GOVERNMENT AS AN ENTREPRENEUR (GOOD GOVERNANCE IN FUNCTIONAL APPROACH)

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ABSTRACT

Countries with the type of welfare state, has demonstrated the existence of active government intervention in the activities of public and private, although in each country different intervention levels. The concept of good governance, emphasizing the mechanisms performed by actors (government, private, society) in carrying out the functions, which are involved in certain sectors, such as the business sector. Governance implies function, showing the activities of government in carrying out its functions, not only referring to public activities (regulators, providers and the umpire), but also on private activity (entrepreneur). By using juridical studies, this paper will describe that, the functional significance in governance has consequences for the position of the government in carrying out its functions as well as the governing law.

Key words: Good Governance, Welfare State, Government, Entrepreneur.

Introduction

There is a conflict of thought that states, whether to give a role to the government or not in the economic life. Adam Smith, as the leading thinkers of the free market (laissez faire), gives the role of government in the economy, but it is very limited. Milton Friedman as the expert in the economic system of capitalism and liberalism emphasizes that, “Absolute freedom is impossible,” so that Milton Friedman also put Government as rule maker and umpire (M. Friedman, 1982: 25-26).

The economists argued, the state acts directly and indirectly in the economy to avoid the impact of externalities. Especially, side effects for social life (Pandji Anoraga, 1995: 11). So it is difficult to avoid the role of the state even in countries that apply a liberal system. (D. J. Rachbini, 1992: 4). Developed countries generally adopting a role of integration between the two (mixed economy) to achieve the shape and the optimal economic system (Pareto efficiency) (D. J. Rachbini, 1992: 6). The Government has a strategic role in the economy of a country, as perpetrators, facilitators and maintains the viability of the economy, through various policies related to the public sector in general and the business sector in particular.

Providing a public good and an effort to encourage the provision of useful goods or merit goods is the classic economic justification for the participation of the government (Akadun, 2007: 2). Krueger said that initially the government's role limited to the provision of infrastructure to facilitate economic development, but then, the government has expanded role with regard to various problems in the dynamics of society, particularly encouraging how most people should be able to live in prosperity (Akadun, 2007: 17).

Some scholars have different opinions about the duties and functions of government, for example, delivered by Mac. Iver in his book “The Web of Government,” dividing the task of the government on three areas, namely (Zamsuri, 1985: 11):

1) Cultural Function, this function is actually the duty of the peoples themselves, but the state should encourage, facilities, in order to achieve the objectives of cultural progress achieved.

2) General Welfare Function, namely the general welfare function that should be implemented by each country. This function gives the right for the government to intervene in all people's lives.

3) The Economic Function Control, in order to achieve the welfare of the people, the government should engage in the field of economy

W. Friedmann argues, in the framework of the implementation of the tasks and functions (state / government) as well as in the management of resources, the state must act within three dimensions or typologies, namely (W. Friedmann, 1971: 3):

1) State acts as regulator which control or drive the economy in which the state acting as jury.

2) State acting as a provider.

3) State acts as an entrepreneur.
Indonesia’s economy is severely affected and influenced by global economic developments with different ideologies and interests, like, when popularized discourses governance promoted by the World Bank, to promote the development of economic liberalization.

The position of the government in carrying out its functions, often perform certain relationships, which by law are qualified into a particular legal relationship. Governance implies function, showing the activities of the government in carrying out its functions are not only referring to public activities (regulators, providers and the umpire), but also on private activity (entrepreneur). So there are opportunities for the government to undertake legal relationship in the field of private law. In this paper focuses on the role of government, in carrying out its functional aspects, as an entrepreneur.

Governance meaningful functional.

Governance has a very broad definition, sometimes obscured by the definition of government. Definition of governance in relation to the activities of the government, presented by the IMF and the World Bank. Governance is defined as follows (Ngaire Wood, 1998: 824):

“governance as an compassing the state institutional arrangement; the processes for formulating policy, decision making, and implementation; information flows within government; and the overall relationship between citizen and government.”

