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Building a Maslahah Economic System; Indonesian Economic System



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ABSTRACT: The social justice as stated in the fifth principle of Pancasila and welfare in accordance with Article 33 of the 1945 Constitution, has not yet been realized. There is an error in determining the ultimate goal of Indonesia's economic development. Independence is not the goal of economic development but self-confidence. The Indonesian economic system is inspired by the Pancasila and characterized by *kebersamaan* (mutualism), *kekeluargaan* (brotherhood), non-discrimination, non-exploitation, and anti-monopolism. The system portrays structuralism, cooperation, religiousness, institutionalism, non-usurious, social well-being, independence, and self-esteem. Furthermore, its values are in line with the *maslahah* (benefits). This exploratory study proposed a *maslahah* economic system for the Pancasila economic system (*Pancasilanomics*). It defined the research question regarding “a *maslahah* economic system” and developed the research design, including formulating a *maslahah* economic system house. The results showed that the *maslahah* economic system house includes the *maslahah* foundation, comprising divinity and caliphate, and fundamental references consisting of Pancasila and Article 33 of the 1945 Constitution. Moreover, the house includes a moral foundation comprising cooperation & participation and *kekeluargaan* & fair distribution, institutional consisting of cooperatives, BUMN, BUMS, and social institutions. Finally, economic objectives are social welfare and the ultimate economic goal, comprising independence and people's self-esteem.

KEYWORDS: Brotherhood, *gotong royong*, *kekeluargaan*, mutual cooperation, *pancasilanomics*

I. INTRODUCTION

Mubyarto (2005) explained that social justice as stated in the fifth principle of Pancasila and welfare in accordance with Article 33 of the 1945 Constitution, has not yet been realized. There is an error in determining the ultimate goal of Indonesia's economic development. According to him, independence is not the goal of economic development but self-confidence (Mubyarto, 2011).

The independence of the people will uphold the *izz* (self-esteem) that has been bestowed by Allah (*Quran al-Munafiqun* 63: 8). *Izz* has the meaning of strength, glory and honor in the life of the world. In the afterlife *Izz* has the meaning of eternal glory without humiliation (Khan, 1994).

Mubyarto's opinion is strengthened by evidence that many regions that have natural resource are exploited by the central government or by foreign investors. The degree of exploitation of resources is measured by comparing the value of Gross Regional Domestic Product (GRDP) per capita with the value of consumption expenditure per capita. If the value of GRDP per capita is much higher than the Value of Consumption Expenditure per capita of the population, it means that most of the regional production cannot be enjoyed by the local population.

Mubyarto (2011) found that in 1996 the provinces with the richest natural resources, namely NAD, Riau, East Kalimantan, and Papua, had very high levels of exploitation, at 81%, 84%, 89% and 82%, respectively. This means that out of every 100 production values, the share enjoyed by local residents is only 19% (NAD), 16% (Riau), 11% (Kaltim), and 18% (Papua), and the rest is enjoyed by foreign investors.

Interestingly, according to Mubyarto (2011), the 1997/1998 monetary crisis resulted in the departure of foreign capital from Indonesia. This actually has a positive impact on decreasing the degree of exploitation. Twelve provinces experienced a decline (101%), and eleven provinces experienced an increase (25%). This is evidence that the decline in foreign capital in Indonesia has a positive impact on the Indonesian economy.

On the other hand, the issuance of Law no. 3 of 2020 concerning amendments to law no. 4 of 2009 concerning mineral and coal mining, responding to concerns by researchers will increase high levels of exploitation. In Law no. 4 of 2009 paragraph 37 states that mining business permits (IUP) are given in stages starting from the Regent, Governor to the Minister of Mines according to the scope of the mining area. Law no. 3 of 2020, Article 35 paragraph (1) mining business permits are entirely issued by the central government, this paragraph is one of the causes of researchers' concerns. Juaningsih, I. N. (2020) mentioned that many

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changes in authority at the regional level were taken over by the central government which had logical consequences for the erosion of regional autonomy.

Umam (2021) strengthens Juaningsih's (2020) opinion. He stated that the legislative process to amend the Minerba Law was carried out in a hurry, did not go through an adequate socialization process, and was not based on the aspirations of the wider community. Substantively, the law is also very problematic.

The root of cause is the application of colonial economics with the connotation of an exploitative and paternalistic subordinated economic system (Swasono, 1996). The colonial economic system has a paradigm of individualism which is the basis of liberalism. This system is not in accordance with the economic behavior of the Indonesian people (Mubyarto, 2003). Indonesia's economic system is based on the nation's moral ideology called Pancasila (Mubyarto, 1988b).

