest happiness for the smallest number" then the general welfare has not been realized, so that the state has the responsibility to turn it into a common welfare. Quantitatively, the meaning of social welfare according to Rizal Ramli can be measured from:

- 1) Nutritional status;
- 2) health status seen from life expectancy;
- 3) education status, work that is sufficient for living needs, and;
- 4) prevalence of disease events and others, which must be measured quantitatively.

In line with the mind of utilitarianism above, the most important measure of people's welfare is the fulfillment of basic or basic needs of life, not economic growth or exchange rates. Indeed Article 33 of the 1945 Constitution is the basis of Indonesian economic democracy which refers to Hatta's thoughts on people's economy, because the term economic economy is indeed not found explicitly in the 1945 Constitution. However, essentially, the meaning of economic democracy refers to the definition of the word 'populist' as stated by Hatta in his writings on the Daulat Ra'jat daily. In addition, the use of the popular word on the Sila of the four Pancasila can also be interpreted that economic democracy is a people's economy. Furthermore, in explaining Article 33, Hatta explained as follows:

- 1) The meaning of the family principle contained in Article 33 paragraph (1) of the 1945 Constitution: The principle of family is a cooperative. The principle of kinship is the term from Taman Siswa to show how the teacher and students live on him as a family. That is also the style of Indonesian cooperatives.
- 2) The meaning controlled by the state Article 33 paragraph (2) of the 1945 Constitution. Understanding controlled by the state must be interpreted to include the meaning of control by the state in a broad sense sourced and derived from the conception of Indonesian people's sovereignty over all sources of wealth "earth, water and natural resources contained in it ", including in it the notion of public ownership by the collectivity of the people over the sources of the intended wealth. The people collectively are constructed by the 1945 Constitution giving a mandate to the state to make policies and management actions (bestuursdaad), arrangements (regelendaad), management (beheersdaad), and supervision (toezichthoudensdaad) for the greatest purpose of the people's prosperity.

3) The meaning is used for the greatest prosperity of the people contained in Article 33 paragraph (3)

The meaning of economic democracy contained in Article 33 paragraph (4): Economic democracy, according to Hatta (1932), as is the case with Indonesian democracy, originating from genuine democratic values in villages in Indonesia. There are three elements of democracy in Indonesia: deliberation, freedom of opinion,

and help. By applying this pillar of economic democracy, there is no small number of people or groups who control the lives of many people simply because they control the production factors as they are today. Ideally the needs and willingness of the people must be guided by the company and income. Therefore, all branches of production that provide large income and regarding the livelihoods of many people must be managed jointly under the care of the people through their representative bodies.

It should also be noted that the state also has power over production branches that are important to the state and / or controls the livelihoods of many people, as stipulated in Article 33 paragraph (2) of the 1945 Constitution. included in the category of public utility . According to Maruarar Siahaan and Harjono ,the interpretation of state control cannot be interpreted in the conception of civil ownership, but must be related to the position of the state as a sovereign entity, therefore, its authority encompasses the regulation of matters which are in its sovereignty, even if it is outside its ownership, including to attract ownership of others to be controlled by the state. Based on the explanation above, it can happen that:

- 1) production branches that are important to the country and control the lives of many people,
- 2) important for the state but does not affect the lives of many people, and
- 3) Not important for the state but affects the lives of many people. These three conditions become state control and must be used for the greatest prosperity of the people.

As explained above, the application of Article 33 cannot be separated from the role of the state as the manager of Indonesia's natural resources to develop and use it for the greatest prosperity of the people by using the principles of people's economy. The state is obliged to manage natural resources (SDA) and important production branches to use a populist economic system for the welfare of all the people of Indonesia. The use of natural resources in economic activities is not new; precisely the forerunner and supporter of the Indonesian economy is natural resources. At present more than 50% of the Indonesian people live in the countryside, whose lives depend on natural products, and among them are even categorized as poor which according to statistics in early 2012 reached 15.72%. Therefore, the consequence is that every development strategy that leads to improving community welfare must be focused on developing rural areas. Prioritizing development in the village does not mean that

all funds and power are concentrated and directed towards rural development, by abandoning urban areas. Rural development actually requires more rapid and more advanced development support and assistance, especially in the context of industrialization. When industrialization becomes a choice, the use of technology becomes a strategic choice. The role of technology in rural development is important in creating a better economic structure and situation.

4. State Interventions in the Economy According to the 1945 Constitution

The role of the government in the economic development of a country is something that is not debated in theories or the treasures of economic thought. Through various policies related to the public sector, the government has an important role in driving economic growth.

Economic growth, for example, is driven by government policies that seek to invest and attract investors, encourage technological development, or even produce / educate labor needed by the labor market.

