WILL INDONESIA EMPLOY THE KEYNESIAN THEORY TO PROTECT ITS ECONOMY IN THE CASE OF A GLOBAL RECESSION IN 2023?

Helen Dian Fridayani[1], **Anang Setiawan**[2]

[1]Graduate Institute of Political Economy, Department of Political Science, National Cheng Kung University, Taiwan
[1]Departement of Political Science, Universitas Muhammadiyah Yogyakarta, Indonesia
[2]Doktor Politik Islam- Ilmu Politik, Universitas Muhammadiyah Yogyakarta, Indonesia
Corresponding author: helendianf9@gmail.com/u18087030@gs.ncku.edu.tw

Abstract

The World once more experienced an economic catastrophe in 2020, just 12 years after the global financial crisis. The global pandemic known as Covid-19 is the cause of the current crisis, which has an entirely different impact on the economy than the previous global financial crisis. The effect of the recession this time on Indonesia will be through three things, such as exports, investment, and purchasing power. Meanwhile, the thing that will be most felt by individuals is losing their jobs, although it is predicted that it will not be too significant either. Seeing this reality, the government especially Indonesia should immediately improve in facing the threat of global economic recession. A bleak period marked by negative economic growth for two consecutive quarters cannot be underestimated. In urgent times, the government must at the same time maintain people's purchasing power, control inflation, increase exports, and encourage investment growth. The government must not be slow to act because the signs of recession are in sight. This research is qualitative research that is a literature study (library research) that uses books and other literature as the main object. The result of this study is in maintaining domestic economic stability, Indonesia still refers to the Keynesian theory which suggests that the government must intervene in economic activities in a country.

Keywords: Economic Recession, Keynesian Theory, Government Policy.

A. Introduction

According to the Keynesian economic theory, the government should increase demand to promote development. Keynesians acknowledge that consumer demand is an economy's primary driver. Therefore, the hypothesis supports the extension of the financial arrangement (Marcuzzo, 2005). Government spending on infrastructure, unemployment compensation, and education are its main weapons. Its flaw is that it pushes Keynesian ideas too far, which raises the inflation (Fand, 2019). Keynes identifies various flaws in the ideas of traditional economics in this endeavor. Keynes argues that the government has a role in economic activity, refuting J.B.

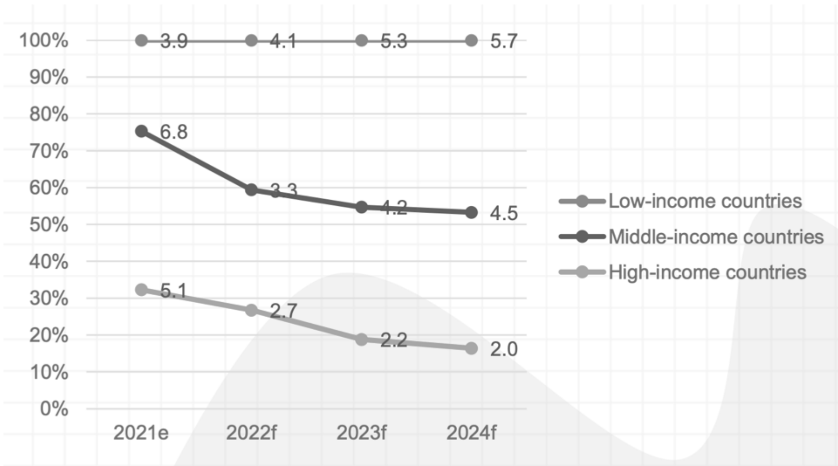
Say's theory in thprocess (Ferguson, 2013). A new economic theory put out by John Maynard Keynes explains how depression develops, how to deal with it, and what needs to be done to prevent future occurrences. The General Theory of Employment, Interest, and Money, is a seminal book published in 1936 as a direct response to the Great Depression (Conway, 2011). The Keynesian approach appears effective for a time (Conway, 2011). The basis of Keynesian economics is the notion that fiscal policy (taxation and government expenditure) should be used as a weapon to regulate the economy. John Maynard Keynes, a British economist, founded the Keynes School, which bears his name. Keynes (1883–1966) was the founder of this school.

Throughout the 1930s, British economist John Maynard Keynes developed this idea. All prior attempts to stop the Great Depression were thwarted by the Great Depression. What was regarded as conventional economic understanding at the time was shocked by the Great Depression. To understand why, we must return to the traditional macroeconomic framework that dominated the field of economics at the time of the Great Depression (Arestis, Philip, 2010). The economy was nearly immobilized as a result of the abrupt economic slowdown, which was hurting many industries, unemployment, a banking crisis, and a credit crisis. An even more severe economic depression will result from this protracted and protracted economic stagnation. The global economy was damaged by the Great Depression. The Great Depression not only destroyed emerging nations, but it also utterly destroyed the economies of industrialized nations. The community revenue, taxes, and company profits all drastically decreased as a result of the substantial decline in trade volume (Romer, 2003).

