

Election and Economic Depression

by: Martin Manurung

One month prior to the legislative election in Indonesia, the world is officially declared to be in an economic recession. Global economic growth for 2009 which was predicted to be only 0.5 percent, in just 2 months was corrected by the International Monetary Fund (IMF) and the World Bank to become zero percent. It is the worst growth since the World War II. It also potentially leads to a number of impacts; from unemployment, rampant poverty, famine, riots, until wars. Thus, the IMF was right when it concluded that the current recession is a problem of mankind and their future.

In Indonesia, a lot of analyses and articles have appeared in various media about the crisis, but they have failed to relate the matter to the general elections. Whereas, the solution to the current crisis is the one and only source of legitimacy for the election, the winners, and the president elect that we are going to have this year.

The Indonesian Situation

Indeed, the Indonesian economy is currently in a relatively better situation compared with the neighboring countries. However, the impacts that we have had and will soon face are devastating. The prediction of economic growth for 2009 has been repeatedly corrected and now has dropped to 4 percent. Next year, this nation will also struggle to achieve 5 percent growth.

The plummeting growth is contrary to economic theory, which suggests that the increase of money supply as a result of gigantic money politics during the election will subsequently help economic growth. Thus, it is strongly suspected that the problems in the real sector, which likely lead to massive bankruptcy, is the underlying factor that cause the economic growth to stay low and even continue to decrease.

Along with the worsening condition in the real sector, now we can see that various demonstrations held by labor unions every day, especially in the industrial areas. It is not surprising, because the number of job dismissals, both temporary and permanent caused by the crisis, is increasing (see graph). In addition, the table also shows that a number of other economic problems lie in front of us: decrease of exports and investment, plummeting purchasing power, inflation, depreciation of rupiah, pressures on current account, and potential banking bankruptcy. On the other hand, non economic problems caused by the crisis are also worrying, such as malnutrition among our children and youth. Thus, all of these situations can conclude that we are now already in a national economic depression.

Nevertheless, there seems to be a significant gap between the reality of economic depression and the brouhaha of our general elections. The gap is even clearer when we observe the programs put forward by various participants of the elections, which have not touched the core of the economic problems and the subsequent alternative policies.

Moreover, we also see an advertisement from a political party that says that our economy is in a good shape and therefore the current policies and leadership should be continued. In addition, various campaign advertisements also show that various political parties in the ruling coalition compete to claim imaginary economic achievements, such as food sufficiency. Interestingly, although economic depression has begun, these political parties seem to gain more popularity as shown by various polls.

Economic Depression and Change

History shows that economic crisis can bring about fundamental change in leadership and the path that a nation will take. The change involves new direction, target and forms of policies. It is this phenomenon that happens in the United States recently that lead to the triumph of Barack Obama, and also the “shift to the left” in the Latin American countries following the failure of neoliberalism during the 1980s-1990s. Nevertheless, the case will likely not be the same for Indonesia.

