

## **The Equalization of Economic Development Between National and Local in Indonesia**

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**Abstract:** During the mass of the new order, the power is so strong in the hands of the central government. Until the entry of the reform era in 1998 then changes the power relationship between the center and regions. With the principle of decentralization and regional autonomy, local governments organize and manage their own affairs in accordance with the principle of autonomy. However, regional autonomy which was originally expected to provide opportunities stimulating economic development in the region apparently has not met expectations. Therefore, this study analyzed the equitable distribution of economic development between the center and regions. The method used in this research is qualitative method where data is obtained from observations and interviews. From the research that has been done, it can be argued that the agenda of equitable economic development that is run through the implementation of the principle of local autonomy and decentralization is a solution to eliminate discontent, injustice and inequality of development and its results.

**Key words:** Autonomy, decentralization and regional economic development, opportunities, regions, solution, center

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### **INTRODUCTION**

Speaking of Indonesia will not be separated from a nation that has a wealth of abundant natural resources which is a gift from God Almighty. Natural resources are so abundant spread almost evenly throughout the territory of the archipelago with the wealth of the nation actually Indonesia has the potential to become a prosperous nation in accordance with the ideals of the proclamation of independence set forth in the preamble of the 1945 Constitution.

However for 32 years this nation lived under the shadow of the New Order government power and always lulled by the false development and prosperity. Was a thing that is truly ironic that the development looks great and runs so fast only be enjoyed by the center, the elite of government and some entrepreneurs while on the other hand a lot of the area and small people who be used as a scapegoat over the development.

During the mass of the new order, the power is so strong in the hands of the center or in other words the government led by former President Soeharto was very very centralized. Every policy issued was always oriented to the interests of Jakarta and/or Java, the pattern of development is also very centrally on the island of Java, especially in the state capital of Jakarta. The area in many respects rated only a "cash cow" of the central government, without entitled to reasonable compensation.

So much natural wealth of the region, then the results are retrieved and taken to the island of Java, particularly Jakarta while people and governments in the region only get a very small part. In terms of economic infrastructure development and other sectors such as education, health and entertainment, Jakarta is the region with the level of development and economic growth that is so fast, leaving many other areas, particularly areas that are outside the island of Java.

Reality like this then led to a lot of views about the injustices development between central and local, natural resources are so abundant in many areas can not be enjoyed by the local government and communities. Many economic life of communities in areas that are far below the poverty line, even for them to obtain education and health services is very difficult and eventually a lot of people assume that Jakarta is a haven of life.

Some people or groups address this injustice in a different way such as by separatist activities which demand the separation from the Republic of Indonesia (NKRI). This requirement generally takes place in areas that have abundant natural resources such as Aceh and Papua but on the other hand a lot of people in this area do not get to enjoy the natural wealth and were below the poverty line.

Starting from the fall of the Soeharto government, centralized system which has become a barrier to the advancement of the area then becomes the target of

change in other words centralization which was a product of the new order should be removed because much harm to the local and misery to the people. Besides that several reformist judge that centralization is considered as the trigger of the disintegration process where it can already be seen from the number of separatist action in some areas.

Along with the entry of the reform era in 1998, the change took place in various sectors and one of the things that is eagerly awaited by the local government and its people are the hope for the creation of democratization in the region through a change in the power relationship between the center and regions. The changing pattern of this relationship is expected to abolish the centralized policy of the central government to local government which in the end that appears is the policy of decentralization by giving authority to the regions (autonomous regions).

With the principle of decentralization and regional autonomy, provincial governments, counties and cities set up and manage their own affairs in accordance with the principle of autonomy and assistance tasks. Initially, the concept of autonomy believed would be a trigger for the development of the region. Decentralization is also the antithesis of the political uniformity that occurred in the previous period in power in fact transfer of authority was also not entirely solve the problem. Regions still "dependent" on the center, one of which is the large dependence of local budgets from general allocation fund (DAU) and Special Allocation Fund (DAK) which is obtained from the central government.

The concept of regional autonomy which was originally expected to open up opportunities for stimulating economic development in the region apparently has not met expectations. Many areas were left behind and the distance gap with other regions become very wide. The implementation of regional autonomy has been considered awry and also underprivileged, some things showed governance relations in various lines are not smooth and less harmonious.

With such conditions for whatever investment policy, attention and finance provided to the region, regional progress with strong autonomy will remain futile. Even autonomy becomes meaningless when governance relationships that are horizontal and vertical are not fixed. Later some people assessing the irregularities of all this is triggered by the central government's reluctance to grant the rights of autonomy to the region as a whole.

