

**OPTIMIZATION OF PUBLIC ECONOMIC POLICIES IN RESPONDING TO SOCIAL AND ECONOMIC INEQUALITY CHALLENGES IN INDONESIA POST COVID-19 PANDEMIC**

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**ABSTRACT**

*The COVID-19 pandemic caused social and economic disparities in addition to a health crisis. Rising poverty levels, decreased purchasing power, and limitations on socio-economic mobility are some examples of these impacts. Public economic policy is an important tool for the government to restore social balance through resource distribution and the strengthening of fiscal policies. The aim of this study is to examine how effective post-pandemic public economic policies are and to develop optimization methods that can evenly improve societal welfare. The method used in this article is a qualitative approach focused on literature research, national statistical data, and scientific journals. The analysis results indicate that policies such as social assistance programs, incentives for small businesses, and increased public spending have improved economic stability, but they have not been fully effective in addressing structural inequality. Therefore, policy optimization should focus on implementing progressive taxes, improving public spending efficiency, and enhancing transparency and accountability in the fiscal system. It is hoped that this optimization can strengthen socio-economic resilience and generate inclusive and sustainable growth.*

*Keywords: Public Economy; Social Inequality; Fiscal Policy; Welfare Distribution; Post-Pandemic Indonesia.*

## **INTRODUCTION**

Almost every country, including Indonesia, faces social and economic challenges due to the COVID-19 pandemic, which has developed into a global emergency. As indicated by rising poverty rates, unemployment, and income inequality, this outbreak highlights the weaknesses in the country's socio-economic system. An Indonesian institution (2021) found that income inequality increased despite the government spending a large amount of money on the National Economic Recovery (PEN) Program. The urban gap increased from 0.399 to 0.401, and the Gini ratio rose from 0.381 in March 2020 to 0.384 in March 2021. The data shows that post-pandemic economic progress has not aligned with equitable social welfare.

Public economic policy is one of the state's strategic tools to address market imperfections and reallocate resources to promote social justice. Fiscal policy and public spending are the two main instruments used by the Indonesian government to encourage recovery after the pandemic. A study published in 2022 in the *Economic-Qu Journal* found that providing wage subsidies, cash social assistance, and tax relief for SMEs increased the stability of the domestic economy. However, systemic inequalities resulting from unequal access to technology, the economy, and educational resources continue to hinder these efforts. The *Journal of Economics and Management (JIEM, 2023)* states that the fiscal policies used during recovery are usually short-term and overlook the underlying causes of social inequality.

According to the *Journal of Business and Economics*, equality also includes the fair distribution of development benefits and income growth (Binabangsa, 2023). In such circumstances, increasing fiscal stimulus and structural reforms, including progressive taxation, improving the effectiveness of state expenditures, and enhancing fiscal accountability and transparency, are crucial to optimizing public economic policies. According to the public economics theory proposed by Wibowo and Sari (2024), to promote inclusive and sustainable growth, the state must play a key role in balancing economic efficiency and social justice.

Indonesia's economic recovery shows disparities between regions, according to a study by Halo Gagas (2023). Areas with strong fiscal capacity typically recover faster compared to regions with a weak economic base. This supports the claim that it is not only national economic growth but also how effectively public policies can reduce social inequality.

Considering this definition, the main objective of this study is to understand how well public economic policies have addressed economic and social disparities in Indonesia after the epidemic, as well as to find the best ways to optimize policies that can generate equitable social welfare. The study uses analysis of national statistical data, literature reviews, and empirical studies from various scientific journals. This research is expected to provide both theoretical and practical contributions to building fairer, more flexible, and inclusive fiscal policies.

## **RESEARCH METHODS**

This study uses a qualitative approach with a literature review method as the main basis for analysis. This approach was chosen because it allows the researcher to conduct an in-depth examination of various scientific sources related to public economic policies and socio-economic inequality in Indonesia post-COVID-19 pandemic. The research focuses on government efforts to optimize fiscal policies to strengthen public welfare and reduce economic disparities.

The data collection process was carried out through a systematic review of secondary data, including nationally and internationally indexed SINTA journals, scientific articles, academic books, research reports, as well as official publications from government and public policy research institutions. These sources were selected purposively, taking into account their relevance, timeliness, and credibility with respect to the research theme.

Thus, this research method aims not only to summarize previous study results but also to build a conceptual synthesis that can enrich academic discourse and provide practical contributions to strengthening fiscal policy in post-pandemic Indonesia.

