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Analysis of economic growth and policy impact of Makassar city priority program (case study of 2018-2022)

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ABSTRACT

This study investigates the economic growth of Makassar City over the period 2018-2022, through the prism of handling the COVID-19 pandemic. With a focus on the role of central and local government policies, this study evaluates post-pandemic economic dynamics. The analysis includes various indicators of economic growth, as well as an exploration of the impact of the Makassar City Government's Priority Programs stipulated in Mayor Regulation No. 5 of 2021. The research method uses an empirical approach with descriptive analysis, involving data collection through observation, interviews, and secondary data sources such as related literature and documents. The results highlight the implications of local policies in assisting community adaptation to change and supporting local economic recovery. The full involvement of local governments has been key in anticipating and responding to the pandemic, with proactive measures and specific policies that have resulted in sustainable economic growth and benefits for citizens. The experience of Makassar City can serve as an inspiration for other regions facing similar challenges.

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INTRODUCTION

The Makassar city, is one of the municipal governments within the region of South Sulawesi Province, formed based on Law Number 29 of 1959 concerning the Formation of Level II Regions in Sulawesi, as stipulated in the State Gazette of the Republic of Indonesia in 1959 Number 74 and Additional State Gazette of the Republic of Indonesia Number 1822. In its development, the name "Makassar" was reinstated through Government Regulation Number 86 of 1999, replacing the Municipality of Ujung Pandang. This decision was made in response to the aspirations of the community, supported by the Regional People's Representative Council (DPRD) Tk. II Ujung Pandang at that time, and input from cultural experts, artists, historians, legal observers, and business practitioners. By the year 2023, Makassar has reached the age of 416 years according to Regional Regulation Number 1 of 2000, which designates November 9, 1607, as the anniversary of Makassar. The city continues to evolve as a metropolitan city in Indonesia and serves as the capital of

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South Sulawesi Province. Makassar is the fourth-largest city in Indonesia and the largest in the Eastern Indonesia Region, playing a crucial role not only as a center for trade and services but also as a hub for industrial activities, governmental functions, edu-entertainment activities, education and healthcare services, and a node for transportation services both on land, sea, and air.

Makassar has transcended its role as a mere gateway and is now positioned as the living room of the Eastern Indonesia Region. As a metropolitan city, Makassar undergoes growth propelled by various potentials, one of which is its population. The population fluctuates annually due to population mutations, including incoming and outgoing migrations, deaths, new data, and births. In 2022, the largest population was in the Biringkanaya Subdistrict, totaling 213,234 people, while the smallest population was in the Kepulauan Sangkarrang Subdistrict, with 14,889 people. This highlights an uneven distribution of the population in Makassar, where the vastness of the area does not necessarily align with the population size. In other words, a large area does not necessarily correspond to a large population, and vice versa; a small area does not necessarily entail a small population. Also, in 2022, the population of Makassar reached 1,464,401, indicating an increase of 1,959 people compared to 2021, which recorded 1,462,442. This increase is attributed to a rise in the number of births and incoming migrations of the population.

The livable area of Makassar is recorded at 175.77 square kilometers, administratively divided into 15 districts and 153 sub-districts. In the northern part of the city, there are Biringkanaya District, Tamalanrea District, Tallo District, Ujung Tanah District, and Kepulauan Sangkarrang District. The southern part includes Tamalate District and Rappocini District. Meanwhile, the eastern part comprises Manggala District and Panakkukang District. The western part encompasses Wajo District, Bontoala District, Ujung Pandang District, Makassar District, Mamajang District, and Mariso District. As the capital of South Sulawesi Province, Makassar is situated on the west coast of Sulawesi Island, with coordinates ranging from 119° 18' 30.18" to 119° 32' 31.03" E longitude and 5° 00' 30.18" to 5° 14' 6.49" S latitude, covering an area of 17,577 hectares. Aligned with its physical characteristics and development, the urban planning hierarchy of service centers in Makassar is divided into three levels. Structurally, the urban system of the Makassar Regional Spatial Plan (RTRW) is classified based on service center systems, consisting of City Service Centers (PPK) to serve the entire city and/or regional areas, Sub City Service Centers (Sub PPK) for sub-regional service areas, and Environmental Centers (PL) to serve specific parts of the city on an environmental scale.