Using Keynesian economics, President Franklin D. Roosevelt created his renowned New Deal program. In his first 100 days in office, FDR increased the obligation to create 16 new institutions and laws by $4 billion (Kinkel, 2012). The program consists of 47 projects that are divided into three implementation periods between 1933 and 1939. The "New Deal" plans call for closing all banks and ensuring their financial stability, 15% pay cuts for government employees and the military, the long-term use of 3 million people to clear land, the exchange of gold for dollars, support for jobs in horticulture, development, training, and the arts, and loans to ranchers to prevent the abandonment of fields used for domesticated animals. The "New Deal" ideas that Roosevelt advanced are starting to show results. The American economy's growth reached 10.8% at the main stage. Even though the next stage's monetary development was still progressing at a fast rate of 8.9% at that point, it began to slow down. Financial growth increased once more and reached 12.9% in 1936 (Irfani, 2018). This demonstrates the viability of the John Maynard Keynes-initiated theory. that a country's economy needs the assistance of the government to recover.

The global economic crisis of 2008 was brought on by a number of significant global economic decline indicators (Irfani, 2018). These indicators include the high price of oil in the world, which contributed to the global food crisis (because food production depends on oil, and because food can be used as a substitute for petroleum), high inflation, the credit crunch, which led to the failure of several major banks, and rising unemployment (Foldvary, 2011). The economic situation in Indonesia is also affected by this. In general, the state of the Indonesian economy as a direct effect of the 2008 financial crisis includes (Irfani, 2018), (1) Significant unemployment and layoffs as a result of decreased export output (due to external market dependency), (2) A heavier weight of the foreign debt (as a consequence of fiscal stimulus to rescue the crisis), (3) Numerous instances of land grabbing because of construction projects (to maintain consumer purchasing power), High rates of violence brought on by agrarian unrest, (5) carelessness with public services brought on by increased funding for banking rescue, (6) As a result of the deployment of financial resources for corporate recovery, individuals are becoming poorer. In 2023, the global economic downturn will be made worse by the Covid-19-related process of economic recovery, which is made worse by Russia's invasion of Ukraine. Stagflation is now more likely to occur, which could have severe effects on middle- and low-income economies. The projected decline in global growth from 5.7 percent in 2021 to 2.9 percent in 2022 is a sharp decline from the 4.1 percent forecast made in January (Ozili & Arum, 2023).

Fig 1. Global Economic Growth



Source: Chayyani, The Indonesian Forum Seri-91.

The first is slow growth, as evidenced by the fact that, following the pandemic-related collapse in 2020, global growth recovered to 5.7% in 2021, helped by previously unheard-of monetary and fiscal policy accommodation. Due to the Ukraine war, waning pent-up demand, and the removal of policy support amid high inflation, it is now anticipated to decline to 2.9 percent in 2022 and 3.0 percent in 2023–2024. Inflation around the world has significantly decreased from its peak in the middle of the 1970s. However, a recovery in global demand from the epidemic and rising commodity prices, particularly after Russia invades Ukraine, have caused inflation to surge in 2021–2022 (Chayyani, 2022). The rise in interest rates will have an impact on investment and consumption in addition to inflation. The US and Europe's economies will enter a recession as economic growth slows down. The US and European economies are contracting, which will lower demand for imports from around the world, including China. China's economic development will inevitably slow down. The implication is that ASEAN exports to China will decrease, including those from Indonesia (Imelda, 2022). This recession's impact on Indonesia will be seen through three different channels: exports, investments, and purchasing power. This recession's impact on Indonesia will be seen through three different channels: exports, investments, and purchasing power. Losing a job, however, will be the event that people will feel the most, even if it is anticipated that it won't be particularly significant (Laili, 2019). One of the things the government can try to do is to implement fiscal policies that raise the purchasing power of the lower middle class in order to keep

Indonesia's economic situation stable. Given this reality, the government, particularly that of Indonesia, should do everything possible to prepare for the possibility of a global economic recession. It is impossible to understate the dire consequences of a period with two consecutive quarters of negative economic growth. In times of crisis, the government must sustain the purchasing power of the populace while also reducing inflation, boosting exports, and promoting investment growth. Since there are indications of a recession, the government must move quickly. According to the US Institute for Supply Management, the Purchasing Managers' Index (PMI), which measured how well the nation's manufacturing sector performed in September, dropped from 49.1 the month before to 47.8. The lowest figure since June 2009 is that one. In order to assess Indonesian policies under President Joko Widodo, this paper will do so. The Keynesian theory is being used or reapplied by the President to safeguard the economy.

B. Research Method

This study is a qualitative literature study that uses books and other works of literature as its primary object (Sugiyono, 2017). An effective way to gather information relevant to the topic or problem under study is through literature study. Books, logical papers, propositions, papers, references books, the web, and other sources are good places to find this information. Analysts can utilize all the information and considerations necessary for their investigation by conducting a literature study (Nazir, 2013). Prior to conducting research, it is crucial to conduct library studies because doing so will make it easier to understand how problems relate to pertinent research and theory. Additionally, research will be further supported by both accepted theories and verifiable evidence, such as study findings, conclusions, and recommendations (Nazir, 2013). The results of prior research that relates to the research that will be done are included in a systematic description of the literature study, as are the present conditions of the scientific area (the state-of-the-art) (Uma, 2006). This type of research, called a descriptive approach, generates data in the form of notes and descriptive information that is included in the text being studied (Sugiyono, 2017).

