



Mafia Network Analysis Of Rent-Seeking Coal Mining Case Study Of Coal Mining Licensing Policy 2009-2014 In East Kalimantan Province

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ABSTRACT

Rent-seeking and mining policy in Indonesia is an interesting discourse. One of the problems with the coal mining policy in Indonesia is the dualism of licensing policies between the central and local governments. This study aims to reveal the interest in *rent-seeking* practices carried out by mafia networks through this policy dualism loophole. Interest in *rent-seeking* is understood through the role relations between actors using the *rent-seeking* by Khan and Parker and the Elite Laswell-Mills and Schumpeter theory with the *Patron-Client community modelling* by Scott. This study argues that there are complexities and anomalies in relations between actors in the practice of *rent-seeking* relationship anomaly *Client* occurs because of more persistent ties in the *Patron-Client* due to familial relationships that *form* relationship patterns *triangle and a linear individual*. Using a qualitative method with a non-positivist approach, this study seeks to reveal the dynamic meaning of understanding social relations between actors. The research approach used is a case study, namely an exploratory case study of the practice of *rent-seeking* coal mining policy in East Kalimantan Province from 2009-to 2014. The actors' roles and relations form a mafia network by taking advantage of governance weaknesses and proximity to the authorities. Strong *patron-client* mafia network *rent-seeking* is at 6 points, namely: (1) The *rent-seeking* for regional licensing, (2) The *rent-seeking* for province licensing mafia network, (3) The *rent-seeking* Forestry licensing, (4) Mafia network *rent-seeking* mining permits, (5) Mafia network *rent-seeking* institutions *surveyor*, and (6) Mafia network *rent-seeking* for regional political business.

Keywords: political economy, *rent-seeking*, coal mining, *elites*, East Kalimantan

INTRODUCTION

This research on coal mining policy is different from previous research in answering research gaps. Coal mining policy research from the perspective of authority still leaves gaps in the form of questions about why there is still conflict between the centre and the regions in policy even though the authority has been regulated?¹. This study answers the gap in the political economy perspective through the dynamics of the roles of actors and elites in the contestation of coal mining policies in which each actor seeks to gain special access and convenience for the government in policy formulation.

Research that explains the role of actors and elites in the study of political economy has been carried out by Down (1972), Grindle and Thomas (1991), Khan (2000), and Rachbini (2012). The research was conducted to explain the dynamics of the roles of actors and elites in creating, transferring, and perpetuating *rent-seeking*. The position of this research is to explain the gaps that have not been carried out in previous research in the form of dynamics of authority and

¹The decision of the Constitutional Court No.10/PUU-X/2012 states that mining areas, mining business areas, as well as the area and boundaries of mining areas are regional rights.

rent-seeking by central-regional actors and elites in the contestation of policy formulation, especially the policy on determining the area, area and boundaries of mining coal that negates the value of publicity. This study emphasizes the use of regulation as an instrument of *rent-seeking* in exploiting loopholes, manipulation, and inconsistency of regulations in the dynamics of actors who form mafia networks in government institutions amidst the rarity of similar studies in Indonesia.

This research was conducted on coal mining policies in Indonesia from 2009-to 2014. This period was the era of the decentralization of coal mining licenses. At that time, the world coal price was *booming* and the mainstay of Indonesia's mining exports. Thus, policy actors are encouraged to withdraw the authority to decentralize licensing because of the interests of the business elite and the bureaucracy.² The magnitude of the economic value is one of the causes of the struggle for *rents*. Through elites' complex roles and interests, the struggle for *rents* is carried out by taking advantage of the dualism of mining permits and manipulating regulations to access sound policies. As a result, the policy has become a tool for mafia networks in the central and local governments to fight over *rent*.³

The formulation of the coal mining licensing policy in the 2009-2014 period created problems because of the pungent aroma of *rent-seeking* and its structural weaknesses and contradicting the spirit of regional autonomy. In particular, the policy conflict is in the arena of Coal Mining Concession Work Agreement licensing (PKP2B) issued by the central government with Mining Business Permits (IUP) issued by the regions. A dualism of licensing policies creates conflict.

Coal mining policy problems are indicated by the complexity of the authority for mining permits and inconsistent derivative regulations. This leads to many policy actors and complex institutional dynamics intertwined in a complex system. An actor fights for a specific agenda by looking at several things, one of which is the "public value" of the agenda.

The critical point of *rent-seeking* in this study is technically the ease of obtaining a mining concession permit with enacting regulations that benefit entrepreneurs (PKP2B and IUP). Therefore, a study is needed to uncover the relationship between the roles of policy actors in the form of mafia networks to promote interests and form *rent-seeking* to determine decisions in the mining policy formulation process. Furthermore, it will also be explored in greater depth regarding the bargaining power of entrepreneurs with the phenomenon of "entrepreneurs" in the practice of *rent-seeking* by gaining access to the *rent-seeking* coal mining. Finally, This study also explains the role of central and regional bureaucrats in accommodating the interests of mafia networks in the dynamics of *rent-seeking* coal mining through policy manipulation.

This study found several points of *rent-seeking* related to coal mining permits, both *rent-seeking* in the regions, provinces, the Ministry of Forestry, the Ministry of Energy and Mineral Resources, surveyors, and local government political businesses. The study results show that the ruling-entrepreneur elite represented by policy actors is the epicentre of the *rent-seeking* coal business, strengthening the argument that the elite policy exploits regulatory loopholes through bureaucrats (and entrepreneurs) as the leading players. Research also confirms that outputs are primarily determined by elite entities that occupy an organization's top leadership, represented by mining entrepreneurs and bureaucratic structures.

METHODS

This study uses a qualitative method with a non-positivist approach. The nonpositivist approach concentrates on meanings and beliefs, not laws and rules, correlations among social categories, or deductive models (Bevir & Rhoades, 2006). As explained above, this qualitative research has

²The year 2009 was a period of decentralization of licensing based on the 2009 Minerba Law, but due to the boom in coal prices, there was a dynamic of the interests of the business elite and the bureaucracy towards the withdrawal of licensing authority back into centralization with Law no. 23 of 2014 concerning Regional Government so as to create dualism in licensing between the center and the regions..

