



**THE INFLUENCES OF NEOLIBERALISM ON  
THE DEVELOPMENT OF PUBLIC  
ADMINISTRATION IN INDONESIA**

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**THE INFLUENCES OF NEOLIBERALISM ON THE DEVELOPMENT OF PUBLIC  
ADMINISTRATION IN INDONESIA**

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## THESIS APPROVAL PAGE

I certify that in my opinion the thesis submitted by Andriansyah ANDRIANSYAH titled “THE INFLUENCES OF NEOLIBERALISM ON THE DEVELOPMENT OF PUBLIC ADMINISTRATION IN INDONESIA” is fully adequate in scope and in quality as a thesis for the degree of Master of Science.

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## **DECLARATION**

I hereby declare that this thesis is the result of my own work and all information included has been obtained and expounded in accordance with the academic rules and ethical policy specified by the institute. Besides, I declare that all the statements, results, materials, not original to this thesis have been cited and referenced literally.

Without being bound by a particular time, I accept all moral and legal consequences of any detection contrary to the aforementioned statement.

**Name Surname : Andriansyah ANDRIANSYAH**

**Signature :**

## **FOREWORD**

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## **ABSTRACT**

Neoliberalism as an ideology affects human life and the government worldwide, including Indonesia. This ideology revives classical liberalism with free market ideas. The ideal society for neoliberalism is one in which the market and freedom are the standard of living, and the state does not intervene in the market. Along with globalization, neoliberalism spread throughout the world through academic studies and the influence of certain international organizations. Indonesia is one of the developing countries that has been influenced by neoliberalism since the 1970s. Neoliberalism in Indonesia has influenced the development of public administration, which is an essential component of state management. At the beginning of its infiltration of influence, neoliberalism was carried through a set of regulations and policy standards. The impact of neoliberalism, on the one hand, has accelerated the development of public administration and the economic climate in Indonesia. But on the other hand, the good governance implemented is one of the tools to infiltrate neoliberalism secretly. Business oligarchy began to gain power and influence the dynamics of politics. The bureaucracy that was run began not to favor the community but the market's interests. Therefore, the influence of neoliberalism on the development of public administration in Indonesia needs to be responded to by formulating policies and provisions that are able to accommodate the interests of the people without having to close themselves off from global interests.

**Keywords:** Neoliberalism; Public Administration; Indonesia Government; Free Market; Good Governance

## ÖZ (ABSTRACT IN TURKISH)

Bir ideoloji olarak neoliberalizm, Endonezya da dahil olmak üzere dünyadaki insan yaşamının ve hükümetin çeşitli yönlerini etkileyen bir hareket haline gelmiştir. Bu ideoloji, serbest piyasa yenilenmesinin değerlerine uyarlanmış klasik liberalizmin yeniden canlandırılmasına odaklanır. Neoliberalizm için ideal toplum, piyasanın ve özgürlüğün yaşam standardı haline geldiği, böylece her bireyin ekonomik rekabete katılma hakkına sahip olduğu ve devletin piyasaya müdahale etmediği bir toplumdur. Küreselleşme ile birlikte neoliberalizm, akademik çalışmalar ve bazı uluslararası örgütlerin etkisiyle dünyaya yayıldı. Endonezya, 1970'lerden bu yana neoliberalizmden etkilenen gelişmekte olan ülkelerden biridir. Endonezya'daki neoliberalizm, devlet yönetiminin temel bir bileşeni olan kamu yönetiminin gelişimini etkilemiştir. Etkisinin başlangıcında, neoliberalizm bir dizi düzenleme ve politika standardı aracılığıyla yürütüldü. Neoliberalizmin etkisi, bir yandan Endonezya'daki kamu yönetiminin ve ekonomik iklimin gelişimini hızlandırdı. Ancak öte yandan uygulanan iyi yönetim, neoliberalizmin Endonezya'da gizlice büyümesi için bir araç haline gelmiştir. İş oligarşisi güç kazanmaya ve siyasetin dinamiklerini etkilemeye başladı. Yürütülen bürokrasi, toplumu değil, piyasanın çıkarlarını gözetmeye başladı. Bu nedenle, neoliberalizmin Endonezya'da kamu yönetiminin gelişimi üzerindeki etkisine, kendilerini küresel çıkarlardan kapatmak zorunda kalmadan halkın çıkarlarını barındırabilecek politikalar ve hükümler formüle ederek yanıt verilmesi gerekiyor.

**Anahtar Kelimeler:** Neoliberalizm; Kamu Yönetimi; Endonezya Hükümeti; Serbest Piyasa; İyi Yönetişim

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## **ABBREVIATIONS**

<b>ABRI</b>	:	Angkatan Bersenjata Republik Indonesia (in English: Armed Forces of the Republic of Indonesia)
<b>ASEAN</b>	:	Association of Southeast Asian Nations
<b>BPUPKI</b>	:	Badan Penyelidik Usaha-Usaha Persiapan Kemerdekaan Indonesia (in English called as the Investigating Committee for Preparatory Work for Independence)
<b>CGI</b>	:	Consultative Group in Indonesia
<b>DPD</b>	:	Dewan Perwakilan Daerah (Regional Representative Council)
<b>DPR</b>	:	Dewan Perwakilan Rakyat (House of Representatives)
<b>IMF</b>	:	International Monetary Fund
<b>KDP</b>	:	Kecamatan (Subdistrict) Development Program
<b>MA</b>	:	Mahkamah Agung (Supreme Court)
<b>MK</b>	:	Mahkamah Konstitusi (Constitutional Court)
<b>MPR</b>	:	Majelis Permusyawaratan Rakyat (People's Consultative Assembly)
<b>MPS</b>	:	Mont Pelerin Society
<b>NGO</b>	:	Non-Governmental Organization
<b>NPM</b>	:	New Public Management
<b>OPEC</b>	:	Organization of Petroleum Exporting Countries
<b>POSDCORB</b>	:	Planning, Organizing, Staffing, Directing, Coordinating, Reporting, and Budgeting
<b>PT</b>	:	Perseroan Terbatas (in English: Limited Company)
<b>PWC</b>	:	Post-Washington Consensus
<b>SOE</b>	:	State-Owned Enterprises
<b>UK</b>	:	United Kingdom
<b>UN</b>	:	United Nations

**UNDP** : United Nations Development Programme  
**USA** : United States of America  
**UU** : Undang-Undang (in English: Laws)  
**WTO** : World Trade Organization

## **SUBJECT OF THE RESEARCH**

Neoliberal ideology has often been a source of controversy in recent decades. Its proponents believe that neoliberalism is the only way to world prosperity in the era of globalization. On the other hand, neoliberalism is also not spared the target of criticism. It is accused of being a source of destruction and degradation of various aspects of people's lives, such as economics, politics, and public administration. Since its first appearance in the ideological contestation of the world after the cold war, neoliberal ideology has tried to revive the classical liberalism doctrine of Adam Smith and David Ricardo. The notion that refers to the classical liberal political economy philosophy has spread to various parts of the world by bringing the idea of rejecting excessive government interference in economic development. As one of the most populous countries accompanied by a rapid level of economic development, Indonesia is also not spared from the infiltration of this new style of liberalism.

Indonesia is a pluralistic and democratic country, but it is not secular or Islamic state. This makes Indonesia unique in governance and public administration. Indonesia, which has an agrarian population and a basis that rejects capitalist forms of practice, should use a populist economic system even though it does not work correctly. The influence of neoliberal ideology has become popular since it was maximally implemented by Margaret Thatcher in England and Ronald Reagan in America around the 1970s to 1980s. Since then, ideas to implement the ideology have slowly begun to be heard in Indonesia, which is still dealing with the struggle between the ideologies of Pancasila (the foundation of the state), Islam, Liberalism, and Socialism.

Friedrich August Von Hayek became a central figure in the development of neoliberalism by publishing two books entitled "*The Road to Serfdom*" (1944) and "*The Constitution of Liberty*" (1960). While classical liberalism in the 18th century demanded that the government respect market performance as one of the most effective means of economic life, neoliberalism demanded the performance of the free market as the only measure to judge the success or failure of all government policies. "The free-market" is the court for every government policy. The main task and responsibility of public administration in every country are to provide the best public

services to its citizens by making the best use of the opportunities and resources available in that country. However, with the neoliberal way of working, these duties and responsibilities can be threatened with failure.

This proves that neoliberal ideology is dominant in discussing the economic system, but we will find its influence on public administration if we look deeper. This discourse then develops into the formulation of policies that influence how the development of public administration runs. Moreover, at this time, the rapid development of the era of information disclosure and democracy has penetrated far to change the public administration system to become a model of good governance. The ideology of neoliberalism which is contrary to the basis of the Indonesian state is feared to bring long-term problems to various sectors of people's lives, especially public administration.

## **PURPOSE AND IMPORTANCE OF THE RESEARCH**

The development of neoliberal ideology today is increasingly massive and changes many things in the state's development. As servants of the people in a democratic country like Indonesia, the state and government have an enormous role in determining public welfare through public administration and various policies. Moreover, public administration has a broad scope in implementing political decisions at the central and regional levels. Through this research, to be able to see the influence of neoliberal ideology on public administration, it is necessary to comprehend that public administration as a branch of social science strives to determine and manage the activities of state and public institution organizations to achieve specific goals.

Implementing public administration will involve regulatory systems, economic management, human resource management, policy formulation, and external relations with other institutions. Neoliberal ideology that affects how the state runs will later face large public administration instruments such as legislative power. As a country that adheres to populist values in managing the country through public administration, Indonesia is in a dilemma regarding the current infiltration of neoliberal ideology. On the one hand, the impact of neoliberalism can undermine the values of equitable distribution of welfare for all the people because it prioritizes the owners of capital to



develop. But on the other hand, neoliberal-style freedom needs to be applied to compete globally and support the development of transparent, accountable, and efficient public administration. Both sides are one of the objectives to be investigated in this study. In addition, the development of neoliberal ideology and the development of public administration in Indonesia will also be examined to get an idea of the extent to which the two impact each other. By measuring the impact of neoliberal ideology on public administration in Indonesia, essential results such as what aspects and impacts will be known to be used as a basis in formulating a middle way for a better future of public administration in Indonesia.

Without understanding precisely and clearly how and to what extent the influence of neoliberal ideology, the development and implementation of public administration often becomes problematic and contradicts the ideals of the nation. Therefore, it is important to understand the origins and the debate and the resulting influence of neoliberal ideology on the development of public administration in Indonesia to formulate appropriate solutions and actions.

## **METHOD OF THE RESEARCH**

The first step in this research is to search and collect literature that will be used as a reference related to the topic under study. In this study, the data comes from books, articles, theses, laws, newspapers, and internet resources which will be examined deeply. The qualitative approach will be used in this study to analyze the influence of neoliberal ideology on the development of public administration in Indonesia. The data will also be analyzed deductively. The deductive method of collecting separate but related data to be combined. The deductive method is a method of thinking that starts from the general to the specific results.

In addition, reviewing the precise historical development of neoliberals and public administration in Indonesia allows for a critical analysis of the related records to generate helpful knowledge on the topic. From the results of a historical review, the extent of its influence in the present and forecasts in the future will be measured. Then this study uses content analysis along with the previous method to provide interpretations and descriptions related to the existing literature texts. The content

analysis makes it possible to check valid and reliable data sources. A significant application of content analysis is the generation of “culture indicators” that indicate the state of a set of beliefs, values, ideologies, or another social system. Culture indicator research ascertains the distinctions and similarities between individuals, groups, or institutions based on the sources used.

This research is generally divided into several parts. The first is a discussion of the conceptual framework and theory related to neoliberal ideology and its development until now. Second, the concept of public administration will be discussed and reviewed, especially in Indonesia, to get a clear picture before examining the influence of neoliberal ideology. Third, the relevance between neoliberalism and public administration in Indonesia in order to find out in detail the influence of neoliberals on the development of public administration in Indonesia. The last part is the conclusion of the research.

## **HYPOTHESIS OF THE RESEARCH / RESEARCH PROBLEM**

Neoliberalism has become one of the significant ideologies driving the world today. Financial support from elites and Think Tank institutions supply discourse to various countries, especially countries with abundant resources. Countries like Indonesia, which is still classified as developing country but rich in natural resources, has become targets of neoliberal ideological infiltration. At the same time, Indonesia is still focusing on optimizing the development of public administration. This study departs with the hypothesis that neoliberal ideology has influenced the development of Indonesian public administration. Then this becomes a problem such as the negative impact of neoliberalism on various aspects of state management and public administration.

## **SCOPE AND LIMITATIONS / DIFFICULTIES**

This research will be focused on the concept of public administration and neoliberalism as the main perspectives to analyze its influences on the development of public administration in Indonesia. The main scope will focus on the general definition and characteristics of neoliberalism and public administration to be able to see the

relationship between influence and development. The analysis is carried out only in a limited scope such as good governance, civil society, and public policy, from the data obtained. This study will not focus in too much detail on economic topics related to national level management and the calculation of market conditions to avoid interpretations that do not match the main focus. This scope avoids the concept of economic calculation in order to get a broad overview of the development of public administration and identify the influence of neoliberalism on it.

## INTRODUCTION

The development of public administration in the era of globalization has become a discourse on the progress of a country in managing its political and bureaucratic climate. The breadth of the scope of public administration makes its impact very large on the life of the nation and state. Public administration is one of the backbones in the administration of government which involves many parties, both government and non-government. The historical development of public administration to this day has undergone various paradigm shifts, starting from before the concept of the nation state to the birth of modern science of public administration. From the development of the classical model to the good governance model. The implication of this development is that public administration is getting better and adapting to the times. In addition, public administration discourse has also become a global discussion that affects and is influenced by the conditions of a country, including Indonesia. Therefore, although the concept of public administration can apply to all countries, in certain cases there are some unique things that can be found in certain countries (Kurniawan, 2007, p. 2).

In this case, Indonesia has gone through various developments of public administration to adapt it to the constitutional mandate and the needs of the people. Since reform in 1998, the political climate and development of public administration in Indonesia have changed drastically. Massive democratization in every aspect of the country began to be implemented. Massive administrative reforms were carried out in line with global developments. This makes Indonesia one of the success stories of democracy (Power, 2018, p. 308). Changes that adapt to global developments in fact also bring new problems to the development of public administration in Indonesia. The entry of many international organizations brought positive changes as well as negative influences on public administration in Indonesia. Since the emergence of the Washington Consensus, the wave of neoliberalism has been growing and targeting countries in the third world, including Indonesia. While the Washington Consensus has come under heavy criticism, its values have not been extinguished and neoliberalism continues to develop in its own way.

Neoliberalism as an ideology that makes the market as an important instrument in the development of the country in its history has also experienced ups and downs. Neoliberalism that is developing today has experienced a paradigm shift rather than simply reviving the classical liberalism tradition campaigned by Hayek and his colleagues at the Mont Pelerin Society. Today's form of neoliberalism is no longer away from political affairs but seeks to dominate politics and become a capitalist vehicle to weaken the role of the state (Sulubere, 2016, p. 293). Neoliberalism in its efforts to infiltrate a country uses four distinctive discourses, namely: stable economic growth, free markets, economic globalization, and the privatization of economic assets. The four discourses promoted by neoliberals have become the creed used to lure every country to adopt the ideology of neoliberalism. However, in the process of infiltration of neoliberalism, it is not always easy due to many reasons, one of which is the conflict with the norms and laws that apply to society in a country. In this case, Indonesia has a set of constitutional laws and norms that reject the implementation of neoliberalism because of the impact it can have. One of the cases occurred in Papua in 1977 when a gold mining company, Freeport (a foreign corporation) suffered losses due to rejection from local residents (Athreya, 2003). Local residents reject Freeport because they exploit Papua's natural wealth as they please. In response to local resistance, Freeport used its connections with the government to resort to violence and military intervention. In conditions of rejection like this, neoliberalism does not run out of ideas and uses other channels to be able to establish its influence in Indonesia.

One of the methods used by neoliberals in an effort to influence Indonesia is through infiltration of public administration. This process is carried out in a systematic and covert manner so that not many parties are aware of it. One form of this process is through the implementation of policies to restructure the country's political economy. This policy will include neoliberal values but not explicitly. Individual ethical reform projects are also carried out to shape societal values and perspectives so that they conform to neoliberal norms (Rudnycky, 2009, p. 106). Neoliberalism as an ideology certainly has its own perspective on how the world should work. This perspective will greatly influence how the orientation of public administration understands the state, politics, bureaucracy and the people. In its efforts to expand its influence, neoliberalism is supported by large corporations and international organizations such as the World Trade Organizations, the International Monetary Fund and the World

Bank. In practice in Indonesia, supporters of neoliberalism do not directly show their identity as neoliberals but through a set of planning concepts that are approved by international organizations. Under this guise, the government and the public become more receptive to suggestions and input for implementing the standards of these international organizations in the development of public administration.

Although neoliberalism continues to promise hope and benefits if implemented in public administration in Indonesia, in reality these promises have resulted in a utopia. Considering the role of the state as an obstacle to economic development and therefore needs to be reduced, still leaves a question mark about its veracity. Moreover, the lack of research that explores deeper between neoliberalism and the development of public administration makes the urgency of this topic even greater. Public administration as a domain that is expected to fully act as a public servant is very vulnerable to the dynamic influence of neoliberalism. Therefore, in an effort to develop public administration in Indonesia that is directed, systematic and oriented to the public interest, the influence of neoliberalism needs to be studied in depth to determine the impact and determine future policy planning.

# 1. CHAPTER ONE

## CONCEPT AND HISTORICAL DEVELOPMENT OF NEOLIBERALISM

### 1.1. The Origin of Neoliberalism

The term neoliberalism is basically no older than the term liberalism. The term liberalism, which is an old version of neoliberalism, emerged and became famous when it was coined by the British philosopher John Locke in the 17th century.<sup>1</sup> The term neoliberalism emerged after the second world war. The emergence of this term also indicates the existence of a new movement of thinking about the ideas of reforming liberalism that has ever existed (Heywood, 2021, p. 19). One of the causes of this group of supporters of neoliberalism was an Austrian economist, Friedrich August von Hayek, in 1947. He took the initiative to invite several experts from North America and Europe with various scientific backgrounds. They were invited to a conference in Mont Pelerin, Switzerland. Well-known figures such as Ludwig Von Mises, Wilhelm Ropke, Milton Friedman, Karl Popper, Lionel Robbins and others attended the conference. This conference was later called the Mont Pelerin Society (MPS). This conference wants to reformulate liberal terminology along with whatever it is based on and disseminate it (Turner, 2007, p. 68).

In the period after the world war, most liberal thinkers began to echo the ideas of returning to the old liberal or original liberal values. The development of voices calling for a return to the fundamental liberal notion results from the contamination of liberals by concepts that are incompatible with contemporary demands. In addition, pressure from the government for the production of certain goods to support war interests is also the reason for the importance of the new political and market economy concepts (Eppler, 2009, p. 36). In addition, with the emergence of new problems and new conditions, traditional liberals are not able to develop programs as solutions to

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<sup>1</sup> He argues that, natural rights and the social compact are the foundations of legitimate government, and he analyzes the essence of legitimate government in terms of these two concepts. From his Works the spirit of liberalism grows (Locke, 2016).

market and legal systems (Hayek, 1990, pp. 145–146). Therefore, the term “neo” becomes an important liberalism reform that can modernize the ideology according to the demands of politics, economy and existing problems. With this new model, neoliberalism has become a symbol of the anti-socialism movement since the 1940s. As a form of resistance to the socialist utopia, the neoliberal intellectuals at the MPS devised their version of the liberal utopia (Turner, 2007, p. 76).

The basic concept of neoliberalism starts from the belief that humans are “*homo economicus*”, which means that humans are economic creatures.<sup>2</sup> In that sense, understanding humans and their relationships are viewed with economic benchmarks. Economic motives will be the basis for humans to do something. Profit and loss are part of the consideration of a policy made. Despite their different backgrounds, Neoliberalist thinkers have one basic idea that opposes socialism and believes in the need for a revitalization of the free market and the separation of powers to protect individual freedom (Hayek, 1990, p. 98). According to neoliberalism, a society's political and economic institutions within the state must be substantially liberal and capitalist but complemented by a constitutionally constrained democracy and a simple welfare state (Vallier, 2021). In the early days of its formation, neoliberalism was present to fight the utopia of the Marxist socialists by bringing a version of liberal utopia. This idea emerged from Hayek and was presented to neoliberal thinkers as one of their main tasks in order to win against the hegemony of socialism and collectivism. The liberal utopia they set up is based on the principles of the free market and freedom (Hayek, 1949, p. 384).

At a basic level, the origin of neoliberalism is classical liberalism as a form of response to the challenges of socialism and collectivism that threaten individual and market freedom (Turner, 2007, p. 70). For Hayek, socialism threatens the morals and politics of individuals and the masses. As for socialism's moral implications, it can potentially destroy the fundamental principles of all morality, human freedom, and accountability. A totalitarian government comes into power sooner or later, depending on the circumstances. Whether it results in genuine poverty or not, it will significantly impact the production of wealth on the material side (Hayek, 1990, p. 304).

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<sup>2</sup> This is also related to Scottish Enlightenment image introduced by Adam Smith (Steger & Roy, 2010, p. 2).



The important point of the origin of neoliberalism is the fear and anxiety of classical liberal thinkers, businessmen, and the opposition to socialism, despite the various intrigues and problems from the first world war to the fear of the next Great Depression. If socialism and collectivism prevailed at that time, the economic crisis and war were feared to be more accurate. This causes many politicians and people in business who rely on market freedom to lose. Bringing the values of liberalism but in a renewed form and prepared for the long term, neoliberalism exists as a new political, economic, and societal organization idea for the expansion of competitive markets, the re-tasking of the state, and the strengthening of individual responsibility (Springer et al., 2016, p. 2). Neoliberalism also grew in response to classical liberal intellectuals who believed a bad economy needed fundamental improvements. These intellectuals convinced the public that the bad economy was nothing but the failure of the government, in this case, too much intervention from the government, causing disruption of commodity prices in the market (Steger & Roy, 2010, p. 4).

## **1.2. The Nature and Characteristics of Neoliberalism**

Basically, neoliberalism is an ideology that contains a set of social, cultural, political, and economic principles and values that place competition at the center of people's lives. According to Neoliberalism, the government's responsibility is not the care, security of citizens, and welfare services but the guarantee of free-market competition. Neoliberals believe that the public's dependence on the state should be reduced (J. A. Wilson, 2018, p. 2). Neoliberalism believes that the best way to advance human well-being on a large scale is to free individual entrepreneurial skills within an institutional framework characterized by strong private property rights, free markets, and free trade. To be successful, the state is responsible for building and maintaining an institutional structure conducive to these policies and ideas. For example, the state must be able to guarantee the quality and integrity of money. The state must also establish an army, defense, police, and judiciary whose functions protect private property rights and ensure that markets can function properly. However, the state should not interfere too much or be involved in the working process of the market (Harvey, 2005, p. 2).

Neoliberalism is a very dynamic concept and can have different meanings for different people (Springer et al., 2016, p. 1). In its early development, neoliberalism became the antithesis of collectivism and socialism until it was designed to be able to transcend the two. The reason why neoliberalism was formed is as the antithesis or opposite of socialism and collectivism. The basic idea of neoliberalism is fundamentally different from socialism and collectivism. In this process of competition and difference, neoliberalism continues to be developed to be able to surpass socialism and collectivism by becoming a synthesis or combination of concepts that are superior in answering problems that cannot be solved by socialism and collectivism. Under certain conditions, neoliberalism requires cohesive work in the economy and state administration to prevent the weakening of market forces. The benchmarks of neoliberalism on government policies in managing the country are economic benefits and market sustainability. But that does not mean that the government can ignore individual rights because individuals are needed as free movers for capital accumulation in a market system. In terms of economic management, the characteristic of neoliberalism is to prioritize the elite and the private market, then it is directed at the lower classes and ordinary people. This kind of economic management that uses a decision model depends on the elite and high-ranking officials who have a lot of economic power and capital. These elites who have power will direct the orientation of public policy and economic management not entirely to the interests of the state and society but to the interests of collecting as much capital as possible. This is because the administration of this model of the economy does not prioritize what is the responsibility of the state; namely public welfare (Friedman, 2002, p. viii).

Apart from various differences of opinion among neoliberal adherents regarding the principle of this ideological ontology, broadly speaking, the core ideas of neoliberalism can be described as: the use of individualism methodologies, the preservation of individual freedom, and the market is understood as a space for free exchange between individuals. What is meant by individualism methodology is when the individual is used as the core unit in the analysis. Individuals need to be understood as self-serving, rational and satisfying more profoundly. An individual freedom, in this case, is made as the main goal of the ruling community or government (Cahill, 2014, p. 3). The market as a free exchange space is understood as a place of exchange to

obtain maximum profits and ensure the implementation of a free competitive market without external obstacles such as the state (Cahill, 2014, p. 3).

Neoliberalism contains the same basic ideas as liberalism. Liberalism and neoliberalism both share the basic idea of inviolable human freedom. Liberalism is an indication of an ideology that is intended to reform, liberate, and open up possibilities for individuals who want to live their lives according to their own understanding in various fields, including politics (Freeden, 2015, p. 1). Will Davies argues that the basic premise of liberalism is individual equality before the law, where everyone has the same position regardless of differences in background and profession (Lennon, 2020, p. 2). Neoliberalism also brings the values of an economic system of capitalism which is based on private ownership of the means of production and its operation for profit. Capitalism, despite having the basic idea of freedom, chooses an economical approach as a priority and a more important way of developing its ideology. Capitalism requires in human freedom as the basis for collecting as much profit as possible through free markets, open competition and the protection of individual property. But in certain times, capitalism may require a move away from liberalism – both economic and political- and a tight control of the market. Noorena Hertz sees capitalism as a form of corporation that exploits as many resources as possible and minimizes the role of government (Hertz, 2001, p. 11). As an economic system, capitalism is a capital-saving system that depends on rising average earnings to expand. A particular mode of production is capitalism. In capitalist countries, the ruling classes have no innate motivation to preserve the systemic form of government that didn't boost capital profit. Capitalists merely pursue their own self-interests by presuming that maintaining stability and their own privileged position is best achieved by expanding surplus (Elsenhans, 2022, p. 2).

As a political, economic, and social movement, Neoliberalism is like a vehicle that carries both ideas from capitalism and liberalism. Therefore, in every policy adopted in the name of neoliberalism, liberalism and capitalism will indeed be implied in it. However, what is important to note is that the liberalism conceived and raised by neoliberals is classical liberalism. Hayek himself emphasized that classical liberalism

must be protected as a core value in this case.<sup>3</sup> Many researchers agree that neoliberalism is the latest version of liberalism which seeks to revive the ideas of classical liberalism profoundly by changing the structure of identity and social life. Even neoliberal thinkers, including Hayek, are very selective in categorizing the liberalism they profess to be. In general, they only recognize liberalism that is consistent with the historical course of classical liberals, such as the ideas of Adam Smith, David Ricardo, and Immanuel Kant (Turner, 2007, p. 70).

However, in its development, the neoliberal definition is not only limited to the interpretation of the old generation (Hayek, Friedman, Popper) but is increasingly being developed to this day. If in the early days of its development, neoliberalism was colored by the ideas of the Mont Pelerin Society (MPS) member, which were deliberately structured to prevent major economic crises, wars, and other ideological threats. Then in the next phase (1950s to 1980s), neoliberalism has become a big idea as the foundation of society. This is influenced by the spirit of global corporate expansion and the belief that neoliberalism is more than just a market-economy movement. In the current phase, neoliberalism has become a source of value and worldview in the form of expanding the competitive market to all areas of life by instilling social values and practices. This method has long-term consequences because it is integrated into local to national government processes. It is important to examine how neoliberal ideas are linked to a wide variety of state projects, policy objects, and sociopolitical imaginings (Springer et al., 2016, p. 2).

Neoliberalism is not merely a subfield of political economy. This understanding has developed into an ideology that provides perspectives on different facets of contemporary human life. This insight has the potential to alter not only human interactions in economic matters but also individual relationships in terms of lifestyles and ways of seeing the world as it should be. Additionally, neoliberalism theorized the pattern of human life (J. A. Wilson, 2018, p. 4). The neoliberal nature of trying to continue to grow and become part of society has encountered various obstacles in its implementation. Nevertheless, neoliberalism as a set of principles

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<sup>3</sup> Hayek reached this conclusion after analyzing the risks to the classical liberal political economy at the time, when its principles were undermined by constructivist and fascist ideas propagated by socialism and communism (Steele, 2007, p. 22).

continues to dominate relentlessly throughout the world. Perry Anderson said: “it is the most successful ideology in the history of the world” (Anderson, 2000, p. 13).

Another characteristic of neoliberalism is the existence of a market and state dichotomy, which is fought for so that market influence or power becomes absolute. This is formed by separating the market from religion, the demands of family, state, care, concern, security to safety. However, neoliberalism does not necessarily separate itself from the state before the state provides all legal instruments and institutions to ensure its survival. Because all interests related to the market will be difficult to run. The extent of the power and authority of the state will be carried out with the permission of the market. Although the market is identified as a collection of free individuals, it is clear that the elite holds the greatest power. In this case, at a glance, the state is only like a tool that will be used when needed to do something regarding neoliberal interest (Eppler, 2009, pp. 37–38).

