

DEPRESSIONATION OF JOKO WIDODO RUPIAH ERA: AN ARCHITECTONIS ECONOMIC POLITICS

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Abstract

This research has become quite important as Indonesian's currency or known as rupiah, has reached its highest depreciation to US dollars like never before 18 years. Aim of this research is to find out whether the policy of Joko Widodo or Jokowi to increase national debt has any correlation with rupiah depreciation in a political economy perspective. In conclusion, there are at least three points. Firstly, although there is a long history of how Indonesia involve in such a capitalistic economic system, Jokowi policy itself solely is a mistake, at least according to political economy philosophy of Indonesia. Secondly, there is a positive correlation between national debt and rupiah depreciation. Moreover, the prediction has been positively predicted. This condition happened as the result of poor Indonesian economy during the first year of Joko Widodo. Thirdly, worsen of rupiah depreciation is the result of improper policy adds up with the poor condition of Indonesia.

Keywords: Political economy, depreciation, the national debt.

A. INTRODUCTION

Joko Widodo as the current president of Indonesia who will also run for elections or elections in 2019 is a controversial presidential figure. This is of course also inseparable from the figure of Joko Widodo who has a background as an ordinary citizen who is contra from the long journey of the Indonesian president's leadership which is always from the military.

One form of success of Joko Widodo as a politician is the career advancement that he has taken from the position of Mayor in Solo who is considered to be quite good at embracing the people in the city, one of which is the mediation of market relocation in the Solo area. Besides that, he was able to build a solo committee until it was known internationally.

He continued his political career to become a governor of DKI Jakarta before finally becoming a president of the Republic of Indonesia. This is a

political career success that is quite rare in the history of Indonesian politics which is still quite young, especially in the context of democracy.

However, in the context of political leadership, Joko Widodo does not seem to be as successful as his political career. One of the most obvious points in the political years of Joko Widodo occupying the presidency was the emergence of extreme polarization in Indonesian history in the community.

Although it seems to be one reason why Joko Widodo was less successful in managing the community and even his leadership was given that he was not born in a militaristic environment like the history of the Indonesian president which was dominated by the military. However, because of his capacity as a president, a constructive critique of his leadership and political vision should be appropriate. Therefore, there is a question about who designed Joko Widodo's political career. This became very important considering that the development of Joko Widodo's political career did not seem to have a good support system when Joko Widodo as an actor faced the dilemma and dynamics of his political leadership.

In this regard, there are at least many conditions which lead to the assumption of the absence of Joko Widodo's leadership support system. Among them is the lack of clarity in the direction of Joko Widodo's political leadership vision. The realization of Joko Widodo's reflected vision is more about infrastructure development, where this is not a wrong thing, but it becomes inappropriate when an infrastructure development is made into the main vision, even though it is only an instrument to achieve a bigger and more vision long.

This argument was then made by the writer as one of the references as to why the author wanted to focus on the political economy of Joko Widodo. Furthermore, with the magnitude of the probability of the absence of the system, this condition increases the tendency to make Joko Widodo a puppet actor. As indicated by the existence of cooperation in development contracts with the People's Republic of China which is quite controversial.

Focusing on infrastructure development without a long-term economic vision and preparation for economic development early on will be very risky for economic development. Furthermore, before talking about developments, actually, economic resilience is also a crucial matter, considering that President Joko Widodo carried out development by relying on the State Budget which was also burdened with additional debts - both for the construction itself and to cover previous debts - to is redeemed the development.

The weakening Rupiah is actually a reflection as well as a representation of how weak Indonesia's economic fundamentals are. On the other hand, this weakening condition is also a test and also a measure of the strength or endurance of the Indonesian economy (Maulani, 2015).

Also, note that the impact of this weakening also has a domino effect on Indonesia's own economic growth. Of course, growth, in this case, is growth in a negative direction so that Indonesia's economic growth will be depressed and hampered by many aspects because the rupiah is a medium of exchange and payment.

One of the significant impacts significantly affected by the decline in the rupiah exchange rate is the increase in commodity prices that use the dollar as a medium of exchange or payment, such as imported goods, whether finished goods or commodities which are the raw materials of production. The interesting thing about the rupiah depreciation case this time in the era of Joko Widodo is that at least in the last 10 years, the rupiah is currently experiencing the most severe depreciation. As can be seen in the table below as an illustration of the movement of the rupiah.

Table 1 Average Movement of the Rupiah Value Against the US Dollar

Period	Value of USD 1 in Rupiah
2018	13882.62
2017	13384.13
2016	13307.38
2015	13391.97
2014	11878.30
2013	10451.37

2012	9380.39
2011	8779.49
2010	9084.55
2009	10398.35

Source: <https://www.cnbcindonesia.com> (2018)

The current condition of the exchange rate of the rupiah against the dollar is very close to the rate of depreciation of the rupiah like the Soeharto era in the 1998 economic crisis which was then worth around Rp. 14,000 rupiahs per one US dollar. Although of course, the economic conditions of Indonesia have been different compared to that period, the level of the rupiah exchange rate also represents the adverse conditions of the economy, especially macroeconomics in Indonesia. So the option for rupiah denomination is not a solution, but rather a delusion in the economic downturn.

