Journal of Management, Economic, and Financial
Volume 4, No. 2 February 2026
e-ISSN 2986-6863

Analysis: From Operational Frameworks to Classical-Keynesian Theoretical Debates

Muhammad Permadi[1], Atin Risnawati[2]
Sekolah Tinggi Agama Islam Kuningan, Indonesia
Email: muhammadpermadina@gmail.com[1], atinrisnawati@gmail.com[2]

Abstract

Macroeconomic monetary policy constitutes a fundamental instrument in maintaining national economic stability through the regulation of inflation, interest rates, and money supply. The theoretical foundation of modern monetary policy has long been shaped by the ideas of John Maynard Keynes, who emphasized the indispensable role of monetary authorities in actively stimulating the economy, particularly during periods of declining aggregate demand. This Keynesian approach is manifested in expansionary monetary policies, including interest rate reductions and liquidity injections designed to encourage investment and consumption. Despite the prominence of the Keynesian framework, existing literature reveals a gap in the comparative analysis of how diverse economies operationalize these principles under varying macroeconomic conditions. This study aims to bridge that gap by examining the theoretical debate between Classical and Keynesian economics and analyzing its reflection in the monetary policy operational frameworks of multiple countries. Similarly, the Bank of Japan adopted an aggressive monetary easing stance, including a negative interest rate policy set at −0.1% introduced in 2016. In Indonesia, Bank Indonesia employs the BI Rate as its primary monetary instrument within the Inflation Targeting Framework (ITF), consistently maintaining inflation within its target corridor. However, modern monetary policy is not purely Keynesian, as it integrates multiple theoretical approaches to sustain macroeconomic stability. The findings suggest that monetary policy across countries is adaptive and contextual, with the primary objectives of preserving financial system stability, controlling inflation, and supporting sustainable economic growth and public welfare.

Keywords: monetary policy, economic stability, keynes theory

INTRODUCTION

Monetary policy is a key instrument in managing a country's macroeconomy, particularly in maintaining price stability, controlling inflation, and encouraging sustainable economic growth. In modern central banking practice, monetary policy serves not only as a tool to control the money supply through a strict operational framework, but also as a strategic means to respond to increasingly complex global economic dynamics. Analysis of monetary policy requires a deep understanding of how monetary authorities use instruments such as the benchmark interest rate (policy rate), open market operations, and reserve requirements to influence overall macroeconomic variables. Theoretical debates regarding the effectiveness of monetary policy are often rooted in two major schools of thought: Classical and Keynesian. Understanding this theoretical foundation is crucial, particularly through the thinking of John Maynard Keynes. John Maynard Keynes's economic theory has had strong implications for the direction of global macroeconomic policy, particularly during challenging periods such as the Great Depression of the 1930s and the 2008 global financial crisis (Meiriza et al., 2024).

Keynes's theory emphasizes that the economy is not always in equilibrium (full employment), especially when there is a decline in aggregate demand, which can trigger mass unemployment and economic stagnation. Keynes argued that market mechanisms are not always perfect and that crises may occur due to the phenomenon of excess cash supply (liquidity trap) and insufficient aggregate demand (Indah et al., 2023). Under these conditions, monetary policy must work synergistically with fiscal policy to intervene through expansionary policies. This thinking has become the basis for many countries in formulating a more flexible and responsive monetary operational framework to market shocks. Theoretically, Keynesian economics encompasses macroeconomic theory regarding total expenditure in an economy and its impact on national output and the inflation rate (Meiriza et al., 2024). This view contrasts with Classical theory, which has a different perspective on the role of the state and the market.

According to Hia, (2025), classical theory emphasizes that free market mechanisms have the ability to achieve equilibrium automatically (invisible hand) in the long run through price and wage flexibility. Consequently, from a classical perspective, economic growth is viewed as the result of efficient resource allocation without the need for significant government intervention, thus monetary policy should be neutral (Awaliyah et al., 2025). This theoretical debate between classical and Keynesian monetary policy is reflected in the implementation of monetary policy in various countries.

Developed countries such as the United States, through the Federal Reserve, often demonstrate a more active approach in stabilizing the economy through non-conventional monetary instruments during times of crisis. Meanwhile, developing countries such as Indonesia, through Bank Indonesia (BI), adopt a more complex operational framework, the Inflation Targeting Framework (ITF), which tends to be cautious, considering exchange rate stability and inflation control as prerequisites for stable macroeconomic growth. Empirical evidence from Indonesia further shows that the transmission of monetary policy to interest rates exhibits asymmetric behavior, suggesting that the responsiveness of commercial bank rates to policy rate changes differs across monetary tightening and easing cycles (Handayani & Kacaribu, 2021). Therefore, conducting an in-depth analysis of the theoretical debate and operational practices of monetary policy is crucial to understanding how national economic policy is designed amidst global uncertainty.

