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The Influence of Fiscal and Monetary Policy on Indonesia's Economic Growth

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ABSTRACT

The government has two policies in promoting economic growth, namely monetary policy, and fiscal policy. The purpose of this research is to see the extent to which the effectiveness of fiscal and monetary policies in influencing economic growth in Indonesia, as well as to see the effect of unemployment and investment in mediating the relationship between the dependent variables (taxes, government spending, credit interest rates, and the money supply) on economic growth. in Indonesia for the period 2000-2019. The research approach uses a quantitative approach which is carried out in the form of path analysis with time-series data in the annual period, namely 2000 to 2019. The data used is secondary data obtained from various sites of the Indonesian Central Statistics Agency, Bank Indonesia, World Bank, etc. The results in this study are direct taxes and government spending have a positive effect on economic growth, but credit interest rates and the money supply have a negative effect. While the indirect effect of taxes and government spending on economic growth through unemployment and investment has a negative effect, but interest rates and the money supply have a positive effect.

INTRODUCTION

Stable and equitable economic growth is one of the main conditions for economic survival in a country so that economic growth becomes one of the goals in development (Mahdi, Aimon, & Syofyan, 2015). High economic growth can affect the increase and acceleration of economic development in the country which ultimately indicates an improvement in the welfare of the community. In simple terms, economic growth can be said to be a process of increasing output per capita in the long run. In other words, economic growth refers to changes that are quantitative. In general, economic growth is measured by the increase in Gross Domestic Product (GDP) from year to year (Mahdi et al., 2015).

The theory of endogenous growth (endogenous growth theory) was pioneered by Paul M. Romer who found Romer's (1989) endogenous growth model stating that the term endogenous growth emerged in the 1980s based on empirical and theoretical findings. These findings are classified as developments in neoclassical growth theory which emphasizes that economic growth is the result of within the economic system itself rather than coming from outside (Wijayanto, 2019). This group of theories also considers the existence of infrastructure, laws, and regulations, political stability, government policies, bureaucracy, and the basis of international exchange as important factors that also affect economic growth (Ma'ruf & Latri, 2008).

The government has two policies to encourage economic growth, namely monetary policy, and fiscal policy. Fiscal policy is government policy in managing state finances in such a way that it can

support the national economy: production, consumption, investment, job opportunities, and price stability (Fathurrahman, 2012). This means that state finances are not only important to finance routine government tasks, but also as a "means" to realize development goals: economic growth, stability, and income distribution. Keynes argues that there are two approaches that can be taken by the government in carrying out fiscal policy, namely: the income approach (through taxes) and the expenditure approach (through spending). In determining the composition of the State Budget, it is this that can affect economic growth. In a sluggish economic condition, government spending can stimulate the economy to grow through expansionary fiscal policy through increasing government spending or reducing taxes to increase aggregate demand in the economy causing income to rise which will reduce existing unemployment to reach full employment income levels.

Government spending in efforts to develop the tourism and cultural sector of Indonesia (especially areas that have not been explored for their potential) by conducting promotions to various countries to attract foreign tourists, inviting investors to participate in the development and development of tourism and culture which will later be absorbed a lot of local labor. By making improvements, the development and developing of areas, especially underdeveloped and remote areas, will be a solution in overcoming the unemployment rate in Indonesia. The government also uses monetary policy to maintain economic stability. Monetary policy is a policy that aims to achieve internal balance and external balance to achieve macroeconomic goals. Economic stabilization can be measured by employment opportunities, price stability, and a balanced international balance of payments. If stability in economic activity is disturbed, then monetary policy can be used to restore it (stabilization measures). The interest rate is used to stabilize the money supply in the community. This means that the economy is getting better. The higher the interest rate, the lower the money supply. Conversely, the lower the interest rate, the more the money supply increases. The government's fiscal and monetary policies also depend on economic conditions, where fiscal and monetary policies differ during conditions before the economic crisis and policies after the economic crisis.