C. Theoretical Framework

Keynesian Theory

British economist John Maynard Keynes is renowned for the economic theory he advanced. (Crotty, 1980). He is a proponent of mercantilist economic theory, and the majority of his theories center on the initiatives taken by the governments of the relevant nations to preserve economic stability. He works for the British Financial Agency, and through his work, the global economy has been guided by some of the ideas he came up with concerning the modern economic system (Shackle, 1973). The concept first emerged at the conclusion of World War I, when Keynes opposed the League of Nations' punishment of Germany for any wartime losses that resulted in the reimbursement of all losses and obligations of the German state to World War I victor countries like Britain (Crotty, 1980).

Keynes believed that the sentence would be difficult to complete, that Germany would struggle to complete it, that it would cause the economies of other nations to collapse, and that it would be miserable for Germany to complete (Bortis, Heinrich, 1997). The demise of the European economy and the start of World War II later served as evidence of this. Keynes believed that Germany's decision to keep producing in order to pay off its war debts was even worse for the country's own industry (Bortis, Heinrich, 1997). Additionally, in order to prevent the collapse of the economy, the state must make investment efforts. From this point on, Keynes gained notoriety as a contemporary economist who brought up the subject of public investment. Keynes, an economist whose theories are based on mercantilist theory, emphasizes the importance of government policies in stabilizing the economy of a nation. Keynes argued that the government needed to make some sort of investment in the form of public facilities in order to prevent and handle crises that could strike at any time (Conway, 2011). According to this hypothesis, macroeconomic developments can affect people's microeconomic behavior. Keynes emphasizes the importance of aggregate demand as the main driver of the economy, especially in a sluggish economy, in contrast to the classical economist theory, which holds that economic processes are based on the development of potential output (Arestis, Philip, 2010). He contends that government actions can boost macroeconomic demand, lower unemployment, and prevent deflation (Marcuzzo, 2005). The community will have more money available if the government increases its spending, encouraging more people to shop and increasing demand. Additionally, once the economy returns to normal levels, savings will increase and become available for use as investment capital (Romer, 2003).

Economic Recession

When there is a general slowdown in monetary movement, a downturn is a business cycle constriction in the context of the finance (Webster, n.d.). When consumption (a negative market shock) is widespread, recessions typically happen (Romer, 2003). This could be brought on by a variety of events, such as a financial exigency, an outside exchange stun, an adversarial stockpile stun, or a financial air pocket exploding. As demonstrated by (Stiglitz, 2000) Due to the closure of the business, there will be a huge amount of unemployment. Additionally, these circumstances led to a decline in people's purchasing power, which had an impact on the decline in corporate benefits (Lee, 2019). According to other academics, an economic recession is a period of generalized economic contraction that is frequently followed by stock market declines, increases in unemployment, and declines in the housing market (Buczynski, J. RIchard & Bright, 2011). Recessions are typically less severe than depressions. In general, the government leadership is to blame for the recession, frequently the president, the chairman of the Federal Reserve, or the entire administration. If it is not addressed right away, the recession will last for a very long time and turn into an economic depression, which could result in bankruptcy or an overall decline in the economy. A country's economic recovery will be more challenging if it has reached this point (*The Month of the Peak The Quarter of the Peak*, 2010).

Not a few nations in the history of the global economy have gone through difficult times or been ensnared in a recession (Chang, Stuckler, Yip, & Gunnell, 2013). At least 17 nations in the area experienced a recession as a result of the economic crisis that the European Union countries experienced in 2008–2009, including the following: Greece, France, Portugal, the Republic of Cyprus, Spain, Ireland, and Italy (Foldvary, 2011). The global economic crisis struck Thailand in 2010 (Abeysinghe, 2011). The nation, often known as the White Elephant

Country, saw two quarters in a row of negative economic growth. This is brought on by the declining gross domestic output of the nation. 2015 saw an economic slump that not only affected underdeveloped nations but also Russia, a superpower foe of the United States (Saragih, 2019). Low GNP in this country was the result of the global capital markets rejecting Russian companies, which led to the start of the recession (Fullbrook, 2009). As a result, even though the nation has a budget deficit, the inflation rate is quite high (Romer, 2003). The image suggests that a variety of causes contributed to the economic crisis. The economic recession affects both large economically developed countries as well as small, developing, and underdeveloped nations.

What is the telltale sign that a nation is about to experience an economic downturn? If any of the following occur, a country is said to be in a recession (Chang *et al.*, 2013).

1. The ratio of production to consumption is unbalanced.
   Production and consumption are not far apart from the economy. The basis for economic growth is the balance between the two. The economic cycle will have issues if production and consumption are out of balance. High production will lead to an increase in the inventory stock of goods if it is not accompanied by high consumption. In contrast, if domestic demand is insufficient due to low output and high consumption, imports will be necessary. Corporate profits will decrease as a result, which will have an impact on the fragile capital market.
2. The economy grew slowly and even shrank for two straight quarters.
   Economic growth is a metric used in the global economy to assess a nation's good and bad economic situations. A considerable increase in economic growth indicates that the nation's economy is healthy and also true. The gross domestic product (GDP), which is the total consumption, government spending, investment, and exports minus imports, is used to measure economic growth. A downturn or recession in the nation's economic growth is unavoidable if the gross domestic product declines from year to year.
3. Imports are significantly more expensive than exports.
   Import and export operations are perfectly normal in global trade. Meeting the requirements of citizens in both nations is one of the objectives of imports and

exports, in addition to fostering economic cooperation. Countries that lack certain goods because they are unable to create them themselves can import them. On the other hand, nations that produce more than they need can export to other nations. However, the economy of the nation may be impacted if imports coincide with unsteady exports. The country's budget imbalance is put at risk when imports outweigh exports by a wide margin.

