

New Economic Politics and Institutional Approach for the Nation Problem

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ABSTRACT--Indonesia is a rich nation in normal assets, however destitution, joblessness, financial and instructive aberrations despite everything portray the life of the country and state. The nearness of the state to make fair thriving for all individuals or society inside the structure of the unitary condition of the Republic of Indonesia has not yet been figured it out. The job of the administration and financial entertainers will decide the acknowledgment of the nation's standards to make a prosperous society in balance and manageable way. Government with its capacity can manage, regulate, and give concentrated so financial entertainers can assume an ideal job for their inclinations without disregarding their obligations to the administration and society. Financial on-screen characters, through their innovative conduct that make monetary worth included that is a wellspring of abundance of a country state. Main concern: business people make riches for the country.

Keywords--government, nation problem, economic actors.

I. INTRODUCTION

At the beginning of the New Order era, we adopted development trilogy strategy which the priorities were; Stability, Growth, and Equality which turned out to be difficult to realize. National economic growth for almost half a century is more dominated by large businesses, both foreign, national, and State-Owned Enterprises. This gap is not only reflected by income or wealth differences among groups, but also between regions. Even more alarming, the gap in human resource capacity that originates among others is the gap in the quality of education between regions within the Unitary State of the Republic of Indonesia. For the most last century, economic growth was fueled by what seemed to be a certain truth: the abundance of natural resources. We minded our way to growth. We burned our way to prosperity. We believe in consumption without consequences. Those days are gone Over time, that model is recipe for national disaster. It is a global suicide pact. However, economic, social, and even regional geopolitical development requires strategy change and a priority measure of development concept to encourage inclusive economic growth.

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II. A PORTRAIT OF THE NATION PROBLEM

It must be appreciated that it is the economic actors who create the wealth of a country through the processes of production, distribution, trade that in addition to employ labors, it also pays direct or indirect taxes. Economic actors, through their entrepreneurial behavior that create economic value added that is a source of wealth of a nation-state. Bottom line: business entrepreneurs create wealth for the nation.”

Pancasila Economics deals with three economic behaviors, namely: Cooperative, State, and Private with their respective roles. Article 33 of the 1945 Constitution mandates:

1. The economy is structured as a joint effort based on the principle of kinship;
2. The branches of production which are important for the state and which control the lives of many people are controlled by the state;
3. The earth, water and natural resources contained therein are controlled by the state and are used to the greatest extent possible for the prosperity of the people.
4. The national economy is organized based on economic democracy with the principles of togetherness, fair efficiency, sustainable, environmentally independent, and by maintaining a balance of progress and national economic unity;
5. Further provisions regarding the implementation of this article are regulated in the law.

So the establishment of cooperative businesses and Indonesian State-Owned Enterprises is positioned to become the main economic actor for the interests of the country and its people.

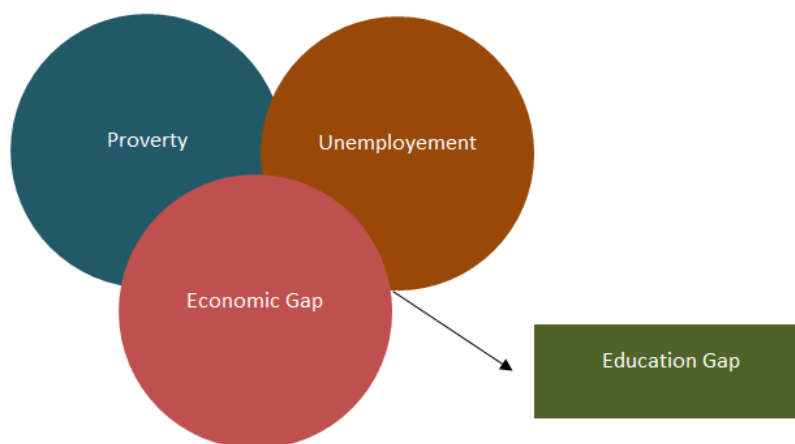


Figure 1: Nation Problem

Limited Liability Company. In its journey, Indonesian economic politics since the New Order era until the Reform Order which is still rolling, are inclined towards market mechanism without clear control or alignment towards weak economic actors. Because of the economic growth that is supported by large private national businesses, foreign and state-owned enterprises, it seems to have aired economic growth like an airplane with its auto pilot. Critics say that Indonesia's economic politics is similar to the concept of "neolib" which makes the strong actor become stronger to control the nation's economy. Growth is created, but more exclusively enjoyed by large economic actors who at the same time gave birth to the middle class which is a source of growth through

increasing consumption. Consequently, the gap widens, the GINI ratio increased from 0.31 to 0.41 in the last 10 years because the government did not intervene to support small and medium economic actors.