### **1.3. The Differences Between Liberalism and Neoliberalism**

Although there are differences between liberalism and neoliberalism, these two ideologies still have similarities in the belief that freedom is the basis of everything. Liberalism highlighted the superiority of the individual. Liberalism's underlying tenets are based on the suppositions that people are rational, motivated by desires and individual interests of which they are more or less conscious, and that they endeavor to employ the means they perceive as most effective to accomplish their objectives. A person must exercise their freedom through activity in order to acquire autonomy and well-being. They have the capacity to rank their preferences. Therefore, the individual is the most significant part of society. Legally, liberalism expands the concept of ownership from the possession of merely land to include all assets used in production. Since liberalism is meant to encourage the individual power that is the source of life and progress within society, it is thus offered as the theory that best permits each individual to assert themselves within the society in which they live (Lehmann, 2021, p. 6).

The thought of neoliberalism that seeks to revive classical liberalism cannot be separated from the thoughts of Adam Smith and David Ricardo. Adam Smith (1723-1790) was a Scottish economist and philosopher. He was a strong critic of

mercantilism, and he was the first person to try to explain how the economy works in terms of the market. Smith is credited with inventing the idea of the "*homo economicus*" during the Scottish Enlightenment. This is the idea that people are alone and act mostly in their own material interests. According to this point of view, economics and politics are mostly separate, and economics is better because it works best when the government stays out of it, and natural laws are followed. So, the government shouldn't "interfere" with the economic activities of people who are looking out for themselves. Instead, it should use its power to make sure that people can trade freely (Steger & Roy, 2010, p. 2). Smith argued that the economy should work as much as possible like a self-regulating market. He criticized things like the survival of feudal guilds and mercantilist trade restrictions. He thought that competition in the market would work like an "invisible hand" to organize the economy without the need for outside control. Smith said that the way wealth is made is through competition in the market (Heywood, 2015, p. 313).

Adam Smith's ideas was continued and developed by David Ricardo (1772-1823), a British politician and political economist. Ricardo was one of the people who started classical economics by building on the ideas of Adam Smith. In "*On the Principles of Political Economy and Taxation*" (1817) and later editions, Ricardo laid out a labor theory of value that later influenced Marx's ideas. Ricardo also developed the theory of comparative advantage, which gave an economic reason for free trade (Heywood, 2015, p. 19). Ricardo was a strong supporter of laissez-faire<sup>4</sup> capitalism who didn't make many concessions. Ricardo's "comparative advantage" idea became the dogma of modern free traders. He contended that free trade was a win-win situation for all trading partners because it allowed each country to specialize in the production of items over which it had a comparative advantage. For example, if Italy could make wine at a lower cost than England and England could create fabric at a lower cost than Italy, both countries would benefit from specialization and trade. Indeed, Ricardo went so far as to propose that the benefits of specialization and trade would flow even if one country had an absolute edge in producing all of the traded products (Steger & Roy, 2010, p. 3).

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<sup>4</sup> A concept that opposes government intervention in economic activities beyond what is required to maintain peace and property rights.

Looking at the level of practice, the difference between the two is in how this understanding is implemented. Suppose looking at the early history of neoliberalism. In that case, it is realized that the Mont Pelerin Society as the initiator of this idea, initially tried to defend liberalism but with a renewed approach. Therefore, they tried to clean up the concept of liberalism which had been polluted after the war (Turner, 2007, p. 68). Regarding the cause or origin of the emergence of liberalism or neoliberalism, there are also different triggers that result in differences in the focus of the struggle. Liberalism, as the first version of neoliberalism, was born as a call to those who wanted to be free from the tyranny and restraints of the rulers 200 years ago. In the name of freedom, liberalism was born with the idea that humans are destined to be free and have the right to live according to their own beliefs (Freedman, 2015). On the other hand, as a newer version, neoliberalism was born when human freedom has become an obligation to be preserved so that it has different triggers from liberalism. Neoliberalism was born in a time of economic turmoil and world wars. In the 1940s, invasions and races for control of countries were not enough only with a war of arms but also a war of ideas. The neoliberal thinkers at that time through MPS realized that liberalism must be revitalized and renewed to face broader challenges than before. This is one of the triggers for the emergence of neoliberalism as a form of economic improvement and resistance against socialism (Steele, 2007, pp. 5–6).

The main point in understanding liberalism and neoliberalism is not to confuse them as two completely different poles. Seeing and understanding the difference between liberalism and neoliberalism is not like the difference between black and white, but more like white and grey. Liberalism itself is an ideology with a vast scope in various aspects of human life. In addition, liberalism is clearly older than neoliberalism. This is what makes neoliberalism contain the word "neo." Neo, meaning new, has consequences for what makes neoliberalism more recent than just liberalism. The neoliberal political economy is characterized by the "political influence of strong business," which is one of its main aspects. The relationship between control over the relevant political decisions and economic profit is significant for the modern capitalist enterprise. Moreover, ideas are the most powerful means of production in the contemporary economy (Evans, 2008, p. 278).

However, generalizing liberalism as neoliberalism is also inappropriate because the characteristics and special characteristics of the two have some differences.

Neoliberalism does not bring all types of liberalism into the movement's struggle. Neoliberalism focuses more on revitalizing classical liberalism, considered pure liberalism without any intervention or foreign infiltration. In neoliberalism, if the market does not exist (in the sense that access to markets can function, such as land, water, social security), the state is obliged to create/provide it (Jones, 2012, p. 2). The state is not free to determine whether it may choose not to create market needs. In neoliberal society, the market is not only understood as a place of buying and selling, but the market is the foundation of society (J. A. Wilson, 2018, p. 3). As the foundation of society, neoliberalism makes the market stronger than liberalism. Therefore, neoliberals strive hard to instill all the principles of neoliberalism in society. Every area of our lives, even those that have nothing to do with the economy, has been pushed for the sake of the market through education, administration, and politics. For this reason, the emphasis on market quality is one of the differences between neoliberalism and liberalism (Harvey, 2005).

Nowadays, liberalism is becoming more often echoed and heard in the public because the dark history of neoliberalism makes people reluctant to be identified as adherents of neoliberals. The cause can be influenced by the neoliberal definition itself, closely related to the exploitation of the majority by the minority (Saad-Filho & Johnston, 2005, p. 5). But in reality, these two great ideologies work hand in hand in building the world order they want. Although there are differences in the movement's focus, neoliberals often exist between liberalism and vice versa. This needs to be emphasized so that there is no fundamental dichotomy between the two because, in later analysis, it is complicated to eliminate the link between the two. However, some intellectuals, especially from Marxist circles, argue that neoliberalism is, in reality, more terrifying and corrosive than liberalism (Phelan & Dawes, 2018, p. 1).

Liberalism, which often carries the message of freedom but rarely disturbs economic matters, which many people desire, is different from neoliberalism. This is one of the reasons why the name neoliberalism becomes scary when it is attached to particular groups or individuals (Venugopal, 2015, p. 166). Therefore, in various policies and actions, the ideas of neoliberalism are hidden in the shadow of liberalism to be able to move freely but not to cause negative connotations. Of course, it is difficult to imagine how liberalism can move freely with various kinds of resources without the owners of capital, who, of course, also have interests. This often escapes



public scrutiny about how neoliberalism infiltrated a country, starting from the formulation of laws and policies to public administration (Phelan & Dawes, 2018).

#### **1.4. The Competitive Free Market as the Basis of the Essential Components of Neoliberalism**

Although not the first time coined by neoliberal thinkers, the idea of the competitive free market is the basis of the essential components of neoliberalism (J. A. Wilson, 2018, p. 3). Before neoliberalism, classical liberalism had argued for the importance of a free market without state intervention. Competition is seen as a means of ensuring efficiency and building inventiveness. Individuals, organizations, businesses, and even governments will seek to optimize and innovate in response to competition, resulting in a truly free social environment where great people and the best ideas win. In other words, neoliberalism seeks to build a market-based society dominated by competing private companies. The competitive market model on which neoliberalism is based does not state that a free competitive market can stand alone. However, the basis of the free competition policy (monopoly and merger policies) is a sign that companies can act to form monopolies and then prevent the entry of other companies or combine and acquire to increase market dominance (Saad-Filho & Johnston, 2005, p. 202).

This is because the market is something that can take care of itself, and it would be better if the state did not intervene in it. Friedman and Hayek believed that the free market would solve the crisis. These economists do not deny that markets may fail. However, they choose to believe that free markets can allocate commodities and services more effectively than states and that government efforts to remedy market failures do more harm than good to society (Hertz, 2001, p. 19). However, in its development, the dynamics of the implementation of the free market began to receive multiple interpretations until, with the development of neoliberals, state intervention was considered the cause of a country's economic failure (Cahill, 2014, p. 6). The free-market competition that is trying to be built involves at least many interests from transnational corporations. Through global rules and extensive networks, this form of free-market competition has the potential to be hegemonic by the interests of the elite and large capital owners involved in it. At least two things cause the potential for

neoliberal hegemony. First, they (transnational corporations) are dominant in their ability to provide material rewards and impose sanctions. Second, they have an ideologically dominant influence; for example, they are able to describe the definition of a free market and competitiveness as if they represent the general interest of all citizens, not just the interests of certain individuals (Evans, 2000, p. 230).

In general, the free competitive market movement is understood as the most efficient and most moral form of social organization (in neoliberal beliefs) because it can preserve individuals' freedom. Therefore, neoliberals advocate devolution and deregulation as much as possible in a nation's society. This is the conceptual origin of their advocacy of privatization, deregulation, and marketization policies (Cahill, 2014, p. 3). Through the three concepts that they want to build, neoliberals wish to create a global market that can facilitate the recruitment of workers from other countries by prioritizing the lowest wages. By looking for workers whose wage standards are not high, it will undoubtedly reduce production costs and maximize profits and market competitiveness. However, this method is often detrimental to workers and becomes a backlash against the company. For example, in the case of Nike, expensive shoes were produced with very little capital through the suffering of workers in Indonesia and Vietnam. But corporate influence often disguises this fact favoring a hidden agenda (Evans, 2000, p. 233). David Ricardo's theory of "comparative advantage" has become one of the mainstays of neoliberals for the success of the free-market agenda. With this theory of comparative advantage, Ricardo argues that each country can have the advantage of specializing in producing commodities that have a comparative advantage. Ricardo's theory gives an example if a country specializes in producing a product and another country specializes in different products, then both can benefit from specialization and the free market (Steger & Roy, 2010, p. 3).

The competitive free market, as one of the basic components of neoliberalism, cannot stand alone without the support of other elements such as privatization and deregulation. These essential elements of a free market are then realized through regulatory and policy products such as the Washington Consensus and market rules which are then managed by international organizations such as the International Monetary Fund (IMF) and the World Trade Organization (WTO). With coordination and cooperation between international institutions while still referring to the principles of neoliberalism, the programs and policies implemented can be more effective and in

accordance with the conditions of the destination country. Each organization that supports a competitive free market provides benefits to each other by synergizing the implementation of neoliberalism in various countries, including Indonesia.

#### **1.4.1. The Washington Consensus**

The Washington Consensus is a collection of economic policy proposals aimed at developing countries, particularly Latin America, which gained popularity in the 1980s. The term "Washington Consensus" refers to the degree of agreement on certain policy recommendations between the IMF, the World Bank, and the United State Department of the Treasury. All held the perspective, sometimes referred to as neoliberal, that the free market's functioning and the lack of governmental participation were critical for global South development.<sup>5</sup> With the advent of a debt crisis in the developing world in the early 1980s, the main Western countries, particularly the United State of America (USA), agreed that both the World Bank and the IMF should play a prominent role in debt management and, more broadly, global development strategy. When British economist John Williamson, who later worked for the World Bank, coined the term "Washington Consensus" (Williamson, 1993, p. 1329) in 1989, he claimed to be referring to a list of reforms that significant players in Washington could agree were necessary for Latin America (Williamson, 2004). To his dismay, the phrase eventually came to be used pejoratively to refer to the rising harmonization of the policies suggested by those institutions. It frequently refers to the dogmatic notion that developing countries should pursue market-led development techniques that result in economic growth that "trickles down" to benefit everyone (Hurt, 2020).

The Washington Consensus seeks to open up and provide opportunities for the free market to increase the potential for capital accumulation through simple policy strategies such as liberalization, privatization, and fiscal austerity (Carroll, 2010, p. 2). The idea of neoliberalism is encapsulated in the principles contained in the

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<sup>5</sup> The phrase "Global South" refers to the areas of Asia, Africa, Oceania, and Latin America as a whole. It is part of a group of terms, like "Third World" and "Periphery," that refer to places outside of Europe and North America that are mostly (but not always) poor and often left out of politics or culture. When the term "Global South" is used, the focus shifts from development or cultural differences to geopolitical power relationships. In this context, global south development becomes an agenda that is planned and carried out by international organizations through the Washington Consensus to focus on the development of the global south coverage area (Dados & Connell, 2012, p. 12).

Washington Consensus. These principles can be indicators of seeing the value of neoliberalism in an institution. These principles are:

- 1) Price decontrol: removal of control over commodity prices, factors of production, and foreign currency.
- 2) Fiscal discipline: reducing the government's or central bank's budget deficit to a level that can be financed without using inflation financing.
- 3) Public expenditure priorities: reducing government spending and diverting spending from sensitive areas such as government administration, defense, undirected subsidies, and various wasteful activities.
- 4) Tax reform: expansion of the tax base: improvement of tax administration.
- 5) Financial liberalization: abolished the provision of special bank interest rates and the creation of market-based bank interest rates.
- 6) Exchange rates: countries need a single and competitive exchange rate to rapidly increase exports.
- 7) Trade liberalization: the exemption of foreign trade and the imposition of customs tariffs progressively reduce these tariffs.
- 8) Domestic saving: is the application of fiscal discipline so that state resources can be transferred to the private sector with high productivity.
- 9) Foreign direct investment: is the removal of barriers to the entry of foreign companies.
- 10) Privatization: state enterprises should be privatized.
- 11) Deregulation: elimination of regulations that hinder competition and business development.
- 12) Property rights: establishment of a legal system that can guarantee the protection of property rights to land, capital, and buildings (Mindarti, 2016b, pp. 77–78).

The Washington Consensus, in broad terms, indicated a set of principles that became their typical package of loan counselling. The first component was a set of policies to achieve economic stability by eliminating government budget deficits and managing inflation. The second step involved reforming the country's trade and exchange-rate policies to facilitate its integration into the global economy. This entailed the removal of state prohibitions on imports and exports and frequently included currency devaluation. The third stage was to remove subsidies and certain

state regulations and engage in a privatization initiative to allow market forces to function freely (Hurt, 2020). In the late 1990s, the Washington Consensus proved suboptimal and resulted in more problems. The model of generalization and transfer of policies in which neoliberalism should be the solution also relates to global financial collapse (Kelly, 2012). For Karl Polanyi, the Washington Consensus is a modern version of orthodox liberals that has given economic development a bad reputation. But to this day, the Washington consensus continues to emphasize and voice that government intervention is a source of problems and an obstacle to economic development. The target is to prevent the government from getting involved and creating appropriate prices through privatization and liberalization (Polanyi, 2001, p. xiv).

After the Washington Consensus was criticized, a new idea called the Post-Washington Consensus (PWC) came up. It called for a bigger role for the government as a regulator of market activity. This is a key part of "reopening" neoliberalism. The World Bank's constant demands that the government look and work in a way that complements the market are a sign of the PWC. This description of how the state should look and work is accompanied by a number of initiatives that don't see the government as an enemy of the market (as is the case with, for example, structural adjustment) but rather as a place to start reforms that will rebuild the country in a way that fits with the market. Under structural adjustments, where the state is often forced to stop providing essential services for the community, the process of reworking the relationship between the government and the people has been shown in a harsh way. The PWC needs a deeper constitution to tell the institutional state apparatus how to run the market. The PWC agenda is made and carried out with the help of an emerging plan that tells countries what they can and can't do. The PWC also lays out the demands, expectations, and rights that citizens will have when it comes to building new institutions from the market. The PWC's partnerships and participatory processes are key to reshaping citizenship, creating constituencies for change, and isolating institutions that are not neoliberal constituencies (Carroll, 2012, p. 13).

### **1.4.2. Market Regulation**

In neoliberalism, the grand ideals of the survival and development of the market rule system are not only limited to a single country but also include global economic relations. This requires the loss of boundaries between individuals and companies between countries in economic affairs. If currently, between countries in general, there are regulations regarding the import and export of certain goods, and there are institutions that oversee this matter. Goods from one country to another cannot enter arbitrarily without fulfilling specific requirements. Rules of the international market like this can certainly hinder the distribution of goods and reduce capital accumulation. So, to describe state regulation as an intervention would imply that markets by nature exist independently of the state and that when governments intervene to regulate, they distort the natural workings of markets (Cahill, 2014, p. 6).

Neoliberals who want to revive the values of classical liberalism bring a vision of implementing the rules that producers are servants to consumers. In this case, the consumer's position is clearly higher and is a different perspective than socialism. Although the visible reality is that producers control the market and determine many things, in theory, this kind of thing is not in accordance with the rules brought by classical liberalism. Neoliberal ideas are prioritized to protect private property and contract law as the rule of the market that can be profitable and most efficient in raising capital. Further development of the regulations to be implemented was the separation of churches and the overthrow of mercantilism (Steger & Roy, 2010, p. 3).

The rules of the market that can create a free market are still a debate about the limits of freedom that can be achieved. Regulations that make market forces, in fact, will be difficult to adapt to social constructs because of the absence of official and absolute standards as to the extent to which market freedoms must be achieved. In the early 20th century, regulations limiting working hours were considered to restrict workers' freedom (Chang, 2011, p. 478). But nowadays, such regulation will be easily accepted. This proves that the absolute definition of the rules that must exist in a free market can vary depending on the observer's perspective on the believed values and politics.

Globalization is the entrance that connects every human being as a citizen of the world to be in harmony with the idea of this global economic market. Globalization

and neoliberalism emphasize the importance of every nation's international cooperation to achieve economic and political goals (Evans, 2008, p. 281). But in this process, sometimes neoliberalism seems to fail in using globalization to dominate world democracy. The inability to establish democratic institutions globally is becoming increasingly apparent. A case in point is the embarrassing "democratic deficit" of the IMF and the failure to manipulate the "one country, one vote" system in the World Trade Organization (WTO), which tends to favor free markets (Chang, 2011, p. 484). On a global scale, neoliberals clearly ignore democracy (Evans, 2000, p. 296).

Behind the popularity of market rules echoed by neoliberals, there is a dramatic case that dragged the Russian economy down. As a country that had experienced the systems of socialism and communism, Russia began to come under pressure about implementing the ideas of a self-regulating market economy right after the collapse of the Soviet Union. Initially, this idea aimed to restore the still unstable Russian economy by correcting the previous rules from distorting the allocation of resources to an inefficient centralized planning system. Implementing liberalization, privatization, and decentralization will soon replace the old rules. However, imposing this idea before the government has had the opportunity to put in place the necessary legal and institutional infrastructure has only further undermined economic conditions. The only ones who benefit from this are the oligarchs who are getting richer (Polanyi, 2001, p. xii).

### **1.4.3. International Monetary Fund**

The IMF is an important topic to be discussed because its role and relation to neoliberalism are obvious. The IMF was founded in July 1944 through initiation at the Bretton Woods Conference, United States. Initially, the IMF consisted of 44 alliance countries whose aim was to avoid crises such as the Great Depression in the 1930s and the Second World War through a new economic system with global cooperation. Currently, the IMF has 190 members from around the world. The International Monetary Fund's resources are mainly derived from money contributed by countries as part of their capital subscription (quotas) when they become members. Each member of the IMF is granted a quota based on the country's relative standing in the international economy. Governments can then borrow money from this pool if they

find themselves in a precarious financial situation.<sup>6</sup> The IMF's three initial missions through their funding were to promote international monetary cooperation, support trade expansion and economic growth, and improve policies that would hinder prosperity. The IMF has set their main objectives to be:

- a) Promote international monetary cooperation,
- b) Facilitating the expansion and growth of balanced international trade,
- c) Promote exchange stability,
- d) Assist in establishing a multilateral payment system and provide resources (with adequate safeguards) for members experiencing balance of payments difficulties.<sup>7</sup>

The IMF provides loans, including emergency loans, to member countries that are suffering or may be experiencing balance of payments problems. To assist them in rebuilding international reserves, stabilizing their currencies, paying for imports, and restoring conditions for strong economic growth, it is necessary to address the root causes of their problems. Funding provided by the IMF is not free but with certain conditions. The IMF also generally determines interest rates on loans, and the recipient countries are asked to adjust their economic system according to the IMF's determination. This often makes it difficult for governments to carry out efficient and appropriate reforms (Kutan et al., 2016, p. 116). The IMF has a great influence on the borrowed country's economic, political, and social aspects. From this it can be understood that the IMF is also a determinant of the economic or political system in the recipient country. Moreover, the policies taken by the government will be monitored and influenced by the IMF.<sup>8</sup>

Indonesia, during the Suharto era, had experienced a severe monetary crisis and received a helping hand from the IMF. However, the IMF's influence turned out to be wider, involving the abolition of food subsidies under Suharto's presidency. It should be recognized that the IMF's removal of food subsidies in Indonesia and plummeting wages, and a soaring unemployment rate led to predictable political and social turmoil,

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<sup>6</sup> "The IMF at a Glance", <https://www.imf.org/en/About/Factsheets/IMF-at-a-Glance>, Accessed on February 2, 2022.

<sup>7</sup> (*About The IMF*, 2022.), <https://www.imf.org/en/About>, Accessed on February 2, 2022.

<sup>8</sup> "IMF Lending", <https://www.imf.org/en/About/Factsheets/IMF-Lending>, Accessed on February 2, 2022.



a possibility that should be obvious given the country's history (Polanyi, 2001, p. p. xi). In reality, the neoliberalism movement through global organizations such as the IMF also involves other international organizations such as the WTO to launch their programs. In developing countries, the spread of neoliberal deregulation policies can be seen by the many interventions of structural adjustment programs coordinated by the IMF (Cahill, 2014, p. 16).

#### **1.4.4. World Trade Organization**

On April 15, 1994, the agreements that made the WTO possible were made available for signing in Marrakesh. The package comprises multilateral trade agreements attached to the Marrakesh Agreement Creating the World Trade Organization (WTO Agreement). The World Trade Organization was formed on January 1, 1995. The WTO is the only worldwide international organization that regulates the rules of commerce between nations. At its core are the WTO accords, which were negotiated, signed, and accepted by the parliaments of the majority of the world's trading states. The objective is to assist exporters, importers, and manufacturers of goods and services in conducting business. The WTO administers the WTO Agreement, which is drafted, signed, and accepted by the majority of member nations' legislatures. These treaties serve as the primary legal foundation for global free trade. These accords oblige member nations to keep their domestic trade policies within agreed-upon limitations. The goal of the WTO is to aid in the business operations of producers of goods and services, exporters, and importers (Kinanti, 2015, p. 49).

The WTO exists to make it easier for the WTO agreements to be put into place, managed, and run, as well as to further their goals. Aside from this broad goal, the WTO has four specific jobs:

- a) Give members a place to talk about current issues and any future agreements.
- b) To run the system for resolving disputes.
- c) To run the Trade Policy Review Mechanism.
- d) Working with the IMF and the World Bank when necessary.

As an international organization, the WTO is given formal existence, legal personality, and legal power. It needs to have the rights and protections that make sense for what it does. The World Trade Organization is governed by two bodies: the Ministerial Conference and the General Council. The Ministerial Conference has ultimate authority. It comprises representatives from all WTO members and meets at least twice a year. Between Ministerial Conference meetings, the General Council is the primary decision-making and policy-making body. The General Council comprises all WTO members and meets "when needed." Much of the WTO's day-to-day activity is done through specialized councils and committees that report to the General Council. The WTO Agreement establishes three councils: one for goods, one for services, and one for trade-related aspects of intellectual property rights. These Councils have the authority to form committees (or subsidiary bodies) as needed. The World Trade Organization has a Secretariat in Geneva that is presided over by a Director General selected by the Ministerial Conference (Matsushita et al., 2015, p. 12).

The benefits that came from putting the WTO into place are not all shared in the same way. For example, 20% of the world's population live in the least developed countries, but they only make up at least 0.3% of world trade. Most likely, the fact that industrialized countries and global corporations are in charge is why the WTO has not been able to help developing countries. So, WTO policies only involve fast-tracked trade liberalization in sectors and products that only help the industrialized countries (Kinanti, 2015, p. 50). This is in line with the neoliberalism movement, which has strengthened the large corporations that dominate the global market. Even though it says it believes in multilateralism and free markets, the WTO was made to represent and serve the economic interests and business practices of the US and other advanced-industrialized states, which did most of the planning. The WTO was supposed to be a crucial part of the neoliberal project of globalization. It was supposed to push for the gradual removal of state-imposed barriers to trade and capital flows, force a change to domestic regulations to make them more friendly to foreign capital, and put the growth of self-regulating markets ahead of protecting people and the environment. But this is still a project that isn't done. Moving toward freer markets has not been a fair or even process. It has been shaped by political fights and big differences in power between and within states (Hopewell, 2016, p. 43).

### **1.4.5. World Bank**

The World Bank, founded in 1944, is a Western donor agency involved in debt-ridden third world development projects. As part of its adjustment programs, the World Bank is at the forefront of addressing law reform issues in the 1980s. The World Bank is comparable to a cooperative, with 189 member countries (Prakasa, 2018, p. 153). These member countries, also known as shareholders, are represented by the Board of Governors, who are the World Bank's fundamental policymakers. The governors are typically the finance or development ministries of member nations. The Annual Meetings of the Boards of Governors of the World Bank Group and the International Monetary Fund are held annually. The World Bank does the same things as other central banks, based on what it does. One of the main jobs of the World Bank is to help keep the exchange rates of its member countries stable. This makes the World Bank a "savior" for Central Banks of its member countries that are having trouble with international liquidity. This institution often asks for rewards that have nothing to do with money. In fact, the most important ones have nothing to do with money at all and have to do with reorganizing the domestic economy to lead to market mechanisms and get rid of all inefficiencies and economic distortions in the national economy (Aruan, 2017, p. 79).

In addition to giving out soft loans, it also helps with money from donors. The World Bank's main goal is to help developing countries build better schools by giving them money. Bilateral donors and regional development banks are two of the most important groups involved. In the 1990s, when good governance became part of its development plan, it gave more money for law reform. In the new neo-liberal order, the World Bank has given law the most important role in keeping the government in its place. It has come to be seen as necessary for making the market work in the right way. The World Bank gives a plan for how rule of law reforms should be done based on how well the state can do them. This is the ability to organize and support group actions in an effective way. The World Bank thinks that the legal reforms it pays for are technical and have nothing to do with politics. It stresses that its Articles of Agreement put limits on what it can and cannot do (Tshuma, 1999, p. 83).

The big global institutions that were set up after World War II, like the IMF, World Bank, and WTO, have been the main ways that the neoliberal norm has been

pushed through interventions. The goal of the World Bank's intervention was to impose the political structure of a competitive state, or a state whose actions tend to make competition the rule of the country's economy, whether the competition was between foreign or domestic producers. In this more intense competition, states have become important players, trying to get a lot of foreign investment by making the best fiscal and social circumstances for capital to be used. They did this in a big way, which helped make a new order that put new limits on them. This forced them to cut wages and public spending, reduce "traditional rights" they thought were too expensive, and weaken mechanisms of solidarity that did not fit the logic of private insurance. The IMF and World Bank's actions were a natural reflection of how governments had shaped market finance from a political point of view (Dardot & Laval, 2014, p. 221).

### **1.5. The Historical Development of Neoliberalism**

A great ideology, in general, will not develop rapidly in history if it is only written without any executors or parties who really want to implement it in life. This happens to neoliberalism which is not only formulated and conceptualized by thinkers through their works but also tries to be implemented. The names of influential leaders or figures such as Margaret Thatcher in the United Kingdom (UK) and Ronald Reagan in the United States of America (USA) have inspired many people about neoliberalism.<sup>9</sup> On their hand, neoliberalism bloomed and gained important momentum in influencing other countries. The term neoliberalism was first coined in Germany after World War I by economists from the "Freiburg School" for the new concept of economic moderation.

Freiburg School is a circle or association that has members of famous economic thinkers such as; Friedrich A. Hayek, Wilhelm Röpke, Lutz, Friedman and Stigler. This circle was closed in 1962 when Hayek became a lecturer at the University of Freiburg (Madra & Adaman, 2014, p. 700). This school's members recognized the necessity to theorize the frameworks that effectively structure the connection between the state, the economy, and society in general. In contrast to their neoliberal allies, they

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<sup>9</sup> The intellectual and political development of neoliberalism is divided into three stages. The early development, the emergence of transnational neoliberal networks and the implementation of policies that continue to this day (Jones, 2012).

promoted an early grasp of the crucial link between law and economics. Their primary objective in this endeavor was to establish a socially integrated, well-functioning competitive order (Ptak, 2009, p. 101).