4. Significant inflation or deflation took place
   Inflation is necessary for specific causes and objectives. Inflation that is too high, on the other hand, actually makes the economy more difficult because commodity prices are so high that not all social classes, particularly those in the lower middle class, can afford them. If rising purchasing power is not followed by inflation, the state of the economy will deteriorate. Deflation as much as inflation have an effect on the recession. Low firm earnings and income levels may be impacted by falling commodity prices. As a result, the production volume is low and the manufacturing costs are not met.
5. Significant unemployment
   One of the production factors that are crucial in sustaining the economy is labor. A nation's unemployment rate will undoubtedly be high if it is unable to fill jobs for its own citizens. Low purchasing power and the risk even led to crime as a means of survival.

In order to combat recessions, governments typically implement expansionary macroeconomic policies, such as raising the money supply, increasing spending, and lowering taxes. Last but not least, a recession has a variety of traits that may manifest simultaneously, including a decline in the GDP component measures of consumption, spending, government spending, and net export activity. These broad indicators reflect underlying elements like employment and skill levels, family savings rates, corporate investment choices, interest rates, demographics, and governmental policies.

D. Findings and Discussion

The world's nations, even developing nations like Indonesia, appear to be feeling the effects of the recession as well. Getting back to history, the globe experienced the Great Depression in 1929. Major cities all throughout the world were destroyed, particularly those whose economies relied on heavy industry (Fullbrook, 2009). Even though, only 3% of respondents to the Bloomberg survey indicated that Indonesia would experience a recession. In comparison to other ASEAN nations like the Philippines (8%), Thailand (10%), Vietnam (10%), and Malaysia (13%), Indonesia has a lower level of recession probability. Additionally, Indonesia is far more resilient than its peers in the Asia Pacific area, specifically Sri Lanka (85%), New Zealand (33%), South Korea (25%), Japan (25%), and China (20%), which have the highest odds of a recession (Kemenkeu, 2022). Construction on the building has come to an end. Since agricultural product prices have decreased by 40 to 60 percent, rural areas that rely on agricultural products are also insulated from the impact, Keynesian theory was developed as a remedy.

The global recession in 2008 also led to a resurgence of Keynesian theory. Keynesian theory was in high demand at the time among global decision-makers in economic policy. (Korotayev & Tsirel, 2010). The Indonesian government's policy will therefore result in Keynesian theory if there is an economic recession in 2023. Beginning in 2023 with the State Revenue and Expenditure Report The budget was created in response to the escalating danger of a worldwide economic recession. As a result, the budget allocation is intended to promote domestic consumption, investment, and government spending. 5 adjustments to the state budget for 2020 In order to reach the goal of income tax and VAT, which totals Rp 1,615 trillion in 2020, incentives must first be provided for both taxes (Ikhsan, 2019). In comparison to the anticipated tax revenue for 2021-2022, this sum has increased by 12%. The government provides these incentives in an effort to enhance the business climate and competitiveness. Furthermore, the government has included three new cards as a new aid for the underprivileged.

The Smart Indonesia Card (College), which will assist the underprivileged in continuing their education at tertiary institutions, is the first thing that has been done in Indonesia. IDR 6.7 trillion is required for 818,000 pupils. The Pre-Employment Card is the second. To receive a certificate of work competency or vocational education, this card is issued to job searchers or employees. For almost 2 million participants, the overall budget is roughly 10 trillion IDR. Finally, the staple food card, which includes nine staple foods, enables 15.6 million low-income families to obtain assistance with staple meals. There is a 28 trillion IDR budget allotted. In order to improve the welfare of the underprivileged, free food distribution was started in the Susilo Bambang Yudhoyono era in 2005. The difference is that the Jokowi basic food program is currently a component of a sizable initiative to enhance the welfare of the underprivileged. Along with providing food, the government enhanced agricultural output and provided housing loans and down payment subsidies through this program. The government will give 16.2 million farmers fertilizer subsidies totaling Rp 26.6 trillion for agriculture.

Regarding housing installments for the underprivileged, the government will offer a subsidy of Rp. 600 billion for housing down payments to 150,000 families and Rp. 3.9 trillion for housing loan interest subsidies to 677,000 families. Third, the budget for the Village Fund increased by 5.2 percent from the previous year to around Rp 856 trillion. The construction of infrastructure for interregional access, drinking water, education, and health will be given top priority in the new Village Fund's budget. Fourth, the budget for subsidies fell to Rp 125 trillion in 2020, a fall of over 14%. Offering targeted electricity subsidies to household customers who consume between 450- and 900-Volt Amperes (VA) is one of the actions the government is doing. Fifth, except for the Ministry of Health, where the budget decreased by Rp 400 billion to approximately Rp 58 trillion, all ministries saw an increase in budgetary spending. The budget for the Ministry of Defense increased by over 20 percent to Rp 131 trillion, and that of the Indonesian National Police increased by 11 percent to Rp 104 trillion. These two agencies had the largest budgetary increases. Other actions made by the government include raising non-taxable income and streamlining social assistance in order to preserve household spending while continuing to give the underclass of society a stimulus (Arestis, Philip, 2010; Arestis, Dunn, & Sawyer, 1999; Bortis, Heinrich, 1997; Flanders, 2019; Foldvary, 2011; Saragih, 2019). The government also promotes export markets while safeguarding the home industry and markets. Businesses that have a very quick transmission to the global market, such as those in the financial industry, notably the banking sector, the mining sector, the plantation sector, and the real estate sector, are given priority for government preventive actions (Abeysinghe, 2011; Plecher, 2019; Roubini, 2018; Shaikh, 2005; Silvia, Wardi, & Aimon, 2013; Vanbergen, 2018).