The most appropriate system is cooperation and not competitiveness (Mubyarto, 1991). Free competition lacks morals while cooperatives have values (Mubyarto, 2004). This was reinforced by Swasono (2008), which stated that economic science is moral. Therefore, economics should recognize justice and care about equality, humanity, and respect for religious values.

The Indonesian State's economic system is inseparable from Pancasila and the Preamble of the 1945 Constitution paragraph 4 (Yuwono, 1988; Tjokroamidjojo, 1988; Hamid, 2017; Mubyarto, 1987; Oesman & Alfian, 1991). Therefore, a suitable economic system is the Pancasila Economic (Swasono, 1988) or Pancasila Economics (Swasono, 2010b). The idea of Pancasila Economics is synonymous with Demokrasi Ekonomi (economic democracy) (Swasono, 2010c) or Ekonomi Kerakyatan (People Economics) (Mubyarto, 2004), where the highest power lies in people (Swasono, 1988). Pancasila Economics was proposed in 1967 by Mohammad Hatta and written in a book entitled Ekonomi Terpimpin. The idea was reinforced by the thoughts of Emil Salim published in the Prisma Journal in 1979.

Long before Ekonomi Terpimpin was published, the basic idea of a Ekonomi Terpimpin had been introduced by Kaharuddin Yunus through a book written under the title '*Bersamaisme*, Islamic Economic System' (Raharjo, February 2012). Yunus argues that an Islamic-based economic system is basically a pro-consumer economy, namely the economy of a direct relationship between consumers and producers such as a cooperative economy. The trade that makes the relationship between the both of them has many interests. Yunus called trade a parasite. Ekonomi *Bersamaisme* is an economy without a trade sector. This is the forerunner of Islamic Social-Economic science. This concept became the embryo of the Ekonomi Kerakyatan which was initiated by Mohammad Hatta and continued by Mubyarto (Raharjo, February 2012).

Not many have explored *Bersamaisme* or shared prosperity by Kaharuddin Yunus. The main cause is the sinking of the thought of *Bersamaisme* by the hustle and bustle of the independence struggle (Addiarrahman, 2018). Among the literature that explores in detail about the life of Kaharuddin Yunus in childhood, school, college, social and teaching activities to the books and works of Kaharuddin Yunus is Addiarrahman (2018).

Addiarrahman mentions that *Bersamaisme* does not focus on resources or raw materials but on methods of getting wealth. Quoting Yunus' opinion, Addiarrahman explained that a political economy is needed that emphasizes key issues: eradicating all forms of colonialism in all its forms; truly implement democracy; eliminating the causes of disputes at both national and international levels; and educate the public by forming the right public opinion.

Pancasila Economics is characterized by *kebersamaan* (mutualism), *kekeluargaan* (brotherhood), *gotong royong* (mutual cooperation), and non-discrimination. Other values are non-exploitation, anti-monopolism, structuralism, cooperation, religious and institutional values, non-usurious, and social well-being (Swasono, 1987).

The Pancasila Economics values are in line with the Islamic values (Jaelani, 2016; Idri & Baru, 2017). Ahmad (1952) explained that the Islamic Economic System resembles a kinship economy based on fraternal loyalty. Islamic economy is wrapped in the spirit of 'hubbi' (loving) and ihsan (loving-kindness), upholding the system of ta'awun (helping each other) and syirkah (cooperation). According to Choudhury (1986); Jaelani (2016); Idri and Baru (2017), the principles of Islamic economics are *tawhid* and brotherhood, work and productivity, and distributional equity.

The Islamic economics has the goals and objectives of *falah* and *maslahah* (P3EI UII and BI, 2008). In worldly life, *Falah* shows survival or continuity in goodness, freedom of desire, wealth and strength, as well as glory and honor (Khan, 1994). *Falah* has a multi-dimensional concept implying individual (micro-level) and collective (macro-level) behavior. Happiness, safety, security, independence, unity, sovereignty, justice, and prosperity are conditions and behaviors at the micro (individual) level. The macro (collective) level conditions are survival or continuity in goodness, freedom of desire, wealth and strength, and glory and honor.

In Quran, *Falah* is the real happiness which includes luck or success (*Ali- 'imran* 3: 104, 130; *al-A'raf* 7: 8, 157; *Al-Tawbah* 9: 88; *Al-Mu'minin* 23: 1, 102; *al-Nur* 24: 51; *al-Hashr* 59: 9; *al-Taghabun* 64: 16; *al-A'la* 87: 14; *al-Shams* 91: 9). *Falah* is characterized by materialism and non-materialism, intellect, emotions, spirituality, socialism, the worldly, and the Hereafter (Chapra, 2007).