Even if the view develops as if it raises two poles of views which state the need and the role of the government, in fact the difference between the two views lies only in the magnitude or degree of the government's

role. Adam Smith, who is often regarded as the founder (founder) of a modern economy and a major supporter of the full market mechanism (*Jaissez faire*), in essence also gives a portion to the role of government in the economy, only in a very limited portion. Provision of public goods and efforts to encourage consumption of useful goods (merit goods) is a classic economic justification for government participation in the economy.

Initially, development economists only recognized the government's role as limited to providing social overhead capital or infrastructure to facilitate economic development . However, further consideration gave birth to thoughts that emphasized the need for the government to engage in broader interventions in the economy to solve certain problems, and not just provide economic infrastructure. Thus, what distinguishes the thinking of economists is the extent to which the role of the government in influencing the economy, and not the need for or not the government. The scope of activities of government enterprises can cover all economic sectors, but are usually concentrated in areas related to the provision of needs of the majority of the population. However, in socialist or communist countries, governments with thousands (even hundreds of thousands, including those owned by local governments such as in China RR) are business entities, which are engaged in all economic sectors. Conversely in capitalist countries, the government only moves in certain sectors. In the United States, the economic sector entered by the government is very limited, such as the postal, electricity, railroad, insurance and banking services sectors.

As stated earlier, the government is also involved in production activities, in addition to distribution, through the business entities it forms. In contrast to the private sector which is always trying to get maximum profits, government companies (government enterprises) do not always prioritize maximum profits in these activities. There are also state-owned enterprises that are designed to achieve certain goals, such as creating employment opportunities, regional development, pioneering large businesses that are entered into the private sector, and so on. In general, the objectives of this state-owned enterprise can be summarized as follows:

- 1) maximizing people's welfare; and
- 2) maximize "certain" goals of management or government, including the possibility of obtaining maximum profits.

These specific goals, for example, create jobs, serve public goods, get profits, develop industries or sectors that are considered strategic, pioneer the development of businesses that have not been entered into by the private sector, and so on. Thus these state-owned enterprises have non-commercial purposes, in addition to their commercial objectives. The scope of activities of government enterprises can cover all economic sectors, but are usually concentrated in areas related to the provision of needs of the majority of the population.

However, in socialist or communist countries, governments with thousands (even hundreds of thousands, including those owned by local governments such as in China RR) are business entities, which are engaged in all economic sectors. Conversely in capitalist countries, the government only moves in certain sectors. In the United States, the economic sector entered by the government is very limited, such as the postal, electricity, railroad, insurance and banking services sectors.

The experience of many countries shows that many of the government-owned enterprises operate inefficiently and become a burden on the government and society. This has led to efforts to privatize the state-owned enterprises. Besides the reasons for this efficiency, the argument that suggests privatization is ideological and financial reasons. Privatization is considered as part of economic democratization, because it will involve

many economic actors in dealing with certain business sectors. Financial reasons are related to efforts to reduce the burden on the limited government budget, so that it is not necessary to be burdened to support the performance of business entities that can be handled by the private sector. In New Zealand, an economic reform program that has been implemented intensively since 1984 has also succeeded in changing the position of SOEs, which have previously suffered losses and become the burden of taxpayers, become efficient BUMNs and some are respected at the international level.

In the People's Republic of China (PRC), whose economy is controlled by the state, in 1995 announced that it would only retain 1000 state-owned enterprises from its 100 thousand state-owned enterprises. Sunita Kikerl, John Nellis and Mary Shirley showed that during the 1980-1992 period there were more than 15,000 BUMNs in the world privatized. A study of 272

state companies in RR China concluded that there had been a substantial increase in productivity growth from state-owned enterprises there during the period 1980-1989. This growth is largely a result of its nominated economic reform policy which also touches state-owned enterprises in the country.

The existence of a strong legal system and independent will give you the chance emergence of private voluntary organizations (private voluntary organisasi) and glue baga general supervision or community (office of the controller general). These institutions will strengthen government¹ institutions, even with minimal interventions, in supporting the course of economic development. This shows that economic development efforts cannot walk alone, but also simultaneously coupled with the development of other fields, such as politics and law.

D. Conclusion

Based on a Refresh study Juridical done obtained a conclusion that c Ampur hands of the state of the business world is a manifestation of the state of Indonesia as a welfare state (welfare state), in which the state is required to play an active role in the national economic system in order to promote the general welfare as defined in paragraph to IV Preamble of the 1945 Constitution. This is in line with the conception of the welfare state that the state must be present in protecting people's economic rights by intervening in the national economic system for the greatest benefit of the people.

To appreciate founder of state and adherence to UUD1945 utamanya opening alenea IV and Article 33 UUD1945 is correct according to the law when the state interfere in the business world, especially for businesses that dominate the life of the people, in order to achieve the welfare of its citizens.

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