Additionally, the government plans to enhance micro, small, and medium-sized businesses (MSMEs) (Tobing, 2019). Together with ASEAN, Indonesia aims to raise the standards and capabilities of MSMEs so that they can participate in the global value supply chain. MSMEs are also anticipated to support the economy when a global recession is on the horizon (Ghio, Guerini, Lehmann, & Rossi-Lamastra, 2015; Irawan, 2020; Park, Lee, & Kim, 2020). The MSME sector and cooperatives are able to provide a buffer for the national economic system in the face of a recession, according to a number of studies conducted by Indonesian scholars. MSMEs showed their ability to support the Indonesian economy through the global crisis of 1998, allowing it to recover and grow in the years that followed. The core of the Indonesian economy is comprised of micro, small, and medium-sized businesses. To strengthen the domestic economy, MSMEs' capacities and standards must be raised. Due to their substantial contributions to Indonesia's GDP, which reached 62.5%, employment, and non-oil exports, which reached 16.45%, MSMEs attracted a lot of attention (Saragih, 2019).

Additionally, one approach to lessen the economic downturn in 2023 is for the government to implement a pro-investment policy. Foreign direct investment (FDI) flows are created as a result of the government inviting both foreign and domestic enterprises to do business in the Indonesia (Ondang, Singkoh, & Kumayas, 2019). Additionally, the Indonesian government is concentrating on promoting foreign direct investment as opposed to minimizing the current account deficit, which is the financial situation in a country where import growth rates are higher than export growth rates (Abeysinghe, 2011; Kinkel, 2012; Korotayev & Tsirel, 2010; Marcuzzo, 2005). An atmosphere that is attractive to investors is crucial because, according to the World Bank, one of the things that harm Indonesia's reputation as an investment-friendly country is the number of laws that complicate corporate operations (Roubini, 2018). More than 6,300 regulations were made from 2015 to 2018 alone, with the Central Government making 86% of them (Chang et al., 2013; Papatheodorou, Rosselló, & Xiao, 2010).

Additionally, according to the presentation made by the Ministry of Finance to the Indonesian Bachelor of Economics Association, the Indonesian government was persuaded to switch its strategy from relying on international trade to domestic growth as a result of a number of global risks, including trade disputes, geopolitical unrest, and decreased investment. On the other hand, the government has implemented 5 development priority plans for 2023, including the improvement of infrastructure, simplification of all types of licensing and regulation, economic transformation, and bureaucratic simplification. The quality of coordination and mutual support among central regions, systems, and procedures to reduce inefficiencies and high-cost economies, as well as the involvement of as many economic actors as possible, will all affect how effective priority programs in the field to strengthen national fundamentals and competitiveness are (Abeysinghe, 2011; Fand, 2019; Kinkel, 2012; Korotayev & Tsirel, 2010; Lee, 2019; Plecher, 2019; Silvia et al., 2013; Stiglitz, 2000; Vanbergen, 2018). In 2023, there needs to be a greater emphasis on initiatives that directly contribute to preserving people's buying power, welfare, job creation, advancing industrialization, and promoting the use of technology in national production systems.

Bank Indonesia is in charge of regulating expansion. In line with supply-side conditions, Bank Indonesia's fiscal strategy is designed to monitor value pressures starting from the total interest side (request the board). Revenue approaches are not recommended as a response to swelling that is increasing as a result of ephemeral shock causes that will eventually disappear without further input. Although factors starting from the stockpile side or shocks, such as rising global oil prices, yield disruptions, or flooding, can also have an impact on swelling (Foldvary, 2011; Irfani, 2018; Saragih, 2019; Uma, 2006). The unpredictable food and managed bunches costs, which make up around 40% of the CPI's weight, are what are responsible for the CPI's swelling weight, which is affected by the shock factor (Plecher, 2019). Thus, if there are major shocks, such as when fuel prices increased in 2005 and 2008 and caused a flood swelling, Bank Indonesia's ability to restrain expansion is severely constrained. The achievement of the expansion aim necessitates collaboration and coordination between the administration and BI through integrated macroeconomic plans from financial, money-related, and sectoral approaches given that the swelling rate is also influenced by these astounding components. Additionally, the characteristics of Indonesia's swelling, which are extremely vulnerable to shocks from the stockpile side, call for specific solutions to the problem. On a more specialized level, since 2005, the formation of a Target, Monitoring, and Inflation Control Coordination Team (TPI) at the focal level has acknowledged coordination between the administration and BI. Participants from TPI, which includes Bank Indonesia and other related specialized government departments like the Ministry of Finance, Offices Coordinating Minister for Economic Affairs, National Development Planning Agency, Ministry of Trade, Ministry of Agriculture, Ministry of Transportation, and Ministry of Manpower and Transmigration. Recognizing the importance of this collaboration, the TPI arrangement was expanded to the municipal level in 2008. With the help of both focal and territorial TPI discussions, coordination between the Government and BI is expected to become increasingly successful in the future. This will allow low and stable expansion to be acknowledged, which will lead to viable and supportable financial improvement.