³The policy tool for competing for leases is the C&C policy. IUPs that have met the requirements have been granted clear and clean (C&C) status by issuing Decree (SK) No. 1406/30/DJB/2012 dated 30 April 2012 concerning "Standard Operating Procedures (SOP) for clear and clean certificates..

a context-based inductive logic to reveal a very dynamic meaning in understanding social relations between coal mining entrepreneur actors (both IUP and PKP2B entrepreneurs) and government bureaucratic actors in forming mafia networks in exploiting the dualism gap in IUP licensing. Issued by the regional government and PKP2B permits issued by the central government.

There are at least four reasons for using qualitative methods in this study (Dasgupta, 1998: 137 in Harrison, 2007: 86). The first reason is that qualitative research makes researchers directly involved with the focus of research, namely in *setting the* relationship between IUP and PKP2B entrepreneurs with government actors in mafia networks, both at the central and local governments. In this case, the researcher observes the activities of the actors in the practice of *rent-seeking* and their daily activities and follows the network activities carried out by the actors. The second reason is that the qualitative method is a close-knit study. The researcher knows the studied actors and the *network's rent-seeking*, business people, government bureaucrats, and liaison actors. The third reason is that qualitative methods are instrumental for researchers to explore forms of *rent-seeking*, such as bribery, illegal lobbying, data manipulation, and inconsistent coal mining policy-making behind "public" and "official" versions of reality to examine hidden understandings. Moreover, they were not disclosed in the relationship between business actors and the government in coal mining policy. The fourth reason is that the qualitative method also allows researchers to study the social relations of business and government actors in mafia networks that can trigger conflicts due to policy authority.

The research approach used is a case study. According to Leavy (2014), case studies have a *mixed-method character*, namely a combination of qualitative and quantitative or middle ground of positivist and non-positivist debates. Then the case study is known as the most common approach in policy research, with most of the data being qualitative data on *rent-seeking* in coal mining policies and a small part of quantitative data on the impact of the practice of *rent-seeking*. In contrast, this study uses an exploratory case study strategy on the practice of *rent-seeking* coal mining policy in East Kalimantan Province from 2009-to 2014.

The notion of *rent-seeking* in this study uses Khan's definition (Khan, 2000) related to the expenditure of resources. It includes the business aspect of creating, distributing, or transferring *rents*. "*Rent-seeking is the expenditure of resources and efforts creating, maintaining or transferring rents.*" (Khan, 2000: 70). The transfer *rent* in this research theory emphasizes the aspect of *rent* which is the epicentre of interest. In the context of interest, one crucial aspect is the distribution of *rents*. In the policy context, the term *rents* that must be financed is known due to a failure of information or what is known as *Schumpeterian rents*.⁴ Furthermore, these efforts are made to fulfil an interest by getting facilities from the government, namely obtaining special access to policy formation (Parker, 2011).

The operational definition in research initiation is limited to what and how these entrepreneurs and political forces can influence policy, focusing on policy inconsistency and manipulation. To explore information about how to get these facilities, an initial search (initiation) was carried out by exploring the practice of *rent-seeking* for licensing at (1) Regional Governments, (2) Provincial Governments, (3) Ministry of Forestry, (4) Ministry of Mines, (5) Surveyors, (6) Political Business of regional IUPs in exploiting regulatory loopholes and manipulation of regulations, analyzing favourable regulations in maintaining *rent-seeking*, as well as examining the role of third parties and *rent-seeking mafia networks*.

Mafia network *rent-seeking* is analyzed through regulatory variables, actors, and institutions which are the variables of this research. mafia network *rent-seeking* in the research results of the National Oil and Gas Governance Reform Team (2015)⁵ The mafias are individuals and groups who seek rent by taking advantage of weaknesses in governance and proximity to the authorities,

⁴Very similar to Karl Marx's definition of super-profit rents which was identified as the main driver of capitalism growth (Khan and Jomo, 2000: 40)

⁵In the handbook dated 3 June 2018: Mafia Distortion in the Oil and Gas (Oil and Gas) Industry in Indonesia by Dr. Fahmy Radhy, MBA., Lecturer in the Department of Applied Economics and Business at Gadjah Mada University, former member of the Oil and Gas Governance Reform Team.

resulting in non-optimal production, inefficiency, and a high-cost economy. Parker (2011) explained that the growth of the *rent-seeking* for licensing is due to two things. The first is the weakness of governance, and the second is the weakness of the leader or ruler. The solid *patron-client* mafia network *rent-seeking* shows the leader's weakness for coal mining permits.

Institutional variables have indicators of institutional dynamics, the role of institutions, and relationships with entrepreneurs/corporations as an indication of weak governance. Meanwhile, the policy actor variable is measured by indicators of a third person as an intermediary, the role of bureaucrats and entrepreneurs in influencing policy to see indications of weak leaders or rulers.

Furthermore, the analysis of research variables and indicators in the practice of mafia rent-seeking is a policy or regulation variable with indicators of policy inconsistency, policy manipulation, and the use of regulatory loopholes.

Modelling patron-client, there are three patterns of *rent-seeking* between entrepreneurs and rulers, as revealed by Hidayat (2001: 207-208). The three relationship patterns are *organizational corporatism*, *individual linear alliances*, and *individual triangle alliances*. *Organizational corporatism* is a business relationship pattern that works more at the organizational level. The business side is represented by their associations, while they are represented by the authorized agency from the government side. *Individual linear alliances* are a pattern of business relationships that focus more on entrepreneurs as individuals (*clients*) with regional officials as patrons (*backing system*), both political and economic in nature and patterns of favouritism relationships, such as family/family relationships.