Several previous studies have examined aspects of monetary policy from both theoretical and empirical perspectives. Meiriza et al., (2024) investigated Keynesian economic theory in relation to inflation and its influence on modern economic systems, concluding that aggregate demand management through monetary intervention remains a central pillar of macroeconomic stability. Their study, however, focused primarily on inflationary dynamics without sufficiently addressing the comparative operational frameworks deployed across different national contexts. Similarly, Astuti et al., (2025) examined the operational framework and macroeconomic analysis of monetary policy in Indonesia, highlighting the role of the BI Rate and the PUAB (Interbank Money Market) as key instruments in liquidity management. While their work provides valuable insights into Indonesia's monetary architecture, it does not offer a systematic comparison with the monetary regimes of developed economies. Furthermore, Hia, (2025)analyzed economic growth dynamics from the perspective of Classical and Keynesian theory, identifying fundamental tensions between market self-regulation and state intervention.

Nonetheless, a gap remains in the literature regarding the integrated analysis of how these theoretical debates translate into concrete monetary policy operational frameworks across both developed and developing economies.The research gap that this study seeks to address lies in the absence of a comprehensive comparative analysis that simultaneously examines the Classical-Keynesian theoretical debate and its manifestation in the monetary policy operational frameworks of multiple countries, including both advanced economies and emerging markets. While existing literature tends to treat theory and practice in isolation, this study integrates both dimensions in order to provide a more holistic and contextually grounded understanding of macromonetary policy. Notably, macroeconomic stability and inclusive growth are interdependent goals that require well-designed monetary frameworks capable of addressing both price stability and output sustainability simultaneously (Davoodi, 2021). The novelty of this research therefore resides in its bridging of theoretical discourse with empirical policy practices, offering a cross-country analytical lens that has been underexplored in the existing scholarship.

The present study has three primary objectives: (1) to analyze the theoretical foundations of Classical and Keynesian monetary economics and their implications for macroeconomic policy design; (2) to examine the operational frameworks of monetary policy as implemented by central banks in the United States, Japan, the European Union, and Indonesia; and (3) to identify areas of convergence and divergence between theoretical propositions and empirical policy practices across these economies. The benefits of this research are manifold: it contributes to the academic literature by providing a synthesized framework for understanding monetary policy from both theoretical and operational perspectives, and it offers practical implications for policymakers in designing adaptive and evidence-based monetary responses to economic instability.

The urgency of this study is underscored by the heightened global economic uncertainty following the COVID-19 pandemic and the resurgence of inflationary pressures worldwide, which have reignited debates about the most effective monetary policy strategies for achieving macroeconomic stability. Studies have demonstrated that the COVID-19 pandemic significantly elevated economic policy uncertainty, thereby affecting the counter-cyclical effectiveness of both quantitative and price-based monetary policy instruments (Song et al., 2021). Furthermore, central banks worldwide were compelled to recalibrate their policy frameworks in the pandemic era, adopting unprecedented accommodative stances to avert prolonged economic weakness and deflationary spirals (English et al., 2021).

Monetary policy is one of the government's strategies to improve economic conditions by controlling the amount of money in circulation. To address the ongoing economic crisis, not only are improvements in the real sector necessary, but it is also crucial to address various misunderstandings related to monetary issues. A closer look reveals that the economic crisis in Indonesia and other countries was essentially triggered by two main factors, both closely related to monetary issues (Annisa, 2018).

In this context, Bank Indonesia's monetary policy has demonstrated considerable effectiveness in maintaining inflation stability, including through interest rate regulation, open market operations, and the establishment of minimum reserve requirements for banks. Bank Indonesia has consistently achieved its inflation target since 2005. However, maintaining price stability remains a challenge, particularly due to fluctuations in global commodity prices and changes in the rupiah exchange rate (Septiani et al., 2024). A comparative study across ASEAN-5 countries further confirms that inflation-targeting economies, including Indonesia, generally exhibit lower exchange rate pass-through to domestic prices, thereby reinforcing the effectiveness of the ITF in anchoring inflation expectations.

Macroeconomics is an approach used to examine the overall economic condition of a country or region. This study focuses on key issues such as economic growth, unemployment, and inflation, as these factors significantly influence economic stability and the direction of a country's development (Rizani et al., 2023). Macroeconomic stability describes a condition in which the economy can operate smoothly without significant disruptions or fluctuations.

Low unemployment rates and balanced and sustainable economic growth are signs of controlled inflation. This condition is crucial for maintaining economic activity, improving public welfare, and creating a safe and stable investment climate. When inflation rises significantly, people's purchasing power tends to decline due to rapid increases in the prices of goods and services, which ultimately can lower living standards and increase economic uncertainty. Meanwhile, high unemployment rates can also hamper economic growth and trigger various social problems as people struggle to meet basic needs. Thus, macroeconomic stability is an important factor in encouraging the creation of equitable and sustainable economic growth (Mutiara et al., 2024).

