



# The Concept of Economic Democracy as Part of the Development of Sharia Cooperatives in Makassar City (Study of Thoughts from Muhammad Hatta)

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**ABSTRACT:** *The concept of people's economy is one of the instruments of the economic system in Makassar. This concept was initiated by Muhammad Hatta. The reason of this concept background was motivated by the economic downturn at the time. During the 1997 monetary crisis in Indonesia, has many economic devastated. But, the concept of a people's economy is still able to stand with the principle of togetherness in building the economic system. It is as like with the concept of sharia cooperations, which are currently increasing by promoting the concept of kinship. The library research approach is used to make it easier describing the research results. This is obtained through Muhammad Hatta's original works, books, journals, articles and other relevant documents to the theme. The results of this study indicate that the people's economy concept accordings to Muhammad Hatta is able to provide solutions in the development of Islamic cooperation in kota Makassar. By prioritizing the principle of helping (at-ta'awun), people will have more confidence to transact in sharia cooperations. There are three basic components of people's economy in developing Sharia economic, namely, the principle of togetherness, the people dominance to act economic and being more concerned with all people.*

**KEYWORDS:** *People's Economy, Muhammad Hatta, Sharia Cooperation.*

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## I. INTRODUCTION

People in the 20th century started to investigate more economic work. One of the new needs to master it is economic activity. As a result, economics is ultimately studied and pursued in various ways in various countries. Several schools of thought or economic currents began to form during this time. The study of economic thought begins to formulate laws that will be applied to economic action as a result of this accelerating progress. In addition, there is a strategy that must be found to achieve economic goals. Several schools of economics are separated from each other based on economic goals, this flow is often referred to as economic capitalism and socialist economics.

One of the pre-classical thinkers of ancient Greece is where the history of economic theory begins. But the general public realized that the classical school was responsible for the beginning of the school of economic thought. Adam Smith, known as the founder of economics, discovered this flow. This stream emphasizes a number of unexpected or invisible management techniques for the distribution of resources. Around that time, the concepts of money, interest, and the use of human labor in the exchange of goods and services were also developed (Elvis, 2010).

According to the capitalist economic system, people who consistently struggle are the real owners of wealth. People are free to do whatever they want with their property, without restrictions. As long as his actions do not violate the law, humans are free to take whatever action they choose. Meanwhile, socialist economic theory holds that all means of production and sources of income are communal property. Except for the money they earn as a form of public service, every member of society has rights (Abdul, 2015). In addition, there are still a number of social problems such as inequality, poverty and unemployment that are present in the Makassar city community in relation to economic development or what is also known as economic growth. The lack of unequal distribution in society is to blame. However, the current economic structure is still unable to provide a

solution to this problem. The rich are getting richer and the poor are getting poorer under this capitalist economic system, so it's not wrong to say that.

The economy of Makassar city suffered greatly from the monetary crisis that occurred there in 1997. The depreciation of dollar debt in rupiah and high production costs were two of the impacts of the crisis on the economy of Makassar city. Therefore, many people experience economic difficulties such as increasing unemployment, poverty and other problems. The environment began to move and seek innovation in the economic system. In the end, the populist economic system is the only economic group that is still standing. The monetary crisis is still ongoing, as a result the pressure on the people's economy is increasing.

One of the strategies to improve the economy is to follow the philosophy of populist economics. The people's economy supports justice in all endeavors. In addition, the populist economy is considered a form of capitalism that adheres to Islamic principles and teachings. Consequently, the populist economic system cannot be ignored as a tool to achieve the highly coveted economic system of the city of Makassar. From the Indonesian economic situation in 1997–1998 it is clear that the populist economy is very profitable for small, medium enterprises and cooperatives, especially in the production and distribution of basic needs society (Subandi, 2008).

You might think of the populist economy as an economic system that focuses more on the populist economic system. A populist economic system is one that aspires to a sovereign populist economy as referred to in Article 33 of the 1945 Constitution. The basis for developing a populist economy is the idea of unity and mutual cooperation. Communities actively participate in realizing the economy. About Muhammad Hatta, one of the important figures discussing the people's economy. He is well-known as one of the leading economists in Indonesia. His economic theory is often referred to as populist economic theory. Muhammad Hatta claimed that the populist economic system, when implemented in the form of cooperatives, was able to offer promising economic prospects. One form of economic democracy that works to achieve people's welfare is the cooperative movement. The welfare of a nation is the most important factor that has a significant impact on economic growth or the functioning of the government.