The relationship pattern of *individual triangle alliances* is a relationship pattern that emphasizes more indirect relationships or through intermediaries (third parties) between individual entrepreneurs and authorized regional officials. This is because those who act as patrons in *patron-client relationships* are not local officials but those (intermediaries/third parties) who have friends or family relationships. Regional officials in this pattern act as a *power supply* for family members or friends who become direct patrons of the entrepreneur.

According to Scott (1972), Variations in patron-client bonds depend on several things, namely the resource base of the patron, the client's resource base, and the balance of affective/value and instrumental ties. Affective bonds in question can be from school friends, groups from the same area, and distant relative bonds. Another variation referred to by Scott (2009) is that followers' loyalty depends on material benefits and loyalty that is based on non-material exchanges, a balance of voluntarism and coercion.

Model *Patron client* is used to analyze elite relations in the roles of *superior member (patron)* and *inferior member (client)*. The analysis of *superior* and *inferior members* is used to look at the character and mechanisms of elite interests more sharply so that they can analyze the symptoms of *rent-seeking* by looking at local characteristics that are unique to Indonesia, such as the presence of psychics as policymakers.

RESULTS AND DISCUSSION

The analysis divides the six points of *rent-seeking* in licensing/non-licensing institutions. There is a dynamic relationship between policy actors using regulation to create and perpetuate *rent-seeking* through policy manipulation, exploiting policy loopholes, and policy inconsistencies.

Mafia network *Rent-Seeking* Local Government Licensing

Mafia network *rent-seeking* for coal mining permits in the regions was disclosed in the case of the *rent-seeking* issuing new mining business permits (IUP) after issuing the Mineral and Coal Law No. 4 of 2009. The permit was made as if it was issued before the Mineral and Coal Law was issued by a *backdate* to avoid the IUP tender process as mandated in the Mineral and Coal Law.

Table 1. Analysis of the *Rent-Seeking* for Local Government Licensing

Indications of weak governance	Indications of weak leadership	Output Regulations Licensing	Role of Actors in the network		Types of Rent-Seeking	Superior Patterns
			Inferior	Regulatory		
Manipulation	Using intermediaries	new IUP backdate	Regional Head	-Regional bureaucrats, -Entrepreneurs of IUP	Rent creation (bribing)	Individual Triangle Alliance

Source: Primary data analysis (2018)

This mafia network of *rent-seeking* permits at the local government level shows the occurrence of *rent-seeking*, which is indicated by weak governance through manipulation of regulations with *outputs* in the form of IUP's new applicable *backdate*. Meanwhile, weak leadership is explained in the use of courier intermediaries in the mining permit formulation process. The role of this intermediary is very prominent and characterizes the role of actors in the coal sector and gives rise to the uniqueness of the form of the *patron-client* in it.

The context and *supply* in policy are explained in the role of entrepreneurs as economic elites who act as a *demand* for permits for mining business permits which are also the owners of companies interested in mining concessions, the local government, represented by elite bureaucrats, acts as a *supplier* of the coal IUP permit. The relationship between the two occurs because entrepreneurs use resources through *rent-creation (bribing)* to influence regional bureaucrats in making policies to issue the *backdate* model of the *patron-client*. In this network, the regional head acts as a *superior member*, while the regional bureaucrats (echelon II officials) responsible for issuing the new IUP act as *inferior members* and are part of the elite structure of the regional government bureaucracy. Meanwhile, other inferior members are IUP entrepreneurs who are part of the economic elite embodied in the elite structure of coal mining entrepreneurs.

IUP Entrepreneurs carry out the division of elite roles in the structure of mining entrepreneurs as permit applicants and who prepare funds for lobbying regional heads. Administration of *backdating* for licensing and purchasing of companies operating before 2009 is carried out by a licensing courier intermediary, who coordinates with the regional brigade that regulates the administration of the *backdate*. Despite knowing that this practice violated the provisions, regional bureaucrats continued to carry out the regional head's orders by manipulating the date of the permit, which was valid backward, to avoid the coal IUP tender.

The role of entrepreneurs in this network is very dominant in creating *rent-seeking* in the regions in the form of *bribing*. In terms of the role of bureaucrats in making *backdate*, Downs also confirmed that he believed that the government acted on personal motives in the *decision-making* (Downs, 1957: 135). Related to the government system, according to Downs's hypothesis, the government's goal in a policy is primarily to gain *income*, power, and prestige. In the policy context, when *rent-seeking* is associated with interests, the ease of processing will only result in profits for certain parties, thereby eliminating *direct transfers of revenue* (Tullock, 1968; 2005). *Direct transfers* that the community should enjoy as part of political transactions (Buchanan, 1976) have become a *backdate* introduced to ordinary licensing, which later became the profits of local authorities.

The strength of the *rent-seeking* at this level also explains Scott's (1972) opinion that this network is not homogeneous. Inhomogeneity *cluster* is caused by the *client* not coming from the same group consisting of bureaucrats, business people, and courier intermediaries. Although not from a homogeneous group, the variation of *patron-client* is quite substantial because of the influential and instrumental ties that come from respect for the leader. This is realized by the obedience of regional bureaucrats, who are also family members of the regional head's patron. The *patron-client* is more muscular and is not always based on material exchange, thus strengthening the nature of this mafia network. Robust coercive control is also exercised against other *inferior* member actors from entrepreneurs and courier groups. Scott's (1972) explanation also reveals that the nature and category of *patron-client* also influence the strength of the *rent-seeking* due to three things. (1) *Clients* who have specific goals form personal relationships with *patrons*. (2) The existence of leadership autonomy, with the regional head having full autonomy

in controlling the IUP licensing resources in the region he leads. (3) The stability of the *patron-client* forms the basis for a particular vertical relationship, which is highly dependent on the ability of the regional head to control *patron* and *client* resources.

