

From Welfare State to Power State: Public Policy Transformation Under the Shadow of Oligarchy and Shadow Government in Indonesia

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Abstract

Indonesia is experiencing a shift from a welfare state to a power state, where public policies are increasingly influenced by oligarchs and shadow governments. This study uses qualitative methods, namely: 1) Using descriptive-critical analysis to understand the phenomenon of public policy shifts; 2) Examining the role of political and economic actors in shaping state policies. This study analyzes the transformation with a qualitative approach through literature study and public policy analysis. The results show that the dominance of elite groups in decision-making hinders democratization, exacerbates social inequality, and reduces government transparency. The implications of this research are: 1) Theoretical Implications, namely: a) Development of State Theory and Public Policy; b) Criticism of Democracy and Welfare Theory; c) Contribution to the Study of Governance and Political Corruption. 2) Practical Implications, namely: a) Policy Recommendations for the Government; b) Increasing Community and Civil Society Participation; c) Improvement of the Legal System and Anti-Corruption Enforcement; d) Reform of Political Parties and the Electoral System. The solutions offered by the author are: 1) Increasing Transparency and Accountability of Government; 2) Strengthening Democracy and Community Participation; 3) Public Policy Reform for People's Welfare; 4) Suppressing the Domination of Oligarchs and Shadow Government; 5) Strengthening the Legal System and Rule Enforcement. With these solutions, it is hoped that the transformation of public policy can be oriented back to the welfare of the people, not only to the interests of the ruling elite.

Keywords: Welfare State, Power State, Oligarchs, Shadow Government, Public Policy.

Abstrak

Indonesia mengalami pergeseran dari *welfare state* ke *power state*, di mana kebijakan publik semakin dipengaruhi oleh oligarki dan *shadow government*. Penelitian ini menggunakan metode kualitatif yaitu: 1) Menggunakan analisis deskriptif-kritis untuk memahami fenomena pergeseran kebijakan publik; 2) Mengkaji peran aktor-aktor politik dan ekonomi dalam membentuk kebijakan negara. Penelitian ini menganalisis transformasi tersebut dengan pendekatan kualitatif melalui studi literatur dan analisis kebijakan publik. Hasil penelitian menunjukkan bahwa dominasi kelompok elite dalam pengambilan keputusan menghambat demokratisasi, memperparah ketimpangan sosial, dan mengurangi transparansi pemerintahan. Implikasi penelitian ini yaitu: 1) Implikasi Teoritis yaitu: a) Perkembangan Teori Negara dan Kebijakan Publik; b) Kritik terhadap Teori Demokrasi dan Kesejahteraan; c) Kontribusi terhadap Studi Governance dan Korupsi Politik. 2) Implikasi Praktis yaitu: a) Rekomendasi Kebijakan untuk Pemerintah; b) Peningkatan Partisipasi Masyarakat dan Civil Society; c) Perbaikan Sistem Hukum dan Penegakan Anti-Korupsi; d) Reformasi Partai Politik dan Sistem Pemilu. Solusi yang penulis tawarkan yaitu: 1) Meningkatkan Transparansi dan Akuntabilitas Pemerintahan; 2) Memperkuat Demokrasi dan Partisipasi Masyarakat; 3) Reformasi Kebijakan

Publik untuk Kesejahteraan Rakyat; 4) Menekan Dominasi Oligarki dan Shadow Government; 5) Memperkuat Sistem Hukum dan Penegakan Aturan. Dengan solusi-solusi ini, diharapkan transformasi kebijakan publik dapat kembali berorientasi pada kesejahteraan rakyat, bukan hanya pada kepentingan kelompok elite yang berkuasa.

Kata Kunci: Welfare State, Power State, Oligarki, Shadow Government, Kebijakan Publik.

INTRODUCTION

Indonesia has long been known as a country with a welfare state that seeks to protect its people through various public policies (Dimiyati et al., 2021). However, in recent decades, there has been a shift towards a "power state", where public policy is more controlled by oligarchs and certain interest groups. This phenomenon is exacerbated by the existence of shadow government, which informally influences policies without a clear accountability mechanism (Marandici, 2017). This article will discuss how this transformation occurred, its impact on public policy, and the challenges faced in maintaining a healthy democracy in Indonesia. Phenomena Related to the main indicators of this shift in Indonesia Today are: 1) The increasing dominance of elite groups in political and economic decision-making; 2) The rise of conflicts of interest in policies that benefit the elite more than the people; 3) Increasingly sharp social and economic inequality due to the control of resources by a few parties; 4) The emergence of policies that are more oriented to control and stability of power than to the welfare of the people; 4) The involvement of informal parties in the legislative and executive processes, leading to the practice of shadow government. The findings of the problems are: 1) The dominance of oligarchs in public policy hinders democratization; 2) Shadow government threatens government transparency and accountability; 3) Policy changes that are more favorable to the elite create social injustice; 4) Weakening public participation in decision-making. The objectives of the research are: 1) To analyze how the transformation from a welfare state to a power state occurs in Indonesia; 2) Identify the role of oligarchs and shadow government in public policy; 3) Examine the impact of these changes on the welfare of the people and democracy; 4) Provide recommendations to increase transparency and accountability of the government.

