

EDITORIAL

Cost of recentralization

A clear pattern seems to have emerged under the government of President Prabowo Subianto: Whenever problems erupt, the state must "be present", as the President often puts it, which typically translates into asserting central authority more forcefully.

This pattern extends even to the complex problems created by the administration's own policies. Tensions tend to escalate rather than dissipate, as the government continues to rely on a heavy-handed, top-down approach instead of fostering open dialogue and seeking compromise with disputing parties.

A clear example is evident in the recent plan to address escalating protests across the regions by contract workers whose salaries have gone unpaid by local administrations for months. Citing fiscal discipline, budget efficiency and widespread regional corruption, the Prabowo administration has systematically cut back on regional transfers over the past two years. This has triggered severe public service disruptions that have snowballed into a widespread hiring crisis involving contract workers under the Government Employees with Work Agreements (PPPK) scheme, most notably public school teachers.

In an effort to resolve the issue, the central government announced a plan to take over teacher recruitment entirely from regional administrations, ensuring that contract teachers are directly funded and employed through the national state budget rather than local ones. This has been paired with an ambitious plan to centralize teacher planning and recruitment to meet the administrative needs of all state schools nationwide.

This ad hoc solution illustrates how the government tends to double down and push harder when it should instead pause, listen and coordinate closely with local administrations to find a sustainable fix. This intervention directly disrupts the regional transfer mechanism, which serves as a cornerstone of equitable welfare distribution and fiscal balance across the provinces.

Alongside unpaid wages, disrupted public services and sluggish disaster response efforts have driven frustrated citizens onto the streets in a major backlash against the reduction in regional transfers. While the central government aims to pay contract workers directly without imposing further cuts on local budgets, taking unilateral control over teacher hiring represents another worrying step toward eroding regional autonomy.

This move risks triggering a massive expansion of the central bureaucracy to manage nationwide teacher recruitment, all while stripping local administrations of the legitimate authority granted to them under decentralization. Recruitment and candidate assessment have traditionally been handled by local education agencies ever since the regional offices of the education ministry were dissolved under decentralization nearly three decades ago.

If the government decides to reopen regional ministry offices to execute this plan, it risks reverting to the centralized system of Soeharto's New Order, an era marked by severe development and welfare disparities that impoverished much of the country.

Indonesia's political and governance systems have evolved into the sturdy backbone of an economy far larger and more complex than it was during the New Order. Decentralization has also cultivated generations of capable local leaders, both dedicated bureaucrats and innovative entrepreneurs, who have driven welfare, civic engagement and economic prosperity within their respective regions.

Corruption and inefficiency certainly persist. However, taking a step backward and dismantling the hard-won progress achieved through decentralization and regional autonomy is equivalent to erasing decades of national development and democratization.

The Prabowo administration should view regional autonomy and decentralization as the nation's greatest structural strength rather than an administrative burden. Stripping the regions of their power inherently weakens the entire country. Any forward-looking policies or structural reforms planned by the administration must not sideline the local governance capacities nurtured over past decades; after all, the absence of local governing capacity was a primary cause of the nation's early institutional failures.

It took us decades to reach the current system of governance, which sustains modern Indonesia. How much more time must we spend on rebuilding it?

Fight the fires, flour power and 40 centimeters

A country with little to laugh about laughed anyway. On Aug. 24, at a coordination meeting in Palembang the National Police chief offered President Prabowo Subianto an unorthodox fix for the smog blanketing South Sumatra: drop cassava flour from helicopters. Prabowo leaned in, tasked the state research agency (BRIN) with costing it out, and calculated the payload out loud: An Mi-17 helicopter carries 4 tonnes of water, so that means 4 tonnes of flour. Then he christened the tactic himself: *ubi* (sweet potato) bombing.

The chemistry is not so much absurd as misplaced. Aerial retardants do use plant polysaccharides, but only as thickeners, not as active suppressing agents. Starch helps water stick; it does not make water extinguish fires any better.

Yet chemistry misses the deeper issue: altitude. Peat fires do not rage on the surface; they smolder deep underground in the organic column. That is why ground crews watch doused sites reignite after dark. The only real remedy is the water table, Indonesian law mandates drainage depth at no deeper than 40 centimeters below the surface. Everything else is theater staged from 300 meters in the air.

The empirical evidence is remarkably clear. Researcher Salmayanti and colleagues compared restored peatlands with unrestored controls, demonstrating that retreating reduced fire hot spots by up to 2.6 per square kilometer during El Niño in 2019, with deep wells consistently outperforming canal dams. Even discounted, this represents a preventive measure with a verified effect size, a rarity in Indonesian environmental governance.

Yet the state has let this infrastructure decay. When NGO Pantau Gambut inspected canal blocks across government restoration zones this year, seven out of 10 were broken, and its 10-year review showed water tables lingering below the safety threshold at 52 percent of monitored sites. The agency responsible for these works saw its mandate expire on Dec. 31, 2024, without a successor named for four months.

