

**THE DISCOURSE OF WELFARE STATE,  
SOCIAL JUSTICE AND REALITY IN NEW  
ORDER POST, INDONESIA:  
PREMILINARY NOTES FROM THE  
RELATION BETWEEN STATE AND  
SOCIETY 2000-2009**

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**Abstract:** This paper discusses the discourse welfare state or social state as well as the social justice. The state is formed on motivating citizen consensus or social contracts that are associated with resolving problems that cannot be solved individually such as justice, welfare, law enforcement, eradicating corruption-collusion-cronyism, prosperity distribution, security and so forth. Indonesia post New Order trying to find a solution to the political-economic crisis that hit and the intelligentsia here proposes various ideas and ideas to develop the country and nation in accordance with the aspirations and development of their society. In this case, the citizens' request or invitation to the state to be involved in solving problems and challenges that cannot be solved by the community is called the principle of subsidiarity. Of course, outside the needs of the community, "welfare state or social state" is forbidden to interfere with citizens' affairs. In the era of neoliberal globalism, the manifestation of the principle of subsidiarity can be applied to protection and guarantees for the people and workers to have the right to decent living, not exploited by multi-

national companies, protection and guarantee for farmers from the entry of foreign agricultural products, as well as protection and guarantees domestic in the trade sector in order to have competitiveness against foreign products.

**Keywords:** Welfare State, Justice, Domestic, Post Order

## **Introduction**

This paper discusses the discourse of social justice, welfare state and socio-economic reality in Indonesia after the fall of Soeharto's New Order from 2000-2009. Indonesia, where 88 percent of its citizens are Muslim, continues to move from an era of transition to democratic consolidation, with the complexity of the problems within it. The community hopes for the future with ideas and discourses on how to build a welfare state and social justice in the framework of Unity in Diversity.

Muslim and nationalist scholars such as Emil Salim, Mubyarto, Nurcholish Madjid, Dawam Rahardjo, Kwik Kian Gie, Rizal Ramli, Sri Edi Swasono, Sulastomo, Jakob Oetama, Faisal Basri and so on, in 2000-2009 intensely debated the issue of social justice, welfare state and economic reality in Indonesia which are full of inequality and injustice. Even between 2000 and 2009, then some of these civilians sparked and discussed " Economic and Welfare Manifestations "to give direction to Indonesia's modernization in the future.<sup>1</sup>

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<sup>1</sup> See Sulastomo, Manifes Perekonomian dan Kesejahteraan Gerakan Jalan Lurus, *Kompas*, Tuesday, 17 June 2003.

In the economic community and the forerunner of the Pancasila Economic System (SEP) or Popular Economy or Constitutional Economy (EK), there are two perspectives. First, the formal juridical path, which departs from the belief that the legal basis of SEP is Article 33 of the 1945 Constitution, which is motivated by the spirit of the Preamble of the 1945 Constitution and completed by article 23, 27 paragraph 2, 34, and explanation of article 2 of the 1945 Constitution. for example, Dawam Rahardjo, Sri-Edi Swasono, Rizal Ramli and Kwik Kian Gie. The second path is the orientation path, which connects the precepts in Pancasila. Included in this camp are Emil Salim, Mubyarto, and Sumitro Djojohadikusumo. It is seen that the three are trying to describe the Pancasila ideology in the world of economy and business. It seems that this is in line with the view that Pancasila is an open ideology, which means that its basic values remain, but its distribution can be developed creatively and dynamically according to the dynamics of the development of Indonesian society.

Questions that arise each time discussing the Indonesian economic system are: The economic system that is now taking place in Indonesia is actually classified as an economic system of Capitalism, Neoliberalism or Neo-Socialism?

### **Towards Justice State**

There are several opinions on this matter. First, the opinion that the Indonesian economic system is not a

system of capitalism or socialism. Emil Salim (1979) said that SEP is a market economic system with elements of planning. In other words, the nature of these two extreme poles is in balance. Mubyarto (1980: 74) argues that SEP is very likely to be between these two poles, but outside it.<sup>2</sup>

Of course this view gets a lot of sharp criticism. Frans Seda, for example, explores this view as a not-ism, that is not all-understanding: not capitalism, not liberalism, no monopoly, no oligopoly, no mutually free competition, etc. (Kwik, 1996 ). It is no exaggeration, if anyone calls this economic system inhabited only by angels, utopian societies.

The second view looks at Indonesia's economic system in the normative and positive plains. Normatively according to the 1945 Constitution, especially article 33 paragraph 2 and 3, the Indonesian economic system should be leaning towards socialism. By Mubyarto, this is translated as popular economy. He described that the development of a populist economic system is like an "economic guerrilla war" which can be realized by the development and full partiality of the people's economy, through efforts to reduce poverty, increase decentralization and regional autonomy, and eliminate economic and social inequality.

However, in the period 2000-2009, the stronger layer of entrepreneurs and the emergence of conglomerates and the concentration of economic power seemed to make it

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<sup>2</sup> Mubyarto, "Koperasi dan Ekonomi Pancasila", published in Kompas Newspaper, May 3 1979. *Mubyarto, Ilmu Ekonomi, Ilmu Sosial dan Keadilan*. Jakarta: Yayasan Agro Ekonomika, 1980.

impossible to deny that capitalism had flourished in this country. However, according to Sjahrir (1987), in terms of ownership and the nature of price formation, the economic system that took place in Indonesia was: (1) an economic system in which the role of the dominant state; (2) the role of the private sector, both national and foreign, is not small; (3) prices that take place generally reflect inefficiencies due to far higher domestic prices than international prices.

It's just that critical thinkers begin to question: where will our economic system go? GBHN has indeed confirmed that the Indonesian economy does not adhere to free-fight liberalism or etatism. The Pancasila Economic System version of Mubyarto and Emil Salim, as well as the issue of economic democracy which had been crowded a few years ago, seems to be at the "normative" level and has not been able to answer the dynamics of the Indonesian economy which many believe are increasingly open and "right".

Is it true that the Indonesian economy is increasingly leaning to the right? Did the wave of privatization that hit the world also hit us? Government programs contained in the Letter of Intent with the IMF show a strong impression of efforts to accelerate the privatization process in Indonesia.

Theoretically, the best consequence of privatization is that it can create competition, efficiency and in turn economic growth. The worst case of this is the shifting of unresponsive state-owned monopolies with private monopolies that are more responsive to the environment.

Therefore, even though the flow of privatization also hit Indonesia, it seems that the Indonesian government is fully aware of the worst consequences. This also seems to have caused the new government since 1988 to impose a gradual privatization effort, namely by issuing Presidential Instruction no. 5 (October 1988), 3 decisions of the finance minister (740 / KMK.00 / 1989; 741 / KMK.99 / 1989; 1232 / KMK.013 / 1989), and Circular S-648 / MK013 / 1990.