According to the study, Sugiharsono, *Cooperative Economic System as a Solution to Indonesia's Economic Problems: Is it Possible?* stated that Muhammad Hatta had designed a cooperative economic system for the Indonesian nation. The concept of cooperative finance has characteristics that are in accordance with the conditions and culture of the Indonesian nation. Thus, the cooperative economic system is one of the best solutions to overcome some of the problems of the Indonesian economy (Sugiharsono, 2009). This research is also supported by the results of research by Emili Grifell-Tatjé, et al which states that social-based businesses such as cooperatives are able to make a real contribution to economic success society (Emili, 2018).

Is it Possible to Use the Cooperative Economic System to Overcome Indonesia's Economic Problems? the cooperative economic structure for the Indonesian state had been created by Muhammad Hatta, he said. Cooperative financing includes features appropriate to Indonesian circumstances and cultural traditions. As a result, one of the best methods for solving some of Indonesia's economic problems is the cooperative economic system. The research findings of Emili Grifell-Tatjé, et al, who claim that socially responsible businesses such as cooperatives can actually contribute to local economic prosperity, were also used to support this research.

In addition, the research findings of Ibnu Asqori Pohan et al. entitled "Reconstruction of People's Economic Thought Muhammad Hatta" reveals that populist economy is seen as an option that can be made after the emergence of the term democratic economy and populist economy as well as the concept of cooperatives which became known as "Soko Guru" which is acceptable and in accordance with the characteristics of the Indonesian state which is dependent on Pancasila. As one of the populist economic proposals (Ibnu, 2018). The concept of cooperatives is considered to be implemented by prioritizing the principle of gotong royong in implementing the essential ideals of Pancasila.

In addition, the idea of cooperatives offered by Bung Hatta is a real way to carry out a populist economy that upholds the customs and traditions of the Indonesian people, according to Rustam Effendi and friends in his journal article *Bung Hatta's Concept of Cooperatives in a Sharia Economic Perspective*. Collective mindset (mutual help). Based on the research results, the concept of cooperative Muhammad Hatta and Islamic economics have similarities in terms of contracts, trust principles, mutual help principles, benefit principles, mashlahah principles, functions, characteristics, production, and distribution (Rustam, 2018). The findings of Zainal Arifin Hoesein's research which found that a community-based economic development strategy is very important and a priority in the context of realizing people's welfare supports the research findings mentioned above. This is possible if the populist economic development program is supported by a number of legislative instruments in the form of rules that can advance the micro, small and medium business sector so that it is able to compete in the domestic business arena (Zainal, 2016). This is also in line with Bambang Rudito's research findings which show that the concept of community-based economy has various responsibilities in achieving economic growth (Bambang, 2014).

Muhammad Hatta's populist economic concept firmly maintains justice and prosperity in social life, according to Sinda Eria Ayuni whose research is entitled *Muhammad Hatta's Populist Economic Concept in*

Realizing the Indonesian Economy According to Pancasila Principles. So that the Indonesian people are free from the suffering of the colonial chain (Sinda, 2015). This was done in a way that required them to carry out all their own economic activities in a spirit of kinship and mutual cooperation without the interference of colonial powers.

The researcher wishes to develop Muhammad Hatta's populist economic ideas from the several studies previously mentioned. Further research is still needed on previous findings. This can be seen from the discussion which has not discussed several reviews of the ideas used in the Islamic economic system. One of the new trends in the modern era that offers a more populist economic concept to be applied in Indonesia is the idea of Islamic economics through sharia cooperatives. This is shown with the growth of sharia cooperatives that occur every year.

In Indonesia, the cooperative economic system is still experiencing significant progress, but there are still many challenges that must be overcome. The Islamic cooperative system is still undergoing extensive studies in the institutional and commercial sectors.

In the interest of Indonesia's economic development, these problems need to be resolved as soon as possible. According to the study of Muhammad Hatta's economic theory, researchers are interested in learning more about the people's economic system developed through the sharia cooperative system that exists in Indonesia as a result of several problems and historical context the.

## **II. RESEARCH METHODS**

This study uses a qualitative method that includes certain types of literature research. The author will use several materials from books, journals, articles and other media related to research problems to collect the necessary data. This approach aims to facilitate the description of observed research findings (Romi, 2003). The library research approach, which involves gathering information from various publications, is used to examine and resolve the problem under investigation (Hadar, 1993).

The next step is to analyze the descriptive method of the data after it has been organized. By defining the key concepts of Muhammad Hatta's populist economy and relating them to the growth of Islamic cooperatives in Indonesia, descriptive means analytical techniques. The author uses analytical and deductive methods to ensure that all data obtained can be understood correctly comparatively. Deductive is the process of storing data, encrypting it, and then transferring it to a more specific location.

## **III. RESULTS AND DISCUSSION**

Politician and economist Muhammad Hatta is well known for his various contributions to the formation of the Indonesian state. Moreover, he served as vice president of the Republic of Indonesia. He played significant political and economic significance for the Indonesian state. Hatta was a key figure in the development of the people's economy in the economic field. According to Article 33 of the 1945 Constitution, a people's economy is an economy that seeks to realize people's economic sovereignty. With the idea of a populist economy, it is estimated that the Indonesian economy will reach more small groups who are often marginalized by the country's current economic system.

