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## **Legislation That Limits Economic Law Implementation**

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### **Abstract**

The goal of government intervention is to protect society's interests. The government acts in accordance with prevailing laws and regulations. The goal of economics is to earn as much money as possible. As a result of government intervention, corporate players' incomes will be reduced. The research aim is to examine the impact of government intervention in the form of laws and regulations on economic principle. This study employs a normative legal approach. The result shows that the profit maximization principle, which claims that business actors should maximize profits, does not apply to commodities or important societal requirements. Conditions influence the community's basic requirements. Masks and Covid-19 medications are essential items for the community during the Covid-19 pandemic. The government's intervention must be based on prevailing law and regulations. When it comes to market circumstances, government involvement isn't always effective.

**Keywords:** Economic Law, Government intervention, Laws and regulations

### **I. INTRODUCTION**

The Indonesian government plans to set a maximum price for the Polymerase Chain Reaction (PCR) Test in 2021. A 45 percent discount from the current market pricing (Kemenkes Indonesia, 2021b). This has prompted a lot of issues about the advantages of commercial actors over PCR test services so far. The PCR test is used to determine whether or not someone has the Covid-19 virus. During the Covid-19 epidemic, the PCR test is extremely significant important. When the number of positive covid-19 climbs dramatically in July 2021. The highest retail price for pharmaceuticals is established by the government. The Government, through the Minister of Health, issued Decree No. HK.01.07/MENKES/4826/2021, relating to the Highest Retail Price of Drugs During the COVID-19 Pandemic (Kemenkes Indonesia, 2021a). However, the need for oxygen was rapidly increasing at the time. The retail price of oxygen has risen as well (BBC News Indonesia, 2021). The reference price for oxygen cylinders is not regulated by the government (Timorria, 2021). The government stepped in and supplied oxygen cylinders. The government required businesses to produce and import oxygen.

Cooking oil costs skyrocketed in early 2022. The government stepped in with a number of policies. Export registration is necessary for all business actors who export. The government sets the maximum retail price of cooking oil at Rp. 14,000 per liter through the Minister of Trade (Asmaaysi, 2021). Cooking oil, on the other hand, is not readily available in the market. In several minimarkets, cooking oil is running out of supply (BBC News Indonesia, 2022). The government's intervention in deciding the selling price above has led in cooking oil being unavailable in market.

The availability of masks was reduced at the beginning of the Covid-19 pandemic. The cost of masks is skyrocketing (Aji, Junaidi, Nur, & Sumiyati, 2021). Exports are restricted, mask purchases are restricted, police are cracking down on mask hoarding, the Antitrust Commission (Komisi Pemantau Persaingan Usaha/KPPU) has threatened to impose a fine of Rp. 25 billion and a five-year prison sentence, and government-owned stores offer cheap masks (Prastiwi, 2020). Government intervention during a pandemic is the subject of this research. The research is still uncommon. This research looks at how the government intervenes market through legislation and regulations. This study is unique in that it combines economic and legislation. The wellbeing of the public is a top priority under legislation and law. Taxes and subsidies, we learn in theory, are ways for the government to intervene. The government, on the other hand, has the power to intervene through rules and sanctions. Another point to consider is that government intervention is highly conditional. A

product with little economic value that has high economic value in particular circumstances, such as a pandemic. During a pandemic, this happens to masks and medicines.

In a capitalist economy, government intervention does not replace the function of the market. Intervention by the government is intended to address social and economic requirements. Without the presence of the government, this requirement cannot be met (Parameswaran, Ranganathan, Mani, & Chaudhuri, 2020). When product prices are distorted, the government can intervene by enacting policies in the form of pricing to bring prices back to a stable level (Muslimin & Jafar, 2020).

In any economy, the market plays a crucial role (Kristiningtyas, 2012). Seller distortion is a common cause of market distortion. (Rosyadi, 2019). Pricing requires government action (Farma, 2018). The function of the government is determined by market conditions. If the market is functioning normally, the government acts as a supervisor. Government action in the form of regulations that regulate key community services and products (Hidayatullah, 2019). Against Covid-19 externalities, the government must adopt strategic strategies. Allocation policy, distribution policy, and stability policy are all examples of strategic policies (Kurniawansyah, et al., 2020).

