

## DEVELOPMENT OF A POPULIST ECONOMIC SYSTEM IN THE INDONESIAN ECONOMIC SYSTEM

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### ABSTRACT

The concept of populist economy is one of the instruments of the economic system in Indonesia. The Populist Economic System which is based on kinship, democracy and justice encourages the Indonesian people to participate in capital ownership. The development of a populist economic system must be able to empower the community and enhance national economic development. Therefore this study aims to analyze the development of the Populist Economic System in the Indonesian Economic System. The research method used is a descriptive-analytical approach by collecting data through literature studies and relevant policy analysis. The collected data will be analyzed qualitatively to understand the role of the populist economic system in Indonesia's economic development. The research results show that the development of a populist economic system in Indonesia provides economic independence for the Indonesian nation and paralyzes it from economic threats by creating a strong economic base, reducing dependence on vulnerable economic sectors, and increasing the resilience of the national economy. Realizing these rights is carried out through the development of cooperatives, the development of state-owned enterprises, providing decent jobs and livelihoods for the community and managing and utilizing existing resources for the prosperity of the people.

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### 1. INTRODUCTION

In the 20th century, people increasingly began to explore various economic activities. Economic activity becomes one of the new demands to master it. Thus, in the end various nations study and continue the study of economics in various forms. At this time, various schools of thought or economic streams emerged (Hasyim, 2018; Achmad, 2023). From these increasingly rapid developments, the study of economic thinking began to formulate laws that would be used in economic activity. In addition, in order to realize economic goals, ways are needed to be able to realize them. Based on the objectives of economics, different schools of economics are divided from one another, which we often know as capitalist economics and socialist economics (Anshari, 2020).

The capitalist economic system considers that the owners of wealth are those who always try. They have full rights to use the assets they own without any specific limits. Humans have the freedom to carry out all their actions as long as they do not conflict with the rules (Huda, 2016). While the socialist economic view that all forms of sources of wealth and means of production are shared property. Individual community members have rights except for the fees they receive as a form of public service (Akbar, 2012).

Furthermore, regarding economic development or known as economic growth in Indonesia there are still many social problems found in society, including inequality, poverty and unemployment which are still happening. This is caused by the lack of unfair distribution in society (Mulyadi, 2017). On the other hand, the existing economic system is still unable to provide a solution to this problem. So it is not wrong then to say that this capitalist economy is an economic system of investors, where the rich get richer and the poor get poorer (Putri, 2018).

In order to overcome these problems, Indonesia needs to create an appropriate economic system. The economic system is a set of components that are systematically arranged to regulate all community economic activities with the aim of achieving prosperity (Styaningrum, 2021). According to Bhudianto (2012) the economic system is a social system that aims to achieve prosperity. A country implements an economic system based on adhered principles so that it is distinctive and makes a difference to the economic systems of other countries.

The economic system of a country is said to be unique so that it is distinguished from the economic system that applies or is applied in other countries, this is based on several points of view: (1) The system

of ownership of resources or factors of production; (2) the flexibility of the community to compete with one another and to receive rewards for their work performance; and (3) the degree of government's role in regulating, directing and planning business life and the economy in general (Rohendi, 2019).

The principle of populist economy is one way to save the economic situation. The people's economy upholds justice in every activity. In addition, the populist economy is also considered as one of the economic systems that is very in line with the order and values of the Indonesian nation. Therefore, the populist economic system cannot be denied as a solution to achieve the highly coveted economic system in Indonesia. This is evident in Indonesia's economic conditions in 1997-1998 the populist economy played a very good role in helping small, medium and cooperative businesses, especially in the production and distribution of the community's basic needs (Alma, 2020; Achmad & Fadlurrohman, 2023).

The People's Economic System is the Indonesian National Economic System which is based on family, people's sovereignty, Pancasila morality, and shows serious support for the people's economy. An absolute requirement for the functioning of a socially just national economic system is sovereignty in the political field, independent in the economic field, and personality in the cultural field (Mubyarto, 2002)

In the Populist Economic System, the community is active in economic activities, while the government creates a healthy climate for the growth and development of the business world. The Populist Economic System has the following characteristics: (1) Relying on a fair market mechanism with the principle of fair competition; (2) Pay attention to economic growth, the value of justice, social interests, and quality of life; (3) Able to realize environmentally sound and sustainable development; (4) Ensure equal opportunity in business and work; and (5) There is protection of consumer rights and fair treatment for all people. (Rinawati, 2020; Achmad et al., 2023).