Winters in Oligarchy mentioned that political and economic oligarchs are very dominant in developing countries, including Indonesia (Winters, 2011). Richard Robison in Indonesia: The Rise of Capital Revealing how patrimonial capitalism is the root of oligarchic power (Hadiz & Robison, 2013). Vedi Hadiz in Localising Power in Post-Authoritarian Indonesia highlighting how decentralization does not reduce elite dominance, but instead strengthens it (Hadiz, 2010).

LITERATURE REVIEW

Public policy

Public policy is a decision of government authorities in dealing with a certain problem that aims to govern together. Riant Nugroho (2012) revealed that the objectives of public policy can be distinguished in terms of resources or surveys, namely between public policies that aim to distribute state resources and those that aim to absorb state resources, (Nugroho, 2012). Kolb revealed that an absorptive policy is a policy that absorbs resources, especially economic resources in society that are used as capital or costs to achieve common goals. (Nugroho, 2012). An example of this policy is the tax policy. Meanwhile, distributive policies are policies that directly or indirectly allocate material or non-material resources to the entire

community. Distributive policies, for example, are the Direct Cash Assistance (BLT) policy, School Operational Assistance (BOS), PNMP for Urban and Rural Affairs, Regional Autonomy Policy, and other policies that are distributive, redistributive, and allocative.

From the point of view of Heinz Eulau, et al, the term public policy is interpreted as a public policy that has been determined and characterized by the existence of consistent and consistent behavior from the society that creates and from the society that satisfies the public policy (Heinz & Prewitt, 1973). Carl Friedrich who said that a policy is a series of actions/activities proposed by a person, group, or government in an environment, especially where there are obstacles and possibilities where the policy is proposed to be useful in overcoming to achieve the desired goals (Agustino & Leo, 2006).

Governments around the world use public policy tools to offer solutions to the problems faced by their people. Public policies are directed to secure and maintain the welfare of the people (Christianity, 2023). The Indonesian nation is not left behind in terms of realizing the importance of public policy and its role. Since the country's independence, the Indonesian government has formulated public policies with the aim of ensuring the welfare of its citizens. In fact, it can be said that our nation does not lack the ability to formulate interesting policies and pour them into books that are colorful and have interesting titles. Therefore, in Indonesia there is the State Budget, which stands for State Budget and Development Plan. In the years leading up to the State Budget, when the New Order came to power, we were familiar with GBHN (Basic Lines of State Direction) and REPELITA (Five-Year Development Plan). The failure of implementation in Indonesia can be seen from the indicators of the difficulty of employment, indications of the government's alignment with the interests of oligarchs, as evidenced by the many cases of difficulty in resolving disputes involving oligarchs, such as the case of the development of the PIK 2 area. Minister Nusron admitted that he had conducted an initial search that 263 fields had been published at the location, consisting of 234 SHGB fields in the name of PT Intan Agung Makmur, 20 SHGB fields in the name of PT Cahaya Inti Sentosa, and 9 fields in the name of individuals. In addition, 17 fields of property rights certificates (SHM) were also found in the area, (Darmawan & Adhi, 2025).

Oligarchs

Oligarchy is a political term that describes the practice of securing money by those who are materially wealthy. Winters identified the following types of oligarchs: a. Warring oligarchs. According to Winters, the division among the oligarchs is at its peak. The alliance shows instability in the framework of dynamic paper competition. Any dominant authority figure among the oligarchs can only maintain control temporarily. Conflicts and threats usually manifest laterally among competing oligarchs, as their claims to territory, sources of wealth, resources, and subordinate populations intersect with each other, leading to hostility. b. Collective oligarchy (government oligarchy) An important example of a collective ruling oligarchy is observed in the ancient Greco-Roman consuls and senates, although in a less extreme form. The Italian nobility, which consisted of noble families and clans that ruled the medieval city-states, could be categorized as a collective ruling oligarchy. Sultanistic oligarchy This type of oligarchy occurs when an individual holds a monopoly on the means of coercion, instead of a state that is institutionalized and limited by a legal framework (Winters, 2011).

Shadow Government

Dahl put forward the idea that power in society is divided between several competing factions. According to Dahl, no single elite group has complete control over all political choices. Instead, a number of different groups are able to participate in the decision-making process and have the ability to influence

policy (Dahl, 1978). In addition, there is polyarchy. Dahl put forward the idea of "polyarchy" in his famous book, *Polyarchy: Participation and Opposition* (Dahl, 1971) to provide an explanation of the purpose of modern democratic government. This system of government is known as polyarchy, which is characterized by a wide distribution of authority, which in turn allows for political involvement and competition. According to Dahl, polyarchy is characterized by the following characteristics: 1) Freedom of expression is fundamental; 2) The right to vote and be elected in independent and impartial general elections; 3) Access to equal decision-making positions in political power; 4) Access to information at no cost (Dahl, 1971).