In this scenario, the region was still seated as parties exploited, although exploitation is not at first. Implementation of the principles of justice for the region and community is something that is hard to do, because

there is still the paradigm that the centre become the boss whereas the region become subordinate. Fitness is entitled to rule, the region just those who governed. This paradigm should be changed so that the autonomy and decentralization become more meaningful and truly can provide a sense of justice for the region.

### **Theoretical framework**

**Theory of justice:** According to most theories, justice has a great interest rate. Rawls (1999) states that "justice is the excess (virtue) first of social institutions as well as the truth of the system of thought". But on the other hand many theories also reveals that justice has not yet been achieved: "we do not live in a just world" (Nagel, 2005).

In the context of equitable economic development between the center and the region we can quote the words by Caporaso and Levine (1992) that justice is: "all social values liberty and opportunity, income and wealth and the base of self respect are to be distributed equally unless an unequal distribution of any or all of these values is to everyone's advantage". The emphasis expressed by Rawls as quoted by Caporaso and Levine is about their social values, freedom and the opportunity to earn the same income and welfare.

According to the theory of justice in the book written by Ivancevich and James (2005) entitled organizations: behavior, structure, processes say that justice (equity) is a condition that appears in one's mind if he feels that the ratio between effort and reward is balanced with the ratio of individuals who he compared. The essence of the theory of justice is that he/she compares their efforts to remuneration in exchange from the other people in the same job situation.

Ted Benton reveals that the relationship of justice and a portion of the non-human parts of the world recognized as the recipient of the legitimacy from the justice. The challenge is to find a way of doing justice within the framework of legitimate aspirations for human justice.

Lots of debate on justice which then spawned a number of theories and principles of justice. Although, proponents have ideals and the same view of the desire to uphold justice in society but in their view there is a substantive difference in determining the precise meaning and definition of justice. Theories of justice that became the foundation beneath the contemporary economic systems that include the principle of radical egalitarianism, the difference principle, principle-based resources, welfare-based principles, principle-based reply and libertarian principles.

In the implementation of justice, Dworkin as by Sandel (1998) says about there should be no violation of

the rights of individuals, even though the social policy aims to create a comprehensive welfare. "Dworkin, like Rawls, believes that no social policy can be justified, however well it serves the general welfare if it violates individual rights".

**Autonomy and decentralization:** A discussion of equal distribution of economic development between the central (national) and the region (local) cannot be separated from the implementation of autonomy and decentralization concepts to the regions, the following will discuss a number of concepts and/or definition of regional autonomy and decentralization.

Ndraha (2005) explains that autonomy is a right (reward, admittedly, recognition, protected). On the other hand according to him, autonomy is the authority. As according to Nurcholish (2005) regional autonomy is the right of people living in an area is to organize, manage, control and develop its own affairs with respect to laws and regulations that apply.

Decentralization is a concept that is currently popular in public discourse, especially in Indonesia. Decentralization is the basic principles in the relationship between central and regions where this concept by Kuncoro (2004) is defined as the delivery of government affairs from the central government or upper government to lower local government. Meanwhile, Maddick as cited by Kuncoro (2004) defines decentralization as a process of deconcentration and devolution where devolution is defined as the transfer of power to carry out certain functions to local governments while deconcentration is the delegation of authority over certain functions to the staff of central government who live outside the headquarters.

A slightly different view of the decentralization proposed by Mardiasmo (2002), he revealed that decentralization does not just mean the delegation of authority from central government to the lower but also devolution of some powers of government into the private sector in the form of privatization.

## **MATERIALS AND METHODS**

This research was conducted using qualitative methods. Sources of data in this study consisted of a main or primary data sources and additional data sources or secondary data. Primary data in this study were collected through: observations in the field and interviews with informants considered the notion of equitable economic development between the center and regions. Informants in this study are: a lecturer in politics and government from Padjadjaran University as well as

political analysts and local governance. While secondary data in this study is all the information contained in the mass media, official government documents as well as results of studies on the economic development equality between the center and regions in Indonesia.

Test the validity of the data in this study is done through triangulation data validity testing techniques performed by checking the correctness of the data obtained. Triangulation is done against data sources that researchers get on the field.

## **RESULTS AND DISCUSSION**

**Equitable distribution of economic development:** Since 1966, the new order government has built a strong national governments to put political stability as the foundation to accelerate the economic development of Indonesia. Every economic development policy is run by highly centralized, bureaucratic government and its military began to occupy the top position and located in any government policy. Robust government bureaucracy shows how the prominence of the role and power of the elite at the top (center) and one of the most prominent phenomenon is very high dependence of local governments on the central government.

Centralization in addition resulted in a gap between the center and regions, also lead to inefficiency because of natural resources (including energy) are mostly located outside Java while industry and population are mostly located in Java. Concentration of development activity in Java Island is part of the history of the nation. In the Dutch colonial era, Java deliberately used as the center of government and power. Dutch selection was not without reason.