Although neoliberalism focuses on economic change, the political aspect is also one of the avenues used to facilitate the long-term goals of neoliberalism (Steger & Roy, 2010, p. 11). Friedrich A. Hayek, one of the thinkers who had a significant influence on neoliberalism, said that there had been various attempts to distance the liberal ideas that are the basis of Western civilization since the twentieth century. Hayek assessed that the ideas of classical liberalism had been shifted by the ideas of socialism, which caused a negative influence on Western civilization to become totalitarian. Besides the idea of socialism being able to damage Western civilization, another impact on economic liberalism is that it is discredited by the existence of propaganda that shapes public opinion. Classical liberalism eventually became a victim of world wars and misinterpretations (Turner, 2007, p. 69).

The pessimism of economists has also colored the momentum of the development of neoliberalism in history at the time of the decline of the laissez-faire system advocated by liberalism. The arguments of thinkers like Joseph Schumpeter, John Maynard Keynes dan Karl Polanyi (Polanyi, 2001) about the inability of liberalism to deal with the economic system of the twentieth century sparked many reactions from other liberal thinkers. Intrigues like this trigger other liberal thinkers to re-clarify the ideology of liberalism by offering a new form, namely neoliberalism. Neoliberalism in its development also had clashes with collectivism ideology in the 1930s and 1940s in the West. Collectivism which called for common interests and cooperation in achieving something, received a positive response from the public at that time. There was a clash between individualism inherent in neoliberalism and collectivism. But the idea of cooperation in the common good that collectivism brought about made it more readily accepted. The clash of basic structures of individualism and collectivism illustrates the different orientations about individual or group values. Individualists who prioritize independence will differ from collectivists who value interdependence with others (Tubaji, 2021, p. 55).

The horror of the Marxist state being the archenemy of neoliberalism is also depicted in George Orwell's fable, *Animal Farm*. This work is inspired by Hayek's

work, *Road to Serfdom*, which explains the horrors of socialism and Marxism. Both were published at the time of the rise of collectivism. A neoliberal thinker like Hayek generally rejects collectivism because he believes that all forms of collectivism will lead to dictatorship and economic catastrophe (Turner, 2007, p. 80). Before the Mont Pelerin Society was implemented, liberal thinkers, through a conference in Paris in 1938, tried to maintain the legacy of freedom in order to continue to grow and survive with the authenticity of true liberalism. Efforts to reinterpret liberalism in a meaning that goes beyond the laissez-faire conception and confronts the challenges of collectivism continue. One significant development in this effort is forming an interpretation that will involve synergistic competition for work with relevant institutions and individuals working together freely. In the West, thanks to the strong influence of Keynesian economic ideas in policy formulation, the development of neoliberalism was threatened, but at the same time also gets a trigger to be able to face this challenge. Keynesian economics is a set of ideas originating from the British economist John Maynard Keynes (1883-1946). Keynes argued that government intervention could stabilize the economy. Additionally, Keynes believed that free markets lack self-balancing mechanisms that would result in full employment (Jahan et al., 2014).

In the 1970s, there was a major crisis that resulted in economic repression in Western countries. This economic recession put an end to the post-World War II global economic growth. It was distinct from many prior recessions because it saw stagflation, in which high unemployment and high inflation coexisted. Along with the crisis that occurred in the 1970s, the development of the neoliberalism movement was challenged to be a solution to the economic crisis that occurred. Since the 1970s, the U.S. economy has gone through major changes, such as the outsourcing of production, the deregulation of the banking and financial sector, and a growing reliance on consumer debt as a way to keep buying power in an era of falling wages. Wall Street has been at the forefront of this reorganization of the economy and has once again shown that it is the most important business institution in the United States. But their actions, which were based on neoliberal economic ideas and policies, made the contradictions of capitalism worse by turning the whole economy into a casino and putting the futures of U.S. workers on the line (Welch, 2012, p. 222).

The oil embargo imposed by OPEC (Organization of Petroleum Exporting Countries) in the 1970s was also one of the causes of uncontrolled inflation and recession (stagflation), which had previously been ignored by the preferred interventionist Keynesian policies. The capital accumulation crisis of the 1970s affected everyone due to rising unemployment and rapid inflation. But after neoliberal policies were put in place in the late 1970s, the top 1% of income earners in the US saw their share of national income rise to 15% by the end of the century. This was very close to their share before the Second World War (Harvey, 2005, p. 16). Friedman foresaw the downfall of Keynesianism and formulated the case for monetarism, which was adopted in the late 1970s. In an effort to restore the profit rate, the neoliberal state addresses inflation with deflationary, monetarist policies and trade union power with legislation, police authority, and privatization. By extending neoclassical economics into new domains of social and individual life through terms such as human capital, it has arguably contributed to the broader development of neoliberal subjectivity (Davies, 2014, p. 314). With this achievement, the name neoliberalism became increasingly popular, especially in Western countries as a solution to the crisis that occurred in the 1970s.

This struggle for influence impacted the political situation until the time of Reagan in the USA and Thatcher in the UK. With the emergence of politicians who support neoliberalism, the development of neoliberalism has become increasingly intense. But in the 1970s, groups of Latin American economists began to apply neoliberal systems to their market models. But in the 1990s, the meaning of neoliberal became worse due to the failure of the "Washington Consensus." The Washington Consensus was a chaotic experiment that shaped the face of a new orthodoxy from rich to poor. The development of neoliberal coverage is not evenly distributed. Its implementation is often partial between countries. Its incompatibility with certain social conditions proves that the implementation of the Washington consensus was a failure (Harvey, 2005, p. 13). Neoliberal development then gained good momentum when the collapse of the Soviet Union in 1992, which at that time was an icon of socialism, the opposite of capitalism (Friedman, 2002, p. viii).

With the start of a massive globalization process in 2000 along with the development of information technology throughout the world, including Indonesia, the development of neoliberalism spread rapidly along with the desire to expand the power

of big companies in an effort to world hegemony. The process of massive globalization is a big agenda that affects the development of technology and the identity of countries in the world which are spearheaded by the superpowers in the West. This brought neoliberalism as a major force that swept across the first, second, and third world countries. What neoliberalism offers then indirectly becomes the standard of progress (Venugopal, 2015, p. 168). Massive consumerism and public and economic policies containing corporate interests enter various countries with the spirit of a new style of imperialism, crowning neoliberalism as a controlling shadow power (JA Wilson, 2018, p. 22). Economics and politics become terrible when everything is directed to the interests of a few elites. However, it is pretty effective in its development with the support of almost unlimited funds. Noreena Hertz sees the current state of affairs as if the government has been immobilized is a time when the world is being taken over quietly by dependence on corporations (Hertz, 2001, p. 7).

### **1.5.1. Neoliberalism and State**

Neoliberalism and the state are closely related, even though neoliberalism requires the state not to interfere in public and economic affairs in theory. The relationship between the state and neoliberalism is more of a mutual grabbing of public domination, either directly or indirectly, until, in the end, one of them becomes stronger. However, the case of competition like this is basically at the stage where neoliberalism has just arrived and entered a country. Neoliberalism does not necessarily appear to the public before it is really ready. The ideas of neoliberalism will be difficult to accept in a country that is still strict with collectivist values in religion or culture, so there needs to be an appropriate strategy. The elites in the state have an important role in making neoliberalism acceptable to the public (Eppler, 2009, pp. 27–28). Neoliberals believe that the state must take the first side with the market and set up the institutions that make free trade and markets work. But for the free market to work as well as possible, law and order must be kept. Because of this, the state's job is to make sure that the rule of law works to stop crime and stop monopolies or other forms of power concentration that can mess up the market (Hiariej, 2008, p. 3).



Neoliberalism creates citizens based on the entrepreneur and consumer model and then directs individuals to high levels of government and authority according to market needs. The state is reformed along entrepreneurial and managerial lines, facilitating and legitimizing extensive state intervention in personal, social, and economic matters as long as it does not interfere with elite interests (MacLeavy, 2016, p. 255). Through political loopholes, neoliberalism can infiltrate by bringing the initial idea of liberalism. The public needs to be familiarized with liberalism to minimize resistance to neoliberalism. Policymakers are also one of the targets of infiltration so that regulations that lead to or carry neoliberal interests can work. Even to support the principle of neoliberalism, if necessary, the state must use its monopoly on the means of violence to defend it (Harvey, 2005, p. 64).

At the level of theory and relations with the state, neoliberal thinkers such as Milton Friedman underlie the state, which contains a society that relies on voluntary cooperation to regulate the economy and other activities. This voluntary cooperation is not unconditional because everyone will be given the same benefits in the free market but must compete in it. In theory, countries with liberal-style freedoms and free markets should play a role in:

Maintained law and order, defined property rights, served as a means whereby we could modify property rights and other rules of the economic game, adjudicated disputes about the interpretation of the rules, enforced contracts, promoted competition, provided a monetary framework, engaged in activities to counter technical monopolies and to overcome neighborhood effects widely regarded as sufficiently important to justify government intervention, and ... supplemented private charity and the private family in protecting the irresponsible, whether madman or child (Friedman, 2002, p. 34).

In countries that are already established and accustomed to neoliberalism, the form of relations between these ideologies begins to change. Change occurs in the actions and responses of the state and the elites or, to borrow the term of Karl Marx, the capitalist. At this stage, state policy and neoliberal theory implicitly have synonym (Cahill, 2014, p. 4). Those who are socialist or adhere to Marx's thoughts view the state as a capitalist tool that capitalist class use for their own benefit (Eppler, 2009, p. 35). For the people of the middle and lower classes, the capitalists are seen as monsters and saviors in a country that has accommodated the economy. This is because, in a climate where the state does not interfere excessively in economic affairs, more job opportunities are opened by the owners of capital.

But on the other hand, too much freedom also poses a monopoly threat to those who are less fortunate. To survive with a system like this, neoliberal states often use nationalistic rhetoric or even group racism to survive (Harvey, 2005, p. 85). However, closed underground movements are often used in cases where it is difficult for the state to accept neoliberalism. In this case, the public does not know all the realities behind the policies that are portrayed by the state. In many developing countries, elites recognize that the absence of explicit private property rights is one of the most significant institutional barriers to economic progress and the promotion of human well-being (Harvey, 2005, p. 65).

The development of neoliberalism at the same time is likely to lead to a shrinking of the state in the form of weakening regulatory intervention and strengthening the influence of elites (Cahill, 2014, p. 5). Thus, if a country adheres to Neoliberalism, the natural consequence that will follow in that country is that the country would get weaker because government intervention will be cut with deregulation programs. If government intervention has been cut down, then the role of the bureaucracy will also be weakened. Hence it is also known as the de-bureaucratization process. The second effect is the loss of State-Owned Enterprises (SOE) in a country since the private sector will be taken over (privatization). Conditions where the weakening of the country and the strengthening of the market do not fully benefit everyone or even many people. As a power that manages the people's interests, the state can be harmed, and the impact is not only on the rulers but also on the people. This applies if the economy is not seen as a separate entity from human life. In response to this, the arguments of neoliberal thinkers will usually revolve around the state as an obstacle to development and market dynamics that accommodate the interests of the people (Stiglitz, 2010, p. xii).

### **1.5.2. Friedrich August von Hayek and Milton Friedman**

Friedrich August von Hayek's<sup>10</sup> research interests include philosophy of science, political philosophy, economics, social justice assurance, free will, and

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<sup>10</sup> Hayek was born in Vienna, Austria, on 8 May 1899, Hayek was the son of a professor of physics and botany at the University of Vienna (Caldwell, 2004, p. 133). His father's name is August von Hayek, and his mother's name is Felicitas Hayek. His family did not have any financial problems since the

epistemology. Hayek worked as a statistician from 1927 to 1931 and also as a lecturer in economics at the University of Vienna in 1929 before moving to the University of London in 1931. Hayek also took part in the debate among economists about the primacy of socialism in the mid-1930s. Hayek began working on a theoretical psychology book at the end of World War II, based on essays he wrote in Vienna's student days. In 1947, he held a symposium of 39 scholars from ten countries at Mont Pelerin in the Swiss Alps on the shores of Lake Geneva. This is the origin of the Mont Pelerin Society (MPS), a group dedicated to defining the concepts necessary for developing and maintaining a free society. Hayek moved from London again to the University of Chicago, America, in 1950, and the University of Freiburg in 1962, where he worked until his retirement in 1967 (Schmidtz & Boettke, 2021).

Hayek was a joint Nobel laureate in economics with Gunnar Myrdal, a Swedish economist, in 1974. Milton was also awarded the Nobel Prize in economics for his contributions to consumer analysis, monetary history and theory, and the demonstration of the intricacy of stabilization policy in 1976. Hayek became a central figure in this neoliberal ideological movement. Hayek wrote two books that become neoliberal references today, namely *The Constitution of Liberty* in 1960 (Hayek, 2011b) and *The Road to Serfdom* in 1944 (Hayek, 2011a; Hayek & Caldwell, 2007). Milton Friedman was greatly inspired by the neoliberal principles that Hayek advocated. Friedman and Friedrich Hayek are often associated with the economic doctrine of libertarianism. Libertarianism is an anti-interventionist political philosophy. While most libertarians agree with mainstream liberalism on the priority of individual liberty, they oppose other liberal concepts such as equality, solidarity, and social responsibility. Many libertarians reject modern governments as illegitimate due to their employment of 'coercive' tactics and embrace the utopian ideal of a loose society of free individuals engaging in entirely voluntary exchanges. Friedman

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beginning of his life. Hayek was born into an academic family, so he has been accustomed and educated by his family since childhood. Hayek entered the University of Vienna in November 1918. Hayek was initially interested in law and psychology during his undergraduate years, but he finally chose law as the subject for his first degree in 1921. When Hayek completed his final year at the university, he worked with Austrian economist Friedrich von Wieser, who awarded him a second doctorate in political economy for his work. At the same time, he began working in the interim government office, where he met Ludwig von Mises, an Austrian economist and author of a book criticizing socialism. Von Mises was appointed Hayek's tutor. Hayek's first book, *Monetary Theory and the Trade Cycle*, was published in 1929. On March 23, 1992, Hayek died in Freiburg, Germany (Caldwell, 2021).

believed that government planning and macroeconomic interventions were damaging to personal liberty and societal prosperity (Triantafillou, 2017, p. 34).

Hayek brings the spirit of capitalism and classical liberalism, which he considers more important to be prioritized before democracy. According to him, this is because capitalism makes democracy possible to be realized. Hayek assessed that the success of socialists and collectivists in controlling public opinion and getting support from the elites at that time was because they were able to provide a picture of the future they were aiming for with several principles to achieve that goal. Socialists also offer explicit programs in social development along with general principles for decision-making on specific issues. They are socialists who still hold fast to their beliefs even though they are utopian until they get the support of the public and the elite (Hayek, 1949). Hayek and Friedman both think that the most important problem in modern society is finding ways to do many different kinds of social things while reducing conflict and harming neither political rights nor civil liberties. According to both, the market mechanism, which can be understood by the logic of "invisible hands" as outlined by Adam Smith, is the most satisfying way for people to make decisions together but based on individuals who are allowed to pursue their own interests in the widest way possible by using all sources of power they own (Hiariej, 2008, p. 3).

Friedman was a key figure in transforming neoliberalism from a marginal viewpoint in the 1950s to the dominant economic orthodoxy in the 1990s. Inflation is emphasized as the most damaging economic effect of state intervention, such as price limits implemented by Keynesian governments to ensure low-income earners' access to basic commodities. Friedman developed his monetarist theory. It was argued that only a self-regulating free market allowed for the right number of commodities at the right price to be produced by employees paid at free market wage levels. By the early 1980s, Friedman contended that overcoming inaction required central banks such as the US Federal Reserve to implement anti-inflationary policies that maintained the supply and demand for money in balance. In short, monetary policies should take precedence over fiscal policies (taxation and redistribution programs) devised by the big government (Steger & Roy, 2010, p. 17). He died on November 16, 2006, in San Francisco, California.

Friedman<sup>11</sup> criticized the compulsions and inefficiency of state-run industries, including schools, welfare systems, transportation, and post offices. He disdained nearly all forms of government regulation as an infringement on individual liberty that merely swapped democratically enforced control for fascist or communist tyranny. Friedman contends that by bringing about a conflict between tremendous economic forces and "big government," the new liberalism deprived ambitious individuals of attempting to create something vital openness and freedom in their lives. Capitalism, the most ubiquitous market economy, was a necessary basis for democracy and freedom because only its competitive dispersion of power could foster the diversity of alliances and leverage points required for effective self-government (Ketcham, 2021, p. 103). Hayek was the one who inspired Margaret Thatcher and Ronald Reagan to implement deregulation, privatization, and liberalization in the country. Hayek's last work was "*The Fatal Conceit*," a book containing his critique of socialism in 1988.

### **1.5.3. Neoliberalism in the United Kingdom**

The idea of neoliberalism had already entered the United Kingdom (UK) even before Margaret Thatcher became prime minister (Jones, 2012, p. 94). However, the peak of the majestic power of neoliberalism showed itself in the UK when Margaret Thatcher<sup>12</sup> became prime minister. Margaret Thatcher studied chemistry at Somerville College, Oxford. She was inspired by the thoughts of John Maynard Keynes, William Beveridge, and F. A. Hayek. This is what made him move to neoliberalism and his idea of a free market (Cannadine, 2016, p. 8). She was the source of the movement.

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<sup>11</sup> Milton Friedman was born to Jewish immigrants in New York City on July 31, 1912, and he enrolled Rutgers University, where he received his Bachelor of Arts at the age of twenty. In 1933, he received his M.A. from the University of Chicago, and in 1946, he received his Ph.D. from Columbia University. In 1951, Friedman was awarded the John Bates Clark Medal, which recognizes excellent achievement by economists under the age of forty. He was the advisor of President Richard Nixon and served as the president of the American Economic Association in 1967 (Caldwell, 2022).

<sup>12</sup> Margaret Thatcher's real name is Margaret Hilda Roberts, and she was born at 1 North Parade, Grantham, Lincolnshire, on October 13, 1925. She is the youngest daughter of Alfred Roberts and his wife, Beatrice Ethel. Her father was a lay preacher in the Methodist chapel and also had a career in politics. Her father had been a member of the local council, elected from the independent line and then a member of the council until he served as mayor of Grantham from 1945 to 1946. Margaret had received religious education from her family since childhood. Since childhood, she has been taught the importance of order, precision, and attention to detail. She was also directed to make regular weekly visits to the local library to borrow books. In December 1951, Thatcher married Denis Thatcher and had two children, Carol and Mark (Cannadine, 2016, pp. 1–3). Margaret Thatcher died on April 8, 2013 (Cannadine, 2016, p. 154).

Thatcherism was a principle of British governance under Margaret Thatcher from 1979 to 1990. This principle is a form of the conservative ideology of the British Conservative Party led by Margaret Thatcher. During her reign, Thatcher seemed to have focused on systematically limiting organized labor, such as labor unions, the majority leaning towards the socialist movement (Gallas, 2016, p. 4). Throughout the 1980s, Margaret Thatcher's Conservative government regime championed the privatization of previously nationalized public companies. In addition to bringing a good image in economic growth, Thatcher's tenure also increased sharp inequality. This makes many companies that were previously managed by the state change hands to the private sector. From this policy, of course, many owners of capital are getting more and more capital, but on the other hand, workers are starting to have problems (Lenormand, 2015).

Thatcher political career began in 1951. Margaret Thatcher was elected Prime Minister of the United Kingdom in July 1979 and served until 1990. She also led the Conservative Party from 1975 to 1990. She was the first woman to serve as the longest-serving British Prime Minister. Thatcher has drastically changed British monetary policy. She mandated to limit the power of trade unions and end the deplorable inflationary stagnation that had plagued the country for the previous ten years with neoliberal ideas. Thatcherism is an offensive and consolidation step of the capitalist class in an effort to win the class struggle. Thatcherism re-examined the dominating power of the capitalist class by organizing attacks against the working class and was successful (Gallas, 2016, p. 7). Thatcher was able to use the principles of neoliberalism to be implemented in the UK as a guide to economic management in a broad scope (Harvey, 2005, pp. 1–2).

Widespread privatization and labor unrest resulted in the loss of tens of thousands of jobs in coal mining and heavy industry (Saad-Filho & Johnston, 2005, p. 199). Despite rising living standards nationally, the heavy industrial areas of the West Midlands, northern England, Clydeside, and Belfast saw their economies suffer in the 1980s. Throughout the 1980s, the Thatcher administration implemented policies to limit trade union power and influence and provide training for individuals entering the workforce or changing careers. On the other hand, London, as the capital, became prosperous more than an industrial area. The income gap also increased during the 1980s and 1990s. Unemployment and inflation rates declined gradually but remained

high until the late 1990s. Neoliberal policies are starting to negatively influence the economic power of a country that continues to fall from its status as a major global financial center (Smith, 2022).

In Britain, neoliberalism has been expressed through the ideas of social democracy. In its later development, neoliberalism produced a government ideology that combines market and interventionist views (MacLeavy, 2016, p. 255). After Thatcher's reign, neoliberalism in Britain continues to thrive today. Britain began to focus on neoliberal policies that included privatization, macroeconomics, and industrial policy. The economic dominance and the concentration of power that exists in London are more dominated by international financial capital than in the United States. The result of this dominance has shaped an unequal growth pattern that benefits London in the post-Thatcher period (Jessop, 2016, p. 418).

#### **1.5.4. Neoliberalism in the United States of America**

In America, the post-war period was a time of widespread socialism, both overtly and secretly. The existence of liberalism with the free-market principle and the progress of capitalism was suppressed, coupled with the infiltration of collectivism through socialization after the second world war (Friedman, 2002, p. viii). In some cases, neoliberalism has benefited some elite whites in liberal democracies (Walsh, 2018, p. 351). In Hayek's view, America has particular challenges in regenerating new liberalism or what will be called neoliberalism due to the condition of the younger generation who have long felt freedom. They do not really understand the taste and importance of ideal liberty because they have never experienced how terrible it is to lose that freedom (Hayek, 1949, p. 383).

In this case, Hayek implies that something will not really be considered important and understand its ideal meaning if it has not been lost. This condition occurs at a time when liberal thinkers are dealing with collectivists and socialists. Hayek compares conditions in America to Germany, where the younger generation will be very interested and excited to talk about freedom because they have never experienced the ideal of liberty (Hayek, 1949, p. 384). In the wake of the failure of Keynesian economists' ideas to address the economic crisis of the 1970s, neoliberal ideas gained traction in news magazines and the world of politics. They eventually

resulted in a bipartisan agreement between Democrats and Republicans, unifying the economic logic of President Ronald Reagan, H.W. Bush, Clinton, W. Bush, Obama, and Trump (McClure, 2021, p. 6).

Ronald Reagan<sup>13</sup> was elected governor of California in 1966 and served two terms after progressively changing his political stance from a liberal Democrat to a conservative Republican. He was elected the 40th President of the United States in 1980, defeating incumbent President Jimmy Carter. His tenure as president lasted from 1980 to 1989. After 69 days into active duty as president, he was injured in an assassination attempt. His administration pursued supply-side economic measures to stimulate economic growth and lower the federal deficit. The United States Congress adopted some of its suggestions in 1981 to reduce inflation but in 1986 doubled the national debt instead (Britannica, 2022).

During his tenure, Reagan sought to control labor-power, deregulate industry and liberalize financial power (Harvey, 2005, p. 1). Hayek, the father of neoliberalism, inspired Reagan's policies during his tenure as president. This makes him one of the neoliberal figures who has succeeded in carrying out his ideas. During his two terms, Reagan achieved positive results due to the various programs he carried out. One of the flagship programs is the “Reagan Revolution” (Byrne, 2018, p. 177) which aims to revive the quality of the American people and reduce dependence on the government. In the early days of President Ronald Reagan's leadership, neoliberal policies in America did not run smoothly. Many contradictions that occur coupled with racial issues that occurred in America at that time. The impact of the Keynesian economic failure, which also caused the business sector to decline in America, was used as an opportunity by neoliberals to appear to the public.

Neoliberals came to prominence during the economic crises and social unrest of the 1970s when the economic paradigm switched in favor of deregulation,

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<sup>13</sup> Ronald Reagan, whose full name is Ronald Wilson Reagan, was born on February 6, 1911, in Tampico, Illinois, United States. His mother's name is Nelle, and his father's name is Jack. Both are adherents of different Christians. His mother is Protestant while his father is Irish Catholic. Because his father was a drunkard, Reagan continued to receive education from his mother, who sent him to a Christian school. Before moving to Hollywood in 1937, he attended Eureka College, a private Christian school, in 1928. Reagan had worked as a sports radio broadcaster and was also an artist of his time. He appeared in more than 50 films during his career as a film actor. Reagan was married to Jane Wyman but divorced in 1948. He has two children, Maureen and Michael. On June 5, 2004, Ronald Reagan died in Los Angeles, California (Byrne, 2018, p. 8).



constrained government, and free markets. A few left-wing intellectuals and politicians started using the term "neoliberal" to characterize their ideologies in the 1980s when the adjective "liberal" started to be used negatively by American conservatives. Despite the fact that intellectuals in America at the time were never explicitly associated with pro-market policies, they made a significant contribution to the recognition of free-market principles by rejecting the legacy of the New Deal and the New Left, criticizing policies like Social Security and Medicare, vehemently attacking unions, and asserting that they "no longer favor big government intervention or oppose the military and big business." (Viala-Gaudefroy, 2019, p. 2).

Reagan, as one of the supporters of neoliberalism, slowly began to introduce the ideas of neoliberalism through public policies. After a decade of contraction and Reagan's complete institutionalization of neoliberal ideology through Reaganomics (Reagan's economic policies), business steadily recovered at the expense of workers in the 1970s (McClure, 2021, p. 157). Reagan championed legislation to accelerate economic development, contain inflation, increase employment, and strengthen national defense through deft negotiations with Congress. He embarked on a path of tax cuts and reduced government spending, refusing to budge when increased defense forces resulted in a significant deficit. Reagan's foreign policy goal was "peace through force." He increased defense spending by 35% during his two terms but sought to improve relations with the Soviet Union.

In 2009, President Barack Obama delivered a speech responding to the economic crisis, which was the worst crisis since the Great Depression in the 1930s. Obama said that at that time: "the problem in managing the economy in a country is no longer about whether the country is too big or too small, but whether it works." At first glance, this statement seems pragmatic in responding to the crisis, not leaning towards neoliberal capitalism or socialist collectivism. But then Obama added that the power of the market in creating wealth and freedom is unmatched. But the crisis at that time in America had taught him that a market without a watchdog, or one to monitor it, would become uncontrollable. After Barack Obama's speech, the American media indicated that the era of neoliberalism might end (Steger & Roy, 2010, p. 1). The development of neoliberalism in America during the leadership of President Barack Obama has been sharply criticized for the independent or self-regulating aspects of the market. But President Obama is not the first to voice criticism of such a system. President Franklin

D. Roosevelt also stated that the inability of the classical liberalism-style free-market system brought by neoliberals to recognize the importance of a secular state was a mistake. Fear of catastrophic consequences if capitalism does not adhere to specific norms and controls is intended to avert an unmanageable economic collapse (McClure, 2021, p. 301; Steger & Roy, 2010, p. 6).

If viewed from its history, this aspect has actually become the basic principle of economic movement since the 18th century AD (Steger & Roy, 2010, p. 2). The self-regulating market had become the main engine in accumulating capital and a symbol of resistance at that time against mercantilism<sup>14</sup> which held complete control by the state in the economy. Before the modern era, market freedom was difficult to achieve because the monarchy's grip was still strong, so the ideas of liberalism and capitalism became a breath of fresh air to fight for. But on the other hand, when America went through a crisis when markets became out of control, and the elites under neoliberal support became richer, the monarchy no longer existed. America receives a part of global revenues, which requires a rapid increase in exploitation to support the high level of elite consumption. This is the point of concern that neoliberals in America have become monsters that need to be tamed (McClure, 2013, 2021).

### **1.5.5. Neoliberalism in East Asia**

Asia is a great place to think about and study how markets are built under late capitalism as a geographical and political space. Not only are the things being studied being used in the region, but Asia is also home to 60 percent of the world's population, the majority of the world's poor, and is at the center of global production and consumption chains. The impact of the struggle between socialism and capitalism has brought several countries in Asia to significant changes in the economic and political fields. The wars from Hong Kong and Taiwan versus Mainland China and South Korea versus North Korea respectively represent major ideologies from the Second World War to the Cold War, liberalism and socialism. Capitalism which does not stand alone because it also brings neoliberalism tries to take advantage of various

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<sup>14</sup> Mercantilism is based on the belief that the economy exists to serve the political authority of nations or rulers. Mercantilism's tendencies were in offensive contrast to the liberal vision of peace and prosperity through free trade. (Britannica, 2020; Fontanel et al., 2008, p. 331)

momentums and gaps. Only later, when the Soviet Union, as the mother of the socialist state, broke apart, the momentum for neoliberalism began to exert its influence (Friedman, 2002, p. ix). Apart from the competition between socialism and capitalism, multilateral practices that contain ideas and mechanisms that international organizations use in the name of development have experienced significant modifications over the past three decades that were facilitated by the backdrop of neoliberalism and capitalism. This Western-originating practice has succeeded in spreading to every continent, including Asia (Carroll, 2018, p. 69).

