

INSTITUTIONAL COMPARISONS OF MONETARIS SECT AND SECTS

Crisanty Sutristyaningtyas Titik*
Universitas Trunojoyo Madura

Jopie Tamtelahitu*
Universitas Pattimura

Abstrak

The purpose of performance this paper is writing to know at a glance the flow of thought or sect of the Monetaris and flows along with Institutional characters and see the differences and similarities between the two schools of thought. From the study of literature between the institutional and the flow of the stream of monetaris there is a difference of consideration, has this been ascertained because the flow of its own institutional critiquing the thoughts of the classical and neoclassical free-market adherents and not willed the existence of government intervention, while institutional flow strongly believe the presence of the interference of Government in maintaining the stability and prosperity of the economy. The flow of monetaris own basically belongs on the flow of young neoclassical still very wedded to the free market economy, even though here monetaris does not close the existence of government intervention, but the share of the Government's role is very limited or have small portions, which are only on the scope of the setting of the money supply. They share associated with monopoly, where the two streams do not requires the existence of a monopoly in the economy.

Kata Kunci : , flow Istitusiona, Flow Monetaris

INTRODUCTION

In the history of economic thought, economic experts thought results always mutually attracted criticism and support from other experts, such thoughts are usually grouped to form sects or certain branches which aligns and supports the results of their thinking. Each theory or thought certainly has its advantages and disadvantages, as well as have similarities and differences. Likewise, between economic thought flow with the flow of institutional monetaris.

Based on history, the presence of institutional flow of thoughts is to criticize theories feature classic and neoclassic. The dominant figure on streams of Thorstein Bunde Veblen it is, and there are also some followers of the other i.e. Wesley Clair Mitchel and John r. Commons.

While the flow of monetaris give criticism on thoughts of Keynes. Figure on streams this is Milton Friedman. Some other figures that go on stream this monetaris among them is Karl Brunner, Knut Wicksell and Thomas Mayer.

Among both institutional and monetaris streams, there are also similarities and differences of thought. The difference in thinking on both of the flow of this logical, because the fractional flow monetaris is from the 1930s where his character is the young Milton Friedmana of neoclassical sect (Deliarnov, 1997), while the flow of institutional consideration tend to criticize the thinking of classical and neoclassical. For the deliberations of more will be explained in the following section of this paper.

This paper was compiled in order to compare economic thought Flow between Institutional and Monetaris Flow. There are three objectives to be achieved are:

1. Explain the fleeting thought Flow and flow of Institutional Monetaris along with his characters.
2. Shows the difference between the flow of thought and the flow of Institutional Monetaris
3. Demonstrate the similarities between these two streams of thought.

DISCUSSION

1. Institutional Flow

Institutionalism or flow of institutional economics of the sect grew in the United States during the 1920 's and 30 's is seen the evolution of economic institutions as part of a broader process of cultural development. The flow of this institutional view or balance against rejecting the harmony prevailing at the market of free competition with no interference from the Government as expressed by the flow of the classical and neoclassical.

The dominant figure in this political grouping was Thorstein Bunde Veblen (1857-1929) issued the criticism-criticism of classical and neoclassical thought. Veblen rejected the assumption of perfect competition market and the idea that the market is under the control of employers will produce the desired results by the community, where the Orthodox theories of classical and neoclassical theory or finding harmony under capitalism with the efficient allocation of resources and unemployment. Veblen find irregularities, that entrepreneurs sabotage the system to gain an advantage that ultimately brought the economy in depression. (Landreth). Industrial capitalism is the evolution or cultural norms of behavior, either for consumers or producers. The famous theory of "The Theory of The Leisure Class", revealed that consumers are institutionally formed shifts lead to greed. The consumption of goods was not based on the logic of the satisfaction items obtained benefits but rather on motivation showing off and being irrational. As Veblen phrased "Conspicuous consumption of valuable goods is a means of reputability to the gentlemen of leisure". On the side of production Veblen reveals in his book "The Theory of Business Enterprise" American entrepreneur has shifted behavior no longer produces goods and services for a profit through hard work, but through the ways or the tricks of the business. The motivation or the purpose of production is already shifting not to use goods or services but to produce the goods to obtain high profits without regard for the fate of the others. Veblen viewed leitmotif of the American economic system is concerned with money than technology. He believed that the company's business was held to raise money than the goal of producing the goods. According to Veblen capitalism needs to be replaced with a form of socialism, workers and technology, but this does not mean Veblen adherents of

Marxism, as Veblen himself also criticized the Marxist doctrine because it did not pass the test of evolutionary (Skousen, 2005).