The primacy of cooperation and mutual assistance between economic actors is always upheld by the populist economic system. According to Muhammad Hatta, there are at least three basic principles that must be upheld to implement a populist economy: (1) The economy is formed and designed together by upholding family values; (2) All forms of production that prioritize the interests of the state and the people must be managed by the state. (3) The management of the state's natural resources for the benefit of the people is mostly the responsibility of the state. From these three principles it can be seen that the position of the populist economic system is not helped by the existence of several banking institutions.

These three concepts show that the existence of many banking institutions has not improved the position of the people's economic system recently. The people's economic system approach, or establishing and developing cooperatives for production, consumption, and assisted by people's business credit cooperatives for the benefit of people's economic progress, is one the only way to improve this condition progressively and gradually.

Another term defines populist economy as an economic system in which various economic activities are carried out with the participation of all members of the community, the results are enjoyed by all members of the community, and the implementation of these economic activities is also under the control or supervision of members of the community (Baswir, 2016). This understanding is primarily focused on the implementation of a populist economy that requires community participation in all aspects of its operations. In addition, the involvement of the state in reviving the people's economic system is very important. According to Article 27 Paragraph 2 and Article 34 of the 1945 Constitution, the state is very important for the realization of a people's economic system. One (1) Cooperative Development; (2) BUMN development; (3) Ensuring the use of land, water and all other natural resources for the prosperity of the people (4) upholding the rights of every citizen to a

decent life and work; and (5) caring for and helping underprivileged and neglected children are just a few of the roles that are the responsibility of the state.

In 1934, he expressed this idea in a working paper entitled *People's Economy in Peril*. According to the article, a kind of competition with the Dutch economic system was the driving force behind the development of the idea of a populist economy (Fariz, 2016).

According to MPR RI Decree No. IV/MPR/1999 concerning GBHN, the economic system in Indonesia is a people's economic system. Hatta's defense of the populist economic theory was actually a kind of opposition and criticism of the liberal economic system that was developing at that time. Hatta considered that liberal economic theory was not a proper economic strategy for the state because it tended to be inconsistent with the character and personality of the state and was not the best choice. Distribution of assets that transfer the ownership rights of assets for certain interests is one example that is currently developing. Transferring or transferring the assets of previous players to new players. According to Hatta, this asset allocation aims to provide equal access to power and opportunity to each party (Ibnu, 2018).

Muhammad Hatta also had a brilliant idea to revitalize cooperatives that would benefit small business owners, farmers and fishermen. The success of the populist economic system is supported by this understanding. It is hoped that the existence of this populist economic system will greatly increase community involvement in national development. It will also be easier for the nation to move forward by cultivating a spirit of cooperation to develop the economy. The country's economic system will be greatly affected by this, both now and in the future (Mubiyarto, 2001).

The basis of the people's economic system is people's power. People's economy can be achieved through self-help economic activities and cooperatives that manage available natural resources. The key characteristic of a populist economy is rejecting ideas developed by the people to create an economy that is supported by the state. Economic justice and democracy which always side with the people's economic prosperity cannot be separated from the people's economy.

#### **IV. CONCLUSION**

Based on some of the justifications above, in general it can be said that Muhammad Hatta's populist economic theory can provide economic theory that is more valuable and touches the social field. Islamic cooperatives will give local residents a greater say in how their economy is run. Hatta played an important role in the development of the people's economy. The people's economy is described in Article 33 of the 1945 Constitution as an economic system that aspires to realize the people's economy and sovereignty. With the idea of a people's economy, it is estimated that the economy will reach more small groups who are often marginalized by the country's current economic system.

The basis of the people's economic system is people's power. People's economy can be achieved through self-help economic activities and cooperatives that manage available natural resources. An essential component to creating a state-supported economy. Economic justice and democracy, which are always upholding the people's economic prosperity, cannot be separated from the people's economy.

Cooperatives, according to Muhammad Hatta, are examples of economic democracy that aspire to advance society and the nation as a whole. Because one of the factors that underlies good governance in a country can be seen from the welfare of its citizens, welfare is a factor that greatly influences the speed of the economy and government. Hatta also outlines the concept of collectivism that is present in cooperative businesses. The constituent parts are all in the same position. To achieve goals that are designed collectively, everyone works together.

However, there are at least three key elements that must be considered in developing the idea of a people's economy through sharia cooperatives, starting from the principle of oneness. This principle underlines the importance of gotong royong in Muhammad Hatta's populist economic system, 2) The people rule and are responsible for the success of the economy in their country. 3) more focused on the masses.

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