Indonesian democracy is far from mature democracy. Referring to Winters' view, Indonesian democracy is described as democratizing in decline, democratic regression, democratic backsliding or democratic U-turn (Winters, 2011). In his study, Hidayat said that there had been a reform bias that created a shadow state after the New Order. A shadow state is a shadow government or informal authorities, but can control the formal government. The shadow state occurs because institutional reforms are taking place but do not lead to strengthening government capacity. A number of examples can be seen, business owners become party owners and control the media for their political and economic interests. Conflicts of interest can occur. A number of elites around power are managers of corporate owners (Hersh, 2023).

RESEARCH METHOD

This study uses qualitative methods (John W. Creswell, 2018), namely: 1) Using descriptive-critical analysis to understand the phenomenon of public policy shifts; 2) Examining the role of political and economic actors in shaping state policies. Public Policy Analysis is: 1) Analyzing policies issued by the government related to social welfare and state power and 2) Using a policy theory framework to assess changes that occur. Critical Discourse Analysis is: 1) Examining how political and economic narratives are used to justify the shift from *a welfare state* to *a power state*. One of the concrete cases analyzed is the Omnibus Law. This law is claimed to be aimed at increasing investment and employment, but in practice it benefits conglomerates and large investors by reducing workers' rights and weakening environmental protection. and 2) Analyzing the media, political speech, and government policies. The case studies are: 1) Using concrete examples of public policy in Indonesia that reflect the shift in power and influence of oligarchs; 2) Compare policies under various government regimes.

RESULTS AND DISCUSSION

Transparency International Indonesia (TII) recently released the 2024 Corruption Perception Index (IKP) which measures public perception of corruption (Transparency International Indonesia, 2024). As a result, Indonesia's Consumer Price Index (CPI) showed a positive trend by rising three points to 37 from the previous year which was unchanged at 34. Thanks to this increase in ranking, Indonesia's position rose to 99th out of 180 countries in the ranking. Indonesia experienced a decline in scores on three sources of CPI data, namely related to the use of public resources for personal gain, political corruption involving three groups of power, and bribery in business activities such as exports, imports, and the acquisition of public contracts. Although Indonesia's overall score has increased, the scores on the three CPI data sources have actually decreased. The number obtained by Indonesia this time continues to decline when compared to the highest score ever achieved by Indonesia, which was forty in 2019. Therefore, it cannot be concluded that Indonesia's anti-corruption conditions are improving based on the increase in the 2024 CPI score, which still leaves many questions unanswered. Especially considering the

post-political year and various new policies implemented by the government tend to have a relatively high vulnerability to corruption. The most significant factor driving the increase in the Consumer Price Index (CPI) score in 2024 is the inclusion of the World Economic Forum (WEF) indicator, which was previously not included in the CPI indicator since 2021 (Hasudungan et al., 2023). According to the Technology Innovation Institute (TII), the World Economic Forum (WEF) is an indicator that assesses how reasonable it is for business actors to make extra payments or unrecorded bribes. The presence of this indication needs to be recognized as a new indicator that has emerged since Indonesia replied to the survey, whose data quality is also still worrying after a two-year gap. In fact, the 2024 WEF score has improved significantly compared to the 2012-2021 score.

The Varieties of Democracy project is another significant indicator related to the 2024 CPI issue on Corruption, Democracy, and Environmental Crisis. Natural resource corruption in Indonesia is a reflection of political corruption involving the executive, legislative, and judicial branches. ICW's research on the extractive and renewable energy industries behind Prabowo-Gibran reveals that corporations involved in the extractive sector have close contact with the ruler or elected officials to ensure the safety of their operations (ICW, 2024). Extractive permits are granted by local governments and the executive, those who own businesses are given discretion by the legislature, and the justice system sides with businesses when the public complains in court about the negative impact of their operations on the environment.

In addition, the reality of corruption eradication is shifting in the opposite direction in 2024. The eradication of corruption is likely to regress and analysts expect this trend to continue in 2025. The first reason is that the government does not have an idea or policy for an anti-corruption program that is expected to be implemented systematically in 2024 and is scheduled to be implemented in 2025 (Paranata, 2025). Regarding the handling of parties involved in corruption cases and are key officials, efforts to eradicate corruption still seem to be selective or cherry picking. Some of them are the case of alleged corruption in Bank Indonesia's CSR allegedly related to the Governor of BI and a number of members of the House of Representatives, the case of alleged corruption in the construction of a railway line at the Ministry of Transportation which allegedly flowed funds to President Joko Widodo in the 2019 election, and the case of alleged corruption in the procurement of goods at the official residence of a member of the House of Representatives allegedly involving the Secretary General of the House of Representatives Indra Iskandar. Second, the emergence of initiatives to reduce the definition of corruption in order to legitimize conflicts of interest, anti-meritocracy, and nepotism, all of which have an impact on the destruction of the democratic system and anti-corruption laws in Indonesia. This is the lowest point in the history of democracy in Indonesia which has contributed greatly to the birth of an increasingly potentially corrupt government.