The classical theory that discusses economic growth that is influenced by the role of government is Keynes's Classical Theory. The implication of Keynes's view is that to ensure stable growth, the government's role in managing the economy is needed, both through monetary policy (interest rates and money supply) and fiscal policy (taxes and government spending) (Azwar, 2016). The purpose of this research is to see the extent to which the effectiveness of fiscal and monetary policies in influencing economic growth in Indonesia, as well as to see the effect of unemployment and investment in mediating the relationship between the dependent variables (taxes, government spending, credit interest rates, and the money supply) on economic growth. in Indonesia for the period 2000-2019. The emergence of several different findings also underlies this research.

Economic growth

Economic growth is a long-term economic problem, and Simon Kuznets, a leading economist in the United States who has won the Nobel Prize, stated that the process of economic growth he named as Modern Economic Growth where in that period, the world has experienced very rapid development. significant when compared to previous periods (Ramayani, 2015). The indicator used to measure economic growth is the growth rate of Gross Domestic Product (GDP). There are several reasons underlying the choice of GDP growth instead of other indicators such as the growth of Gross National Product (GNP) as a growth indicator. To calculate the rate of economic growth, the GDP data used is GDP data at constant prices. By using data based on constant prices, GDP growth merely reflects the output growth generated by the economy in a certain period. GDP measures the market value of final goods and services produced by resources within a country for a certain period, GDP is often used as a benchmark used to determine the development of a country and can be compared from one country to another to convert them into the same eye (Richard & Toly, 2013).

Unemployment

Unemployment is closely related to the growth of gross domestic product (GDP). The logic is simple, if someone does not work then he will not produce so that the calculation of production output in the share of GDP will decrease. The macro implication, based on Okun's Law, is that there is an empirical relationship where an increase of 1 percent of the unemployment rate will reduce the value of GDP to a maximum of 2 percent (Akhmad, 2018). Therefore, the problem of unemployment must immediately find a way out, if this is allowed, it can lead to criminal and anarchic actions, so that it will threaten the peaceful life of society and the state.

Investment

Investment is an activity of placing funds in one or more types of assets during a certain period in the hope of obtaining income and/or increasing the value of the investment in the future (Hidayati, 2017). Investment is the first step in production activities and is a factor to increase economic growth. Thus, investment is essentially the first step in economic development activities. The dynamics of investment affect the level of economic growth, reflecting the high and sluggish development. The issue of investment often gets a lot of responses from development theorists and practitioners. Opinions about the importance of investment in supporting the development of developing countries began with the discovery of the growth model after World War II, namely in the 1950s and 1960s by several development experts such as Rostow and Harrod-Domar. According to Rostow, any attempt to take off requires the mobility of domestic and foreign savings with a view to creating sufficient investment to accelerate economic growth (Sari et al., 2016).

Taxes

Taxes are people's contributions to the State treasury. Taxes are levied under legal norms for the costs of producing collective goods and services to achieve the general welfare. According to Soemitro in Judy (2016) states that taxes are the transfer of wealth from the people to the State treasury to finance indirect spending and the surplus is used for public saving which is the main source to finance public investment. The taxes that have been collected by the State will be used to finance all public interests, including also to finance development to open job opportunities, which in turn will increase people's income.

Government spending

Government spending reflects government policies. If the government has set a policy to buy goods and services, government spending reflects the costs that must be incurred by the government to implement the policy. Government spending has a theoretical basis that can be seen from the balance of national income, namely Y = C + I + G + (X - M) which is a source of legitimacy for the Keynesian view of the relevance of government intervention in the economy (Afiat, 2015).

Keynes's version of government spending, government spending is one element of aggregate demand. Where this formula is known as the national income identity. The variable Y represents national income as well as reflects aggregate supply. Meanwhile, the variables on the right-hand side are called aggregate demand. The variable G represents government spending. By comparing the value of G against Y and observing from time to time it can be seen how much the contribution of government spending in the formation of national income (Anitasari & Soleh, 2012).

