Transmisi Kebijakan Moneter dan Ketimpangan di Indonesia

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Monetary Policy Transmission and Inequality in Indonesia

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ABSTRACT

This study examines how monetary policy can play an essential role in addressing Indonesia's economic inequality problem. This assumption is based on the premise that household characteristics such as age, occupation, and portfolio composition are related to income or wealth, which then interact with monetary policy. Using the Dynamic Stochastic General Equilibrium (DSGE) model, this study finds that monetary policy transmission of inequality transpires through financial markets. The bigger the household participation in financial markets, the greater the indirect effect of monetary policy on society. On the other hand, fiscal policy becomes more effective in reducing inequality as the number of financially excluded households increases. The results of this study conclude that the monetary authorities must consider inequality in formulating Indonesia's monetary policy. This conclusion can be based on two measures: the effect of monetary policy on inequality and the impact of inequality on the effectiveness of monetary policy. Although more research is needed, inequality will possible become one of Indonesia's monetary policy transmissions.

Keywords: monetary policy, inequality, Indonesia, DSGE