

Measuring Economic Resistance for Iran & Selected Countries (Comparing Aggregating Methods for Constructing the Composite Index)

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Abstract

The aim of this study is to estimate, measure and also to compare aggregate methods for constructing the composite index of Economic Resistance for Iran & selected countries. Therefor in this article an attempt has been done for measuring and evaluation of main macro-economic objectives, and economic resistive situation. Also Iran's status between the seven greatest rival countries in the region in the six indices by Using "Distance-to-reference" method has been determined using five popular methods in constructing composite indicator (SAW, TOPSIS, revised PCA, Taxonomy and revised Optimum Deviation).

The result of the composite economic indicator reveals that Iran's status was fourth between the selected countries at 2000 & 2005 years, but this status has depreciative trend to fifth rank at 2010 & 2014 years.

JEL Classification: E00, C02

Keywords: Economic Resistive, Composite Economic Indicator, Distance-to-reference Method, Aggregating Methods, Selected Regional Countries

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Optimal Revenue Policy based on Ticket Price Using System Dynamics Approach; Case Study Iran Football Premier League

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Abstract

The aim of this research was finding optimal policy to increase revenue from selling ticket of football competitions in Iran. To do this, at the first step, the effective factors on ticket price have been identified through literature and using the Delphi method which 21 high ranked variables were selected. In the second phase, the casual loop diagrams as the basis of stock and flow diagrams have been depicted through literature, regression equation and interviewing. The equation governing the relations have been obtained through 13 designed questionnaire whose validity have been approved by experts and was reliable based on 0.76 Cronbach's Alfa criteria and the conceptual model has been obtained. Then, using valid values for constant variables the behavior patterns have been depicted by the model. At the final step, the validity of model has been examined with employing 3 methods of the Reality check, the sensitivity analysis and the test under extreme conditions. On the basis of results, three policies have been evaluated: the time of games, the method of ticket selling and advertisement on games. The results show that the advertisement has most effect on ticket price and so on revenue from a game in this context.

JEL Classification: D40, C12.C61

Keywords: Revenue, Ticket price, Professional Football League, Advertisement, Dynamic model

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The Measurement of Subsistence Level in Iran's Urban and Rural Households During 1989-2013

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Abstract

Poverty is an economic and social undesirable phenomenon and one of the important causes of poverty is injustice income distribution among the people. The governments should perform the suitable policies for eradication of poverty in any societies. In this study, the poverty line of Iran's urban and rural households are estimated by the theory of relative habit of formation linear expenditure system (RHLES) and by using data of household's expenditure for 8 commodity-groups over the periods of 1389-2013. Then, the position of poverty in urban and rural regions is calculated by the indicators of head-count ratio, poverty gap and Foster, Greer and Thorbecke (FGT). The results of study show although the poverty line (minimum subsistence quantity) in Iran's urban and rural households has had an average growth about 20 percent, but the quantity of poverty indices are reduced during the five economic development plans. Thus, the government policies for the reduction of relative poverty in urban and rural regions have been successful.

JEL Classification: C33, D63, I32

Keywords: Subsistence, Poverty Indices, Poverty, Rural Regions, Urban Regions.

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Robust Monetary Policy in Uncertainty for Iran's Economy by using the Hansen and Sargent Approach

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Abstract

Typically, the objectives of monetary policymakers in different economies include reducing inflation and output gap. To achieve these goals, the monetary authorities should adopt appropriate monetary policies. Since the economic models are facing with uncertainty, the uncertainty should be considered in appropriate monetary policies. We investigate discretionary monetary policy with uncertainty about cost push shock and demand pull shock through the Hansen and Sargent's robust control approach (2002). We use the dynamic stochastic general equilibrium model where the money growth rate has been introduced as a monetary policy instrument. The robust optimal monetary policy for Iran's economy in response to cost push shock is more aggressive than the monetary policy with certainty, but in response to demand pull shock, no difference exists between robust optimal monetary policy and monetary policy with certainty. Following an increase in inflation weight and money growth rate weight in policymaker's loss function, the monetary policy with uncertainty remains still aggressive in response to cost push.

JEL Classification: E52, E58, E61, E12

Keywords: robust optimal monetary policy, uncertainty, discretion, DSGE

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Returns and Volatility Spillover Effects on the Estimated VaR of Gold and Exchange Rate Portfolio

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Abstract

This research analyzes spillover effects of financial volatility among three international markets: Gold, Stocks and Foreign Exchange. We use the logarithmic returns of the assets - ounces of gold, the euro-dollar exchange rate and America stock index S&P500- from the first business day of 2000 until 1/12/2014 in order to identify the relationship between these three international markets. Identification returns transmission between markets is provided by using Vector Auto Regressive (VAR) model. Volatility spillover effects could be measured by the Multivariate Generalized Auto Regressive Conditional Heteroscedasticity (MGARCH) models. We use VAR-MGARCH model to identify information spillovers between three markets and introduce value at risk in order to measure portfolio risk. We estimate the value at risk of portfolio relying on the parametric approach at 99% confidence level for the forecast horizon of one day with two rolling windows that included 500 and 750 observations. In the first step the adequacy of predictions is tested by unconditional and conditional coverage tests. Then the adequacy predictions are ranked by Lopez loss function, Total accumulated losses and Sener loss function. The empirical results suggest that spillover effects are statistically significant and the VaR forecasts are generally found to be sensitive to the inclusion of spillover effects in any of the multivariate models considered. Ignoring this sensitivity is resulted in overestimation of the portfolio's value at risk and, therefore, lead to inefficient allocation of resources to cover the risk of the asset portfolio.

