

Theater of Macro: Trap of 'Macroism' in Indonesian Inequality

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Abstract. The debate on economic prosperity can be drawn into issue of the best indicators that able to portray the real picture of one country's economy. In this article I try to elaborate that focusing only on Macro economic indicator is misplaced for describing the real image of economic situation of a country. By focusing on inequality index this paper explained the Indonesia Economic situation post Suharto era. The recent Indonesian experience clearly demonstrate the way in which inequality still becomes the peril in Indonesian society.

Keywords: **Indonesia; Inequality-Index; Macroeconomy.**

1 Introduction

Indonesia as the country with fourth largest population in the world is undoubtedly a large nation with long history. Once called as "The Tiger of Asia" in 1990s, this country then fell into a bad slump economically, politically and socially. Since the midst of 1997, there is no international economic institution, world economic rating agencies nor economic scholar who would predict the 1997 financial crisis in Indonesia [1].

The 1998 financial crisis has caused a great decline in the nation's economy. Post 1987, Indonesia experienced high and stable economic development with around 7% growths. That condition itself can be called miracle even among the other Asian nations [2]. The rupiah exchange rate on US dollar in 1991 was around Rp.1.997. However, this condition drastically changes in 1997 and with its peak on 1998; the rupiah exchange rate towards dollar was drastically plummeted. What once was Rp.1997 per dollar turns into Rp.17.000 per US\$ [2].

This condition was worsened by the bad political condition in Indonesia in the New Order era. In that era of President Suharto, corruption, collusion and nepotism are the chronic problem in the Indonesian government. Some scholars view this condition as a form of oligarchy (see Winters, 2011; Robison & Hadiz, 2004). The absence of concrete political contestation has brought the level of democracy in Indonesia into a new nadir point in the New Order era. Not only adversity on economic and political aspect, social adversity was also present in the end of the New Order period and the beginning of Reformation Era. Number of ethnic conflicts, horizontal conflicts, and religion-based conflicts happened in some places in

Indonesia. From Sangau Ledo in 1997, Sambas in 1999, Ambon/Maluku 1999, Poso 2000, Sampit 2001 to those in Aceh and Papua

The peak of escalation of those plummeting situations due to the financial crisis is the fall of the New Order on May 1998 or what's well known as the beginning of the Reformation Era. Some call it as the symbol of the Indonesian people's win. Optimists view this phase as the beginning of an economic and political revival era. This period which applauded as "The Rise of Indonesia" was welcomed by some activists in a positive manner. This condition was given meaning as "Indonesia's Ascent" which present Indonesia's potension not only as middle power but also even as Asia's Great Power [3].

Other scholars see the post Reformation Era of Indonesia was on its way to become "Asia's Third Giant" [4]. Among those who welcome the new era positively was Indonesia Matters, who saw the increasingly significant position of Indonesia in both regional and international stage [5].

This concept of "rising Indonesia" was heavily based on numerous macroeconomic indicators in the country. If examined from some of the macroeconomic data it was indeed can be seen explicitly that there is development or at least a positive trend in Indonesia's economic condition amidst the sluggish situation of global economy.

The number of economic development in Indonesia which remains in the positive trend becomes the constantly referred data in presenting the "Indonesia Rising" argument nowadays. When the world suffered from the financial crisis on 2007-2008, the economic situation in Indonesia rose to 6,35% instead. In the GDP context, the year of 2016 put Indonesia in the 8th rank of the world, even higher than UK in the 9th rank and France

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in 10th. Some of the aforesaid “Indonesia Rising” arguments need to be scrutinized under serious research. Does the successful and positive stories of “Indonesia Rising” which based on macroeconomic indicators really happened and truly depicts the reality of Indonesian? And more importantly, is Indonesia as a nation has already in the right direction towards a better, economic, political and social development? This writing serve the purpose to do a critical study behind those macroeconomic indicators in Indonesia’s rising development. The author argued that, only relying on macroeconomic indicators without paying close attention to reality in the smallest locus in the economic, social and political order would be highly unwise thing to do. This tendency to base everything on macroeconomic indicators is what the author going to call as “theater of macro”.