The operational framework plays a crucial role in the economy because it influences the stability of the financial system and drives economic growth. This framework is the system and procedures used by the central bank in implementing monetary policy. BI directs policy through interest rate control, with the BI Rate as the primary indicator, reflected in the movement of short-term money market interest rates as an operational target. The primary operational target in managing liquidity and the money supply has been the Interbank Money Market (PUAB) rate since June 9, 2008 (Astuti et al., 2025). Monetary instruments, operational targets, intermediate targets, and final targets. Monetary instruments are tools used by central banks to influence the economy, such as open market operations, discount rates, minimum reserve requirements, and moral appeals, which are all part of the operational framework of monetary policy (Warjiyo, 2004:17).

Operational targets are short-term targets used as a reference in achieving intermediate targets and must be controllable and have fast and accurate information. Intermediate targets are used as connecting indicators between operational targets and final targets, such as M1, M2, bank credit, and the exchange rate. Meanwhile, the final targets of monetary policy in Indonesia include economic growth, price stability, job creation, and balance of payments equilibrium in accordance with Bank Indonesia Law Number 3 of 2004 (Astuti et al., 2025).

According to Meiriza et al., (2024), Keynesian theory explains that inflation occurs due to an imbalance between aggregate demand and production capacity. John Maynard Keynes's thinking emphasized that the economy does not always reach equilibrium automatically, especially during crises or recessions. According to Keynes, a decline in aggregate demand can lead to unemployment and economic stagnation, necessitating policy intervention, including monetary policy. According to Maulidi & Sakti, (2024), a decline in global demand can suppress the volume and prices of international trade and trigger economic stagnation.

Expansionary monetary policies, such as lowering interest rates and increasing the money supply, are used to encourage investment and consumption. Furthermore, Keynes introduced the concept of liquidity preference, which explains that the demand for money is influenced by transactions, precautionary, and speculative motives. This concept forms the basis for understanding how interest rate changes affect people's economic decisions. However, Keynes also proposed conditions under which monetary policy becomes less effective because people prefer to save money rather than spend it.

In international practice, Keynesian theory has been widely adopted by developed countries, particularly in response to economic crises. In the United States, the Federal Reserve implemented an expansionary monetary policy through interest rate cuts and a quantitative easing program to increase liquidity and stimulate economic growth. This policy demonstrates the central bank's active role in stabilizing the economy in accordance with Keynesian principles. In Japan, the Bank of Japan also implemented a low, even negative, interest rate policy to address deflation and economic stagnation. This approach reflects the application of Keynesian theory in a modern context, where monetary policy is used aggressively to stimulate aggregate demand.

In the European Union, the European Central Bank implements an expansionary monetary policy using unconventional instruments such as asset purchases and negative interest rates. This policy aims to increase credit distribution and consumption to overcome economic stagnation. This demonstrates the continued relevance of the Keynesian approach to monetary policy in the European region. In developing countries like Indonesia, Bank Indonesia implements monetary policy with a more cautious approach. In addition to stimulating economic growth, Bank Indonesia also focuses on inflation and exchange rate stability. In this regard, Keynesian theory is not fully implemented but is combined with other approaches to anticipate external risks such as capital flows and exchange rate fluctuations. The Financial Services Authority (OJK) also plays a crucial role in maintaining financial sector stability so that monetary policy can be implemented effectively.

Based on various practices in other countries, it can be seen that Keynesian theory is an important foundation for monetary policy, especially during economic crises. However, its implementation varies depending on the economic conditions of each country. Therefore, it can be concluded that Keynesian theory remains relevant in modern macromonetary policy, but its application is flexible and combined with other approaches. This demonstrates that monetary policy is not merely theoretical but must also be adaptive to global economic dynamics.

METHOD

This research adopts a qualitative descriptive approach with a comparative design, aimed at conducting an in-depth analysis of Keynesian monetary theory and its application in the monetary policy frameworks of several countries. This research type was selected because it provides a comprehensive and contextual understanding of complex monetary phenomena, particularly with respect to the relationship between economic theory and its practical implementation at the global level.

The research object of this study encompasses the monetary policies implemented by central banks in four national contexts: Bank Indonesia (BI) in Indonesia, the Federal Reserve (Fed) in the United States, the Bank of Japan (BoJ) in Japan, and the European Central Bank (ECB) in the European Union. No human subjects were involved in this research, as all data were derived from secondary documentary sources. The research instrument consists of a systematic documentation protocol, wherein a structured matrix was used to record, categorize, and compare relevant data from multiple sources according to predefined analytical dimensions: (1) type of monetary policy instrument, (2) macroeconomic objectives, (3) theoretical orientation (Classical vs. Keynesian), and (4) contextual outcomes.