Government action has been made in a number of areas in Indonesia. One of them is the Minister of Transportation's determination of the upper limit on flight ticket costs. Ticket prices are one of the production elements. The problems that occur are not solved by setting this higher maximum price (Yuniza, et al., 2020). In the aviation industry, unfair business competition continues. Government rules, on the other hand, will generate a black market. The government has no control over these black-market prices. The illicit market's existence is sensible and predictable (Gilbert, 2018). Many black markets have occurred in the economy. One of them is the black market for mobile phones. This happens, until the government can register the International Mobile Equipment Identity (IMEI) number. The government passed Law No. 7 of 2014, which deals with trade. The cost of basic goods will change prior to, during, and after Ramadan. Basic necessities are still being hoarded. Existing policies leave the problem of hoarding and price variations unaddressed (Engkus, 2017). As the month of Ramadan approaches, commodities prices will rise. The month of Ramadan is observed by the majority of Indonesians. The demand for commodities is increasing. The government stepped in to keep the price of commodities from rising.

During the COVID-19 epidemic, on the other hand, the Chinese government's intervention in the spread of Covid-19 produced positive outcomes. Lockdown, restriction of population activity, and the supply of care and medical equipment are all examples of intervention. Interventions that aren't backed up by the right vaccinations or treatments (Xin et al., 2021). Other research suggests that government engagement in demography and policy can influence Covid-19's spread (Haldar & Sethi, 2020). In developing nations, government intervention has been shown to reduce the spread of Covid-19. This has an impact on the stock market index as well (Aharon & Siev, 2021). Government intervention shows positive results. Government intervention, such as resource allocation and government ownership of state-owned corporations, produces superior financial results than private companies (Long, Li, Wu, & Song, 2019). The government's participation has yielded favorable outcomes. The government's engagement in the form of share ownership has yielded favorable effects. Government support for new businesses will help them compete more effectively in the global marketplace (Anwar et al., 2018; Joo et al., 2018). The study was carried out in South Korea. A survey of business actors was used to perform the research. Government support will develop the industry, but government support can also make the industry unable to compete globally. A new business model and economy, such as the digital economy, are in contrast. Intervention by the government will be ineffectual (Loon, 2020). The form of government action has evolved according to changes in consumer behavior. The research aim is to examine the impact of government intervention in the form of laws and regulations on economic principle.

## **II. METHOD**

This study looks at the repercussions of insurance policy disputes between clients and insurance companies. This study also looks into the present rules and regulations governing insurance and consumer protection. This study employs a normative judicial procedure. Information and data are compiled from secondary and tertiary data sources. The data for this study was gathered from a variety of sources. As a primary source, primary data is material or data gathered directly from the field (Marzuki, 2017). Secondary legal materials, on the other hand, are library materials in primary,

secondary, and tertiary legal materials. Tertiary legal resources, such as websites and publications, are supplementary data sources that clarify secondary data (Johan, 2021).

### III. RESULT AND DISCUSSION

Essentially, the economy is based on the notion of spending as little as possible while achieving maximum results. While the company's purpose is to maximize the company's value and shareholders' value. Business actors desire to make a lot of money from their actions. A high return on investment is associated with this significant profit. This method of calculating investment risk is based on business risk.

The objective of these economic actors is in direct opposition to the government's desire to offer community welfare. Business actors want to make a lot of money; thus, they'll charge a lot of money for their goods. The community will be burdened by high prices. Meeting needs becomes challenging in community life.

A lot of restrictions will be imposed by the government on company activities and behavior. Regulations governing fair business competition, high pricing for a variety of items, and the types of businesses that may operate in particular areas. The government's goal is to safeguard the community's interests. The government's purpose is to make the people prosperous.