Mafia network *rent-seeking* advantage of the weakness of governance and proximity to the authorities to gain access and convenience in the policy of using bribes in the relationship between actors who are *patron-client*, as explained by Jomo and Khan (2000) about the *patron-client* as an obstacle to economic growth and development and networking. This proves an *overlap* between *rent-seeking*, *patron-client*, and corruption. The *dyadic patron-client* on *rent-seeking* in local government illustrates the dominant role of the informal elite. The role of courier brokers who are informal actors explains Harris White's (2001) theory that there is a penetration of formal structures that penetrate formal politics because the presence of courier intermediaries is approved. It takes *patrons* to enter the bureaucratic labyrinth.

The *patron-client* of this mafia network occurs in contemporary government organizations. The bonds become more persistent due to the close familial relationship between regional heads and regional bureaucrats. This mafia network has *patron-client clusters* that are not homogeneous, and the pattern of *rent-seeking* formed is a *linear individual triangle pattern*. However, as with traditional relationships, the duration of the *patron-client* remains persistent because of the familial relationship between the government officials.

Mafia network Rent-Seeking for Provincial Licensing

In the mafia network, *rent-seeking* for the provincial government *supplying* permits is carried out by female intermediaries who have the role of facilitating the process of issuing recommendations for borrow-to-use forest area permits (IPPKH). In this case, female intermediaries act as *superior members* in the mafia network through their kinship with the Regional Head. Although her role is as an informal actor because she comes from an external bureaucratic elite, the role of this intermediary woman is very superior in ordering the bureaucratic elite regarding licensing to regulate and facilitate the permits requested by the business elite.

Table .2 Analysis of the Mafia Network *Rent-Seeking* Provincial Licensing

Indications of weak governance	Indications of weak leadership	Output Regulations Licensing	Role of Actors in the network		Types Rent-Seeking	pattern rent-seeking
			Superior	Inferior		
Utilization of forest boundary regulatory loopholes	Using intermediaries and women as intermediaries	Recommendations for area utilization permits Provincial Forest	-Women intermediaries	-Provincial bureaucrats -Entrepreneurs	Rent creation (bribing)	Individual Triangle Alliance

Source: Primary data analysis (2018).

The involvement of female intermediary informal actors in the *rent-seeking* for licensing at the provincial government also shows the occurrence of *rent-seeking*, which is indicated by weak governance through the use of loopholes in forestry boundary regulations. In this case, forestry borrowing and use are carried out by shifting the boundaries. Meanwhile, indications of weak leadership are shown by the role of women intermediaries in the recommendation process for borrow-to-use forest permits (IPPKH).

In requesting recommendations through intermediary women, employers provide bribes to facilitate the completion of recommendations. As a *superior member* in the network, the intermediary woman then instructs the bureaucrats of echelon IV officials in the service that handles the IPPKH recommendations. The bureaucrat is an *inferior member* carrying out the order in exchange for *bribing* the entrepreneur through the intermediary woman. Even though provincial bureaucrats know that the practice of shifting forestry boundaries violates regulations, they still do it out of fear of the superiority of intermediary women who are relatives of the Regional Head. To accommodate the interests of these intermediary women, provincial bureaucrats coordinated to shift forestry boundaries with BPKH (Forest Area Utilization Center)

region IV by taking advantage of loopholes in forestry boundary regulations that have not yet been measured.

In the political economy approach, the role of intermediary women is as a mediator between entrepreneurs and the government. In this context, interest is evidenced by the existence of policy actors who can act as mediators to protect the capitalist class (Puolantzas, 1972). For their interests, entrepreneurs and capital owners will try to defend their *property rights* by allocating some of their funds to secure *property rights*. By paying a mediator, entrepreneurs can ensure that their business runs smoothly, and this expense is considered a 'political cost' (Chakraborty and Dabla-Norris, 2006: 29). At this point, the elite will use their political power to *rent-extract* from sectors that are considered productive and influence government policies to benefit them.

The mediator as a *rent-seeking* actor is not a mining business actor directly in contact with production. They are extensions of policy actors who have the authority to make important decisions, including dowry and licensing fees. The relationship between actors in *rent-seeking* the provincial government *patron-client clusters* is very flexible. *Patrons* and *clients* do not come from the same group but are diverse and heterogeneous, consisting of bureaucratic groups, entrepreneurs, and intermediary women. The important roles of the three main actors have resulted in a pattern of *rent-seeking* that is formed as an *individual triangle alliance* with the form of *rent creation*. *Rent-creation* is indicated by the characteristics of *rent* unequal stated by Barma et al. (2012). The political economy dynamics explain the main obstacles in equalizing the opportunity for entrepreneurs to gain equal access in the stages of resource policy. In the details of this sector, institutions in the sense of weak governance of government institutions are the main cause of *rent-seeking*. (Barma, et.al., 2012: 24).

Mafia network *rent-seeking*, although the members do not come from a homogeneous group, the variation of *patron-client* is also quite substantial. The existence of an influential and instrumental bond that comes from respect for the leader (a female intermediary who is a relative of the regional head) is manifested by obedience. Although not from bureaucrats, the strength of *rent-seeking* is also due to the degree of coercivity created by intermediary women as *patrons* to *clients* in controlling resources.

Mafia network *rent-seeking* advantage of the weakness of governance and closeness to the authorities, in this case through the role of intermediary women to gain access and convenience in policy by using bribes in the relationship of actors who are *patron-clients* which becomes an obstacle to economic growth and development. The *patron-client* that is *dyadic* in *rent-seeking* at the provincial government illustrates the dominant role of the informal elite. The role of women intermediaries who are informal actors explains Harris White's theory (2001) that there is a penetration of formal structures that penetrate formal politics because the presence of women intermediaries is approved and needed by Public officials (Hidayat, 2001) to join the bureaucratic labyrinth.