In the past, close ties between government and business in most countries in Asia, especially in Indonesia, were thought to help create a positive growth cycle for everyone. However, these close ties have now turned into "corrupt" regimes that encourage ineffective state intervention, create structural problems, and bring about their own downfall. The solution was laid out after Letters of Intent which were negotiated between the IMF and the countries of Indonesia, Thailand, and Korea, whose economies were in crisis. It basically called for the "augmented" Washington Consensus policies to be implemented. In other words, the core policy proposals about macroeconomic prudence, deregulation, privatization, and liberalization now needed to be paired with a renewed commitment to reducing poverty and wide-ranging institutional reforms that fell under the heading of "good governance" in Asia. This is one way to try to fix the economies in East Asia that were hurt by the crisis by attempting to invent neoliberalism in the area (Islam & Beeson, 2005, p. 5).

Neoliberalism is a dynamic ideology cleverly influencing China which still believes in communism, that has a big different value with neoliberalism itself. China, as a big country, began to approach neoliberalism in the early 1980s, marked by the inclusion of the World Bank's role in China (Weber, 2020, p. 4). But what is unique for China is that they have not turned into a democracy like America. China remains a communist country with the dominant power of the post-Mao Communist Party, but neoliberalism can infiltrate deep into the Chinese government system. This is due to neoliberalism's versatility, which can infiltrate and adapt. The Chinese Communist Party then began to reform neoliberalism so that it could suit its characteristics. These reforms were carried out so that the neoliberalism that captivated China would not look like the enemy of the ideology they have been fighting for (Steger & Roy, 2010). Apart from China, South Korea was also mired in neoliberal influence through the

International Monetary Fund (IMF) until it was caught in the Asian financial crisis in 1997 (Chang, 2011, p. 483). During the 1980s and early 1990s, the Asian Development Bank put a lot of focus on infrastructure and education in Indonesia. This focus, along with the Asian Development Bank's broader work in the region, would soon be redirected toward and/or covered up by more overtly neoliberal policy-oriented elements as the 1990s and 2000s went on. Agriculture, energy (including energy diversification and efficiency), education, and infrastructure were all supported with priority projects (Carroll, 2018, p. 76).

There are notable instances of widespread opposition to neoliberal change. Former Malaysian Prime Minister Mahathir Mohamad has offered the most constant criticism. As a result of his personal involvement with an oppressive, authoritarian type of governance, he is generally reviled in "the West." Central to Mahathir's condemnation of the West in general and the international financial institutions, in particular, is his argument that the international financial institutions discriminate against small and poor firms from developing countries in favor of large and wealthy corporations. Only the collective activities of poor countries, according to Mahathir, are likely to create a barrier against neoliberal hegemony (Islam & Beeson, 2005, p. 10). The development of neoliberalism in Asia can be seen from the correlation between the privatization agenda and market deregulation in public policy since the 1970s. In the period from 1977 to 1999, there were 448 privatizations of state assets, either fully or partially (Cahill, 2014, p. 16). In the case of Indonesia, since the seeds of the crisis grew in 1997 to its peak in 1998, the extension of neoliberalism has begun to take effect. As a global organization that carries the values of the free market, privatization, and deregulation, such as the idea of neoliberalism, the IMF has been heavily involved in supporting the Indonesian economy. The inflation of the Rupiah currency that occurred in Indonesia in 1998 was also one of the impacts of the IMF's policy of rejecting the implementation of the currency board system in Indonesia. The IMF will only provide assistance to Indonesia after agreeing to the IMF's version of the "economic reform package" and being willing to be monitored (Kutan et al., 2016, p. 123).

## **2. CHAPTER TWO**

### **THEORETICAL FRAMEWORK AND HISTORICAL BACKGROUND OF PUBLIC ADMINISTRATION**

#### **2.1. The Concept of Public Administration**

Public administration is a part of social science that studies how to manage public organizations as well as essential elements of the state such as public policy, bureaucracy, governance, and ethics of state administrators. Linguistically, the administration comes from the Greek words *ad*, which means intensive, and *ministrare*, which means to serve. The combination of these two words gives the meaning that the public administration is serving intensively in the locus of public interest and public affairs. Due to the wide scope of public administration, the executive, legislative, and judiciary activities and cooperation are also one of the main points of study that continue to be studied. Before Woodrow Wilson is known as the father of public administration, Lorenz von Stein has researched the concept of public administration and its relation to the state. Stein, who is also of the same mind as Hegel, sees freedom as an essential human characteristic, and the state aims to realize it. Consequently, Stein argues that administration is a tool of the state aimed at meeting human needs (Rutgers, 1994, p. 399). In America, Woodrow Wilson argued that the purposes of this administration were at least twofold. The first is to find out what governments can do well and succeed. Second, how the government can do these things correctly and with the maximum efficiency possible by using minimal resources of money or energy (W. Wilson, 1887, p. 197).

Wilson emphasized that public administration is one of the most obvious parts of government, namely the actions of the government, especially the executive who carries out operations. Wilson advocated a basic tenet in the administration of separation from politics, implementing systems such as business organization and merit-based appraisal. Although advocating a system that resembles a business organization, it does not mean that Wilson considers the nature of public administration to be purely financially profit-oriented, like business organizations in

general. Regarding this matter, he continues to give limitations that public administration, which aims to straighten the way of government, should not be like business in general because government organizations must be purely for the public interest as their obligations (W. Wilson, 1887, p. 201). In a broad sense, public administration is the activity of the state in exercising its political power (for the public interest). In its implementation, public administration will be dominant in looking at the executive's behavior because more public and bureaucratic affairs are carried out. This is certainly in line with the duties of a country's executive who carries out public affairs (Mindarti, 2016a, p. 4).

The many concepts and theories that have developed in defining public administration make it difficult to establish a single definition of public administration. Leonard D. White defines public administration as human and material management in achieving state goals. For White, the basis for the study of public administration is the new management of law (Storing, 1965, p. 39). White shared Wilson's opinion about the goal of public administration for the most efficient use of the resources of officials and employees. With the existence of public administration, the relationship between government business executives and the implementation of other organizational affairs can be built. All good management can be recognized as an essential element to achieving goals and success. Herbert J. Storing draws on the definition of public administration from that which White has written: "Administration encompasses all procedures aimed at achieving a common goal or purpose shared by two or more people. It excludes only non-purposeful "operations" and those involving only one person." (Storing, 1965, p. 40)

Government agencies are charged with the responsibility of regulating, serving, and protecting the public interest. Due to the fundamental differences between government bureaucracies and private businesses, scientists and practitioners of public administration recognize the significance of establishing ideas and practices distinct from those produced by business administration scientists. With this new understanding, the identity of State Administration Science becomes obvious, namely that state administration scientists lay a greater emphasis on administrative processes and government organizations as sites of practice. Public administration in the state is at the intersection of law and politics, between the judiciary, legislative and executive.

The administrator's ideal point is determined and compromised through public services resulting from the power that exists within the state (Lynn, 2022, p. 635). The public administration is responsible for determining government policies and programs with agreed objectives until now. These government programs usually include planning, organizing, coordinating, implementing, and evaluating (Page et al., 2020).

Public administration makes service to the public the main orientation with methods and provisions that have been regulated without harming anyone. Administrators who serve the people have an equal position with the people they serve. Public administration formulates rights and obligations that must be carried out to achieve the goal, namely the fulfillment of general needs. On the other hand, the public being served is also obliged to carry out their rights and obligations so that the service process can run in a balanced and mutually beneficial manner. This concept seeks to clear the understanding that the state or government is the only holder of the control of public needs with its power. With this concept, the state or government becomes a facilitator and partner of the public in fulfilling their duties (Banga, 2018, p. 5).

## **2.2. Historical Development of Public Administration**

Public administration as a conceptualized field of social science emerged and developed in America since the time of President Woodrow Wilson (1913-1921). However, in historical reality, public administration as a field of study that was systematically researched did not first emerge from America but from Germany. In many areas of the world, Lorenz von Stein, a professor from Vienna, is considered a pioneer in the science of public administration (Saklı, n.d., p. 297). Public administration was considered a part of administrative law during Stein's time, but Stein considered this grouping too limited. Stein taught that public administration was based on various pre-existing disciplines, such as sociology, politics, administrative law, and finance (Rutgers, 1994, p. 396). He called public administration a science that integrates the science of administration and the state. He argued that public administration has to enforce the law (Rutgers, 2000, p. 294).

The development of next issue about the importance of public administration being developed as a particular discipline emerged through Wilson's writings in the *Journal of Political Science Quarterly*. At that time, Wilson saw problems in United

States governance that created ongoing inefficiencies and ineffectiveness. In his article, Wilson saw the need for the science of public administration to be developed despite the existence of political science, which had developed first. This is because political science alone is not enough to solve problems in governance. When Wilson wrote about the importance of this science of public administration, no political writer had written about this subject systematically. This also provokes debate because political science still focuses on the topic of the constitution of the government, the nature of the state, and the essence of human goals in government. However, the debate that is involved in politics leaves a lot of empty space and questions that still need to be answered in governance, such as: Who should make the law? What will the law be? How will the law be enforced? (W. Wilson, 1887, p. 198).

Despite the many problems that still arise, questions such as the one above is often underestimated and considered practical problems that can be solved after principal problems (W. Wilson, 1887, p. 199). The next development of Woodrow Wilson's ideas emerged from the book *Politics and Administration* written by Frank J. Goodnow (Goodnow, 1900). Through this book, the administration concept became independent as a scientific discipline by building its own ontology, epistemology, and axiology. Through this book, public administration also begins to try to separate itself from political science. There was much debate on the dichotomy between public administration and political science during this period. In the next period, the development of public administration was triggered by the emergence of a book entitled "Introduction to the Study of Public Administration" by Leonard D. White in 1926 (Cottrell, 1939).

In White period, public administration began to build its own form systematically. White, through his book, uses many approaches from management and organizations in understanding public administration. After White, the historical development of public administration was marked by the appearance of the article by Luther Gullick in 1937 and other related books. In this period, public administration scientists began to seek to establish universal principles of public administration. Gulick developed a comprehensive generic organizational theory and prioritized the scientific method, the level of efficiency, professionalism, administrative structural reform, and control in the executive. Gullick's article entitled "Notes on the Theory of Organization" became one of the references for public administration, especially the



acronym he introduced, namely POSDCORB (Planning, Organizing, Staffing, Directing, Coordinating, Reporting, and Budgeting). Gullick views public administration as not only focusing on how something is but how something will be in the future (Meier, 2010, p. 284).

From the 1940s to the 1960s, public administration experienced difficult times where many scholars began to criticize the principles of public administration. There is also fierce debate at this time about whether public administration is an art or a science? This debate has resulted in an identity crisis for public administration (Hafer, 2016, p. 2). Moreover, with the publication of Herbert Simon's article entitled "The Proverbs of Administration," his criticism of public administration was further sharpened. (Simon, 1946) The critique was directed at the idea that the management characteristics shared by private companies were incompatible with public administration. The characteristics of the management and administration of private institutions differ from those of government institutions. In this period, those who criticized public administration seemed to want to make it an independent field of science by removing it from the subordinates of management science. Although the political-administrative dichotomy briefly subsided in the 1950s, 1980s, debates about the political and public administration dichotomy still occur and are strengthened by the emergence of a new paradigm (Zalmanovitch, 2014, p. 2).

Although it is still undergoing debate in its development, public administration in this regard has the same momentum to become the center of attention of the developing discourse in the country. One solution that emerged for public administration was the birth of the New Public Management (NPM) paradigm proposed by David Osborne and Ted Gaebler in the book "Reinventing Government" in 1992 (See: Osborne & Gaebler, 1992). NPM is a well-developed and coherent theory of management change based on importing fundamental notions from (relatively) current commercial practices and public choice–influenced theory into the public sector (Dunleavy et al., 2006, p. 469). NPM also reiterates the importance of limiting public administration from the political sphere and confining it to managerial tasks (Zalmanovitch, 2014, p. 3). Neoliberalism is beginning to show up in the NPM model of public administration. Due to the large gap between what NPM theorized and the results on the ground, criticism of NPM continues to emerge. The World Bank and IMF exploited the influence of this critique to introduce public administration reforms

to the standards they set (Mindarti, 2016a, p. 179). After NPM, another public administration model called the New Public Service was coined by Robert B. Denhardt and Janet V. Denhardt in 2003 (Denhardt & Denhardt, 2003). The New Public Service was conceived to correct the shortcomings of NPM and revitalize social and democratic values from the government to the people. Recognizing technological developments and the increasingly strong influence of globalization, the New Public Service was then replaced by a Good Governance model that linked the state and the market more (Mindarti, 2016a, p. 156).

### **2.3. Elements of Public Administration**

As a science that is built from various disciplines, public administration to this day continues to develop to be better. In the process of its development, public administration scientists continue to strengthen the foundation of administration with various elements that support the sustainability of its theoretical and practical dimensions. Elements that are part of public administration ensure that the community's needs are properly met. Public administration will never be able to escape from the influence of the development of existing administrative components (Kurniawan, 2007, p. 21). By understanding the impact of the development of various elements in the scope of public administration, public administration can improve and adapt. The development of public administration, especially in Indonesia, can be measured by what influences its elements, both at the practical stage in the field and in academic studies (Braibant, 1996, pp. 164–165).

#### **2.3.1. Public Policy**

John Dewey first studied public policy systematically through his book, “Logic: The Theory of Inquiry,” published in 1938. Dewey researched about how policies are planned, alternatives, and how to observe the impact of policies that have been carried out. For Dewey, public policy is an experiment that must be continuously studied and updated. Harold Laswell developed the next phase of public policy. Laswell developed this science as a discipline that is inseparable from other fields. Policy science is the study of decision-making processes or the process of gathering

and evaluating available information in order to arrive at a solution to a particular problem. This type of science focuses on five intellectual tasks associated with problem-solving. The five intellectual tasks are as follows: goal clarification, trend decomposition, situation analysis, future development projections, evaluation research, and alternative selection (Thoha, 2008, p. 104).

The task developed by public policy intellectuals begins with clarification of the goals to be achieved through the policy. Then the trends that are active in society are described as the basis that can be used for public policy. With enough data, intellectuals analyze the situation to be able to understand what needs to be done properly. Projection of future development is one part of public policy to provide an overview of what will be achieved in the future. To be maximal in the process, research, evaluation, and alternative choices need to be carried out so that the results obtained are in accordance with the objectives.

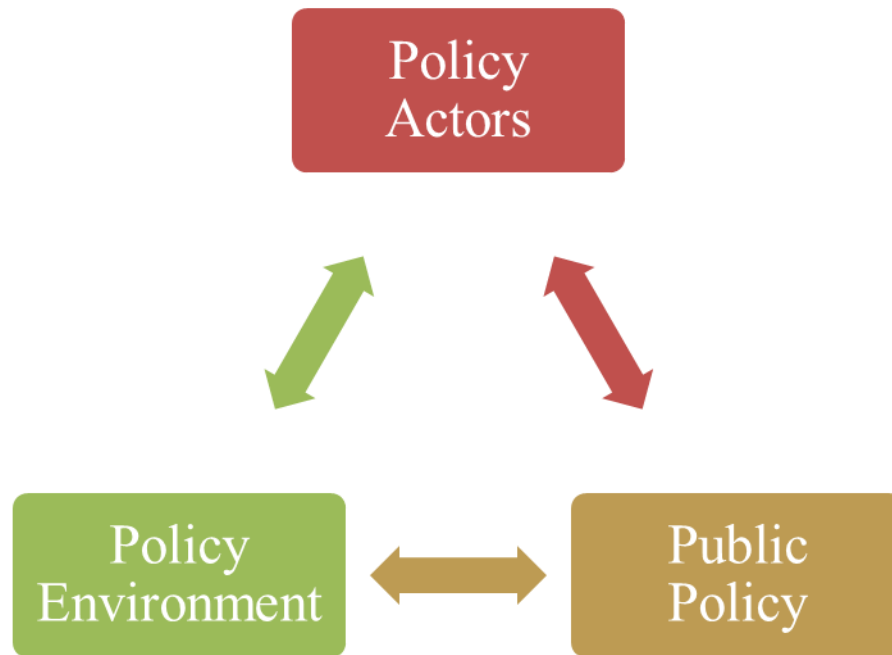
The study of public policy gained great momentum in the 1970s when economic and political problems began to see the urgency of this science to formulate solutions. Public policy is an important study undertaken by the government and private institutions. According to David Easton, public policy is the authoritative allocation of value for the entire society, but it turns out that only the government has the authority to act authoritatively on the 'whole' society, and everything the government does or does not, result in value allocation. In addition, the scope of public policy is vast because it covers many other sectors. Public policy is also implemented based on the existing hierarchy in a country, starting from the national, regional, and local levels. Laswell and Kaplan define public policy as a projected program of goals, values, and practice or a program for achieving goals, values in directed practice (Taufiqurokhman, 2014, p. 3).

Public policy based on a policy analysis approach is inextricably linked to the political system used by the country's government in question. In a broad sense, public policy is government action aimed at realizing the political system that serves as the foundation for daily life. The political system's interests will influence all decisions made by the central government regarding local governments. The political system serves as the primary foundation for developing and establishing the establishment of public policies so that public policy serves as the determining variable and is

determined through state government administration (Hi Ibrahim & Supriatna, 2020, p. 119).

There are values contained in public policies implemented by the government. Every policy product is not free from values because the actors who formulate the policy in the policy formulation process must base it on the values they believe in (Hi Ibrahim & Supriatna, 2020, p. 113). Therefore, public policy should contain values that originate from and are in accordance with the public. Public policy is closely related to public administration and political actors in government, especially the executive, to be able to coordinate all activities associated with the task of meeting community needs (Bisri, 2017, p. 121). Conceptually, public policy is not narrow but broad and very strategic in understanding the phenomenon of public administration to be able to formulate decisions that the government will take in responding to the existing challenges. In the practice of governance, public policy is divided into three principles, namely: policy formulation (how to formulate it), how the policy is implemented, and how the policy is evaluated (Taufiqurokhman, 2014, p. 10).

The government's determination of public policies cannot be separated from global influence. What is the international focus is often an important lesson for governments to formulate public policies? However, not all issues can be included in the public policy agenda. Certain issues related to the environment, quality of life, human rights, and even the pandemic can determine drastic changes in public policies that the government will take. Such influence can be a positive thing for a country to learn and gather more information. However, the opposite can happen when global influences indirectly dictate the process of formulating a country's public policy. Things like this are usually influenced by including individual or group interests in the policy formulation process. The mode used can be through international organizations, donor agencies, or even non-governmental organizations (Banga, 2018, p. 122).



**Figure 1 Relationship of the Three Elements of Policy.** (Source: (Taufiqurokhman, 2014, p. 20))

Every element in modern state policy, especially those that use the good governance model, is related and reciprocal to one another. With the disclosure of information and the freedom to participate from various circles in society, public policy has developed rapidly. The three elements involved in a policy are; policy actors, public policy, and the policy environment. Environmental factors can generate policy demands, which are then converted into a political system. In addition, environmental restrictions and constraints will impact policymakers. These environmental aspects consist of physical qualities such as natural resources, climate, and topography; demographic variables such as population, population age distribution, and unique location; political culture, social structure, and economic system.

### 2.3.2. Bureaucracy

To this day, Max Weber has been nicknamed the father of modern bureaucracy. However, in his writings, Weber does not provide a concrete definition of bureaucracy. In general, Banga draws conclusions about Weber's definition of bureaucracy as an administrative body with a collaborative relationship of officials, certain and distinct groups, whose work can be seen in all types of organizations (Banga, 2018, p. 57).

Despite Weber's fame as the father of modern bureaucracy, if traced from its history, the term bureaucracy itself can be found recorded since the 1760s in France. The names of the early figures who had touched on this issue were Baron de Grimm, a French philosopher, and Vincent De Gournay. Then in 1798, the term bureaucracy was recognized in the French Academy Dictionary with the meaning: "Power, the influence of the heads and staff of government bureaux." (Albrow, 1970, p. 17). Bureaucracy is a large organization with unique and universal characteristics, including a focus on task orientation, goals, and the achievement of planning objectives, efficiency, and emphasis on systematization and accuracy, and a commitment to verification and control through formality. In defining authority as legitimate power, bureaucracy seeks to understand the relationship between power and authority (Bisri, 2017, p. 123).

According to the public administration idea, the government bureaucracy serves as a strategic link between the state and society, assisting the state in achieving its objectives, carrying out government functions and processes, and conducting government affairs. Government bureaucracy is the structure and operation of a country's vast government. Government bureaucracy is a critical tool for achieving state objectives. Bureaucracy originates with the community's "agent of society" in the form of government policies and functions for the community's benefit (Hi Ibrahim & Supriatna, 2020, p. 74).

Bureaucracy is a characteristic of an organizational pattern with a structure that is structured to be able to maximize the use of existing resources (including human resources). Bureaucracy will be closely related to bureaucrats and civil servants. A professional bureaucracy will support the promotion of the rule of law, the value of transparency, and a strong civil society. On the other hand, a bad bureaucracy is a bureaucracy that cannot be accounted for, an unfair legal system, abuse of power, a constrained civil society, and widespread corruption (Prianto, 2011, p. 6). However, Weber's definition of bureaucracy did not include all officials. He explicitly refused to refer to the elected official or the one chosen by the public as bureaucratic. The essential characteristic of the bureaucratic official was his appointment (Albrow, 1970, p. 42).

Bureaucracy is also inseparable from public or private organizations. According to Weber, the bureaucratic organization refers to the relationship of

authority by placing, appointing, and determining the duties of employees based on written legal rules. In addition, bureaucratic organizations also have authority arrangements and employee promotion patterns with certain rules (Banga, 2018, p. 58). For Hegel, civil servants serve the country in the public interest. Hegel even places bureaucrats with heroic narratives (Albrow, 1970, p. 41). But on the other hand, Lorenz von Stein sees that even in the bureaucracy, the potential for fraud by bureaucrats is still possible. Stein realized that with their bureaucracy, civil servants had the possibility of becoming instruments of groups with certain powers or interests. If so, public servants who should be loyal to the public interest will not serve the public (Rutgers, 1994, p. 399).

Bureaucracy in the era of globalization is often one of the hopes in the implementation of public services through government institutions. This forces the bureaucracy to continue to be innovative in supporting the development of public administration (Banga, 2018, p. 6). In an effort to innovate, the government bureaucracy needs to pay attention to several things as a form of responsibility to improve the quality of public administration in the form of opening creative opportunities for bureaucratic apparatus and revitalizing a healthy competitive climate (Banga, 2018, pp. 7–8). The bureaucracy must have the characteristics of being clean, open, accountable, responsive, oriented to the public interest and able to encourage public participation to be involved in the policy formulation process (Kurniawan, 2007, p. 17). For Indonesia, which uses good governance as a reference, the role of the bureaucracy has shifted to providing more direction than producing services. In this case, it does not mean that the role of the bureaucracy becomes unimportant but that the role of the bureaucracy becomes more strategic and faces new challenges. The bureaucracy is required to be a liaison between the state (government) and the private sector (market). On the other hand, the bureaucracy is also necessary to be able to bridge between the state and civil society (Mindarti, 2016a, p. 174).

### **2.3.3. Good Governance**

According to Stoker, the concept of governance refers to a style of governing and policy in which the boundaries between the public and private sectors become flexible and dynamic. The relationship between the government and the private sector

will involve political mechanisms and recognition of the importance of what the public needs. The consequence of this is the need for policy legitimacy based on the participation of the government and the public to be able to work together (Kurniawan, 2007, p. 13). The World Bank defines governance as the exercise of political power to manage state affairs. From this definition, the World Bank places the urgency of good governance on issues of public sector management, accountability, legal framework, information transparency, and civil service (Mindarti, 2016b, p. 67). The concept of good governance is expected to be a new solution to make public administration focus on the public interest, particularly involving the participation of the private sector and the community involved in fulfilling their needs. The transition from government to governance shows the existence of public awareness that currently, the state is not always the main point in meeting public needs. In good governance, the state, private sector, and civil society are directed to synergize in building consensus (Prianto, 2011, p. 3). The truth demonstrates that government institutions no longer monopolize the role typically associated with government authority. Nowadays, it is simpler to locate a variety of non-governmental institutions that perform missions and functions previously reserved for the government. On the other hand, bureaucratic institutions produce both public and private goods and services (Mindarti, 2016a, p. 157).

Good governance has five dimensions that characterize public administration, namely: actors, functions, structures, interaction conventions and distribution of power. From the actor dimension, many participants are involved in governance, including the public and private sectors. From the functional dimension, governance is characterized by a lot of consultation in policy settings to allow cooperation between the actors involved. Based on the dimensions of the structure, governance is characterized by the existence of hierarchical levels that are arranged in a functional and open manner. Governance is characterized by horizontal coordination with an open, cooperative relationship pattern from the interaction convention dimension. Finally, based on the dimensions of power distribution, it can be seen from the lack of state domination, especially in the market domain. From these five dimensions, good governance seems to refer to various actors other than the government and signifies independence without always depending on the state. This also has the consequence that the power of the state becomes weaker. All actors in good governance have an



equally important role in creating conducive administrative conditions (Kurniawan, 2007, pp. 15–16).

As a systematically structured concept and has the support of major world institutions, good governance carries a certain governance model (Prianto, 2011, p. 4). The United Nations Development Programme (UNDP) formulated the main principles of good governance, including participation, the rule of law, transparency, responsiveness, consensus-oriented, equity, efficiency and effectiveness, accountability, and strategy vision (Mindarti, 2016a, p. 164). The introduction of good governance creates an oppositional condition, namely bad governance (Kurniawan, 2007, p. 13). The labeling of good or bad governance is still heavily determined by the World Bank. This is closely related to the neoliberal domination within the World Bank, as discussed in the previous chapter. Good governance by the World Bank and IMF is also used as a prerequisite that must be followed as a development standard by countries that need support and assistance from the World Bank and IMF. Although these programs are widely disseminated, it is still a question of whether good governance can be applied universally regardless of the various biases of meaning that exist (Vymětal, 2008, p. 7).

The characteristics of good governance in its implementation are:

- 1) The context changes continuously.
- 2) It consists of different populations.
- 3) Needs that are complex and changing.
- 4) Strategy is determined by the community or public opinion.
- 5) The existence of networks and partnership relationships with other institutions.
- 6) Leadership is determined by the community (Kurniawan, 2007, p. 16).

Along with its development, the term governance is used to show the urgency of government reform in terms of processes, methods, and achievements (Pratikno, 2005, p. 234). In relation to the development of public administration, good governance needs to be implemented with the assistance of decentralized units that are the driving force at the regional level. This is because optimal development of public administration will be difficult to achieve if a centralized bureaucratic pattern hampers elements such as good governance. To this day, the development of good governance

has also influenced the definition of governance in Indonesia to emphasize the importance of the participation of non-government actors (generally the private sector) to be involved in public administration (Wiratraman, 2007, p. 6).

#### **2.3.4. Civil Society**

The idea of civil society first started in Ancient Greece in the era of Cicero about “*Societas Civilis*” to Aristotle (/’æristɒtəl/; Greek: *Ἀριστοτέλης Aristotélēs*), where it was used in the city of Polis and was an important part of the tradition of European society. Aristotle defined the first classic version of the concept of civil society, calling civil society a political society of citizens who are accepted as free and equal in a system of rules determined by law. Based on its history, Western political experts gave birth to the term "civil society" as a counterweight to the domination of the state, which at that time had enormous power (Yıldırım, 2003, p. 227). A civil society which is characterized as a civilized society with tolerance, guaranteed freedom, and democratic state administration, is a product of human thought in its struggle with the history of life, especially the historical thought of Western society. In Europe, the idea of civil society has been known since the embryo of Aristotle ideas (4th century BC), then developed by other thinkers to the present day (Masduki, 2007, p. 160).

Without a strong civil society, there can't be good government. As social capital, civil society is a very valuable source of power. A strong civil society is important because it keeps an eye on every policy the government makes. Social capital is a human-to-human process that creates networks, norms, and social trust. It also makes it easier for people to work together and coordinate for the good of all. Social capital is the foundation of a strong civil society and is thought to affect the level of welfare, economic growth, and the way benefits are distributed. In fact, since the time of the reformation, people in Indonesia have been working to improve the quality of civil society in order to give them more chances to be involved. We need a society that is more open to everyone immediately so that people from different groups can participate. The quality of government is also affected by how much the civil society is involved (Sulistiani, 2017, p. 7).

Civil society is a confusing and contested concept because there are so many different (often unrelated and articulated) definitions and understandings of one another. Because the claims sometimes made to its explanatory power never match the complexities and contingencies of authentic culture and society, especially when interpretations made at one time or in one part of the world are transferred to another. Civil society can be interpreted as an advanced society that is separated from the state of nature, transcends a state of savagery with vulgar people, and is framed by the legal system. However, civil society can be defined as the sphere of non-coercive human relations between individuals and the state, in which people take collective action for normative and substantive purposes, relatively independent of government and markets (Gönenç, 2001, p. 40).

