

***Abstract***

*Price stability and output growth is the main purpose of the monetary policy. Price stability is a condition where the inflation is low and stable. Although having the inflation targeting implemented through the passage of Undang-Undang No. 23 Tahun 1999, in the execution, the operational framework of monetary policy was still using interest rate targeting and monetary targeting strategy.*

*This thesis tries to see the implementation of targeting policy of the interest rate and quantity of money (monetary) which could be operated by the Bank Indonesia using a model of Structural Vector Auto Regression (SVAR). The benefit of using the SVAR model is that it ability in estimating the coefficient of innovation in the multi-dynamic equation and see the interdependence of innovation relationship in theoretical perspective.*

*Based on this research, it shows that both strategies of interest rate targeting and monetary targeting in the long run is proven to be effective in controlling the inflation rate and creating the price stability. The analysis result also proves by implementing those strategies, in the short run Bank Indonesia was able to stimulate the output growth.*

***Keywords:*** *price stability, output growth, interest rate targeting, monetary targeting, structural vector auto regression (SVAR)*