According to Alam S in his book "ECONOMICS" (2007: 25), economic growth is the increase in the gross domestic product (GDP) of a country or region. Economic growth occurs when the increase in GDP in a period is greater than in the previous period, regardless of population growth. Wikipedia defines economic growth as a continuous process of change in the economic conditions of a country towards a better state over a certain period. Economic growth also reflects an increase in the production capacity of an economy, manifested in the rise of national income, indicating the success of economic development. Experts, including classical economists like Adam Smith, David Ricardo, Thomas Robert Malthus, and John Stuart Mill, as well as neoclassical economists like Robert Sollow and Trevor Swan, agree that four main factors influence economic growth: population size, capital stock, land area and natural resources, and the level of technology used.

To further enhance understanding, additional definitions from various economic experts can be considered. (Kuncoro & Dowling, 2004) states that economic growth occurs when the level of economic activity is higher than in the previous period. Kuznets (1973) defines economic growth as a long-term increase in a country's ability to provide various economic goods to its population, growing in tandem with technological progress and necessary ideological adjustments. Todaro (1977) in the book " Economics for a developing world; an introduction to principles, problems and policies for development" defines economic growth as a steady process of increasing production capacity in an economy. (Budiono, 1994) asserts that economic growth is a long-term growth process of per capita output that originates from internal strengths within the economy itself, not external and temporary. Finally, (Sukirno, 1985) argues that economic growth is a change in the level of economic activity from year to year, measured through a comparison of national income.

According to (Ahman & Indriani, 2007) in their book "Building Economic Competence", Frederich List, a German economist, categorized the stages of economic growth experienced by a country based on production techniques and the ways in which society meets its living needs. Frederich List's stages of economic growth are depicted as hierarchical steps, resembling a ladder, hence earning the theory the moniker "Stuffen Theorien" (Step Theories). Economic growth, according to Frederich List, is divided into four stages. Stage I: Hunting and Gathering Period In the early stages, human survival heavily relied on nature's provisions, aiming solely to meet individual needs. Hunting tasks were carried out by men, while women gathered fruits and tubers in their surroundings. If local food and game resources were depleted, they would relocate to new areas. Barter systems were not yet established during this period. Stage II: Livestock Farming and Agriculture Period During this era, communities contemplated settling down. If they acquired live game and their meat needs were sufficient, they would domesticate the animals. Discovering delicious fruits in other locations sparked an interest in cultivating, marking the inception of agricultural systems. Stage III: Agriculture and Crafts Period At this stage, people preferred a settled life while cultivating crops. Alongside farming, they engaged in crafts related to agriculture, such as blacksmithing and other handcrafts. These activities were undertaken during leisure time after farming. and Stage IV: Crafts, Agriculture, and Industrial Period In this phase, crafting was no longer a pastime but a necessity for market sale, leading to the development of industry from home-based craftsmanship (Home Industry) to large-scale factories. Cities emerged as industrial centers during this period. The industrial output continued to grow, not only for domestic consumption but also for international trade (exports). Thus, International Trade came into existence.

Bruno Hildebrand delineated economic growth into three stages based on the medium of exchange used in trade. Barter Exchange Period Exchange was familial and confined to a narrow scope. Barter, exchanging goods directly, was the prevalent method,

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with no established medium of exchange. Exchange Period (with money) Money emerged as a medium of exchange, doubling as a tool for savings and investment. Exchange through Credit Period Credit facilitated trade by allowing individuals to acquire desired items even without immediate funds. Through credit, accelerated sales and increased investments could be achieved.

According to Ahman and Indriani (2007), Karl Bucher categorized economic growth stages based on the relationship between producers and consumers in meeting living needs. Karl Bucher's stages of economic growth are divided as follows: Closed Household Stage Society leads a simple and closed life at this stage. They fulfill their needs through group-made products, and inter-group exchange has not yet occurred. Production is solely for personal use, not for sale—essentially, they are self-producers. Urban Household Stage As the population grows, continuous demands necessitate collaboration with other communities in a city. In this household stage, society begins to engage in exchange. Daily activities extend beyond farming to include trading. They establish meeting places like markets for the exchange of needs they can't fulfill individually. National Household Stage The urban household evolves, and the exchange between city dwellers becomes insufficient. This prompts exchanges between cities within a country, expanding the scope to a national market. This economic level is referred to as the National Household. and Global Household Stage With the rapid development of the national household, traders play a pivotal role in the economic landscape. In this Global Household, economic activities, such as exports and imports, flow smoothly.