What level of "coercion" actually exists in practice, how "independent" civil society can derive from these other fields of action, which "norms" are reproduced and represented, and what "goals" are pursued to what effect are, of course, matters of ongoing debate. But the beauty of this definition is that it can cover many different answers and interpretations while drawing attention to a set of key mechanisms and concerns. For this reason, it provides the best starting point for the following discussion (Edwards, 2011, p. 4). Civil society refers to the organization of civilization, as opposed to what they view as barbarism, primitivism, and the forces of nature. In the 19th century, Hegel began to use the term more precisely and developed it as a concept in his system of thought. He reduced the scope of the term civil society and gave it a new purpose (Harney & Olivia, 2003, p. 10). Civil society has the following characteristics: the state oversees economic management, it increases participation, it fosters democratic views, it reduces polarization, it is significant in terms of educating and creating new political leaders, it ensures the democratization of political parties, it disseminates information to vast sectors of society, it allows for the creation and diffusion of new ideas, and increases the political system's accountability to the public. In the end, it extends political engagement beyond elections (Yıldırım, 2003, p. 229).

The term civil society seems to encompass activism more broadly than that. But more than providing a context for activism, civil society also emerges as a place where activist values are found. For communitarians and social movement theorists, all important values grow in the humus of civil society, and activism emerges from it, a

politicization of those values. Civil society was conceived as the home of Enlightenment values such as individualism, personal (and property) freedom, and rationalism, and, more politically, human rights. Civil society organizations then become custodians of these treasures and advocate for such values in the state and the economy (Harney & Olivia, 2003, p. 3). Some of the important tasks of civil society are monitoring, researching, evaluating, and explaining government policies and urging the government to make policy changes or implement policies for the benefit of certain interest groups, pressure groups, or the people in general (Alatas, 2001, p. 14). Thus, civil society, although it basically originated from the West, was later adopted in Indonesia in the context of “the key to successful development” and for the sake of “strengthening society.” (Huda, 2016, p. 4)

#### **2.4. Relations Between Public Administration and Politics**

Since its emergence as a systematic field of science, public administration has become a discourse that invites much debate with political thinkers. Its scope related to the management of government instruments, including the executive, makes its relationship with politics more interesting. On the one hand, politics has always been interested in social forces that have influenced society. In this regard, public administration, which gathers many social forces, also attracts political attention. However, many also refuse to link public administration and politics to prevent conflicts of interest in public administration. Therefore, the restrictions on public administration on issues that became the political realm had been rolling since the nineteenth century. However, this limitation will undoubtedly be problematic considering that public administration is difficult to separate from state functions that are actually part of politics (Rutgers, 2000, p. 295).

Public administration, which is synonymous with management, is almost entirely related to narrow meanings such as decision making, commitment, communication, planning, efficiency, cost-benefit analysis, clients, service, rapid response, competition, marketing, entrepreneurship, risk-taking, continuous improvement, continuity, and performance. Even though they have positive values, characters like this often narrow the scope of public administration so that they are trapped in purely managerial functions. In the end, the narrowing of such

characteristics will lead to the restriction of public administration to politics (Zalmanovitch, 2014, p. 7). The ideas of Woodrow Wilson also influenced the political and administrative dichotomy. Wilson sees these two disciplines as a dichotomy because they have different focuses. But there are also social scientists who see that the relationship between administration and politics is like one coin with different sides. This argument was pioneered by Dimock, Nigro, and Lerner. They argue that although politics and administration have different fields, they can be distinguished but cannot be separated (Banga, 2018, pp. 90–91).

Luther Gullick argues that public administration and politics should have a mutually beneficial symbiotic relationship in unity to be able to achieve the best results. He saw a shortage if the public administration and politics did not work together or only one of the two received more attention. The fact that public administration plays an important role in the process is also difficult to deny. The suggestion to reform one of the two first can also lead to less-than-optimal results. Optimizing public administration without regard to problems arising from state or other public institutions is also likely to result in failure. Therefore, for Gullick, public administration and politics are indeed difficult to separate (Meier, 2010, p. 285). Public administration is also not a technical concept that is neutral from the influence of ideological values, so it will be very difficult to be separated from politics which are "partners" in fulfilling their duties (Bisri, 2017, p. 126).

Many parties are trying to separate public administration and politics because they do not want public administration to be brought back under political science. This concern has actually occurred since the early days of the development of public administration, accompanied by the many efforts of public administration scientists who are trying to make this science independent as a branch of science itself. (Zalmanovitch, 2014, p. 14) Public administration that is open, transparent, efficient, and accountable is also often limited to the issue of good governance, which only focuses on managerial stages or administrative issues so that involvement in politics becomes something that is considered negative (Pratikno, 2005, p. p. 237). What distinguishes public administration and politics is the focus on achieving the goals. In contrast to politics, where power is the goal to be achieved, public administration sees service to public needs as something that must be achieved. Public administration is not a place to fight for or gain power like politics, but what is an element in politics

has to do with public administration. It is just that the part of politics related to public administration (leadership, separation of powers, the rule of law) is not used to gain power. Public administration exists for the benefit of the many, not just a few (Banga, 2018, p. 85).

## **2.5. Public Administration in Indonesia**

Studying public administration certainly cannot be separated from the concept of separation of powers within the state. This concept becomes important in public administration because it is directly related to the government's process of managing power in the state. This concept is increasingly significant along with the wave of democracy in the countries of the world because the separation of powers within the state is one of the paths to freedom from the excessive power of the state. However, in its development, this concept experienced different interpretations between America and Europe. This difference lies in the interpretation between the “separation” and “balancing” that the state must carry out and its relation to public administration (Rutgers, 2000, p. 287).

Every country in the world must have elements that make up its government, including administration. Weber saw this separation of powers as an essential element in the state bureaucracy and even in organizational administration. The separation of powers serves as a barrier to prevent state power and bureaucratic authority from being overreached and misused. Weber defines the separation of powers as the division of responsibilities between two or more bodies for the same function. Given this separation, any policy concerning public affairs that is the responsibility of the government requires a compromise between these bodies to be effective (Albrow, 1970, pp. 47–48). That is why each country also has differences and distinctive features in the elements of its system. The existence of elements of the Indonesian government that adhere to the division of power into the executive, legislative, and judiciary, aiming to make the administration of the state life more orderly, safe and guarantee the rights of its citizens (Sutarto, 2019, p. 1). The Indonesian government system will also depend on the existing power of various public organizations (Tegnan, 2018, p. 2).

As a country with pluralistic citizens, Indonesia always maintains unity following the mandate of the constitution. The geographical shape of Indonesia, which consists thousands of islands, means that the government system in Indonesia must be able to unite the various identities of its people. That is why the current Indonesian government system uses a presidential system because it is believed to be able to maintain the stability of the country and accommodate the interests of plurality in society. As a democratic country, the Indonesian government system is not free from various problems, especially in the public administration field. To be able to overcome these problems, the development of public administration also adapts contextually. In Indonesia, public administration is also called state administration.

On August 17, 1945, Indonesia proclaimed its independence from the Netherlands, followed by struggling efforts to become a completely independent country. The Indonesian government system and public administration have continued to develop in the process. Public administration in Indonesia is required to continue to innovate to be in line with the good governance paradigm. After independence, the most radical changes ever to the Indonesian government system can be classified into two, before the 1998 reforms and after this date (Banga, 2018, p. 121). Public administration in Indonesia is mandated to be carried out in accordance with the law and for the benefit of the community. Despite various developing concepts such as good governance, which considers market mechanisms an important factor, public administration in Indonesia is ethically not determined by market conditions (Banga, 2018, pp. 85–86).

### **2.5.1. Before The 1998 Reformation**

In the early days of independence, the parliamentary system of government was implemented in Indonesia from October 1945 to July 5, 1959 (Bukido, 2012, p. 3). At this time, democracy in Indonesia was called a parliamentary democracy (Noviati, 2016, p. 336), then amended by the presidential decree of Ir. Soekarno. When under the leadership of first president, Ir. Soekarno, Indonesia adopted a democratic presidential system of government. This is under the nation's founders' agreement at

the Investigating Committee for Preparatory Work for Independence<sup>15</sup> trial on May 29-June 1 and July 10-17, 1945 (Yani, 2018, p. 124). At the beginning of its independence, Indonesia only had eight provinces, although the total number of islands was more than a thousand islands (Syafiie, 2013, p. 305). During the leadership of the first president, the study of public administration began to develop in Indonesia through private educational institutions in 1954. However, initially, public administration was still translated as state administration. Only later, in 1957, the Indonesian government officially formed the Valley of the State Administration of the Republic of Indonesia. This institution aims to advance the science of state administration in Indonesia, both academically and practically (Banga, 2018, p. 74).

Because Indonesia has so many different ethnic groups, languages, customs, and cultures, the founders of the Indonesian nation formulated Pancasila<sup>16</sup> as the state philosophy and the basis for unifying differences. The distribution of power with local regions at this time was still centralized. Because of this, conflicts occur at the local government level (Silitonga et al., 2016, p. 5). During the era of the first president, the executive had become very suppressive. Power becomes concentrated in the hand of the president with life terms tenure. The leadership period of Ir. Soekarno was called the "Old Order". In this order, the Communist Party was very close to the president. Communism is ideologically against the Indonesian constitution and disliked by the majority of Muslims in Indonesia. As a result, this unrest against the communist party was one of the causes for the resignation of Ir. Soekarno in 1965 from the position of president, who was later replaced by Suharto. Under Suharto's leadership, Indonesia became increasingly centralized. Suharto led Indonesia in a military style and was very repressive of criticism. Public administration at this time was very static, and people's participation was very small. Even the regional administrations experienced many bureaucratic problems because regional leaders (governors) were directly elected by Suharto (Syafiie, 2013, p. 310).

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<sup>15</sup> In Indonesian: Badan Penyelidik Usaha-Usaha Persiapan Kemerdekaan (BPUPKI).

<sup>16</sup> The philosophical foundation of the Indonesian state is Pancasila. The name is made up of two Sanskrit words: "pañca," which means "five," and " śīla," which means " principle." Pancasila is the formulation of national and state guidelines for all Indonesian people. Pancasila is listed in the fourth paragraph of the Preamble to the 1945 Constitution. The five principles in Pancasila are: (1) the belief in one God, (2) just and civilized humanity, (3) Indonesian unity, (4) democracy under the wise guidance of representative consultations, (5) social justice for all the peoples of Indonesia (Roza et al., 2015, p. 4).



In the 1990s, international institutions began to enter Indonesia by introducing a friendly governance model to the interests of national and international markets. Public administration is starting to be shown that by following the market's interests, its development will be faster. The lure of welfare through big projects but using capital from foreign debt has often resulted in failure. Corruption is rampant but is often ignored even by foreign fund-giving institutions such as the IMF and the World Bank. As a result, the people have to bear the brunt of the problems caused by a handful of elites. This makes many people wonder whether international institutions that promise financial assistance with a stack of administrative concepts really want to help or even vice versa (Prianto, 2011, p. 5).

### **2.5.2. After The 1998 Reformation**

The cause of the reformation in Indonesia was the tremendous demand from the people for President Suharto to resign. During his 32 years of leadership, Suharto has committed a lot of corruption, collusion, and nepotism. After the reforms, the Indonesian government became decentralized, especially when Law No. 22 of 1999 was passed (Silitonga et al., 2016, p. 5). After the reformation, the Indonesian system of government began to become truly presidential and democratic. Freedom of association and opinion is no longer a threat. Although the military leadership is still traumatic after President Suharto, presidential candidates with military backgrounds have been successfully elected. During the reform era, the President was first elected directly by the people through general elections. With the spirit of renewal, the development of public administration in Indonesia is also getting sweet whispers from international institutions that offer debts of up to hundreds of millions of dollars to "accelerate development." Politic, public policies, and economic reforms at this time slowly began to be directed to conform to the good governance model. Democratization and the flow of bureaucracy are enlivened in various academic events to be able to revive the spirit of regulatory reform, public service orientation, and the mindset of the state apparatus. Many non-governmental institutions began to appear, with the majority voicing the same issues, liberalization, and reform of public administration in accordance with international values (Prianto, 2011, p. 6).

The development of public administration in Indonesia after the reform period to this day has been updated with the values of sustainability, equitable development, and bureaucratic capacity from previously only focusing on effectiveness and efficiency (Banga, 2018, p. 119). Although outsiders also influence the public administration discourse in Indonesia, some characteristics remain inherent in its implementation. These characteristics come from cultural values, societal norms, religion, and the basic philosophy of the Indonesian nation identities. Public administration in Indonesia cannot be completely neoliberal like in America or authoritarian like in North Korea because both ideologies are contrary to the Indonesian constitution. Therefore, regardless of the development of public administration in Indonesia, as long as the constitution has not been fundamentally amended, the values of neoliberalism and authoritarianism cannot be an orientation in public administration in Indonesia. However, efforts to commercialize public administration in Indonesia by changing the orientation of consumers continue to be carried out by various parties who have special interests in neoliberals (Banga, 2018, p. 129).

### **2.5.3. Executives**

The executives in the Indonesian government, starting from the most hierarchical, are the president-vice president, ministers, governors, mayors, and village heads. The task of the executive body is to implement policies that have been established by the legislative body and to administer the laws made by the legislative body (Budiardjo, 2003, p. 295). However, in reality, executive duties are very broad and dynamic. The president and ministers are classified as part of the central government area with offices in the national capital, Jakarta. Governors, mayors, and village heads belong to regional government areas. The President acts as head of state and head of government. The term of office of the president in one term is five years, and can be re-elected for only one more term (Undang-Undang Dasar Negara Republik Indonesia Tahun 1945, 2002). The president is assisted in his duties by the vice president, the state secretary, and his ministers (Hendardi, 2012, p. 34). The state secretary and Ministers are elected directly by the president and are directly responsible to the president (Hendardi, 2012, p. 35). In article 5 of the 1945

Constitution, the president has the right to submit a draft Law and State Expenditure Budget to the House of Representatives. Article 10, the President also holds supreme power over the Army, Navy, and Air Force. Article 11, the President, with the approval of the House of Representatives, has the right to declare war, make peace, and make agreements with other countries. Article 12, the president has the right to declare the country in danger. Article 13, the president has the right to appoint ambassadors and consuls by taking into account the considerations of The House of Representatives (Undang-Undang Dasar Negara Republik Indonesia Tahun 1945, 2002).

Every Minister in Indonesia manages a certain field. Ministers may not be members of the House of Representatives (Budiardjo, 2003, p. 288). Because they are directly elected by the president, the ministers are directly responsible to the president (Hendaridi, 2012, p. 38). Based on Law Number 39 of 2009 Article 5, Government affairs handled by Ministers include Foreign affairs, domestic affairs, defense/security affairs, religion, law, finance, human rights, education, culture, health, social, employment, industry, commerce, mining, energy, public works, transmigration, transportation, information communication, agriculture, plantation, forestry, animal husbandry, marine, national development, state apparatus, land, population, tourism, women's empowerment, youth, and sports (Undang-Undang Republik Indonesia Tentang Kementerian Negara, 2008). However, from these various kinds of affairs, it is not required for each sector to form a separate ministry, provided that the maximum number of all ministries in one government cabinet is 34. The Minister has the authority to issue regulations related to his field. Each ministry carries out its duties from the central government to regional government levels. Each president is allowed to be different in compiling his cabinet (S. N. Indonesia, 2019).

The governor and deputy governor lead the province as an autonomous region as well as an administrative region. There are 37 governors in Indonesia, according to the number of existing provinces. The governor and his deputy are the head of the autonomous region, the head of government who is accountable to the people of the local area. As head of an administrative area, the governor is the representative of the central government in the administrative area concerned (Arianti & Ariani, 2014, p. 3). For districts led by a mayor/regent assisted by a deputy mayor/regent. The regional head is elected directly by the people in the area concerned (Undang-Undang Nomor

32 Tahun 2004, Regarding Regional Government According to Article 24). The regional head has a term of office of five years. Regional heads and deputy regional heads are elected directly by the people in a democratic manner. Regional heads and their deputies are usually nominated by political parties or can also use the independent channel (Hendardi, 2012, p. 63).

#### **2.5.4. Legislative**

The legislative body, as the maker of laws, contains representatives of the people who are directly elected by the people (Undang-Undang Dasar Negara Republik Indonesia Tahun 1945, 2002, According to article 19). Parliament is divided into two, namely the DPR (Dewan Perwakilan Rakyat, in English called as The House of Representatives) and DPD (Dewan Perwakilan Daerah in English called as Regional Representative Council). Representatives of elected members from these two institutions become members of MPR (Majelis Permusyawaratan Rakyat, in English called as the People's Consultative Assembly). The members of the People's Consultative Assembly consist of members of the House of Representatives and Regional Representative Council. The number of People's Consultative Assembly members is 678 people, consisting of 550 The House of Representatives members and 128 Regional Representative Council members. The House of Representatives represents certain electoral districts and is elected by political parties, while Regional Representative Council represents provinces elected from among individuals, not by political parties (Prima, 2019, p. 2).

Legislative members have a term of five years in one term. Even though they have the authority to make laws, the House of Representatives needs to discuss a bill with the president. However, if the draft law does not receive mutual approval, it may no longer be submitted to the House of Representatives hearing at that time. The legislature in Indonesia is also the supervisor of the executive branch as a counterweight to power due to the principle of checks and balances (Sidqi, 2008, p. 49). This form of oversight from the legislative body is carried out through legislative committee sessions and a control function with special rights such as the right to ask questions, interpellation, and questionnaire (Budiardjo, 2003, p. 324).

Regarding the Regional Representative Council, even though it is part of the legislature, the Regional Representative Council cannot make its laws. Members of the Regional Representative Council are elected through general elections, and from each province, there are four people. The Regional Representative Council focuses on laws related to regional autonomy. Its authority is more limited than that of the House of Representatives. The Regional Representative Council functions to provide suggestions and considerations or opinions and conduct supervision that is not binding (Prima, 2019, p. 10). The Regional Representative Council also receives the results of state financial reports from the Supreme Audit Agency to be used as material for consideration of draft laws relating to the budget (Sutarto, 2019, p. 30). Therefore, the institution of "*the Regional Representative Council only serves as a proxy for the function of the House of Representatives.*" (Asshiddiqie, 2015, p. 110)

#### **2.5.5. Judicial**

The judiciary acts as an institution that has the authority to judge or adjudicate a case. Although the judiciary has the authority to judge, the 1945 Constitution emphasizes that this institution is equal to the legislative and executive (Yani, 2018, p. 61). There are two judiciary institutions in Indonesia, namely the Supreme Court (Mahkamah Agung abbreviated as MA) and the Constitutional Court (Mahkamah Konstitusi abbreviated as MK). The difference between MK and MA lies in their duties. The Constitutional Court handles specific laws, while the Supreme Court handles general laws (Kholifah, 2019, p. 42). The level of the judicial power of the Supreme Court in Indonesia starts from the District Courts at the regional level, whose decisions can be appealed to the High Court. From the High Court, the decision can be appealed to the Supreme Court, which then produces a permanent and final legal force (Sutarto, 2019, p. 36). Based on Article 24 of the 1945 Constitution, the Supreme Court has a scope of authority in the environment of general courts, religious courts, military courts, and state administrative courts.

The Supreme Court can be described as the pinnacle of justice in Indonesia relating to demands for the struggle for justice for individuals or other legal subjects. Meanwhile, the Constitutional Court does not deal with individuals but with broader public interests. The cases that are tried in the Constitutional Court generally involve

matters of state institutions or political institutions which are of broad public interest or are related to the examination of general and abstract legal norms. The Constitutional Court does not focus on individual matters or case after case of individual and concrete injustice (Jimly, 2015). The Constitutional Court has nine members of constitutional judges appointed by the President, who are nominated, three each by the Supreme Court, three by the House of Representatives, and three by the President.

Constitutional judges may not hold concurrent positions as state officials. The Constitutional Court is a negative legislator which only functions as an examiner of laws on the 1945 Constitution. The Constitutional Court, in its decision, only grants or does not grant the judicial review of a result of a law that has been jointly approved by the President and the House of Representatives. In the constitutional context, the special authority of the Constitutional Court is the manifestation of judicial control within the framework of checks and balances among the branches of state power (Yani, 2018, p. 66). The judiciary, in carrying out its duties, may not be intervened by other institutions and must be independent according to the law in deciding a case. Judges in the judiciary are supervised by the Judicial Commission. The institution is free, independent, and has the authority to propose the appointment of supreme justices and have the authority to uphold the honor and behavior of judges (Budiardjo, 2003, p. 361). Judicial members are appointed and dismissed by the President with the approval of the House of Representatives (Undang-Undang Dasar Negara Republik Indonesia Tahun 1945, 2002 Article 24B).

## **2.6. Good Governance in Indonesia**

Since the massive reform era in Indonesia in 1998, the discourse of improving corruption, collusion, and nepotism in public administration has been echoed by various parties. Along with the demands for improvement, the global world has also experienced significant developments in the field of public administration. It should be underlined that governance and government have different interpretations in Indonesia. The term "government," which has already existed, is interpreted as an actor or subject, namely the government, while "governance" refers to the government process. Governance also means what the government does in managing what its responsibility and authority are (Pratikno, 2005, p. 233). Good governance popularized by the World

Bank has gained momentum to become famous as a governance model that can be a solution. The Indonesian government responds to the global discourse on good governance as a model of governance that is expected to cure the disease of the Indonesian bureaucracy. Good governance in Indonesia is not only welcomed by the government with public organizations but also by non-government actors with private organizations. From this discourse, the standard of good or bad governance and administration began to shift according to the standards of international institutions (Prianto, 2011, p. 6).

Since 2004, efforts to achieve good governance have become more focused. For example, the National Development Planning Agency is reviewing the action plan for bureaucratic reform as part of an effort by the government to make improvements, especially in the bureaucratic sector, which has played a big role in running Indonesia's government system since the country's independence. Because it's important to realize that bureaucracy is the main thing that makes government work, bureaucracy is a big part of whether or not a government can last in a country. Since 2004, bureaucratic reform has been going on, and it is expected to speed up the government's efforts in a planned and organized way toward good governance. Because bureaucratic reform is a big change to the way the government works, and it has three main parts: institutional, management (business process), and human resources (civil servant) (Hakim, 2016, p. 21).

The discourse on good governance brought by the World Bank is in line with the sound idea of development that characterizes many third-world countries, including Indonesia. In the early days of the entry of good governance, anti-corruption programs, government supervision, judicial oversight, and the like became popular to be discussed (Prianto, 2011, p. 2). In Indonesia, the characteristics of good governance that are implemented and used as a reference consist of:

- 1) Accountability.
- 2) Transparency.
- 3) Responsive.
- 4) Equality.
- 5) Inclusive.
- 6) Effective and efficient.

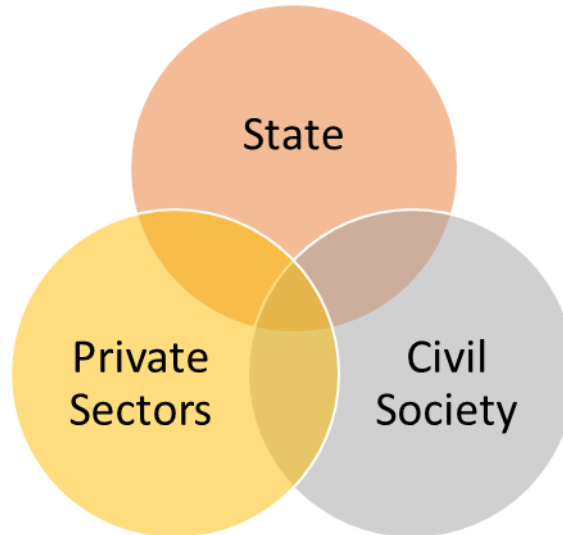
- 7) The rule of law.
- 8) Participation.
- 9) Consensus oriented (Kurniawan, 2007, p. 18).

The World Bank goes through three stages to be able to spread good governance in Indonesia. The first is through Consultative Groups in Indonesia (CGI). The second is through partnerships for governance reform. The third is the “Justice for the Poor Program” (Prianto, 2011, p. 7). This is because the Indonesian government still receives debts from the IMF and the World Bank, thus requiring compensation which also needs to be met and agreed upon. However, the reality is that many of the Indonesian government's legal frameworks and public policies in the name of good governance projects are influenced by the World Bank and IMF (Handayani & Nur, 2019, p. 9).

One of the impacts of implementing good governance in Indonesia is a comprehensive decentralization effort. Despite the many efforts and plans to implement good governance in Indonesia, the process is still not easy. The conditions needed to make good governance in Indonesia require cooperation from institutions and the characteristics of policy design. This will include establishing a deadline for reforms implemented by legitimate and sustainable formal institutions; devolving responsibility for some reforms to lower levels of government; changing the composition of the government elite in order to reduce the influence of old power holders; phasing the reform agenda to be implemented; the diversity and depth of civil society; and appropriate technical capacity from the related institutions (Kurniawan, 2007, p. 20).

In Indonesia, the elements in good governance include three main domains, namely the state, the private sector, and society. The state is tasked with creating a conducive political and legal environment. The private sector creates a work environment and income. Society, in this case, civil society, is a forum for socio-cultural and political interaction. These three elements have strong relationships and ongoing collaboration (Anggara, 2012, p. 205).





**Figure 2 Interactions Between Elements in Good Governance** (Source: Kurniawan, 2007, p. 17)

## 2.7. Decentralization in Indonesia

Decentralization in Indonesia is based on the Constitution of the Republic of Indonesia articles 18A<sup>17</sup>, 18B<sup>18</sup>, and the most influential is Law Number 32, 2004, regarding local government. Decentralization means the transfer of governmental authority by the Government to autonomous regions to regulate and manage government affairs in the system of the Unitary State of the Republic of Indonesia. (Undang-Undang Nomor 32 Tahun 2004 Tentang Pemerintah Daerah, 2004, pp. 4–5) Historically, the implementation of decentralization in Indonesia was triggered by the bad impact of centralization in the pre-reform era. Centralization that centralized power and public policy formulation in the central government proved ineffective. Constraints that arise with centralization in Indonesia, in general, include corruption, abuse of power, collusion, and nepotism (Romli, 2008, p. 4). Therefore, the existence

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<sup>17</sup> Article 18A: (1) The relationship of authority between the central government and regional governments of provinces, regencies, and cities, or between provinces and regencies and cities, is regulated by law with due observance of the specificity and diversity of the regions. (2) Financial relations, public services, utilization of natural resources and other resources between the central government and regional governments are regulated and implemented fairly and in harmony based on the law (1945 Constitution of the Republic of Indonesia).

<sup>18</sup> Article 18B: (1) The state recognizes and respects special or special regional government units which are regulated by law. (2) The state recognizes and respects customary law community units and their traditional rights as long as they are still alive and in accordance with the development of society and the principles of the Unitary State of the Republic of Indonesia, which are regulated by law (1945 Constitution of the Republic of Indonesia).

of decentralization in Indonesia is an effort to build a sustainable society and bureaucracy through changes in government structures and their essential element. These changes affect all layers of policy and administrative decision-making (Silitonga et al., 2016, p. 8).

Decentralization which has become one of the forms of governance in various countries in the world is evidence of a paradigm shift in which government power is not always better when centralized. The acceptance of decentralization with its various forms of application is also due to the fact that not all tasks and responsibilities of the government can be completed by centralized lines of power. In general, the objectives of decentralization are divided into two, namely: the first, increasing the efficiency and effectiveness of government administration. Second, increasing community participation in government and development. Each country has a different focal point in these goals and may change at a certain time depending on the consensus that is set together (Kurniawan, 2007, p. 18). In addition, for decentralization to function properly, it is also necessary to improve the quality of local government management resources. As a country with archipelagic geographical conditions, high diversity, and complexity of community development, Indonesia makes decentralization a necessity if public administration and services can be optimal (Kurniawan, 2007, p. 18). This decentralization agenda has also spread to various parts of the world thanks to the support of international organizations that want to realize their programs in order to limit centralized state power and increase participation (Mindarti, 2016b, p. 74).

The Indonesian government uses decentralization to achieve participatory public administration together with various actors in society. Through decentralization, the bureaucratic path from the center to the regions becomes shorter. The process of state de-bureaucratization will increase democratic participation, which is the foundation of good governance. However, on occasion, it should be realized that competition between regions will increase. Although this increased competition aims to improve the development and quality of administration, the negative impact of reduced collaboration may emerge (Kurniawan, 2007, p. 19). With decentralization, every regional government in Indonesia has the autonomy to manage its region. However, regional government autonomy is not as great as the powers of the federal state. The authority which remains the matter of the central government based on Law Number 32 the Year 2004 Article 10 is:

- a) Foreign policy.
- b) Defense.
- c) Security.
- d) Justice.
- e) Monetary and National Fiscal.
- f) Religion. (Undang-Undang Nomor 32 Tahun 2004 Tentang Pemerintah Daerah, 2004, p. 13).