The rampant practice of seat sharing, the return of the TNI and the National Police to public office, the number of candidate pairs in the last Regional Election affiliated with political dynasties, and the practice of messing up rules so that President Jokowi's children can participate in political contests, are examples. In an ideal world, corruption is not only limited to the financial losses of the state or the country's economy. However, when there is a system that is disadvantaged because it prioritizes personal or group interests, then it can be considered a form of corruption. The tightening of the term is an indication that the reason used by the government to formulate the corruption eradication agenda is a brutal reason. The third reason is that the government does not have a strong intention to accelerate the process of eradicating corruption by increasing regulations. Including the Asset Forfeiture Bill and the Currency Restriction Bill. Although the GPA score has improved, it is certain that neither the government nor the House of Representatives has any intention to increase efforts to eradicate corruption through rules in the

previous year. The main reason for its reluctance to strengthen anti-corruption laws, including the Asset Forfeiture Bill and the Currency Restriction Bill, is that these rules will threaten the stability of corrupt public officials. This is because their efforts to commit corruption and enrich themselves will be subject to heavier legal sanctions and will be increasingly visible to the public.

The saying "fish rots starting from its head" was once uttered by President Prabowo. Of course, as the Head of Government, he has the responsibility to initiate and carefully supervise all efforts to eradicate corruption in the future. On the other hand, after one hundred days of Prabowo-Gibran's administration, the public has not seen any progressive steps to eradicate corruption; In fact, it seems regressive. The implication is that President Prabowo is criticizing himself, as a person who has the potential to become a "rotten head" or who is in the process of heading in that direction (Anggraeni et al., 2025).

The term interest group refers to a group of individuals who have a common goal and act as a collective entity to protect and achieve their goals. The goal of interest groups is to exert influence over political choices by persuading public officials to act in a way that suits the interests of their organization (Bell & Hindmoor, 2024). With the help of their movements, interest groups have the methods they use in their efforts to achieve their goals. The efforts of interest groups can be considered unsuccessful if they are unable to exert any influence on those who make decisions. The strategies that interest groups use to influence decision-makers differ from each other. There is a correlation between this and the interests of each individual group.

The following are some of the techniques that interest groups use to channel their grievances: Approach to the Legislative Branch, the Cabinet, and the State Department. The use of lobbying is one of the most frequently used tactics. Legislative, cabinet, and bureaucratic channels are the routes that interest groups use to achieve their goals. If there is a delegation of decision-making authority to various branches of the bureaucracy, the relationship established between the group and the bureaucracy at various levels and departments becomes very important.

Demonstration

As one of the tactics that is often used to channel the interests or demands of interest groups, demonstrations and acts of violence such as riots, unrest, and confrontation are examples of this strategy. Interest groups that utilize this path are generally classified as anomic interest groups (Lang & Lang, 2023). The formation of anomic interest groups occurs suddenly and only in a short time. This path was chosen because other paths that have the potential to affect decision-makers have been restricted. As a result, there is violence carried out spontaneously by anomic groups, but there is also violence committed by other interest groups to convey their demands. Direct Representation Interest groups can communicate their interests directly and continuously if they have direct representation in the legislature. There is a possibility that the direct representation technique will be successful if the interest group in question has a member who is a member of parliament.

Direct Representation

Interest groups can communicate their interests directly and sustainably if they have direct representation in the legislature. It is possible that the direct representation technique will be successful if the interest group in question has members who are members of parliament.

Relationship with Individuals

When it comes to influencing policy, one of the techniques used by interest groups is to build personal bonds. Family ties, relationships with alma mater or school, and other types of relationships that are regional are examples of the types of personal relationships that may exist. Non-associative interest groups use this tactic quite often. Examples of groups that fall into the category of non-associative interest groups are associations of ordinary people who have not yet developed, who are not well structured, and who are only temporary participants.

Mass Media

One of the channels used by interest groups to communicate their demands and interests is the mass media, which includes television, radio, newspapers, and digital media as well as other forms of mass media. It is impossible to overstate the importance of the function played by the mass media in a society or country operating under a democratic system. On the other hand, in countries that follow an authoritarian system, mass media is no longer a means for interest groups to express their concerns.