Meanwhile, the Forestry Ministry recorded 107,465 burned hectares through June, surging to 202,011 ha by late July, nearly doubling in a single month. An administration that evaluated aerial cassava in under a fortnight had still not released funds for ground pumps and firebreaks over the same period.

Drained peat does not merely ignite; it vanishes. Because raw



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Going deep: Firefighters spray water onto peatland to extinguish a wildfire in Lalolae, East Kolaka, Southeast Sulawesi, on Monday.

peat is roughly 90 percent water, drainage causes rapid compaction, followed by steady oxidation into the atmosphere. Plantations across Southeast Asia have documented 142 cm of subsidence in the first five years after drainage, settling into an ongoing drop of roughly 5 cm annually, nearly all driven by oxidation. The ground is not simply being compressed; it is slowly burning without flame. The annual haze crisis is just this quiet combustion accelerated.

Land subsiding at 5 cm a year eventually sinks below the threshold where water can drain by gravity. When that happens, an estate does not merely suffer lower yields, it turns into an unmanageable swamp with soaring drainage costs. Research in 2022 estimated that 17 percent of East Sumatra peat estates will become unfit for cultivation within 30 years under existing practices.

The same metric governs both timelines. Water table depth dictates fire risk, and it dictates the rate of subsidence, and thus the years remaining before gravity drainage fails. The law caps drainage depth at 40 cm, but the agronomic sweet spot for oil palm requires 60 cm or more.

Here lies the unspoken reality: Estates do not simply flout the 40-cm rule; the crop itself cannot thrive within it. Better water management inside an active plantation buys at best a 20 percent reduction in subsidence. Commercial oil palm in deep peat and a compliant water table are mutually exclusive. Planta-

tions in deep peat are not durable assets; they are wasting assets operating on an undisclosed countdown.

This dynamic illustrates what researchers Meyer and Rowan termed institutional decoupling: Organizations adopt visible structures to signal legitimacy, while quietly separating outward ceremony from actual operations. Pantau Gambut in 2024 surveyed 289 previously burned points within official restoration zones: Ninety-five percent had converted to dryland plantations or scrub, and just 3 percent had reverted to forest (dropping to 1 percent inside corporate concessions). Restoration provided the ceremony; the plantation remained the operational reality.

Fire offers a vivid, seasonal spectacle complete with headline-grabbing imagery and acute health impacts. Subsidized delivery a generational reckoning, surfacing decades later as a waterlogged field that few connect to a canal dug 30 years prior. Only one of these can be pantomimed from a helicopter.

The state reinforces this through its own public rhetoric. Speaking at the National Development Planning Agency (Bappenas) in December 2024, the President urged officials not to fear deforestation, arguing that oil palms are trees with leaves that absorb carbon dioxide, better directing security forces to guard plantations as vital national reserves. This mirrors Martin Heidegger's concept of *Besant* (standing reserve): Nature reduced to a fungible, instantly

exploitable inventory.

The drainage canal carves this mindset directly into the landscape, stripping water solely to render terrain productive. The irony is that this model consumes its own foundation: With every centimeter drained, the ground subsidizes and shortens the plantation's operational lifespan.

Two practical remedies can reconnect administrative ceremony with on-the-ground reality:

First, publish the leading variable, not the lagging event. Hectares burned measure the damage after the fact, when intervention comes too late. Water table depth should become the primary public metric, tracked by hydrological unit, reported daily and made openly accessible for every concession and province.

Second, disclose drainage as a depletion schedule. Mining firms must declare their reserve life; deep-peat plantations should do the same based on peat thickness and drainage depth. The mechanism already exists: Since 2016, the Roundtable on Sustainable Palm Oil (RSPO) has required drainability assessments before replanting, but these remain proprietary and apply only to certified members.

Standardize these nationwide and make them public. Deep drainage would cease to look like an ordinary operating choice and appear as what it truly is: a direct write-down of a company's asset base. Furthermore, because smallholders are far easier to penalize than major conglomerates, volume-based enforcement often targets the wrong actors; publicly funded, no-burn land preparation must serve as the primary support mechanism rather than an afterthought.

Official records boast 22,549 mitigation structures across 1.6 million ha of supposedly restored land. Yet seven out of 10 blocks inspected in the field are broken. The administrative dashboard shows complete coverage while the dams sit in disrepair, much like a wartime operation: a display of wiped-out divisions because subordinates dare not deliver bad news up the chain. Automated, continuous water-table monitoring does not just provide a cleaner data set; it offers a signal immune to institutional denial, and without a hierarchy, that distinction is paramount.

We continue to expend enormous ingenuity fighting flames in the air while neglecting the hydrology beneath. Fires are the loud symptom; the quiet reality is 5 cm of ground vanishing every year. The remedy for both remains the exact same 40 cm of water that no camera crew can capture.

The Jakarta Post

PUBLISHED BY PT BINA MEDIA TENGGAH SINCE 1983

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PRINTING BY PT Gramedia Group,

Gedung Kompas Gramedia,

Jl. Palmerah Selatan No. 22-28, Jakarta 10270

Are the walls closing in on Bessent?

