The effects of inflation taxation on resource allocation and welfare in Iran's economy: presentation of a neoclassical endogenous growth model with leisure and production externality

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Abstract
How inflation taxation affects resource allocation and welfare has received a great deal of attention. So far, this debate has been controversial. In this paper, we examine how nominal money growth as a means of public finance affects resource allocation and welfare in a neoclassical endogenous growth model with leisure and money in the utility function and production externality. The present study is different from other studies in two aspects: first, in a dynamic optimization model, equations related to consumption and real money balances relative to GDP, leisure, capital stock, production and welfare level in a steady state, extracted in form of the parameters have been derived; second, sensitivity analysis has been conducted for each of them regarding the rate of inflation tax. The results obtained from sensitivity analysis indicate that in a steady state without externality of production, by increasing inflation tax rate, the ratio of consumption to GDP remains constant, but labor, capital stock and production will increase. With a decrease in the ratio of real money balances to GDP and leisure, the level of social welfare in steady state decreases. Considering production externality, capital stock and production increase more rapidly; moreover, welfare level in steady state increases.

JEL codes: E40, C61, D60, D90
Keywords: dynamic optimization, inflation tax, money, welfare, externality.

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A survey of the effective factors on reputation of monetary authority of Iran
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Abstract
Reputation of a monetary authority is the economic agent’s belief on the ability of monetary authority in controlling the deviation between target inflation and observed inflation (inflation bias). Monterey authorities, on one hand, can attract agent’s trust to his polices thereby leading to a lower inflation expectations and inflation bias. But on the other hand, government pressure on the monetary authority to compensate budget deficit or government decision to deal with unemployment would lead to higher deviation between target inflation and observed inflation. In this survey, in order to test and analyze the reputation of the monetary authority, chisel-prone’ credibility and Autoregressive Integrated Moving Average (ARIMA) lin-log models of time series based on the model of Barro and Gorden (1983) have been applied using two-tailed t-student, during the years of 1979 to 2009 (end of the forth developing plan). The results show that monetary authority was not reputational during the second, third and fourth developing plan. Also, oil price by one lag, real GDP and unemployment by 3 lags have positive effects and discretionary monetary policy (creation of money and loan) and the previous lack of reputation by two lags have negative effects on the reputation of a monetary authority.

Jel classification: E51, E52, E53.

Keywords: expected inflation, inflation, monterey’s authority, reputation.

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Abstract

In this research, interval efficiency of butchery units of Zabol city using model of interval Data Envelopment Analysis was measured, and effective factors were investigated. Data for this research was obtained via completing questionnaires and using randomized sampling method for the year 2010. The results showed that maximum efficiency of 50% of butcheries is less than 40% and minimum efficiency of 80% of butcheries is less than 20%. Average of minimum and maximum efficiency is 13.5% and 47.2%, respectively. Also interaction effects of variables were investigated on average of extensions efficiency. The results of linear regression showed that experience, study and Zabol sheep race had significant and positive correlation with efficiency. According to low efficiency of butchery units of Zabol city and consumers emphasis on seeing slaughter, livestock sale units should be established with slaughter units under the control of hygiene and health department, and meat hygienic distribution units should also be established. Since manager’s experience has a considerable effect on efficiency of butchery units, an increase in young managers’ information via training classes focusing on marketing and meat grade is necessary.

JEL Classifications: G14
Keywords: Butchery units, data envelopment analysis, interval efficiency, Zabol.
Identification and evaluation of the factors influencing the decision of Tehran citizens to enter family practice using a discrete choice experiment

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Abstract
Despite the relative success of health system and promotion of health indicators over the last two decades, Iran’s health system still faces serious problems, one of the most important of which is inequity in access to health care. Theoretical studies and empirical evidence indicate that implementation of the referral system and family physician plan is one of the main strategies to both overcome inequity in health care and improve appropriate using of scarce resources in this area. For a successful execution of family physician, it is necessary, in addition to reforming some known problems, to identify the important factors influencing the decision of participants in the project by using scientific studies and methods; moreover, policy makers should develop a package that is designed with maximum compliance to the preferences of the target population in order to increase the likelihood of successful implementation. This study is conducted for this purpose. The results indicate that, the visit, behavior of physician, and the time of examination spent by doctor and being on call are attributes that influence the decision of citizens to enter family physician plan. As expected, an increase in visit, reduces the willingness to enter the plan. Showing a respectful behavior by doctors, spending enough time for patients and being on-call increase the utility of citizens and the probability of their entrance to the plan. The willingness to pay for attributes including behavior of physician, the time of examination and being on-call are estimated respectively to be 9579, 9947 and 3750 Toman.

Jel: C25, D12, I1  
Keyword: Discrete Choice Experiment, family physician plan, preferences.

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A Survey of the asymmetric correlation between stock return, trading volume and volatility of Tehran stock exchange market (DCC-GARCH Approach)

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Abstract
Correlation between trading volume and stock market returns might be nonlinear and time-varying. In this study, the bivariate DCC-GARCH model was used to model the asymmetric and non-linear correlation between market returns and trading volume variables, and parameters of the model were estimated by maximum likelihood method using software "R 3.0.2". The relationship between market returns, trading volume and their volatility is analyzed and the following results were obtained: An increase in the market returns has a positive impact on the growth rate of trading volume, but the impact of trading volume's growth rate on return changes is negative. Shocks on the stock market, weekends and calendar effects and the bad news affect volatility of the stock returns and volume of trade growth. Correlation between changes in market returns and trading volume growth is non-linear and time-varying. The impact of positive and negative shocks, and good and bad news on volatility of the trading volume growth rate and changes in market returns and the correlation between them is asymmetric.