Credit Interest Rates

Basic Banking Law No. 14 of 1967-chapter 1 article 1, 2 which formulates the definition of credit as follows: Credit is the provision of money or its equivalent based on a loan agreement between a bank and another party, the borrower is obliged to repay the debt after a certain period with a predetermined amount of interest. Interest rate is the price of using money expressed in percent per unit time (per month or per year). In the economics dictionary, interest is defined as the reward paid by a loan for funds received, interest is expressed in percent (Tuwonusa, Rotinsulu, & Mandeij, 2016).

Money Supply

Money Supply Amount of money supply is the amount of money circulating in the community, in the form of the sum of currency and demand deposits. The amount of money circulating in society is of course large, based on the monetary authority, namely the Central Bank. The development of the money supply reflects or is in line with economic development, usually, when the economy grows and develops, the money supply also increases while its composition changes. If the economy is more advanced, the portion of the use of currency is getting smaller and then replaced with demand deposits (Panorama, 2016).

Research Hypothesis

H1: It is suspected that taxes directly have a positive effect on Indonesia's economic growth, and indirectly have a negative effect on Indonesia's economic growth through unemployment and investment.

H2: It is suspected that government spending has a positive effect on Indonesia's economic growth, directly and indirectly through unemployment and investment.

H3: It is suspected that credit interest rates have a negative effect on Indonesia's economic growth, directly and indirectly through unemployment and investment.

H4: It is suspected that the money supply has a positive effect on Indonesia's economic growth, directly and indirectly through unemployment and investment.

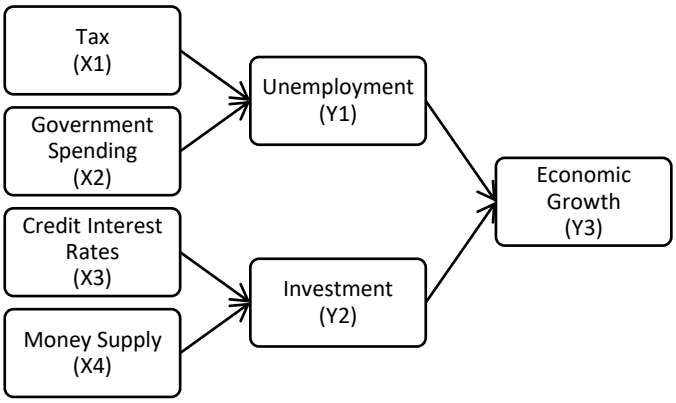

Figure 1. Conceptual Framework

RESEARCH METHOD

The research approach uses a quantitative approach which is carried out in the form of path analysis with time-series data in the annual period from 2000 to 2019. The location of this research was conducted in Indonesia. The research is in the form of retrieval of secondary data from the websites of the Indonesian Central Statistics Agency, Bank Indonesia, World Bank, etc. This research was conducted in December 2021. The population in this study is all economic data in Indonesia. The sample in this study is based on the variables used, namely economic growth, taxes, government spending, investment, unemployment, the amount of money in circulation (M2), and credit interest rates. The data used in this research is secondary data. The data used in this study were obtained from various sources such as the Worldbank (www.worldbank.org), Bank Indonesia (www.bi.go.id), the Ministry of Finance, and BPS Indonesia (www.bps.go. en). to obtain documentation of data related to the object under study and use other literature in accordance with this research.

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Data Collection Methods and Techniques

The data collection technique used is library research where library research is a research method to obtain information from the literature related to this research, such as research journals, theses, dissertations, and other published books related to this research. The data collection technique used is direct recording in the form of time series data for a period of 20 years (2000-2019).

Data Analysis Method

The equation model of this research can be seen from the following equation:

Y_1=f (X_1, X_2, X_3, X_4)…….... (4.1)

Y_2=f (X_1, X_2, X_3, X_4)…….... (4.2)

Y_3=f (Y_1, Y_2, X_1, X_2, X_3, X_4)….. (4.3)

Where:

X_1 = Tax

X_2 = Government Spending

X_3 = Credit Interest Rates

X_4 = Money Supply

Y_1 = Unemployment

Y_2 = Investment

Y_3 = Economic Growth

RESULTS AND DISCUSSION

The results of data analysis, then obtained direct, indirect, and total effects as in table 1 – table 3.

