THE THIRD SOUTH-SOUTH FORUM ON SUSTAINABILITY

Lingnan University Hong Kong, Day Five: July 27th 2016

Contra Hegemony (Part 1):
Conscious Regional Planning and its Adaptive Development Policies

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Reflection towards Keynesian Economy, an Introduction to the presentation

A spectre is haunting Europe. Triggered from Greece economic failure (economic crisis), to the neighboring mass-phobia of turmoil transmission (social crisis), in parallel to the Suriah refugee catastrophe (humanitarian crisis), and escalating terrorist attacks (defense/security crisis), to the *Brexit Phenomenon* and possible other follow-up 'exit' (political/international relation crisis); EU might eventually fall, leading the world back to its state of singular super power dominance. Representing 7.3% of World Population over 24% of World GDP through internal single market system, application of numerous one/common policies, and formation of high level intergovernmental institutions; less than a decade ago EU might be seen as real life manifestation to Hegel/Marx's – holy alliance to the all powers of old Europe. Hence if the downfall of this supposedly new(est) Super Power is assumed triggered by the waves of economic turmoil built up to unleashed the 2008-09 global economic crisis, then how did the old(er) Super Power survived this wave? To understand the economic awe of the United States, one need to turn back time to the time before the birth of EU, before the death of the other Super Power/The Second World/The USSR, before the Cold War, before the rise and downfall of the Third World with her Asian African Conference/Tri Continentale/Non Alignment Movement, before World War II, to the 1930s Great Depression/the interwar period. A time when the government in power was most likely borrowing the Keynesian formulae to build the very foundation of her Twentieth Century American Dream.

The first three major publications written by John Maynard Keynes within the Great Depression period had unarguably helped forged the creation of the so called (post war) international financial order, which had operated up to this date. His *Treatise on Money* (1930) had laid the foundation of his economic theory to the relation between interest rate, saving, investment, and unemployment rate. Rendered on the interwar year's scenery, Keynes argued that high interest rates caused by the recent World War I (and going to be World War II), might have direct impact to the exceeding amount of money being saved in comparison to the amount of money being invested. As results to this imbalance, people may not want to spend a large proportion of their payroll, which then creates less market demand, less if not no profit on the overall business cycle, which then forces employers to operate more efficiently, and ultimately make ways to the rise of unemployment rate. Through *The Means to Prosperity* (1933) he then recommended specific policies to tackle high unemployment rate by creating multiplier effect counter-cycling through phenomenal amount of public spending. *The General Theory of Employment, Interest, and*

Money (1936) then aligned Keynes theory to his classical/neoclassical predecessors, stating how these past theories works only under certain special enclosed economic circumstances, something that would not work best at that date (or up to today's) early global interconnected economic system. In this general theory, he argued that in the (more) general case (of depression as opposition to the classical 'normal' free market condition), supply will not create its own demand, as much as how in the downfall of economy, workers will not be willingly lower their wages to ensure the life of their dying business cycle. In the breach of an economic turmoil, this condition may create fierce interaction between aggregate demand and aggregate supply which will furtherly resulted in a state of stable unemployment equilibria, an economic freeze which may only be salvage through government fiscal and monetary interventions.

In normal time monetary policies works at its best when interest rate is set to balance the inquiries of bank saving and investment (i.e. implying higher interest rate to stimulate saving, lowering it to stimulate investment). But in times of recession and depression, monetary policy will not be enough to stimulate back growth (i.e. no one wants to invest hence no one wants to borrow, no one wants to spend yet they would force to withdraw saving to survive living unemployed, the two cases will eventually create state of low saving/investment, and possible capital flight). The idea is that once it collapse, market economy is not self-stabilizing. As people becomes tremendously pessimist to their future –or as Keynes had put it as having low animal spirit- the market then starting to create viral of low output trap. Keynes radical prescription was that in these desperate times, instead of cutting fiscal budget and implying higher taxes policy to gain more saving/investment funds, government should spend more money they may don't even have (possibly through third party's loan), to engineered demand, and catalyze consumption/investment (also known as aggregate demand) by stimulating spending especially in the public work's mega projects with high employment demand. This was exactly what the US government had done in the breach of both 1929-30 and 2008-09 global economic crises.