It starts with setting BUMN health standards that include profitability, liquidity and solvency to hold a classification of 212 BUMNs with categories: very healthy, healthy, unhealthy and unhealthy. The financial health criteria and the types of goods and services provided by BUMN are used as criteria to determine SOE restructuring choices, namely: changing legal status, selling shares on the stock exchange, direct share replacement, consolidation and mergers, selling companies to third parties, doing joint venture, or liquidation. In addition, various efforts were made to improve the management of BUMN during 1989-90.

Since 1983, the government has consistently carried out various deregulation efforts as an effort to structural adjustment and economic restructuring. However, many have indicated that deregulation in the field of trade and investment does not provide many benefits for small and medium enterprises; even the big companies and conglomerates will benefit. A cannibal state phenomenon

occurs where strong and large capital gains consume the weak and the small.

Concerningly, it turned out that Kuncoro and Abimanyu's (1995) study proved that additional value added was not enjoyed by small, medium and large scale companies, but it was actually a conglomerate scale company, with a workforce of more than 1000 people, who enjoyed an increase in added value in absolute terms as well as per company average.

Mubyarto also concluded that the economic system implemented during the 32 years of the New Order had not been in favor of the interests of many people and ignored the values of justice. Indeed krismon since 1997 has undermined the hegemony of conglomerate entrepreneurs, but it seems too premature to conclude that it is automatically accepted that a new paradigm of populist economy emphasizes the demand for a democratic and more equitable economic system.

Globalization that is full of interests will actually form a fragmented society (discriminatory fragmented society). In globalization, the market is the global financial tycoons or the global financial tycoons with their poor fund managers, often becoming mere spectators and at the same time as market objects, but not determinants of market decisions.

These global financial tycoons form themselves as "a global governance" structured in a network of new international capitalist classes as described by Patras and

Veltmeyer (2001), namely TNCs (transnational corporations that reach 37,000, World Bank (international financial institutions), G -20, TC (Trilateral Commission Forum) etc. They are the ones who basically master the repair, investment, trade, production, distribution and stock of goods, as well as services at once.

The groupings within the WTO of developing countries that are members of Group 90 in the 147-member WTO in Mauritius, July 2004 and the WTO meeting in Cancun, Mexico, September 2003 which failed as a heavy rift that surfaced were fragmented global. The market should not be free for developing countries, as developed countries themselves always protect and provide various subsidies to the domestic economy. As a result the Third World is increasingly paralyzed economically.

In the Indonesian context, more generally the economic sovereignty of Indonesia originated from efforts to amend the 1945 Constitution, which amendments turned out to have changed the substance and national ideology contained in the 1945 Constitution, so that the 1945 Constitution after amending 4 times has become a new constitution. referred to as the 2002 Constitution. Opening of the Constitution (soul) and torso of the Constitution (body) does not continue. Since the enactment of the 2002 Constitution, the economy has truly been driven to be characterized by liberal economy, capitalism and free-market mechanism. Thus, for Indonesia globalization is

liberalization and neo-liberalization and opening up to economic colonization.

### **Historical Project**

After more than 70 years of independence, Indonesia as a historical project for young people faced the reality of old age, losing the vital power of young people. Indonesia without a young soul (newness and progress) and youth leadership is Indonesia which denies its identity.<sup>3</sup> What Yudi Latif put forward is relevant to the reality that exists. For more than seven years after the fall of Soeharto, demands for comprehensive reform in the economic, political, legal, social and cultural sectors to achieve progress, prosperity and social justice have not been achieved, and continue to be a challenge for Indonesian nationalism. The aspirations, desires and ideals of the people to get social security - as one manifestation of welfare and social justice - have not been fulfilled.

We note that a few years before the economic crisis, Indonesia was one of the Asian economic tigers with economic growth of more than 7 percent per year, but this high growth rate was apparently not followed by equity. The BPS (1997) study shows 97.5 percent of national assets are owned by 2.5 percent of conglomerate businesses. Meanwhile, only 2.5 percent of national assets are owned by small economic groups, which account for 97.5 percent of the total business world.

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<sup>3</sup> Yudi Latif, *Memudakan Kembali Indonesia*, *Kompas*, 23/08/2005

The low level of people's welfare is also seen from the still widespread problem of poverty. In the period 1976-1996 the poverty rate dropped spectacularly from 40.1 percent to 11.3 percent, but since the economic crisis of 1997-98, the number of poor people has risen sharply again, especially during the economic crisis. The International Labor Organization (ILO) estimates that the number of poor people in Indonesia at the end of 1999 reached 129.6 million or around 66.3 percent of the total population (BPS, 1999).

Now, poverty extends from 36 million (2004) to 15.6 million poor families which is equivalent to 60 million individuals and in 2005 it was estimated that the poverty rate reached 140 million due to rising fuel prices and prices that made the majority socio-economic life of the population decline sharply. Open unemployment rose to 10.9 percent from 103.97 million workers. So, social inequality is becoming more latent.<sup>4</sup>

Corruption was rampant and ensnared the Supreme Court and its chairman. Unfortunately, the people's misery was paid for with a policy of no empathy, the proof: DPR's allowances rose by Rp 10 million per month, the president's office budget rose 57.7 percent to Rp 1.147 trillion, the budget of the vice president's office rose 145.9 percent to Rp 179.2 billion and then domestic and foreign creditors cheered because their debt was paid in full Rp 125 trillion in

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<sup>4</sup> M Fadjroel Rachman, Bersama (Siapapun) Kita Tetap Menderita, *Kompas*, 15/10/2005.

2005. Power showed its face as predators and people became victims who had to be sacrificed.

While the famine and poverty continued to hit the people, even though the authorities denied it. The case of hunger in Yahukimo District, Papua Province, which claimed 55 lives and 112 people in critical condition, was denied by the authorities. Like in command, Coordinating Minister for People's Welfare Aburizal Bakrie, special staff of Coordinating Minister for People's Welfare Rizal Mallarangeng, and Papua Governor JP Solossa denied that there had been famine in Yahukimo District.

However, as the demands of globalization and international cooperation grow, global moral and political commitments such as human rights and democracy are increasingly difficult to avoid. Human rights do not only concern political rights and civil rights, but also include social, economic and cultural rights, beginning to be internalized towards everyday life. Human rights are not only related to the problem of missing people, arrest and detention, torture, loss of security and living up to the demands of various freedoms, but also problems of unemployment, wages, social security, education, food and housing, health services and the environment. Although now the political situation is more open, basically it is not easy for various people to put their national awareness on daily issues, but it is also not easy for political actors in power to restore state nationalism as in the Soeharto era. The

challenge for both of them is the ongoing economic crisis, where international cooperation is increasingly important.<sup>5</sup>

In this context, overcoming the economic crisis is a major challenge because this crisis has been regarded as the cause of a multidimensional crisis. The government should mobilize basic resources (including budgets) in preparing national plans, targets, measurable indicators and focus on work to restore the economic situation. If significant results can be achieved, then the main national problem is fulfilled. National awareness related to economic recovery should be placed in the framework of improving community welfare. This framework will certainly help to fulfill economic and social rights, such as employment, decent wages, social security, and education. Two successes were also achieved, besides the economic crisis was overcome, several economic and social rights could also be fulfilled.