Apart from the six powers above, regional governments have the authority to regulate their regions freely. In its implementation, decentralization involves community participation by taking into account the principles of democracy, equality, and justice (Wibowo, 2018, p. 59).

### **3. CHAPTER THREE**

## **NEOLIBERALISM AND INDONESIAN PUBLIC ADMINISTRATION**

#### **3.1. Neoliberal Ways to Influence Public Administration in Indonesia**

The reform of the public administration that continues to be rolled out to this day has shown a lot of interest from various parties involved in it. This reform process not only changes the outer shell of public administration, such as the policy implementation model but also the conceptual basis of public administration. Along with the pressure to continue to change for the better, public administration in Indonesia, which now cannot be separated from the grip of global powers, is also trapped in the influence of neoliberal ideas, either directly or indirectly. Neoliberal advocates have crucial positions on a worldwide scale like international institutions such as the World Trade Organization, the International Monetary Fund, and the World Bank which have evolved into central institutions that promote neoliberal principles universally (Genç, 2011, p. 82). The United Nations itself admits that the effects of global public administration reform have shown symptoms of market power domination that affect political and bureaucratic developments. The emergence of voices for deregulation, and the efficiency of the public sector, may indirectly have a negative impact on the functioning of the state, especially in Indonesia (United Nations Secretariat, 2004, p. 1).

Public management has come under fire from those who urge for a greater emphasis on private sector development. The critique focuses on public administration practice, which is characterized by bureaucracy, inaction, insensitivity to public needs, inefficient use of public resources, and an excessive emphasis on processes and procedures over results, and views all state instruments (in public administration) negatively as a significant impediment to people's development. The new public administration model developed claims that the best way to direct public affairs would be to apply private company management ideas and practices, emphasizing efficiency and economy in resource utilization, effectiveness, customer orientation, and reliability

of market dynamics, particularly as they pertain to economic decision-making. The expansion of the private sector's role and influence necessitates a redrawing of state boundaries, which essentially favors the shrinkage of the public sector and the narrowing of the area of public administration, so strengthening the market (United Nations Secretariat, 2004, p. 5).

The development of the level of public intelligence is also one way of entering the influence of neoliberalism ideas in the public service process. People with higher education levels will have higher government expectations in the public administration process. This higher expectation is also directly proportional to the people's desire to participate and get financial benefits (Kurniawan, 2007, p. 14). The desire for financial gain is also often a disease that plagues administrators. This is a problem that has been around for a long time and is very difficult to fix. The level of desire to continue to seek financial gain through loopholes in the public administration system is as great as the level of human greed. It also often makes it easy for neoliberal influence to influence administrators who see ways to continue to collect private gains despite the responsibility of serving the public (Albrow, 1970, p. 48).

### **3.1.1. The Rise of Indonesian Oligarchy**

Indonesia's situation is fundamentally worse than that other Asian countries in before 1998 reformation. Along with the difficulties encountered by other countries, Indonesia is currently mired in a political crisis. The economic collapse and IMF policies compelled President Suharto to resign. Suharto's small but economically significant Chinese minority came under political and physical attack, and some withdrew from previous economic activities. Foreign borrowing and direct investment have been stifled by political and military turmoil (Feldstein, 2003, p. 17). While certain sectors of the economy, such as the mining, fuel, and industry sector, have long been dominated by oligarchic interests, the extent to which subnational interests have been able to resist them has varied. For example, in Riau Province, oil extraction has long been a source of income for the central government as well as a source of wealth for the sector's oligarchs in Jakarta. The Free Riau Movement resisted this, but as revenue-sharing agreements resulted in increased revenue pouring into the regional treasury, so assisting in the maintenance of a strong local patronage network, the

movement quickly disbanded. As a result, established resource sectors face little upheaval. Local elites have lobbied for a larger share of resource wealth earnings than decentralization legislation allows (Diprose et al., 2019, p. 696).

The rise of oligarchy power in Indonesia is also caused by globalization's momentum, which forces it to continue to innovate and expand its influence. Globalization which has participated in bringing neoliberalism ideas to Indonesia, has become a breath of fresh air for the oligarchs to be able to rise again. Therefore, the discourse of privatization and deregulation received strong support from the owners of big capital in Indonesia as a medium to instill the influence of neoliberalism. Through politics and public administration that have been shaped to suit neoliberal interests, the business oligarchs can again have the opportunity to come to power. This momentum is both a pressure and a challenge for the elite to take advantage of the faded boundaries due to globalization (Banga, 2018, p. 124).

The rise of the oligarchs in Indonesia is also supported by the existence and development of political parties. As a country with a democratic system, the oligarchy in Indonesia cannot openly show its interests to the public. Therefore, oligarchs in Indonesia often influence the government secretly through business cooperation with the government. This is due to public trauma since before the reform era when the oligarchs undermined Indonesia in various fields, including public administration. Therefore, these oligarchs enter into political institutions in the form of political parties to be able to include their interests. Nowadays, the business elite is able to become ministers in the cabinet of President Joko Widodo's government. Big names like Prabowo Subianto as Minister of Defense who owns mining companies that continue to exploit Indonesia's natural wealth. In addition, the coordinating minister for Maritime Affairs and Investment, Luhut Binsar Pandjaitan, also owns a coal mining company. This group of entrepreneurs appears to the public by voicing the welfare and protection of nature, but at the same time, the companies they own play a major role in exploiting natural resources for big profits. Thus, the existence and influence of political parties can be used to pressure and control of government policies (Banga, 2018, p. 171).

From the local political elite to the national level, relationships with oligarchs are one of the main assets to achieving political success. It has become a harsh reality

that politics in a democratic climate requires no small amount of capital. Especially for political actors who are just starting their careers, the support of the oligarchs with the resources they have is very essential because introducing a new figure to the public requires more funds than actors who have already been famous. However, not all political actors in Indonesia are involved with the business oligarchy to be able to maintain their political careers. Since the fall of the Suharto regime, which was known to be close to business oligarchs, many oligarchs began to hide from the open political sphere from the public. The oligarchs' plan to rise from the shadow of the fall of the Suharto regime is to collaborate with political actors to get involved in politics and government policies. Many Indonesian politicians have a close relationship with the people who run businesses. This makes it hard for them to be free from corruption and collusion (Park, 2006, p. 41).

### **3.1.2. Intervention from Foreign Institutions**

Good governance in this context is a legal, political imposition controlled by industrial countries and international agents (institutions and donor countries) in forming market-friendly governance. The World Bank is also involved on forums in Indonesia that bring together influential stakeholder groups to work on development plans like judicial reform and the creation of new governance models (Prianto, 2011, p. 7). Foreign institutions planning programs aim to provide the production infrastructure necessary for a capitalist agrarian economy and institutional enhancements that will facilitate the economy's more efficient and equitable operation. The issue is that programs like the World Bank's sub-district development in Indonesia rely on debt-financed approaches that the neoliberal worldview tolerates. Foreign organizations aim to establish neoliberal governance patterns allegedly to alleviate poverty while neglecting a large number of Indonesia's deeper structural political-economic growth hurdles (Carroll, 2010, p. 193).

Many international institutions use the term partnership in providing assistance to third-world countries such as Indonesia. However, the use of the term partnership often has double meanings, so it is easy to deceive (Crawford, 2003). Due to Indonesia's failure to defend their currencies during the 1997 crisis, global investors and lenders began reassessing the currency mismatch and maturity difficulties on the

balance sheets of financial institutions and other East Asian economic businesses. Once the issue was taken seriously, major international actors withdrew loans and liquidated their East Asian securities holdings, as did domestic banks and other financial institutions, precipitating crises even in nations with no current account concerns, such as Hong Kong and Taiwan (Park, 2006, p. 57).

Foreign institutions intervention exploits the characteristics of globalization to accelerate the development of Indonesia's public administration. To begin with, globalization promotes changes in governments' functionality, authority, and competency. Second, the process also encourages changes in the country's economic and political identity. Thirdly, globalization facilitates the transfer of power from the state to non-state actors via deregulation and decentralization. Fourth, preceding processes resulted in a restructuring of state authority (Mindarti, 2016b, pp. 73–74). The strong foreign pressure on Indonesia is also one of the obstacles to the development of an independent public administration. Debt from international institutions is often used as a mode to be able to enter neoliberal influence on countries that require assistance. The power of developed countries and modern industrialization to donor agencies is a factor in the development of governance and public administration that benefits certain parties in Indonesia (Prianto, 2011, p. 5). The role of donor agencies in strengthening and expanding neoliberal influence is very dominant, especially in the concept of good governance. The construction of good governance received a lot of injections of funds from international institutions such as the IMF and the World Bank (Demmers et al., 2004, p. 3).

The influx of foreign institutions into Indonesia is also impacted by the formation of financial difficulties confronting many businesses, which increases investment demand (foreign and domestic) and encourages foreign investment in the Indonesian corporate sector. Foreign enterprises entering Indonesia anticipate an easy regulatory environment, which frequently results in direct or indirect interference. Foreign enterprises' substantial capital also exerts a considerable effect on the implementation of privatization and deregulation. Additionally, the IMF underlined the importance of removing prohibitions on foreign investment as a condition for borrowing financing, which would further encourage foreign company ownership (Carney & Hamilton-Hart, 2015, p. 135). This does not mean that foreign parties are not important in the development of public administration. However, the problem is



when there is no adequate contextualization, and Indonesian reform ideas have lost their identity due to inferiority to outside ideas. Without a filter, it will not be easy to distinguish which suggestions are suitable for the development of public administration and which are not.

IMF programs generally adhere to the policies proposed by the Washington Consensus on deregulation and market opening (Park, 2006, p. 6). From the start, the IMF's reform program for crisis countries, including Indonesia, lacked a clear road map for formulating and implementing stabilization policies, financial and corporate restructuring, and institutional reforms, with the exception of the Washington Consensus's general policy prescriptions (Park, 2006, p. 71). The IMF and World Bank's advocacy of minimal state and market access frequently contradicts calls for socio-economic protection and public investment in health, education, and public safety. Additionally, plans for alleviating poverty and those for neoliberal restructuring are frequently opposed, particularly when it comes to wealth redistribution. Producers (capitalist neoliberals) are too profit-oriented, resulting in unfair competition. Because new traders will have difficulty entering the market and competing in the market, low-quality products will not sell well in the market. In the end, the common interest is getting neglected. Even though generally presented as a non-political and non-ideological idea, neoliberal appeals to filling gaps, simplifying complex topics, and concealing dissent tend to favor economic liberalization, both by bolstering its adherents and disarming its critics (Demmers et al., 2004, p. 6).

### **3.2. Measuring Influences of Neoliberalism on Public Administration in Indonesia**

Reforms in public sector administration and management are viewed as critical variables in bolstering economic development and growth by the World Bank. Measuring the level of neoliberal influence in the development of public administration can be seen from the suitability of the values carried in the model adopted by the administration system itself (Prianto, 2011, p. 6). The differences in the public administration management model between the private and public sectors can be seen in the table below.

**Table 1 The Differences Between Public and Private Sector Public Administration Management Models**

<b>Private Sector Model</b>	<b>Public Sector Model</b>
The individual choice on the market	Collective choice of country/government
Based on demand and price	Based on the need for resources
Limited to private actions	Open to public action
Based on market justice	Based on justice, public needs vary in quantity and quality
Looking for market satisfaction	Seeking justice for society
The power is with the consumer	The power lies with the citizens
Competition as a market instrument	Collective political action as an instrument of the state
Responding to protests by exiting market activities	Responding to protests is a right and a public voice that must be heard and heeded

**Source:** (Mindarti, 2016a, p. 168)

What needs to be underlined from neoliberal efforts in influencing the development of public administration in Indonesia is that the process is not simultaneous but rather through a long evolutionary process (Pontoh & Sangadji, 2021, p. 145). The effects of more than three decades of public sector reform have been uneven. It is becoming increasingly clear that the main focus on market forces and deregulation, as well as on efficiency and austerity in the public sector, may have a detrimental effect on the State's traditional mandate, resulting in deviations such as insufficient protection of the vulnerable in the provision of public services such as health and education. As a result, deviations in the management of problems relating to public administration occur. Too keen to emulate private sector management practices, the public sector may have lost sight of its responsibility to the public interest in some areas (United Nations Secretariat, 2004, p. 2). Inadequate governance, it is indicated, results in a lack of social capital, which is viewed as the root cause of poor

infrastructure and public administration because neoliberalism's values emphasize its influence via the narrative of good governance (Carroll, 2010, p. 195).

According to the Indonesian constitution, public administration aims to prevent acts of corruption, collusion, and nepotism; increase bureaucratic productivity; develop the nature of administration and policies that are transparent to the public, and provide the community with the type of excellent service. As a result, metrics such as the quality of good governance, public policy, democratization, and bureaucratic orientation can be used to determine the amount to which neoliberalism has influenced the development of public administration in Indonesia. The move to neoliberalism is visible in the increased emphasis on public administration institutions and the increased attention paid to areas such as participation and the social conditions required for neoliberal change. What remains after decades of neoliberalism's ups and downs in Indonesia is sometimes questioned and inconsistent. Neoliberalism in Indonesia is adaptive to the political context and is pushed by those with material and/or ideological stakes to reproduce particular forms of global capitalism (Carroll, 2010, p. 67).

### **3.2.1. Good Governance with Free Market Principles**

Governance can be defined as the customs and structures through which a country's authorities are exercised. These traditions and institutions include:

- 1) the process of electing, monitoring, and replacing government.
- 2) the ability to devise and implement sensible policies.
- 3) citizens' and government's respect for institutions that facilitate and mediate their social and economic interactions.

A subset of two important indicators is then used to summarize each of these three governance characteristics. "Voice and accountability" and "political instability and violence" are used to describe the process of selecting and replacing those in charge. 'Government effectiveness' and 'regulation quality' both refer to the government's capacity to design and implement competent policies. The three characteristics of upholding social norms and prohibiting the abuse of public power for

private benefit can be quantified by the presence of the 'rule of law' and 'corruption control' (Park, 2006, p. 97).

Since the reformation of 1998, the government has also proactively established new state institutions, commissions, agencies, and various forms of organization, such as the Constitutional Court, the Corruption Eradication Commission, the Corruption Criminal Court, the Ombudsman<sup>19</sup>, the Financial Transaction Analysis and Assessment Center, and a number of institutions, commissions, and other agencies, with the goal of ensuring that government policies are carried out effectively. In order to strengthen the professionalism of the state machinery and realize good governance, Law No. 17 of 2007 concerning the national long-term development plan includes bureaucratic reform as one of its primary objectives (Hakim, 2016, p. 17). In Indonesia, the process of putting good governance into place involves three main groups: the government, which runs the country, corporations, which drive the economy, and civil society, which keeps an eye on the government. In this regard, the implementation of decentralization<sup>20</sup> is one way for good governance to be successful. In Indonesia, the idea of good governance is shown by how civil society, the public sector, and the private sector work together to manage natural, economic, environmental, and social resources. In Indonesia, good governance is set up to at least meet the requirements for participation, efficiency and effectiveness, openness, and fairness (Handayani & Nur, 2019, p. 4).

Good Governance is a relationship and interdependence between the government, the business sector, and civil society. Conditions in Indonesia imply that good governance is unlikely to be realized in the near future, as this characteristic will emerge only if the interrelationships between governance components have been established and are functioning correctly. In the meantime, the component in question is searching for its form in Indonesia. The process of adopting good governance in Indonesia has also been supported by an integrated e-government service platform that

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<sup>19</sup> According to Law No. 37, 2008, Ombudsman is a state institution in Indonesia that has the authority to oversee the implementation of public services, both those organized by state and government administrators, including those held by State-Owned Enterprises, Regional-Owned Enterprises, and State-Owned Legal Entities as well as private or individual entities assigned the task of administering certain public services whose funds are partly or wholly sourced from the State Revenue and Expenditure Budget or the Regional Revenue and Expenditure Budget.

<sup>20</sup> For more detail about decentralization, see page 87.

unites all government institutions. The goal is outlined in the policy framework for the development and utilization of telematics technology in Indonesia, which emphasizes that the government must strengthen working relationships across institutions and deliver effective and transparent services to the community and business community. Through this initiative, the government modernizes the entire structure of government to facilitate public access. To thoroughly promote good governance, the government also leverages the education sector. The education sector is where social groupings form their leaders, develop new ideas, and establish conditions for adjusting to change. In the democratic age, education will teach principles consistent with the character and conditions of Indonesian democracy. In the meanwhile, in terms of creating the capacity to apply a participatory model to the planning and execution of public affairs, it is required to increase the capacity of local governments to engage in integration and joint action with the business sector and civil society (Sulistiani, 2017, p. 10).

The need for change in the Indonesian government, the private business world, and society has pushed the topic of good governance into the development debate in Indonesia. The government's role as a developer and service provider will change, and it will become the driving force behind creating an environment that makes it easy for other people in the community and the private sector to get involved. Along with the process of implementing good governance in Indonesia, which opens up space for foreign companies to enter, efforts to apply free market principles are intensifying. The great power of the free-market that affects many countries through the network of globalization often shows positive developments in economic and social conditions. Behind this positive image, sometimes, the free-market principle cannot fully protect society and natural conditions and is unable to protect capital from the potential chaos of its own market (Evans, 2008, p. 272). Good governance that comes to bringing solutions for government management and public administration also carries an implied message that government intervention can lead to the failure of the development of good governance (Prianto, 2011, p. 3). Messages like this entry through the funnels of the agenda that want to be realized through good governance. However, when viewed from the other side, the understanding of the potential for state intervention as a cause of failure is closely related to the view of neoliberalism.

Seeing the background of neoliberalism's bad name, it is certainly difficult to openly show this connection. Overcoming this obstacle, neoliberals use the discourse

that the development of good governance means that the government must be reduced (less government). Big government will be a source of bad governance. The World Bank defined "poor governance" as "power concentration," a violation of human rights, widespread corruption, and unelected and unaccountable administrations. As a result, good governance must be the logical inverse (Weiss, 2000, p. 801). This bad governance in the operation of the World Bank is an unrepresentative government and an inefficient non-market system (Prianto, 2011, p. 3). According to the World Bank, bad governance manifests itself in the absence of a predictable legal framework and government behavior beneficial to development and arbitrariness in the execution of norms and laws (Tshuma, 1999, p. 81).

Developing an open market economy requires a well-functioning legal and regulatory system as well. The majority of institutions that serve as democratic and market-oriented economic substructures are basically Western in nature and may be difficult to transfer due to their intimate association with Western culture, norms, history, and traditions (Park, 2006, p. 235). It turns out that good governance also does not have an absolute definition in the sense that it still has multiple interpretations, and one of them carries a legacy from the Washington Consensus, which had a bad reputation as a mouthpiece of neoliberal interests (Weiss, 2000, p. 804). Good governance in this context is the legal, political imposition controlled by industrial countries and international agents (institutions and donor countries) in forming market-friendly governance. In the ideas brought about through good governance, it is also often emphasized that in an effort to improve sustainable development, political legitimacy and consensus are needed so that the state, in this case, must synergize with actors outside the government. In Indonesia, this sustainable development is involved with one of the initiatives from the World Bank, namely the Kecamatan Development Program (KDP).<sup>21</sup> KDP was initiated to support the implementation of good governance by improving the quality of human resources in the bureaucracy and economic management at the sub-district level so that the central government is not too tied down. As a result, the state (government) will function as a facilitator instead of the main regulator (Pratikno, 2005, p. 234).

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<sup>21</sup> Kecamatan is subdistrict in local governments in Indonesia. For more information regarding KDP, see page 105.

The orientation of public services from good governance is sometimes not on meeting the needs and interests of the public but for the benefits of large corporations. This is because, from good governance, there is a gap to be able to exploit public administration to suit corporate interests. It becomes a public concern when the government sells State-Owned Enterprises (SOE) and then loses assets and lose public control because they have become the rights of corporate elites. As long as SOE are still owned by the state, the state is obliged to account for them to the people, but it is different when a corporation controls a company that provides public needs. They work with the aim of collecting as much capital as possible without the same social obligations as the state.

Good governance has a direct influence on the political and social processes that occur in society. Therefore, its legitimacy should not be based on business interests or the free market (Mindarti, 2016b, p. 51). Although it appears to be a simple guideline for building a 'civilized' society, Good Governance is frequently used as a sub-ideology to advance the neoliberal goal. The development of good governance in Indonesia is strongly promoted through the neoliberal agenda, which has facilitated the depoliticization of administration through discourses developed in society or designed regulatory instruments. So, it has become a fact that good governance is one of the strategies to infiltrate the development of public administration in Indonesia to succeed in neoliberalism (Demmers et al., 2004, p. 10).

### **3.2.2. Liberalization of Public Policy in Indonesia**

Throughout the Asian crisis, the IMF increasingly utilized the term 'good governance' to underline the critical nature of maintaining a conducive environment for liberal market operations. Transparency and accountability are emphasized here, despite the fact that both ideas are embodied in a limited way in the operation of markets (Carroll, 2010, p. 60). The Indonesian government's role has shifted fundamentally from economic development to social development. This shift does not imply that industrial policy is obsolete. To this end, the public sector reform agenda has prioritized the establishment of laws and standards that can incentivize government personnel to behave in the public interest while preventing corruption and arbitrary behavior (Park, 2006, p. 237). Discourse about good governance was associated with

the implementation of new policies in nations accepting development assistance or investments from foreign lending institutions. Thus, international initiatives have favored political democratization (including elections, accountability, and human rights) and economic liberalization in recent decades (Weiss, 2000, p. 801).

As Indonesia has strengthened its democracy since its reformation, the discourse for liberalization is getting stronger. Democracy as an idea aimed at facilitating the aspirations of the people to the authorities and evidence of the existence of freedom in the state is also increasingly being led to realize the ideals of its bearers, namely total liberalization. Total liberalization is also one of the goals of neoliberal adherents in Indonesia so that later public policies can be easily regulated according to their interests. It is difficult to separate democracy and liberalism since these two ideas are related. In addition, the possibility of infiltration of other interests by strengthening democratization and liberalization is very wide open. The possibility exists that both of them can open many opportunities for the entry of new ideas, or the worst is that neoliberalism is also very possible. In fact, for Indonesia to be able to accept neoliberalism is certainly not an easy thing because the state philosophy and constitution adopted are contrary to neoliberalism. So, of course, through liberalization, the entrance to neoliberalism will be opened so that the discourse of democracy should indeed be more liberal and continue to be developed (Diprose et al., 2019, p. 692).

In fact, since the Washington consensus developed, the influence of neoliberal ideology has also entered East Asia, including Indonesia (Park, 2006, p. 34). To adhere the Washington Consensus's principles, macroeconomic stability, privatization and liberalization of markets (including the labor market), flexible exchange rates, competition from Western institutions, and greater education investment were prioritized in public policy (Park, 2006, p. 33). With the full liberalization of public policy in Indonesia, the orientation of policymakers is towards freedom by starting to reduce the consideration of local religious and cultural values. Public policymakers are trapped in achieving freedom as freely as possible without the need for consideration of local religious and cultural values under the pretext of reform and development. Reforms through policy liberalization have the potential to occur in sectors with powerful interests, particularly those with significant natural resources or other key assets. As a result, public policy is geared at broadening access to social services and



income-generating possibilities. Its growth has become a significant feature of local politics, with historical patronage and exploitation practices being perpetuated or duplicated by new actors, particularly in economically lucrative industries (Diprose et al., 2019, p. 696).

How the form of freedom is achieved from the liberalization of public policy is something that is very dynamic and full of importance in giving its meaning. The perspective of a socialist and an Islamist can convey different meanings to freedom, as well as from a neoliberal. Hayek defines freedom as a state of freedom in which everyone is allowed to use their knowledge to get what they want, with the only limits being the rules of right behavior that apply to everyone, is likely to give them the best chance of getting what they want (Hayek, 2013, p. 53). Although Hayek limits freedom with "fair" behavior, in reality, efforts to liberalize public policy in Indonesia are often ambitious in this standard of justice. In this ambiguity, many parties use it to create a new standard of freedom that can benefit the elite few. The development of public administration, which is seasoned for freedom, often loses its direction from the common interest and is trapped in the fulfillment of mere profit. The design of neoliberal public policies is immediately apparent when legal reform initiatives do not focus on a more just system for the people but rather on the market's interests or preferences in fostering a business climate (Prianto, 2011, p. 9).

In Indonesia, decentralization has extended the scope and scale of political players in the legislature, administration, and civil society intending to influence power and policy decisions in favor of subnational regions. Formal policymaking organizations such as working groups, task forces, committees, and public-private partnerships have multiplied in districts and provinces. At the same time, new and old informal networks of influences abound as political instruments and delivery mechanisms for local policies. The feasibility of policy changes has increased, particularly in providing social services such as child protection and health, education, and local economic growth. However, this policy initiative has not been implemented uniformly at the regional level (Diprose et al., 2019, p. 695).

In the final stage, the liberalization of neoliberal public policies in Indonesia will direct the public administration to create freedom for the market to be involved in political and social decisions. For this reason, the role of the state in the development

of public administration will be minimized so as not to interfere with market demands. From behind the scenes, the oligarchs can exert their influence in public administration through a series of policies. Policies such as suppressing labor unions need to be revitalized slowly, and free-market competition must be strengthened (Mindarti, 2016b, p. 75).

### **3.2.3. Ideal Bureaucracy in Neoliberal System**

The bureaucracy must serve the incoming administration in the same manner as the previous administration did. Of course, the service is supplied if the program's administration adheres to constitutional principles and regulations and is not directly or indirectly related to any special interests, such as those of big business and multinational enterprises (Raadschelders, 2020, p. 187). Bureaucracy needs stability in its implementation to be ideal. Cooperation between subordinates and superiors is one of the keys to achieving this stability. The principle of collaboration is built not only to seek profit but to fulfill the responsibility to serve the public. Subordinates' belief in legitimacy will result in a stable pattern of relationships from different sources of command in the organizational system (Bisri, 2017, p. 123).

Stein has long placed individualism and communitarianism as important concepts in public administration (Rutgers, 1994, p. 402). Individualism is the sense of independence but not the rejection of others. Bureaucracy places individualism as evidence that bureaucrats should not rely on outside interests that could threaten the system. Communitarianism, in this case, places the bureaucracy apart from being able to be independent, but at the same time, it must also be oriented to the interests of the people. According to Max Weber, there are at least ten characteristics of an ideal bureaucracy, namely:

- 1) Members carry out tasks that are not related to personal interests.
- 2) There is a clear hierarchy or level of office.
- 3) The function of the position is determined firmly and clearly.
- 4) Officials are appointed based on certain contracts.
- 5) The position is determined based on professional qualifications (merit system).

- 6) Officials receive salaries and pensions according to the hierarchy level or their performance.
- 7) Officials work under their responsibilities or duties.
- 8) There is a clear and measurable career path system based on expertise.
- 9) Official duties based on available resources and support.
- 10) Officials are subject to the organizational discipline system and the existence of harmonious control (Banga, 2018, pp. 60–61).

Public administration is conceived as a bureaucratic organization that operates within a set of rules with legitimate, delegated, legal-rational authority, expertise, impartiality, consistency, speed and accuracy, predictability, standardization, integrity, and professionalism in order to serve the public interest (Mindarti, 2016a, pp. 175–176).

In the neoliberal view, bureaucracy also exists to guarantee market power and reduce government power. The issue of public interest is important, but market interests are a higher priority. However, market interests cannot directly enter the Indonesian bureaucratic system because of the rule that state civil servants are prohibited from engaging in practical politics.<sup>22</sup> To outsmart this, neoliberal thinkers take advantage of the pattern of relations between representatives of the bureaucracy and politics. This pattern of relationships makes political actors a representation of the political will/interests of the community and then conveys it to the bureaucracy (Bisri, 2017, p. 127). Therefore, sometimes the problem that arises in Indonesia is when the bureaucracy becomes designed to justify the policies of the rulers through their relationship with politics (Banga, 2018, p. 169).

The reform process begins at the local level in order to produce the ideal bureaucracy. The World Bank established the Kecamatan Development Program (KDP), which exemplifies neoliberalism's institutional emphasis on social capital and governance in the name of poverty reduction. KDP is a social development project that aims to alter behavior patterns at various levels of society, to normalize transparency and accountability, and to aid in the process of decentralization, for example, by

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<sup>22</sup> See: Article 2 of Law Number 5 of 2014 concerning State Civil Apparatus; Constitutional Court Decision Number 41/PUU-XIII/2014 dated 6 July 2015; Government Regulation Number 42 of 2004 concerning the Guidance of Corps Spirit and Code of Ethics for Civil Servants

providing funding at the local level as an incentive. Additionally, KDP is an example of a World Bank program that is being handled by individuals who are proponents of socio-institutional neoliberalism. At its most egregious, the program is enabled and sustained by a certain political and historical environment. This is significant because it reveals how specific political situations can either promote or obstruct the understanding and implementation of these types of socio-institutional neoliberal reforms (Carroll, 2010, p. 181). In addition, KDP also aims to create good governance in accordance with the agenda of the World Bank as the program initiator. Additionally, the extension of influence is targeted at key individuals involved in its design and implementation since it has the potential to foster broader and more active forms of political engagement and representation (Carroll, 2010, p. 187).