2 Trap of Macro: Indonesia Experience

The issue of economic development nowadays drags our discussion to the emergence of globalization. Thus, this defining moment produce a new debate on the globalization studies regarding the impact of economic globalization toward global prosperity. The success of economic practice is heavily leant on macroeconomic indicators e.g. economic growth and economic stability within international and national order (Krugman 2008:31). That being said, the impact of globalization towards the economic condition of states is only measured by macroeconomics indicators. However, rapid increase of development does not necessarily mean there’s a fair share of economic growth. Among the many examples are the increases of economic development of USA and UK which turn out to be followed by an increase of gap within those countries. Based on a data released by Congressional Budget Office (see chart 1), from 1979 to 2001 Americans with highest income experienced increase in income for 120% while Americans with lowest income only receive 5% [7].

Despite those finding, macroeconomic indicators remain relevant as barometer in measuring the impact of globalization towards economy. And often times, the macroeconomic data used show positive effect of globalization on economy. As example, in the year of 1981 The World Bank released data stating that there’s 40% total of world population who lived under 1 dollar and another report on 2004 mentioned that there were only 18% of world population who lived with less than 1 dollar per day. In another word, within the last 20 years there’s remarkable reduction of 200 million people [6]. This example shows that such use of macroeconomics data as foundation of conclusion that globalization of economy has brought positive impact for global economy is reckless. Those data are not more than one of macroeconomic indicators that doesn’t exactly tell the solid evident of globalization economy towards degree of nation’s prosperity.

Based on that condition, some of globalization focused scholars then take over the debate around the correct indicator in determining the economic welfare of a country, opposite to the previous condition where there were plenty of them overthrow the nation economic

welfare indications by using GDP, GD growth rate, GNP, and the other macro indicators.

In another side, one of the most popular attempts used to determine inequality index is by using Gini Index (Income distribution index). Gini itself is a coefficient with 0 until 100 scale that measure the degree of inequality in family income distribution. The higher the score attained by a nation means that the higher the inequality of income distribution is in the said nation. And vice versa, the lower the score obtained means the better of income distribution is in the country. For example, developing countries in Africa such as Lesotho have a very high Gini score (63.2); and Haiti is on 59.3. And as for the Scandinavian countries, their Gini is among the lowest which reflects the evenly distributed income domestically. Based on the *Gini Index* data, Finland scored a Gini as high as 29.5, and Swedish is 23 (CIA the World Factbook 2010). These scores are obviously smaller compared to those African countries.

Based on the aforementioned Gini index, the discussion surrounding globalization and economic welfare indeed may be done. So far, some globalization scholars often talk about globalization and inequality with various indicators, including inequality indicator without the Gini index

Perspectives from globalization scholars towards globalization and inequality can be categorized into two major groups. First, the group that assumes that globalization has good impact on lowering inequality. This group is represented by David Dollar. Dollar (2007:84) explained that trough the Gini measurement, there’s decrease in Gini index globally post 1980 which means that during a period of time when globalization was widely expanding (the 1980s) was the period of time when global inequality decreased. And in another word, globalization brings positive impact towards global wealth distribution.

David Dollar’s point of view was then rebutted by skeptical globalization scholars. Branko Milanovic (2007:26) for instance, thinks that assuming globalization has brought positive impact towards the declining global inequality level by providing global data but without carefully examining them is excessive. Milanovic offers another concept to further dissect the level of global inequality.

Milanovic divide inequality concepts into three groups. The first one is Unweighted international inequality which means that the level of inequality measured based on the comparison of the average income level of a country compared to other countries. The data for this first inequality concept will be derived from the national GDI of a country regardless of the number of population. It means that the average national income of a country with large number of population is weighted equally as the income level of the small populated country. Upon this, China and East Timor will share the same weight

The second one is weighted international inequality. Different from the first one, Milanovic (2007:27) explained that even though this concept also use GDI as inequality indicator but there’s GDI per capita and the country’s population indicator. But even so, this second

concept is still unable to measure the level of inequality inside the country itself which means the national coefficient does not necessarily ensure equality of income domestically and at the end of the day this concept is unable to alter itself from the theatrical macroeconomic trap.