Data collection was carried out through library research (studi kepustakaan), employing a systematic review of secondary sources including peer-reviewed journal articles, academic books, official reports and policy documents issued by central banks (including Bank Indonesia, the Federal Reserve, the Bank of Japan, and the European Central Bank), as well as publications from international financial institutions such as the International Monetary Fund (IMF) and the World Bank. The data collection procedure was structured in three stages: (1) identification and selection of relevant sources through academic databases and official institutional websites; (2)

critical reading and content extraction based on predefined themes; and (3) triangulation of data across multiple sources to ensure validity and consistency of information.

The data analysis technique employed in this study is qualitative content analysis combined with a comparative approach. The analytical process involved: (1) reduction of data by filtering relevant and credible information aligned with the research objectives; (2) presentation of data in descriptive narrative form and where applicable, in structured comparative tables; and (3) drawing of conclusions through interpretive synthesis of the analyzed information. Source triangulation was applied to cross-verify findings from different references, thereby strengthening the credibility and reliability of the study's conclusions. Through this methodological design, the study aims to produce a systematic, contextually grounded, and scientifically accountable analysis of macromonetary policy theory and practice.

RESULTS AND DISCUSSION

Monetary Policy Operational Framework

The operational framework plays a crucial role in the economic sector because it influences financial system stability and promotes economic growth. This framework refers to the systems and procedures used by the central bank in implementing monetary policy. Bank Indonesia (BI) directs its policy through interest rate control, with the BI Rate as the primary indicator. This policy direction is reflected in interest rate movements in the short-term money market, which serves as the operational target. Since June 9, 2008, the Interbank Money Market (PUAB) interest rate has been designated as the primary operational target. In its implementation, this operational framework encompasses various instruments and mechanisms used to regulate the money supply, interest rates, and liquidity in the financial markets.

The Operational Framework for Monetary Policy consists of the following:

Monetary Policy Instruments

Monetary policy instruments are the means or mechanisms used by central banks to influence operational targets and the achievement of the ultimate goals of monetary policy. The instruments used include:

a. Open Market Operations, namely the central bank's activities in the financial market through the purchase or sale of securities such as Bank Indonesia Certificates.
b. Discount Interest Rate, which is a short-term loan facility provided by the central bank to commercial banks to help manage liquidity.
c. Minimum reserve requirement, namely funds that commercial banks must deposit with the central bank as reserves.
d. Moral appeal, namely direction from the authorities to the relevant parties without being accompanied by formal sanctions.

Operational Targets Are

Short-term targets to be achieved in implementing monetary policy. The criteria for selecting operational targets include:

a. Derived from monetary variables that have a consistent relationship with intermediate targets.
b. Can be controlled directly by the central bank.
c. The information is available more quickly than intermediate targets, has a high level of accuracy, and is rarely revised.

Intermediate Targets

The relationship between operational targets and the ultimate objective of monetary policy is complex and indirect. Therefore, monetary economists and central banks develop additional indicators to facilitate monetary policy implementation, called intermediate targets. These targets are used to assess the effectiveness of monetary policy. They are selected based on variables that have a consistent relationship with the ultimate objective, are broad in scope, can be influenced by the central bank, and have relatively quick, accurate, and infrequently revised data. Examples include monetary aggregates such as M1 and M2, bank credit, and the exchange rate.

The Final Goal

Monetary Policy is aligned with the objectives set out in each country's central bank laws. In Indonesia, the final goals of monetary policy include economic growth, job creation, price stability, and balance of payments equilibrium, as stipulated in Article 7, paragraph 1 of Law Number 3 of 2004 concerning Bank Indonesia. Explicitly, the primary objective of monetary policy is to achieve and maintain the stability of the rupiah (monetary stability) (Astuti et al., 2025).

Macroeconomic Analysis of Monetary Policy

The monetarist approach to macroeconomics aims to understand the relationship between various economic variables such as inflation, exchange rates, and economic growth and monetary policy. In Indonesia, major reforms in monetary policy occurred following the amendment to Law No. 23 of 1999 concerning Bank Indonesia. Since then, monetary policy has focused on maintaining and strengthening the stability of the rupiah exchange rate.

Bank Indonesia has full authority to set inflation targets and control the money supply without intervention from other ministries or institutions. In its implementation, the principles of transparency and accountability are the primary foundations, requiring Bank Indonesia to announce its inflation targets and exchange rate policy direction annually to prevent economic crises. The monetarism strategy is implemented through controlling the money supply and utilizing money market instruments to achieve price stability. Under Law No. 23 of 1999, Bank Indonesia employs a monetarism approach with instruments such as open market operations, interest rate policy, and the establishment of minimum reserve requirements to control inflation.

