

ABSTRACT

DYNAMIC ANALYSIS OF EFFECT OF FISCAL INSTRUMENTS ON GDP AND INFLATION IN THE PROVINCE LAMPUNG

By

Deftiana Zerlinda

Fiscal policy is an economic policy in order to steer the economy to be better with the change of government revenue and expenditure. The main instrument of fiscal policy is the government's revenues and expenditures are closely related to taxes.

The aim of this study was to determine the effect of government spending and tax revenue to PRDB in the short term and long term and also to determine the effect of government spending and taxes to inflation in the short term and in the long term. The data used in this study is time series data for 30 years from 1984 until 2013 using a dynamic approach Error Correction Model.

The results showed that the fiscal instrument that government spending in the short-term positive effect on GDP and in the long-term negative effect on GDP in the province of Lampung. While the tax in the short term and not long-term negative effect on GDP. Results of fiscal instruments to inflation in Lampung Province, namely, government spending negatively affect inflation in the short term and long term. Taxes in the short term and long term positive effect on inflation in Lampung Province.

Keywords: government spending, tax revenue, GDP, inflation, ECM.