The third proposed concept by Milanovic (2007:27) is *world inequality* or *global inequality*. This concept measures the level of inequality by individual unit of observation. Each person's income or spending will be measured. Therefore Milanovic proposes the acquisition of this data by using household survey method.

Based on the three concepts above, it can be concluded that the use of Gini ratio is far more accurate in knowing the economic condition of a country. Not only focusing on macroeconomic growth, but also trying to understand the economic distribution in a country. Milanovic's approach regarding individual unit analysis is deemed more appropriate to portray a nation's economic situation. Therefore, it can be examined how the development of wealth distribution in Indonesia post the reformation era and during the expansion of globalization era.

3. Results and Discussion

Based on the data released by World Bank, Indonesia has experienced an increase in economic development. But if the data considered are only the micro ones, there will be numerous conditions opposite to the development of economic condition of Indonesia post the reformation era.

If seen by the GNI ratio, Indonesia has experienced some remarkable improvement; one of them is the lower level of inequality per year post the reformation era. It was noted that the GNI ratio improved from 0.41 on 2011 to 0.393 in 2017. However, according to the data from Credit Suisse's Global Wealth Report 2016, the distribution of wealth in Indonesia shockingly demonstrate that 49,3% of nation's wealth controlled by the richest 1 per cent of people in Indonesia [8]. This condition, put Indonesia as number fourth most unequal countries after Russia, India and Thailand [9]. Another data that could be used as another wealth indicator is number of poor people in a year. Generally, Indonesia has reduced the number of poor people each year. But there's an anomaly in the decreased percentage of the poor. For instance, in 2014 the percentage of people living in poverty in Indonesia is 11,25% nationally. In 2015, the number is reduced even more to 11,22%. But the number of the poor in rural areas were increasing instead from 14,17% in 2014, to 14,21% in 2015 whilst the amount of the poor in urban areas was lowered from 8,34% in 2014, to 8,29% in 2015. On the other side, it needs to be noted nationally that even though there is decreasing number in the percentage but based on the concrete amount of number itself the amount of poor people remains on the rise. National wide, the amount of poor people in Indonesia raised from 28.28 million people in 2014 to 28.59 million people in 2015.

It can be concluded from the poverty severity index that the level of poverty severity in Indonesia has maintaining its rise each year post reformation era. As

example in 2015 the poverty severity index in the rural area increased to (0.71) from (0.57) in 2014. Even in 2016, when poverty severity index in urban area was lowered from 0.36 in 2015 to 0.27 in 2017; the rural area experienced improvement instead from 0.71 in 2015 to 0.76 in 2016

Amidst the ever-ascending economic development, the Human Development Index (HDI) of Indonesia in 2015 experienced a fall from the previous year. Based on report released by United Nations Development Program (UNDP), in 2014 the HDI of Indonesia is in 110th worldwide rank. While in 2015 the rank falls even further to 113th, only one rank higher than Palestine; the one country that remains in conflict. Indonesia's position was also lower than the other Asian nations such as Libya (102) and China (90) and even to neighboring country Thailand (87, Malaysia (59) and Singapore (5) [10]

That lag in the human resource quality as compared to the other country is such a contrast juxtaposed to the other positive macroeconomic indicators. Even in the deeper extent of micro, the average amount of calories consumed per day based on group meal was decreasing from 1.952,01 kilo calories in 2011, to 1.859,30 kilo calories in 2014. The sources of protein consumed per capita experienced reduction as well. The per capita consumption of meat in 2011 was 44.71 kilo calories, but it was 43.33 kilo calories in 2014

The afore stated micro indicators proved that there are still some unfinished homework left for Indonesia, amidst the infrastructure and the other positive ongoing improvements in Indonesia.

Politically, Indonesia has experienced some changes post the reformation era in 1998. In line with the decentralization spirit in Indonesia, the Regional Representative Council (DPD) was established with mandate to deliver the voice of the regional people to the government of Indonesia. Yet some parties view the existence of DPD, which ideally play the role of Senate just like in those developed countries, is powerless with its numerous obstacles. Procedural democracy wise, the improvement of general election in Indonesia is maintained year to year despite some political chaos among political elites and people community.