The definition above emphasis on government activity in the administration of state affairs. When associated with the government, the governance significantly as a function of government. From the above description briefly imply that understanding government and governance have fundamental differences. Differences government and governance can be observed in the description given by Sadu Wasistiono with six elements of the comparison, as follows:

<table>
<thead>
<tr>
<th>No</th>
<th>Comparison element</th>
<th>Government</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Meaning</td>
<td>Can mean body/agency or function run by a supreme organ in the country</td>
<td>Can mean way, use or implementation.</td>
</tr>
<tr>
<td>2</td>
<td>Nature of relationship</td>
<td>Hierarchy, the government is on top, while citizens are governed position below.</td>
<td>Equality position and only differ in function.</td>
</tr>
<tr>
<td>3</td>
<td>Components involved</td>
<td>Only one subject, government institutions.</td>
<td>There are three components involved, namely: 1) Public Sector 2) Private Sector 3) Society</td>
</tr>
<tr>
<td>4</td>
<td>Dominant role</td>
<td>Government sector</td>
<td>All play a role in accordance with their respective functions.</td>
</tr>
<tr>
<td>5</td>
<td>The expected effect</td>
<td>Obedience of citizen</td>
<td>Participation of citizens</td>
</tr>
<tr>
<td>6</td>
<td>Final results are expected</td>
<td>Achievement of the objectives of the state through the obedience of citizens.</td>
<td>Achievement of the objectives of the state and the public purpose through participation as citizens as well as citizens.</td>
</tr>
</tbody>
</table>


From these distinctions can be understood that the word governance implies active and functional meaning. Functional approach is used for emphasis that the meaning of good governance showed activity in the administration of government functions is not only referring to the activities of the public but also in private activities, namely entrepreneur.

Role of Government

The strategic role of government in the economy of a State can be observed from its role in development. For example, research conducted in the countries of ASEAN, through the effect of public spending on the economy and development of human resources (HR). The division of public expenditure that are based on human resource development and sustainable economic growth consisting of: (1) social indicators such as the Human Development Index (HDI) or other quality of life index, and (2) economic indicators such as GDP, economic growth, and GDP real per capita (Ade Zul Akhir Lubis, 2013: 2-12).
The table above shows that ASEAN countries are divided into three groups: (1) countries with high income and high HDI, namely Singapore and Brunei Darussalam; (2) a middle income country and medium HDI, namely Malaysia, Thailand, Indonesia, and the Philippines; and (3) countries with low income and low HDI, namely Vietnam, Laos, and Cambodia.

Chart 1 show, the four countries which are the focus of the study have approximately the same strategy in applying the regulations and budget allocation of public expenditure, which indicates that public spending per capita four countries during the period 2007 to 2012 had an increasing trend.

Based on these results it can be concluded that, public spending can boost development through the HDI indicators and economic growth in ASEAN Countries. Public spending in education and health can improve the quality of human resources through the consumption of good nutrition, education participation and ease of access to health care so that every individual has the physical endurance, ability, knowledge, and skills as the basis of human capital in economic activity either as labor and entrepreneurship.

Public expenditure in infrastructure open up wider trade access through the construction of infrastructure and facilities that can accommodate all the interests of economic activity, as well as the economic impact arising from the increase in per capita income is rising purchasing power and high levels of consumption that would increase aggregate demand for these commodities which would encourage investment that would eventually create economic growth.

The study demonstrates the importance of state involvement, the involvement of state position as an agent of economic and social development, only the magnitude or level and the portions in each country is different.

**Government Relations with Business Activities**

The active role undertaken by the government, giving the opportunity to the government to play a role in all sectors. Some experts also have put some roles that can be done by the government, including regulators, providers, umpire and entrepreneur. These roles will be achieved well if the principles of good governance can be implemented consistently. If organizing,  

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1 ASEAN countries are included in the intermediate group consisting of Malaysia, Thailand, Indonesia, and the Philippines are a concern in this study. Because in addition to having similarities achievement in both the development indicators, these four countries also have the same potential in the economy in the form of a large market because it has a lot of population, strategic place to invest with a stable political climate, and supported by the potential of Natural Resources (SDA). Therefore, the four countries have more or less the same strategy in applying the regulations and the budget allocation of public expenditure.
structuring and regulation of all aspects, particularly the economic and business activities, which affect people's lives are not integrated, or even overlapping and sporadic, causing the law to be fragile. So the role of the regulator from the Government is needed, without any intervention from the Government would be difficult to create certainty and order. Linkage roles of government in business activity can be seen in the following scheme (Joni Emirzon, 2007: 6).