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This gap is not only reflected by income or wealth differences among groups, but also between regions. Even more alarming, the gap in human resource capacity that originates among others is the gap in the quality of education between regions within the Unitary State of the Republic of Indonesia.

III. NEW ECONOMIC POLITICS

Change involves transforming the structure, system, skill and paradigm of HR and political policy. Then there must be a serious political will to provide legitimacy and commitment of the state to ensure the implementation of the desired change as the final target.

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“The aim of this political economy transformation is not only to reduce disparities between groups, regions and human resource capacity, but also to build a solid economic foundation because it is rooted in the culture and livelihoods of the majority of Indonesian people.”

In this case, a new "political economy" is needed towards economic growth and inclusive finance. The aim of this political economy transformation is not only to reduce disparities between groups, regions and human resource capacity, but also to build a solid economic foundation because it is rooted in the culture and livelihoods of the majority of Indonesian people.

Since independence day, we have experienced changes in the structure of the state and government that gave birth to different economic politics in accordance with the era. The Old Order gave birth to socialistic economic politics and become the liberalism in New Ordmer era. In the Reformation Era, with such significant changes in government systems (Decentralization and Regional Autonomy), it was apparently not followed by changes in economic and financial politics that provided opportunities and support for the society's economy. Of course the principle of a market economy is still needed for national efficiency and competitiveness. We are dealing with regional economic-geopolitics (ASEAN Economic Community), amidst threats of poverty, unemployment, economic and education disparities between groups or between regions.

This economic policy roadmap in the Reformation Era should be in the middle lane. In short, the Inclusive Economic and Financial system, which is the implementation of the mandate of the 1945 Constitution especially article 33 paragraph 1 which reads

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“This economic policy roadmap in the Reformation Era should be in the middle lane. In short, the Inclusive Economic and Financial system, which is the implementation of the mandate of the 1945 Constitution especially article 33 paragraph 1 which reads “The economy is structured as a joint effort based on the principle of kinship ”, and paragraph 4 which reads" The national economy is organized based on economic democracy with the principles of togetherness, fair efficiency, sustainable, environmentally sound, independent, and by maintaining a balance of progress and national economic unity ". The New Economic Politics must be able to give birth to an inclusive and equitable economic growth.”

“The economy is structured as a joint effort based on the principle of kinship ”, and paragraph 4 which reads" The national economy is organized based on economic democracy with the principles of togetherness, fair efficiency, sustainable, environmentally sound, independent, and by maintaining a balance of progress and national economic unity ". The New Economic Politics must be able to give birth to an inclusive and equitable economic growth. From the characteristics of economic actors when arranged in a parallel institutional structure, there are five economic actors in form of Business Entity: Foreign-Owned Enterprises, Private-Owned Enterprises, Indonesian State-Owned Enterprises, Local-Owned Enterprises, and People's Owned Enterprises which are the corporatization of cooperatives and Small and Medium Enterprises.

IV. INSTITUTIONAL APPROACH

The prosperity of a country is very dependent on the effective role played by its economic actors through its business entities. It is an economic agent which mobilizes and creates added value from economic resources effectively.