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<sup>5</sup> Hendaridi, "Nasionalisme Kita", *Kompas*, 5 Agustus 2003. The welfare approach is very closely related to the spirit of Indonesian nationalism. Our nationalism is embodied through *Bhinneka Tunggal Ika*. The diversity of socio-cultural conditions is often accepted as cultural property and it is recommended to always respect differences, as well as share them, so that there is no discrimination or exclusion expected. Everyone - regardless of origin and color - is accepted as part of "us", that is, the nation we imagine. That diversity must be valued and treated without discrimination. Each other can get along inclusive in the rainbow atmosphere without highlighting the exclusive rights of the group. The people of Daya, Madura, Manado, Maluku, Papua, Sasak, Bali, Java, Sundanese, Palembang, Batak, and Aceh should have been - regardless of what religion and ideology they are - can get along warmly and share with each other. We must contemplate the classic suggestion that "difference (opinion) is mercy". This recommendation can be promoted in a forum of dialogue to mature views so that there is no need for coercion or physical assault on other people which shows a lack of civilization.

The welfare approach is an approach that shows our real social solidarity or solidarity towards those who suffer and suffer from the economic crisis. The consequent implementation must be accompanied by political courage to curb corruption, collusion and nepotism (KKN), so that many people should get their rights from the realization of the state budget. Solidarity built through a welfare approach will provide a stronger foundation for the nation's formation process. Because many people will feel, they are not ignored from the obligations and responsibilities of the state in fulfilling their economic and social rights which are supported by groups of entrepreneurs who participate in realizing that approach.

At the community level, solidarity as a national awareness needs to be fostered so that those who are weak are not left behind, while those who are strong are expected not to enjoy their own advantages without sharing. Willingness to share with others is an indicator of our moral superiority and conscience as a nation. For that a "social state or welfare state" is envisioned, we should trace and schedule, which we will discuss below.

### **The Phenomenon of Justice State**

In this context, the steps and ways to overcome the economic crisis and rejuvenate Indonesia, which has been hit by a multi-dimensional crisis and the loss of the youth's vital power, are to look back and revise the idea of "state of

social justice"<sup>6</sup> Mohammad Hatta reminded us of the substantive ideas of the constitutional state of the 1945 Constitution. Actually 'state of social justice' 'Hatta has many similarities in character and characteristics with' 'welfare state' '. In the 1945 Constitution, the results of amendments to Article 34 paragraph 2 emphasize that, "The State develops a system of social security for all people and empowers weak and incapable communities according to human dignity."

The late Nurcholish Madjid once stated that Bung Karno and Bung Hatta formed a *Dwi Tunggal* which became a symbol of the rising personality of a great nation: the Indonesian nation Bung Karno was a statesman who was very committed to nation and character building, affirming the Indonesian identity. Whereas Bung Hatta was seen by many as the foundation of the deeper Indonesian concept, namely the concepts of justice, openness and social democracy. Both have entered and interpreted the "current era" by putting the demarcation line to mark the end of Dutch colonialism through the Independence of the Republic of Indonesia Proclamation on August 17, 1945.

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<sup>6</sup>In this paper, the notion of "social state" is not differentiated from "welfare state" given the many substantial similarities in the two understandings. The term "Social State" was re-articulated by the Straight Road Movement where the exponents included Sulastomo, Nurcholish Madjid, Jakob Oetama, Faisal Basrie, Sudirman Said, and many more. While the term 'welfare state' was articulated by former PB-HMI chairman Amich Alhumami and former ITB activist M. Fadjoel Rachman in various writings and discussions. Also by the non-governmental organization (NGO) Sosdem Union led by Bambang Warih Kusuma.

Soekarno-Hatta's involvement in the "era flow", borrowing Octavio Paz language, could be interpreted as a commitment and the call of the soul to respond to the challenges of the times and society, especially in the face of colonialism, an extraordinary event that is increasingly difficult to imagine in the modern world of the era of globalism today, which is full of complexity of problems, constraints, helplessness and tension. Globalism has cornered nationalism and threatened the existence of a nation state such as Indonesia, which is known as a country with a pluralistic society and low trust character in it.

Here, Hatta's view of "social democracy" is very important to be re-articulated. It is important to remind that "social democracy" proposes pluralist types of politics to direct government investment and macro policies, as well as a mixture of popular economy, private companies and the state, where the reach of private companies is regulated so that it does not become wild and ferocious capitalism. This view is the spirit of the "social state", which supports the argument that governments and social systems have greater capacity to create social welfare than the government in the economy of private companies (capitalism). Indeed, this approach is axiomatic in that it is derived from the values that live in society and hopes for the development of society where mutual cooperation, togetherness and solidarity grow without overriding individual qualities and abilities. Individual rights are guaranteed and not contradicted by the collective (social) rights of citizens.

One of the criteria for the "state of social justice" is that the political economy system can improve the welfare of society by emphasizing economic growth and distribution / even distribution of national wealth accumulation between private capital units, workers' people, and guarantees of public welfare. The definition is that inequality caused by the policy of increasing economic growth in a certain period, requires government intervention and people's participation itself to make equal distribution so that it does not depend entirely on the allocation made by the market mechanism. Direct distribution actions avoid the possibility of creating a bigger income gap which results in weakening worker participation but also social tensions.

The socio-economic system in the "state of social justice" has the meaning of representing the desires of groups or groups in the society itself and safeguarding the rights of citizens. So, what Hatta imagined with "social democracy" was actually the substance of the "social state" values, which actually disappeared from the ideas, ideals and thoughts of the political elites in Indonesia's reform era today, where the practices of neoliberalism were " unfair and empty meaning " increasingly rampant. The increasingly loss of ideas and ideals of Hatta's "social state" was due in large part to the "mindset of the Orbarians" of the New Order ruling elite and the Soeharto regime's neoclassical economists who underestimated the problems of poverty, injustice, inequality and dependency. In this reform era, "Orbarian mindset" continued.

In the Soeharto era, unequal and unfair economic development continued to be boosted by economists, bureaucrats, conglomerates and Soeharto's elite who relied on foreign debt and foreign capital to drive development. The rise of consumptive lifestyle and luxury of cities is considered as the success and progress of the nation's economy. But the Soeharto Order's "repressive development state" model borrowed the anatomical term Herbert Feith from Hatta's "social state", later proved to be weathered and vulnerable because it was undermined by corporatism, corruption, collusion, nepotism, cronyism, authoritarianism-thuggery-fascism, so that being a "ferocious and old" predatory capitalist state "with all the socio-cultural stresses in it.

