

Table of Contents

Acknowledgment	ii
Table of Contents	iii
List of Tables	iv
List of Figures	iv
Abstract	v
Chapter I: Introduction	1
Chapter II: Literature Review	4
II.1. Output Gap and Monetary Policy	4
II.2. Factors explaining the Regional Different Response to Monetary Policy Shock	4
II.2.1. Economic Structure	5
II.2.2. Financial Depth	5
II.2.3. Level of Openness	6
II.2.4. Level of Development	6
Chapter III: Data and Method	7
III.1. Data	7
III. 2. Analysis Method	9
III.2.1. Vector Autoregression (VAR)	9
III.2.2. Cross-Sectional Regression	10
Chapter IV: Estimations Results and Discussion	12
IV. 1. Optimal Lag Length and Stability Testing	12
IV. 2. Impulse Response to Interest Rate Shock	12
IV. 3. Cross-Sectional Regression Estimation Results	14
Chapter V: Conclusion	17
Reference	18
Appendix	20

List of Tables

Table 1. List of Variables	8
Table 2. Estimated Regression Models	14
Table 3. Optimal Lag Order	20

List of Figures

Figure 1. Business Cycle for Each Province during the Period of 2010:1-201	3
Figure 2. Impulse Response of Output Gap on 1 percentage point of Monetary Policy Increase (Accumulated)	21
Figure 4. Regional Cluster	23
Figure 5. The Spatial Variations of the Output Gap to a Monetary Policy Shocks	24