Resuming office in the height of economic depression, President Franklin Delano Roosevelt initiated the 1933-38 New Deal, USD 500 million worth (in 1933 currency value) stimulus focused on the relief of the unemployed and poor, recovery of the economy to normal levels, and reform of the financial system to prevent repeat depression (Relief, Recovery, Reform/3Rs act). Similarly, also resuming office in the height of economic depression, President Barrack Hussein Obama initiated the 2009-19 American Recovery and Reinvestment Act (ARRA) stimulus worth over USD 800 billion and the 2010-11 Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act (Obama tax cuts) stimulus worth over USD 850 billion. The icon to Roosevelt's stimulus packages was the USD 50 million worth (in 1931 currency value) Hoover Dam built in between 1931-35. Similarly, Obama's stimulus icon was yet another green-energy project, the USD 2 billion worth Solana Generating Station built in between 2010-13. Although never really associated as Keynesian, the two US presidents had spoken of more or less the same 'Keynesian messages' through their speeches. Where Roosevelt had said: "This nation is asking for action and action now", Obama had also said: "While the cost of action will be great, I can assure you that the cause of inaction will be far greater"

Enclosing to the end of World War II, Keynes strived for much bigger idea. At first he argued that it was the economic turmoil itself that had seeded the war at the first place, and not the other way around. In his perspective, it was the Treaty of Versailles lack of sensitivity that had gave birth to Hitler's Nazi.

When the economically devastated Germany had to redeem all of the (World War I) lost, the treaty was then naturally tearing apart the war-losing country, forced them to search for an alternative solution to its debt obligation, which includes waging a new war (World War II). Keynes realized, in order to prevent the possibility of yet another World War to take place, further post war economic recession must be prevented. Keynes believed that the capitalist market system can be managed not only domestically within country or league of countries, but also internationally worldwide through the operation of higher level of intergovernmental institutions. Only through the formation of such nationally interests-free institution; the already integrated economy of the world can then be managed to create international financial order for the benefit of all humankind; ensuring it to promote common prosperity, and ultimately common peace. This idea was echoed throughout the 1944 UN Monetary and Financial Conference, which then led to the formulation of Bretton Woods System, and in turn, the formation of World Bank, IMF, and latterly WTO; the institutions dedicated to prevent currencies from widely fluctuated against each other, to avoid status quo by the stronger economy, and to foster growth and trade in the weaker ones. Few decades later, these institutions were actively aiding the development of the so called developing world.

Although widely popular since the Great Depression period (before then made dramatic comeback throughout the 2008-09 world economic crisis recovery period), Keynesian Economy was starting to be abandoned on early 1970s in parallel to the stagflation that beginning to occur in the North-north regions. It was an irony. Just after arriving at the more or less dream of world integrated economy (and undeniably the success of taming the Third World/non Block/Asian African/Tri Continentale movement); the world system moved-on from the intergovernmental institutional vision of –avoiding status quo by the stronger economy, fostering growth and trade in the weaker- towards completely free trade system. The idea behind it is that government policies were started to seen as disruption to the economic self-equilibrium. The economy should have amend itself, righting the wrong doings autonomously; lowering supply when demand fell then increasing it back when demand increases in an action-reaction direct relation to the market activity. Recession and Depression were then taken as important messages on how government had previously took the wrong policy, giving them wakeup call to immediately right the wrongdoings by stepping out of the market. The problem with this model is that, no matter how private (instead of public) the market is operating, there will always be that nationalism (if not ultra-nationalism) side of the actors where the strong would naturally work their way to maintain status quo over others. In the interest of the few, the strong would then naturally dictate the weak common majority. Then there was also the Cold War motif, the clash of the titans to win over the world order. On the other hand, perhaps it was also in this scale of true internationalism where Keynesian Economy lost its magic; where the world as a singular system, is simple far too big to manage. By then the capitalist free trade had flourished and soon enough arrived at its golden period.

Then came in the bubbles. In general condition people would bought more when price was low and vice versa. But in terms of investment, people gets greedy. They bought more even when the price are high, because they thought that price will, in time, eventually go even higher. They are trying to invest in the future as if the future is a predefined system. And as supply is drying out while demand are continually if not exponentially increases, the market then creates economic bubbles. But nothing go on forever. Sooner or later bubbles will eventually burst. The 1930s Great Depression was a product of two World Wars. The 2008-09 world economic crisis was more of lessons towards human mass-greediness.

