ABSTRACT

MUNAWAR. Economic Growth Model Based on Money Stock Function. Under supervision of ENDAR HASAFAH NUGRAHANI and FARIDA HANUM.

Quantity theory states that the strength or weakness of money value highly depends on the number of money circulation. This thesis analyzes economic growth model based on money stock function, determines equilibrium solution, and makes simulation of the model. This research uses One-Sector Growth (OSG) model, that makes use of two production factors, i.e. capital and human resource. The OSG model is solved with Cobb-Douglass production function. The results of the comparison between simulation and secondary data of national income per capita for the case in Indonesia shows that the appropriate model is the case of the growth model with low elasticity of capital.

Keywords: economic growth model, money stock function, equilibrium