Abstract

Test of Time Inconsistency of Iran’s Economy
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Abstract
Time inconsistency is a situation in which preferences of a decision maker (a planner or an agent) change over time. Kydland and Prescott the economics nobel laurated (2004) declares that the reason of stagflation in the 1970s is due to the upward shifting expected inflation, because of the short run and discretionary government intervention on the economy. Therefore, the most important issue of a government is changing the structure and way of decision making among the decion makers overcome the expected inflation. In this paper, we introduce the phenomenon of time inconsistency based on kydland and prescot (1977) model and testing it by focusing on fiscal section of Iran’s economy by using the long-run Phillips curve, time series data for years of 1979 to 2009 (end of the fourth developing plan of Iran) and the method of ordinary least squares (OLS). It has also used Augmented Dicky Fuler test of Unit root and VAR Estimation. In order to test the locus Crises, recursive and rolling regression have been applied. The results show that Iran’s economy suffers from the phenomenon of time inconsistency, because of government’s fiscal discretionarry policy making.

JEL Classification: C22,E61.

Keywords: Augmented Philips Curve, stagflation, time inconsistency.

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Fiscal Illusion and the Demand for Government Expenditures in Iran's Economy
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Abstract
According to public choice theory, the features of the tax structure affect the voters' perceptions of the tax burden, so that they pay more for public goods. Of course this extra payment by the voters is lower than the estimated one. Government expenditures may be analysed on the basis of Fiscal illusion. In this study, we have tried to explore the relationship between tax and public expenditures in Iran's economy during 1981-2011. The theoretical model used here explains the standard median voter model with fiscal illusion resulted from less visible taxes. To evaluate this model we applied ARDL and ECM models. The Results indicate that fiscal illusion comes out of high share of oil revenues in Iran's economy (which is an intergenerational taxation). So, the invisibility of tax doesn't mean that government expenditures should increase.

JEL Classification: H11, H20, E62, H41, H20
Keywords: fiscal illusion, public expenditure, public goods, tax, tax burden.
Abstract

Housing is one of the economic major sectors of the macro economy of country and micro economy of the household. In recent years, changes in home prices include consideration of issues. In this regard, several studies for examining the determinant variables of Housing supply and demand and prices have been. This article attempts with using of model dissimilar variance Household ARCH, paying to provide a model for the volatility of housing prices over the period 1971-2012. The results indicate that the EGARCH model gives the best results. And illustrate occur shocking in housing prices during the years of 1390 to 1392 to happen. And the growth rate of housing prices will remain constant after the year 1395.

JEL: C32, C52, C53, R32

Keywords: ARCH models, house price, time series, volatility.

Modeling Volatility Housing Price in Iran and Predicted Fluctuations Price Application of Family Patterns ARCH

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Estimating the Social Optimum Level of Sulfur Dioxide Gas (SO$_2$) Emitted from Sarcheshmeh Copper Complex and it’s Tax Rate

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Abstract

Sarcheshmeh copper complex is the largest producer of copper in Iran. With copper production, high amounts of SO$_2$ are being produced in this complex and emitted into the environment. So, in this study, the social optimum level of SO$_2$ released from this complex and the optimal tax rate will be evaluated. For this purpose, MD and MAC curves were estimated. The WTP for the reduction of SO$_2$ emissions from the complex has been estimated using OOHB DCCV method to estimate MD of SO$_2$ emissions from the complex. To estimate the MAC, Engineering-economic method was used. The social optimum level has been estimated about 265290.6 tons of SO$_2$ per year. Optimal tax rate has been estimated 12815.2 Rials per ton of SO$_2$ emissions. Therefore, 12815.2 Rials tax rate per amount of SO$_2$ emissions (in ton) or determination of the emission limit level 265290.6 tons of SO$_2$ per year has been suggested to reduce this gas.

JEL Classification: C14, D71, H43, Q51, Q52, Q53

Keywords: OOHB approach, sarcheshmeh copper complex, SNPDF estimator, social optimum level of pollution, tax.

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Abstract

Reform of Energy Subsidies and the Energy Consumption Phase in the Iranian Economy (Dynamic CGE Approach)

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Abstract

The reform of energy subsidies has affected economic growth, as a result of household and firms’ behavior. However, despite the energy consumption and economic growth decrease in the short run, it is expected that economic growth will increase as a result of an adjustment in economic agents’ behavior over the mid- and long-terms. As is appropriate with these changes, energy consumption will change differently. In this paper, we modeled the adjustment in economic agents’ behavior through a dynamic CGE approach. In this model, we identified phases of energy consumption at both the final and intermediate consumption stages in different scenarios. The results showed that, in all the chosen scenarios the consumption of oil and energy products have a strong response to the reform of energy prices in comparison with other types of energy. In addition, the growth of energy consumption in all the scenarios would increase slowly in comparison to economic growth. Also, the Iranian economy would return to its normal phase over the middle-to long-run. Therefore, preparing the conditions for a speedy adjustment in agents’ behavior can decrease the negative effects of energy price reform on economic growth.