Table 2 Rupiah Exchange Rates Against US Dollars in 1997-1998



Source: Bank Indonesia Data (2012)

Depreciation or decline in currency exchange rates is a common thing in today's economic system. It's just that for the case of Indonesia as explained above, this is a condition that is quite threatening the safety of the economy. Although some economists and politicians regard this problem as a reasonable problem. To support and explain the intent of the author, the writer needs to

put the problem with a good understanding of some economics as well as the related reality and an offer on how to see that reality.

As for some of the conditions and arguments, the author wants to focus this study on aspects of the decline in the value of the rupiah against foreign currencies, especially the dollar. What actually has been predicted beforehand and whether the government has the ability to avoid this. Or the government has an indication of intentions in allowing this to happen.

B. LITERATURE REVIEW

1. Political Economy Concept

The author needs to put in place the main concept of the economy which is also part of the politics in today's studies, before entering into the concept of a fairly technical depreciation of the rupiah in macroeconomic developments. Because we need to know that the concept of fluctuating exchange rates is unknown in the world of economics which bases the value of the currency on its guarantee, namely gold.

Previously to understand this we need to go back to history as well as explore the past in social science as a derivation of economic and political science, it will be found that around the fourteenth century a Muslim known as Ibn Khaldun or whose full name was Abdul Rahman bin Muhammad Ibn Khaldun al Hadrami Al Ishbili has contributed greatly to world civilization especially related to economic thinking both fundamentally and its development (Bartkus & Hassan, 2015).

It's just that even though Ibn Khaldun had a large contribution to conception not only economically, but also political economy, he was no more popular in the western world than Adam Smith. Whereas a historical fact as revealed by Hamed (2014), that the era of life and its academic contribution were many centuries past, namely in 1332 to 1406 preceded Adam Smith in 1723 to 1790 where he published his book entitled *Wealth of Nation* in 1776. Therefore, the author conducted an assessment of the concept of economic

politics, one of which was based on the view of Ibn Khaldun as one of the economic fathers.

Ibn Khaldun's view of a political reality he put in his book entitled the *Muqaddimah*. In the book, as was first translated in the west by F. Rosenthal, Ibn Khaldun analyzed the fall and rise of civilization in the world with several social, economic and political indications (Ibn Khaldun, 1978).

As a Muslim scientist who lived in the golden age of Islam with control over Spain at that time, Islamic values that were also applied by the Islamic government in various aspects of Spain were clearly observed. Besides looking at the political and economic conditions of Islam, he also compared the failures and fall of other nations to formulate a good concept in managing the country from various aspects, such as politics, economics and social (Collins, 1989).

One of the economic concepts offered by Islam which is also used by Ibn Khaldun is how to make gold a medium of exchange. The medium of exchange also in the days of Ibn Khaldun was still used as a medium of exchange. The development and dynamics of the economy made the certificate of ownership of gold a medium of exchange, regardless of the debate about who shifted the use of gold to just a certificate.

The rule of use of gold remains valid even though in its development the certificate is used as a medium of exchange. This is proven and indicated by the existence of certificate exchanges by standardizing a number of gold. So even if the term certificate switches to a currency concept, then the value of standardization of gold will not change.

It's just that because some capitalists want to colonize the economy, the gold standard is abolished. This condition then makes paper money worthless. Coupled with the existence of a concept of a central bank that has a monopoly on its production, even though the central bank has the name of the association of state-owned banks.

2. The Concept of Banking Loans

Before discussing the concept of loans in general, in this case, the author will explain the need to discuss the definition of loans in Islamic view, considering that there are at least two important things that are very fundamental. Of course, the author will also explain the concept of loans in general as a comparison. Besides that, with the presentation of these two concepts, a dualism will occur between the two concepts. Although the two concepts may be contradictory at one point, what is interesting is that both of them apply in reality in Indonesia to this day.

First, the Islamic worldview or worldview of Islam is almost certainly inseparable from the life of a Muslim who is truly Islamic, however secular a country is. Call the Turkish state which was once secular thanks to Mustafa Kemal Attaturk's initiation, now it has become an Islamic state that is very pro against various Islamic policies and Muslim issues in this world.

This condition is due to the Islamic religion as a mission religion, having comprehensive teachings, including regulating economic issues. As a concrete example is how Islam has the concept of buying and selling. In the concept also talked about the rules of buying and selling, as well as those discussed in the economic concept of Ibn Khaldun which discussed the concept of gold as a medium of exchange.

On the other hand, which is still related to the concept of economy, is a regulation related to usury which is generally known as the term interest in loans that are prohibited or prohibited in Islam. Interestingly, precisely the concept of usury has now spread widely in the world of conventional economics. However, the development of sharia banking is also on the rise, even in western countries which are more thick with secularism due to religious trauma in the Middle Ages. Even in the UK banking consulting site, the development has increased in almost all the world.

"Islamic banking, termed participant banking, is outgrowing conventional banking in many of the world 's predominantly Islamic countries.