However, monetarism has also been criticized for its perceived inability to explain the new paradigm shift in the more complex transmission mechanisms of monetary policy. Several studies have shown gaps in the policy transmission process that impacts the economy. Milton Friedman argued that monetary policy has a significant influence on the economy, while Robert Lucas emphasized that policy can have negative impacts if not supported by appropriate public expectations. In the context of emerging market economies, evidence suggests that inflation targeting frameworks, when properly implemented, contribute to improved macroeconomic performance and greater resilience during economic crises, particularly through enhanced credibility and predictability of monetary policy (Duong, 2022).

Friedman and Schwartz's (1963) research analyzed the relationship between the money supply and economic output using regression methods, while Sims (1972) developed more complex approaches such as Granger Causality and Vector Autoregression (VAR) to see the effect of monetary policy on economic growth (Astuti et al., 2025).

Operational Framework and Macroeconomic Analysis of Monetary Policy

The operational framework for monetary policy encompasses a series of processes a central bank employs to formulate and implement optimal policy. Its primary goal is to maintain price stability and support sustainable economic growth.

The main stages in the framework include:

a. Macroeconomic condition study, where the central bank conducts a comprehensive analysis of national economic conditions such as economic growth, inflation, unemployment rate, balance of payments and other factors that influence economic stability.
b. Determining monetary policy targets, the central bank determines policy objectives, such as inflation targets, economic growth, or other targets according to economic conditions.
c. Selection of policy instruments, Instruments used include benchmark interest rates, open market operations, minimum reserve requirements (GWM), and certain financing facilities.
d. Policy implementation, Policies that have been formulated are then implemented through money market intervention, interest rate regulation, and liquidity control and the amount of money in circulation.
e. Monitoring and evaluation: The central bank evaluates the effectiveness of policies in controlling inflation, maintaining financial system stability, and supporting economic growth. If necessary, policies can be adjusted.

By implementing an appropriate operational framework, central banks can understand economic dynamics more comprehensively and utilize appropriate instruments. This enables monetary policy to be effective and responsive to economic changes, thereby achieving key objectives such as price stability, healthy economic growth, and financial system stability.

Comparison of Keynesian Theory with Classical Theory

Keynesian theory was put forward by John Maynard Keynes, who explained that the economy does not always automatically reach equilibrium. According to Aryansyah et al., (2025), Keynesian theory is one of the most influential schools of economic thought, developed by British economist John Maynard Keynes. In the context of monetary policy, Keynes emphasized that interest rates have an influence on investment levels. Where when interest rates are lowered, investment will increase. This can encourage economic growth and reduce unemployment. However, in certain conditions such as economic crises, interest rate cuts are not always effective because people tend to hold cash. This behavior is known as a liquidity trap.

According to Aryansyah et al., (2025), Keynes emphasized that inflation caused by increased aggregate demand is not always negative, especially when the economy is in recession or underemployment. In this theory, policies implemented by central banks such as BI aim to increase aggregate demand through interest rate regulation, open market operations, and controlling the money supply. Therefore, it can be concluded that with increasing aggregate demand, population and labor absorption will increase, this will have a positive impact on monetary stability.

Besides Keynesian theory, another well-known theory holds that markets have the ability to adjust automatically without government intervention. This theory is called classical economics. Classical economics was proposed by Adam Smith, known as the father of classical economics. Classical theory emphasizes that free market mechanisms have the ability to achieve equilibrium automatically in the long run, so that economic growth is seen as the result of efficient resource allocation without the need for significant government investment (Hia, 2025).

Classical theory explains that the economy will always be automatically balanced through market mechanisms, where production (supply) is the main factor determining the level of output and economic growth. In classical theory, money is considered neutral because it only affects prices, not output or employment opportunities. This differs from Keynes's view, as research Hia, (2025) states that Keynesian theory emphasizes that economic dynamics are strongly influenced by aggregate demand, so that in times of crisis or economic instability, an active government role is needed through fiscal and monetary policies to encourage economic recovery.

The comparison of Keynesian theory with classical theory can be summarized into four main points, namely:

a. Classical theory, pioneered by Adam Smith, assumes that the economy will automatically reach equilibrium through market mechanisms (self-adjusting). Meanwhile, according to John Maynard Keynes, markets are not always able to achieve equilibrium, leading to long-term imbalances such as crises or recessions.
b. Classical theory views unemployment as temporary and will naturally disappear if wages are flexible. In contrast, Keynes argued that unemployment can occur over the long term due to a lack of aggregate demand and cannot be resolved solely through market mechanisms.
c. Classical theory emphasizes that government intervention should be minimal because markets are considered efficient. However, Keynes emphasized that governments must be proactive through fiscal and monetary policies to address economic instability, especially during crises.
d. Classical theory tends to allow markets to adjust naturally without intervention. Meanwhile, Keynes advocates economic stimulus, such as increased government spending or lower interest rates, to encourage economic recovery.

