

Monetary Economic Variable Relationships Indonesia and USA

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ABSTRACT

This study aims to identify and analyze monetary variables Indonesia and USA. A simple multiple regression analysis was used in this study to answer the question of the relationship between several Indonesian-USA monetary variables. The data used in this study, consisting of CPI, BI Rate Indonesia and FFF, Inflation USA. From this study we conclude that the inter-variables in the study did not have a significant effect.

Keywords : BI Rate, IHK Indonesia, FFF, Inflation USA, Multiple Regression.

I. INTRODUCTION

When the US is experiencing an economic crisis, I think it proves that the failure of the basic principle of economic thinking - neo-liberal politics has the argument that economic growth will be optimal if, and only if, the traffic of goods / services / capital is not controlled by any regulation. I think the US too much believe in the principle of self-regulating market. This principle is embraced and adored by market participants and the US government. A self-regulating market will carry out its duties in terms of distribution, production and consumption. The state does not need to intervene. As the economic crisis in the United States occurs, the government (taxpayers) are forced to intervene and inject more funds into the bank system, revive credit markets, and prevent economic collapse. Once the government has intervened on this scale, it will usually last a long time.

The economic or financial crisis is not the only time this happens, the Great Depression is a time when the economy of the United States and the rest of the world is worsening. It started with Wall Street Crash in 1929. Prices in the Wall Street stock market fell from October 24 to October 29, 1929. Many people became homeless and poor. In Indonesia, the Great Depression is called the age of the maleise or the time of the slip.

In the welfare state concept, the role of the state in the economic field is not limited only as a regulator, but is

expanded to include the authority to conduct fiscal intervention, in particular to mobilize the real sector and create employment. Furthermore the liberal system was replaced by the ideas of the Keynesian economy used by President Roosevelt in the New Deal policy. Keynesianism, or Keynesian economics or Keynesian Theory, is an economic theory based on the idea of twentieth-century British economist John Maynard Keynes. This theory promotes a mixed economy, in which both the state and the private sector play an important role. The economic revival of Keynesianism marks the end of the laissez-faire economy, an economic theory based on the belief that markets and the private sector can operate on their own without state intervention.

The change came as a result of the world oil crisis of 1973, due to a reaction to US support for Israel in the Yom Kippur war, where the majority of oil producing countries in the Middle East embargoed the US and its allies, and doubled world oil prices, Making political elites in the United States allies at odds with economic growth figures, business expenses, and the burden of social democratic costs (the cost of state facilities for the people).

Robert Skidelsky says that this is an economic cycle as old as a business cycle and is usually caused by shakiness in the business world. The liberal economic cycle is followed by a conservative economic cycle that results in a new liberal economic cycle, and so on. The

liberal cycle is marked by government intervention and conservative cycles by the withdrawal of government roles. According to Joseph Stiglitz that the low or even lack of government role in the economy is the cause of weak internal economic conditions. The role of the state here is the "role of regulation" which is carried out through various legal products (economic policies) that are needed to build a strong economic foundation.

II. Literature Review

Studies conducted by Bergen (2010) argue that high interest rate policy does not defend currency against speculative attacks; It implies that there is a lack of association of relationships between interest rates and the result of speculative attacks. However, Utami and Inanga (2009) examined the effect of interest rate differentials on exchange rate changes based on IFE theory and the influence of inflation rate and interest rate differentials in Indonesia by using quarterly and annual data for the interests, differences and changes in inflation. In exchange rates over a five-year period, 2003-2008 used four foreign countries: the United States, Japan, Singapore and the United Kingdom and Indonesia as the country of origin, found that the interest rate differentials positively affected but did not significantly affect exchange rate changes For the United States, Singapore and the UK, compared to Indonesia. On the other hand, the interest rate differential has a significant negative effect on exchange rate changes for Japan.

The results also show that some differences in the rate of inflation have a significant effect on interest rate differentials. In another study, Alex and Inne (2006), investigated the relationship between expected inflation and nominal interest rates in South Africa and the extent to which. The Fisher Effect Hypothesis uses a 3-month banker rate and a 10-year government bond rate to determine short-term and long-term interest rates, finding a long-term proportional relationship between the nominal interest rate and expected inflation by using Johansen's co-integration test.

III. Research Method

Time and Data Research

This research was conducted in June 2017, and used variable data of Bank Indonesia interest rate, Indonesian

consumer price index, central bank interest rate and USA inflation from 1987-2015.

Analisis Data Technique

In this study, the use of simple multiple regression analysis with the dependent variable is the interest rate of Indonesian bank and independent variable of interest rate of central bank of USA, Indonesian consumer price index and inflation of USA.

IV. Result and Discussion

In this study used multiple regression analysis. Multiple linear regression analysis is a linear relationship between two or more independent variables (X_1, X_2, \dots, X_n) with the dependent variable (Y). This analysis is to know the direction of the relationship between independent variables and dependent variable whether each independent variable is positive or negative and to predict the value of the dependent variable if the value of the independent variable increases or decreases. The data used are usually scaled intervals or ratios. The following table presents the results of the analysis of monetary economic variables Indonesia and USA during the period of research data.

Table 1 : Result regression analisis in some moneter economic variable Indonesia-USA

Dependent Variable: BI_RATE				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	10.93525	2.390148	4.575137	0.0001
FFF_USA_	-0.007173	0.307709	-0.023311	0.9816
IHK	-0.006130	0.012727	-0.481667	0.6342
INF_USA_	0.520729	0.979797	0.531467	0.5998
R-squared	0.018481	Mean dependent var		10.55897
Adjusted R-squared	-0.099301	S.D. dependent var		3.718559
S.E. of regression	3.898819	Akaike info criterion		5.686666
Sum squared resid	380.0197	Schwarz criterion		5.875259
Log likelihood	-78.45666	Hannan-Quinn criter.		5.745731
F-statistic	0.156907	Durbin-Watson stat		0.880273
Prob(F-statistic)	0.924239			

Sourced : Proceed with Eviews 8 software

Seen in Table 1, the results of multiple regression analysis are presented for the four economically accurate variables, none of which have a significant relationship, the value of adjusted r squared is also very small, We have the effect that the model in the proposal is not yet valid. So between the variables in the perusal have no relationship with each other. Here is the estimation result of the equation of the proposed model.

Estimation Command:

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LS BI_RATE C FFF__USA_ IHK INF__USA_
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Estimation Equation:

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BI_RATE = C(1) + C(2)*FFF__USA_ + C(3)*IHK +
C(4)*INF__USA_
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Substituted Coefficients:

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BI_RATE = 10.9352546494 -
0.00717302008887*FFF__USA_ -
0.00613007953431*IHK +
0.52072945427*INF__USA_
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Can be explained that the value of the BI rate will increase by 10.935 points, and followed by a decrease in the central bank's interest rate by 0.007 basis point, as well as the CPI number decreased by 0,000 basis point and the US inflation will increase by 0 , 52 points.

V. CONCLUSIONS

From the study conducted can be concluded that, among variables in doing research none of which have a significant relationship to the BI rate. Based on the results of data processing can be explained that the value of the BI rate will be 10.935 points, followed by the decline in the central bank interest rate of USA by 0,007 basis point, CPI decreased by 0,000 basis point and USA inflation will increase by 0, 52 points.

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