Parties in the political system

When it comes to communicating their demands and interests, interest groups often choose to do so through political parties as one of their strategic choices (Laksana & Abduh, 2023). The fact that political parties themselves are representatives of institutional interest groups makes this a natural occurrence. One of their roles is to explain the interests of the community, which is one of their duties. Due to the existing structure of political parties, political parties can function more effectively as a means for interest groups to express their voices. In general, political parties that are highly ideological tend to exert influence on the interest groups associated with them. Meanwhile, political parties that have decentralized party organizations, as seen in the United States, are less receptive to the demands and interests of interest groups.

According to Winters, the following are various types of oligarchs: 1) Conflicting oligarchs, stating that differences among oligarchs have reached their maximum point. Due to the ever-changing nature of competition on paper, alliances are prone to instability. As a result of the emergence of higher authority figures among the oligarchs, each of these figures can only dominate for a while. All conflicts and threats that occur between warring oligarchs are often lateral; claims to territories, primary sources of wealth, resources, and subjugated populations overlap and become the focus of antagonism; 2) Oligarchy in a collective sense (monarchical oligarchy) The ancient Greco-Roman consuls and senate were the most prominent examples of a collective ruling oligarchy, albeit in a quieter form. Collective government oligarchy is another term that can be used to describe the Italian rulers, as well as the aristocratic families and clans that ruled the medieval city-states; 3) Sultanate Oligarchy (also known as Sultanate Oligarchy) According to Chehabi and Linz (1998), as quoted in Winters (2011), this type of oligarchy occurs when the monopoly of the tools of coercion is in the hands of only one person, not an established country that is limited by law. These oligarchs have a large number of patron-client relationships, each of which is related to a specific set of standards of behavior and duties. On the other hand, law enforcement does not exist and does not function as a system of personal rights and authority; 4) Oligarchs in the civilian sector These oligarchs, like the sultanistic oligarchs, are also unarmed and have no direct power (except for a few rare occasions when they act as individual political figures, and not in an oligarchic capacity). In contrast, a civil oligarchy, which replaces one person as the enforcer of coercion who safeguards the wealth of the

oligarchy, is characterized by the existence of an institution responsible to the law; 5) The degree of oligarchic tame in this oligarchy refers to how powerful the system is to regulate the behavior of the oligarchy by imposing punishment on the most destructive social behavior of the oligarch. Wild oligarchy, on the other hand, refers to the opposite of a docile oligarchy (Winters, 2011)

DISCUSSION

The power of the oligarchy in Indonesia not only survives, but is getting stronger along with the developing political and economic dynamics. Here are some of the main factors that explain this phenomenon:

Consolidation of Political and Economic Power

Oligarchy in Indonesia has become increasingly entrenched due to the growing symbiotic relationship between political elites and capital owners (Tambunan, 2023). This alliance enables oligarchs to wield significant influence over the political system by using their economic resources to fund political campaigns, build influential networks, and push for policies that directly benefit their business interests. By maintaining financial control, oligarchs are able to secure political power and manipulate regulations to ensure their dominance within the economic and political spheres.

Politicians, on the other hand, rely heavily on financial backing from these elites to fund their election campaigns. In a political environment where funding plays a critical role in electoral success, candidates are often compelled to seek the support of wealthy oligarchs who have the resources to run large-scale campaigns. This mutual dependence reinforces the entrenchment of oligarchs in political decision-making, as politicians become beholden to them in exchange for financial backing, creating a cycle where political and economic power are consolidated in the hands of a few.

The close relationship between political elites and oligarchs has significant implications for governance and policy-making in Indonesia. The need for financial support from oligarchs in order to maintain power means that politicians are often reluctant to challenge the interests of the business elite. Instead, policies and regulations are shaped to protect and enhance the wealth and influence of oligarchs, perpetuating a system where economic power is concentrated among a small, wealthy group. This undermines democratic principles and fosters inequality, as the majority of the population struggles to influence policies that favor their needs over those of the elite.

Dynastic Politics and Party Cartels

Dynastic politics in Indonesia has significantly contributed to the entrenchment of oligarchic power by ensuring that political positions remain within a few influential families or close circles of the political elite (Kenawas, 2023). This phenomenon perpetuates the dominance of a select group of individuals who maintain control over key government and legislative roles, regardless of their qualifications or public support. As a result, the political landscape becomes less dynamic and more resistant to change, with power being passed down through generations of elite families. This reduces the opportunity for new voices to emerge and for the electorate to choose from a diverse range of candidates.

Moreover, the practice of dynastic politics exacerbates the lack of competition within Indonesia's political system. Political parties, instead of serving as open platforms for democratic competition, often operate more like cartels, consolidating power within a narrow group of individuals. These cartels restrict access to political office and influence, making it exceedingly difficult for outsiders—especially those without elite connections or financial backing—to break into the political sphere. The result is a political

environment where the same families and groups hold power for extended periods, further diminishing the democratic process and limiting political mobility for the broader population.