JEL Classification: G11, G15, G19, G32, G39

Keywords: volatility, spillover effects, VAR, MGARCH, Value at Risk, rolling window, modeling adequacy, ranking model

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Simulation of Macroeconomic Effects of Population Ageing (Application of General Equilibrium Overlapping Generations Model)

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Abstract

Population aging is one of the most important concerns of the last century in all over the world. In this study, in order to investigate the effect of demographic changes on some macroeconomic variables, Diamond two-stage overlapping generation model (OLG model) is designed. In this model, We consider an economy inhabited by two-period lived overlapping generations, the length of each period is considered thirty years. As life cycle perspective, the first period represents working period and the second one is considered as retirement period. This model consists of three sections: household, government and production which operate in a competitive market. This model is designed and adapted to the requirements of Iran and in the end, the results will be analyzed. In this model, data has been imported since 1940 and has been simulated by 2100. Simulation indicates that due to population aging, budget share of retirement pension is going to increase and share of public investment is going to decrease. In other words, population aging will crowd out public investment, also, annual per-capita output growth rate will reduce. As a consequence, economic growth will also slow down. due to increasing of population aging and decreasing of productive labour supply, government will increase taxes and retirement age. These policies will soften public investment crowding out.

JEL Classification: E62, H5, J26, C5

Keywords: Ageing, Government budgets, Retirement, Growth, Overlapping Generation model

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Banks' Role in Monetary Transmission Mechanism (Emphasis on Balance-Sheet and Financial Health Characteristics of Banks)

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Abstract

The bank lending channel is known as a credit channel in the literature of the monetary transmission mechanism. These channels are based on the assumption of asymmetric information and imperfect and inefficient markets. Since banks are important finance providers in Iran, the objective of this paper is to investigate the crucial role of the banks in the monetary transmission mechanism. To serve this purpose, the effect of the balance-sheet and financial health indicators of the banks together with their effect on the intensity of the monetary policy are investigated in the bank lending approach. Data and financial statements of eighteen state and private banks by using the GMM method and over 2007-2014 are studied. The results reveal that the effect of capital adequacy ratio is positive and significant during the considered period. Also the effect of deposit ratio is found to be negative and significant but very small. The macro economic variables such as GDP and Price index, both own positive and significant coefficients and credit risk and leverage ratio have negative and significant coefficients. Also it can be deduced from the findings that both capital adequacy and leverage ratio increase the intensity of the impact of the monetary policy on the loans. Therefore, in order to achieve the intended policy goals, it is highly recommended to the policy makers to take into account the indirect effects of the balance-sheet and financial health indicators of the banks especially the capital adequacy and the leverage ratio.

JEL Classification: E52, G21, E31, C22

Keywords: Bank Lending Channel, Loans, Financial Health, Balance-Sheet, GMM

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Firms Location Choice in the Case of Presence of a Variety of Consumers (Experienced and Inexperienced)

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Abstract

One of the most important current problems of firms is to find a solution to reduce transport costs due to increased urbanization and urban population. Competitive location models are based on the model proposed by Hotelling with two ice cream vendors in the beach. In this article, initial Hotelling model has been used; however, with consideration of experienced and inexperienced consumers for data analysis. The results showed that in the presence of both experienced and inexperienced consumers, demand functions of two firms (supplying different foods) depend on particular food type and the number of experienced consumers. In addition, if two firms are placed at one point, because of differences in consumer tendencies, they will not demand the same equilibrium prices. If the firms' strategies include the selection of both price and location choice, there will be no equilibrium to the game. Finally, by increasing transport costs, firms1 becomes closer to the center and firms 2 (supplying unqualified goods) become farther from the center.

JEL Classification: L11, C02, D11, D50, C62.

Keywords: Location Choice, Variety of Consumers, General Equilibrium, Hotelling Model, Nash Equilibrium.

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The Effect of Degree of Competition and Capital Requirements on Iranian Banks' Risk-Taking

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Abstract

Using Blundell and Bond generalized method of moments (GMM) system estimator, this study investigates the effect of degree of competition and capital requirements on the risk-taking of the Iranian banking system over the period 1385-1394. The results suggest that the first lag of degree of competition in the deposit market has a significant and positive effect on banks' risk-taking. But the increase in the degree of competition in the loan market, leads to banks' risk-taking reduction. Regarding the effect of capital to asset ratio on bank's risk-taking, the results show a significant and negative effect on banks' risk-taking. Moreover, the results suggest that the increase in capital per unit of assets leads to reduction in banks' profitability. A decrease in banks' profitability due to increase in capital to asset ratio, leads to capital requirements inefficiency for mitigating banks' risk-taking.

JEL Classification: G11, G21, G32, E44, C23

Keywords: Risk-Taking, Capital Requirements, Banking System, Competition, Panel Data

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Prospect Theory; New Approach in Explaining Tax Evasion Phenomenon

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Abstract

Generally, tax evasion analysis is based on the expected utility theory. This has led to many quantitative and qualitative issues. In the tax evasion literature, there is a belief that the rate of tax evasion increases by increasing tax rates. Since there is not enough evidence to prove the mentioned issue, researchers are looking for the reason for tax evasion. In this paper, using the prospect theory introduced by Kahneman and Tversky for the first time in 1979, we study the tax evasion problem. Comparing the results of calculations of the tax fines using both theories states a very large difference between the prospect theory and the expected utility theory. So that the fines obtained are much larger using the expected utility theory. Regarding the behavioral factors in taxpayers' decision-making, the prospect theory makes it possible to study their behavior in paying tax.

JEL Classification: D81, H26, H29

Keywords: tax evasion, expected utility theory, prospect theory, risk evasion

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