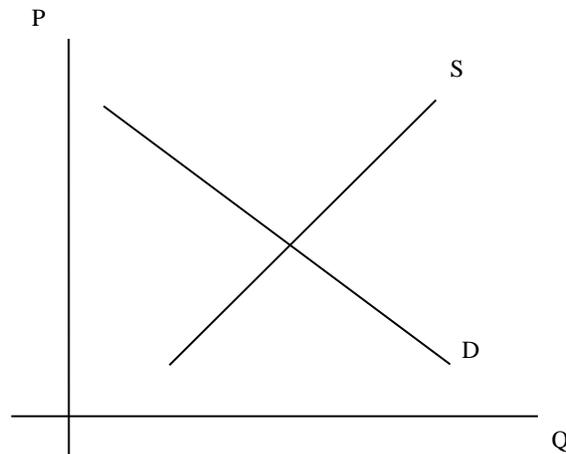


Figure 1 Demand and Supply Principle

Product prices, on the other hand, are significantly influenced by consumer demand and supply. Figure 1 shows how this works. P is the price and Q is the quantity. Curve D is the demand curve and curve S is the supply curve. This diagram depicts how supply and demand collide, resulting in price equilibrium. The price of a product is determined by how much people want it. When the weather is normal, a product like a mask isn't in high demand. Masks are a significant product for the community during the Covid-19 pandemic. Because masks are so vital, the government regulates their production, distribution, and export. Medicines for Covid-19, in addition to masks, are essential supplies. Medical gadgets and pharmaceuticals are subject to government intervention. The price of PCR testing and medications is capped by the government. Regulations, not monetary or fiscal policy, are used by the government to make decisions. There are no taxes or subsidies imposed by the government. The government, on the other hand, fixed the price right away. This price determination is followed by penalties if the price is not met. If demand rises but supply remains scarce. The product's price will thereafter rise. The market balance will be disrupted as a result of this price hike. The community will suffer as a result of this price increase. Figure 2 shows how this works. P is the price and Q is the quantity. Curve D is the demand curve and curve S is the supply curve. When goods are reduced, the S curve becomes the S1 curve. Prices of goods go up. The government will be forced to interfere as a result of the price hike. Legislation is the foundation for government intervention. A ministerial decree or equivalent regulation will be issued by the government. The interests of the entire community are at stake when the government intervenes. Products that affect people's lives are included in the broader community's interests.

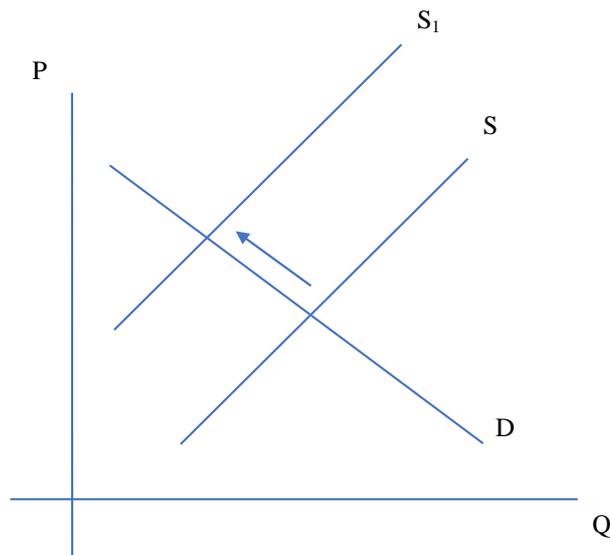


Figure 2 Shortage of Quantity

Price increases will be limited by government involvement, which will be based on the law of supply and demand. By enacting regulations, the government establishes price standards. The government will conduct market operations and prosecute commercial actors that break the law. Figure 3 shows how this works. The government sets the prices. At the same price, supply and demand in any quantity.