The *patron-client* of this mafia network explains that the *patron* does not come from a homogeneous scope with the *client* and does not even come from the bureaucratic circle. Although they do not have the authority to control licensing resources fully autonomously like bureaucrats, intermediary women as external bureaucrats who are relatives of regional heads, have a high degree of coercion in controlling *clients* so that the duration of the *patron-client* bond in this contemporary bond remains as persistent as in the relationship *patron-client* traditional

In addition, in contrast to Scott's (1972) explanation that control over resources in contemporary organizations is carried out based on office-based external relations (bureaucracies), in this network, control of *the client* is carried out locally and personally. Indicators of the form of *patron-client* at this *rent-seeking* point are the penetration of the informal structure that penetrates the formal structure as stated (Harris-White, 2001) and the role of *The Big Men*, in this case, officials who are close to *patrons* who are intermediaries who provide access to enter into the environment and manage the licensing bureaucracy and provide support of *power* to patrons.

Mafia Network Rent-Seeking Licensing of the Ministry of Forestry

Mafia network *rent-seeking* in the Ministry of Forestry has various actors who have various roles. This network is characterized by the following "Three Ps". The first is a courier intermediary whose job is to find and complete the administration, including *bribes*. The second is a female intermediary who is in charge of persuading and lobbying *clients*. The third is a psychic who has the task of persuading and *screening* the *respectability* of entrepreneur clients and maintaining the security of *rent-seeking* done.

Table 3 Analysis of the Mafia *Rent-Seeking* Licensing at the Ministry of Forestry

Indications of weak governance	Indications of weak leadership	Output Licensing Regulations	Role of Actors in the network		Type Rent-Seeking	pattern Rent-seeking
			Superior	Inferior		
Utilization of gaps in forestry boundary regulations	Using the Three Ps (women, psychics, and intermediaries)	Forest utilization permit for mining business license	- Paranormal - Bureaucrat	- Women intermediary -Entrepreneur - courier intermediaries	<i>Rent creation (bribing)</i>	<i>Individual Triangle Alliance</i>
Regulatory Manipulation	Using the Three Ps (women, psychics, and intermediaries)	Forest utilization permit for mining contract work	- Paranormal - Bureaucrat	-Women intermediary -Entrepreneurs - courier intermediaries	<i>Rent creation (bribing)</i>	<i>Individual Triangle Alliance</i>

Source: Primary data analysis (2018)

In the case of applying for forest utilization permits for mining business permits, the *rent-seeking* works by exploiting weak governance by exploiting loopholes in boundary regulations forestry that has not been measured. Forestry borrow-to-use is carried out by shifting boundaries and manipulating policies on forest use permits for coal mining contracts of work without a borrow-to-use procedure with a forestry company that was previously granted a concession in the area and without a procedure for recommending a borrow-to-use forest permit from the Province of East Kalimantan. Meanwhile, indications of weak leadership are indicated by the role of actors (Three Ps), namely courier intermediaries and female intermediaries, and psychics in the mining permit formulation process.

Network *rent-seeking* bureaucrats who are also political party elites act as *suppliers and* are placed as licensing bureaucrats in the bureaucratic structure of the Ministry of Forestry as exceptional staff. Although the formal structure does not recognize the term exceptional staff, the role of the intermediary as an elite outside the formal structure can penetrate the formal structure and become a *superior member* in the *rent-seeking*. *Demand* is in the form of a policy in the form of a forestry borrow-to-use permit proposed by the entrepreneur. In this case, the bureaucrat who serves as an exceptional staff of the Minister of Forestry is the *supplier* of the forestry borrow-to-use permit. The relationship between elites and actors is relatively complicated, especially the role of intermediary women, which shows the uniqueness of this role relationship, namely the role of layered paranormal persuasion. National entrepreneurs must meet with an intermediary woman who is in charge of persuading and lobbying potential *clients*. After meeting the businessman, the intermediary woman brought the entrepreneur together with a psychic—the paranormal task to persuade entrepreneurs to secure *bribing* practice *rent-seeking* that is being carried out. After the psychic gave the green light to the security level of the entrepreneur, then the female intermediary brought the national businessman to the licensing bureaucrats to arrange transactions. This process also passed through several courier intermediaries trusted in the mafia network.

Layered psychics are shown by the role of intermediary and paranormal women who, in principle, have the task of *screening*. The intermediary woman, in this case, is a student of the psychic and, at the same time, plays a dual role as a lobbyist so that she carries out layered persuasion. This actor relationship forms a relationship pattern in the form of *an individual triangle alliance*.

In the case of applying for a forest use permit by a contract of work entrepreneur, the *demand* is carried out by a courier intermediary from the contract of work entrepreneur. The contract of

work entrepreneur trusts this courier intermediary as the *agent handling* licensing although it is very strategic, entrepreneurs do not carry out this licensing business. This relationship forms a relationship pattern for *rent-seeking actors*, namely the *individual triangle alliance*. *Supplier* licensing is also carried out by courier intermediaries, also *superior members* of this network. In this case, female intermediaries also play a role in persuading and lobbying courier intermediaries and finding them with psychics. After the psychic considers the prospective *client* to have good respect for conducting transactions (*bribing*), the arrangements are then carried out by the licensing intermediary as a *superior member* in the *rent-seeking*. As for the courier intermediary, the contract of work entrepreneur and the female intermediary is the *inferior* network members in this case.

Mafia network *rent-seeking* Ministry of Forestry also explains variations in *patron-client*. Network *rent-seeking* has a controlled resource base, both in terms of *patrons* and *clients*, and has an influential and instrumental balance bond that comes from respect for spiritual leaders and teachers, which is manifested by obedience because, in this network, there are psychics who play a central role as a *patron* in actor relations in this network. Respect for the paranormal makes the *patron-client* stronger because it is not always based on material and transactional exchanges so that the nature of this network becomes strong. Strong control over coercive action is also conducted by patrons (licensing bureaucrats) against other inferior members who come from groups of entrepreneurs, courier intermediaries and women intermediaries, so that this *rent-seeking* network has durability because it is based on stable power relations. The stability of the *patron-client* bond is also shown by the degree of monopoly over resources by the patron and the degree of monopoly of the relationship between the structures between the actors.