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Maslahah has the same meaning as *manfaah* (Nyazee, 2003), which means a benefit, utility, or something beneficial. According to Nyazee, *maslahah* means seeking the benefits and leaving the harm. Nyazee explained that *maslahah* is the manifestation of human happiness, which implies three things. The first is seeking happiness depending on human desire or intellect. In this case, the happiness may not be in line with the benefits intended by shari'a. The second happiness refers to collective utilities, which entails society's happiness. The third utility always considers a cost-benefit analysis in the end. Moreover, *Maslahah* means an activity or business intended for kindness (Masud, 1977).

Al-Juwaini (438H / 1047M) divided *maslahah* into three, namely *maslahah* based on textual evidence (*ashl*), *maslahah mursalah*, which is a *maslahah* that is not based on *ashl*, and *maslahah* that is contrary to textual evidence (Masud, 1977). In the modern era, the concept of *maslahah* was adopted in the Tunisian constitution in 1860. The constitution defines the value of *maslahah* by referring to three *maslahah* principles, namely: freedom, security and equality (Masud, 1977).

Maslahah could be realized when humans practice *tawhid*, *khilafah*, and justice (Saefuddin, 1987; Chapra, 2007). *Tawhid* is an understanding of Allah's oneness and that the universe was designed and created by the Supreme Creator with a specific purpose (*Quran Ali- 'Imran* 3: 191; *Quran Sad* 38: 27). As a *khalifah*, humans are commanded by Allah to guard and manage the earth (*Quran Al-Baqarah* 2: 29-30; *Quran al-An'am* 6: 165; *Quran Al-Fatir* 35:39; *Quran Shod* 38: 28). Therefore, all economic activities are part of the duties and functions of the human caliphate on earth (Amin, 2007). Justice is a virtue to be fought for and upheld as devotion to Allah (Qardhawi, 2004).

The literature study on the application of Islamic values to economic democracy has been carried out by Seff (2010) and Idri & Baru, R. (2017). They described the rules or norms contained in the Islamic economic system to realize economic democracy, namely partnership, morals and social functions. While this research was conducted with two important issues, first to describe the building of the economic *maslahah* of Pancasila to realize the ultimate goals of economic development, namely independence and people's self-esteem. Second, to propose the form of building the economic *maslahah* of Pancasila.

II. LITERATURE REVIEW

Organizations that lack spirituality foundation often cause oppression (Firdaus, 2014). In general, an oppressed party wish bad things to plague an organization, which may worsen, shrink, discharge and eventually disperse. Organizations that have caused excessive damage ultimately grow bankrupt. Contrastingly, the ones founded on religion are always beneficial and last. The beneficiaries wish good things for an organization, which may to continuously grow and become long-lasting.

Economic and spiritual values are an inseparable unity. An economic system without a foundation of spiritual values will result in free competition, oppression, inequality and injustice. On the other hand, an economic system based on spirituality will produce benefits, justice and prosperity for economic actors. In the context of the Indonesian state, Mubyarto (2003) states that an economy based on the assumption of perfect competition cannot appropriately describe the economic behavior of Indonesians. The most appropriate economic system is cooperative and not competitive. Free competition lacks morals while cooperatives are full of values. Swasono (2008) stated that economic science is moral, hence economics should recognize justice and care about equality, humanity and respect for religious values.

On the other hand, economy is also closely related to social spirit. Ahmad (1952) explained that the economy is not only discussing profit and loss but also fair and unnatural. In an economic transaction, there is no prohibition to take the maximum profit but it needs to be discussed, is the profit taken included in a fair transaction?

For the Indonesian State, the economic system cannot be separated from Pancasila and the 1945 Constitution, especially the Preamble of the 1945 Constitution paragraph 4 (Hamid, 2017). Therefore, a suitable economic system is the Pancasila economic system (Pancasilanomics). Pancasilanomics is synonymous with economic democracy that the highest power is in the hands of the people. Not only includes the political field, but also the economy. The main sources of production are also in the control of the people. In fact, the people of a country that adheres to the sovereignty of the people have the full right to natural resources for the greatest benefit of their own prosperity (Swasono, 1988).

Pancasilanomics is inspired by the Pancasila ideology, namely the economic system which is a joint effort based on family and national unity (Mubyarto, 1987: 32). It has the characteristics of togetherness (mutualism) and kinship, moral nondiscrimination and non-exploitative, anti-monopoly, structuralism, cooperation, religious value, institutional value, nonusurious, social well-being (Swasono, 1987).