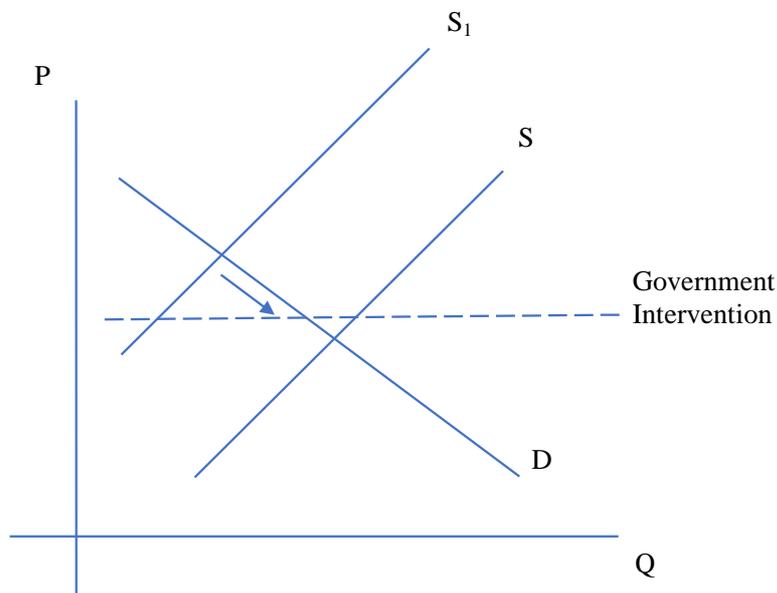


Figure 3 Government Intervention

The greatest profit sought by business actors will be limited by government involvement. Government restrictions must be followed by business actors. Violations of government regulations are subject to penalties. Government regulations will follow the Republic of Indonesia's hierarchy of laws and regulations, which is based on Law No. 12 of 2011. The government must attain the goal of achieving overall well-being. The wellbeing of the Indonesian population or community is described as general welfare. The state's objectives are expressed in the preamble of the 1945 Constitution.

Furthermore, Article 33 of the 1945 Constitution says that the economy is organized as a cooperative endeavor based on the kinship principle. The state controls production branches that are vital to the state and have an impact on people's livelihoods. Before intervening, the government must have a legal foundation. The acts of law enforcement agencies should be based on this regulation. Law enforcement officials cannot act if they do not have a clear legal standing regarding violations of the public interest. Government intervention will restore popular trust in the state's existence. However, this will reduce business actors' revenues. Investors' interest in the industry will be stifled as a result of this restriction. This restriction will also result in the company's competitive advantage being reduced. Government decisions will have a significant impact on businesses. There is less competition among participants in the industry. Industry players can set prices for their products based on government guidelines. Business actors will only compete to be more effective and efficient. Good and bad products will be charged the same price benchmark. Competition between business actors to provide superior products and services is reduced due to government intervention. Business actors only compete to dominate the market at a predetermined price. The competitive ability of business actors becomes uncompetitive. Government intervention has advantages and disadvantages. The advantage is maintaining domestic economic stability. However, the drawback is that the actors are not interested in investing and the industry becomes uncompetitive.

#### IV. CONCLUSION

When public demand and product supply are in balance, the market is said to be in equilibrium. If there is an excess of demand or a deficit of supply, the market equilibrium will be thrown off. According to the law of supply and demand, prices will rise. The government will intervene as a result of the price increase. In items or services that are critical to the community, the government will intervene. The most urgent step that the government can do is to intervene in the price market. The government determines the market's highest selling price. In the event of a violation, the government will establish regulations with penalties. Government action can take several forms, including fiscal and monetary policy. In an emergency, the government can impose restrictions. This regulation will put a cap on business actors' ambition to profit. We learned a lot about government intervention through policies during the Covid-19 pandemic. This government intervention has both favorable and unfavorable consequences. Investors are not attracted to the industry where the government is intervening. This is because the selling price is limited. This study focuses on Indonesian economic law and legislation. The focus of this study is on Indonesia's economic situation. Government policies in industrialized countries can be compared to generate comparative study. Furthermore, research can be conducted by doing quantitative study and discussing numerous products in detail.

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