With a Consumer Price Index (CPI) of 138.75, swelling in Indonesia was 0.12 percent in various hands. 44 urban areas among the 82 CPI urban communities swelled, while 38 urban communities collapsed. Kudus had the highest swelling by 0.82 percent with a CPI of 144.56 (BPS, 2019). The rise in the majority of the expenditure group's indexes indicates that there was inflation, which was caused by rising prices (Silvia et al., 2013), to be exact, the handled food, drink, tobacco, and cigarette groups increased by 0.26 percent; lodging, water, power, gas, and fuel groups increased by 0.23 percent; the group for clothing increased by 0.88 percent; the group for wellbeing increased by 0.59 percent; and the group for instruction, recreation, and sports increased by 1.21 percent. While consuming bunches, in particular: the staples bunch by 0.19 percent and the transportation, communication, and budgetary administrations bunch by 0.55 percent, achieved a reduction in the file. The next five years will see significant advancements with a 3.0 percent growth rate from 2020 to 2024.

The 2020–2024 Medium Term Development Plan (RPJMN) repository details a number of methods for limiting growth. Building government food reserves is the first step (CPP). Second, reduce the usual swell and randomness in Ten hacking system components. Third, reduce value differences between times and districts while maintaining the standard national cost. Fourth, achieving expansion goals within the established targets. Fifth, make measurements' characteristics better. The annual average for swelling from 2015 to 2018 was 3.3%, which is still within the target range. The governor of the Bank of Indonesia, Perry Warjiyo, has already stated that this year's expansion remained leveled out at a low and stable level. CPI growth in July 2019 was reported by Bank Indonesia at 0.31% (m-t-m), down from growth of 0.55% in the preceding month (m-t-m). In comparison to the previous month's growth of 3.28%, annual growth in July 2019 was recorded at 3.32% (y-o-y), a little increase (y-o-y) (Plecher, 2019). The managed costs group once more saw flatness brought on by the aim of reducing air travel expenses as much as feasible, as well as changes to intercity transportation charges and train admissions following the *Idul Fitri* event. While some green products' value enhancement still needs to be taken into account, unstable nutrition expansion has slowed down (Plecher, 2019).

It is clear from the facts shown above that the government plays a critical role in preserving the domestic economy. Keynesian economic theory is still seen as reliable for stabilizing a nation's economy as evidenced by the measures made by the government to guard against the prospect of a global economic recession in 2023. It is still crucial for the government to take a diverse approach to formulate economic policies in line with Keynesian theory. global trade imbalance. The government did not need to worry about them when Keynes's influence changed because it was crucial that him be put in this position to prevent significant trade deficits or surpluses. The imbalance was once again viewed as a factor that the government's capital control should take into account starting at the end of 2022. Keynes strongly advocated the use of controls to restrain the growth of global capital, particularly ephemeral theoretical streams, but during the 1970s and 1980s, opinions among Western financial experts and foundations strongly shifted in their favor. Control of capital may have eventually been noticed during 2022 and 2023 as a recognized piece of the administration's hardware for developing macroeconomic strategies, In spite of organizations like the IMF being overly cautious about this, it still happened. According to Keynes, legislators may prevent this downward spiral if they create a false interest at the right time to obstruct the discomfort of the organic market. It doesn't matter how the government handles it; they could even just pay somebody to dig a hole and then cover it up, he said. The idea is to get money into the hands of people who would spend it pretty much as soon as they get the chance so that strong interest will develop and business owners won't have to reduce production.

In contrast to neoclassical or monetary currents, Keynes is renowned for programs that entail the role of government. Each person is expected by the neoclassical school to make an effort to understand his life. If there are those who are unemployed or not working, this flow does not justify it. Keynes advocated for increased government expenditure to address economic challenges. Keynes' viewpoint was contentious at the time. At that point, the neoclassical flow encountered a conflict with its own theory. In those days, when unemployment was rising and inflation had reached a point of no return, the government's role was essential to the functioning of the market. According to Keynes, involving the government primarily to push back demand and supply positions in the market through spending and speculation arrangements is the best way to pull a country out of a downturn (organic market conditions under an ideal limit). The administration should also begin to stifle items that are socially and environmentally harmful with an assessment arrangement in order to control the effects on society and the environment. The government must have sources of funding because it must participate in the accumulation of public goods that are not desired by the private sector. Fiscal policies are a term used to describe strategies related to government revenue and spending. The aim of the government is to restore the ideal demand and supply conditions of the past.

The concept put forth by Keynes serves as a springboard for economic actors to realize the significance of the government's role in the economy. Government economic intervention policies have evolved as well, and they naturally adapt to market conditions more and more. In the strictest sense, the job in the economy is to help correct market disappointments or situations where private markets can't increase the value that they could make for society, to quote Mike Moffat from his article "The Government's Role in Economy" (2017). This includes providing open products, masking externalities, and fostering competition. As a result, many social orders have acknowledged that government has a bigger job to do in a capitalist economy. According to Moffat, the government's role in the economy is actually divided into three areas: 1) overcoming market failures caused by the provision of suboptimal market needs, including the provision of public goods, 2) controlling externalities, such as the emergence of environmental impacts due to industry, and 3) promoting fair market competition.