United States Secretary Scott Bessent has a packed agenda. Alongside trying to crash Iran's economy, he is concerned about the cost of servicing federal debt, which surpassed 100 percent of gross domestic product earlier this year. Interest payments on America's debt have shot up to more than US\$1 trillion this year, exceeding annual defense spending.

To keep a lid on Treasury yields, Bessent, who spent most of his career in capital markets, notably at Soros Fund Management where he helped "break" the British pound in September 1992, is now seeking to move market sentiment from the other side of the fence.

First came a joint intervention by the US and Japan to prop up a weak yen. To raise the dollars required on its own, Japan would have had to sell US Treasuries, Japan is the largest holder of US debt and has long been a reliable buyer, putting around 25 cents of every surplus dollar into Treasuries for the past two decades.

A forced sale would have been a very public break from precedent. The next step revealed Bessent's real concern. He suggested that instead of selling securities, Japan could gain access to dollars to buttress the yen through the Foreign and International Monetary Authorities Repo Facility, which has been little used since the pandemic. He also proposed using the facility to relieve pressure on the US bond market as well as raising its borrowing ceiling to support dollar funding more widely.

Recently, Bessent has turned his attention to demand, with a commitment to double



By Paola Subacchi

Project Syndicate/Paris

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Pointed: United States Secretary of Treasury Scott Bessent speaks to reporters on Monday as he arrives for the Group of 20 Finance Ministers and Central Bank Governors' Meeting in North Carolina, the US.

long-dated buybacks to "at least" \$4 billion per operation.

Here, the arithmetic doesn't add up. The US Federal Reserve can lend a hand because it operates in larger amounts: At the height of the pandemic, its daily Treasury purchases peaked at roughly \$75 billion. But the Treasury cannot do the same. It pays for long-dated buybacks by selling short-dated debt, reducing the duration of America's debt while claiming to steady long-term Treasury yields.

This sequence of interventions has not delivered the expected outcome: The 30-year yield, which reached its high level since 2007 right before Bessent's buyback announcement, fell temporarily but soon

bounced back. It has also confused bondholders. That puts Bessent, the self-described "nation's top bond salesman", in an uncomfortable position.

At around \$30 trillion, the US debt market is huge and liquid. But the attempted intervention is concerning, as is an administration showing no fiscal restraint.

The Congressional Budget Office (CBO) projects that the national debt will reach 108 percent of gross domestic product (GDP) by 2030 and 120 percent by 2056. A major driver is interest on existing bonds. The low-rate pandemic window was used to borrow rather than pay down debt, leaving more to refinance once rates rose.

The race that matters is be-

tween the interest rate the government pays and the rate at which the economy grows, with the latter ideally outpacing the former. That has been the case in the US for two decades, but the CBO projects the gap will close around 2031, after which stabilizing the debt ratio will require outright surpluses. Meanwhile, inflation remains above the Fed's 2 percent target.

President Donald Trump has embraced the view that the world has been freeloading on US debt, and that the terms should change. Whether his administration acts on that view remains an open question, but the genie is out of the bottle.

A similar question hangs over the Fed, which came under pressure from the White House to cut interest rates during former Fed chair Jerome Powell's final months in office. Powell's successor, Kevin Warsh, has not yet felt Trump's breathing down his neck, but that seems like a matter of when, not if. The consequences could be profound: The Fed's ability to stabilize markets depends on its perceived independence from politics.

Thirty years is a long time for a creditor to trust a debtor. Will they repay the debt in full or try to inflate it away? It is not surprising, then, that the Treasury's buybacks reduce the duration of federal debt.

But the marginal buyers of that short-term debt are now domestic, private and more price-sensitive than central banks are. That means the US government, which is issuing bonds at record volumes, is drawing from the same pool of domestic savings as large-scale corporate borrowers.

At that point, the yield needed to clear the market becomes a relevant factor.

Far from suggesting financial Armageddon, the current situation recalls that described in 1971 by then-treasury secretary John Connally after the US government unilaterally abandoned dollar convertibility: "The dollar is our currency, but it's your problem." Treasury holders like Japan, China and European countries are not running for the exit just yet but they are looking for one, and finding few options.

The problem is simple: No other market can absorb the same volume. The German Bund market is around \$2.3 trillion. Japan's bond market is larger at around \$7.6 trillion, but the Bank of Japan owns roughly 45 percent of it. The dollar's share of global reserves has decreased slowly, from nearly 70 percent in 2000 to under 59 percent in 2024, precisely because reserve managers have nowhere else to turn. The US, not its creditors, holds the pricing power, and foreign holdings reflect structural necessity, not strategic choice.

But even as sovereign buyers continue to purchase Treasuries for exchange rate management, crisis insurance and trade settlement in a dollar-priced world, the bond salesman in chief cannot be complacent. Tampering with markets may fail to deliver the expected result and at worst, trigger instability across asset classes, as the British gilt and even the German bund are already under pressure.

The risk of another "Liz Truss moment", when the British prime minister resigned after losing the gilt market into freefall in 2022, is never far away.