

Abstract

The Effect of Investment Infrastructures on Iran's Economic Growth

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The role of capital and investment in the process of economic growth and development has mentioned in many economic theories. Shortage of investment in any country is an incentive for efficient use of investment to increase the economic growth.

In this paper, we compare the productivity of investment in four economic sectors namely, agriculture, petroleum, industry and services in Iran. For this purpose, we use incremental capital output ratio at first and compute it for these sectors. Then we use an endogenous growth model to assess the impact of investment in these four sectors on economic growth.

Our results show that productivity of investment in petroleum and agriculture is higher than industry and service.

The Dynamic General Equilibrium Model for the Business Cycle of IRAN

Hamid Shahrestani

Farzin Arbabi

In this study, by making adjustments in the real business cycle models in a small open economy, a dynamic stochastic general model has been developed for the first time to study the business cycle prosperities of Iran. The findings of this research show that by viewing only the technologic shock, the volatilities in the macro variables fluctuations of the model will be much lower than the values observed for the economy of Iran, and by considering the role of oil prices shocks, the results of the model have better compatibility with the observations made in the economy of Iran and could explain some properties of the business cycles of Iran's economy. The findings show that with a positive oil shocks, there will be an increase in consumption, investment and production and the results of the model are similar to those of real observations in the economy of Iran. The shocks in the global real interest rate have slight and trivial effects on production, consumption and investment. In addition, the results show that changes in

the cyclic fluctuations in variables such as consumption, investment, production and the trade balance obtained by the model is slightly different from changes observed in the Iran's economy. In the model, correlation and co-movement of consumption, investment and imports have been seen like real observations.

The Relationship between Interest Rate and Exchange Rate (Reappraisal and Expansion of Quantitative Theory of Money)

Mahnaz Rabiee

Bijan Bidabad

In this paper, the relationship between exchange rate and interest rate is re-examined through a theoretical expansion and reformulating of the quantitative theory of money. Fisher's theory is expanded to include both internal and external monetary sectors to be considered simultaneously. A framework for studying the relationship between interest and exchange rate is offered by relating export, import and capital account, net domestic and foreign assets of banking system in a generalized framework of quantitative theory of money and using the theories of interest rate parity and monetary approach to balance of payments. This paper concludes that there is a negative relationship between interest rate and exchange rate, *ceteris paribus*.

A significant contribution in this paper is the adaptation of transaction value to aggregate supply concepts using United Nations System of National Accounts (1993). This clarification actually removes the vagues of critical issues of the transaction value in macroeconomic analysis.

The proposed theoretical framework is tested for Iran's data. It is concluded that there is a negative relationship between exchange rate and interest rate again.

A Survey on the Grounds of Iran-Turkey Trade Cooperation for Reaching a Bilateral Preferential Trade Agreement

Hassan Sagheb

Bita Norouzi

This paper surveys the grounds of Iran-Turkey trade cooperation in terms of ex-post indicators such as complementary trade index and trade potential index (based on HS 6-digit cods) during 1999-2003.

The results show that Iran and Turkey enjoy complementary trade in the field of oil and non-oil goods. This is particularly obvious in the field of mechanical and electronic machinery and equipment. The calculations indicate that Iran's import and export potentials in trade with Turkey are \$4.7 bn and \$1.4 bn respectively. Despite the considerable potentials in bilateral export and import of non-oil goods, both countries' policies have failed to take advantage of existent trade capacities. Therefore, the adoption of trade cooperation expansion policies in the form of preferential trade arrangements could facilitate and enhance trade flows between two countries.

**Trade Flows Expansion and It's Effect on Income
Convergence between Iran and
Middle East Countries**

Seyed Komail Tayebi

Mohammad Vaez Barzani

Simin Akbari Dehbaghi

The main objective of this paper is to investigate the possibility of a regional block implementation including Iran and other Middle East countries, and also it's effect on trade relation and income convergence among members. Accordingly, a trade gravity model is specified in which economic structures of all trading partners and their social and cultural relations as well as integration and geographical distance explain trade flows and income convergence. We, therefore, use economic datas of 12 Iran's trading partners in the region over 1993-2003 to estimate the models (both trade and convergence) by the panel data procedure.

The empirical results indicate that trade integration between Iran and Middle East countries has a positive and significant effect on their trade relations, whereas trade expansion cannot convergence their incomes significantly.

