

DAMPAK UTANG PEMERINTAH TERHADAP STABILITAS MAKROEKONOMI

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***Abstract:** Public debt is one of the sources of deficit financing, however, it is a burden to public budget. The objective of this research is to analyse the effects of deficit and public debt on the macroeconomic stability (growth, inflation, net export, and unemployment). The analysis is undertaken by using a vector error corection model (VECM). Data used are of quarterly, covering 1980-2003. The increase in the deficit and debt service situation, it will have impact on decreasing output and increase inflation level in the short run as well as in the long run. The increase in deficit will increase the net export and decrease unemployment. On the other hand, the increase in debt service will decrease the net export and increase unemployment. Inflation can explain the overall economic performance, so that in order to maintain the macroeconomic stability, the authority should first stabilize the inflation level. One major implication of this analysis is that, the development strategy should be focused on increasing output so as to ultimately reduce the budget deficit.*

***Keyword:** Debt; stability; macroeconomic; Indonesia.*