

The Future of Indonesia's Economic Strategy From Human Capital Policy Point of View: A Lesson From The Current Economic Crisis

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Abstrak

Indonesia's crisis began in July 1997, following the float of the Thai's Bath and the Malaysia's Ringgit. As a consequence, unemployment soared into the millions as the crisis spread. The number of poor people rose dramatically around 22 million at early 1997 to about 79 million in the middle of 1998, according to the BPS estimation. In fact the pressure, which led to the ultimate collapse of Indonesia's economic miracle, began in late early 1995. Indonesia failed to sustain microeconomic reform after 1993. When Soeharto administration was re-inaugurated in 1993, economic growth was back to above 6.5 percent, and investment was pouring in. The days of the mega-project arrived. Two features common to most of these mega-projects were high capital requirements and their domestic market orientation. Inefficiency in the real sector due to high costs generated by the so-called 'crony capitalism' also flourished. Despite several positive indications of economic development, a more fundamental reform has not been touched seriously, i.e. human capital improvement in health and education of the people is of prime importance to raise labor productivity and will raise their earning and welfare.