Meanwhile, the Islamic Economic System according to Ahmad (1952) has the nature of the formation of a kinship economy which is based on fraternal loyalty. Islamic economy is wrapped in the spirit of 'hubbi' (loving) and *ihsan* (loving-kindness), upholding the system of *ta'awun* (helping each other) *syirkah* (cooperation), living collectively and cooperatively in seeking and sharing *rizki* (fortune) so it is impossible to cause greed, greedy, greedy for 'the have' or a sense of hopelessness and unemployment in 'the have not'. Meanwhile, according to Choudhury (1986) Islamic economics has the following principles: *Tawheed* and brotherhood, work and productivity, distributional equity. In this case, the values contained by Pancasilanomics as explained by Swasono (1987) are in line and in harmony with the Islamic value

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A. *Maslahah*

Nyazee (2003) stated that *maslahah* has the same meaning as *manfa'ah*. *Manfa'ah* means "benefit" or "utility" which is something that leads to a form of benefit. The literal meaning of *maslahah* according to Nyazee is *jalb al-manfa'ah wa daf 'al-madarrah* (seeking the benefits and leaving the harm). Nyazee explained that *maslahah* is a process of manifesting human happiness, may imply 3 things, namely: the seeking for happiness that depends on human desire or intellect, in this case the happiness may not be in accordance with the form of benefits intended by sharia; happiness which refers to collective utilities, namely the happiness of society; utility which in the end always considers a cost-benefit analysis. *Maslahah* also has the meaning of activity or business that is conducive to kind or that is intended for kindness (Masud, 1977).

Al-Juwaini (438H / 1047M) divided *maslahah* into three, namely *maslahah* based on textual evidence (*ashl*), *maslahah mursalah*, which is a *maslahah* that is not based on *ashl*, and *maslahah* that is contrary to textual evidence (Masud, 1977). In the modern era, the concept of *maslahah* was adopted in the Tunisian constitution in 1860. The constitution defines the value of *maslahah* by referring to three *maslahah* principles, namely: freedom, security and equality (Masud, 1977).

B. *Pancasilanomics*

Pancasilanomics is characterized by several principles, including mutualism, brotherhood, moral non-discrimination, nonexploitatory, anti-monopoly, structuralism, cooperation, religious value, institutional value, non-usurious and social well-being (Swasono, 1987). According to Mubyarto (1987), the system has 5 fundamental characteristics. First, the wheels of the economy are driven by economic, social and moral stimuli. Second, the strong will of the whole community on social equality or egalitarianism is based on the principle of humanity. Third, economic policy prioritizes the creation of a resilient national economy, which means that nationalism animates every economic policy. Fourth, cooperatives are the economic pillars and the most concrete form of joint ventures. Fifth, there is a clear and firm balance between planning at the national level and decentralization in the implementation of economic activities. These characteristics ensure that there is economic and social justice in the society.

Pancasilanomics is legally founded on article 33 of the 1945 Constitution, supported by Articles 18, 23, 27 verse (2) and 34 (Swasono, 2008:16). Article 33 regulates the national economy and social welfare and consists of economic and social transformational values (Swasono, 2003). Economic transformation implies upholding Demokrasi Ekonomi, collaborating, implementing the principle of brotherhood and rejecting individualism, and adjusting the colonial KUHD to Article 33. Social transformation implies forming economic relations and partnerships and implementing co-ownership, co-determination and coresponsibility. Paragraph (1) Article 33 of the 1945 Constitution stipulates 4 keywords of the Pancasilanomics, including economy, compiled, joint effort and brotherhood principle (Swasono, 2010a).

III. METHODOLOGY

Exploratory research to answer the research questions, is carried out through an in-depth literature study. The literature used includes the Quran, books, journals, and articles. Some literatures were written more than ten years ago. These are the main source and had been well-referred to by previous research. The entire literature is grouped into a few of parts, related to the concept of *maṣlaḥah*, *demokrasi ekonomi*, and Islamic economics. Included in the *demokrasi ekonomi* literature are Pancasila, the 1945 Constitution and the Indonesian economy. The data obtained from the literature is processed and mapped based on the necessary analysis according to the research objectives.

The 1945 Constitution which is the object of discussion in this study is the 1945 Constitution which is purely not the 1945 Constitution with amendments. Some opinions from experts (Swasono, S. E, 2010c; Swasono, S. E, 2011; Mubyarto, 2011: 913; Swasono, Sri-Edi., 2011; Swasono, Sri-Edi. 2010) who state that the amendments to the 1945 Constitution have actually made Indonesia a liberal state, do not reflect the noble values of the Pancasila philosophy.

IV. RESULTS AND DISCUSSIONS

A. *The Value of the Pancasilanomics which is in Line with Maslahah*

The first paragraph of the Preamble of the 1945 Constitution reads, "Independence is the right of all nations and therefore, occupation of the world must be abolished because it is not in line with humanity and justice." Eliminating colonialism from countries is an effort to uphold *maslahah*. *Maslahah* means something that brings benefit and keeps away *mudarat* or damage (Al-Ghazali, 1982; Zarqa, 2007).