Like many other developing countries, Indonesia had also lived up the 'sustainable development' dream, especially during the "*Orde Baru*/New Order" era of Indonesian second president, Soeharto, whom came to power on 1966 (de facto, or 1968 de jure) and had managed to stayed in power for the next 32 years. Engineered by mostly US-educated group of economist: Widjojo Nitisastro, Mohammad Sadli, Emil Salim, Ali Wardana, whom together often regarded as –the Berkley Mafia- the president economic advisors first task was to plan and execute immediate economic reform in prior to the active multidimensional crises inherited from the first president Soekarno's Old Order era. After succeeding in stabilizing the country's economy marked by inflation drop from 660% in 1966 to just 19% in 1969; the Berkley Mafia then begin to aim for the long term development vision, formulize through what was called "*Rencana Pembangunan Lima Tahun* (*Repelita*)/Five Yearly Development Plan". Fueled by foreign direct investment originated from the western bloc which, arguably carried out Cold War motif, and domestically benefiting World 1973 Oil Crisis; the *Repelita* had span in active for 29 years through its six packages of development which includes: (i) 1969-74 *Repelita I* focused on green revolution to ensure food security, (ii) 1974-79 *Repelita II* focused on growth in primary industries and the construction of infrastructure outside Java Island, (iii) 1979-84 *Repelita III* focused on food self-sufficiency goal and growth in export-oriented labor-intensive industries, (iv) 1984-89 *Repelita IV* focused on capital-good manufacture, (v) 1989-94 *Repelita V* focused on construction of telecommunication, education, and transportation infrastructures, and (vi) 1994-98 *Repelita VI* focused on construction of infrastructure to furtherly support foreign investment and free trade. The *Repelita VI* was an unfinished program, shut down as the result of the overthrown of President Soeharto from power, in parallel to the eminent growth of the 1997-98 Asian economic crisis.

The Asian economic crisis had inflicted damages far greater than the previous 1966-69 domestic crisis. Economic growth was down to minus 13.7%, dragging the country into a deep multiyear recession. As major capital flight took place, the currency begin to fail and seriously depreciated. Then the banking system crashed, followed by the liquidation of 16 commercial banks. And as heavily foreign investment-dependent large scale businesses (and its substituted businesses) starts to crumble; unemployment and poverty rate went sky high, while income per capita fell tremendously. At this desperate times, to avoid further monetary catastrophe; Indonesia had no choice but to turn their salvation towards IMF and World Bank, the Keynesian institutions. After taking down the long road of economic recovery, the Indonesian government today are still carrying the accumulated burden of both crises recovery debt and *Repelita(s)* public and (then publicized) private debts. Depletion of fiscal had since became a common denotation where with each newly elected president and vice president, the state annual budget balance had always been starting from a minus figure; limiting the option of action to be executed by the currently in power government and the many generations that follows, causing them to seemingly ruled 'unconsciously' as if there is not much space left for invention other than running the seemingly autopilot governance. Eventually, development will need to take place. But the question to that is does it really need to be developed at such pace? Measures towards both 1966-69 domestic crisis and 1997-98 crises were unarguably an essential action needed to be done –after all Keynesian economy was born as prescription to crises- but were heavily engineered revolutionary developments (instead of slow steady natural evolutionary occurrence) at the cost of pilling up foreign debt really was a necessity? After years of implementation, had the *Repelita(s)* really brought the developed world's vision of progress and prosperity into the picture? Or had it all been just another derivative progress fueled by status quo propaganda that would ultimately lead towards progress and poverty?

Returning to the recent events in the North-north, indeed a spectre is currently haunting Europe. Like the failure of implementing Keynes original vision to the practice of IMF and World Bank; perhaps the EU break up was also happened because it is simply too big (and too diverse?) to manage. As stronger countries like Great Britain, France, and even Germany (which had ironically turned the table since the economically insensitive case of Versailles Treaty) is dictating the weaker Greece, Spain, and Portugal to imply tough budget cut (instead of making phenomenal public spending) in exchange for emergency loan; scenes from the identical geographies had starting to resemblance the interwar period's. If the old power of Europe is questioning the viability of Keynesian prescription, they might need to peek policies made by their transatlantic neighbor. Apart from the ARRA and Obama tax cut stimulus; in regards to measures towards 2008-09 world economic crisis, President Barrack Obama had also launched several other secondary policies which all together worth up to three quarter of a trillion US dollars, making it the largest state intervention stimulus ever recorded in the history. If countries as strong as Great Britain, France, and Germany whom might have the money to spend are not sure to make the stimulating salvation for the greater good; then in this age of global economic integration uncertain future, what is there left for a country who definitely don't have the money to spend like Indonesia?

This presentation will talk about recent Indonesian government policies launched under the leadership of the currently in power President Joko Widodo; in the discourse to his very limited fiscal gap, the dream of undergoing vast development, and the blue print of national development formulated by taking the long forgotten Indonesian local wisdom to envision a foreseen optimistic future. Some insights on both state and privately owned large business will also be included in the strategic banking/financial market, aviation industry, and mining/energy sectors.