

ECONOMY DE POLITICS: ANALYSIS CRITICAL ON POLICY INDONESIAN ECONOMY

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ABSTRACT

This article analyzes the dynamics of political economy in Indonesia's development from a critical perspective on implemented economic policies. The study focuses on how economic decisions are shaped by the interplay of political interests, global economic pressures, and domestic priorities. Using a qualitative approach rooted in public policy analysis, this article explores several key issues, including the role of state and non-state actors in policymaking, the impact of neo-liberalism, and Indonesia's challenges in achieving inclusive and sustainable growth. The findings reveal that Indonesian economic policy is significantly influenced by globalization and capitalist interests, which often marginalize disadvantaged groups. Structural inequality in development benefit distribution further exacerbates socio-economic gaps. This article calls for a shift toward a people-centered and justice-oriented development paradigm. It contributes to academic discourse in development political economy while offering a foundation for more equitable and nationally driven policy reforms.

Keywords: *Political economy, development, economic policy, Indonesia, social justice*

A. INTRODUCTION

As a developing country, Indonesia faces significant challenges in achieving sustainable and equitable economic development. Issues such as corruption, income inequality, and overreliance on natural resources are key obstacles. Thus, understanding the political economy of development is crucial to identifying effective solutions.

The political economy of development examines the interaction between political power and economic structures in shaping national development. In Indonesia, these dynamics play a critical role in determining the direction of economic policy, especially in facing globalization, structural transformation, and social inequality. Economic policymaking is often influenced by political interests from both state and non-state actors, which can benefit or harm various societal groups.

This study seeks to examine the factors influencing Indonesian economic policy, especially in the context of global pressures, domestic interests, and actor interactions in decision-making. The study also aims to identify key challenges in pursuing inclusive and sustainable development while providing recommendations for policy improvements. Literature from empirical studies in Indonesia and other countries shows that fiscal and monetary policies have significant impacts—sometimes negatively—on stock market performance. Therefore, the government must pay greater attention to fiscal stimulus, budget discipline, and appropriate monetary tools to support financial stability and capital market growth.

Furthermore, realistic limits on debt payments should be established to allow for internal financial development. From a monetary standpoint, the central bank should reduce lag effects to minimize investor overreaction. Market-based awareness campaigns encouraging both local and foreign companies to list and remain active in the stock market should be enhanced. Encouraging investment in the real sector is also keys to increasing production capacity and sustaining long-term economic growth.

B. METHODS

This research uses a qualitative approach with public policy analysis as its method. Data is collected through a literature review from academic journals, government reports, and policy documents. The analysis draws on political economy theories that highlight the relationships between political power, economic structures, and social interests.

The study focuses on three key aspects:

1. The role of state and non-state actors in economic policy formulation.
2. The impact of globalization and neo-liberalism on Indonesian economic policy.
3. Challenges in achieving inclusive and sustainable development.

C. RESULTS AND DISCUSSION

Critical Analysis of Indonesia's Economic Policy in 2024

The study reveals that Indonesian economic policy is often influenced by global actors such as international financial institutions and multinational corporations. For example, post-reform era policies like privatization and trade liberalization illustrate the strong influence of neo-liberalism. While aimed at improving economic efficiency, these policies often negatively affect marginalized groups such as small farmers and laborers.

Additionally, structural inequality in the distribution of development benefits persists. Urban areas receive more investment and infrastructure than rural areas, widening socio-economic gaps and perpetuating systemic injustice. Government actors, both central and regional, often face dilemmas in balancing global market demands with local welfare needs.

However, there is significant potential to harness domestic resources and strengthen public participation in policymaking. Justice-oriented policies such as

land redistribution, local economic development, and cooperative strengthening offer solutions for building inclusive development.

Political and Economic Context of 2024

The year 2024 marked a significant political shift with the election of President Prabowo Subianto. The administration's target of 8% annual economic growth presents major challenges, especially since growth in 2024 was only 5.03%, slightly lower than the previous year (Stefanno Sulaiman & Gayatri Suroyo, Reuters, 2025). Growth was mainly fueled by campaign spending, increased investment, and the completion of infrastructure projects initiated by the previous administration.

Evaluation of Fiscal and Monetary Policies

The government proposed a 2025 state budget of IDR 3,621 trillion, a 6% increase from 2024, with a projected deficit of 2.53% of GDP (Reuters, December 10, 2024). However, external risks—such as possible U.S. import tariffs—could reduce GDP growth by 0.5 percentage points (Danial Azhar, Reuters, April 10, 2025). In response, Bank Indonesia lowered its benchmark interest rate twice since September 2024, reducing it by a total of 50 basis points to maintain economic stability (Stefanno Sulaiman & Gayatri Suroyo, Reuters, February 5, 2025).

Economic Projections and Challenges

Although the government targets 8% growth, institutions like Bank Indonesia project a more modest range of 4.7% to 5.5% for 2025 (Agustina Purwanti, Kompas, January 1, 2025). Key challenges include global economic uncertainty, slowing world trade, and protectionist policies from key trade partners.

Critical Assessment of Key Programs

Programs such as the \$28 billion free meal initiative for children and pregnant women and the “Food Estate” project underscore the government’s social development agenda. However, implementing such ambitious programs requires sound fiscal management to avoid budgetary strain (Reuters, October 18, 2024). Economic diversification into digital and renewable energy sectors must also be supported by consistent policy direction and an investment-friendly environment.

D. CONCLUSION

This study concludes that Indonesian economic policy must become more socially just and sustainability-driven to address ongoing inequalities. A paradigm shift from neo-liberalism to inclusive development is essential, with people as the central actors in development processes. The state’s role in regulating and protecting strategic sectors must also be strengthened to reduce dependence on global forces.

The year 2024 represents a pivotal moment in shaping Indonesia’s economic policy amid political change and global uncertainty. Strategic fiscal and monetary policies, coupled with carefully planned development programs, are critical for inclusive and sustainable growth. Collaboration among government,

civil society, and the private sector is keys to ensuring that economic policy benefits all societal groups.

Furthermore, this analysis highlights the vital role of public participation in development. Active involvement of civil society, NGOs, and social movements ensures that policies reflect the real needs and aspirations of those most affected. Enhanced participation strengthens legitimacy, accountability, and effectiveness in the development process.

Finally, international cooperation is essential for supporting justice-based development. Regional and global partnerships can enhance the capacity and success of domestic efforts while ensuring that developing countries have a stronger voice in global decision-making. A critical justice-based development model offers a clear path toward more inclusive, equitable, and sustainable development for all.

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