Table 1. The coefficient of determination of the independent variable to the dependent variable

Dependent Variable	Coefficient
Investment	.997
Unemployment	.992
Economic growth	.996

Table 2. The direct effect of the independent variable on the dependent variable

Variable Relationship	Coefficient	t-count	Probability
$X_1 \rightarrow Y_1$	6.882	35.562	***
$X_2 \rightarrow Y_1$	-1.958	9.255	***
$X_3 \rightarrow Y_1$	0.133	2.085	0.037*
$X_4 \rightarrow Y_1$	-7.043	32.577	***
$X_1 \rightarrow Y_2$	2.275	34.737	***
$X_2 \rightarrow Y_2$	-4.075	56.919	***
$X_3 \rightarrow Y_2$	0.075	3.484	***
$X_4 \rightarrow Y_2$	3.638	49.735	***
$X_1 \rightarrow Y_3$	2.516	4.084	***
$X_2 \rightarrow Y_3$	3.408	3.623	***
$X_3 \rightarrow Y_3$	-0.328	3.873	***
$X_4 \rightarrow Y_3$	-9.119	11.979	***
$Y_1 \rightarrow Y_3$	-0.294	9.839	***
$Y_2 \rightarrow Y_3$	0.856	4.026	***

Table 3. The indirect effect of the independent variable on the dependent variable

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Variable Relationship	Direct Effect	Indirect Effect	Total Effect
$X_1 \rightarrow Y_3$	2.516***	-0.075***	2.441***
$X_2 \rightarrow Y_3$	3.408***	-2.912***	0.496***
$X_3 \rightarrow Y_3$	-0.328***	0.025***	-0.303***
$X_4 \rightarrow Y_3$	-9.119***	5.182***	-3.937***

Source: Table 5.1 – table 5.3 AMOS Output Results 23 data processed, 2021
Note: * Significance level 0.05, *** Significance level 0.001

Based on Table 1, the R square values of Y_1, Y_2, and Y_3 is 0.997 respectively; 0.992; and 0.996. Giving the conclusion that 99.7%; 99.2%; and 99.6% variation of changes in the variables of unemployment, investment, and economic growth can be explained together with by variations in changes in the variables of taxes, government spending, interest rates, and the money supply. The remainder is 0.3; 0.8; and 0.4 percent is determined by other variables outside the model. Based on Table 3 monetary policy has a greater direct effect on economic growth in Indonesia but in a negative direction. This shows that the increasing monetary policy will reduce the rate of economic growth in Indonesia. The results of this study are in line with research conducted by Tan et al (2020) where monetary policy is more effective on economic growth in Malaysia and Singapore.

The direct effect of taxes on economic growth shows a significant effect with a coefficient value of 2.516. This means that every 1 percent increase in taxes will directly increase economic growth by 2,516 percent. On the other hand, the indirect effect of taxes on economic growth through unemployment and investment shows a different but significant effect with a coefficient value of -0.075, which means that every 1 percent increase in taxes will indirectly reduce economic growth by 0.075 percent. However, the total effect of taxes on economic growth is 2,441, which means that every 1 percent increase in taxes will, directly and indirectly, increase economic growth by 2,441 percent through unemployment and investment. This is because direct influence is more dominant than indirect influence. In accordance with the initial hypothesis which states that taxes directly have a positive effect and indirectly through unemployment and investment have a negative effect on economic growth.

The direct effect of government spending on economic growth shows a significant effect with a coefficient value of 3,408. This means that every 1 percent increase in government spending will directly increase economic growth by 3,408 percent. On the other hand, the indirect effect of government spending on economic growth through unemployment and investment shows a significant effect with a coefficient value of -2,912. This means that every 1 percent increase in government spending will indirectly reduce economic growth by 2,912 percent through unemployment and investment. However, the total effect of government spending on economic growth is 0.496, which means that every 1 percent increase in government spending will, directly and indirectly, increase economic growth by 0.496 percent. This is because direct influence is more dominant than indirect influence. In accordance with the initial hypothesis which states that government spending directly has a positive effect on economic growth, but the indirect effect of government spending through unemployment and investment on economic growth is not in accordance with the initial hypothesis which states that government spending has a positive effect on economic growth, where the result is a positive effect on economic growth. negative.