The simple definition of "social state" or "welfare state" in Hatta's perception is that the state protects, advances and develops humanity, welfare and social justice for its people. In addition, " Hatta " social state parallels the " welfare state " which is to carry out the objectives of government organizations with the principle of transitional democratic governance, namely, (1) welfare of the people; (2) equalizing prosperity; (3) eradicating corruption; (4) enforce human rights (civil, political, economic, social and cultural).

" The state of social justice " Hatta adheres to a " new nationalism " which in the language of Soedjatmoko emphasizes the importance of knowledge, intelligence, expertise and technology, in the framework of building a

legal state based on morals, morals and ethics that is absolutely necessary for intelligentsia, leaders, bureaucrats, economists, technocrats and politicians to bring Indonesia out of poverty, backwardness and dependency. In this context also, the will of separatism and the frustrating thoughts of some parties who are desperate and want "separatism" or even "dissolution of the country" following the multi-dimensional crisis in Indonesia after Soeharto which inherited state and private debt of around US \$ 150 billion, be banality and irrelevant. The state must not be dissolved or abolished, but rather through reformed state institutions, power must be transparent and dictated where the power that exists in individuals and groups is changed to become a powerful force for the people.

In this case, the importance of "state" - borrows the perspectives of John Locke and Kant<sup>7</sup> is that in the context of modern democratic societies, the state is formed on motivating citizen consensus or social contracts that are associated with resolving problems that cannot be solved individually such as justice, welfare, law enforcement, eradicating corruption-collusion-cronyism, prosperity distribution, security and so on.

## **Justice State and Globalization**

Understanding and practice "state of justice (social) or welfare state" faces challenges from extraordinary

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<sup>7</sup> Regarding social contract theory and social state, see the book Frans Magnis Suseno, *Etika Politik*, Jakarta: Gramedia, 1993.

globalization. Economic globalization, according to Michael Amados (*Globalization and Its Victims*, 1999) has made the whole world a unified market system characterized by the free movement of capital, goods and services, which is nothing but a multi-national neoliberalism-neocolonialism practice supported by the IMF (International Monetary Fund), World Bank and WTO (World Trade Organization). As a result, in this globalization, developing countries which are generally weak, including Indonesia, become "easy prey" to neo-liberalism global neo-liberalism because we do not have a strong performance and bargaining position.

Economic globalization, on the one hand has led to a leap for world economic prosperity. In the period 1986-2000, the accumulation of global wealth jumped from 7.2 trillion to 27 trillion US dollars. Every year developed countries experience an increase in per capita consumption of 2.3 per cent, in East Asian countries by 6.1 per cent and South Asia by 2.0 per cent. If ten years ago developing countries made only 34 percent of the Gross World Product, now it has reached 40 percent. But on the other hand, globalization also turned out to be unable to eradicate the world's suffering. Poverty, inequality and suffering still hit humanity.<sup>8</sup> The study of Stiglitz (2003) and Landes (1999),

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<sup>8</sup> Edi Suharto, *Pembangunan Sosial di Asia Tenggara*, Bandung: Lembaga Studi Pembangunan STKS (LSP-STKS), 2005. Globalization has made the people of developing countries increasingly poor, as revealed by Edi Suharto quoting Haque (*Restructuring Development Theories and Practices ,1999, XI*), " Compared to the socioeconomic situation under the statist governments during the 1960s and 1070s, under the pro-market regimes of

shows that in the globalization era the gap between the richest and the poorest countries is 400 to one. Approximately 250 years ago, the gap was only 5 compared to 1. The WHO report in 2001 noted that there were 826 million inhabitants of the earth who experienced malnutrition and approximately 10 million people died because of it. This reality confirms that globalization is an inseparable process of capitalism which has not only failed to overcome the development crisis, but has exacerbated socio-economic conditions in developing countries.

As Francis Fukuyama said, capitalism which promotes liberal democracy, human rights and a free market economy, is now not only possessed by almost all approaches to development, but is also thought to have become a universal life view of all human nations. Another approach is considered to have reached a dead end and the end of history (the end of history). His famous jargon is 'There Is No Alternative'. That is, only through the way capitalism-liberalism alone can human happiness and prosperity be achieved.<sup>9</sup>

As for John Locke, 18th century philosopher, these liberals were people who had the right to 'live, be free and prosperous'. People who are free to work, are free to take any opportunity, free to take any advantage, including

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*the 1980s and 1990s, the condition of poverty worsened in many African and Latin American countries in terms of an increase in the number of people in poverty, and a decline in economic-growth rate, per capita income, and living standards?'*

<sup>9</sup> Francis Fukuyama, *the End of History and the Last Man*, New York: Avon Books, 1992.

freedom to 'break down', free to live without a place to live, free to live without work. Capitalism or liberalism boasts such freedom as the essence of its creation. and in its journey, capitalism always adjusts and maintains these freedoms, for example the problem of workers' wages. who determines the wages of workers? According to the capitalist conception, all government decisions or public demands are irrelevant. Therefore, then the understanding formed for liberals is meaningful freedom: there are a number of people who will win and a number of people who will lose. This victory and defeat occurred because of competition and constellation. Today, economists like Hayek and Milton Friedman reiterate the classic arguments of Adam Smith and JS Milton, stating that: capitalist society is a free society and a productive society. Capitalism works to produce dynamism, opportunity, and competition. Personal interest is a motor that encourages people to move dynamically.

### **Economic Crisis**

In 1997-98, when the economic crisis hit various countries in Southeast Asia, almost all countries in the region adopted a strategy of economic recovery based on the paradigm of capitalism. They follow the recipes of the IMF and World Bank, two international institutions and a symbol of the hegemony of global capitalism. Liberalization of trade policy, opening of capital markets for foreign investors, recapitalization of large banks and industries, privatization and reduction of state interference in economic

development, is believed to be a panacea for economic recovery. This belief is spread through the ideas of Milton Friedman (*The Lexus and the Olive Tree*, 2004) and Fukuyama (*The End of History*, 1995); that if the economic development of developing countries wants to advance as in the US / West, then the role of the state must be minimized and the power of private businesses must take precedence. It is this neoliberalist view that is used by economic technocrats, who cling to what is referred to as 'the Washington Consensus'.

In the ideology of liberalism, the development of social welfare is often seen only as a burden of economic growth and a symbol of state intervention, a nihilistic belief that social welfare institutions are intrinsically uneconomical and even pathological, wherever and under any conditions. The question is: is it true that capitalism is a necessity of history? Is it right if a country implements a capitalist economic system, the role and commitment of the state to support justice and social welfare must be eroded? Does the role of the state in the development of social welfare in the US and Western Europe - which is often used as a reference for the capitalist economic system - has also been completely eliminated?