JEL Classification: E64, C68, C61, Q43,

Keywords: economic adjustment, economic growth, energy consumption, dynamics, general equilibrium.
Cooperation amongst GECF Selected Member Countries in LNG Export: A Cooperative Game Theory Approach

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Abstract

The recent development in LNG production and transportation has paved the way for LNG exports to exhibit a pivotal role in global gas trade in the future. By analyzing the structure of LNG transportation costs and the geographical pattern of World LNG trade, the LNG cost matrix for Forum's exporters to main LNG importers is presented. Using this matrix, the cooperation amongst the Forum's selected member countries in LNG exports using the cooperative game approach is examined and the possible coalitions as well as the characteristic functions and the surplus amounts resulting from the coalitions are calculated. Stable rational allocation based on the core of the game and the allocation of surplus amounts based on Shapley values are also calculated for the most general feasible coalition amongst Forum's selected member countries. The present research work can be considered as the first attempt, based on the actual trade statistics, to analyze the cooperation amongst Forum's selected members in LNG trade using cooperative game theory, and hence can be used for policy recommendations.

JEL Classification: Q39, Q49, Q49, C71.
Keywords: cooperative games, Gas Exporting Countries Forum (GECF), liquefied natural gas, shapley values.
Abstract

Estimation of Value at Risk in the Presence of Dependence Structure in Financial Returns: A Copula Based Approach

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Abstract

Modeling dependence structure in financial economics is of paramount importance when estimating portfolio’s value at risk, since risk of an asset in addition to its own behavior is also dependent on the behavior of other assets in the portfolio. Application of joint distribution Copula is one of the methods for incorporation dependence at lower and upper tail of returns’ distribution in financial economics. Copulas are functions that connect multivariate distribution function to their marginal distribution. In the current study, the dependence structure among two price indexes for chemical and pharmaceutical products of TEPIX between 2005 and 2013 was evaluated by combining different types of Copula functions and Generalized Autoregressive Conditional Heteroskedasticity (GARCH) models. In addition, the effect of dependence structure on estimation of comprised portfolio’s value at risk is investigated. Empirical results of this study demonstrate that there is asymmetric dependence structure between chemical and pharmaceutical products of TEPIX indexes. Furthermore, the results indicate that Copula-GARCH approach is more accurate and efficient compared to commonly used models such as M-GARCH, DCC-GARCH, EWMA, and historical simulation methods in estimation of portfolio’s value at risk.

JEL Classification: C13, C58, G32

Keywords: back testing, copula function, dependence structure, Generalized Autoregressive Conditional Heteroskedastic (GARCH), value at risk.

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Education and Economic Gains of Family Formation: A Test of Cross-Productivity Effect

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Abstract
Research on the economic gains of marriage is one of the fields in family economics studies. Accordingly, the aim of this paper is to investigate marriage gains as couples' income increases while the main hypothesis is based on cross-productivity effect. The resulted evidence from families of Tehran suggests that the cross-productivity effect exists for both of spouses whereas this effect is active only from wives to their husbands in studies relating to other countries. The results show that one year increase in wives' education leads to (in average) 2.85% increase in their husbands' income and one year increase in husbands' education brings about (in average) 3% increase in their wives' income. Hence, men and women are complement of each other in this matter.

JEL Classification: I21, J24
Keywords: cross-productivity, education, human capital, income, marriage.

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Abstract
A basic subject in economy is change in growth of population and it’s link to other variables. If growth in population is consistent with other economic circumstances, it would lead to economic growth, otherwise it would be problematic. By using Okun’s law and population structures, this paper is analysis the case for Iran for 1974-2010. Predictions are related to 2025 horizon. The results show that there is a positive relation between human capital and economic growth. Unemployment and inflation rates are negatively related to social welfare. Economic growth and unemployment are negatively related. The social welfare index and rate of women between 15-44 to population are positively related with marriage. Finally average percent of changes up to 2025 would be between -0.17-0.38.

JEL Classification: O40, E24, Q56,D60.
Keyword: economic growth, fertility, Okun’s law, social welfare, unemployment.
The Effect of Foreign Direct Investment on Iran-Turkey’s Intra-Industry Trade (IIT)
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Abstract
Intra-industry trade (IIT) comprises of instantaneous imports and exports of goods and services which are handled in a same industry. The importance of IIT between trading partners refers to those tradable products that provide them with diversity and high technology. To expand its foreign trade relations, Iran indeed requires such trade patterns that include diversification of goods and services and hi-tech products as well. Iran has expanded its economic relations through intra-industry trade with one of its largest neighbors, Turkey, during recent decades. Of major determinants, foreign direct investment (FDI) should play a crucial role in promoting bilateral intra-industry trade flows of both partners. This paper has thus tested the hypothesis of relationship between IIT and FDI of the countries. Using panel data of both countries over the period 1996-2010, we have estimated an econometric trade model to explore the effect of FDI attraction on the bilateral IIT flows. The IIT indexes for commodity groups in form of two-digit ISIC have been measured using the Grubel-Lloyd approach. The empirical results have shown that attracting FDI has positively and significantly affected the Iran-Turkey bilateral intra-industry trade flows during the period under consideration.

JEL Classification: C23, F12, F23

Keywords: Intra-industry Trade (IIT), Foreign Direct Investment, Panel Data, ISIC, Iran, Turkey

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