

Policy Effectiveness in the Situation of Economic Recession

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Abstract : The proper policy handling might not able to attain the target since some of recessions, e.g., pandemic-led crises, the variables shocks of the economics. At the level of this situation, the Central bank implements the monetary policy to choose increase the exogenous expenditure and level of money supply consecutively for booster level economic growth, whether the monetary policy is relatively more effective than fiscal policy in altering real output growth of a country or both stand for relatively effective in the direction of output growth of a country. The dispute with reference to the relationship between the monetary policy and fiscal policy is centered on the inflationary penalty of the shortfall financing by the fiscal authority. The latest variables socks of economics as well as the pandemic-led crises, central banks around the world predicted just about a general dilemma in relation to increase rates to face the or decrease rates to sustain the economic movement. Whether the prices hang about fundamentally unaffected, the aggregate demand has also been hold a significantly negative attitude by the outbreak COVID-19 pandemic. To empirically investigate the effects of economics shocks associated COVID-19 pandemic, the paper considers the effectiveness of the monetary policy and fiscal policy that linked to the adjustment mechanism of different economic variables. To examine the effects of economics shock associated COVID-19 pandemic towards the effectiveness of Monetary Policy and Fiscal Policy in the direction of output growth of a Country, this paper uses the Simultaneous equations model under the estimation of Two-Stage Least Squares (2SLS) and Ordinary Least Squares (OLS) Method.

Keywords : IS-LM framework, pandemic. Economics variables shocks, simultaneous equations model, output growth

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