

# INCREMENTAL CAPITAL OUTPUT RATIO: NATIONAL ECONOMIC EFFICIENCY BAROMETER

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## ABSTRACT

*ICOR is used for determining ammount of investments which is required to achieve target of national outputs. The value of the ratio is also representing efficiency of economic of a country. The higher the value of the ratio the less efficient the country's economic is, indicating that the goverrnment spending has not generated optimal outputs. In other words, the country's productivity is relatively low. Ordinary Least Square method were used to analyze time series data on real interets rates and others bebas. variabels infulencing ICOR. Results of the study indicated that interest rate as an influencing variabel towards ICOR cannot be used as a solely policy instrument to increase investement. In optimizing the nation's output, a non conventional monetary policy, balanced infrastructure development, and poverty elimination programs seem to be required accordingly.*

**Key words:** *ICOR; real interest rate; poverty; infrastructure development.*