## **RESULTS AND DISCUSSION**

### **The Dynamics of Social and Economic Inequality Post-Pandemic**

In addition to affecting public health, the COVID-19 pandemic has caused complex social and economic problems. Existing social inequalities have been worsened by differences in people's ability to cope with the crisis. Nuri (2021) states that this pandemic has increased the income disparity

between the upper-middle class and the lower class due to the lack of social protection for the informal sector and the lack of distribution of economic opportunities.

This situation aligns with Wicaksono's (2022) conclusion, which emphasizes that structural disparities stemming from social systems and economic factors contribute to inequality in Indonesia. According to an assessment by the Indonesian Institute in 2021, the pandemic has delayed vertical social mobility, reduced access to healthcare and education services, and lowered job quality. This pandemic thus demonstrates that social inequality reflects the state's inability to ensure the welfare of the entire population, not merely an issue of economic distribution.

### **Evaluation of Fiscal Policy Post-Pandemic**

The Indonesian government's National Economic Recovery (PEN) program implements an expansionary fiscal policy as the main tool for macroeconomic stability amid the crisis. The program aims to slow the rate of economic contraction by increasing social assistance, providing wage subsidies, and supporting MSME financing (Ministry of Finance, 2022). According to Ekonomi-Qu (2022), this policy has successfully prevented a decline in household consumption and maintained people's purchasing power.

However, there are still concerns about how effective the policy is. Fitriani (2023) states that the implementation of fiscal policy usually focuses on short-term results and ignores the root causes of inequality, such as fiscal disparities between regions, uneven access to education, and differences in digital infrastructure. As a result, economic recovery after the pandemic has only partially occurred and has not reached the most vulnerable communities. In such circumstances, fiscal policy largely functions as a short-term macro stabilization tool rather than fully serving to distribute benefits evenly.

### **Strategy for Optimizing Public Economic Policy**

Streamlining the fiscal framework to balance economic efficiency and social justice should be the goal of optimizing post-pandemic public economic policy. Rahman (2023) emphasizes the importance of using progressive taxes as a method of income redistribution to reduce disparities. A fair tax system can enhance the social legitimacy of public policies and the state's budgetary capacity.

In addition, public spending reform must be a top priority. According to Prasetyo (2023), the amount of social added value generated from every rupiah spent by the government indicates how effective fiscal policy is. The stability and enhancement of the community's productive capacity should be the focus of government spending. Funding vocational education, increasing digitalization for SMEs, and developing sustainable infrastructure are examples. This strategy will have a stronger multiplier effect on the national economy.

Furthermore, Musgrave (2022) emphasizes that maintaining distributive justice and addressing market failures are the primary goals of public economic policy. Therefore, the role of the state must shift from merely regulating to assisting justice by ensuring equal access to financial resources, social services, and lucrative employment opportunities.

### **Strengthening Fiscal Transparency and Accountability**

One of the biggest obstacles to achieving the optimization of public economic policy is its implementation and fiscal governance. The Journal of Economics-Qu (2022) found that in the effort to achieve economic equality, ineffective bureaucracy and non-transparent budget management are two major issues. However, the public still has little trust in the public oversight system.

To address this issue, it is important to strengthen the principles of transparent governance. The government must establish a digital monitoring system in addition to encouraging public participation in the formulation and evaluation of fiscal policies. Cooperation between government agencies, the commercial sector, and civil society is crucial to ensure sustainable fiscal transparency. Only through responsible and participatory governance can public economic policies build social justice and public trust in the government.

### **Implications for Inclusive and Sustainable Development**

The optimization of public economic policies greatly influences the direction of national development. According to a report published in the Binabangsa Journal of Business and Economics (2023), sustainable economic growth can only be achieved if fiscal policies focus on enhancing the capacity of the lower-class community to actively participate in national economic activities.

Fiscal policy must also be the main tool to promote social justice through public spending planning, taxation, and transfers that benefit society. Public economic policies implemented inclusively, cooperatively, and transparently enable economic recovery after the pandemic and create a foundation for fair and sustainable economic growth (Ruang Publikasi, 2023).

## CONCLUSIONS

Post-COVID-19 public economic policies have proven to play an important role in maintaining national economic stability, particularly through social assistance programs, support for MSMEs, and expansive fiscal policies. However, their effectiveness is still limited due to unresolved structural inequalities and regional disparities. The main issues lie in low public spending efficiency, a weak fiscal oversight system, and the still minimal application of distributive justice principles. Therefore, the optimization of public economic policies needs to be directed towards fiscal reforms focused on equity, efficiency, and transparency in order to achieve inclusive and sustainable economic growth.

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