Other economists generally associated with institutional sect was John r. Commons (1862-1945), best known for his studies of labor. He stressed the collective action of various groups in the economy and see their operation in a system that continuously involving institutions and law. Efforts of the Commons in the realm of law, namely the existence of social legislation to continue the belief that the modern industrial economy requires government intervention or interference if it to function properly and if social justice is to be achieved. The second contribution of Commons that is related to her efforts in the field of social reform. The third contribution in economics about the labor history of the United States nuruh in IE. (Landreth)

Other characters are often categorized as institusionalis art Wesley Clair Mitchell (1874-1948). I.e. pupils, friends and admirers Veblen. Mitchell's contributions, namely the development of quantitative methods to explain economic events, and one of his works is "Business Cycles and Their Causes" (1913) by a variety of statistical data tells us economic fluctuations. (Deliarnov, 1997). Mitchell stressed the causal approach to cumulative evolution in his studies about the business cycle. Through his writings implied that Mitchell was leaning on the need for the intervention of the Government in improving the welfare of society, he reveals the necessity of national planning in order to achieve a better integration of the activities of the company and the better control of fluctuations in economic activity (Landreth).

Although institutionalism has never been a major economic thinking, its effects still continue to exist, especially in the works of economists that attempted to explain the economic problems from a perspective that combines social and cultural phenomena. Some people see a broad approach is useful in analyzing the problems of the developing countries, where the modernization of social institutions can be a requirement for the progress of the industry.

In the future, emerging new institutional flow of New Institutional Economic in the years 70 's. this New Institutional Thinking had a difference with

the old institutional thinking but still within the framework of the old institutional thinking namely of institutional factors that affect the economy. The flow of this new institutional economics generally discussed the economic behaviour by using analytical tools are developed with the support of the four theories that can also be used as a tool of analysis. Four of these theories include: (1) theory of transaction costs (transaction cost theory), (2) an attribute theory proprietary rights (property rights theory), (3) public choice theory (public choice theory), and (4) the theory of games (game theory). New figures Institutional very much such as Ronald Coase, Oliver Williamson, Douglas North, and Harold Demsetz.

There are some further research about the flow of Institutional of them are: "Institutional Economic: Then and Now" by Malcolm Rutherford Peel about the early emergence of the old institutional flow (old institutional) in 1919 by Walton Hamilton, along with the results of the thinking of the other institutional figures, until the emergence of a new institutional flow (New Institutional). At first the 1900s until the 1930s the flow of institutional experience rapid development and included in the Central American economies, both in the world of academia or Government. Many important contributions provided from thoughts of them institutional contributions in the development of policies for unemployment insurance, workers compensation, social security, labor LAW, public utility regulation, Government planning for the create output and stable, health insurance. After the 1930s the position and prestige of this institutional flow decreased. There are several reasons that has been said on this paper that is after mid-1920-an instinctual approach left a psychologist/habit in favor of human behavior, making it increasingly difficult and narrow if the habit is used as the Foundation for the economy. The next institutional reasons have failed to develop their theories about social norms, changing technology, the legislative decision making yudikatif, transactions and other business entities. In addition since the 1920s economic secession from sociology and became a separate Department. Another reason, namely the emergence of Econometrics to obtain empirical component so that the institusionalis can no longer claim the more scientific because their empiricism. But in the 1970s the institutional flow began to rise, the cause of his resurrection is the

lack of content institutional core neoclassical theory eventually became a problem both theoretically due mainly to new concepts as well as analytical tools that were developed and on the application of market output comparison with alternative regulation. The resurrection of this institutional flow to result of new institutional economics or institutional. There is a big difference and clear in methodology, in the theoretical and analytical tools used as well as a basic orientation towards the market and business institutions. However there are a few aspects that connect between the flow of new institutional long institutional source of the idea of economic organization and transaction costs, transaction as the basic unit of the activities referred to in law and economics, increasingly reference limit rationality.