Based on the data released by Freedom House Index, the level of procedural democracy in Indonesia is under partially free category. This condition is indeed an improvement compared to the New Order era in 1997, which was not free. However, some political development trend in Indonesia shows the slow growing nature of democratic substance in Indonesia. If the political rights score obtained during the New Order era was 7 (seven) for very bad, then post the reformation era the number is reduced to 2 (two). This situation basically portrays the paradox of Indonesian politics post reformation. Procedurally, we see deep reforms of Indonesian politics including the institutions, bureaucracy and several supporting body. In the other hand, we haven't seen quiet produced the sort of substantial democracy in Indonesia. The peril of money politics still shadowing Indonesian democracy [11].

In the context of law, several issues of injustice occur in Indonesia. Common believe due to the problems of

Indonesian law system is the believe that Indonesian Law tend to be sharp downwards and blunt upwards. In a nutshell several law disparities also taking place for Indonesian society.

On the other hand, the emergence of numerous liberal-style bill or law is still widely reached out Indonesian society. A number of legislative product, such as the foreign investment law, the water privatization law tends to apart from the constitution railway, e.g. article 33 of the 1945 Constitution. It should be remembered that although some parties say that the law is different from politics, in refer to Hans Kelsen in one of his *magnum opus* "General Theory of Law & State"; Kelsen believe that every law should put emphasize on the importance of *grund norms* (Kelsen, 1949). More importantly, laws produced by the government of Indonesia should pay attention to the *grund norms* of Indonesia, namely Pancasila and the 1945 Constitution. It is necessary for drafting the law which is produce good social benefits for the people.

Other things, in refer to Roscoe Pound [12], law is defined as a task of social engineering designed to eliminate friction and waste in the satisfaction of unlimited human interests and demands out of a limited store of goods in existence. Thus, in contrary to the view of formalist, Pound believed that law cannot be judged with reference to itself. Besides, law must be functionally applicable and in regard with its end [13]. In this context of Indonesia, it is radically dangerous the present of government bill which is inconsistent with Indonesian justice and welfare for the people.

4 Conclusion

Embarking from numerous macro indicators above, the development experienced by Indonesia post 1998 reformation is undeniable. However, the purpose of this writing is to remind us all that those macroeconomic indicators may anesthetize us and divert our attention from the reality. This condition is what the author would call as "macroeconomic theater"; a theatrical-like celebrated development that mesmerized those watching it. The micro data however, both in economical and political order need to be noted, not to belittle the achieved development but as a trigger for closer look. In fact, not only in the macroeconomic order, but also in the economic and welfare order.

Not only to pay attention to procedural democracy but also to scrutinize the substantial political values such as civil freedom, improvement in power distribution between the central and regional authority. Isn't the essence of reformation is procedural improvement in order to achieve better substance for the people? If such things can be done, then the "Indonesia Rising" or "Indonesia's Ascent" may soon come true.

What has Indonesia achieved during its 72 year as a liberated nation is contradictory to the purpose of the nation as mentioned in the 5th moral-principle of Pancasila (Social justice for all the people of Indonesia) instead; injustice. This is also the opposite to the purpose of the nation written in the 1945 Constitution. As a free independent nation, Indonesia dreams "to guide the people safely and well to the threshold of the

independence of the state of Indonesia which shall be free, united, sovereign, just and prosperous". Moreover, according to its constitution preamble, Indonesia holding a mission for improve public welfare by "establishing a prosperous and fair society" through promoting the common wellness. Therefore, it is highly necessary to realign the whole legislation as the Hans Kelsen theory suggested, rooted in the ground norm of Pancasila and interpreting the articles of 1945 Constitution consistently e.g. the 33th Article. Accordingly, the development of Indonesia should be guided for achieving social justice for all of the people of Indonesia. Indonesia tends to pay more attention to macro matters than micro things. Therefore, micro matters like environmental issue often neglected by government.

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