The second paragraph of the Preamble of the 1945 Constitution reads, "And the struggle for the Indonesian independence movement has arrived at a happy and happy moment to deliver the people of Indonesia to the front gate of the independence of Indonesia, which is free, united, sovereign, just and prosperous." The expected conditions of freedom, unity, sovereignty, justice, and prosperity are part of the meaning of *falah* (Khan, 1994). These conditions are to be realized at the micro (individual) and macro (public) levels.

The third paragraph of the Preamble of the 1945 Constitution reads, "By the grace of Allah (God), Almighty and encouraged by the noble desire to live a free national life, the Indonesian people hereby declare their independence." Therefore, Indonesian

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people achieve the noble goals of the State by placing God above their abilities. This is a form of *tawhid* owned by the Indonesian nation in line with Chapra (2007).

Paragraph (1) of Article 33 of the 1945 Constitution underlies the Pancasila economics' foundation of *usaha bersama* (mutual effort) and *kekeluargaan* (brotherhood). The paragraph is in line with *khilafah* based on the principle of unity and brotherhood of mankind, as explained by Chapra (2007).

Paragraphs (2) and (3) of Article 33 of the 1945 Constitution explain the State's role in creating people's prosperity. Also, the paragraphs are in line with Islamic policies in ensuring market balance and economic unity to maintain justice and improve people's prosperity.

Article 33 of the 1945 Constitution, which underlies Pancasila economics, embraces social transformation, which is the value of a non-usurious system (Swasono, 2010c). Swasono (2008) stated that usury is an ideological mindset filling an economic system through self-interest, hegemonic greed, and liberal rip-off. This is in line with the prohibition of usury on the meaning in *maslahah*.

B. Maslahah Building for Pancasila Economics

The *maslahah* economic system for Pancasila economics is arranged in the House of *Maslahah* (HoM), describing how *maslahah* should be built on the Pancasila economics. HoM consists of *maslahah* and moral foundation, fundamental reference, institutionalism, economic objective, and ultimate goals (Figure 1).

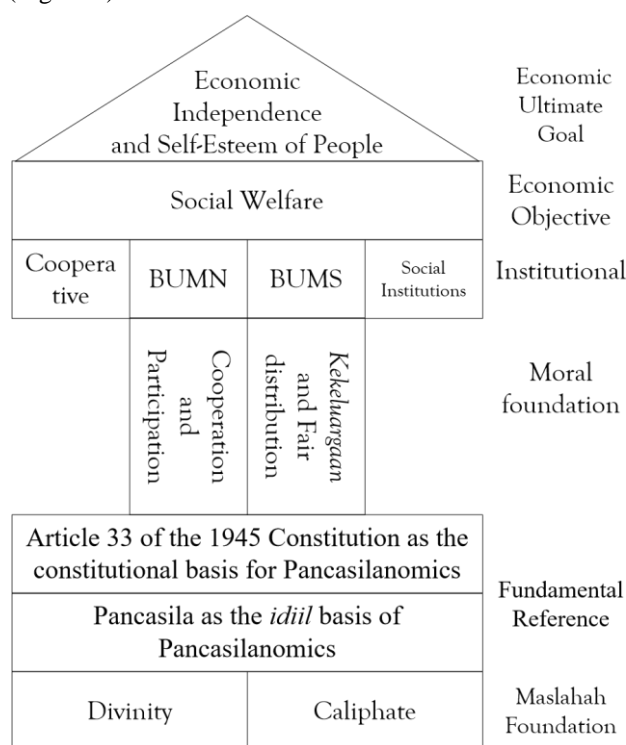


Figure 1 House of Maslahah for the Pancasila Economics
(Sources: Processed by Author)

C. Maslahah Foundation

Saefuddin (1987) stated that the *maslahah* of mankind is based on three things. Humans are constantly interacting with their creator, namely Allah. Interaction is carried out as a description of human duties as representatives of Allah to manage the earth (*khalifah*). The relationship between humans and God as the giver of orders, the content and form of orders and the object of the commandment, namely the realm of the creator to realize the *maslahah* of mankind.

The *maslahah* foundation comprises divinity and the caliphate. In this case, the *maslahah* foundation's fundamental reference includes Pancasila and article 33 of the 1945 Constitution, while moral foundation comprises cooperation & participation and *kekeluargaan* & fair distribution. On the other hand, the institutional form consists of cooperatives, BUMN, BUMS, and Social Institutions. The roof of the building is an economic objective that includes social welfare, while the ultimate economic goals are independence and people's self-esteem.