The Survey of Liquidity Demand in Iran's Economy

Mahmood Daneshvar Kakhki

Siavash Dehghanian

Ali Firooz Zarea

Estimating liquidity demand function considered as an instrument of designing effective policies on money balance. Based on different lookouts, economists represent different models. By using Iran's time series data of 1974-2001, this study have estimated long-run relationship of money demand; moreover, this have tried to investigate effects of short-run shocks on money demand. Results depicted that income, oil incomes, exchange rate and interest rate influence on money demand in short-run; furthermore, there is a long-run relationship between these variables and money demand. Also, on condition that a shock comes to across to money demand, only twenty six percent of this shock will be adjusted.

Simulation of Stock Market by Concerning Structural Characteristics of Tehran Stock Exchange

Saeed Moshiri

Amir Behdad Salami

Simulation has been increasingly applied in social sciences and economics in the two last decades. Agent Based Simulation (ABS) provides the opportunity of creation of an artificial environment for many agents to have interaction in a computer. In this paper, concerning ABS literature and the new characteristics, Tehran Stock Exchange has been simulated. Primary tests show that this model is capable of reproducing the existing statistical identifications in time-series of prices and returns in International and Tehran stock markets.

**Data Envelopment Analysis (DEA) as a Method
for Output Capacity Estimation
The Case Study: Insurance Industry**

Ahmad Sabahi

Mohammad Falah

Efficiency evaluation, according to the concept of production function in microeconomics has been always in the centre of their attention. This issue for the service supplying firms will be more complicated. The level of efficiency is very crucial for managers and policy makers who lead the human and capital sources.

A study on insurance penetration, insurance accumulation and the share of domestic Net premium on the world Net premium data shows that the insurance industry could not achieve its real position in Iran economy. In other side, this industry has been faced to some threatens such as joining Iran to WTO.

Moreover, in recent years the extending private insurance companies cause the necessity of paying attention to the efficiency improvement for the public insurance companies.

Data Envelopment Analysis (DEA) is one of non-parametric methods for estimating production function. This method by using linear programming, compare homogenous firms in an industry that producing similar outputs with same inputs. Efficient and inefficient firms have recognized by DEA. Today this method has expanded application in this field.

This research measured efficiency of 210 branches of Iran, Albors and Asia insurances companies by DEA method and recognized inefficient branches. Also, some recommendations have been explained for efficiency improvement.

The Survey of The Relationship between Exports, Degree and Export Credits Guarantee

Alireza Karbasi

Behzad Hassani Shirvanshahi

The purpose of this paper is to provide an understanding of how the export credit worthiness of an importing country affects export sales of agricultural and other manufactured products and how export credit guarantee or insurance can mitigate risk of nonpayment. This paper makes a contribution to specific literature on how export credit risk affect agricultural and other exports, and also contributes to the broader literature on international trade theory by showing that risk is indeed an economically significant factor in trade.

Data on export values per capita were obtained from three different source data for 2007 Iranian export values for all industries and for agricultural and related services industries were obtained from statistic of Iran's trade data online. This data set consists of over 117 different countries matched to their credit scores. To confirm the generality of the result, also trade data were obtained for Iran, Canada and Australia from

the international trade statistics yearbook published by the World Bank. A theoretical model is developed. It shows how risk mitigation through export credit insurance could increase exports to high-risk importing countries.

Results show that there is a significant positive relationship between credit worthiness and export values.

**The Effects of not Implementing DST on Electricity
Energy Consumption
(A Case Study of Tehran Electricity Region)**

Teimoour Mohammadi

In this article, the effects of not using DST (Daylight Saving Time), on electricity consumption in Tehran Electricity Region are examined and the corresponding monetary cost is evaluated. The study uses an econometric model based on Intervention Analysis. The data includes the hourly consumption of electricity during two months of the year (Farvardin and Ordibehesht 1384-1385, 21th March up to May 2006 and 21th March up to 21th May 2007).

Results indicate that the consumption increases during peak hours of the noon and night is significant, while the consumption decreases in some other hours is not significant. Both the load and its duration in the peak, have increased and energy use has experienced an increase of 227MWh. Energy use, in addition to its normal annual growth, has grown and created a huge social cost, not to mention the other social damages such as traffic fatalities, environmental costs and

