The Impact of Uncertainty of Government Expenditures on Economic Growth of Iran (Application of Fully Modified Ordinary Least Square Approach)

Amin Hatami *, Qodratollah Imamverdi, Ph.D **, Mohabat Zeraat*, Seyed Mohammad Hadi Soltanololamaei******

Abstract

The government de facto as the paramount and effective institution in the field of economics and its manifested behaviors which are rendered as public revenues and public expenditures in the economy per se, have been the core subjects of debates and controversies in various schools of thought, sine die. Hence, to examine the observed role of government in the process of economic growth of Iran, an attempt is made in this paper to investigate the impact of government expenditures uncertainty on economic growth of Iran for the study period of 1980 to 2015. For the purpose of estimating the government expenditures uncertainty, we have utilized the EGARCH (1,1) method and in turn to estimate the impact of government expenditures uncertainty on economic growth of Iran, we have applied the Fully Modified Ordinary Least Square Method (FMOLs) pro rata. The results prima facie indicate that in the long run, the government expenditures uncertainty variable in its logarithmic form bears a coefficient of -0.03, and will have a negative but significant effect on the economic growth, Sine qua non. Thus, we can conclude that, since the public expenditures are de jure, deemed as one of the most important components of the aggregate demand in the economy, it may be postulated that the government expenditures uncertainty viz-a-viz constituting instability in the aggregate demand, can generate stochastic variation in the aggregate output and economic growth, Sui generis.

Keywords: Government Expenditures, Uncertainty, Economic Growth.

JEL Classification Codes: E62, H5, O20.

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Review of the Theoretical and Empirical Aspects of Quantitative Easing Policy

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Abstract

The incidence of financial and real crises in the economies of certain countries, have paved the way for diminishing the level of economic activities and even inflicting the economic recession, which virtually may lead the economy to more contraction of output and raising the rate of unemployment in toto. In this context, the implementation of monetary and financial policies to restore the economy to its long term growth path or the optimal equilibrium level, is an imperative strategy Ipso facto. However, if the rates of interest due to occurrence of stringent economic pallets could not be able to perform their natural functions to invigorate the economy, these signals indicate that the dominance and efficacy of applying the conventional monetary policy are limited, per se. As a result, the most plausible procedure to overcome the persistent economic downturn will be the execution of Quantitative Easing policy Sine qua non. Hence, in this paper, an attempt is made to investigate prima facie the theoretical and empirical dimensions of Quantitative Easing Policy. It is an axiomatic fact that the case for advocacy of this policy as well as its success will solely depend on macroeconomic conditions, monetary policy apparatus of the Central Banks and also the economic structure of respective countries adopting this policy, Pro rata. Thus, we propound that, the Central Bank of any country to formulate and assign the felicitous institutional mechanisms to identify the eligible financial enterprises to channelize the financial resources viz-a-viz transaction of bonds, securities, equities and other valid tangible financial assets into the productive economic endeavors and exertions and impedes the onset of stochastic expansion of liquidity by dint of utilizing the apt reserve ratio policy, Sui generis.

Keywords: Monetary Policy, Quantitative Easing Policy, Financial Crises, Data Mining.

JEL Classification Codes: E52, E52, F33.

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Methods of Revising and Demonstrating the Amended Input-Output Table of the Central Bank of I.R.I for the Period of 2010-2011

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Abstract

Compiling and collection of Input-Output Tables within the short interval of time which are prima facie deemed as one the principal apparatus of economic analysis have been contemplated per se with special significance in the compilation of national accounts systems in toto.

In actual practice, the compilation of Input-Output Tables could take place in two procedures i.e. 1-Employing the statistical approach and 2-Applying the semi statistical methods.

It is an axiomatic fact that , since the compilation of statistical tables requires the collection of large volume of data and also implementation of heavy census surveys, the collection and accessibility to these data are de facto time consuming and cost-incentive, pro rata. Besides, the desideratum of countries to compile the Input-Output Tables to avail the more transparent impression for the real sectors of the economy, could pave the way to expound that recognition of dynamic relations between the real activities of any economy are inevitable. Thus, after compiling a comprehensive statistical Input-Output Tables, we can utilize the various statistical techniques to revise them, Ipso facto. It goes without saying that, many international organizations have attempted in their agenda to revamp the concerned Input-Output Tables viz-a-viz applying the intermediate solution to address the issue of time lag and cost insentiveness, Sui generis.

In Iran, the Input-Output Table of (2004-2005) was de jure, considered as the latest table published by the Central Bank of I.R.I, which was designed based on the latest guidelines of the United Nations Input-Output Table issued in 1999 and also the National Accounts System published in 1993 and 2008 respectively. This table comprises the supply and use table, containing the 108 products to 52 economic activities. In addition, it includes a symmetric table of 52 to 52 activities with assumption of activity technology. Hence, dealing with this table which is derived on the basis of fixed prices, we have tried to revise the Input-Output Table of (2010-2011), that is a symmetric table with 52 to 52 activities and assuming the technology of activity, Sine qua non.