Scott's (1972) explanation reveals that the nature and category of *patron-client* also influence the strength of the *rent-seeking* Ministry of Forestry. First, because of the purpose of a *client* who has specific goals is to form a personal relationship with the client's patron. Second, licensing bureaucrats have complete autonomy in controlling licensing resources at the Ministry of Forestry because of leadership autonomy. Third, group stability is caused by the ability of psychics as spiritual teachers who can persuade *clients* and the ability to license bureaucrats as echelon I officials who can control *patron* and *client*.

Mafia network *rent-seeking* is characterized by the role of psychics as *advisers* to licensing bureaucrats to make *rent-seeking*. This is not by the decision-making in the science of public administration, which is based on evidence-based, accurate, and scientific data. The presence of psychics as a typical phenomenon of Eastern culture is explained by Scott (1972) in that the continuity of the *patron-client* in most Southeast Asian countries has a critical condition because of the absence of impersonal guarantees and physical security, status, and welfare positions, as well as the inability of relationships as an effective tool for personal security. . This security reason then presents spiritual teachers to fill in the absence of guarantees for the security of the *rent-seeking*, due to their supernatural abilities in *screening* and persuasion for the security of the *rent-creation*. The explanation is also complemented by an indicator of the form of this *patron-client* that the penetration of the informal structure that penetrates the formal structure as stated by Harris-White (2001) and the role of supernatural teacher intermediaries who bypass bureaucratic formalities and are accepted because of the role and autonomy of the licensing bureaucrats of the Ministry of Forestry.

Network Rent-Seeking Licensing of the Ministry of Mining

The *rent-seeking* in the Ministry of Mining also has various actors who have various roles. The study results confirm the entrance to *rent-seeking* through an elite echelon I bureaucrat, a superior member mafia network *rent-seeking*. This network also has the characteristics of the role of the Three Ps, namely courier intermediaries whose job is to facilitate the completion of administration, including *bribing*, female intermediaries in charge of persuading and lobbying with *clients*, and psychics who conduct persuasion and *screen*, business *clients*.

Table 4. Analysis of the *Rent-Seeking* Licensing Network at the Ministry of Mining

governance weak indications	of weak leadership	Output Licensing Regulations	Role of Actors in the network		Types of Rent-Seeking	pattern Rent-seeking
			Superior	Inferior		
loopholes in PNPB payment	Using the Three Ps (women, paranormal, and intermediary)	IUP registration	- Paranormal - Bureaucrats of Ministry	-bureaucrats Regional - Courier intermediaries -Entrepreneurs	<i>Rent creation (bribing)</i>	<i>Organizational Corporatism</i>

Source: Primary data analysis (2018)

In the case of UIP registrations issued by the regions on *backdated*, regional bureaucrats coordinate with the Ministry of Energy and Mineral Resources about elite regional bureaucratic actors and entrepreneurs who create *demand* to meet with courier intermediaries who guarantee that the IUP registration can be carried out. Courier intermediaries then find the intermediary woman after *the client* woman finds the *demanders* with paranormal as a network security measure before being met with echelon 1 bureaucrats (*suppliers*). After the paranormal assures the *client*, the intermediary couriers take advantage of regulatory loopholes in paying non-tax state income (PNPB) as legitimacy for the *backdated* IUP registration. This mafia network consists of *inferior* business people, regional bureaucratic elites, and courier intermediaries, forming *rent-seeking*, rare *organizational corporatism* characterized by the relationship between regional bureaucrats and ministry bureaucrats in creating *rent creation* from *bribing*.

The strength of the mining ministry's rent-seeking mafia network and the inhomogeneity of this network cluster is caused by the diverse client groups, consisting of groups of regional bureaucrats, ministry bureaucrats, businessmen, courier intermediaries, female intermediaries, and psychics. Although not from a homogeneous group, variations in *patron-client* are also caused by this network having a controlled resource base, both from the *patron* and *client*, besides having a bond of the affective balance of respect for spiritual leaders and teachers, which is manifested by obedience and service. The supernatural also plays a central role as a *patron* in actor relations in this network. This respect for spiritual teachers makes the *patron-client* stronger because it is not always based on material and transactional exchanges. Substantial control over coercive actions is also carried out by *patrons*, namely ministerial bureaucrats, against *inferior members* who come from groups of entrepreneurs and courier intermediaries, women intermediaries, and bureaucrats so that *rent-seeking* has durability because it is based on stable power relations.

Scott's (1972) explanation reveals the nature and category of *patron-client* mafia network *rent-seeking*. First, because of the purpose of a *client* who has specific goals is to form a personal relationship with the *patron* superior and spiritual teacher *client*. Second, because of leadership autonomy, echelon 1 bureaucrats have complete autonomy in controlling licensing resources in the ministry that handles administration, including the ministry's legal products. Third, there is group stability due to the ability of psychics and spiritual teachers to persuade *clients* and provide a sense of security and protection, as well as the ability of ministry bureaucrats as echelon I officials who are strategically positioned in the ministry can control *patron* and *client* resources.

Rent-deployment ties are *dyadic* in the *patron-client*, leading to a tendency to form *rent-creation* (bribes). This pattern is typical of the bond between two parties using an intermediary. This network does not come from a homogeneous group, namely groups of entrepreneurs, bureaucrats, intermediaries, and psychics. Hence, the pattern of *rent-seeking* that occurs is *organizational corporate* for heterogeneous networks in complex institutions because it involves bureaucrats: Center and area.

Network's Rent-Seeking Institute Surveyor

Mafia network *rent-seeking* is very different from other cases but is still characterized by the role of intermediaries. The exporter acts as a *superior member* because he pays for the services of a *surveyor* who is an *inferior member* in the *rent-seeking*. *The surveyor* is an intermediary instituted by the state with the regulation of the Minister of Trade No. 3888/2008, with a *hybrid* of an organization that is a private entity but works for the benefit of the state, is an extra

organization as an extension of the government and institutions that function to verify export data, through the *self-assessment method*.