The dominance of dynastic politics and party cartels also has detrimental effects on the quality of governance. When political power is concentrated in the hands of a few families or political networks, it can lead to a lack of innovation in policy-making and governance. These elites may prioritize their own interests over those of the public, often crafting policies that benefit their political and economic circles. This fosters a political system that is not only resistant to change but also increasingly disconnected from the needs and aspirations of ordinary citizens, undermining the democratic principles that are supposed to guide the nation's leadership.

Control over Media and Public Opinion

In Indonesia, oligarchs maintain substantial control over mass media outlets, including television networks, newspapers, and digital platforms (Kiriya, 2021). This media ownership gives them considerable leverage over how information is disseminated to the public. By controlling key media channels, oligarchs can selectively highlight certain issues, suppress others, and influence the way political events are portrayed. This power over the flow of information allows them to shape public discourse in a manner that aligns with their interests, promoting narratives that favor their business ventures and political agendas.

The influence of oligarchs on media extends beyond simply controlling content; it also enables them to direct public opinion more effectively. Through strategic media campaigns, they can create and reinforce public perceptions that support their desired outcomes, whether it is in elections, public policy, or corporate interests. This ability to manipulate public opinion is particularly powerful during election periods, where media coverage can heavily sway voters' preferences and decisions. By framing political issues in a way that resonates with the electorate, oligarchs ensure that their preferred candidates and policies gain widespread support, further consolidating their power.

Furthermore, the control of media by oligarchs undermines the diversity of viewpoints in the public sphere, as independent media outlets struggle to compete with financially backed corporate giants. This media monopolization results in a lack of critical scrutiny of the oligarchs' actions and policies, as opposing voices are marginalized or silenced. The concentration of media power in the hands of a few elite players effectively stifles healthy democratic debate and impedes the public's ability to make informed decisions. As a result, the democratic process becomes skewed in favor of those who control the narrative, making it difficult for alternative political or social movements to gain traction.

Regulations That Tend to Side with the Elite

In Indonesia, many economic and legal policies are structured in a way that disproportionately benefits oligarchs rather than the general public. These policies often create an environment where large corporations and wealthy individuals have easier access to critical resources and opportunities (Annisa & Nandy, 2024), while smaller businesses and the broader population face significant barriers. For instance, regulations that simplify investment processes for large-scale corporations tend to favor the financial interests of the elite, while small and medium enterprises (SMEs) struggle with bureaucratic hurdles, lack of access to credit, and unfavorable market conditions. This disparity limits the growth potential of smaller businesses, reinforcing the economic dominance of oligarchs.

Additionally, land acquisition, natural resource extraction, and infrastructure projects in Indonesia are frequently shaped to benefit a small number of powerful elites. Large conglomerates and well-

connected families are often the primary beneficiaries of such initiatives, as they have the political influence and financial power to secure favorable deals. In many cases, these elites are granted land rights or natural resource concessions that can result in significant economic gains, often at the expense of local communities and the environment. As a result, wealth becomes increasingly concentrated in the hands of a few, while the majority of the population remains excluded from the benefits of national economic development.

This imbalance in policy favoring the elite not only perpetuates economic inequality but also undermines the principles of fairness and justice in governance. By prioritizing the interests of a few powerful groups over the needs of the wider population, these regulations entrench the oligarchic structure of the Indonesian economy. They prevent meaningful competition, limit opportunities for social mobility, and contribute to the growing divide between the wealthy and the rest of society. In the long term, such policies hinder the country's overall economic development and weaken public trust in the government's ability to serve the interests of all citizens equally.

Weak Law Enforcement and Democratic Institutions

In Indonesia, democratic institutions such as anti-corruption bodies and the judiciary are often undermined by political interference, leading to weak law enforcement. Political elites and oligarchs, who possess significant economic and political power, have the means to influence or manipulate the legal system to protect their interests (Mahyudin, 2024). This intervention often results in selective law enforcement, where only certain individuals or groups face legal action, while those with elite connections remain immune from prosecution. The erosion of these democratic institutions weakens the rule of law and allows the wealthy and powerful to operate with relative impunity.

With weak law enforcement, oligarchs are able to consolidate their position without fear of meaningful legal consequences. The lack of accountability enables them to engage in corrupt practices, such as illegal business dealings or regulatory manipulation, without facing repercussions. This creates an environment where oligarchs can continue to expand their wealth and influence, further entrenching their control over the economy and political system. In the absence of effective legal checks, oligarchs can operate above the law, reinforcing a system that is skewed in their favor and detrimental to broader societal interests.

Furthermore, the weakening of democratic institutions and the law creates a sense of cynicism and distrust among the public. When citizens perceive that justice is not applied equally or that legal decisions are influenced by political power, their faith in the fairness and integrity of government institutions diminishes. This undermines the foundations of democracy, as the rule of law is one of its key pillars. As a result, the continued dominance of oligarchs becomes less contested, and the democratic process is severely compromised, allowing them to solidify their grip on both political and economic power.

