ABSTRACT

Stability behavior of IDR against the USD exchange rate (e) is necessary in order to support domestic and international economic activities. The use of floating exchange rate system, then replaced by free floating exchange rate system, showed behavior IDR exchange rate against USD (e) tends to depreciate with the relative irregular movement, which associated with changes in the variable condition of Indonesia's economic fundamentals and the United States. With exchange rate theory, especially the monetary approach and balance of payments, the determinant of the research variables, namely, relative national income, the relative money supply, the relative interest rate, relative inflation rates, as well as foreign reserves of Indonesia. This study aim to determine and analyze the cointegration between the independent variables to dependent variables, to analyze the effect of exchange rates and differences in behavior IDR/USD at the period of floating exchange rate system and the period of free floating exchange rate system, and analyzes the causality between the independent variables and the dependent variable.

The model used in order to analyze the factors that influence the behavior of IDR against the USD, i.e the error correction model (ECM). Through cointegration test, all independent variables are cointegrated with the behavior of variable IDR exchange rate against USD (e). In the short term, the variables have a significant influence on the value of the t table (df 82; α 0.10 = 1.671, α 0.05 and α = 2.000 0.01 = 2.660) accompanied by signs of the influence of the appropriate direction, i.e,relative money supply variable (M1), relative inflation rates (i) and foreign reserves of Indonesia (DR). In the long term,it consists of the relative inflation rate variable (i) and foreign reserves of Indonesia (DR). Exchange rate behavior IDR / USD (e) for both exchange rate systems is different each other as a result of differences in the role of monetary authorities (Bank Indonesia) in each of the exchange rate system. Variable interest rate (r), inflation (i) and foreign reserves of Indonesia (DR) show causality relationship with the behavior of variable exchange rate IDR / USD (e) at lag 2 with a probability value <α of 0.05.

The study is based only on economic fundamentals as relatively independent variables in explaining the behavior of IDR against the USD exchange rate (e). The use of dummy variables in the model shows the differences in behavior IDR exchange rate against the USD tends to cause residual abnormalities. In fact, non-economic fundamental factors also influence the behavior of exchange rates IDR / USD, but not focus at this research. This research should be continued by exploring behavior of IDR exchange rate against the USD and the five-strong currency in the world by using other variables that are relevant to the development of exchange theory.

Keywords: Exchange IDR/USD, Depreciation, Appreciation, relative national income, the money supply relative, relative interest rates, relative inflation rate, Indonesian foreign reserves.