Idri and Baru (2017) stated that divinity and caliphate are Islamic economic principles applied to the Pancasila economics. Bung Hatta emphasized that this world belongs solely to Allah provided for temporary human habitation on the journey to an immortal world. Man is obligated to preserve and leave it for the next generation in a better condition than they received from the previous generation (Swasono & Fauzie, 1992).

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1. Divinity

The world view of Pancasilaanomics is based on spirituality, which is the search for life meaning. Spirituality is reflected through the trust in God, love for each other, perseverance, movement, endurance, piety, and humility. Additionally, spirituality signifies maturity, service, kindness, hope, sincere acceptance, optimism, virtue, satisfaction, gratitude, honesty, economy, independence, sacrifice, and loyalty (Janfeshan et al., 2011).

Indonesia's founding fathers realized the importance of spirituality in national life, as stated in the third paragraph of the Preamble of the 1945 Constitution. The statement shows Indonesia's independence was obtained through the efforts of Indonesians and the mercy of Allah the Almighty. Even the words "by the grace of Allah, Almighty" at the beginning of the sentence show that the position of God's grace is higher than the effort of Indonesians.

The principles of spirituality underlying Pancasilaanomics are the first precepts of Pancasila, "Belief in the one and only God." This precept shows that Indonesia always tries to come closer to God. Santoso (2009); Latif (2018) explained that the value contained in the first principle of Pancasila is religiosity. The view of spirituality in the Pancasilaanomics reflects divinity, which is an understanding of the oneness of God.

2. Caliphate

The role of a human being as a caliph on earth is guiding people to envision the achievement of happiness in the Hereafter without ignoring worldly success. Swasono (2004) used the term 'mandataris' to explain the function of the human caliphate on earth. All forms of ownership by humans on earth are mandated by Allah. Furthermore, Allah burdens the owner with obligations. The ownership is obtained through efforts to find rizki (fortune). Some of these obligations and boundaries are manifested in the prohibition of monopoly ownership and the obligation to pay zakat and infaq. Moreover, the curse applies to those practicing monopoly ownership. This is in line with Swasono's view on economic justice and Demokrasi Ekonomi, which places the principle of *kekeluargaan* as the basis and togetherness as the foundation.

D. Fundamental Reference

The fundamental reference is the legal, political, and moral basis of an economic system. Pancasilaanomics' fundamental reference consists of Pancasila and Article 33 of the 1945 Constitution (Swasono, 1988). Mubyarto (1988a) stated that Pancasila is the political and economic foundation providing the spirit and direction of the national economy as described in Article 33 of the 1945 Constitution. This is in line with Tjokroamidjojo's (1991) statement that the Pancasila philosophy inspires the spiritual atmosphere and legal ideals of the 1945 Constitution. Furthermore, Tjokroamidjojo (1991) explained that Pancasila and the 1945 Constitution are the *idiil* and constitutional basis, respectively.

1. Pancasila as the *idiil* basis of Pancasilaanomics

Pancasila is the rationale underlying the economic system and applied in guiding economic behavior and the development of Pancasilaanomics (Mubyarto, 1988c; Hastangka, 2012). Latif (2018) stated that the philosophical framework of Pancasilaanomics is outlined in its precepts. The values referred to in the principles include religiosity, humanity, unity, society, and justice, guiding economic and scientific behavior (Santoso, 2009; Mubyarto, 2004; Hastangka, 2012). Pancasila is the basic philosophy of the Indonesian State's economic system, meaning it was mutually agreed upon by all Indonesians (Mubyarto, 2004).

2. Article 33 of the 1945 Constitution as the constitutional basis for Pancasilaanomics

Mubyarto (1987); Hastangka (2012) stated that Pancasilaanomics has a constitutional juridical basis, specifically Article 33 of the 1945 Constitution before the amendment. Paragraphs 1, 2, and 3 of Article 33 of the 1945 Constitution are the juridical basis in formulating economic policies and developing alternative economic theories.

Paragraph (1) underlies the Pancasilaanomics, the *kebersamaan* foundation, and the principle of *kekeluargaan*. It is in line with the concept of a caliphate based on humankind's principles of unity and brotherhood (Chapra, 2007). The word "compiled" in Paragraph (1) is interpreted as a system not left alone or on the market. The State is responsible for developing and designing the economic system. The words *usaha bersama* and *kekeluargaan* principle mean that economic system compilation is an initiative based on mutual interests. Paragraph (2) is intended to save the country's economic sovereignty and prioritize people's interests (Swasono, 2010a). The word 'master' in the verse means the State controls and has branches of production. Mastery without ownership leads to ineffectiveness of the State's branches of production.