Today the total participant banking market is worth around \$ 920 billion, which is projected to grow to more than \$ 1.6 trillion by 2020, research by EY shows. Particularly the Gulf States are seeing rapid participant banking growth. RoE within the sector remains relatively robust at 12.6% "(<https://www.consultancy.uk>).

This condition at least confirms that the natural view of Islam crosses almost all joints of civilization, especially in this context is the economy. Related to this, the majority of the population of Indonesian Islam makes the probability of the realization of the views of Islamic nature even greater. Besides that, in fact, the concept of conventional banks is very contrary to the concept of Islamic economics and also the philosophy of the Indonesian nation. First, Islam prohibits borrowing from the concept of usury/interest, but the fact is that conventional banks have the concept of loans with an additional value of interest returns which in the case of Indonesia is far more than international banks.

Second, because the Indonesian nation made the first foundation of philosophy as the Pancasila, it should have been the choice of the banking concept to consider religious views, in which case Islam is the leading religion that regulates economic issues. Besides that, even in the Basic Law as the derivation of the Pancasila, it regulates how the concept of the Indonesian economy must be pro-people who are the opponents of global capitalism.

Therefore, with this philosophical view, President Joko Widodo's policy of increasing the country's debt by owing to global capitalism is a mistake. In addition, the debt policy is for the construction of infrastructure projects whose economic vision is not clear for their long-term interests.

Not forgetting also that, president Joko Widodo also made additional debt under the pretext of covering up other debts. This problem also becomes even greater when the debt for debt is added in economic conditions that are not good and unstable, especially the money is used without a clear economic vision as before.

3. The concept of GDP and inflation

The concept of gross domestic product, which is also known internationally in the Gross Domestic Product, is a method that has been used as a benchmark for the progress of a country or nation within a few decades, especially in the aspect of the economy in particular.

Even so, the length of time used, it turns out that there are not a few scientists who disagree in determining gross domestic income as an indicator of the progress of a nation's economy. This is because GDP is a method that is not appropriate in representing the quality of the country's economy. Logically and intuition is simple why a country with the highest level of the economy can experience an extraordinary crisis that causes the destruction of the economy of other countries.

Even further, the GDP method is part of America's plan to control the economy of third world countries or developing countries. Although besides that there are also other concepts of capitalism such as trade liberalization as part of the CIA econometric models in controlling the economy such as Kuwait and Java as the economic centre in Indonesia (Perkins, 2004).

C. METHOD

This study uses a literature analysis method, where the authors conduct a search and study of references and relevant data and information. After collecting the reference, the writer analyzes to evaluate the appropriate source to get a conclusion.

D. RESULT AND ANALYSIS

A very important discussion of each thing is the philosophical aspect. Of course, included in this matter are the philosophical values of the current president's politics, Joko Widodo. The policy is also part of reality and political implementation, therefore President Jokowi's policy in increasing Indonesia's

sovereign debt which is positively correlated with the depreciation of the rupiah against the dollar is an interesting thing to study.

As explained in the previous economic concept, that because the president uses the capitalist global economic system, it is inevitable that the risk of the depreciation of the rupiah against the dollar. Although the actual selection of the concept is not in accordance with the values of the Pancasila and the Law, there is indeed a long historical factor so that Indonesia must now follow the flow of the system along with the wave of interest that accompanies Indonesia's debt.

However, the conditions that make Joko Widodo's economic politics very controversial are his policies in increasing debt above debt for infrastructure development without a clear economic vision. Moreover, the impact has also been predicted, the depreciation condition has a close value that occurred during the monetary crisis in the era of 98. Besides that, the issue that is also sticking out is a conception from previous research that in a period of no less than three years ago the condition of Indonesia which is at this point can be predicted.

Joko Widodo's policy seemed to not pay attention to the economic fate of Indonesia's future along with the country's burden. As with the depreciation of the rupiah that occurred in the era of Soeharto's fall, at that time the State Budget and State Income were almost drained to cover up the swelling of the usury economic system that had gripped Southeast Asia.

This is not an impossible thing to remember as previously conducted by Sugiyono that since 2015 Indonesia's economic condition was in an unhealthy condition. And in stagnant conditions will result in a weakening of the economy in the future. And keep in mind that these predictions have not included additional debt variables.

Although in this study there was a positive impact on Indonesia's Domestic Product Growth, the concept of gross domestic income has been argued as an appropriate reference in reflecting the quality of the economy of a

country. As the authors explain, - from the debates of economists regarding the concept of gross domestic income - the explanation of former CIA members in designing econometric models in Southeast Asia, especially from the island of Java in Indonesia, is enough to explain many things.

E. CONCLUSION

President Joko Widodo's policy of increasing the country's debt is a decisive determinant in the current free fall of the rupiah exchange rate against the American dollar. these conditions can also be predicted at least three years earlier with an indication of the current economic conditions in Indonesia and the direction of the policies taken. Regarding any policy, the author considers that from various previous aspects that there is no urgency to increase the country's debt if only to carry out infrastructure development, especially in current conditions, without a clear economic vision.

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