E. Conclusion

Fiscal and monetary policies are carried out by the government. In this situation, monetary policy that is used when the economy is experiencing a boom and "very rapid development" is unquestionably different from monetary policy that is used when the economy is experiencing a depression or slump and "slowing development. In reality, the link between the money supply and important economic factors like output and inflation determines how effective monetary policy is. According to a variety of academic studies, the most intriguing conclusion about the connection between the growth of the money supply, inflation, and output is that these three variables are perfectly correlated over the long term, whereas the relationship between money supply growth and inflation and real output growth may be close to zero. This result demonstrates a consensus that monetary policy will primarily affect inflation over the long run, with little to no impact on real economic activity. By implementing expansive monetary policies, the government can hasten the end of the recession and hasten the pace of the economy's recovery. On the other hand, the government can prevent overheating in a fast-expanding economy by tightening monetary policy. Extreme turning points frequently result from the pattern of executing monetary policy that intentionally retards the growth of economic activity. The fiscal policies implemented by the Indonesian government, such as Tax Amnesty, which also increase the number of community subsidies available, can help stabilize the

Indonesian economy. To make the selling price of these goods a little more reasonable, the government may implement a program that lowers the tax on their sale. When the unemployment rate is too high, the government will also implement the policy. Industrial activities will naturally move even more active when the tax value is reduced. In this way, the business will be more inclined to offer job openings so that business operations can run more smoothly.

According to Keynes, involving the government primarily to push back demand and supply positions in the market through spending and venture strategies is the best way to pull a country out of a downturn (organic market conditions below the ideal limit). Additionally, the government should start using an assessment strategy to stifle items that are harmful to society and the environment in order to control social and natural effects. Naturally, they require sources of income because the legislature should also participate in the inventory of public goods that are not sought after by the private sector. Monetary strategies are methods related to government spending and revenue. The administration is making these efforts in an effort to maintain perfect supply and demand conditions. Economic conditions have a huge impact on government mediation as a provider and overseer. In general, government interference will be minimal while the market is strong. After everything is said and done, the legislature will only act as a controller and administrator, while the arrangement is given to the market (the private area). If the market isn't currently profitable in any circumstance (for instance, there is as yet a hole between open interest and its stock), At that time, the legislature will unavoidably have to enter the market as a player, either directly or through entities that have been created, such State Own Entities. Whether or not a viable market will alter along with economic growth, the level of government intervention also needs to be flexible. In order to maintain economic stability, government policies, particularly in Indonesia, must pay attention to the implications that already exist and avoid letting it even affect the nation itself by widening the investor's spigot. It is possible to streamline current regulations in the bureaucracy in order to boost local manufacturing, maintain competitiveness within the nation, and boost domestic consumption.

E. References

Abeysinghe, T. (2011). Thai Meltdown and Transmission of Recession within the ASEAN4 and NIE4. *International Financial Contagion*, 225–240. https://doi.org/10.1007/978-1-4757-3314-3_9

Arestis, Philip, and M. S. (2010). *21st century Keynesian economics*. Retrieved from https://books.google.com.tw/books?hl=id&lr=&id=pmmLDAAAQBAJ&oi=fnd&pg=PP1&dq=KEYNESIAN+ECONOMIC+THEORY&ots=lEeOtMBAqM&sig=E7Qfjuj6WjLSCWkyM7zALhGGMwA&redir_esc=y#v=onepage&q=KEYNESIAN ECONOMIC THEORY&f=false

Arestis, P., Dunn, S. P., & Sawyer, M. (1999). Post Keynesian economics and its critics. *Journal of Post Keynesian Economics*, *21*(4), 527–549. https://doi.org/10.1080/01603477.1999.11490212

Bortis, Heinrich, and B. H. (1997). Institutions, behaviour and economic theory: a contribution to classical-Keynesian political economy. *Cambridge University Press.*

bps. (2019, September 2). 2019 inflasi sebesar 0,12 persen. Inflasi tertinggi terjadi di Kudus sebesar 0,82 persen. *Bps.Go.Id*.

Buczynski, J. RIchard & Bright, M. (2011). Economic Crisis: When will it End? IBISWorld Recession Briefing. *IBISWorld.*

Chang, S. Sen, Stuckler, D., Yip, P., & Gunnell, D. (2013). Impact of 2008 global economic crisis on suicide: Time trend study in 54 countries. *BMJ (Online)*, *347*(7925), 1–15. https://doi.org/10.1136/bmj.f5239

Conway, E. (2011). 50 Gagasan Ekonomi yang perlu Anda Ketahui. *Jakarta: Erlangga.*

Crotty, J. R. (1980). Post-Keynesian economic theory: An overview and evaluation. *The American Economic Review*, *2*(70), 20–25.

Fand, D. (2019). *K*eynesian Monetary Theories , Stabilization Policy , and the Recent Inflation Author (s): David Fand Source : Journal of Money , Credit and Banking , *Vol . 1 , No . 3 , Conference of University Published by : Ohio State University Press Stable URL : htt*. *1*(3), 556–587.

Ferguson, B. S. (2013). Lectures on John Maynard Keynes' General Theory of Employment, Interest and Money (6): Chapters 8, 9 and 10: Keynes' Theory of Consumer Behaviour. *SSRN Electronic Journal*, (6). https://doi.org/10.2139/ssrn.2313442

Flanders, S. (2019). With U.S. Help, Global Growth in 2020 May Recover a Bit From a Dismal 2019 : Emerging-market economies will contribute, but trade tensions remain the big negative. *Bloomberg Businessweek*.