Numerous errors have been made in the process of grafting Western rules and institutions into Indonesian society. These imported rules and practices should be filtered through indigenous practices and needs, as Japan did when it adopted a German-style legal system. Without adequate indigenization and assimilation of Western reforms, new institutions risk being overlooked or circumvented. Indeed, the forced reform approach has begun to show its limitations in East Asia: there is mounting evidence that the old system of government can survive in Indonesia, where vested interests in existing asset ownership and lucrative connections to large business enterprises have been protected and favored over reformers (Park, 2006, p. 101).

Without reinforcing the original democracy reforms, it will be more difficult to handle endemic difficulties in Indonesia's bureaucracy, particularly in sectors where vested interests (in this case, within the state apparatus) have a lot to lose (Diprose et al., 2019, p. 695). In the governmental, private, and not-for-profit sectors, bureaucracy and bureaucratization have largely established the *de facto* standard of the organization. Collegial organizations, in which all members hold the same position, continue to be used, but only at the organizational pyramid's peak. This contains all legislative assemblies and different judicial cases in the public sector. All boards of directors, and similar organizations, in the business and not-for-profit sectors are collegial organizations (Raadschelders, 2020, p. 163).

### **3.3. Public Administration and the Rule of Law**

Talking about public administration cannot be done without legal instruments or ignoring the urgency of the relationship between the two. The rule of law in public administration in Indonesia is represented by legal instruments and the division of power in the form of executive, legislative and judicial branches. If traced in its philosophy and implementation, public administration should be subject to the rule of law. The consequences of this provision will require the public administration to be responsible for any policies or regulations issued. In addition, the public administration also does not do what it wants without first referring to the applicable legal provisions (Zalmanovitch, 2014, p. 6). Max Weber, in this case, shows that law is an abstract system that is applied to certain circumstances, and the administration (public), in this case, sees the organizational interests of the issue within the limits of applicable law. In addition, administrators or those in authority must also comply with impersonal rules. Public officials or those who receive obedient services are not the holders of power or authority (Albrow, 1970, p. 43).

The World Bank and IMF's assistance in disbursing debt with unique terms match Indonesia's stance on market liberalization design. However, when examined more closely, it becomes clear that excellent governance works by combining logic and power to provide a smooth and successful engine for market liberalization activities. As a political instrument, the law is employed to legalize the operation of the power machine and hence is far from reflecting the proletariat's sense of justice and protection (Wiratraman, 2007, p. 5). The index of democracy and law enforcement in Indonesia is still low, as evidenced by the repression of critics of laws and policies that contain oligarchic interests, such as the revision of the Corruption Eradication Commission Law, the Job Creation Act and the poor handling of COVID-19 (Economist Intelligence Unit, 2022). From this fact, increasing the effectiveness of the rule of law is only done to support the neoliberalism agenda from the public's perspective. As a state instrument, public administration is required to offer a vital foundation for human progress and security, including individual liberty, life and property protection, justice, human rights protection, stability, and peaceful dispute resolution. Whether in resource allocation and distribution or vice versa, good public administration is critical to the rule of law's viability (United Nations Secretariat, 2004,

p. 4). The World Bank also recognizes that the rule of law is a prerequisite for the development of a country, especially the economy and public administration (Tshuma, 1999, p. 76).

To be able to offer good public administration, it cannot be denied that a good rule of law is also needed in their implementation. This is because the rule of law is one of the main concepts in governance that carries the principles of justice, honesty, and freedom. In the early period of the development of public administration, the question of whether public administration depends on the law or vice versa has become a matter of debate. On the one hand, public administration, which is intended to manage the state, requires the power of law. However, if the law has too much authority in public administration, its flexibility can interfere with the interests of other fields of science. Leonard D. White, who initially emphasized that public administration is dependent on and based on management, also emphasized that public administration does depend on law (Storing, 1965, p. 41).

Public administration that requires the rule of law to function properly will have a lot to do with how regulation from the market gets legitimacy. In the process of testing the rule of law in Indonesia, civil society elements play an important role as supervisors who assess whether laws and policies are in accordance with community needs and deserve legitimacy. However, the responsibility of civil society in Indonesia as supervisors is often repressed or even abused by neoliberal influences. Therefore, to be able to see the influence of neoliberalism in public administration in Indonesia, an analysis through the rule of law is needed as an instrument to measure regulation, legitimacy, and the role of civil society.

### **3.3.1. Regulation from Market Legitimacies**

The existence of government regulations or rules that are made in consideration of what the public needs but are not liked by the owners of capital/economic elites is a real thing in Indonesia. Sometimes there is a dilemma between fulfilling the functions of public administration through regulations that focus on the public interest or the interests of the oligarchs. Therefore, the government in policy planning will use public aspirations and needs as indicators/benchmarks for policy formulation. However, in conditions when neoliberalism has entered and influenced aspects of policy making to

the public administration process, the public foundation as a policy focus has been neglected in the interests of the investment elite. These elites can threaten the government with the resources they have so that they can influence the state budget, which is very crucial for the government to work (Eppler, 2009, p. 28).

At least three distinct perspectives exist on the role of government and its relationship to the free market. The first is a market-oriented approach in which government complements rather than substitutes for the market. The other is a view from a developing country, and the third is a view from a market improvement perspective, which is somewhere in between. All three perspectives acknowledge the existence of market inefficiencies in developing countries as a result of various market failures related to public goods, the absence of multiple markets, technological and marketing influences, and coordination issues (Park, 2006, p. 27). In the case of tin mining on the island of Bangka, the central government has attempted to outwit district regulators for years by enforcing government restrictions that restrict local actors' exports of undiluted tin. However, the Regent of Bangka found some remedies, and illegal exports persisted since local miners chose to sell their tin to PT<sup>23</sup> Timah, the Malaysian-owned joint venture PT Koba Tin. The central government subsequently replied by passing the Mining Law (see: Law No.4/2009), which restricts the export of raw minerals unless they are first smelted in Indonesia, for example, into tin ingots, which can then be certified for export centrally and subject to associated taxes. Under Susilo Bambang Yudhoyono<sup>24</sup> and Joko Widodo<sup>25</sup> administrations, these developments consolidated and established a political agenda arguing for limited economic liberalization and increased resource nationalism (Diprose et al., 2019, p. 700).

As a tool to realize the needs and interests of the public, public administration in certain circumstances will definitely need public opinion. However, in this case, it is necessary to outline the provisions regarding what part can be taken from public

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<sup>23</sup> In Indonesian: Perseroan Terbatas (PT). According to Law No. 40 of 2007, PT is a capital-based legal entity that was founded based on an agreement to conduct business activities. The capital of PT is divided into shares and must comply with legal regulations. In the articles of organization of a limited liability corporation, the amount of the company's capital is specified. The company's assets are distinct from the owners' personal holdings; therefore, they have their own assets.

<sup>24</sup> Sixth President of Indonesia.

<sup>25</sup> Current President of Indonesia.

opinion in the implementation of administration? Woodrow Wilson, in this issue, argues that public opinion will act as an authoritative critic in public administration (W. Wilson, 1887, p. 214). The establishment of a special judicial institution for employees through “the Law on the Settlement of Industrial Relations Disputes”, “the Law on Educational Legal Entities, the Oil and Gas Law, and the Investment Law”, among other things, is one of the most unpleasant things for workers (Prianto, 2011, p. 9). At the conclusion of President Yudhoyono's second term (2009–2014), the movement toward modest economic liberalization began a trend that has continued in the Indonesian government. A study of the holdings of the 200 largest publicly traded companies in Indonesia (which included some data on unlisted companies) revealed that during the first decade of reform, registered state-owned companies were more influential than ever before, and foreign governments (particularly Singapore and Malaysia) increased their stakes in many of the country's largest companies significantly as well. Of course, in order to ensure the success of this attempt to liberalize the economy, the sphere of public administration plays a critical role. This role is consistent with the objective of liberalizing governmental policy in order to ensure market credibility (Carney & Hamilton-Hart, 2015, p. 136).

With regulations in accordance with market needs, producers (capitalists) are getting richer because they produce goods that are wanted and needed by society. This condition results in income inequality because the rich will get richer, and vice versa, and the poor will get poorer. Following the reform, state-owned banks continue to dominate Indonesia's banking market (Park, 2006, p. 60). Left groups (usually associated with liberalism) who support neoliberalism believe that the free market is the main tool to support the development of a third country, such as Indonesia, with public administration reform in accordance with the provisions of international institutions (Demmers et al., 2004, p. 1).

The pressure from the propaganda voiced by the Washington consensus made Indonesia inevitably accept that the private market was able to ensure efficiency in resource allocation and increase growth. Public administration directed by neoliberalism makes regulations that should benefit the people become flawed. The advantages or benefits of a public regulation from the outside seem to be for the benefit of all the people, but in reality, it is only for certain circles. When the impact of the regulation is negative, then these elites can easily let go, and the people will be



burdened. One example of when regulations are drawn up for the benefit of oligarchs in Indonesia is Omnibus Law Number 11 of 2020 concerning Job Creation. The government's reason for issuing this regulation is as a means of structuring work regulations, facilitating investment, and creating new jobs. However, if viewed in-depth, many processes of deregulation and privatization are in line with the ideas of neoliberalism in it. Until this law was passed on October 5, 2020, there were many rejections because they were considered to be in favor of the oligarchs so that they have the potential to exploit natural resources and harm the public interest (Anwar & Fathonah, 2021, p. 65).

### **3.3.2. Civil Society and Neoliberalism in Indonesian**

Every civil society definitely needs a public space for exchanging ideas and formulating ideas. Therefore, a healthy public space without pressure from power is a feature of the sustainability of civil society in a country. One of the most prominent characteristics of civil society is the scope of its entities. Civil society organizations include a large number of entities of different types, sizes, objectives, and levels of formality, including community or grassroots associations, social movements, trade unions, professional groups, advocacy and development non-governmental organizations (NGO), legally registered nonprofits, and social enterprises, and many others. Globalization's wave, which compels public sector institutions, civil society, and the private sector in Indonesia to form and maintain partnerships and collaborations, also serves as a catalyst for the introduction of neoliberalism. Civil society has developed into a fairly broad arena for diverse interests to participate, including those of capital, which adherents of neoliberalism suspect (United Nations Secretariat, 2004, p. 2).

If individuals are a private sphere, civil society is a public sphere, especially in relation to the state. At least civil society can perform one of three functions. First, civil society stands as a shield for society and state behavior which tends to be hegemonic, authoritarian and repressive. Second, if the state is not hegemonic, civil society appears as a state partner in carrying out the public interest. Third, if public life has been properly accommodated by the state, civil society can play a complementary function where civil society appears to complement the needs of the community

(Sitepu, 2017, p. 59). Civil society plays an important role in facilitating social and political interactions so that individual or group mobilization can participate in political, economic and social activities carried out by the government (Kurniawan, 2007, p. 17). In addition, civil society is also tasked with bridging the relationship between the state and society in harmony (Mindarti, 2016a, p. 175)

What is more important about these organizations is not their individual characteristics, identities, or functions than the way they interact with one another and with state institutions and markets in complex civil society, ecological, or "ecosystems" assemblages of highly complex civil society. Vary in detail from one context to another. As in a real organic setting, every detail is related to the others and generates pressure from the diversity of systems and natural growth so that each individual of society can push their ideas and intentions throughout the life of the association. On the other hand, any path to homogeneity that further weakens the atmosphere of civil society and ends up being ineffective will sooner or later collapse. This is why over-reliance on any specific form, including NGOs with vulnerable roots in society, for example, is so dangerous (Edwards, 2011, p. 8).

Since the 1998 reform era, civil society in Indonesia has developed as opposed to military society. This was owing to the growth of civil society as a challenge to the dominance of ABRI (Angkatan Bersenjata Republik Indonesia, the term for the army and police in Indonesia before 1998), which used the dual function ideology, in which ABRI also played civic duties as the organizer of the executive, legislative, and judicial institutions. Prior to the 1998 reform, ABRI held almost all heads of government from the central to the regions. In Indonesia, the idea of civil society is more dominant in Arab-Islamic beliefs, therefore, it alludes to the concept of the *ummah*, which refers to the Medina community created by the Prophet Muhammad. In Indonesia, civil society is open, egalitarian, and tolerant. It is based on ethical and moral values that come from God's revelation. Civil society is a type of democratic society. As stated in the points of the Medina Charter, the relationships between community groups are based on equality (every group has the same rights and position), respect for other groups, involving community groups in policy decisions (like figuring out how to fight a war), and punishing people from any group who do wrong with the right punishment (Muslih, 2010, p. 134).

It is useful to divide the development function of civil society into three interrelated areas: economic, political, and social. The economic role of civil society focuses on ensuring livelihoods and providing services in areas where states and markets are weak, as well as developing the social values, networks, and institutions that underpin a successful market economy, such as trust and collaboration. Despite the explosion of for-profit and nonprofit organizations in civil society, the government continues to be the major agency (Weiss, 2000, p. 801). In their political role, voluntary associations are seen as an important counterweight to state and corporate power and an important pillar for promoting transparency, accountability, and other aspects of “good governance,” a favorite term of foreign aid donors these days. Especially where formal citizenship rights are not well entrenched, it is civil society that provides a channel through which most people can make their voices heard in government decision-making, protect and promote their civil and political rights, and strengthen their skills as future political leaders Front (Edwards, 2014, p. 15).

Inclusiveness which is part of civil society in Indonesia, is an important resource to be able to change the direction of public policy and governance. Therefore, it is possible that civil society in Indonesia is often a bone of contention for neoliberals to influence public discourse. However, the reality is that civil society in Indonesia, which consists of various interest groups, is often an obstacle to neoliberal interests because they (civil society) often reject policies that harm the people. In 2013, the Law on civil society organizations in Indonesia would be revised to suppress criticism of civil society's aspirations. This is most likely suspected to be a capitalist order because community organizations which include workers, often ask for their rights to be fulfilled so that it disturbs the owners of capital. In addition, capitalist interests often conflict with civil society in Indonesia in terms of the environment and nature conservation. Civil society groups who advocate nature conservation by preventing factory valleys and environmental pollution by large industries often interfere with the interests of capital owners in these fields. As for the oligarchs, they are disturbed by civil society groups who continue to criticize the deregulation and privatization policies that make the government a business.

The market is as fundamental in the matured form of neoliberalism as it was in the initial market-centered approach. Indeed, as civil society in Indonesian evolves, the market can be considered more central than ever. Because neoliberalism, through

socio-institutionalism, demonstrate an interest in the 'deep cultivation' of market consciousness via administrative institutions and a wholesale reconfiguration of social connections, which is necessary for the establishment and preservation of market societies. As a result, the neoliberal reform initiative incorporates the role of civil society and participatory processes. This is consistent with efforts to retain the paradigm's predominance and to broaden its impact through real reforms (Carroll, 2010, p. 67).

Civil society in Indonesia is still in the growth stage towards an ideal society with supporting factors in the form of improvements in the economic sector, namely, the higher the income of the community, the lower the dependence of the community on the government. Regarding education, intellectual growth continues to grow, which means that the smarter a society is, the higher its commitment to independence. The emergence of many civil society organizations that focus on social, political, and cultural developments that actively balance the role of government. The strategic efforts of various elements of civil society in Indonesia make mapping public interests easier to identify. With the supporting factors and the mapping of public interests supported by civil society, the influence of neoliberalism also contributes to the formation of civil society in Indonesia through the supply of discourses that support neoliberal values such as the need for privatization, deregulation, and free markets. The dynamics of the struggle for dominance of influence between interest groups in civil society in Indonesia are generally divided into three ideological groups. Left ideologies are liberals who tend to support neoliberal values. Right-wing ideologies are Islamist and socialist groups that tend to criticize the status quo and capitalist ideas. The last is the pragmatic group that easily changes direction according to their benefits, regardless of the ideology they are fighting for (Yazid & Pakpahan, 2020, p. 71).

### **3.4. Essential Factors of Neoliberalism Infiltration in Public Administration in Indonesia**

Joseph E. Stiglitz saw that during the 1997 economic crisis in Indonesia, which was one of the worst crises in East Asia, there was foreign intervention in controlling the situation. The IMF, the US Treasury, and other proponents of neoliberal doctrine

reject what should be a key part of the solution: default. These loans are, for the most part, private sector loans to private borrowers; There is a standard way of dealing with situations where a borrower cannot pay what is due: bankruptcy. Bankruptcy is a central part of modern capitalism. But the IMF said no, that bankruptcy would be a violation of the sanctity of the contract. But they have absolutely no qualms about breaking an even more important contract, the social contract. They prefer to give the government funds to bail out foreign creditors who fail to do their due diligence in lending. At the same time, the IMF is pushing policies at great cost to innocent people, workers and small businesses who had no role in the emergence of the crisis in the first place (Polanyi, 2001, p. xii). Neoliberalism is a utopian worldview, as there is no historical proof that markets can function independently of government interference. Only when a concrete government is in control of the market can varied restrictions be implemented. In other words, the 'free market' and 'free trade' are not genuinely 'free' but are influenced and managed by the government. Recognizing that this is occurring in Indonesia, neoliberals take the initiative to exert influence over public administration in order to direct government operations (Pontoh & Sangadji, 2021, p. 169).

The momentum of a crisis or major change in a government is one of the most appropriate times for neoliberal ideas to be able to exert their influence in public administration in Indonesia. This is supported by the Zalmanovitch hypothesis, which sees that when major changes occur, especially in unstable economic conditions, public administration will focus on formal political and legal aspects (Zalmanovitch, 2014, p. 12). When the government focuses on public administration in the formal political and legal sphere, the focus on the managerial aspects of public administration will decrease, and vice versa. Governments that often focus on public administration on managerial functions may escape the realm of politics and legality. So that when the power of government control weakens in one aspect (political-legal or managerial), neoliberals can step in to strengthen their foundations and pressure the government to reduce intervention and power (Haque, 2004).

### 3.4.1. Making the Need of Market Friendly Policies

According to the World Bank, the success of several countries in Asia, especially Indonesia, in achieving economic progress is based on the implementation of several market-friendly policies. Some of these policies include:

- 1) Agricultural development.
- 2) Social risk management.
- 3) Technology openness.
- 4) Accumulation of physical and human capital (Park, 2006, p. 20).

*Case of agricultural development:* the majority of Association of Southeast Asian Nations (ASEAN) economies contain traits of interventionist regimes, while policymakers refrain from intervening in markets-driven areas. Despite the implementation of decentralization in Indonesia, the central government occasionally intervenes in policies that have the potential to harm the economy or undermine the country's unity. As in agriculture, this basic strategy of taking a market-friendly stance is frequently regarded as a success in limiting price distortions to reasonable levels. In the early stages of economic development, the structural shift from agricultural to manufacturing is the key to sustaining growth. Through land reform, infrastructure investment, the introduction of more efficient agricultural technologies, and the deregulation of agricultural product prices, Asia's emerging market economies were able to enhance agricultural production. The improvement in rural productivity permits a huge movement of labor from agriculture to manufacturing, which in turn provides an increase in manufacturing employment and agricultural surpluses that can be transferred for industrialization. In this instance, Indonesia has started to improve by continuing to enhance and organize its agricultural production system. Agricultural development focuses on enhancing exports' quality in accordance with each region's unique potentials through the application of integrated technologies (Ningsih & Kurniawan, 2016, p. 118).

*Case of social risk management:* in line with an approach that is friendly to the market, ASEAN countries' strategies for social protection focus on creating jobs and raising real wages through rapid economic growth. The European social welfare model, in which people have different rights to government transfers and pension programs that are paid for by the government, is thought to be incompatible with

ASEAN's outward-looking development strategy because it will inevitably hurt their ability to compete in the export market. So, policymakers in ASEAN countries didn't give in to organized labor's requests to pass laws about minimum wages and unemployment insurance. Instead, they pushed for the creation of industrial and economic unions, thinking that the labor market would do its job of allocating resources if it was left alone. In Indonesia, the government has a better idea of its financial and social risk exposure because it uses data from the central bank and state-owned enterprises, as well as public debt, to make decisions about how to handle financial risk. Indonesia's government took a much more conservative approach to money to make the country more resistant to financial shocks and prepare for the next global crisis. As part of this plan, the scope of the financial risk analysis was widened from just the central government to include risks caused by other public sector entities. More and more, they included both the assets and liabilities of the central bank, State-Owned Enterprises (SOE), and sub-national entities. That is, they try to stay out of the way of the labor market as much as possible so that wages and jobs are mostly set by factors like supply and demand (Park, 2006, p. 21).

Case of *technology openness*: the active imitation and assimilation of technology through foreign licensing, as well as the liberalization of capital goods imports and direct investment, are all components of fundamentally sound development policies. Market liberalization brought about by globalization's consequences in Asia is seen as a pro-market strategy. Only under external pressure did the majority of Asian economies liberalize their trade regimes in any meaningful way until the late 1990s. To remain competitive in the international market for exports, they require foreign technology. Therefore, a development strategy that can create prospects for openness to technology advancements will influence the liberalization of foreign capital imports and foreign direct investment. In line with this, the emergence of a more effective and integrated public administration in Asia is influenced by technological openness. This has an effect on improved management of public resources that are integrated with technology, allowing attempts to revive the economy to go more quickly.

Case of *accumulation of physical and human capital*: the ASEAN countries use most of their budget surpluses to pay for public investments in basic infrastructure. This spending discipline kept social spending from going up by a lot, and it gave

policymakers the moral freedom to praise saving and set up different ways for people to save on their own and without their permission. Also, political stability, low inflation rates, stable exchange rates, and keeping disruptions in the labor market under control create incentives and a good environment for long-term investments and savings. Human capital is built up quickly when huge amounts of money are spent on improving and expanding primary and secondary education. Together, this focus and post-secondary education, which focuses on teaching vocational and technical skills, create a more educated workforce that can be used for developing strategies that look outside the country. What's going on in Asian countries is based on how well investment and innovation work together. Even though export-oriented policies in the region are an important way to encourage capital investment and the adoption of advanced foreign technologies, smart strategies may not work if there aren't smart enough forward-thinking entrepreneurs with the management skills to put new ideas into action and start new businesses that can hire skilled workers.

This fundamental strategy of embracing a market-oriented approach is frequently regarded as successful in containing price distortions, as in agriculture. The structural transformation from agriculture to manufacturing is critical for sustainable growth in the early stages of development. Asian emerging market economies increased agricultural productivity through land reform, infrastructure investment, the introduction of more efficient agricultural technologies, and price deregulation of agricultural products. Thus, increased rural productivity enables a huge migration of labor from agriculture to manufacturing, resulting in an increase in manufacturing employment and the generation of a large agricultural surplus for industrialization. The establishment of legislation aimed at exposing the economy to domestic and international competition (foreign multinational corporations frequently operate in Indonesia via subsidiaries) aims to undermine the market dominance of certain state-owned enterprises and allied oligarchic interests. This is particularly true for mineral and plantation extraction activities, which do not demand the same long-term and massive capital inputs as oil and gas mining (Diprose et al., 2019, p. 700).

The Asian plan for social protection places a premium on job creation and rapid growth in real wages. Social welfare models such as those found in Europe, which provide various rights to government transfers, including publicly funded pension programs, are deemed incompatible with Asia's outward-looking development



strategy, as they inevitably erode their export performance's competitiveness. As a result, policymakers resisted organized labor demands for minimum wage and unemployment insurance legislation and pressed for the formation of industrial and economic unions, believing that if left alone, the labor market would fulfill its appropriating function. That is, they minimize labor market intervention to the extent possible, leaving wages and employment largely determined by supply and demand factors (Park, 2006, p. 21).

Michel Camdessus, the former IMF Managing Director, proposed straightforward neoliberal (Washington Consensus) applications, such as the significance of countries with imbalances taking macroeconomic action early and the importance of preserving the 'correct' currency rate. However, he also emphasized the significance of bolstering market-supporting policies, emphasizing the role of institutions and the critical nature of accountability and transparency (Carroll, 2010, p. 59). The IMF's policy for distressed nations calls for increased interest rates (to combat currency depreciation) and financial sector restructuring. However, the program emphasizes the importance of altering the government's 'role' in order to intensify market processes (Carroll, 2010, p. 60).

### **3.4.2. The Influence of Political Party Interests in Public Administration**

Political developments in Indonesia are one of the essential variables that open opportunities for the infiltration of neoliberalism in Indonesia because the scope of influence of political parties can cover the realm of the executive and the legislature. Indonesia, with the *trias politica*,<sup>26</sup> has indeed become a divided and separate power so that there is no domination that can lead to abuse of power. But on the other hand, there are gaps that are open for political parties to be able to satisfy their interests in government through the executive and legislative branches. The form of the system of legislative institutions will also have an effect on entering and developing the interests of political parties in the government system, which will also be related to public

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<sup>26</sup> *Trias politica* is the idea that every country needs to have strict separation between three independent powers: the power to make laws, the power to run the government, and the power to rule (Ott, 2014).

administration. The legislative system in Indonesia is not like Turkey, which is unicameral, but Indonesia is bicameral (Hidayat Dodi; Ghafur, Abdul, 2015, p. 4).

The two-chamber system in the Indonesian legislature aims to reduce too much power in the legislative body and the existence of inter-institutional supervision. The legislature in Indonesia, called the House of Representatives (in Indonesian: Dewan Perwakilan Rakyat, abbreviated as DPR), consists of nine factions, each of which is representative of a different party. The number of members from each faction is determined by the number of votes in the general election in 2019 so that the political party that gets the most votes will automatically become more dominant among its members in the DPR. The factions in the DPR are tasked with coordinating the activities of their members in order to optimize the effectiveness and efficiency of the work of DPR members. The faction is also responsible for evaluating the performance of its members and reporting the results of the evaluation to the public. The DPR for the 2019-2024 period consists of nine factions, each faction consisting of a different number of members with a total of 575 people.<sup>27</sup>

Among them are the Indonesian Democratic Party of Struggle, in Indonesian called as Fraksi Partai Demokrasi Indonesia Perjuangan or FPDIP (128 members), the Golkar Party, in Indonesian called as Fraksi Partai Golongan Karya FPG (85 members), the Greater Indonesia Movement Party, in Indonesian called as Fraksi Partai Gerakan Indonesia Raya or FGERINDRA (78 members), the National Democratic Party, in Indonesian called as Fraksi Partai Nasional Demokrat or FNASDEM (59 members), the National Awakening Party, in Indonesian called as Fraksi Partai Kebangkitan Bangsa or FPKB (58 members), the Democratic Party, in Indonesian called as Fraksi Partai Demokrat or FPD (54 members), the Prosperous Justice Party, in Indonesian called as Fraksi Partai Keadilan Sejahtera or FPKS (50 members), the National Mandate Party, in Indonesian called as Fraksi Partai Amanat Nasional or FPAN (44 members), and the United Development Party faction, in Indonesian called as Fraksi Partai Persatuan Pembangunan or FPPP (19 members).

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<sup>27</sup> The total of votes each faction gets, FPDIP: 27.053.961. FGERINDRA: 17.594.839. FPG: 17.229.789. FPKB: 13.570.097. FNASDEM: 12.661.798. FPD: 10.876.057. FPKS: 11.493.663. FPAN: 9.572.623. FPPP: 6,323.147. Total valid votes for 2019 election: 139.970.810 (source. [www.dpr.go.id](http://www.dpr.go.id))

The factions whose policy directions seem to be very inclined to support neoliberalism are F-PDIP, FPG, and FPGERINDRA. This can be seen from the support and efforts of these factions to create regulations that prioritize capitalist interests and weaken labor workers. Political parties can be a supporting force for better public administration or vice versa, become an obstacle to public administration. Optimization of public administration is also sometimes just a cover to be able to benefit political parties. Political parties in Indonesia tend to prioritize ideas that can have a direct impact on the public to gain support. Therefore, what is offered by the idea of neoliberalism with as much profit as possible becomes something that is attractive to political parties. Reciprocal interests between political parties and the application of the idea of neoliberalism become a momentum to be utilized as well as possible (Banga, 2018, p. 173).

In addition, the realm of the executive is also inseparable from the strong interests of political parties. Although dealing with different matters from the legislature, the executive in Indonesia is not completely independent from political parties. The candidate for president or governor is part of a political party or can be called an envoy who has been approved by the party to compete in the general election. Therefore, the elected executive often acts as an accomplice to the party that supports it. Along with the national level, the significant political interest reaches the regional level, raising concerns about the influence on regional public administration. This worry is heightened as clientelism has entrenched as an established method for attaining office at all levels of regional electoral politics, along with the expansion of money politics. Numerous offers to profit through various techniques, including the use of governmental administration to benefit specific individuals. This clientelism also emphasizes the importance of local mass groups, which serve both as state supporters by providing ad hoc social services and as a platform for rallying the interests of certain political parties during elections, as well as at the local level (Diprose et al., 2019, p. 695).

