Indonesian Macroeconomic Analysis: The Mundell-Fleming Model Approach with Simultaneous Equations

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ABSTRACT

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Research with tittle **Indonesian Macroeconomic Analysis: The Mundell-Fleming Model Approach with Simultaneous Equations** aims to find out how the balance of the goods market, money market and balance of payments, which policy is more effective between fiscal policy and monetary policy for the Indonesian economy. This study uses the IS-LM-BP model and uses a simultaneous equation model with 5 structural equations, 2 identity equations consisting of 11 main variables and 3 lag variables to estimate research variables. The research sample consisted of secondary data for quarterly 2001: Q1 - 2019: Q4. A policy is said to be more effective if the policy is able to influence the increase in national income higher than other policies. The policy's ability to influence the increase in national income is shown by the multiplier magnitude of the policy.

The monetary policy multiplier of 0.4384 is greater than the 0.0133 fiscal policy multiplier, so it can be said that monetary policy is more effective in influencing changes in economic growth or national income. Monetary policy is more effective in influencing Indonesia's economic growth. The results of the analysis which state that monetary policy in Indonesia plays a more important role than fiscal policy in influencing national income is in accordance with the Mundell-Fleming theory, which states that a small economy (including Indonesia) with a floating exchange rate system will be more effective by using monetary policy.

Kata Kunci: *IS, LM, BP, Policy Effectiveness*