Followers and Development of Classical Theory and Keynesian Theory in Modern Economics

Over time, classical theory began to develop and became the neoclassical and monetarist schools, where the neoclassical school emphasized market efficiency, rational behavior, and economic equilibrium through the mechanisms of demand and supply. One of the figures who developed it was Alfred Marshall, who compiled and systematized neoclassical theory to make it easier to understand and use in modern economic analysis. By combining the theories of demand and supply in determining prices, he introduced the concept of elasticity of demand, developed partial equilibrium analysis and emphasized that prices are determined by the interaction between consumers and producers. Meanwhile, the monetarist who developed it was Milton Friedman, who emphasized that economic stability is greatly influenced by the money supply. Monetarists still believe that markets are basically efficient but acknowledge that monetary policy (especially inflation control) is still necessary, although government intervention should be limited.

From the perspective of Keynes' followers, John Maynard Keynes's thinking has now evolved into the Neo-Keynesian and New Keynesian schools. These schools refine Keynes's theory by incorporating elements of modern microeconomics, such as price and wage rigidity. They continue to emphasize the importance of government, but with a more systematic approach based on more complex economic models. Keynesian theory does not stop with John Maynard Keynes's thinking; it has been further developed by economists such as John Hicks, Alvin Hansen, Paul Samuelson, Franco Modigliani, and James Tobin, who have strengthened and expanded the theory's application in modern economic analysis.

Over time, these two theories have become less rigid. In modern economic practice, many countries combine both approaches. For example, under normal conditions, policies tend to follow classical or monetarist principles (maintaining market stability and efficiency). However, during crises, Keynesian approaches become more dominant, such as through fiscal stimulus and monetary easing. This development demonstrates the dynamic nature of economic theory. No single theory is entirely correct for all conditions. The pursuit of both macroeconomic stability and inclusive growth has also emerged as a key concern in modern monetary policymaking, as evidence suggests that monetary policy can and should contribute simultaneously to inflation control, output growth, and social welfare objectives (Ahiadorme, 2022). Therefore, modern economists tend to use a synthetic approach, combining the advantages of classical and Keynesian theories to achieve optimal economic stability and growth.

Case Examples in Other Countries

In the United States, the Federal Reserve central bank implements a Keynesian-based expansionary monetary policy especially during crises, such as the 2008 global financial crisis. The Fed lowered interest rates to near zero and carried out quantitative easing (QE) to increase the money supply and encourage credit and investment. Research on the Federal Reserve's large-scale asset purchase programs indicates that QE, while effective in stimulating lending, also induces bank risk-taking behavior through reserve accumulation, reflecting the complex transmission dynamics of unconventional monetary policy (Dhital et al., 2023).

In the European Union, the European Central Bank also implemented a loose monetary policy following the European debt crisis. Isnaini et al., (2024) explain that global monetary policy easing, including interest rate cuts and the adoption of an accommodative stance by central banks, is expected to direct capital flows to countries offering higher yields. The ECB even uses negative interest rates to encourage banks to increase lending. Evidence from European banks confirms that negative interest rate policies, while aimed at stimulating credit supply, also exert downward pressure on bank profitability and alter risk-taking patterns within the financial sector (López-Penabad et al., 2022). A decline in global demand can put downward pressure on the volume and prices of internationally traded goods and can lead to global economic stagnation at a low level. This policy demonstrates that the Keynesian approach is still used in dealing with modern economic stagnatio.

Table 1. Comparison of Monetary Policy Instruments and Effects Across Selected Countries

Country	Central Bank	Key Instruments	Theoretical Orientation	Key Effect / Outcome
United States	Federal Reserve	Federal funds rate; Quantitative Easing (QE); Open Market Operations	Keynesian (Expansionary / Active Intervention)	Stimulated credit & investment; post-2008 economic recovery

Country	Central Bank	Key Instruments	Theoretical Orientation	Key Effect / Outcome
Japan	Bank of Japan	Negative interest rate (−0.1%); Yield Curve Control; Asset Purchase Program	Neo-Keynesian (Ultra-loose monetary easing)	Counter-deflation; stimulated aggregate demand; limited long-term efficacy
European Union	European Central Bank	Negative deposit rate; Asset Purchase Programme (APP); Long-term refinancing operations	Keynesian-influenced; Unconventional policy tools	Increased bank lending; addressed European debt crisis; supported economic recovery
Indonesia	Bank Indonesia	BI Rate; Open Market Operations; Reserve Requirements; Inflation Targeting Framework (ITF)	Hybrid: Keynesian + Monetarist (cautious, exchange-rate sensitive)	Maintained inflation within target corridor; exchange rate stability; sustainable growth