This study aims to examine and analyze the development of a populist economic system in the context of the Indonesian economic system. In this context, the populist economic system will be examined by considering the policies that have been implemented and the steps that have been taken to encourage community participation in the economic sector.

In recent years, the Indonesian government has launched a number of policies and programs that focus on developing the people's economy. However, despite the positive steps that have been taken, there are still challenges that need to be overcome in the implementation of a populist economic system in Indonesia. These constraints include limited access to capital, lack of supporting infrastructure, unsupportive policies, and lack of broad market access .

Thus, this research is expected to provide deeper insight into the potential and benefits of developing a people's economic system in the Indonesian context. In addition, the results of this research are also expected to provide policy recommendations that can strengthen and expand the implementation of the people's economic system in Indonesia, including strategic steps that can be taken to overcome obstacles that may arise. Through this approach, it is hoped that the people's economic system can become the main driver in efforts to encourage economic inclusion, poverty alleviation, and sustainable economic development in Indonesia.

## **2. METHODS**

The type of research used by the author is a qualitative approach that is descriptive analysis. Qualitative research (Qualitative research) is a study aimed at describing and analyzing phenomena, events, social activities, attitudes, beliefs, perceptions, thoughts of people individually or in groups. Sugiyono (2011) and Yulianah (2022), explains that qualitative and quantitative methods can be used together with conditions; they can be used together, can be understood clearly, quantitative data collection techniques such as triangulation can be used in qualitative research, and used to examine the same object. Qualitative research using descriptive analysis method is a form of the most basic research. Intended to describe or illustrate existing phenomena, both natural phenomena and human engineering. This study examines the forms of activity, characteristics, changes, relationships, similarities and differences with other phenomena. In this research (descriptive analysis method), the researcher will investigate or describe the conditions related to the research, and of course this will be supported by the data the author obtained from the literature and from data obtained from the field. Then analyze and elaborate it so that it can be explained with empirical data and is easy to understand.

## **3. RESULTS AND DISCUSSION**

### **A. People's Economic System**

The 169th ILO (International Labor Organization) Convention in 1989 defined Community Economy as a traditional economic system which is the foundation for the lives of local communities in maintaining their lives. This understanding was developed based on the skills and knowledge of local communities in

managing their livelihoods and the environment (Zahra et al, 2022). Meanwhile, if referring to Article 33 of the 1945 Constitution, People's Economy is interpreted as an economic system that aims to realize people's sovereignty in the economic field. From the two definitions above, we can conclude that the core of the People's Economy System lies in the goal of people's sovereignty.

In short, the People's Economic System is an economic system based on the people's economy as its strength. The people's economy itself is an economic activity carried out by the people by managing various economic resources independently, depending on what they can try and master. This economic activity was then manifested by the emergence of Micro, Small and Medium Enterprises (MSMEs) in three sectors, namely, primary, secondary and tertiary. The primary sectors that are worked on by MSMEs include agriculture, fisheries, and animal husbandry. While the secondary sector includes post-harvest processing, the food industry, as well as handicraft businesses. Finally, in the tertiary sector, MSMEs can work on a variety of trade and service activities to meet basic needs (Widayati & Nugraheni, 2023).

The Populist Economic System was first coined by our Proclaimer, Drs. Mohammad Hatta. This idea is a political concept in the economic field, where the center is the people. At that time, in 1933, in his capacity as a statesman and one of the founders of the Republic of Indonesia, he wrote an article entitled *People's Economy in Danger*. The fruit of Pak Hatta's thoughts later became the basis of the concept of the Indonesian economy (Hasmawati, 2018).

The People's Economy is actually a system that aims to create prosperous people. This economic system is also open, sustainable and independent.

- Open because through this system it must be ensured that all people can run a business and have access to available resources
- Sustainability means that the economic activities carried out by the community can continue without compromising the future and the community itself on a wider scale
- Independent because the community carries out economic activities by utilizing available local resources and focusing on meeting the needs of others as well.

