

The Impact of Fiscal Policy on Business Cycles in Iran

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Abstract

In the past, it was believed that fiscal policy did not play an effective role in business cycles. Investigate the effect of financial policy on Iran's business cycles during the years 1344-1396. Therefore, in the present study, the role of financial policy variable along with a set of macroeconomic variables in creating business cycles, in the form of a self-explanatory structural analysis (SVAR) model. In this regard, government spending is used as an indicator for fiscal policy, and the variables of growth rate of GDP, real growth rate of real money volume, growth rate of import of goods are considered as macro variables. The results suggest that the structural shock of government spending has had a negative impact on the business cycle.

Keywords: Financial Policy, Business Cycle, Hodrick-Prescott, Structural Vector Regression.

JEL Classification: E61, E32, O23.

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