The direct effect of credit interest rates on economic growth shows a significant effect with a coefficient value of -0.328. This means that a 1 percent increase in credit interest rates will directly reduce economic growth by 0.328 percent. On the other hand, the indirect effect of credit interest rates on economic growth through unemployment and investment shows a significant effect with a coefficient value of 0.025. This means that every 1 percent increase in loan interest rates will indirectly increase economic growth by 0.025 percent through unemployment and investment. However, the total effect of credit interest rates on economic growth is -0.303, which means that every 1 percent increase in taxes will, directly and indirectly, reduce economic growth by 0.303 percent. This is because indirect influence is more dominant than direct influence. This direct effect is in accordance with the initial hypothesis which

states that interest rates have a negative effect on economic growth, but the indirect effect of credit interest rates on economic growth is not in accordance with the initial hypothesis which states that credit interest rates have a negative effect on economic growth where the result is a positive effect. through investment and unemployment.

The direct effect of the money supply on economic growth shows a significant effect with a coefficient value of -9,119 percent. This means that a 1 percent increase in the money supply will directly reduce economic growth by 9,119 percent. On the other hand, the indirect effect of the money supply on economic growth through unemployment and investment shows a significant effect with a coefficient value of 5.182. This means that every 1 percent increase in the money supply will indirectly increase economic growth by 5,182 percent through unemployment and investment. However, the total effect of the money supply on economic growth is -3,937, which means that every 1 percent increase in the money supply will reduce directly and indirectly economic growth by 3,937 percent. This is because indirect influence is more dominant than direct influence. This indirect effect is in accordance with the initial hypothesis which states that the money supply has a positive effect on economic growth through unemployment and investment, but the direct effect of the money supply on economic growth is not in accordance with the initial hypothesis which states that the money supply has a positive effect on positive economic growth. where the result is a negative effect.

Discussion

The Effect of Taxes on Economic Growth

The regression results show that taxes either directly or indirectly affect the level of economic growth in Indonesia. The amount of state revenue with taxes as the largest contributor to the budget in the APBN affects the allocation of spending to be made by the Government, one of which is infrastructure spending. If infrastructure in Indonesia increases, it will have an impact on economic activities, one of which is by facilitating the flow of goods and services. With the smooth flow of goods and services, the volume of trade in Indonesia will also increase which in turn will increase economic growth (Darusman, 2019). The increase in tax revenue is expected to have a positive influence on economic growth in Indonesia. Revenues from taxes that can be managed properly by the government will try to improve infrastructure so that the provision of physical facilities is able to overcome several problems in the region such as unemployment. Employment opportunities for the community will be created which in turn can reduce the unemployment rate in the district/city. However, if the government has not been able to properly manage revenue from this tax, then the unemployment problem will be difficult to overcome and will even continue to increase so that it will have an impact on declining economic growth. Increasing taxes that are too high will also be a heavy burden for the community because some of the income paid to the government is higher. The excess burden caused by the tax is what is called the lost welfare due to the tax. By decreasing the unemployment rate, it is expected to increase economic growth so that people's welfare will also increase.

The purpose of multinational companies is to get more profit by investing, therefore they are very sensitive to tax factors because taxes have a direct effect on their profits (Azam & Lukman, 2008). Taxation plays an important role in comparative political economy which is called globalization and if a country lowers tax rates it will increase the process of growth and development of the country because it will positively attract investors (Gedik, 2013). Tax revenue from this investment is expected to have a positive impact on the economy in Indonesia. The government's role in managing tax revenue from this investment is also very important. If the government's management of the tax proceeds can be managed properly, problems such as unemployment will be resolved, and people's welfare will increase.