The superiority and victory of capitalism really impresses the international community. More than two centuries after the publication of the book *The Wealth of Nation* by the master of capitalism Adam Smith, the capitalistic economic system succeeded in defeating all its

competitors from other ideologies. At the end of World War II, only two regions of the earth were not communist, authoritarian, meritilistic or socialist, namely North America and Switzerland. Today, after the collapse of communism in the Soviet Bloc, almost no country is currently free of Coca-Cola, McDonald's, KFC and Levis, a symbol of the supremacy of corporate capitalism that controls the 21st century economic system.<sup>10</sup>

However, academics note that after capitalism monopolized almost the entire economic system, more and more academics and intelligentsia are now suing whether a system based on free market competition is able to answer various national and global problems. History also shows that capitalism is not a plenary tool without constraints and problems. Apart from being often misleading, capitalism contains many development agenda that is not transparent, and has claimed many victims, as we see in cases in Western Europe where private capitalism moves, and in former Soviet countries where capitalism applies. Problems such as environmental destruction, increasing poverty, widening social inequality, skyrocketing unemployment, and widespread human rights violations and various other problems of moral degradation are suspected to be direct or indirect impacts of the operation of the capitalist economic system.<sup>11</sup>

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<sup>10</sup> *Ibid*

<sup>11</sup> *ibid*

In capitalism, the state is seen as only acting as a night watchman to ensure that the market mechanism runs smoothly and too large a state intervention is considered to only interfere with the operation of the market. Therefore, in a situation without such "hand of justice", capitalism easily slips into economic arrogance, homo homini lupus, and hedonism which sees humans as merely "economic animals" (homo economicus) whose motivation, needs and pleasures are only pursuing physical satisfaction -material. The standard of action will be utilitarianistic, the principle of "the maximum benefit of the smallest amount of sacrifice". In practice, the "benefits" here often degenerate into mere "consumerism-materialism" and "sacrifice" often slip into the "oppressive of the strong against the weak", "the employer of workers", "the ruler of the controlled". Productivity, efficiency and growth are deified, while solidarity, effectiveness and equality are eliminated.<sup>12</sup>

According to Horkheimer, Marcuse, Adorno, and Roszak, if a development scenario like this is allowed, then the face of development will be formatted and controlled by elite technocrats, bureaucrats and conglomerates who collaborate to reduce development step by step directed towards totalitarian technocracy and "work-fare state" (not the welfare state) which turns off human authenticity, freedom, happiness, harmony, harmony and which alienates

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<sup>12</sup> *Ibid.* as a comparative analysis, see Joseph E. Stiglitz, *Globalisasi dan Kegagalan Lembaga Lembaga Keuangan Internasional* (terjemahan), Jakarta: PT Ina Publikatama, 2003.

humans from the universe and each other (Edi Suharto, 1997).

That is one of the basic reasons why in capitalist countries, economic development and social welfare are not seen as two different "opposite" sectors. Both are carried out in a harmonious and balanced manner framed by historical and sociological formulations called the "welfare state". As stated by the German socialist thinker Robert Heilbroner (1976), the welfare state is an ideology, system and at the same time an accurate strategy to overcome the negative effects of capitalism. Because according to him, resistance to capitalism in the future cannot and should not be directed at completely dismantling this system, but rather to change this "superior" system to be more compassionate capitalism in overcoming the imperfect market mechanism.

Therefore, in the face of globalization and the strengthening of the idea of capitalism, the vision, mission and development strategies of social welfare in Indonesia need to be revitalized and not delimited. So that this field does not become merely a charitable activity or a half-hearted sporadic effort that is far from the principles and insights of social justice.

If Indonesia today wants to liberalize and privatize the economy that pivots on the ideology of capitalism, Indonesia can gain experience from developed countries when they humanize capitalism. Poverty and social inequality are overcome by various social security schemes that can really be felt in real benefits, especially by the lower classes

of society. Learning from experience in the Western world, we see that if the state implements a system of liberal democracy and capitalist economy, then that does not mean the government must "wash hands" in the development of social welfare. Because, the capitalist economic system is a strategy to make money, while social welfare development is a strategy to distribute money fairly and evenly.

### **Social Development**

Admittedly, since Indonesia was hit by a multidimensional crisis following the 1997/98 monetary crisis, domestic problems and efforts to rebuild Indonesia in the socio-economic and cultural sectors nationally, are still far from satisfying achievements.

In the context of "social justice country or welfare state", borrowing the perspective of Soedjatmoko (Development and Freedom, 1979) and Amartya Sen (Development as Freedom, 1999) approach to basic needs is still relevant to the situation of the current era of democratic transition, so we need to underline the importance of changing "development orientation" which prioritizes basic needs, as a very basic social and cultural need, to replace a very capitalistic-consumeristic development orientation. Referring to this perspective, the authors ventured to propose " human-faced development " (compassion development or development with human face), because it was time for the development orientation of the democratic transition era government to be changed from a capitalistic-

bureaucratic-oligarchic development model, to Emancipative, participatory and transformative "social development" embodies a new, advanced, just Indonesia. as ancient and civilized.

This "social development" orientation is to support human freedom and dignity, improve the quality of human life and expand the reach of freedom in an effort to overcome poverty and injustice caused by the failure of the 30-year New Order regime dominated by "oligarchic-predatorist", " 'authoritarian-bureaucratic' or 'model' 'repressive developmentalism' '.

This social development requires absolutely fundamental structural and social changes, while requiring strong, clean and capable government. Here the government needs to encourage and facilitate the majority of the people, especially the people below the poverty line and the poor, to have confidence in themselves and be free to organize themselves to participate in taking advantage of opportunities and opportunities. So that all domestic and foreign resources (capital and investment from developed countries), can be utilized to the greatest extent possible for the benefit of the people, especially in fulfilling basic needs as an absolute condition to uphold human dignity.

Save the author, this human-faced social development is a rational, viable and visible alternative, which is relatively different from the models offered by the dominant neo-liberal / capitalist ideology. Why is it an alternative? There are at least three things that make crucial

democratic development alternatives. First, here which must be underlined, development orientation with a human face is not to " prosperity and abundance ", but " sufficiency and justice " for the people to realize human rights in the socio-economic, political and cultural fields, where the concept of individual rights and ownership are limited by public interest. This orientation is very significant in an effort to realize " nation building " as well as " state building " which today are threatened by the multi-dimensional crisis and the swift globalization. This orientation will prevent state hegemony, the dominance of conglomerates / private capitalism and globalism that have burdened the people with the BLBI scandal of more than Rp600 trillion and the burden of state and private foreign debt of 130 billion US dollars.

Second, human social development stimulates bottom-up participation while motivating and encouraging structural transformation simultaneously at various levels of society, especially communities below the poverty line and the poor, with all the potential of their culture and civilization, to realize emancipation, participation and social creativity.