JEL: G12, C58
Keywords: asymmetric correlation, bivariate DCC-GARCH model, stock returns, trading volume, volatility.

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Selection of optimal monetary rule: What type of inflation targeting?
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Abstract  
This paper aims to examine and discuss inflation targeting in framework of monetary policy rules. This study designs an optimal model for Iran which compares different cases of domestic and CPI inflation targeting, strict and flexible inflation targeting. In this regard, the optimal monetary policy rule was designed using three constraints including Neo-Keynesian Phillips curve, aggregate demand function and CPI inflation function that have been estimated by Generalized Method of Moments (GMM). It seems that using inflation targeting in the case of strict targeting is the first preference among alternatives in making decision of policy makers for Iran. But this study suggests only one scenario for decision making whereby the CPI inflation target in sticky mode was used, since it imposes the least possible losses on the central bank.

JEL: E12, E52  
Keywords: CPI inflation targeting, generalized method of moments, Neo-Keynesian Phillips curve, optimal monetary policy, WPI inflation targeting.

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Financial frictions and labor market fluctuations
(Case study: Iran's economy as a small open economy)

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Abstract
The financial crisis of 2007 showed that the impact of financial markets on macroeconomic developments is deep. The labor market was affected by financial variables. This paper extends the New Keynesian model of a stochastic dynamic general equilibrium (DSGE) for Iran’s economy in three contexts of an open economy, including financial frictions and frictions labor market, and the impact of financial shocks (financial wealth shock, interest rates shock and investment-specific shock) with financial frictions on the labor market fluctuations. The results indicate that financial frictions play an important role in imposing a shock on the labor market fluctuations.

JEL: E32, E44, F41, G10, J6
Keywords: dynamic stochastic general equilibrium (DSGE), financial friction, financial shock, search and match process, small open economy.

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Asymmetric information in Iran insurance market
(Case study: automobile insurance in Iran insurance company)

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Abstract
This research aims to test the presence of asymmetric information by using the dynamic information of automobile policyholders in Iran Insurance Company (IIC). The Conditional Independence test is conducted by Bivariate Probit model, the dynamic properties which are presented for bonus/malus system are tested by a Dynamic Bivariate Probit model. Using a sample of 86637 policyholders in IIC, our finding confirms a positive correlation between risk and coverage in Bivariate Probit Model, which supports presence of asymmetric information. Also, there is a negative correlation between claims in the periods of t and t-1 in Dynamic Bivariate Probit model, confirming that the behavior of insurance policy holders is subject to moral hazard.

JEL Classification: D82, G22
Keywords: adverse selection, auto insurance, moral hazard.

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Determining economic efficiency in industries of Iran during 1995-2010 (Metafrontier Approach)

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Abstract
Given the importance of the notion of Efficiency in the Country's Economic Growth, measuring the efficiency and the technology gap for various industries in order to achieve the best possible resource assignment, following the declared policy goals, is of particular importance for those countries, such as Iran, which are now at the early stages of the industrialization process. Hence, the present paper is devoted to determine the efficiency cost and the metatechnology ratio of the industrial activities in Iran. This is done for three groups with different levels of technology during 1995-2010; we use the cost frontier function based on the likelihood ratio test between the Cobb-Douglas and Translog Functions and also the Stochastic Frontier Analysis and the Meta-Frontier approach. The results indicate that the average percentage of the economic efficiency of these groups ranges from 59.72 to 95.26; the average meta-frontier ratio from 0.5184 to 0.9782, and also the average percentage of the Meta-Frontier Efficiency ranges from 30.79 to 87.37. The results also show that the average percentage of group and Meta-Frontier Economic Efficiency and also the average percentage of metatechnology ratio corresponding to the industries linked to Machinery Rank are better than those industries linked to agriculture, mining, energy and fuel. On the other hand, the growth process of the metatechnology ratio is clearer for the industries linked to mining, energy and fuel during the study stage.

JEL Classification: C23, C61, D24, L23
Keywords: cost frontier function, efficiency cost, meta-frontier function, metatechnology ratio, stochastic frontier analysis.

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Military spendings and economic growth in OPEC selected countries: Granger Causality Test in heterogeneous mixed panels approach

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Abstract
This study investigates the causal linkages between military spending and economic growth in OPEC selected countries (i.e. Algeria, Angola, Nigeria, Venezuela, Iran, Kuwait, Saudi Arabia and Ecuador) by focusing on country-specific analysis for the period 1995–2012. For this purpose, the panel causality testing approach, a method developed by Emirmahmutoglu and Kose (2011) based on the vector autoregressive (VAR) model and Wald tests with the country specific bootstrap critical values, is applied. This test takes into account cross dependency and heterogeneity among the members of the panel as well as co-integration between variables. The results confirm the growth-military spending hypothesis for Algeria, Nigeria, Iran and Kuwait and verify the Neutrality Hypothesis for Angola, Venezuela, Saudi Arabia and Ecuador. Also, the growth-military spending hypothesis for the total panel is confirmed.

JEL Classification: C33, H5, O41
Keywords: bootstrap, dependency and heterogeneity, economic growth, military spending, Panel Causality Test.

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