The higher the economic activity of a society, the greater the tax revenue. Furthermore, with a good allocation of tax revenues, through its expenditures, the government can influence the economic activities of the community. With the development of infrastructure, distribution of income through taxes, and various other policies, economic activity can increase. This study is in accordance with the findings of research conducted by Damaningrum (2015) which states that the tax variable has an influence on

economic growth. The results of this study are also in accordance with research conducted by Tung (2014) where fiscal policy affects economic growth.

The Effect of Government Spending on Economic Growth

The regression results show that government spending either directly or indirectly affects economic growth in Indonesia. Government expenditure (government expenditure) is part of fiscal policy, which is a government action to regulate the course of the economy by determining the number of government revenues and expenditures each year which is reflected in the APBN document for the national and regional budgets (Lubis, 2014). Peacock and Wiseman's theory states that economic development causes tax collection to increase even though tax rates do not change, and increased tax revenues can cause government spending to also increase. Therefore, under normal circumstances, an increase in GDP causes government revenues to increase, as well as government spending to increase. So, government spending, which is classified into direct spending and indirect spending, if increases, causes GNP (in this study is output) to increase as well.

Government spending used to improve infrastructure will have a positive impact on economic growth in the region/country. The availability of jobs will reduce the unemployment rate in the region so that people's welfare will also increase and will further have an impact on positive economic growth. Indonesia as a developing country requires large funds to carry out national development because Indonesia is still seeking funds for development to equalize development in various sectors from developed countries, at regional and global levels. Therefore, Indonesia utilizes foreign direct investment sources to finance economic development in Indonesia (Sarwedi, 2002). The success of development in an area is not only determined by the amount of government expenditure but also by the amount of investment. Policies on the distribution of government expenditures that are right on target and the correct direction of investment to areas that can create job opportunities will increase economic growth (Danawati, 2016).

Peacock and Wiseman's theory of government spending is often referred to as The Displacement Effect, where this theory is based on a view that the government always increases spending, while people do not like to pay more and more taxes to finance the growing government spending. Peacock and Wiseman base their theory on a theory that society has a level of tax tolerance, a level where people can understand the amount of tax levy required by the government to finance government spending. This level of tolerance is an obstacle for the government to increase tax collections. In Peacock and Wiseman's theory, it is also stated that economic growth causes tax collection to increase even though the tax rate does not change and increasing tax revenues causes government spending to also increase. An increase in GDP under normal circumstances leads to greater government revenue receipts, as well as government spending. If the normal situation is disturbed, for example, because of a war, the government must increase its spending to finance the war. One way to increase its revenue is to increase the tax rate so that private funds for investment and consumption are reduced. This situation is called the displacement effect, namely the existence of social disturbances causing private activities to be diverted to government activities.

This study is in accordance with the findings of research conducted by Zahari (2017) which states that government spending has a positive effect on economic growth, but it is different from research conducted by Damaningrum (2015) which states that government expenditure variables have no effect on economic growth. The results of this study are also in accordance with research conducted by Tan (2020) and Tung (2014) where fiscal policy affects economic growth.

The Effect of Credit Interest Rates on Economic Growth

The regression results show that credit interest rates either directly or indirectly affect economic growth in Indonesia. The Bank Indonesia interest rate or BI 7-Day Repo Rate is the instrument interest rate from Bank Indonesia (BI). Bank Indonesia, through monetary policy (policy rate), can increase or decrease interest rates, thereby affecting interbank interest rates. Interest rates will affect savings, control the money supply, affect the demand and supply of money. Interest rates as a tool of the central bank in controlling the rate of inflation. High-interest rates can cause the cost of money to be expensive so that it

can weaken export competitiveness, reduce investment, decrease production so that in the end it will influence decreasing output (Yazid, 2018).

Thus, the BI 7-Day Repo Rate gives a signal that the government expects the banking sector to move the real sector to boost Indonesia's economic growth rate. The increase in the BI 7-Day Repo Rate will encourage an increase in the interbank fund's interest rate and the deposit rate, which will result in an increase in lending rates. Meanwhile, if the BI 7-Day Repo Rate is lowered, it is feared that it will trigger the flight of short-term funds which will disrupt the stability of the rupiah exchange rate and economic growth (Indriyani, 2016). The interest rate is essentially the price, expressed as a percentage per year, whose charges are based on the amount of money borrowed. Fluctuations in interest rates that occur will have important implications for the real sector and the monetary sector in the economy. High-interest rates will make it difficult to invest in the real sector. However, high-interest rates tend to provide a strong incentive for people to save.