Third, the orientation of social development with a human face to fulfill basic needs for food, education, health and so on, with democratic, emancipatory and transformative characters, will make modernization no longer superficial, not only benefit a few people and not save

time bombs for many people in the middle of life who are hungry, hard and lame.

That is why a new mission and vision of the president of the 2004 election results are clearly needed to arouse society and the historical process towards "human-faced development" to pave the way for the consolidation of democracy.

Strong democracy, borrowing Juan Linz and Alfred Stepan (*Toward Consolidated Democracies*, 1996), will be formed if there is a real socio-economic development, law enforcement, a broad and relatively prosperous middle class, independent / autonomous groups, and tolerant political culture, willing to dialogue and cooperate. Strong democracy requires the main support of a strong sovereign and civil society because without a sovereign state and civil society, there will be no democracy. And one component of a sovereign state is a government that functions, "viable, credible and capable", which is able to overcome various problems and challenges faced.

Therefore, the government must be able to realize human-faced development to overcome poverty, injustice, uncertainty and insecurity, seek steps to eradicate corruption, enforce good governance and uphold the law with discipline, moral commitment and expertise. Therefore, all civil society and components of the nation must strive for transformative national leadership (as transactional opponents) in order to be able to pass the decisive 2005-2009 years, with convincing social development achievements.

## **Welfare State**

The welfare state can be defined as a social welfare system that gives a greater role to the state (government) to allocate a portion of public funds to ensure the fulfillment of the basic needs of its citizens.<sup>13</sup> Parallel to this view, Marshall (1981) notes that welfare states are part of a modern society that is in line with the capitalist market economy and democratic political structure.<sup>14</sup> The welfare state was first practiced in Europe and the US in the 19th century aimed at turning capitalism into a more humane (compassionate capitalism). With this system, the state is tasked with protecting the weak in the society from the machineries of capitalism. Until now, the welfare state is still adopted by developed and developing countries. Judging from the size of the state budget for social security, this system can be sorted into four models, namely<sup>15</sup>:

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<sup>13</sup>Marshall, T. H. *The Right To Welfare*, London: Heinemann, 1981. M. Mayo, "Community Work", dalam Adams, Dominelli dan Payne (eds), *Social Work: Themes, Issues and Critical Debates*, London: McMillan, 1998. See, Ramesh Mishra, *Globalization and The Welfare State*, Cheltenham, 1999

<sup>14</sup> *Edi Suharto, ibid.* The countries included in this category are Britain, America, Australia and New Zealand as well as most of the countries of West and North Europe. Countries that cannot be categorized as adherents of a welfare state are the former Soviet Union and the "Eastern Bloc", because they do not belong to democratic or capitalist countries. See, Taylor-Gooby, P., "Postmodernism and Sosial Work: A Great Leap Backwards?", *Journal of Social Policy*, 23 (3), 1994, p.385-405.

<sup>15</sup> *Edi Suharto ibid.* The next description, read Edi Suharto's writing. Judging from the practice and praxis, Indonesia is not included in the welfare state group, but the predatory capitalist state in which the

First, the universal model adopted by Scandinavia, such as Sweden, Norway, Denmark and Finland. In this model, the government provides social security to all citizens in an institutionalized and equitable manner. The state budget for social programs reaches more than 60% of total state expenditure.

Second, the institutional model adopted by Germany and Austria. Like the first model, social security is carried out in an institutional and broad manner. But the contribution to various social security schemes comes from three parties (payroll contributions), namely the government, the business world and workers (laborers).

Third, the residual model adopted by the US, Britain, Australia and New Zealand. Social security from the government is preferred to weak groups, such as the poor, disabled and unemployed. The government gave up part of its role to social organizations and NGOs through providing subsidies for "private" social services and social rehabilitation.

Fourth, the minimum model adopted by the groups of Latin countries (France, Spain, Greece, Portugal, Italy, Chile, Brazil) and Asia (South Korea, the Philippines, Sri Lanka). The state budget for social programs is very small, under 10 percent of total state expenditure. Social security from the government is provided sporadically, temporarily

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state organized crime is still ongoing. As an illustration, the lack of detailed and complete legal process for the Rp. 550 trillion BLBI scandal by the black conglomerates which were checked by New Order officials proved this.

and minimally, which is generally only given to public and private employees.

From the explanation above, it can be stated that the welfare state is the same as the "social state", namely the form of state protection for the community, especially the weak groups such as the poor, disabled, unemployed to avoid the engine of capitalism. The question is: on what basis should the state protect the weak group, such as the poor and those who cannot (work)? There are several reasons why the state is needed to regulate and implement social welfare development <sup>16</sup>:

First, social welfare development is one of the concrete, planned and directed social justice tools, as well as the manifestation of the defense of the lower classes of society. Not all citizens have the same ability and opportunity to fulfill their needs. The state is obliged to protect and guarantee vulnerable groups that are scattered in the development process. In the context of development (modernization), the wealth and resources that exist in a country, even the entire earth, are continuously exploited and increasingly limited. Thus, if there is someone or a group of people living more prosperously, basically it is only possible if other groups are willing or forced to live not prosper. In reality, the prosperity of a group is often possible and financed by other groups. Therefore, in addition to the state being obliged to give everyone the same opportunity to

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<sup>16</sup> *Ibid*

try, he must continue to pay attention to the limitations of the weak group as compensation and a form of social justice.

Second, the increasingly waning of social solidarity and kinship ties in modern society makes the social service that was once able to be provided by family and religious institutions weakened. The development of social welfare often does not generate economic benefits for the organizers, so it is not attractive for the private sector to invest in this field. With policies supported by the law, the state has a strong legitimacy in carrying out social investments based on "risk-sharing across populations" whose funds are allocated from tax revenues and other development sources.

Although economically, the short-term development of social welfare is an approach that is not profitable, the long-term social political macro can be a profitable social investment. Development of social welfare can reduce gaps and social jealousy which is a prerequisite and the secret of achieving economic growth and sustainable equity, political stability and shared prosperity.

Third, the state needs to provide social services to its citizens as a form of moral responsibility towards the people who choose it. One of the authorities granted to the public is to collect taxes from the people. Therefore, the main principle that drives why countries need to provide social security is that all forms of social protection are included in the category of "basic rights of citizens" which must be

fulfilled by the state as a form of moral responsibility towards the constituents who have chosen it.

Fourth, people tend to have "myopic" (short) views so they are less interested in participating in long-term social programs. The state is paternalistic (protector) capable of providing broad and equitable social security to deal with uncertain future risks, such as illness, death, retirement, disability, natural disasters, etc.