Observers who became an informant of this study assesses the Dutch colonial government decision at the time it was right because Java has the potential and abundant natural and have not been widely used by Javanese at that time. Demographic factors, namely the population of Java is very large compared to other islands are also important factors. Moreover, Java is located in a strategic position of international trade traffic between two continents and two oceans.

After independence, the choice of Java as the center of government and economic development continues to be run by the founders of this Republic. Even this option is getting more robust with the application-oriented development strategy on economic growth (growth leads development). As a result, development in Java, especially in Jakarta as the capital of the country, runs faster than other regions. Without giving a clear portion to the achievement of equitable development and its

results to other regions, then appeared socioeconomic inequality and the gap between Java and outside Java as well as between Jakarta and other provincial regions. Java, especially in Jakarta is a potential market for all kinds of products both from outside and within the country. Potential because it has population of nearly 60% of the Indonesian total population. While other areas inhabited by only 40% of Indonesia's population. The government's priority was eventually more geared to meet the demands of its large population, especially in Jakarta and Java in general. So do not be surprised if the various completeness of facilities and infrastructure such as roads, electricity facilities both sea and air ports, telecommunications and transportation systems as well as various other types of infrastructure such as education and health facilities much more adequate than other areas. But the impact is the sharpening of inequality between Java Jakarta and areas outside it.

But now the acceleration of growth and development that is only centered on the island of Java, particularly Jakarta is no longer a national development excellence. Concentration of economic growth and of development that only be in the center, precisely be a serious threat to the political stability and the national economy because the radicalization of the masses will arise due to dissatisfaction arising from injustice and inequality of development.

Equitable distribution of economic development in an effort to reduce the imbalances that exist between Java and other islands can be reached through a variety of ways. First, reduce or eliminate all bias of government policy in the field of trade and industry even including the other areas which tend to be centralized therefore, the big question to be answered in favor of this policy is to shift the old paradigm of development that only concerned with economic growth rather than equity. Therefore, the proposal to relocate industries to other areas, besides Jakarta and Java, should receive the attention from the policy makers.

Second, one of the important efforts to create equitable regional development is to implement the decentralization policy in earnest. This policy will make the regions free from economic and political dependence on the central government. The purpose from this decentralization is to increase local government spending for social programs, increase efficiency and enhance the economic participation of local communities.

With the decentralized spending, decisions in the allocation of funds will be changed according to the needs and desires of the region and community, it is expected that decentralization can increase the share of total spending for social programs and infrastructure

development are equitable and in accordance with local needs. Moreover, decentralization may also increase the economic participation by shifting the focus of spending on infrastructure projects, medium and small that support the development of small and medium scale enterprises. Furthermore, the efficiency in the use of resources can also be increased as a result of decentralization.

Their tendency or desire to re-strengthen the central role over the region is one of the mindset that no reformist and democratic. Reinforces the influence of the center means the same as letting injustice continues in this country. In the other hand let injustice as well as violating the rights of others in this case the area has a wealth or natural resources. Caporaso and Levine (1992) has revealed that the concept of justice refers to the foundations of social order that we can use to define rights (including property rights).

**The government's role in economic development:** In the reign of the new order all decisions regarding the management of natural resources is always done in Jakarta or by the Central Government. The role of Local Government at the time was almost nothing, this causes inequality in the sharing from natural resource extraction. If we look closely, almost all the consequences caused by these activities are borne entirely by the local government and local communities. This has often lead to social conflict and instability of security around the location of management operations natural resources, particularly mining.

The emergence of regional autonomy laws has provided broad opportunities for local governments to make more equitable policies both for the customary communities, local governments and for the company itself. With the existence of this law dues general investigation, exploration, exploitation, processing, sales are paid to local government (in contrast to earlier which are paid to the central government) so the distribution of financial balance will be made by the regional government.

Regional autonomy law provides a very broad role for the regions in economic development activities, along the corridor does not violate the rights and authority of the central government which is already listed in the legislation. In general the economic development of the region itself by Blakely is defined as a process in which the local government and the entire community to manage a variety of existing resources and form a pattern of a partnership to create a new jobs and stimulate the development of economic activities in the area.

With the breadth of roles that are owned by local governments in the form of management of natural resources, the region has the right and duty to make

policy of their own region with the aim of providing a sense of justice and prosperity for its people as embodied in the concept of justice is based on the principles of welfare-based. Then, if we face the question how far the government's role in economic development?, then the simple answer that indeed we can know from the discussions above.