This study is in accordance with the findings of research conducted by Yazid (2018) which states that interest rate variables affect economic growth in Indonesia, but it is different from research conducted by Asnawi and Fitria (2018) which states that interest rates have no effect on growing the economy in Indonesia. The results of this study are also in accordance with research conducted by Tan (2020) and Tung (2014) where monetary policy affects economic growth.

The Effect of the Money Supply on Economic Growth

The regression results show that the money supply either directly or indirectly affects economic growth in Indonesia. The economy of a country cannot be separated from money payment activities. When discussing money payment traffic, it means the money supply. Changes in the money supply influence economic activity in various sectors. If the money supply is high, it causes inflation. Then, if the money supply is very low, it will cause an economic downturn. If this happens continuously, people's welfare will decline (Siburian & Murtala, 2019).

The size of the money supply will affect the real purchasing power of the people and the availability of public commodities. The amount of money in circulation in the community must develop naturally. This of course will have a positive effect on the economy, but developments that increase too sharply will trigger inflation which of course will have a negative effect on the economic growth of a country. Basically, the money supply is determined by the amount of money supply from the (Central Bank) and money demand from the public (Permatasari, 2017). The same impact will be felt by investors in their investment activities, where investment activities will decrease when inflation increases, this happens because high inflation causes production costs to increase which will not necessarily be offset by increased income, so the company will experience losses and have an impact on investment activities.

The increase in the money supply will increase economic growth, this is related because, with an increase in the money supply, people will put some of their funds for consumption so that producers produce more goods then demand production factors will increase, this will affect income per capita will then increase growth (Asnawi & Fitria, 2018). This study is in accordance with the findings of research conducted by Kistianingsih (2019) which states that the money supply has an influence on economic growth in Indonesia. The results of this study are also in accordance with research conducted by Tan (2020) and Tung (2014) where monetary policy affects economic growth.

Based on the results of the research above, Keynes has the view that to ensure stable growth, the government's role in managing the economy is needed, both through monetary policy (interest rates and money supply) and fiscal policy (taxes and government spending) (Azwar, 2016). The theory also says that the unemployment rate is also influenced by inflation, fiscal policy (government spending and taxes), and monetary policy (interest rates and money supply) set by the government in regulating the rate of economic growth (Asyulinda, Amar, & Aimon, 2015). Berdasarkan Tabel 5.1 dapat dilihat nilai R square Y_1, Y_2, dan Y_3 secara berurutan yaitu sebesar 0,997; 0,992; dan 0,996. Memberikan kesimpulan bahwa 99,7%; 99,2%; dan 99,6% variasi perubahan pada variabel pengangguran, investasi, dan pertumbuhan ekonomi dapat dijelaskan secara bersama-sama oleh variasi perubahan variabel-variabel

pajak, pengeluaran pemerintah, suku bunga, dan jumlah uang beredar. Sisanya sebesar 0,3; 0,8; dan 0,4 persen ditentukan oleh variabel lainnya diluar model.

CONCLUSION

The conclusions in this study are as follows:

1. Increasing taxes will directly increase Indonesia's economic growth, but indirectly increasing taxes will reduce Indonesia's economic growth through unemployment and investment.
2. The increase in government spending will directly increase Indonesia's economic growth, but indirectly the increase in government spending will reduce Indonesia's economic growth through unemployment and investment.
3. An increase in credit interest rates will directly reduce Indonesia's economic growth, but indirectly, an increase in credit interest rates will increase Indonesia's economic growth through unemployment and investment.
4. The increase in the money supply will directly reduce Indonesia's economic growth, but indirectly, the increase in the money supply will increase Indonesia's economic growth through unemployment and investment.

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