The main objectives of the welfare state, among others, are (i) controlling and utilizing socio-economic resources for the public interest; (ii) guarantee the distribution of wealth fairly and evenly; (iii) reducing poverty; (iv) providing social insurance (education, health) for the poor; (v) providing subsidies for basic social services for disadvantaged people; (vi) provide social protection for every citizen. Debate about the welfare state focused on two concepts: social welfare and economic development, which James Midgley called antithetical notions. Economic development with regard to growth, capital accumulation, and economic benefits; whereas social welfare is related to altruism, social rights, and redistribution of assets. The first is the way to create wealth, improve quality and living standards. Second, the mechanism of wealth redistribution to finance social services for the poor and oppressed (Midgley, Growth, Redistribution, and Welfare: Toward Social Investment, 2003)<sup>17</sup>.

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<sup>17</sup> *Ibid*

Social security as part of social welfare is an inseparable part of the ideals of independence and the estuary of the economic development agenda. Article 33 of the 1945 Constitution which constitutes an article concerning economics is in Chapter XIV of the 1945 Constitution entitled " Social Welfare ". According to Sri-Edi Swasono (2001), "By placing Article 33 1945 under the heading" Chapter "" Social Welfare ", it means that national economic development must lead to increasing social welfare. Increased social welfare is a test for the success of development, not merely eyes of economic growth especially the grandeur of physical development."

### **Political Ideology Base**

Now, after more than 60 years of independence, on the basis of social philosophy is the Indonesian economic system built? What national political system was developed from what ideological basis? Social or liberal democracy? Where is the position of Indonesia in the midst of the onslaught of global capitalism with a new genre of neoliberal economy? Have we abandoned the idea of a welfare state inheriting the founding nation and choosing market capitalism? Do we insist on adopting economic prosperity and social markets, or are unanimous in choosing neoliberal and free market economy? There is no definite answer because each regime (the Old Order, the New Order, the Order of the Reformation) has never affirmed the choice of

economic ideology adopted, but its tendency is strong in neoliberal flows and free markets.

The question arises, whether giving subsidies to poor people as compensation for rising fuel prices can be called the incarnation of a welfare state? Maybe social programs such as the School Operational Assistance (BOS), free treatment in class III hospitals, and cash transfers, which are currently underway are called quasi welfare states. Because, social policies and programs are superficial, not based on a strong state welfare philosophy. Even those programs are more of a social camouflage and a political strategy to reduce turmoil and instability.

So far, we have never built public institutions and prepared system tools that support social programs permanently and sustainably. We have developed (i) Underdeveloped Village Inpres, (ii) Work-intensive Projects, (iii) Kecamatan Development Program, and (iv) Urban Poverty Reduction, which is called empowering the poor. Some of the programs stopped and what went on was no guarantee of sustainability.

So far in the development of social welfare, it is clear that Indonesia does not adhere to a welfare state. Even though Indonesia adheres to the principle of social justice (the five precepts of the Pancasila) and its constitution explicitly (articles 27 and 34 of the 1945 Constitution) mandate the government's responsibility in the development of social welfare, both in the New Order and the current reform era, social welfare development is limited to jargon

and not yet integrated with economic development strategies.

Handling social problems still has not touched the fundamental problem. Social security programs are still partial and charitable and have not been supported by binding social policies. Poor people are still seen as development rubbish that must be cleaned. Even if helped, only limited to the help of money, goods, clothing or instant noodles based on the principle of mercy, without a clear concept and vision.

Even now there is a tendency, the government is increasingly reluctant to be involved in dealing with social problems. With the strengthening of the notions of liberalism and capitalism, the government is more interested in how to spur economic growth as high as possible, including taxing as many people as possible. While the responsibility of handling social problems and providing social security is more fully left to the public, which since the fall of Soeharto's New Order to the transition era, its socio-economic life has generally become increasingly destitute.

### **The Reinvention of the State of Welfare and the Social Justice Issue**

It must be realized that Indonesia's journey to divided and sustainable high growth requires the involvement of the government in a different form than the involvement of the government as the owner of the means of production. Therefore, the author agrees with the

intelligence of the Straight Road Movement<sup>18</sup> who saw the need for the transformation of the state into " a social or welfare state " (which Hatta also envisioned) with the following basic characteristics:

1. The most important role of the state in the economy is the role of a regulator that is good, fair, competent and firm in accordance with the law, which is a feature of good government. Through privatization, the role of owner will be reduced to a minimum level, namely only business fields where there are "market failures", related to national political interests, state security and the lives of many people. It must also be held in a market friendly manner.
2. Divided and sustainable high growth complexities require deconcentration of regulatory authority to independent regulators and / or decentralization to local governments, according to the principle of subsidiarity and applicable legislation.
3. Development of the roles and authorities of independent regulators, including Bapepam released from the Ministry of Finance, Financial Services Authority, Business Competition Supervisory Commission, Foreign Trade Commission, Telecommunications Commission, Transportation Commission and Accreditation Commission in the context of deconcentration of state power and livelihoods between institutions public institution.

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<sup>18</sup> *ibid*

4. Independent regulators are authorized to formulate, supervise the implementation and punish violators of regulations so that the power of the prosecutor and the judiciary decreases its passivity and is faced with competition, even if it is limited.
5. For the sake of justice and the efficiency of allocating sources of non-discrimination principles must be held firmly in taxation, both in the central government finances and in the finances of regional governments.
6. Admission of taxes, routine expenditures and adequate development needs to be improved through best practices of management and administration that are clean of any kind of leakage (good governance).
7. At the latest at the end of 2005 the government issued a white paper about the country's wealth that was disseminated to be read by as many people as possible.
8. The 2004-2009 government program must put the war on corruption and law enforcement at a very high order in its priority list. The new approach will not work if politicians and state employees do not comply fully with the law
9. Relations between the central and regional governments that are free from excessive fragmentation and are marked by the compatibility between the division of responsibilities and the

distribution of financial resources. In this regard the regional government share in Income Tax (PPh) and Value Added Tax (PPN) needs to be raised through negotiations brokered by state and government finance experts.

10. To open the door for reform of state employees in the context of realizing clean and competent government re-administration and governance for the positions of directors and directors in 2005 with the intention of placing the right person in a place right.

### **Fighting for Change**

Indonesia's journey towards high growth that is shared and sustainable and equitable will be more visible to be achieved through the "Economy of Open Social Markets", but it requires concrete actions. In this connection, the intelligentsia is required to contribute to the efforts so that the current government and its successors who emerge as winners of direct presidential elections (in 2004 and thereafter) make a clear commitment in relation to:

1. Law enforcement as the sole legitimacy of a country. "Indonesian Law Society" needs to be de-concentrated or justified to open the door to transparency and accountability. Various independent regulators with authority in formulation, monitoring the implementation and

termination of cases in disputes need to be developed.

2. Enlightenment of judges, prosecutors, defenders and their insulation against bad influences from outside the legal community through efforts to fertilize the "law-abiding culture".
3. Enforcement of good education in politics, including political parties, businesses and citizenship communities (civil society).
4. Public sector reform that includes redefining its scope, rationalizing state staff to maximize professionalism, competence, and sensitivity to performance, and cleaning up the public sector from practices of corruption, collusion and nepotism so as to realize good governance. The movement towards a new Indonesia that is competitive among the nations of the world, requires the consistency of steps and actions as outlined above.