Other research presented by Geoffrey m. Hudgson with The title "The Approach of Institutional Economics" by. The main purpose of this paper is to outline the institutional approach with broad sense and to address and evaluate some of the "hard core" proposition that stand out in the beginning of institutionalism. The main reason in this paper is old institutional offer very different views on the nature of a human being is based on the concept of the habit. Habits and rules deemed necessary for human action. The behavior is not only seen in terms of psychology, but also worth for the elaboration and further development by an expert Economist. In view of the concept of institusionalis has an important relationship with a custom analysis of institutions or agencies. This issue has important implications for economic micro and macro economic analysis. This paper is divided into five parts, the first part contains the introduction, part two contains a description of how institutional economics (institutional economics) in practice. Section three defines the core concepts and outlines the habits and institutions (institutions) which is rooted in the theories of Veblen's early institusionalis and Commons. Part four shows the large number of jobs for new institutional including set back for institutionalism, so in need of new research and the possibility of reformulating the convergence with the old institutional. Section five considers the situation required the economic agent in relying on habits and rules. Part six- conclusion of this paper.

2. Flow Monetaris

Monetarism, the economic School of thought States that the amount of money in circulation (the total amount of money in the economy, in the form of coins, currency, and bank deposits) is the main determinant of demand-side economic activity short-term. Monetaris flow of thought emerged as a criticism of the Keynesian thinking did not succeed in solving the problems facing the American economy. "Monetaris Flow" give priority to monetary discretion in dealing with the economic chaos of the time, this term was first used by Karl Brunner to illustrate the variety of fields of study in the field of Monetary Economics and monetary discretion. From the article excerpt Karl Brunner said that in principle the monetaris group ask a proposition that monetary developments (surprise) is an important element in the development of production, employment and prices; that the growth of the money supply is the most reliable elements in monetary developments; and that the behavior of the monetary authorities to determine the growth of the money supply in the wave konjunktur (Deliarnov, 1997).

The basic theory of monetaris is the equation of Exchange, expressed as $MV = PQ$. Where M is the amount of money in circulation, and V is the velocity of the rotation of money (i.e., the number of times per year the money spent on goods and services), while P is the average price level of goods and services sold, and Q is the number of goods and services produced.

The monetaris believe that the direction of causation begins from left to right in the equation; that is, by increasing the money supply with V is constant and predictable, one can expect an increase in either P or Q. Increase in Q means that P will remain relatively constant, while the increase in P will occur if there is no increase in the amount of goods and services produced. In short, the changes in the money supply directly affect and determine production, labor, and the price level. However, the effects of changes in the money supply became apparent only after a significant period of time.

As for the idea of flow moneteris considered important among these are: private sector or economy is basically stable. Macroeconomic policy was active as

fiscal and monetary policy will only make matters worse economy. Even in extreme they say that "the macroeconomic policy more active it is part of the problem, and not part of the solution". In other words, the monetarists want a role or Government intervention in the economy may little. □ as with Classic flow, the monetarists contend that prices and wages in the economy is relatively flexible, that will guarantee a State of balance in the economy could always realized. □ the money supply is a very important determinant of the level of economic activity as a whole.

A wide range of opinion or idea of the House of monetarists above, have important policy implications, namely:

1. Stability in the circulating amount of money growth is the key of the macroeconomic stability, macroeconomic policies and not actively cause fluctuations in the growth of the money supply that became determinant macroeconomic stability.
2. Fiscal policy itself has very little systematic influences, both to the real national income or nominal national income; and that fiscal policy (fiscal policy) is not a means or an effective stabilization tool. One of the conclusions is the monetarist policy of rejection of fiscal policy and monetary policy is preferred.

The main character in this flow was Milton Friedman. In the book, *A Monetary History of the United States, 1867 – 1960* (1963), Friedman worked with Anna J. Schwartz, presents a thorough analysis of the amount of money circulating United States from the end of the civil war until 1960. This detailed work affect other economists to respond seriously monetarism.

Friedman argues that the Government should strive to improve economic stability, but only by controlling the rate of growth of the money supply. Can achieve this by following simple rules which stipulate that the money supply increased at an annual rate constant is related to the potential growth of the gross domestic product (GDP) and expressed as a percentage (for example, increased from 3 to 5 percent).