Schema: Government and business activity.

![Diagram]

The linkage of government as a regulator in business activities is published various regulations on businesses that are set up and supervision (umpire) business activities carried out by business entities. Including arranging aspects of good corporate governance, as best practices in business management. Setting good corporate governance cannot be separated with the principles of good governance, both these principles must work together, integrated and complementary to be run in the economic activity of a country.

Good governance as discussed previously, not only emphasizes the role of the three actors in a relationship of mutual synergy, but also, the concept of governance in the emphasis on good governance mechanisms in the functioning of all actors involved in specific sectors. The position of the government in carrying out its functions, often perform certain relationships, which by law are qualified into a particular legal relationship. Governance implies function, showing the activities of the government in carrying out its functions are not only referring to public activities (regulators, providers and the umpire), but also on private activity (entrepreneur).

Hans Kelsen (Hans Kelsen, 2006: 202) and also some other experts such as JBJM ten Berge, C.J.N. Versteden and F.A.M. Stroink and J.G. Steenbeek (Ridwan H.R, 2010: 86-90, 110-112) also outlines the theory that distinguishes legal relations or legal relationships (either as a result of the present law or rechtsgevolgen of legal action or rechtshandelingen), the two sides equal / balanced, and legal relationships in which one of the superior/inferior to the other.

In the context of public law the state has a superior position or special status, legal action may bind citizens without the consent of citizens, but when the state held a legal relationship in the field of private law states equal position against the other party or does not have a privileged position, the necessary correspondence will or wilsovereenstemming. Kelsen also gave the example of that, “As Owner, as creditor and debtor, the state is a subject of private law....” (Hans Kelsen, 2006: 203). The theory is what puts a legal relationship when the position of the government in legal relations is at equal or superior position among the other.

David Osborne and Ted Gaebler make the difference between government and business that is fundamentally different institution. Business leaders are driven by the profit motive while government leaders are driven by a desire to be re-elected (David Osborne dan Ted Gaebler, 1995: 23). Furthermore, the company is driven largely by competition, while the government usually uses a monopoly, is more bureaucratic administration, because it is moving more slowly than business entities that managers can make decisions immediately. There is an opinion that;

“...an enterprise needs not only a separated, but also the authority to devise its own budgetary and accounting procedures in accordance with well established (or sometime newly established) commercial principles and to frame and apply its own personal relation” (Rudhi Prasetya, 2011: 88).

Although if a business entity has been given separate legal status as subjects of law, but if it is still in the public law, or managed directly by government generally remain will remain bureaucratic, rigidity, not flexible like a government agencies. Government and business have a culture, motives and different structures. The fact that the government cannot be run like a business certainly does not mean that the government cannot become entrepreneurs, namely by giving entrepreneurial motive to business entities that represent the entrepreneurial side and run in a professional manner, for example by giving role the state company to run a business motive.

The role will provide benefit in accordance with the role of the business entity. The theory of utilitarianism has strong relevance to the economy. Utilitarianism is essentially concerned the calculation of benefits. Therefore, the theory of benefit is in line with
the nature and purpose of a business for profit. Hence the principle of maximizing the benefits transferred into profit maximization.

**Conclusion**

The government has an important role in states, although the levels of each state are different. Paradigm of governance, from the functional side put the role of government in a states not only on the public field (regulators, providers, jury) but also in private, when the states acts as an entrepreneur. States in capacity as an entrepreneur function cannot become superior while doing legal relationships (as a party), but equal to each other in accordance with aspects of the field of private law. To obtain the maximum benefit, the government can delegate the function of entrepreneurs to state companies or private, that professionally and independently.

**References**