Money Politics in Elections

In Indonesia, elections are often heavily influenced by the practice of money politics, where financial resources play a critical role in determining the outcome of political contests (Virananda et al., 2021). Candidates with the backing of oligarchs or wealthy individuals have a significant advantage, as they can afford to finance large-scale campaigns, including television ads, rallies, and media appearances. This financial power allows them to build a strong public image and increase their visibility among voters. As a result, the electoral process becomes less about policy debates and more about who has the financial

means to dominate the media and public discourse, which undermines the democratic principle of fair competition.

The involvement of oligarchs in funding election campaigns also leads to the commodification of votes. Wealthy candidates are often able to use their financial resources to sway voters through direct bribes or promises of economic benefits in exchange for support. This practice, known as vote-buying, further distorts the electoral process, making it difficult for candidates without financial backing to compete on an equal footing. The result is a political system where the richest individuals and powerful families can effectively "purchase" election outcomes, rather than relying on genuine public support or the strength of their policy platforms.

This reliance on money politics has far-reaching consequences for Indonesia's democracy. It perpetuates a system in which political power is concentrated in the hands of a few wealthy elites, while the voices of ordinary citizens are marginalized. The practice of money politics not only corrupts the electoral process but also creates a cycle of dependency, where politicians are indebted to their financial backers and are thus more likely to prioritize the interests of the wealthy over those of the general public. Ultimately, this undermines the integrity of the democratic system, as elections no longer serve as a true reflection of the people's will.

Encouraging Independent Audits of Political Parties

According to Jeffrey Winters' oligarchy theory, when economic power is concentrated in the hands of a few elites, they can use this power to manipulate public policy and pursue personal gain (Gautney, 2023). This concentration of wealth allows oligarchs to shape political outcomes by financing political parties and candidates who will advance their interests. In such a system, the democratic process is undermined, as public policy decisions become influenced by those who control financial resources rather than the will of the people. To address this imbalance, encouraging independent audits of political parties is essential to ensure that political funding remains transparent and accountable, reducing the potential for oligarchs to exert undue influence over the political system.

Independent audits can provide a much-needed check on the flow of money into political parties, ensuring that funding sources are properly disclosed and that no illegal or unethical financial support is allowed to influence elections. By regularly reviewing and auditing party finances, the public and regulatory bodies can identify any irregularities or ties between political elites and oligarchs that might compromise the integrity of the election process. These audits help safeguard the democratic principle that political power should be derived from fair competition and the public's vote, rather than from financial manipulation by powerful elites.

Furthermore, independent audits not only improve transparency but also contribute to building public trust in the political system. When voters know that political parties are being held to account for their financial dealings, they are more likely to believe in the fairness of the election process and feel more confident in the legitimacy of elected officials. Auditing political party finances also acts as a deterrent against corrupt practices, as political elites may be less inclined to engage in money politics or other forms of manipulation if they know their actions will be scrutinized. Ultimately, by encouraging independent audits, the influence of oligarchs can be reduced, ensuring a more equitable and transparent political landscape.

Solution

1. Require a party financial audit by independent institutions such as the BPK or public accountants with a mechanism of supervision by civil society and the media.
2. Implement a more transparent political funding system, for example through restrictions on donations from individuals or companies with real-time reporting mechanisms that are accessible to the public.
3. Establish stricter regulations on campaign funds and party funding sources, including periodic reporting obligations and sanctions for violators.
4. Encourage the involvement of civil society organizations (CSOs) in overseeing party finances, with open access to party financial statements.

Strengthening Local Democracy to Reduce the Influence of Oligarchs

Winters' theory highlights how oligarchic forces exploit the weaknesses of political institutions to maintain their control. Strong local democracy can be a solution to reduce the dominance of oligarchs in policy-making.

Solution:

1. Increase transparency in the election of regional heads by ensuring that candidate recruitment is carried out democratically and not dominated by political oligarchs.
2. Encourage a meritocracy-based electoral system that reduces the role of money in political candidacy and campaigns.
3. Develop participatory budgets at the regional level, where the community has direct control over the allocation of public funds.
4. Building an independent local media ecosystem, so that the public can access political information more objectively and critically.

Integrating Technology for Data-Driven Transparency

One way to reduce the shadow of shadow government is to leverage technology to increase transparency and accountability of public policy.

Solution:

1. Build a digital platform for transparency of central and local government budgets, where the public can access financial reports and ongoing projects.
2. Develop a blockchain-based e-voting system to ensure more transparent elections and free from oligarchic manipulation.
3. Using big data and AI to monitor political funding patterns, including detecting suspicious flows of funds to specific political parties or candidates.
4. Encourage data disclosure through the Open Government Data policy that allows the public and journalists to access important information related to public policy and political decisions.