From the results of investigations into Friedman concluded that the fact of the great depression as other, more unemployment period caused by the managed

the Government rather than by the instability of the private economy, depression is not is not a failure of the system of free enterprise, but the tragic failure of Government. (Skousen, 2005). Since then thanks to Friedman's views on "market failure" in the great depression changed to "Government failure", and this is the argument of the defense of against thought.

Monetarism suggests that the growth of the money supply which in many cases the stable level of ensuring stable economic growth with low inflation. The relationship of economic growth with the level of increase in the money supply proved to be incorrect, in the U.S. economy during the 1980 's.

Milton Friedman in a scientific article entitled "A Monetarist View", published in the Journal of Economic Education (1983) describes what is a monetarist, as shown in the following excerpt:

Let me turn to what monetarism is really about. It deals with one narrow but very important subject: the relationship between quantity of money on the one hand and, on the other, such economic variables of the US total income the level of prices, economic fluctuations, and interest rates.

That the subjects covered by the flow of the monetaris although the narrow but important, that discusses the relationship between the amount of money with other economic variables such as total revenue, economic fluctuations, price levels, and interest rates.

Milton also said:

Monetarism, in popular usage, it has come to cover a very wide range of subjects. In fact, monetarism deals only with policies which have to do with controlling inflation by restraining the growth in the quantity of money.

In popular usage, understand monetaris covers a broad subject. Actually, monetaris is only dealing with policies relating to the control of inflation by controlling the money. So according to the common view, if talk monetaris then talk control inflation rate through controlling the money supply.

Nevertheless, Friedman also convey the limitations of the policy control of the money supply that recommend, as written in his article as follows:

Another reason why there is so much confusion about monetary relations is that changes in the quantity of money, though extremely important, do not have instantaneous and precise effects. If, at the very moment when the quantity of money changed, people could see that everything else changed, they would not be confused about what was going on. But that is not the way it works. It takes a long time for changes in the quantity of money to work their way through the system, and they work their way differently at different times.

No visibility directly the relation of monetary policy in terms of controlling the money supply to economics because of the influence the money supply takes a long time to be visible results of his work in the economy, likewise different impact for different times.

3. The difference of thought Flow with the flow of Institutional Monetaris

Among the institutional flow of thought and the flow of monetaris there are differences and similarities. The difference of these two streams is in the following table:

No.	Flow Institusionalis	Flow Monetaris
1	Vehemently opposed to market mechanism	Support the free market mechanisms despite government intervention is still therewith a small portion
2	Non-economic factors are important to determine the behavior of economic activities	Monetary policy: JUB greatly affect economic activity
3	Against the thinking of classical and Neo-classical	In line thought classics and are still part of the Neo-classical
4	His criticism is not an economic thought, a lot more thought into sociology	Criticism and input is economic thought
5	New thinking emerged after the classic& Neo-classical	There's been a long time, but recently so the attention after the

		world economic stagnation after the 1970-80s
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4. Institutional Flow Equations with flow Monetaris

In addition to the difference between the flow of institutional as well as the flow of monetaris have the same thoughts about monopoly. Based on second thoughts it monopoly or undesirable monopoly companies. According to Milton Friedman based on the thought of his teacher Henry c. Simons in "A Positive Program for Laissez Faire" which posited that in advancing the economy of which needs to be eradicated all forms of monopoly and limit the size of the company, then whenever we can probably avoided the existence of monopoly in the economy. While the flow of institutional existence filled with sniping monopoly in the economy.

CONCLUSION

Based on the discussion above it can be concluded that between institutional flow and flow monetaris there is a difference of considerations, has this been ascertained because the flow of its own institutional critiquing the thoughts of the classical and neoclassical free-market adherents and not willed the existence of government intervention, while institutional flow strongly believe the presence of the interference of Government in maintaining the stability and prosperity of the economy.

The flow of monetaris own basically belongs on the flow of young neoclassical still very wedded to the free market economy, even though here monetaris does not close the existence of government intervention, but the share of the Government's role is very limited or have small portions, which are only on the scope of the setting of the money supply.

Both Institutional as well as Monetaris, in addition to having different ideas, there are also persaman thought of them both. They share associated with

monopoly, where the two streams do not requires the existence of a monopoly in the economy.

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