Marx emphasized the crucial role of class struggle in society's economic history. He developed a comprehensive theory encompassing economic, social, and political systems, collaboratively coined as Marxism with Friedrich Engels in the mid-19th century. Marxism includes dialectical materialism and historical materialism, applied to social life. This theory defines the working class's fight to overthrow capitalism and foster socialist ideals (classless). The application of classical theory in its early stages of growth in Western Europe, especially in England, led to widening economic disparities. The classical theory, highlighting the role of capital and its accumulation in economic growth, prompted capitalists to maximize capital utilization through business operations. Marx proposed an alternative theory, advocating for workers' interests and predicting the collapse of the capitalist system. This socialist theory evolved, giving rise to the communist economic system practiced in Eastern European countries, the Soviet Union, the People's Republic of China, and other socialist states. Marx identified five stages of economic growth: Primitive Socialist (Communal Primitive), Slavery, Feudal, Capitalist, Modern Socialist (Communal Modern).

According to Sukirno (2006), Adam Smith, the proponent of laissez-faire, emphasized the importance of population growth in economic development. Smith's core focus lay in two main aspects: the growth of total output and population. He believed that population development would drive economic growth by expanding markets, leading to increased specialization in the economy. The development of specialization and division of labor accelerates economic development by enhancing labor productivity and promoting

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technological advancements. Economic growth hinges on population growth. An increase in population results in increased output or yield, correlating economic growth with three factors: Availability of natural resources, Population size, and Capital goods availability.

Sadono (2010), aligns closely with Adam Smith's emphasis on population growth and output expansion. However, Ricardo introduced the concept of fixed land factors limiting economic growth. According to David Ricardo: In the initial phase, with low population and abundant natural resources, entrepreneurs experience high profits. Profits drive capital formation, leading to increased production and a rise in labor demand. As the workforce expands, wages increase, driving population growth. Limited land availability causes diminishing returns, reducing the quality of land used over time. The diminishing returns, combined with high land rents, reduce profits for entrepreneurs, leading to decreased capital formation and reduced labor demand, ultimately lowering wages. The third stage sees declining wages, eventually reaching a minimum level. The economy reaches a stationary state, where new capital formation ceases due to exorbitant land rents, reducing profits for entrepreneurs. According to Classical Economic Growth Theory, economic growth depends on production factors (Sadono, 2010) expressed as: **Y = f (K, L, R, T)**

Y: Economic growth rate
K: Quantity of available and used capital goods
L: Quantity and quality of labor employed
R: Quantity and type of wealth used
T: Technological level used

According to (Arifin et al., 2009) in their book "Expanding Economic Horizons", notable figures from this school of thought include (Solow, 1970), a Nobel laureate in economics from the United States, and his colleague Trevor W. Swan (1956) from Australia. The Solow & Swan model incorporates population growth, capital accumulation, technological progress, and output size as interacting elements. They perceive economic growth as a process occurring in balance among production factors. In their economic growth model, Solow-Swan assumes: Constant technological advancement, No foreign trade or capital flows in and out of the country, No government intervention, Constant population growth or labor force, and Full employment, where all citizens and production factors are fully utilized. Solow & Swan's theory suggests that market mechanisms can create equilibrium in many aspects, minimizing the need for significant government interference. This aligns their theory, along with like-minded scholars, with the Neoclassical Theory. Their perspective contrasts with the Harrod & Domar Theory, which asserts that growth processes inherently contain instability, necessitating government intervention.

In their book "Sharpening Economic Skills," Bambang, Haristanti, and Heraeni discuss the Harrod-Domar theory, which was independently developed during the same period by E.S. Domar and R.F. Harrod. Both economists emphasized the significance of investment in economic growth. They recognized that investment plays a crucial role by increasing the stock of capital goods, leading to output expansion. Domestic funds for investment are sourced from the production sector (national income), which is then saved. Key assumptions of this theory include: Full utilization of all capital goods in the economy; The economy consists of two sectors: households and businesses; Household savings are proportional to household income, starting from a zero savings point; The Capital Output Ratio (COR), representing the relationship between capital increase and production increase, remains constant.

As articulated by Theotonio Dos Santos, Dependency Theory characterizes a situation in which the economic life of certain nations is influenced by the development and expansion of the economies of other nations. In this dynamic, the latter nations merely act as recipients of the resulting effects. Pre-capitalist peripheral countries, employing production methods distinct from Europe's feudal production, are seen as non-dynamic. Once touched by advanced capitalism, these peripheral nations are expected to follow the developmental path of advanced capitalist nations. However, critics argue that pre-capitalist peripheral nations have their own dynamics and, when influenced by advanced capitalist nations, can undergo independent development. Paradoxically, the involvement of advanced capitalist nations may hinder the autonomous progress of peripheral nations.