But if we talk more specifically about the role that can be run by local governments in implementing economic development, then I'll try to take the opinion from Kuncoro. Where Kuncoro quote from Blakely, in the local economic development, the role of local governments can include roles entrepreneur, coordinator, facilitator and stimulator (Kuncoro, 2004)

As an entrepreneur, the local government is responsible for running a business. Local government can exploit the potential of the land and buildings for business purposes to be used for the prosperity and welfare of its people. As the coordinator, local governments can act in setting policy or proposed strategies for development in the region, further the role of the coordinator is able to involve community groups gather and evaluate the economic information.

While the local government as a facilitator can accelerate the development through environmental improvement in the region. As a stimulator the local government can encourage the creation and development of enterprises through specific measures that will affect the companies to enter into the area and maintain the existing companies.

**The role of central government in implementing the principles of justice:** The enactment of Law No. 22 of 1999 and Law No. 25, 1999 which was later replaced by Law No. 32 of 2004 concerning Regional Government and Law No. 33 of 2004 on financial balance between the Central Government and Local Government in Indonesian has brought a logical consequence that there is a change in the system of governance in the region. In some districts/municipalities that condition characterized by the increasing amount of authority possessed by regional with the authority the autonomous region is expected to be able to obtain financing to implement its autonomy.

Associated with the implementation of decentralization principles in the context of regional autonomy not necessarily decrease or exclude the role of central government in this period. The central government still plays an important role in running the government, because there is some authorities that can't be handed over to the local government such as: foreign policy; defense; security; judicial; national monetary and fiscal; and religion (Article 10, Paragraph 3 of Law No. 32/2004).

Besides, in the context of the new relationship between the center and the regions, the central government role is to oversee the implementation of autonomy and decentralization in order to be useful for people in the region, creating equal justice, especially in terms of economic development. Where the economic development that grows evenly in each region is expected able to help in improving the welfare of the community, because the pattern of economic development is certainly different from the pattern of economic growth.

According to Sjahrir (Kuncoro, 2004), economic growth is not synonymous with economic development: "the high economic growth indeed achieved in the early stages of development of the country but accompanied with problems such as unemployment, rural poverty, unequal income distribution and structural imbalances". Economic growth only recorded an increase in production of goods and services nationwide while the development has a broader dimension rather than just an increase in economic growth.

In implementing the principles of fairness and in accordance with the reform era that changed the pattern of central and local relations from a centralized into the direction of regional autonomy and decentralization, the policy of economic growth that is used by the new order government was no longer relevant to be the policy goals. The pattern of economic growth in the past should now be shifted to the economic development pattern, a pattern with dimensions beyond just wide and extends to the distribution of income were evenly distributed between the central and regional as well as create a structural balance.

Is the role of the central government which will then be assisted in implementing economic development policies, so that this development can be widespread and evenly distributed in every region. Because in the reality, not all the region have the potential wealth, hence the central government can play a role in creating the fairness, of course, without having to take too many rights of local governments. Some experts suggest the development of a region should include three core values:

- Substance: the ability to meet basic needs for survival
- Self esteem: development must humanize people. In a broad sense the development of a region should increase pride as a man who was in the area
- Freedom from servitude: freedom for each individual of a country to think, develop, conduct and trying to participate in the development (Kuncoro, 2004)

## CONCLUSION

The acceleration of development growth which only concentrated on the Java island, particularly Jakarta, no longer be an advantage for national development. In contrast, the concentration of development in the center poses a serious threat to the political stability and the national economy because the radicalization of the masses will arise as a result of dissatisfaction, injustice and inequality of development.

Equitable economic development which is run through the implementation of the principle of local autonomy and decentralization is a solution to eliminate discontent, injustice and inequality of development. The emergence of the tendency or desire to re-strengthen the central role over the region is one of the mindset that no reformist and democratic. Reinforces the influence of the center means the same as letting the injustice continues. On the other hand allowing injustice as well as violating the rights of the region people.

Decentralization provides the opportunity for autonomous regions to set up and administer governmental affairs, the birth of regional autonomy laws provide ample opportunity for local authorities to make more fair policy, both for society and the local government itself. In the current era of autonomy of local government itself may act as an entrepreneur, coordinators, facilitators and stimulators.

But the enactment of decentralization and regional autonomy does not necessarily decrease or exclude the role of central government in this period. The central government still plays a very important role in running some errands. There are some matters that can not be handed over to the local government authority such matters: foreign affairs, defense and security, monetary

and fiscal matters, justice and religion. In addition in the context of a new relationship between central and local governments, the central government can also play a role in overseeing the implementation of autonomy and decentralization, the aim is for the implementation of autonomy and decentralization can be useful for the people in the region, creating equal justice, especially in terms of economic development.

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