Source: Compiled from (Astuti et al., 2025; Hia, 2025; Isnaini et al., 2024; Siar Meiriza et al., 2024)

CONCLUSION

This study concludes that monetary policy constitutes a pivotal instrument in maintaining national economic stability through the regulation of inflation, interest rates, and money supply, with its effectiveness shaped significantly by the theoretical framework underlying its design and the specific economic conditions of each country. Keynesian theory, which posits that the economy does not always achieve automatic equilibrium and therefore necessitates active government and central bank intervention, has proven to be a foundational and enduring influence on modern macromonetary policy, as evidenced by the expansionary measures adopted by the Federal Reserve (e.g., near-zero interest rates and quantitative easing programs exceeding $4 trillion), the Bank of Japan (e.g., negative interest rates at −0.1%), and the European Central Bank (e.g., asset purchase programmes and negative deposit rates) during periods of economic crisis. In developing economies such as Indonesia. The comparative analysis presented in this study highlights that while the operational frameworks of monetary policy vary across countries, a common thread of adaptability and contextual responsiveness underpins their design. Future research is encouraged to conduct empirical quantitative analyses examining the measurable effects of specific monetary policy instruments on key macroeconomic indicators across different economic regimes, as well as to explore the legal and institutional dimensions of central bank independence in shaping policy effectiveness in the post-pandemic global economic landscape.

REFERENCE

Ahiadorme, J. (2022). Monetary policy in search of macroeconomic stability and inclusive growth. *ElsevierJW AhiadormeResearch in Economics, 2022•Elsevier*. https://doi.org/10.1108/JES-07-2021-0368

Annisa, A. (2018). Konsep Uang dan Kebijakan Moneter Dalam Hukum Ekonomi Islam. *Jurnalfai-Uikabogor.Org*, *1*(2). https://doi.org/10.32507/MIZAN.V1I2.7

Aryansyah, A., Basri, M., Wardhani, R., & Wibawa, D. (2025). *Dasar-dasar teori inflasi: Dari pemikiran klasik hingga Keynesian*. https://www.google.com/books?hl=id&lr=&id=_eZBEQAAQBAJ&oi=fnd&pg=PP1&dq=Aryansyah,+A.+F.,+Basri,+M.+H.,+Wardhani,+R.+S.,+Wibawa,+D.+P.,+Noviyanti,+I.,+Sari,+W.+F.,+...+%26+Waradhika,+N.+(2025).+Dasar-dasar+teori+inflasi:+Dari+pemikiran+klasik+hingga+Keynesian.+Penerbit+Widina+&ots=yeVXZ3uvTw&sig=S_zL-n1xPhZmvah8GUpmYogxz5w

Astuti, R. P., Yulianti, I., Filianti, R., & Heti. (2025). Kerangka Operasional Dan Analisis Makro Ekonomi Kebijakan Moneter. *Padangjurnal.Web.IdRP Astuti, I Yulianti, RFH NegarMenulis: Jurnal Penelitian Nusantara, 2025•padangjurnal.Web.Id*, *1*, 304–307. https://doi.org/10.59435/MENULIS.V1I5

Davoodi, H. (2021). Macroeconomic Stability and Inclusive Growth. *IMF Working Papers*, *2021*(081), 1. https://doi.org/10.5089/9781513574363.001

Dhital, S., Dixon, C., & Evanczyk, E. (2023). Quantitative Easing and bank risk-taking behavior. *Heliyon*, *9*(7), e17965. https://doi.org/10.1016/j.heliyon.2023.e17965

Duong, T. (2022). Inflation targeting and economic performance over the crisis: evidence from emerging market economies. *Emerald.ComTH DuongAsian Journal of Economics and Banking, 2022•emerald.Com*. https://doi.org/10.1108/AJEB-03-2021-0037

English, W., Forbes, K., & Ubide, A. (2021). *Monetary policy and central banking in the Covid Era*. https://elischolar.library.yale.edu/cgi/viewcontent.cgi?article=12341&context=ypfs-documents

Handayani, F., & Kacaribu, F. (2021). Asymmetric transmission of monetary policy to interest rates: Empirical evidence from Indonesia. *Bulletin.Bmeb-Bi.OrgFA Handayani, FN KacaribuBulletin of Monetary Economics and Banking, 2021•bulletin.Bmeb-Bi.Org*, *24*(1). https://doi.org/10.21098/BEMP.V24I1.1424

Hia, F. (2025). Dinamika Pertumbuhan Ekonomi dalam Perspektif Teori Klasik dan Keynesian. *Jurnal.Faatuatua.ComF HiaJurnal Ekonomi (LIKUID), 2025•jurnal.Faatuatua.Com*. https://jurnal.faatuatua.com/index.php/LIKUID/article/view/290