People's Economy is implemented by carrying out three basic principles. This principle is used as a benchmark so that the running of this system is in accordance with what was outlined at the beginning. The three basic principles of the People's Economy System are contained in Article 33 of the 1945 Constitution, namely:

- Article 33 Paragraph 1, "The economy is structured as a joint venture based on the principle of kinship."
- Article 33 Paragraph 2, "Production branches which are important for the state and affect the livelihood of the many people are controlled by the state."
- Article 33 Paragraph 3, "The natural wealth contained therein is controlled by the state and used as much as possible for the prosperity of the people."

From these three basic principles we can conclude that People's Economy actually wants to realize people's sovereignty in the economic field. This is the role of the state which is demanded very greatly in this economic system.

In the Populist Economic System, the community is required to be able to participate actively in economic activities organized by the state. While on the contrary, this system also requires the government to be able to create a climate and atmosphere that is conducive to the development and growth of the business world. In its implementation, the People's Economy has characteristics that other economic systems do not have, namely:

- The fair market mechanism is the basis for carrying out healthy competition
- Quality of life, the value of justice, social interests, and economic growth are the main concerns
- Able to create a sustainable and environmentally sound development process
- Providing guarantees that equal opportunities will be given to the community to work and do business
- Consumer rights are protected and all people are treated fairly

Like an imperfect human-made system, the Populist Economic System also has its own advantages and disadvantages. The following are the advantages of this system that make it considered better than other economic systems:

- Poor people can get fair legal treatment in economic matters, so social inequality can be narrowed

- This system allows the government to pay more attention to the common people through various concrete programs
- This system can be used as a vehicle to make popular sovereignty manifest
- The economic activities of the common people can be stimulated to be more productive and at the same time can give birth to new entrepreneurs
- Transactions in the process of production, distribution and consumption can also be managed properly

Like two sides of a coin, although it has many advantages, this system also has weaknesses. Following are some of the weaknesses of the Populist Economic System:

- In this system it is not uncommon for money to be distributed among the people. For any party this practice is not profitable, including for the people who accept it. Why? Because later they become not independent, do not want to try alone
- Furthermore, this action can cause cooperatives and MSMEs to become dependent in competitiveness on a particular market mechanism
- Lack of people's understanding of investment, resulting in long-standing poverty and very slow economic status
- The government does not support optimally, even though their role is very important, so that in the end the government's role becomes not dominant
- The Populist Economic System requires strict supervision, because if supervision is loosened corruption is very prone to occur.

## **B. Development of a Populist Economic System in the Indonesian Economic System**

The populist economic system is not only a powerful weapon for overcoming threats in the economic field, but also has strong potential in strengthening national independence. By providing an active role to the community and small economic groups, the populist economic system is able to create a strong economic base, reduce dependence on vulnerable economic sectors, and increase national economic resilience. In this context, the populist economic system is an effective tool for strengthening the nation's economic foundations and increasing people's welfare evenly. In realizing this can be done by:

### **a) Cooperative Development**

The development of cooperatives is an important step in realizing economic independence and disabling threats in the economic field. Cooperative is an organization founded by a group of people with the common goal of achieving economic prosperity through cooperation and active participation of its members. The development of cooperatives has several significant benefits in realizing economic independence.

First, cooperatives provide financial access to their members, especially for those who find it difficult to get access to formal financial markets. Through cooperatives, members can obtain venture capital, low interest loans, or other financial support to grow their businesses. Second, cooperatives promote economic empowerment through education and training. Cooperatives provide opportunities for their members to increase their knowledge and skills in various fields, so that they can optimize their economic potential. In cooperatives, members can learn from each other and share experiences, thus increasing their capabilities in managing businesses and innovating.

The development of cooperatives also plays a role in building an inclusive and sustainable economy. Cooperatives provide economic opportunities to marginal or vulnerable groups, such as farmers, fishermen, informal workers and women. Thus, cooperatives can help reduce socio-economic disparities and make a positive contribution to overall social and economic development. With the right steps, the development of cooperatives can be a driving force in realizing economic independence and disabling existing economic threats.

### **b) Development of State Owned Enterprises (BUMN)**

The development of State-Owned Enterprises (BUMN) is also an important step in realizing economic independence and disabling threats in the economic sector. SOEs are companies owned and operated by the state, which aim to manage strategic economic sectors and contribute to national development.

