

Endorsing Economic Freedom for the Advancement of Indonesia

Early 2015 witnessed the political events concerning legal dispute that puts the Corruption Eradication Commission (KPK) and the Indonesian National Police as a central actor. For many people support the Commission, the Police systematically and planned had sought to weaken the KPK. While the weakening of leading institutions to eradicate corruption in Indonesia, our currency IDR (*Rupiahs*) also suffered no different situation, but of course with a different sources.

In the last two weeks beginning of March, IDR has weakened 6.3 percent against the US dollar (*United States Dollar*) compared to last year. Moreover, flow of funds out of the Indonesian capital market reached 13.5 trillion Rupiahs on March 12 last. It resulted in Stock price index fell and yields on Government Securities period of 10 years of riding. What is the meaning of the economic indicators?

Pressure weakening USD is heavily influenced global conditions, such as the strengthening of the US dollar against other currencies. The main driver of this global condition is the existence of the normalization of monetary policy of the US, which will raise the interest rate the central bank which is currently staggered at the level of 0.25.

However, blaming global conditions as the culprit of the depreciation of the rupiah is not true. The next question is why Rupiahs very depressed even when the domestic economy has improved? For example, the government had convinced the Indonesia Parliament to reduce significantly the burden of fuel subsidies in 2015 revised state budget and reallocation of subsidies to infrastructure project.

Fundamentally weakening of the currency is a sign the economy is not healthy condition. Most impact of weakening Rupiaj to be aware that it will hit the real sector to suppress the economic growth. Can we imagine that at the end of the entrepreneurs previous year (2013), she has a foreign debt in dollars, after the rupiah weakened in early 2015 the foreign debt burden her must be increased significantly. Questions for the Government how she can survive if similar conditions back to haunt?

The government has attempted to issue a policy to cope with the pressure on the weaken IDR, it is of course needs to be appreciated. Such policy are to give tax incentives for companies that reinvested its capital gains in Indonesia and the company which exports 30 percent of its production, use IDR for the local transaction, and other policies. At the end, Governments are required to have *a sense of crisis*.

Government officials should not be immersed in the belief that the Indonesian economy remains strong despite the amount exceeded 13,500 per dollar and will be good for our exporters. Where economic logic come from? Rather than reactive and normative acts of government, the government can begin to forward the economic structural reforms Indonesia-based evidence and compared with competitor countries.

[Freedom Barometer Index](#), which has been launched by the Foundation for Political Frederich Nauman Foundation for Freedom *may be* as one measure where the Government should begin to pass on our economic reform program. Freedom Barometer has its main advantages with the completeness of measurement indicators, not just economic as well as political and even law (*rule of law*). In sum, freedom barometer is one of the comprehensive measure tool, yet it easy to understand.

Index of economic freedom as measured consists of 4 main indicators: (1). Secure of property rights, (2). the size of government (expenditures, taxes and enterprises), (3). The regulation of credit, labor, and business, and (4). Freedom of international trade. Ranking of Indonesia economic freedom we are rated 7-9 from 2010 until 2014. We are below Malaysia, Thailand and even Mongolia, not compare with advance Asian Giants such as Hongkong, Japan and South Korea. Beside that we are also facing decline trend in the last 5 years.

The recent data index states homework on economic reforms already in the right trajectory by the Jokowi's Government, which is to reduce the size of government more efficiently managing government spending, reduce the tax burden of unnecessary and continue to ease of doing business. On the other hand, guarantee property rights also need to be managed better and carefully. Because, it is closely related to the condition of the rule of law index that does not improved during the past few years.

We want the Indonesian economy continues to progress towards the advanced economies (developed economy), but the way to achieve the advanced economies cannot forget: freedom is the way (means) achieve the novel goals, not only means but also the final destination (ends).

Muhammad Iksan: (Lengkapi profil Inggris Iksan)