Indah, N., Aruan, M., Hutagalung, I., Purba, B., Ekonomi, F., Sarjana, J., Ekonomi, I., & Medan, U. N. (2023). Analisis dampak teori Keynes dalam mengatasi krisis ekonomi melalui kebijakan fiskal. *Pdfs.Semanticscholar.OrgNIM Aruan, I Hutagalung, B PurbaJurnal Ilmiah Manajemen Ekonomi Dan Akuntansi (JIMEA), 2023•pdfs.Semanticscholar.Org*, *1*(1), 1–7. https://pdfs.semanticscholar.org/682e/1a96c3b6b6dda6f20ab952167b290ac6f973.pdf

Isnaini, N.. (2024). Kebijakan Proteksionisme Donald Trump Terhadap Dinamika Perang Dagang Amerika Serikat–Cina Tahun 2018-2022. *E-Journal.Fisipol-Undar.Ac.IdN Isnaini, K Kasanusi, BW AkbarAgrapana: Jurnal Ilmu Sosial Dan Ilmu Politik, 2024•e-Journal.Fisipol-Undar.Ac.Id*, *1*(2). https://e-journal.fisipol-undar.ac.id/index.php/agrapana/article/view/82

López-Penabad, M. C., Iglesias-Casal, A., & Silva Neto, J. F. (2022). Effects of a negative interest rate policy in bank profitability and risk taking: Evidence from European banks. *ElsevierMC López-Penabad, A Iglesias-Casal, JFS NetoResearch in International Business and Finance, 2022•Elsevier*, *60*. https://doi.org/10.1016/J.RIBAF.2021.101597

Maulidi, N., & Sakti, R. (2024). Pengaruh Perdagangan Internasional Dan Fdi Indonesia Dengan Amerika, China, Dan Jepang Terhadap Pertumbuhan Ekonomi Indonesia. *Jdess.Ub.Ac.IdNN Maulidi, RK SaktiJournal of Development Economic and Social Studies, 2024•jdess.Ub.Ac.Id*, *3*. https://doi.org/10.21776/jdess.2024.03.1.24

Mutiara, A., Islam, U., Sumatera, N., Imel, U., Siregar, S., Negeri, U. I., Utara, S., & Afriyanti, Y. (2024). Peran kebijakan fiskal dalam mendukung stabilitas ekonomi makro. *Ejurnal.Kampusakademik.Co.IdA Mutiara, IS Siregar, M Chairani, LM Nur, Y Afriyanti, T NadillaJurnal Ilmiah Ekonomi Dan Manajemen, 2024•ejurnal.Kampusakademik.Co.Id*, *2*(7), 212–226. https://doi.org/10.61722/JIEM.V2I7.1868

Rizani, A., Norrahman, R., & Harsono, I. (2023). Efek inflasi terhadap daya beli masyarakat pada tinjauan ekonomi makro. *Researchgate.NetA Rizani[1], RA Norrahman, I Harsono, AS Yahya, DM SyifaJournal Of International Multidisciplinary Research Vol, 2023•researchgate.Net*. https://www.researchgate.net/profile/Afif-Yahya/publication/377487995_Efek_Inflasi_terhadap_Daya_Beli_Masyarakat_pada_Tinjauan_Ekonomi_Makro/links/65a94226f323f74ff1c8625b/Efek-Inflasi-terhadap-Daya-Beli-Masyarakat-pada-Tinjauan-Ekonomi-Makro.pdf

Septiani, S., Rahmawati, T., Oktariani, V. D., Evi, E., & Fadilla, A. (2024). Peran Kebijakan Moneter di Indonesia dalam Menghadapi Inflasi. *Journal of Economics, Assets, and Evaluation*, *1*(3), 1–7. https://doi.org/10.47134/JEAE.V1I3.204

Siar Meiriza, M., Larasati Sinaga, D., Ulinda Tinambunan, F., Lylia Saragi, S., & Sitio, V. (2024). Teori Ekonomi Keynesian mengenai inflasi dan pengaruhnya terhadap ekonomi modern. *J-Innovative.OrgMS Meirizal, DL Sinaga, FU Tinambunan, SL Saragi, V SitioINNOVATIVE: Journal Of Social Science Research, 2024•j-Innovative.Org*, *4*, 2433–2445. http://j-innovative.org/index.php/Innovative/article/view/9754

Song, Y., Yang, Y., Yu, J., & Zhao, Z. (2021). The Post-COVID-19 Economic Policy Uncertainty and the Effectiveness of Monetary Policy: Evidence From China. *Frontiers in Public Health*, *9*, 771364. https://doi.org/10.3389/FPUBH.2021.771364/FULL