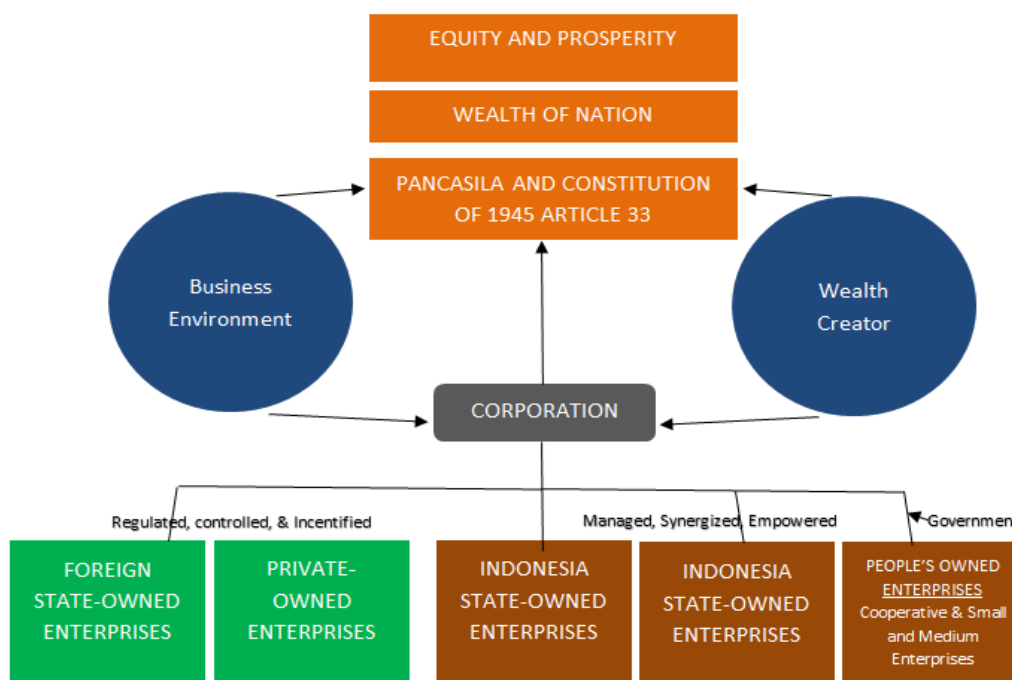


Figure 2: Economic Actors in Indonesia

The government must play a role in giving birth to regulation and supervision of Foreign Owned Enterprises and Private Owned Enterprises, while managing policies and alignments with State-Owned Enterprises, this Local Owned Enterprises, and Private Owned Enterprises to work together positively. For this reason, it is important to look at the characteristics of each economic institution which are briefly described as follows:

1. *Foreign-Owned Enterprises*, in general, the focus is only on business sectors that are in line with the mastery of technology and multinational patterned markets. Therefore, the development of its business is limited and is more inclined to move in the natural resources sector for export as well as with globalized technology and trademark targeting the domestic market. Therefore, Private Owned Enterprises requires regulation and supervision so natural resources and the domestic market are protected, environmentally sound. The government can provide incentive to develop technology in synergy with national economic actors and make Indonesia as a production base for international market.

2. *Private-Owned Enterprises*, is a large business group that generally has more than one line of business or conglomeration of companies. Although many Private Owned Enterprises have gone public, business control is still held by the family which is often called conglomerate. This business group grew and developed in the New Order era, in line with the relatively high economic development for three decades. The characteristics of these conglomerates are very entrepreneurial, sometimes even opportunistic. When Indonesia was hit by a typhoon of the economic crisis in 1997-1998, almost all of the conglomerate's businesses were destroyed and entered the Intensive Care Unit (ICU) under the supervision of the Indonesian Bank Restructuring Agency.

The conglomerate's fortune began at the beginning of the Reformation Era because they were able to regain control of their company and or buy assets sold by Indonesian Bank Restructuring Agency very cheaply, on average 10-15% of the value of state receivables sourced from Bank Indonesia Liquidity Assistance (BLBI) which is still a burden on the country until now.

Lessons from the economic crisis have changed the behavior of these conglomerates to organize their business entities through the transformation from lobby management to professional management. Moreover, the second generation, even the third, who already have international education have taken over management to grow and develop through a modern corporate management approach. The government needs to increase supervision so tax revenue from Private Owned Enterprises can be optimized. Efforts and incentives can also be directed so Private Owned Enterprises carrying the Indonesian flag can fly internationally.

3. *Indonesian State-Owned Enterprises*, *operating* in all business sectors, both in form of Company (Persero) and Public Corporation for community services. Most of State-Owned Enterprises were taken from business entities owned by the Dutch Colonial after Indonesia seized independence in 1945. It is not surprising that in the Old Order era, these business entities were managed by military and bureaucrat groups, moreover these business entities were initially patterned monopoly, especially in the infrastructure and community service sectors. In the New Order era, transformation began in both business and management aspects, and new state-owned enterprises were born. Unfortunately, the intervention of political power and the influence of government

bureaucracy is still very thick. So the efficiency of State-Owned Enterprises as measured by Return on Assets (ROA) and Return on Equity (ROE) is still far from the bench mark of similar business entities both domestically and internationally.

V. CONCLUSION

Based on the view that is supported by empirical data in almost all developed countries in the world, wealth is created by organized and systematic economic agents in its economic institutions. Pancasila economic actors need to be spelled out in more detail according to culture and ownership which is a source of inspiration and an entrepreneurial spirit inherent in each economic institution.

From the characteristics of economic actors when arranged in a parallel institutional structure, there are five economic actors in form of Business Entity: Foreign-Owned Enterprises, Private-Owned Enterprises, Indonesian State-Owned Enterprises, Local-Owned Enterprises, and People's Owned Enterprises which are the corporatization of cooperatives and Small And Medium Enterprises.

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