Paragraph (3) reinforces the meaning of Demokrasi Ekonomi, where the economy is held to ensure people's social welfare (Swasono, 2010a). This verse affirms that Indonesian democracy is based on togetherness, not individualism or liberalism. It is different from the western world, which leans more on democratization with privatization.

E. Moral Foundation

1. Cooperation and Participation

In the ekonomi kerakyatan, competition and cooperation are executed in harmony with *kebersamaan* and *kekeluargaan* (Swasono, 2004). The principle of *kekeluargaan* promotes fraternity, help, and *gotong royong* (mutual cooperation). Competition among economic actors should not ignore the relationship or unity. Economic power is obtained through cooperation and helping each other, resulting in a competition that reflects brotherhood (*Quran, al-Ma idah* 5: 2).

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The Pancasila embraces mutualism and participation as people's economy and the understanding and original concept of the Indonesian. The people's economy is a unity of words and not just a series of words 'economy' and 'people,' signifying mutualism, support, and participation (Mubyarto, 1997).

The people's economy means that economic development is centered on people. It puts together people as the goal, means, and actors of economic development. This shows that Pancasila economics places humanity as the goal of all economic activities.

People's participation in economic development results in an added value directly received by people (Swasono, 2010c). Equity is achieved along with economic growth, and people become a human development asset, encouraging the growth of the middle class. This increases people's purchasing power, development ability, and collective bargaining position. Consequently, people become more active and productive, increasing the economic added value. Furthermore, economic development adapts to resources and people-centeredness, absorbing more labor.

2. *Kekeluargaan and Fair distribution*

Swasono (2011) stated that the social justice meant in the Preamble of the 1945 Constitution is explained in Article 27 paragraph (2) and Article 33 of the Constitution. This means prioritizing people's interests for their sovereignty and not market sovereignty. Indonesia could create the desired justice by implementing the principles of *kebersamaan* and *kekeluargaan* based on Article 33 of the 1945 Constitution. *Kekeluargaan* led to the homo ethicus character that prioritized justice. Contrastingly, the adherents of individualism and liberalism interpret justice as power, though an assessment of justice depends on the decisions of the large capital owners. On the other hand, individualism produces homo economicus's morals with the behavior of homo homini lupus (Swasono, 2004).

Swasono (2010b) used *kekeluargaan* as the principle of applying the Pancasila economics. Kinship means that the relationship between fellow citizens resembles a big family or a relationship with *ukhuwah*. For a pluralistic Indonesia, this means having *ukhuwah wathoniah* for kinship, not to be nepotistic.

Justice is an estimation and moral judgment, an integral part of Islamic teachings that uphold its ideology, and a doctrine to be upheld as instructed by Allah (*Quran al-Maidah* 5: 8). The verse shows that upholding justice closely relates to human devotion to its Creator (*Quran al-A'raf* 7: 29). According to Naqwi (1985), the verse implies a guarantee of independence for individuals during economic, social, or physical abuse of power by people.

F. *Institutional*

The implementation of Pancasila economics involves three business sectors which called the *Trikotomi* (Mubyarto, 1988a). They include Cooperatives, State-Owned Enterprises (BUMN), and the Private Owned Enterprises (BUMS). The three sectors are regulated in Decree, TAP No. XXIII/MPRS/1966, the foundation for long-term development planning. Also, the three business sectors integrate elements of various economic systems.

Cooperative: Indonesian cooperatives are based on Pancasila and the 1945 Constitution under the principle of *kekeluargaan* (Ismangil, 1988). According to Bung Hatta, a cooperative is a joint effort to improve the economic livelihoods of the Indonesians. It is driven by the desire to serve friends in the spirit of oneness considered the economy's *sokoguru* (Santoso, 2009). Rahardjo (1999) stated that cooperatives had become a populist economic movement since the early 20th century. This formed the background for the formulation of Article 33 paragraph (1) of the 1945 Constitution, which states that the economy is organized as a mutual effort based on *kekeluargaan*.

BUMN: BUMN was formed to implement Article 33 paragraph (1) of 1945 to protect and serve the public interest. It emphasized the State's role as an economic actor of the Constitution (Rahardjo, 2003). BUMN was established through Law No. 86 of 1958 on the Nationalization of Dutch Companies in Indonesia (Rahardjo, 1999).

BUMS: BUMS covers micro, small and medium enterprises (MSMEs), conglomerates, and multi-national companies (MNC). It has a profit-seeking character that fosters capital and increases economic growth (Mubyarto, 1991). BUMS is different from cooperatives and BUMN. Cooperatives provide social services to their members, while BUMN serves and protects the public interest (Mubyarto, 1988a; Mubyarto, 1991). According to Swasono (2010c), *Trikotomi* reflected economic enterprises with social and profit-seeking characters.