BUMN development involves several aspects. First, BUMN can play a role in managing and utilizing natural resources owned by the state. Through the development of sectors such as energy, mining or heavy industry, SOEs can optimize the use of natural resources which are important for economic growth and

national sustainability. Second, BUMN can provide quality and affordable public services. Through sectors such as transportation, telecommunications, drinking water, or health, SOEs can ensure people's access to services that are essential for everyday life. The development of BUMN in this sector involves improving infrastructure, increasing operational efficiency, and empowering quality human resources. Through the development of good SOEs, it is expected to be able to create synergies between national interests and business interests. BUMN can act as an instrument to achieve economic independence, through strategic management of the economic sector.

**c) Fulfillment of the People's Right to obtain a decent job and livelihood**

Fulfilling the people's right to get a job and a decent living is an important aspect in realizing economic independence and disabling threats in the economic sector. The right of the people to get a decent job and a decent living is guaranteed in various human rights instruments, including international declarations and conventions.

To achieve this, steps can be taken in the context of economic development. First, it is important to create a conducive investment climate for the private sector, which is one of the main sources of job creation. By encouraging investment and creating quality jobs, decent job opportunities will be made available to the people. Second, the government needs to encourage policies and programs that support entrepreneurship and the development of micro, small and medium enterprises (MSMEs). MSMEs have great potential in creating jobs and improving people's livelihoods. By providing support in terms of financing, training and market access, MSMEs can develop and make a significant contribution to the economic independence of the people.

The government also needs to play a role in creating policies that reduce economic disparities and ensure a fair distribution of the benefits of economic development. Measures such as redistributing resources, empowering marginalized communities, and reducing regional inequalities can help ensure that all people have equal access to economic opportunities. By implementing these steps, it is hoped that people's rights to get a decent job and a decent living can be fulfilled. This will help increase people's economic independence, strengthen purchasing power, and encourage inclusive and sustainable economic growth.

**d) The use and management of land, water and natural resources that prioritizes the prosperity of the people**

The use and management of land, water and natural resources that prioritizes the welfare of the people is an important aspect in realizing economic independence and disabling threats in the economic sector. This involves policies and practices that aim to ensure that the use of natural resources is sustainable, equitable and provides maximum benefit to people.

The use of the land, including agricultural land, forests and other natural resources, must be managed wisely to ensure the survival and well-being of society. Policies that prioritize environmental sustainability, protect fragile ecosystems, and promote sustainable agricultural practices will provide long-term benefits for people. In addition, it is also important to encourage community participation in making decisions related to land use, so that their interests can be fairly accommodated.

Water management is an important factor in supporting economic independence and people's welfare. Good management includes aspects of conservation, efficient use, management of floods and droughts, and protection of water quality. By ensuring equitable and sustainable access to water resources, people can develop their economic potential, such as agriculture, industry and the provision of essential basic services.

The government has a central role in promoting sustainable use and management and prioritizing the welfare of the people through supportive policies, clear regulations and effective implementation. Collaboration with the private sector, civil society organizations and international institutions is also needed to achieve this goal. By ensuring the use and management of land, water and natural resources in favor of the prosperity of the people, it is hoped that the people can directly benefit from the natural wealth owned by the state, improve the quality of life and contribute to inclusive and sustainable economic growth.

**4. CONCLUSION**

The Populist Economic System is an economic system based on the basis of people's sovereignty. The Populist Economic System is based on kinship, democracy and justice encourages the Indonesian people to participate in capital ownership and as economic controllers. People's economic development is a policy and program that has long been developed by the government in the form of helping the people's economy as a production activity, not a consumption activity. The populist economic system is not only a powerful

weapon for overcoming threats in the economic field, but also has strong potential in strengthening national independence. In an effort to realize economic independence and eliminate threats in the economic sector, there are several important steps that can be taken. First, the development of cooperatives as a form of people's economy. Second, the development of State-Owned Enterprises (BUMN) can make a significant contribution to economic independence through the management of strategic economic sectors. third, fulfillment of the people's right to obtain a decent job and livelihood is an important aspect in achieving economic independence. Fourth, the use and management of land, water and natural resources that prioritizes the prosperity of the people.

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