Table 7.5 Mafia Network Analysis *Rent-Seeking Surveyors*

Indications of weak governance	Indications of weak leadership	Output Regulations Licensing	Role of Actors in the network		Types Rent-Seeking	pattern Rent-seeking
			Superior	Inferior		
Export data manipulation	Use of intermediaries <i>Hybrid</i> (private sector legalized as <i>surveyors</i> by the government)	Surveyor Report manipulative	Exporters	Surveyors	<i>Rent seizing (mark-up and mark down)</i>	<i>Individual linear alliance</i>

Source: Primary data analysis (2018)

Transactional relationships between exporters and *surveyors* create *individual linear alliances* by manipulating export data through *mark-ups* and *mark-downs (rents) seizing* report *Surveyor*, which is a requirement for the export of coal products. The role of intermediaries institutionalized by the government is a unique fact in the case of state losses because it forms the preference of exporters to choose *surveyors* who can be arranged according to the interests of exporters.

Mafia network *Rent-seeking surveyor* shows that *rent-seeking* is indicated by weak governance through manipulation of data in *surveyor* for export purposes. Meanwhile, weak leadership is indicated by intermediaries, which are private institutions institutionalized by the government as an extension of the government's arm in verifying coal exports.

Mafia network *rent-seeking surveyor* also explains Scott's (1972) opinion, which says that a *patron-client cluster* is several people who are interconnected. The explanation *patron-client cluster* is that it is homogeneous, and the homogeneity *cluster* is caused by the *patron* coming from the same group as the *client group*, namely entrepreneurs. The homogeneity of *patron-client* strengthens the *rent-seeking surveyors*; the strength of this variation in network ties is also due to having a controlled resource base, both in terms of *patron* and *client*, the nature and category of *patron-client* mafia network *rent-seeking* this surveyor First, because *clients* who have a specific purpose perform export data verification services to *patrons* as resource providers in the form of transactions. Second, because *patron* reports to the *surveyor* by way of *mark-up* and *mark-down* by the wishes of the exporter. The third is the existence of group stability. Namely, the group is homogeneous so that the relationship forms a *linear individual* and protects each other to maintain the relationship's stability.

This anomaly in *rent-seeking* is marked by the role of *surveyors*, which are private institutions but are institutionalized by the government. With the formation of an organization that is an extension of the government in carrying out export verification, the government has formed a *hybrid* (between the private sector and the government). However, the *surveyor's* role here is different from that in other studies, a government tool that efficiently maximizes state revenues. *There is often overlap between the patron client, rent-seeking, and corruption, as happened in the rent-seeking surveyor network.* Surveyors in this network create considerable losses to the state by using the *self-assessment* so that data is easily manipulated based on the patron's wishes (exporter). Analysis *patron-client* emphasizes the process of corruption, transfer, and intervention. This approach also shows the *patron* as a *superior member* and *the client* as an *inferior member*.

The formalization of *surveyors* in critical contexts, according to Scott (2009), is a phenomenon of the emergence of networks or institutions that function as shock absorbers during the economic crisis (Scott, 1989: 40). They have the subsistence resources needed by society and give birth to reciprocal relationships. In a *patron-client* at this point, *the patron* is the person who is in a position to help the *client*. Meanwhile, *clients* are dependent on their powerlessness in meeting their subsistence needs.

Network Rent-Seeking Regional IUP Political Business

Mafia network *rent-seeking* is found in areas that will carry out the post-conflict local election, namely a mafia network of political funding for the post-conflict local election through IUP sale, which is characterized by the presence of Three Ps. What is meant by Three Ps is courier intermediary who is tasked with facilitating the administration of licensing and running the political business of coal mining. Woman intermediaries are in charge of persuading and lobbying *clients and* mining investors. Next is a psychic who has the task of persuading and *screening* the respect of *clients* of mining investors and maintaining the security of the practice of *rent-seeking*.

The capital that supports the *rent-seeking* is capital that has not yet developed, so it requires the political infrastructure provided by the local government. The combination of business and politics for the long-term financing needs of political constituents has resulted in widespread political corruption in the regions. The number of IUPs issued by one regional head in East Kalimantan Province after 2010 used courier intermediaries who became the *arbiters* for the sale of Mining Business permits to prepare political financing for the 2015 Pilkada. To test the public value of the IUP sale policy that rides the PAD increase, moreover, the IUP is granted by manipulation of environmental studies because mining in the middle of residential areas is not *feasible*.

As an *arranger*, the Courier intermediaries disguises the IUP ownership to his colleagues as *inferior members* in this network. Courier intermediaries are obedient to all instructions from the regional head as a *superior members*, including always asking for advice from psychics who are also *superior members* in this network. The relationship between regional heads and courier intermediaries forms a *rent-seeking individual linear alliance*.

Table 6. Analysis of Mafia Networks *Rent-Seeking* Political Business Regional IUP

Indications of weak governance	Indications of weak leadership	Output Licensing Regulations	Role of Actors in the network		Type Rent-Seeking	Pattern Rent-seeking
			Superior	Inferior		
Manipulation of environmental impact analysis	Use of intermediaries (Three Ps with complex roles)	Coal IUP Sale	- Head of Regions - Paranormal	- Courier intermediaries - Women intermediary -Entrepreneurs -Regional Bureaucrats	<i>Rent creation (bribing)</i>	<i>Individual linear alliance</i>

Source: Primary data analysis (2018)

The capital needed by courier intermediaries to obtain funds from the IUP sale process is supplied by regional entrepreneurs. Through transactions and routine deposits provided by regional entrepreneurs, courier intermediaries give it to regional heads for political financing. In running their business, courier intermediaries always ask for directions from their spiritual teachers and get supervision from the intermediary woman who is the wife of the regional head.