Keywords: Revising the Input-Output Table, Methods for Revamping the Tables, RAS Methods.

JEL Classification Codes: D571, C67.

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The Typology of Operational Models of Islamic Treasury Bills

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Abstract
The Treasury Bills are de facto deemed as one of the apparatus which will be used for fiscal and monetary policy making in the conventional monetary and banking system in toto. Considering the fact that in the framework of Islamic Banking system, due to challenge of forbidden Riba, we will not be able to utilize the conventional treasury bills for policy making, the exigency of designing the miscellaneous types of shairah compliant treasury bills to respond the financial requirements of the government, could be inevitable Quid pro qua. Hence, in this paper an attempt is made to investigate the quiddity and applicability of conventional treasury bills and delineate the sundry of their modus operandi using Analytical-Descriptive approach, pro rata. The results prima facie indicate that utilizing the capacity of bay-al-dayn contract in Imamiah Figh, one may be enticed to issue various types of operational models of Islamic Treasury Bills for management of deferred public debts of government, financing the Ex-ante public expenditures, management of public claims etc, in toto. Besides, these Islamic Treasury Bills are complementary to each other and de jure do not preclude inter alia, and thus, they can be issued simultaneously, sui generis. Nonetheless, with respect to permissibility of Bay-al-dayn in the Imamiah Figh and other schools of thought i.e. shafiite and Maliki, the transaction of actual dayn to the third party and its legal legitimacy in the Iranian laws, the deal or undertaking of this instrument by natural persons and/or legal entities in the secondary market is approved, Sine die. Though, the limited number of Islamic Treasury Bills are not entitled to be marketable and get settled in the secondary market due to prevailing challenge of the “ownership unity”, Sine qua non.

Keywords: Treasury Bills, Government, Ownership Unity, Money Market, Riba.

JEL Classification Codes: D53, E52.

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Profit Distribution and Loss Coverage Rules for Central Bank

Translated By:
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Abstract
The issue of Central Bank profit distribution is both complex and often politically controversial. Based on the replies of 57 Central Banks worldwide to an ECB questionnaire, this paper analyses how profit distribution rules can affect the amounts distributed and the financial strength of Central Banks. The paper also investigates the link between profit distribution, accounting rules and financial strength. Research shows that Central Banks apply divergent rules as regards profit distribution and loss coverage. While they are not a measure of Central Bank performance, in the long run profits strengthen the credibility of Central Banks and contribute to their financial independence, whereas profit distribution rules that do not allow Central Banks to set up adequate reserves might have the opposite effect.
The interaction of profit distribution rules and accounting rules also plays an important role in Central Banks achieving financial strength. Accounting frameworks can materially influence Central Banks' net results via their treatment of unrealized results and the creation of general risk provisions. Distribution policies can offset the volatility of distributed profits by recording changes in value in a separate account before calculating the amount of distributable profit. This paper also shows that Central Banks with less volatile distributable profits display higher ratios of equity to total assets over time.
Finally, the paper examines the role of stakeholders in influencing the profit distribution regimes of Central Banks, and develops a non-exhaustive set of general principles that could be considered in relation to profit distribution frameworks, with the aim of strengthening the financial, and therefore institutional, independence of Central Banks.

Keywords: Profit Distribution, Loss Coverage, Accounting Framework, Financial Strength, Financial Independence, Stakeholders' Influence.

JEL Classification Codes: E37, E58, M48.

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Housing Policy in the Republic of Korea

Translated By:
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Abstract
This paper evaluates housing policy in the Republic of Korea over the past several decades, describes new challenges arising from the changing environment, and draws lessons for other countries. The most important goals of the housing policy have been to alleviate housing shortages and to stabilize housing prices. To achieve these goals, the government has been engaging the private sector while establishing public sector institutions and legal framework, providing developable land, and allocating housing units to intended target groups. Thanks to the sustained and massive provision of new housing since the 1980s, the country's absolute housing shortage has been resolved, and overall housing conditions have improved substantially. Since the turn of the new millennium, enhancing the housing welfare of low-income households and the underprivileged has been added to housing policy goals. The supply of public rental housing was increased, and a housing benefit was introduced to address the new policy goal, but more work needs to be done. Today, the Republic of Korea also faces new housing challenges regarding the country's demographic and socioeconomic changes.

Keywords: Housing Affordability, Chonsei Deposit Index, Monetary Mortgage Loan, Rental Housing.

JEL Classification Codes: P25, R21, R28, R31, R38, R52.

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