Trikotomi is essentially still profit-based because people raise funds to make profits and not for social purposes. In any country, these institutions are not able to contribute much to poverty control. Therefore, a non-profit institution is needed to contribute to poverty reduction directly. The non-profit institution would manage a part of the profits from the Private Owned Enterprises (BUMS), the State-Owned Enterprises (BUMN), and the cooperative, either grants or other social funds.

In Islam, there is an instrument of zakat obligatory for the rich. A part of the income from the rich is collected and distributed to the poor. Zakat is managed by an institution known as *amil zakat*. Moreover, there are institutions called *nazir* that manage waqf funds. Rahardjo (1988) stated that a well-managed mobilization of zakat, waqf and *sodaqoh* funds is needed. Rahardjo suggested that Islamic financial institutions, such as banks, boarding schools, and KUDs could be integrated to manage these funds.

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Article 34 of the 1945 Constitution states that the poor and neglected children are cared for by the State. This article emphasizes the State's duty to protect, care for, maintain and improve the living standards of the poor and neglected children. This role is not possible for Trikotomi, and State must establish other institutions capable of caring for the poor and neglected children.

Sources of funds used to manage social institutions are social finances in the form of zakat, infaq, sodaqoh, waqf, grants, or gifts. According to Wahyudin and Jalil et al. (2019) and Seff (2010), Zakat institutions as regulated in Islam are potential references because Islamic humanism is relevant to Indonesian Pancasila philosophy. Therefore, there are four business sectors, including Cooperatives, the State-Owned Enterprises (BUMN), the Private Owned Enterprises (BUMS), and social institutions.

G. Social Welfare as an Economic Objective

The concept of welfare in the Pancasila economics is stated in paragraph (4) of the Preamble of the 1945 Constitution (Poespowardjojo, 1988). It is stated that general welfare is achieved by realizing social justice for all Indonesian people. Also, Article 33 of the 1945 Constitution mentions that social welfare fulfills various life necessities of Indonesians (Mahmud, 1988). Therefore, Article 33 is a fundamental guideline in managing the Indonesian economy (Mubyarto, 1988c).

These foundations form the basis for the country to become a welfare state (Swasono & Fauzie, 1992), a concept in line with Siddiqi (1996). He stated that a welfare state fulfills the basic needs, including food, clothing, shelter and health, religious teaching, and general public needs of the people. Ahmad (1952) stated that social welfare comprises prosperity that guarantees the life needs of every human being and a country's prosperity filled with the spirit of God Almighty.

H. Economic Independence and Self-Esteem of People as an Economic Ultimate Goal

The second paragraph of the Preamble of the 1945 Constitution is in line with *falah* concerning goodness, freedom of desire, wealth and strength, glory and honor, happiness, safety, security, independence, unity, sovereignty, justice, and prosperity. Whereas, the statements "Free and sovereign" are written in a series of sentences, showing that sovereignty and independence are related conditions. This means it is impossible to create independence without sovereignty.

Independence of the nation and State is created when economic development favors the people. This means development should place the people's economic sector as a pillar of the national economy. Furthermore, it should be a strategy for the national economy to grow and build domestic economic fundamentals (Swasono, 2002).

People's independence means they should have various abilities, expertise, and infrastructures to meet their material and spiritual needs. This independence is sought by enacting the *fardhu kifayah* law in science, charity, industry, and ability (Qardhawi, 2004). People should implement the enforcement of religiosity and conduct world affairs properly. Independence reduces dependence and control among people. The nation's freedom, independence, and dignity are the essential meaning of *rahmatan lil'alamin* (Swasono, 2010c).

V. CONCLUSION

This study shows that the Indonesian Economic System otherwise known as the Pancasila economics has a *maslahah* economic system building. House of *maslahah* for the Pancasila economics consists of the *maslahah* foundation, comprising divinity and caliphate, fundamental references, including Pancasila and Article 33 of the 1945 Constitution, and a moral foundation made up of cooperation and participation, and *kekeluargaan* and fair distribution. Furthermore, the *maslahah* economic system house reflects institutionalism, comprising cooperatives, BUMN, BUMS, and social institutions. Lastly, the house consists of economic objectives, including social welfare and the ultimate economic goal, comprising independence and people's self-esteem. This study has a novelty compare to previous study. Seff (2010) and Idri & Baru, R. (2017) described the rules or norms contained in the Islamic economic system to realize economic democracy, namely partnership, morals and social functions. Whereas, this research is conducted with two important issues, first to describe the building of *maslahah* to realize the ultimate goals of economic development, namely independence and people's self-esteem. Second, to propose house of *maslahah* for Pancasila economics.

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