Mafia network *rent-seeking* of political business IUPs in this area shows that *rent-seeking* is indicated by weak governance through manipulation of environmental impact analysis because the IUPs issued are not eligible for an Environmental impact analysis due to their location in the middle of a residential area. Meanwhile, weak leadership is indicated using the Three Ps, namely intermediaries, psychics, and women, with more complex roles.

Mafia network *rent-seeking* of political business IUPs in this area is due *patron-client* to the unique actual bond is heterogeneous because it is the bond of several groups, such as the business elite, intermediaries, psychics, and bureaucrats, because it is a group with the same political goals, the pattern formed in *rent-seeking* is an *individual linear alliance*. This pattern is a pattern formed in *patron-client* because it is a political group that is the same as the explanation of Wright C. Mills's theory. It is explained that *output* is primarily determined by elite entities which occupy an organization's top leadership, represented by mining companies and bureaucratic structures. Network *rent-seeking* shows that the business-ruling elite represented by policy actors is the epicentre of *rent-seeking* in the coal business. The regional ruling elite controlled state positions and vital economic positions and manipulated the democratization process in the post-conflict local election process.

This network has a homogeneous base of ties, and variations in *patron-client* are also vital because this network has a controlled resource base, both from the *patron* and *client*. Some psychics play a central role as patrons in actor relations in this network. They also have an influential and instrumental balance bond from respect for spiritual leaders and teachers manifested by obedience and service. Respect for this spiritual teacher strengthens the *patron-client* because it is not always based on material and transactional exchanges. Thus, the nature of this network becomes strong. Patrons also carry out substantial control over coercive actions by the regional head and *inferior members* from groups of entrepreneurs, *intermediaries*, and bureaucrats. Network *rent-seeking* is durable because it is based on stable power relations.

Loss of public value due to rent-seeking in material and welfare loss and social costs. The role of actors in the *rent-seeking* of regional political business is a real example of *social loss*. According to Tullock (2005), the actual loss in corruption is not the nominal value lost but the loss of the publicity of a decision. Decisions become private because individual interests and actors determine them. Likewise, the coal mining policy is a *publicly provided* good to lose public value.

CONCLUSION

The Mafia *Rent-Seeking* for coal mining permits is found in regional IUP Licensing, the recommendation for licensing in the province, forestry borrow-to-use permits at the Ministry of Forestry, IUP registration at the Mining Ministry, surveyor reports for export at surveyor agencies, as well as in the political business of IUP licensing in Indonesia. For regions that carry out post-conflict local elections, *rent-seeking* exploits governance weaknesses by exploiting policy inconsistencies, regulatory loopholes, and manipulating data and regulations. Mafia network works *rent-seeking*. This mafia network effectively uses intermediaries, both couriers, female intermediaries and paranormal which indicates weak leadership in the bureaucracy where the rent seeking mafia network works. This brief description of the role of policy actors in the coal mining sector provides a patron-client who is described as a superior member and inferior member in the relationship between these two parties. Discussion of processes and actors, regulations, and patterns of *rent-seeking* explains the characteristics of the policies emphasized by Khan and Sundaram (2000). The analysis of *patron-client* emphasizes the process of corruption, transfer, and intervention. The three behaviours carried out by policy actors, especially by the ruling elite, were confirmed by Laswell's elite theory, which became the primary basis of the study and became evidence for explaining how political elites can produce authoritative decisions or have a broader influence on people's lives (Parsons, 2011). Furthermore, the characteristics of the coal policy contestation include the following. First, the dualism gap in the decentralization policy of IUP licensing and centralization of PKP2B licensing is the source of conflicts of authority and interest. Second, the complexity of actors in the *rent-seeking* coal mining permits third, the role of *surveyors* as intermediaries instituted by the government. Fourth, central and regional bureaucratic actors cooperate, compete, and have conflict. Fifth, the rise of the capital sector that is not yet fully developed takes advantage of political power to protect its assets and causes political corruption. Ties *patron-client* patterns *rent-seeking* can be explained as follows. Ties *between patron-client* will result in a pattern of *rent-seeking* in the form of *individual linear alliances*. In contrast, *uncomplicated* patterns of *individual triangle alliance*, while *patron-client* that come from complex heterogeneous groups will result in a pattern of *organizational corporatism*.

Table 7. Patron-Client Cluster Bonds and Rent Seeking Relationship Patterns

No	Ties Cluster <i>patron-client</i> mafia network <i>rent-seeking</i>	Rent-seeking relationship pattern
1	Homogeneous	<i>Individual linear Alliance</i>
2	Heterogeneous not complex	<i>Individual Triangle Alliance</i>
3	Heterogeneous complex	<i>Organizational corporate</i>

Source: Research Results (2018)

The pattern of *organizational corporatism* The findings of this study are very dependent on the patron-client cluster ties. This pattern occurs due to complex heterogeneous ties related to licensing that involve complex inter-agency relationships, namely, the convergence of interests of regional bureaucracies and ministry bureaucracies in the *rent-seeking*. Patterns of relationships with intermediaries can also form *individual patterns of linear alliances*; patterns of

relationships with intermediaries do not always show *individual triangles*. This is because the patron-client cluster ties that occur are homogeneous, for example, coming from loyalist groups who have the same political goals, so that the relationship between the protection of the *banking system* and *supply of power* is linear and direct between entrepreneurs and rulers, so the findings of this study conclude that the relationship between the patron cluster Homogeneous clients will produce *individual linear alliance patterns*. The research findings confirm that not all intermediaries have the capacity as patrons, intermediaries who have the capacity as patrons based on Scott's (1972) criteria are those who can control client resources only, in this case only psychics, while other intermediaries, although having closeness with entrepreneurs, cannot control client resources, in summary, this study confirms that not all intermediaries have the capacity as patrons, so it is different from Hidayat's (2001) explanation that intermediaries are patrons in the *individual triangle alliance pattern*. This study concludes that the *individual triangle alliance* is formed because of the patron cluster ties with heterogeneous clients but not in complex agency relationships.

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