

## TABLE OF CONTENT

THESIS APPROVAL .....	ii
GRADUATE CONFIRMATION PAGE .....	iii
STATEMENT OF ORIGINALITY .....	iv
<i>ABSTRAK</i> .....	v
ABSTRACT .....	vi
ACKNOWLEDGEMENTS.....	vii
TABLE OF CONTENT.....	ix
LIST OF FIGURES.....	xii
LIST OF TABLES .....	xiv
LIST OF APPENDIXES .....	xv
CHAPTER I INTRODUCTION.....	1
1.1 Problem Background.....	1
1.2 Research Problem.....	9
1.3 Objective and Benefits.....	9
1.4 Systematic of Writing.....	11
CHAPTER II LITERATURE REVIEW.....	13
2.1 Theoretical Basis .....	13
2.1.1 The IS–LM Theory and Oil Price Shocks.....	13
2.1.2 Theory of Economics Growth .....	18
2.1.3 Theory of Inflation.....	22
2.1.4 Theory of Institutional Quality.....	26
2.2 Relationship Between Variables .....	27
2.2.1 The Relationship Between Oil Prices and Economic Growth.....	27
2.2.2 The Relationship Between Oil Prices and Inflation.....	28
2.2.3 The Role of Control Variables.....	30
2.2.4 Transmission Mechanism of Oil Price Shocks to Economic Growth and Inflation .....	32
2.2.5 Synthesis of Relationships Between Variables .....	34
2.3 Previous Research .....	35
2.4 Research Framework.....	43
2.5 Research Hypothesis.....	47
CHAPTER III RESEARCH METHODOLOGY.....	50
3.1 Research Approach.....	50
3.2 Data Sources.....	50
3.3 Empirical Model.....	51
3.4 Operational Description of Variables .....	54
3.4.1 GDP Growth.....	54
3.4.2 Inflation .....	55
3.4.3 Oil Price.....	56
3.4.4 Gross Capital Formation .....	56
3.4.5 Trade Openness .....	57
3.4.6 Interest Rate.....	57
3.4.7 Exchange Rate .....	58

3.4.8 Government Expenditure .....	60
3.4.9 Government Effectiveness .....	61
3.4.10 Political Stability.....	62
3.4.11 Control of Corruption.....	64
3.5 Analysis Technique .....	65
3.5.1 System Generalised Method of Moments .....	66
3.5.2 First Difference Generalised Method of Moments .....	68
3.5.3 Model Specification Test .....	70
CHAPTER IV RESULT AND DISCUSSION .....	72
4.1. Overview.....	72
4.1.1 GDP in Net Oil Exporting and Net Oil Importing Countries.....	72
4.1.2 Inflation in Net Oil Exporting and Net Oil Importing Countries .....	76
4.1.3 Government Expenditure in Net Oil Exporting and Net Oil Importing Countries .....	80
4.1.4 GCF in Net Oil Exporting and Net Oil Importing Countries .....	83
4.1.5 Trade Openness in Net Oil Exporting and Net Oil Importing Countries.....	87
4.1.6 Exchange Rates in Net Oil Exporting and Net Oil Importing Countries.....	90
4.1.7 Interest Rates in Net Oil Exporting and Net Oil Importing Countries.....	94
4.1.8 Government Effectiveness in Net Oil Exporting and Net Oil Importing Countries .....	97
4.1.9 Political Stability in Net Oil Exporting and Net Oil Importing Countries.....	100
4.1.10 Control of Corruption in Net Oil Exporting and Net Oil Importing Countries .....	104
4.2. Statistical Description.....	107
4.3 Description of Research Findings .....	110
4.3.1 Growth Model Regression Results .....	110
4.3.2 Interpretation of Growth Model Regression Results .....	112
4.3.3 Inflation Model Regression Results.....	117
4.3.4 Interpretation of Inflation Model Regression Results.....	119
4.4 Discussion .....	121
4.4.1 Growth Model Discussion.....	121
4.4.2 Inflation Model Discuss .....	132
CHAPTER V CONCLUSIONS.....	141
5.1 Conclusions.....	141
5.2 Suggestions .....	144
5.3 Research Limitations .....	146
5.4 Recommendation for Further Research.....	148
REFERENCE.....	150
APPENDIX .....	156
Appendix A. GMM Regression Estimation Results for the Growth Model of Net Exporting Countries.....	156

Appendix B. Arellano-Bond Test for the Growth Model of Net Exporting Countries.....	156
Appendix C. Sargan Test for the Growth Model of Net Exporting Countries.....	156
Appendix D. GMM Regression Estimation Results for the Growth Model of Net Importing Countries.....	157
Appendix E. Arellano-Bond Test for the Growth Model of Net Importing Countries.....	157
Appendix F. Sargan Test for the Growth Model of Net Importing Countries.....	157
Appendix G. GMM Regression Estimation Results for the Inflation Model of Net Exporting Countries.....	158
Appendix H. Arellano-Bond Test for the Inflation Model of Net Exporting Countries.....	158
Appendix I. Sargan Test for the Inflation Model of Net Exporting Countries.....	158
Appendix J. GMM Regression Estimation Results for the Inflation Model of Net Importing Countries.....	159
Appendix K. Arellano-Bond Test for the Inflation Model of Net Importing Countries.....	159
Appendix L. Sargan Test for the Inflation Model of Net Importing Countries.....	159