Solution

Here are some solutions to overcome the impact of public policy transformation in the context of the shift from *a welfare state* to *a power state* in Indonesia:

1. Increasing Transparency and Accountability of Government
 - a. Encourage public information disclosure so that the policies made do not only benefit elite groups.

- b. Strengthen the role of independent supervisory institutions, such as the KPK, Ombudsman, and BPK, in supervising government policies.
 - c. Require public participation in every policy-making process to ensure representation of all levels of society.
2. Strengthening Democracy and Community Participation
 - a. Increase people's political literacy to be more critical of policies that benefit oligarchs.
 - b. Developing a digital platform to facilitate citizen participation in supervising and providing input on public policies.
 - c. Strengthen the role of civil society organizations (CSOs) and independent media to oversee the running of government.
3. Public Policy Reform for People's Welfare
 - a. Restore policy orientation to the principle of *welfare state* by strengthening social protection, health, and free education for the community.
 - b. Encourage fairer economic redistribution policies, such as progressive taxes for the rich and subsidies for the poor.
 - c. Ensuring economic policies not only benefits large corporations, but also strengthens MSMEs and the people's economy.
4. Suppressing the Domination of Oligarchs and Shadow Government
 - a. Restrict and strictly regulate business and political relations to prevent corrupt practices and collusion.
 - b. Amend regulations that allow public officials to have business interests that can influence state policies.
 - c. Encouraging the independence of political parties so that they are not controlled by a handful of elites by reforming the political party funding system.
5. Strengthening the Legal System and Rule Enforcement
 - a. Improving the judicial system so that it is not easily influenced by the power of oligarchs and certain interest groups.
 - b. Strengthen protections against activists, journalists, and academics who criticize government policies.
 - c. Enforcing the law fairly and not selectively against perpetrators of corruption and abuse of power.
 - d. With these solutions, it is hoped that the transformation of public policy can be oriented back to the welfare of the people, not only to the interests of the ruling elite.

Research Implications

1. Theoretical Implications

a. Development of State Theory and Public Policy

- 1) This research can enrich the understanding of the shift in the concept of *welfare state* to *power state* in the context of developing countries such as Indonesia.
- 2) Demonstrate how oligarchy and *shadow government* influence public policymaking, complementing state theory in the study of politics and public administration.

b. Criticism of Democracy and Welfare Theory

- 1) This study can be a criticism of the concept of procedural democracy that still allows oligarchic dominance in public policy.

- 2) Reinforcing the argument that the welfare state depends not only on socio-economic policies, but also on power structures that support transparency and accountability.

c. **Contribution to the Study of Governance and Political Corruption**

- 1) Deepen the study of how *shadow government* operates in the political system and influences the country's decision-making.
- 2) Provides new insights into the dynamics of informal power and its impact on public policy reform.

2. Practical Implications

a. **Policy Recommendations for Governments**

- 1) The government can use the results of this research to improve the governance system to be more transparent and accountable.
- 2) Encourage public policy reforms that are more in favor of the wider community, not just the political and economic elites.

b. **Increased Community and Civil Society Participation**

- 1) Civil society and non-governmental organizations can use the findings of this study to encourage social movements that suppress oligarchic dominance in public policy.
- 2) Encourage community involvement in the legislative process and policy oversight to reduce the influence of certain interest groups.

c. **Improving the Legal System and Anti-Corruption Enforcement**

- 1) Provide a basis for legal reform to limit the practice of *shadow government* and reduce the space for oligarchs in public policy.
- 2) Strengthen the role of legal institutions and independent supervisors in ensuring that the policies made do not deviate from the principles of democracy and people's welfare.

d. **Political Party Reform and Electoral System**

- 1) Encourage reform of the funding system of political parties so that they are not dominated by oligarchs.

Strengthen regulations related to conflicts of interest between public officials and businesses to prevent abuse of power.

CONCLUSION

The transformation from a welfare state to a power state in Indonesia is increasingly evident with the dominance of oligarchs and the influence of *shadow government*. This shift has an impact on the weakening of democracy, increasing social inequality, and non-inclusive public policies. Concrete steps are needed to increase transparency, strengthen public participation, and reduce the influence of oligarchs in the government system. The power of oligarchs in Indonesia not only survives, but grows stronger because they have managed to control various aspects of state life, ranging from the economy, politics, media, to regulations. Without significant structural reforms and strengthening democratic institutions, oligarchs will continue to control the direction of state policy, often at the expense of the interests of the wider community.

The solutions offered by the author are: 1) Increasing Transparency and Accountability of Government; 2) Strengthening Democracy and Community Participation; 3) Public Policy Reform for People's Welfare; 4) Suppressing the Domination of Oligarchs and Shadow Government; 5) Strengthening

the Legal System and Rule Enforcement. With these solutions, it is hoped that the transformation of public policy can be oriented back to the welfare of the people, not only to the interests of the ruling elite.

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