

Pandemic and State Debt Settlement Scenarios

Endang Rudiatin¹, Wibowo Hadiwardoyo²

¹Magister Administrasi Publik, FISIP, Universitas Muhammadiyah Jakarta, Jakarta, Indonesia

²Ilmu Manajemen, Sekolah Tinggi Ilmu Ekonomi Hidayatullah, Depok, Indonesia

E-mail: endang.rudiatin@umj.ac.id¹, bmggraph@yahoo.com²

Received: 17 10 2021

Revised: 24 10 2021

Approved: 28 10 2021

Abstract

Many countries are experiencing increased debt as a result of the COVID-19 pandemic. They assume that it will be dealt with when the economy returns to normal. But the pandemic is still ongoing even though it has passed a year and a half. The emergence of new variants of the Coronavirus has forced the re-imposition of even stricter restrictions. The direct result is a budget deficit, as state revenues fall while spending increases. The longer the reduction in human movement lasts, the larger the deficit will be, so it is still very possible for additional new debt to occur. This study presents various possibilities that a country can do to pay off debts that are difficult to repay, based on the experiences of several countries that have experienced it in the past. It is also a possible breakthrough alternative, despite facing complex domestic political challenges. The option is grounded in phenomenological research in virtual communities through the internet on the phenomenon of pandemics and state debt. The results show a common reaction by the State in overcoming the economic crisis, namely, increasing tax rates, reducing salaries and facilities for employees or officials, selling (shares) of State-Owned Enterprises (BUMN). And then the unpopular alternative offers such as leasing certain islands or areas to a foreign part, and other breakthroughs.

Keywords: State debt, Budget deficit, Increase in tax rates, Sale of SOEs, Island rental

INTRODUCTION

The World Health Organization (WHO) officially declared the status of the Coronavirus or COVID-19 as a pandemic on March 12, 2020. The state of the pandemic was announced following an outbreak when the Coronavirus infected 125,000 people and killed over 4.5000 worldwide. COVID-19, which started in Wuhan in December last two years, has spread globally across all continents except Antarctica. According to WHO, a pandemic has nothing to do with the severity of the disease, the number of victims or infection, but is an outbreak of a disease that occurs over a wide geographic area or spreads globally. Pandemic refers to an epidemic that has spread in several country or continent, usually affects a large number of people (Tempo.co, 2020; CNN.com, 2020; Kompas.com, 2020).

Until July 2021 in several countries, including Indonesia, there was a spike with the discovery of a new variant of the delta variant (B117). If this condition lasts for a long time, it will lead to a crisis in global economic growth. Various countries experienced budget deficits in 2020 and 2021 due to unavoidable emergency spending as a result of the COVID-19 pandemic. As a quick solution, they took an unpopular step: increasing debt. The United States announced in May 2020 to increase its debt to USD three Trillion (equivalent to Rp.