METHODS

In this research, the method employed is descriptive analysis. The initial step involves clearly defining the research focus and identifying the problem to be addressed (Arifin et al., 2022). Data collection will be conducted through observational methods, interviews, and utilizing secondary data sources such as literature and relevant documents. The gathered data will be organized by tidying it up and creating a data structure that facilitates analysis. The data analysis process will include descriptive analysis to identify patterns, trends, or key characteristics, utilizing statistical analysis tools if necessary. The results of the analysis will be presented in the form of graphs, tables, or narratives that are easily comprehensible, accompanied by interpretations of the findings. Subsequently, conclusions will be drawn based on the results of the data analysis, and the research report will be compiled in a clear and systematic manner. The findings will also be presented in a presentation format to relevant stakeholders. The descriptive analysis method was chosen as it is more suitable for explaining the characteristics of a phenomenon, aligning with the exploratory and descriptive nature of the research objectives.

RESULTS AND DISCUSSION

Here, the aspects of community well-being encompass economic prosperity and equity, social welfare, as well as arts, culture, and sports. Sustainable development is anticipated to enhance economic growth. With high and stable economic growth, there is an expectation of improved capacities for production factors to generate goods and services, stimulating broader economic development and impacting increased income and well-being for the population.

Over the past two decades, the Makassar City Government has implemented various strategic policies to achieve development goals. The focus has been on enhancing community well-being through consistent economic growth and the provision of adequate

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infrastructure. These efforts aim to boost community income, alleviate poverty, and address disparities. The general condition of community well-being is elucidated as part of the overall development performance indicators, covering aspects of economic prosperity and equity, social welfare, as well as arts, culture, and sports.

Economic growth serves as an indicator of a region's development over a specific timeframe. This growth is influenced by various factors, including the quality of the workforce (Human Resources), capital, technological advancements, entrepreneurship, the availability and condition of infrastructure, government policies, and environmental security stability. The economic progress of Makassar City can be gauged by examining its economic growth.

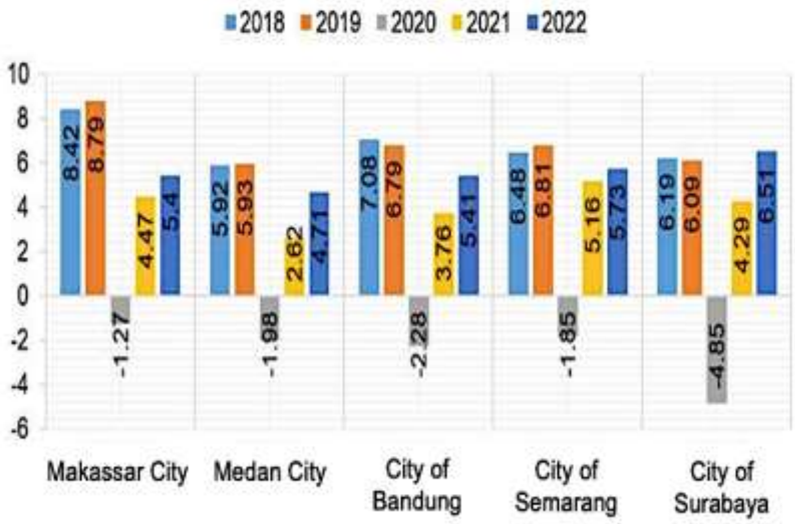

Figure 1 Comparison of Achievement of Economic Growth Rate of Makassar City with its Equivalent Region 2018-2022 (Central Bureau of Statistics and processed by Makassar City Bappeda, 2023)

Figure 2 Economic Growth Rate of Makassar City, South Sulawesi and National Year 2018 – 2022

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CONCLUSION

The remarkable economic growth of Makassar City, surpassing national and provincial averages, stems from its pivotal role as the gateway to Eastern Indonesia. Renowned as one of Indonesia's most dynamic cities, Makassar has consistently exhibited rapid economic activity post-recovery, reflected in various economic indicators exceeding national benchmarks. Furthermore, the enactment of the Priority Program by the Makassar City Government, articulated in Mayor Regulation Number 5 of 2021, has been instrumental, providing strategic direction for public health amidst the Covid-19 pandemic and bolstering community health resilience. Empowered by this policy, Makassar's populace can navigate pandemic-induced changes more adeptly, simultaneously fostering local economic recovery. The unwavering commitment of the Makassar City Government to anticipate and address the Covid-19 pandemic is pivotal in fostering an environment conducive to economic growth. Strategic initiatives across health and economic sectors have yielded tangible positive impacts on the city's economic trajectory. Through proactive policies and concrete measures, Makassar City sustains its economic ascent, benefiting its residents, and setting an example for regions confronting similar challenges.

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