

ABSTRACT

Inflation is a complex problem which affects almost every country, including Indonesia. The inflation rate affects the economic growth of a country. In Indonesia, there are two methods which have been applied to solve problems related to inflation. Those methods are *Base Money Targeting Framework* (BMTF) and *Inflation-Targeting Framework* (ITF). ITF has been officially adopted by Bank Indonesia since July 2005. The main objective of this study is to determine whether there are differences in the two methods which have been adopted by Indonesia in overcoming inflation. The data used in this study is a time series data on monthly periods starting from January 2003 to December 2007. The method used in analyzing the data in the form of different test unpaired Independent Samples Test. From the analysis conducted found that there are differences in the results of the two methods conducted by Bank Indonesia to control inflation. Inflation Targeting Framework method is a method that is better than money-based method with an average rate greater.

Keywords: Base Money Targeting Framework (BMTF), Inflation Targeting Framework (ITF), JUB, BI Rate.