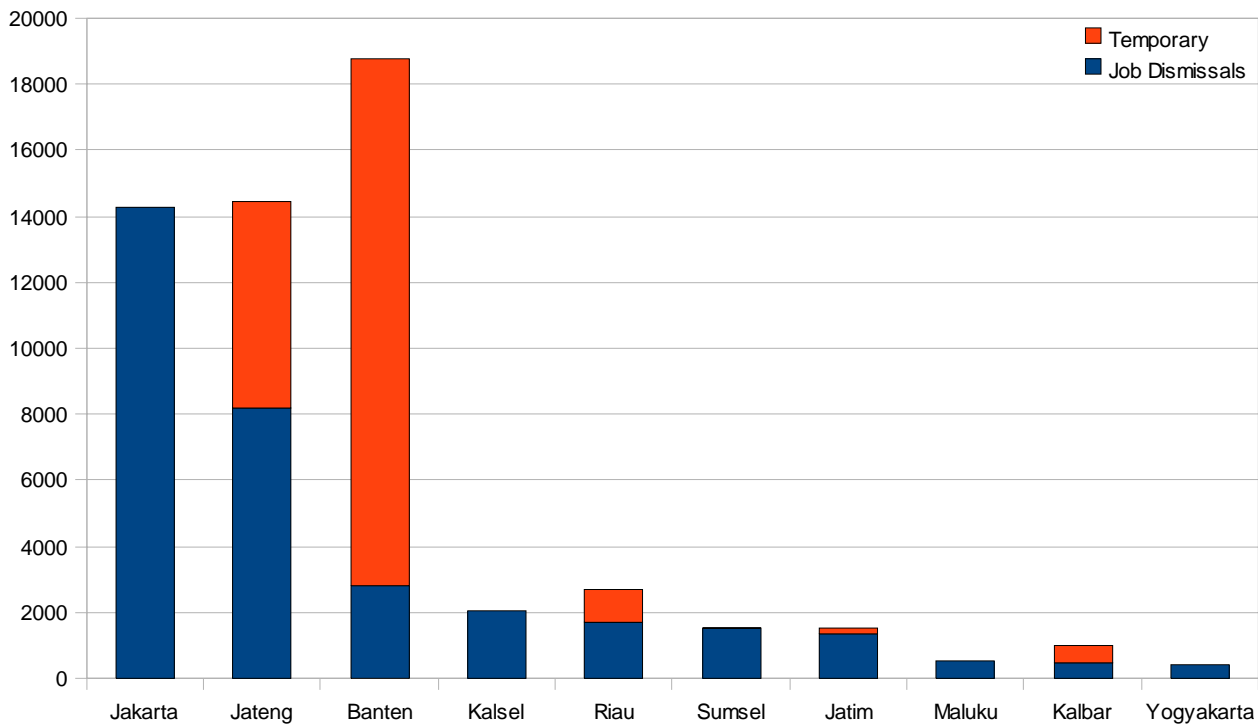
It is the fundamental change, not only differences in policy's parameters and indicators (such as economic growth and poverty reduction targets), which should have been spoken out loud on the democratic stage following the general elections. In fact, the very core of our problems that has led us into economic depression, which is neoliberalism, has not been a crucial issue in this election. It is neoliberalism that has been a dominant paradigm of our economic policies, stripped off the social function of the state, and made the state to become a servant of capital.

In the global discourse, neoliberalism has been widely criticized since the beginning of the global financial meltdown. It is brought about by both the progressives (such as the socialists and social-democrats) and the conservatives, such as the French President Nicolas Sarkozy (Rocamora, 2009).

The current election campaign is a legitimate moment to question whether the paradigm change will take place. All of the politicians, the leaders, the legislative candidates, and the presidential candidates, owe their voters implementative solutions and concrete alternative policies to answer the economic crisis that has started to bring about massive impacts to the people. If they fail to do so, the 2009 election will be just a replacement of lies with other lies.

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Graph: Job Dismissals (Permanent and Temporary) until February 27, 2009.



Source: Depnakertrans

Table: Selected Economic Indicators

	2006	2007	2008*	2009*
National Account				
Real GDP (% y-o-y)	5,5	6,3	6,2	4,3
Domestic demand ex. inventory (% y-o-y)	3,7	6,0	9,9	4,4
Real Consumption: Private (% y-o-y)	3,2	5,0	5,3	4,0
Real Gross Fixed Capital Formation (% y-o-y)	2,9	9,2	12,7	3,5
Open Unemployment Rate (%)	10,3	9,8	8,4	9,8
External Sector				
Export, FOB (% y-o-y, US\$ Billion)	19	14	9,9	-8,8
Import, FOB (% y-o-y, US\$ Billion)	6,3	15,4	25,7	-12,1
Trade Balance (US\$ Billion)	29,7	32,8	22,5	24,0
Current Account (% GDP)	3,0	2,5	0,1	1,0
Central government debt (% GDP)	39,2	35,1	35,6	33,5
Avg Currency Rates Rp/US\$	9.143	9.163	9.767	10.650
Other				
BI policy rate (% year end)	9,75	8,0	9,25	7,50

* Estimates

Source: Finance Minister, BI