Many business owners utilize alternative means rather than relying on personal connections to politics. Among these techniques is almost certainly political party funding, which has grown in importance as campaign costs have risen in a democratic era, leaving parties reliant on the personal fortune of their leaders or friends. This businessman's funding of political parties or political actors is most obviously not

gratuitous. The cash will be granted as part of a collaboration agreement that will promote both parties' interests. The second conventional method of garnering political support is through the appointment of government insiders to corporate boards of directors. For instance, CT Corp (owned by Chairul Tanjung) appointed Abdullah Mahmud Hendropriyono, a former head of intelligence, and S. Bimantoro, a former national police chief, as commissioners (Carney & Hamilton-Hart, 2015, p. 141).

### **3.5. The Power of Indonesian Government in Neoliberal Framework**

Most Asian economies, including Indonesia's, have the characteristics of an interventionist regime, but in certain cases, policymakers have refrained from intervening in areas where markets can be relied upon (Park, 2006, p. 20). Pressures from globalization also play a role in the repression of policymakers to refrain from disturbing market interests. The government's authority is repressed, and the acceleration of the integration of the global economy into the national economy continues to be accelerated in Indonesia regardless of the discourse to become independent. The lack of employment forces the government to submit to the neoliberal governance model in order to be involved in the administration to open the tap of foreign investment as much as possible.

In many forms of public administration models that have developed to this day, neoliberal influence in various aspects through foreign institutions such as the IMF, the World Bank to the United Nations shows that there are efforts to reduce the role of the government (Prianto, 2011, p. 4). At the same time, reducing the role of the government will open up more space for actors outside the government to participate or, at worst, intervene according to their interests. Oligarchic actors or political elites have a greater influence in shaping public opinion so that they can be involved in the process of developing state administration. For neoliberals, in reality, national governments are clients of the World Bank (Carroll, 2010, p. 192).

The majority of developing East Asian countries that have managed to escape poverty in the third world through rapid growth have had authoritarian, if not dictatorial, regimes. While many observers disagree on the precise role of government, they agree that these non-democratic regimes are effective at promoting economic development by managing industrial policies, promoting exports, providing

infrastructure to support manufacturing activities, and investing in education (Park, 2006, p. 27). With the wave of public administration reforms brought about by foreign organizations such as the United Nations, the World Bank, and the IMF, a strong influence for the downsizing of the role of government continues to be voiced. At this stage, the development of Indonesian public administration continues to be forced forward with provisions without excessive interference by the government and then enlarge the role of civil society and market actors. So, it is not surprising that in the future, the public administration that has grown in Indonesia has indirectly been under the shadow of neoliberal influence (Prianto, 2011, p. 4).

During three decades of fast expansion, vested interests imposed structural rigidities on numerous sectors of the economy, and policymakers in these economies underestimated the severity of local restrictions on Washington Consensus changes. As a result, the changes were frequently cosmetic in nature and so failed to restructure the systems in accordance with and to establish the institutions necessary for democratic and market liberalization to be acceptable in the global economy (Park, 2006, p. 34). However, the development of the Washington consensus in the future has been manifested through covert neoliberalization programs that are now being carried out by international institutions such as the WTO, IMF, and World Bank. These institutions are active in voicing the reduction of state power because it is hegemonic. But in reality, hegemony only shifts from state control to private control. Because in general international institutions entering Indonesia always carry a message of globalization that seems to support laissez-faire so that the government is persuaded to support the relevant agenda (Giddens & Hutton, 2000, p. 151). The impact of private hegemony on the development of public administration in Indonesia is equally detrimental.

With the *trias politica* system that applies in Indonesia, the executive and legislative branches are often places of competition for influence and domination of political parties. If the executive is controlled by one party, then the legislature can become the opposition in this power-sharing system. State power that has been shared since the reformation era began to be optimized to be able to create cohabitation in the stability of state management. But things like this often don't work well as the government and opposition factions have frequently failed to reach an agreement on how the national agenda should be determined. As a result, a political impasse has

developed, escalating political instability and undermining public confidence in political parties and leaders. Political instability has inevitably permeated the economic bureaucracy, making it difficult to build a reliable and credible policy framework and develop a clear long-term development strategy (Park, 2006, p. 39).

In a condition where neoliberalism affects the joints of the Indonesian government, in the end, the government is not in a position as a state administrator tasked with serving the public but instead serves the interests of elites or even political parties. In general, stakeholders do not want to get their hands dirty directly to get involved in various sectors of public administration, so they send other people to get involved. This is usually delegated through political parties to determine who enters the realm of government and becomes the mouthpiece for the success of their interests. Administrators who should be responsible for optimizing public administration in order to create state stability have actually done the opposite. The power of the government, which is managed by the envoys of the oligarchs, is an opportunity for profit. An administration of government like this will definitely have an impact on public administration, which becomes ineffective (Banga, 2018, p. 171).

### **3.6. Business Oligarchy in Government Administration**

Oligarchy in Indonesia isn't just because conglomerates or elites have a lot of money. It's also supported by social relationships, in this case, the existence of the most dominant capital relationships. This makes it easier for the conglomerates to stay in business and grow their economic networks by using political tools (Sunardi, 2020, p. 316). Trade unions and interest groups, including oligarchs, have posed a growing threat to the government's efforts to increase public participation in policymaking. The influence of these oligarchs is sufficient to exert pressure on governments to formulate policies that avoid interfering with their interests. For oligarchs, a good impression is the first way to enter politics and public administration (Banga, 2018, p. 174). Oligarchs frequently join political parties in order to facilitate their voting for the government. However, political parties cannot achieve this without the legitimacy or support of a diverse public. Regardless of their ideological orientations and values, political parties, regardless of their ideological orientations and values, tend to embrace populist policies (Park, 2006, p. 39).

The participation of some significant company owners in formal politics is one way in which the business aristocracy exerts influence. Given the fluid nature of alliances and political party allegiances, it's unsurprising that some company owners have extensively distributed their cash and influence. Oligarchy in Indonesia is also inherited from elite families who have wide influence in government (Carney & Hamilton-Hart, 2015, p. 137). Numerous business people with political aspirations, like Aburizal Bakrie, Jusuf Kalla, Surya Paloh, Chairul Tanjung, and Hary Tanoesoedibjo, have garnered widespread public notice. Because neoliberalism remains a scourge in Indonesia, excessive attention paid to these wealthy businessmen frequently translates into a negative opinion when they become involved in government and public administration. As a result, large business groupings in Indonesia rarely enter the political arena directly (Carney & Hamilton-Hart, 2015, p. 141). Indonesia's key issue is shifting these power connections to construct a society and system of governance that meets people's needs and capitalizes on the opportunity given by a liberalized economy through effective distribution of assets and economic growth revenues. Reform strategies in Southeast Asia must prioritize development, which includes equality and social justice in addition to economic progress (Demmers et al., 2004, p. 260).

Private accommodation does not require official representation or board positions due to the breadth and fluidity of informal patronage and network-based linkages within Indonesia's oligarchic environment. Although the public rejects the bureaucratic climate that is fertile with oligarchy, in reality, this rejection is drowned out by the discourse of globalization facilitated by deregulation and privatization with the lure of profit diversification (Giddens & Hutton, 2000, p. 148). Almost all political leaders, especially those like Jokowi, who are largely free of cronyism accusations, actively cultivate goodwill among business executives. They are well aware that obtaining support from business oligarchs is critical to achieving a position of prominence in politics. As one Indonesian analyst puts it, 'the tycoons, who were previously concentrated under Suharto's auspices, have been liberated, in the sense that the tycoons are now more inclined to establish their own political networks' (Carney & Hamilton-Hart, 2015, p. 142).

### **3.7. The Impact of Neoliberalism on the Development of Indonesian Public Administration**

Public administration, wherever the concept is applied, will continue to influence the development of a coverage area. So, without proper and quality public administration, the impact of the development will certainly be reduced or even show negative results (Braibant, 1996, p. 165). However, public administration is not without the interests of the ideology or actors who run it. Therefore, how the impact of the development of public administration can be seen from the dominance of what ideology is referred to by the system or actors who run it. Neoliberalism, in this case, has played a major role in shifting the paradigm and orientation of public administration in Indonesia, although, in practice, it is often obscured. In some public policies, for example, neoliberalism's values, which have a big influence on policy formulation, are often neglected because of the distraction of the problems that are trying to be solved. Public policies that are treated excessively due to the strong influence of the private sector cause the public sector to be disturbed and lose orientation in its responsibilities for the public interest in the long term (Kurniawan, 2007, p. 13). Neoliberalism is not merely a philosophy that is anti-rules, anti-institutional and anti-civil rights. Dardot and Laval assert that "...it also develops certain social interactions, certain modes of existence, and a certain subjectivity." (Dardot & Laval, 2013, p. 3)

The development of public administration in Indonesia with the collapse of the absolute power of the state, which has been hegemonizing the people, has become a hope for better governance. But in reality, the absolute power of the state that has been lost does not necessarily eliminate the oppression of the people. What has happened is that the actor who oppresses the people is no longer, or not just a state, but a multinational company. This is one of the impacts when the private and public sectors have the door to be involved in public affairs through the authority of the state. This is certainly no better than the previous state hegemony. What makes the difference is often the low level of public awareness that their rights and freedoms are being exploited by multinational companies that adhere to neoliberalism. The most obvious example for Indonesia is that the middle and lower-class people are increasingly marginalized from the public interest because they do not have a high bargaining value



in a climate of market freedom. Poverty alleviation programs continue to produce increasing poverty (Prianto, 2011, p. 9).

### **3.7.1. Public Administration Orientation Shift**

Since the introduction of new public management, the aroma of commercialization in government bodies has begun. Economic waves that see the many benefits of what the government is responsible for are increasingly eager to be able to exert their influence through public administration, which is a very important field. Then the idea of entrepreneurial government also enlivened the governance discourse until one of Ted Gaebler and David Osborne's works, entitled "Reinventing Government", became popular (Osborne & Gaebler, 1992). Through this book, entrepreneurship in government is introduced. Gaebler and Osborne's ideas become a new hope for business people to be able to enter government affairs (Pratikno, 2005, p. 238). The need to reduce government spending, growing suspicion of government, cynicism about the responsiveness of government bureaucracy, globalization, and the notion that foreign market-oriented economies are not subject to domestic policies have all contributed to greater interest in new public management. The discourse was crafted in order to promote new public management admission and acceptance by the public (Raadschelders, 2020, p. 163).

Public administration exists to be able to serve the needs of the public through a planned, measurable, and directed management and regulation process in accordance with the orientation of the interests of the people without any discrimination. When this orientation changes, the function, and existence of public administration are likely to harm many people for the benefit of a few. The practice of public administration in Indonesia, which refers to the national interest, is part of the fulfillment of the constitutional mandate. National interest is also a reference for Indonesia's economic and political identity. However, along with the entry of the idea of transnationalization of production and ownership, the orientation of public administration in the national interest has received intervention from alliances between companies and foreign ownership. National control over the production process from existing resources should be oriented to the national interest of the country, but with the

uncontrolled influx of foreign capital, it becomes difficult to determine the national interest (Mindarti, 2016b, p. 72)

Public administration must recognize the value and virtue of partnerships among various sectors. Work closely with actors in the private sector and civil society at local, national, regional, and global levels to galvanize experience, knowledge, and skills and harness resources for effective responses to public needs. Public administration, which is close to civil society, must be effective, efficient, economical, transparent, accountable, fair, and responsive to public needs and must embrace the participation of a wide spectrum of stakeholders and actors in all sectors at all levels. Favoritism towards certain groups that only bring profit can lead to problems and a shift in the orientation of public administration (United Nations Secretariat, 2004, p. 7). A free market for capital, products, and services, with the state's role mostly restricted to facilitation, was effectively declared to be the only and indivisible answer to economic stagnation and fiscal deficits. However, this was not a voluntary procedure. The governments of developing nations had no choice but to follow this tide in order to be considered for new foreign loans and debt renegotiation, both of which were necessary for economic stabilization and recovery (Demmers et al., 2004, p. 14).

Numerous large firms in Indonesia with political clout can obtain advantageous policy interventions or leverage their links with state actors. This interference occurs in the administrative sphere, where gaps in regulation and even bureaucracy are created for them. To the extent that wealth is concentrated in sectors such as natural resources, where regulatory discretion is nearly inevitable, political connections at the corporate level might allow preferential treatment. The shift in the orientation of public administration that occurred was further strengthened by planting the discourse of good governance as a keyword in every objective of bureaucratic policy formulation to be able to make major changes. With the inclusion of stakeholders and the private sector in the development of public administration in Indonesia, neoliberal influence has a great opportunity to determine which direction the development of public administration in Indonesia will lead (Wahyurudhanto, 2020, p. 313). The orientation of public administration has the potential to change to support the interests of large companies that exploit Indonesia's natural resources (Carney & Hamilton-Hart, 2015, p. 140).

### **3.7.2. Democratization While Preserving Massive Deregulation**

Since its reformation in 1998, Indonesia has been trying to learn from past mistakes about the dangers of authoritarianism and pseudo-democracy. Therefore, the democratization process in Indonesia continues to this day. In fact, Indonesia has become a testament to the successful transformation from authoritarianism to democracy (Diprose et al., 2019, p. 692). Continuous democratization has increased the government's burden of balancing growth, stability, and income distribution. The impacts of neoliberal economic changes have continued to face increased pushback from those harmed by deregulation and market liberalization and as a result, have come to a halt (Park, 2006, p. 235).

Polanyi saw the market as part of the broader economy and the broader economy as part of a still broader society. He saw the market economy not as an end in itself but as means to more fundamental ends. All too often, privatization, liberalization, and even macro stabilization has been treated as the objectives of reform. Scorecards were kept on how fast different countries were privatizing—never mind that privatization is really easy: all one has to do is give away the assets to one's friends, expecting a kickback in return. But all too often, no scorecard was kept on the number of individuals who were pushed into poverty, the number of jobs destroyed versus those created, or on the increase in violence, or the increase in the sense of insecurity or the feeling of powerlessness (Polanyi, 2001, pp. xv-xvi).

Liberalism's neo-rhetorical claim that democracy is the only legitimate way to make political decisions gives global social movements an unparalleled opportunity to use this as an ideological tool. At the national level, rules and processes can be used to turn “democracy” into a series of simple elections. However, this method does not work well on a global level (Evans, 2000, p. 296). Indonesia is under pressure to democratize so that non-state actors have indirect power. Indeed, this brings positive things to the development of public administration by reducing the potential for abuse of authority and the slogan of democracy by the state, but in reality, negative impacts have also emerged. Rodrik asserts that in democratic societies, laborers, businesses, and other social groups are more willing to collaborate and make concessions on politics and policy formulation issues, resulting in increased stability. This is because

liberal democracy necessitates constitutional safeguards and the separation of powers while also promoting the rule of law and minority protection (Rodrik, 2000).

In a democracy, normative and ethical behavior entails public ethics and substantive and procedural defenses afforded to the public in relation to the public administration's enforcement rights and the need to follow its orders (Zalmanovitch, 2014, p. 6). With appropriate deregulation, it was seen as a signal that democracy would mean a more equitable distribution of wealth between Jakarta and the regions. Even the elite, in fact, enjoyed a disproportionate share of the new wealth (Diprose et al., 2019, p. 696). In Indonesia's democratic political system, the primacy-of-politics theory emphasizes the subordination of administration to politics, which implies that those elected to public positions will be dutifully served by the bureaucracy in carrying out the stated program. This has an effect on the growth of public administration in a democratic system such as Indonesia, where the process of development will be influenced in the future by the interests of powerful political actors. With democratic freedom as a tool for political actors to influence the evolution of public administration, they will seek to repay supporters or sponsors who assisted during the campaign time. In Indonesia, the majority of backers and sponsors of this case are oligarchs who want neoliberal ideals implemented into public management. As a result, the evolution of public administration, which is fought for democratically by political players, ultimately results in significant deregulation to the benefit of funders (Raadschelders, 2020, p. 186).

Superior countries often tell developing countries about the importance of democracy, but then, when it comes to the issues they are most concerned with, those that affect their livelihoods, their economy, they are told: the iron laws of economics give you little or no choice. Since developing countries (through your democratic political process) are likely to mess things up, they must hand over important economic decisions, say concerning macroeconomic policy, to an independent central bank, almost always dominated by representatives of the financial community (international organizations). Then to ensure that developing countries act in the interests of the financial community, they are told to focus exclusively on inflation—never mind jobs or growth, and to make sure that they do this, developing countries are told to impose on the central bank rules, such as expanding the money supply at a constant rate. When one rule fails to work as had been hoped, another rule is brought

out, such as inflation targeting. In short, as superior countries seemingly empower individuals in the former colonies through democracy, on the one hand, they also take it away (Polanyi, 2001, p. xvi).

Undoubtedly, democracy has resulted in profound changes in governance at all levels of society, the social security system, and labor relations (Park, 2006, p. 5). In theory, democracy based on neoliberal principles is pro-liberty and anti-concentration of power in a few hands, whether political (strong state) or economic (oligarchy). In reality, however, market participants have gained freedom at the expense of citizens' political influence, while economic inequities have grown both worldwide and nationally as a result of open market policies. States have mostly failed to rein in corporate power consolidation, while people are increasingly defined as consumers rather than citizens. It is notable in this regard that, rather than relying on national legislation or international agreements, transnational corporations have begun to 'borrow' public legislation in order to build their own corporate quasi-legal dispute resolution processes (Demmers et al., 2004, p. 10).

### **3.7.3. Bureaucracy Without Souls**

Bureaucracy is one of the important components of public administration that can lead the country to success. Therefore, the bureaucracy cannot be ignored and must continue to be developed in a better direction through continuous planning and evaluation. Efforts to incorporate neoliberalism into the bureaucracy in Indonesia are often tucked away through a process of evaluation and renewal. The bureaucracy that is continuously updated in line with the needs of various stakeholders and the community will certainly come into contact with the interests of certain individuals. Efforts to get as much profit as possible through the bureaucracy are considered as an opportunity, although sometimes it has a negative impact on the quality of public administration. Therefore, in the process of connecting neoliberalism and socio-institutionalism in Indonesia, a radical approach is often needed (Carroll, 2010, p. 180). In Indonesia, neoliberalism has also begun to establish unwritten norms affecting a large number of people through the use of public tools handled by companies. This norm requires everyone to live in a world of general competition; it invites classes and populations dependent on salary-based earnings to engage in economic conflict with

one another; it imposes the alignment of social relations around the market model; it justifies any degree of inequality; and it even transforms the individual, who is now required to subjugate and treat himself as a business (Sulubere, 2016, p. 304).

Empowerment programs for the middle and lower classes also play an important role in the preservation of neoliberalism. Through programs provided by international and national institutions under the auspices of neoliberals, the understanding of the public and the state apparatus is reconstructed to gradually accept the values they want. Given that Indonesia has a very large population, this demographic condition is very vulnerable to exploitation. Moreover, the power of the masses in the current era can be strong pressure on the government. For this reason, the masses who have been educated and implanted neoliberal ideas (indirectly) are assets that must be preserved if needed at any time. In order to complete this reconstruction process, non-governmental organizations also took part in the process of building and disseminating public opinion about the importance of the values of deregulation, liberalization, and free markets in the development of public administration in Indonesia (Prianto, 2011, p. 8).

The bureaucracy in Indonesia is structured without ignoring the nation's national identity that adheres to the constitution and the values that apply in society. However, the gap opened by the process of internationalization of public administration makes the boundaries of the bureaucracy to the private and public sectors become blurred. Bureaucracies that are prevented from engaging in practical political affairs are often trapped in conflicting interests between political and business actors. The core values of the bureaucracy for public services began to be questioned. The construction of the bureaucracy should have an administrative spirit without being oriented to political interests and the benefits of a few parties. The bureaucracy was created to follow the interests of the owners of capital by smoothing the process of privatization and deregulation. The life of the bureaucracy in Indonesia that intended to provide the best public services began to be filled with neoliberal values. This can be seen, among other things, by the commercialization of government organizations, efforts to contract out government services, and the decline in the quality of public services. There is many new patrimonialism due to the lack of public access to information, so the role of public-oriented organizations is getting less and less (Mindarti, 2016b, p. 73).

The spirit of the bureaucracy is required to be able to bridge the state, the private sector, and civil society. With the development of liberalization in Indonesia, the bureaucracy will face market forces that come from national to international levels. The potential to produce justice and excellent service in the bureaucracy is being challenged along with the development of market liberalization. Although the discourse developed with liberalization echoes transparency and freedom in the bureaucracy, in reality, the orientation is directed at the interests of serving the neoliberal agenda. Facing these conditions, the bureaucracy must be able to be independent as a public servant and should not be subject to market intervention. But on the other hand, a bureaucracy that aims to serve the public also needs to be open to the positive impacts of global developments so that the ability for selective consideration is needed in its development (Mindarti, 2016a, p. 174).

## CONCLUSION

Although the development of globalization to this day has further strengthened the influence of the market in the life of the state, at a certain level, this needs to be watched out for. The abundance of data shows that reducing the role of the state in public life is caused by concerns about authoritarianism and abuse of power. However, upon in-depth investigation, the lack of state oversight can also lead to abuse of influences by the economic elite who control the market. According to Foucault, neoliberalism is not merely an economic theory explicable by the state's withdrawal from economic operations. Neoliberalism encompasses a great deal more than this. Through biopolitics, neoliberalism manages people through market imperatives in order to generate liberal actors from them. Neoliberalism in public administration is interpreted in this situation as a way of regulating how people live their lives through a detailed set of laws and policies enacted by state authorities in accordance with neoliberal values (Genç, 2011, p. 70). However, neoliberalism annihilates its own conditions of existence. Economic growth has slowed under neoliberalism, unemployment is widely spread, inequalities within and between countries are widening, and the marginalized will face massive oppression as a result of economic instability. Its chronic failure to generate sustained economic growth and growing standard of living exhausts the majority's tolerance and exposes the web of spin that neoliberalism uses to obscure the discussion and legitimize its negative results (Saad-Filho & Johnston, 2005, p. 5). The never-ending chant of 'reforms' that consistently fail to deliver on their promised 'efficiency benefits' undermines the legitimacy of neoliberal states, their ideology, and their mouthpieces (Wiratraman, 2007, p. 10).

Neoliberalism differs from liberalism in that it does not embrace the market or economic competition as a natural reality with self-evident and inherent laws; rather, neoliberalism argues for the establishment of its ideals and principles. This condition leads us to conclude that *homo oeconomicus* is never a natural entity with predictable patterns of behavior and methods of functioning but rather a sort of subjectivity that must be created and sustained through social subjectification procedures (Genç, 2011, p. 71). Despite the jargon of freedom that neoliberals bring to the notion of free markets and the state, cases like inequality are becoming increasingly common. In



addition, public administration has shifted to profit orientation and the interests of neoliberals who hide behind the face of freedom. The impact of losses generated if a handful of economic elites control the government through its very significant influence on the development of public administration in Indonesia. The shift in governance models to date has had an impact on more than just the economic model. It also includes changes in government, in this case, public administration. It implies the use of a different set of rules and practices that regulate access to power and authoritative decision-making, thereby affecting citizens' social welfare and economic security (Demmers et al., 2004, p. 14).

Neoliberal thinkers are aware that the public trauma of the Washington Consensus necessitated the innovations of neoliberalism to enter and be accepted by the public. A conducive atmosphere needs to be built so that neoliberal influence can rise, even with disguises and infiltration tactics towards new concepts that can be more easily accepted by the public. Therefore, public administration as a field that is very close to public life is an important target in the goal of developing neoliberalism. When the crisis hit Indonesia, neoliberals were well aware that this was momentum for them to step in and take advantage of the situation. The solutions offered are through regulations on the need for economic liberalization, free markets, inflation, privatization, and reducing the role of the government. However, in a democratic country, the role of the people represented by the government has to be reduced, thus opening up a lot of space for corporations to rule (Chomsky, 1999, p. 19). The World Bank, IMF, and WTO see opportunities from the development of countries in the world, especially third-world countries like this. Indonesia will need assistance to be able to accelerate development and compete with other countries in a climate of globalization. But at the same time, international institutions that carry neoliberal values also realize that they cannot directly offer neoliberalism because of the high probability of rejection. So, the issues of development and administrative reform in accordance with the values they set are one of the ways (Prianto, 2011, p. 7).

Therefore, to overcome this problem, it is necessary to formulate principles and rules that still give freedom to the market, but at the same time, the state also has a responsibility to follow the values of the public interest. It will be very difficult to hold companies that are purely focused on raising as much capital as possible if the state has been weakened. On the other hand, it will be easier to hold the state accountable

because the task and function of the state is to improve the welfare of its people. It is important to be noted in this case is to keep limiting the authority of the state. The inclusion of the idea of reforming the public administration model also needs to be carefully examined by the state government. Good governance, for example, the governance model that often gets support from foreign institutions, is also not fully compatible with Indonesia. In reality, good governance has finally functioned as part of the way neoliberalism has expanded its influence on public administration (Mindarti, 2016b, p. 75).

The development of public administration in Indonesia must look at the potential of human resources and still see market conditions. It's just that the orientation must be readjusted to the interests of the community through social and economic security. Because social and economic needs are the most basic rights that the state must fulfill to the people in order to create a conducive political climate and public administration. Indonesia must develop a strong but constrained government to prevent power abuse. Creating a country strong enough to withstand political pressure from market intervention, as opposed to a country that is too strong to completely control the market and is willing to accept market growth and development. Within a strong but constrained country framework, Indonesia has a greater chance of managing critical industrial policies, facilitating technology transfer, correcting market failures that necessitate government intervention, and paving the path for global economic integration (Park, 2006, p. 87).

Instead of following the system from the West blindly, it would be better for Indonesia to develop a system that is more in line with local needs without ignoring international conditions. It will be easier for Indonesia to implement and develop public administration that is supported by a set of value rules that are understood and accepted by local communities rather than forcing the entry of foreign rules. It is necessary to revitalize public administration in Indonesia by redefining and reaffirming the state's fundamental mission, which includes ensuring peace, security, and stability, as well as the supremacy of law and order, as well as creating a sustainable environment conducive to private sector initiatives, economic growth, and human development (United Nations Secretariat, 2004, p. 2). A revitalized public administration must be founded on and contribute to an interactive process involving three distinct types of actors: government, civil society, and the private sector. Today,

efficient governance and public administration are predicated on the facilitation of interactions between these players. These three actors must share equally in the evolution of public administration. If one receives more attention and privileges, the balance is upset, and abuse of power is possible. Indonesia had drawn lessons from history during the pre-reform era when public administration development tended to follow the government and private sector's objectives. As a result, public administration progress stagnates, which is detrimental to the majority of the population (United Nations Secretariat, 2004, p. 10).

From the perspective of civil society as one of the important elements that build and support the development of public administration in Indonesia, the challenge to the influence of neoliberalism is a stage that also needs to be formulated properly. Erhard Eppler sees that the rapid changes in civil society in Indonesia to the ideas of modernism must have certain reasons. The swift currents of globalization also determine the dynamics of the orientation of civil society in Indonesia, and this can be used to direct Indonesian civil society into a market society where everything is treated and traded as a commodity. However, concerns about the state that are deeply rooted in Indonesia have forced the public to focus their attention on building a civil society. Consequently, those who are concerned with the development of public administration are faced with the challenge of keeping civil society on track and not being turned into a neoliberal tool (Eppler, 2009, p. 220).

The critical point is that the neoliberal paradigm has progressively come to dominate the public sphere, a vocabulary of markets and liberty whose intellectual respectability was never an impediment to its propagation and implementation. The influence of neoliberalism on Indonesia from its inception until today has shown that this ideology is inseparable from globalization and imperialism (Saad-Filho & Johnston, 2005, p. 1). Under the influence of neoliberalism, the development of public administration in Indonesia has favored the oligarchs. Public administration is no longer developed with the noble goal of serving the people. Regardless of the external form, the messages of reforming public administration are polished as well as possible, and the values adopted and implemented are still profitable for a handful of capital owners. The state that should be able to cooperate with the development of public administration has begun to be stripped of its authority. The state is no longer an actor who can guarantee the availability of private and public goods. The government's

power to determine effective and efficient policies without the interference of other interests has begun to be taken away (Mindarti, 2016b, p. 72).

Seeing things like this, it is necessary to revitalize the development of public administration, starting with mapping the conception that has been applied. Furthermore, it is necessary to make improvements to aspects that can be improved and the elimination of values that contain neoliberalism. Improvements can be made by setting indicators or standards of acceptance of administrative liberalization within certain limits, as long as they do not become too free so that they are difficult to control. The influence of neoliberalism ideas on the development of public administration in Indonesia, which is too far to interfere in the affairs of the public interest and weaken the government's authority, also needs to be reviewed. Therefore, with the influence of neoliberalism, the state must paradoxically become strong but at the same time be relatively limited in order to achieve the development of effective public administration. So, the conclusion is that the influence of neoliberalism in public administration in Indonesia shows a detrimental impact on the majority of the middle-class and lower-class people. On the other hand, the influence of neoliberalism has indeed created progress for public administration in Indonesia to be able to compete at the global level, but in reality, behind the scenes, this progress is only to smooth the oligarchic agenda through public administration (Demmers et al., 2004, p. 3).

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## **CURRICULUM VITAE**

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