Foldvary, F. E. (2011). The Depression of 2008. In *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.1103584

Fullbrook, E. (2009). Why it happened and what to do about it. *Real-World Economics Rexiew*, *1*, 1–128.

Ghio, N., Guerini, M., Lehmann, E. E., & Rossi-Lamastra, C. (2015). The emergence of the knowledge spillover theory of entrepreneurship. *Small Business Economics*, *44*(1), 1–18. https://doi.org/10.1007/s11187-014-9588-y

Ikhsan, M. (2019, October 12). 5 Hal Baru dalam APBN 2020 yang Berdampak ke Masyarakat. *Kompas*. Retrieved from https://money.kompas.com/read/2019/10/12/122200326/5-hal-baru-dalam-apbn-2020-yang-berdampak-ke-masyarakat?page=all

Irawan, A. (2020). Challenges and Opportunities for Small and Medium Enterprises in Eastern Indonesia in Facing the COVID-19 Pandemic and the New Normal Era. *TIJAB (The International Journal of Applied Business)*, *4*(2), 79. https://doi.org/10.20473/tijab.v4.i2.2020.79-89

Irfani, F. (2018). Krisis Malaise: Depresi Besar yang Pernah Menghancurkan Amerika. *Tirto.Id*. Retrieved from https://tirto.id/krisis-malaise-depresi-besar-yang-pernah-menghancurkan-amerika-cudu

Kinkel, S. (2012). Trends in production relocation and backshoring activities: Changing patterns in the course of the global economic crisis. *International Journal of Operations and Production Management*, *32*(6), 696–720. https://doi.org/10.1108/01443571211230934

Korotayev, A., & Tsirel, S. V. (2010). A Spectral Analysis of World GDP Dynamics: Kondratieff Waves, Kuznets Swings, Juglar and Kitchin Cycles in Global Economic Development, and the 2008–2009 Economic Crisis.

Structure and Dynamics, *4*(1), 34–39. https://doi.org/10.1056/NEJM199701233360422

Laili, A. (2019, September 26). Perang Dagang As-Tiongkok, Resesi Global, Dan Pengaruhnya Pada Indonesia. *Mojok.Com*.

Lee, Y. N. (2019, October 16). 'Awfully high' risks of a global recession in the next 12-18 months, Moody's chief economist says. *CNBC (Consumer News and Business Channel) World Economy*.

Marcuzzo, M. C. (2005). *Keynes and the Welfare State*.

Nazir, M. (2013). *Metode Penelitian*. Bogor: Ghalia Indonesia.

Ondang, C., Singkoh, F., & Kumayas, N. (2019). Peranan Pemerintah Daerah Dalam Pemberdayaan Usaha Mikro Kecil Menengah (Umkm) Di Kabupaten Minahasa (Suatu Studi Di Dinas Koperasi Dan Ukm). *Jurnal Jurusan Ilmu Pemerintahan*, *3*(3), 1–10.

Papatheodorou, A., Rosselló, J., & Xiao, H. (2010). Global economic crisis and tourism: Consequences and perspectives. *Journal of Travel Research*, *49*(1), 39–45. https://doi.org/10.1177/0047287509355327

Park, S., Lee, I. H., & Kim, J. E. (2020). Government support and small- and medium-sized enterprise (SME) performance: the moderating effects of diagnostic and support services. *Asian Business and Management*, *19*(2), 213–238. https://doi.org/10.1057/s41291-019-00061-7

Plecher, H. (2019, November 6). Inflation rate in Indonesia 2024. *Statista*.

Romer, C. D. (2003). Great Depression. In *Britannica*.

Roubini, N. (2018, September 13). The Makings of a 2020 Recession and Financial Crisis. *Project Syndicate*.

Saragih, H. P. (2019, October 11). Terungkap, Ini Penyebab Resesi Ekonomi Global. *CNBC (Consumer News and Business Channel) Indonesia*.

Shackle, G. L. S. (1973). Keynes and today's establishment in economic theory: a review. *Journal of Economic Literature*, *11*(2), 516–519.

Shaikh, A. (2005). Explaining the Global Economic Crisis. *Historical Materialism*, *5*(1), 103–144. https://doi.org/10.1163/156920699100414481

Silvia, E. D., Wardi, Y., & Aimon, H. (2013). Analisis Pertumbuhan Ekonomi, Investasi, Dan Inflasi Di Indonesia. *Jurnal Kajian Ekonomi*, *1*(2), 224–243.

Stiglitz, J. E. (2000). What I Learned at the World Economic Crisis. *New Republic*, *222*(16/17), 56–60.

Sugiyono. (2017). *Metode Penelitian Kuantitatif, Kualitatif dan R&D*. Bandung: PT Alfabet.

The Month of the Peak The Quarter of the Peak. (2010). (December 2007), 1–6.

Tobing, S. (2019, August 12). Ekonomi 2020 dan Bayang-bayang Resesi Akibat Perang Dagang. *Katadata.Com*.

Uma, S. (2006). Research Methods for Business. J*akarta: Salemba Empat.*

Vanbergen, G. (2018, December 1). The Predicted 2020 Global Recession. *World Financial Review*.

Webster, M. (n.d.). Recession. Retrieved December 12, 2019, from http://www.merriam-webster.com/dictionary/recession.