In the Economy and Welfare Manifesto of the Straight Road Movement, the economic form of the Open Social Market has been described. It should be realized together that the Indonesian people have the right to get welfare improvements faster according to Articles 33 and 34 of the 1945 Constitution. This goal can be realized through "divided growth" (shared high growth). The higher the level of economic growth, the more opportunities for the distribution of cakes that are increasingly large. However, the growth must be divided so that no people are left behind. In

the current context, deconglomeration needs to be done even though it must be done with "market friendliness". Growth and justice, thus can go hand in hand in the framework of realizing a just and prosperous society. For this reason, there are four pillars of an open social market economy that need to be upheld.<sup>19</sup>

First, domestic competition is as perfect as possible, as the main mechanism of mobilization and allocation of human capital, fiscal capital and limited financial capital.

Second, international openness, encouraging traffic of people, goods, services, capital, science and technology, and information that must be carried out through state best practices.

Third, strong social state reinvention, in which the state acts as a good regulator, is clean of KKN, prioritizes the application of social capital, selectively privatizes state enterprises, especially those with commercial motives, taking into account political aspects, state security and the lives of many people .

Fourth, proper social protection for the people, creating social peace between employers and laborers through the development of labor cooperatives. Establishment of company management based on family principles and the implementation of a national social security system for all Indonesian people.

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<sup>19</sup> Sulastomo, Ekonomi Pasar Sosial Terbuka, harian *Kompas* dan *Kompas.Com*, June 2003

The four pillars, according to Sulastomo, should be seen as a package, not separate, so as to realize the ideals stated in Article 33 and 34 of the 1945 Constitution. In the present context, what is urgent is to build domestic capabilities / potential, both human resources and capital resources, among others, through massive mobilization of these resources. Cooperative development among companies and the national social security system will thus occupy a very strategic place in enhancing the ability of the nation to face international competition.

Such an approach would be able to foster large national savings so as to increase domestic capacity for investment capital, opening employment and the level of people's welfare. Economic growth will be better, sustainable and equitable because most will depend on the potential capabilities of the country.

### **Concluding Remarks**

It is unfortunate that amidst the people's longing for the implementation of a 'social state or welfare state', the SBY-Kalla regime (2004-2009) and SBY-Boediono (2009-2014) who received so much people's support and mandate, actually repeated the regime's path the transition of Megawati-Hamzah Haz who chose the path of neoliberalism in an effort to consolidate democracy, with prescriptions on IMF-style macroeconomic tightening such as changing social welfare programs, revoking subsidies, weakening / loosening labor regulations, privatizing and allowing large-scale foreign

investment to buy public companies. The sharp increase in fuel, electricity and the need for protocol, is the victory of neoliberalism. In understanding neoliberalism, the state becomes the guardian of capitalist interests. It is not surprising if the government is currently taking a policy such as the VOC which offers business stalls in the Dutch East Indies. Neoliberalism strongly refers to the depletion of the economic resources of society. Henry Priyono calls neoliberalism with the right node, finance finances itself, but does not finance investment.

The point is central because the criticism of neoliberalism is usually considered an anti-investment attitude, anti-growth, market anti-economy, and the like. In fact, the neoliberal vision is very paradoxical and contradictory. For example, if in a neoliberal vision every person or company is responsible for themselves, how should it be explained by the bailout of many banks and companies with everyone's money through the Bank Indonesia Liquidity Assistance (BLBI) fund which reaches Rp650 trillion?

The poor and marginalized are relatively left behind and neglected in a neoliberal climate that promotes individualism with all its potential strength and intelligence in mastering life.

The Study of James Petras and Morris Morley (Neo-Liberal Political Cycles: Latin America 'Adjust' to Poverty and Wealth in the Era of Free Markets) reveals three possible transitional directions that adhere to this neoliberal

strategy: first, the transition to democracy. Secondly, the transition to neo-authoritarianism and thirdly, the transition to free markets which led to the cruelty of capitalism-liberalism. The Petras and Morley study, as noted by Coen Husain Pontoh concluded that the neoliberal strategy failed in consolidating democracy in Latin America and in Indonesia.

Even Mark Weisbrot's study, Samir Amin, Andre Gunder Frank and Peter Berger show that the neoliberal strategy (capitalism) only impoverishes Latin American society because regimes in the region only serve the interests of MNC (Multinational Corporations), crony capitalists, military business and corruption bureaucracy -olution. While NGOs in Latin America also experience anxiety, alienation and disorientation in responding to the failure of the strategy.

This is where the importance of praxis about a "social state" that serves to answer the problems that occur in the community. In its actualization, borrowing from the discourse of Frans Magnis Suseno (1993) the state must be placed in a "social state" capacity that is fully responsible for the welfare of all citizens, especially the poor and ordinary people. The importance of a "social state" - borrowing the John Locke- discourse is, in the context of modern democratic societies, the state is formed on motivating citizen consensus or social contracts that are associated with resolving problems that cannot be solved individually such as justice, welfare, law enforcement , eradicating corruption-

collusion-cronyism, prosperity distribution, security and so forth. In this case, the citizens' request or invitation to the state to be involved in solving problems and challenges that cannot be solved by the community is called the principle of subsidiarity. Of course, outside the needs of the community, "social countries" are prohibited from interfering in the affairs of the citizens.

In the era of neoliberal globalism, the manifestation of the principle of subsidiarity can be applied to protection and guarantees for the people and workers to have the right to proper living, not exploited by multi-national companies, protection and guarantees for farmers from the entry of foreign agricultural products, as well as protection and guarantees for producers domestic in the trade sector in order to have competitiveness against foreign products.

In the matter of neoliberal strategies which tend to harm the poor, workers and the general public, the "welfare state" is positioned within reasonable limits which can at any time be involved in society without turning off civil liberties and the rights of citizens. Even "state justice" is obliged to be involved to guarantee and protect its people from oppression and injustice caused by neoliberalism which often brings people to the brink of poverty.

If "the state of justice or welfare state" which was conceived and actualized by intellectuals and civil society against the current transitional regime did not materialize, and it turned out that the state failed to guarantee justice and welfare of its citizens, at that point the state was declared to

be dysfunctional. , citizens have the right to denounce the state, which is realized through the right of self-determination, the rise of social protests of students, laborers and the people, as well as the phenomena of centrifugalism and separatism in Aceh and Papua (illustrated), should be seen as a negative impact of the weaknesses and failures of the state (government) in guaranteeing and realizing prosperity, social justice and human dignity in Indonesia, however, referring to the ideals of the 1945 Proclamation and the 1945 Constitution, the road ahead is to rebuild Indonesia's fair future and happy.

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