

## *Intangible Capital and Value Premium in Iranian Stock Market: Evidence From Real Business Cycle Pattern*

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### **Abstract**

The purpose of this study is to add the intangible capital to real business cycle models in general equilibrium model. In this framework, the dynamics of the economy and value premium puzzle are also examined. Due to the limitations existing in similar studies for the stock market in Iran, it is essential to add the intangible capital to general equilibrium model for Iranian stock market. Then, value premium puzzle in different situations were compared and analyzed. In this regard, four different regressions are carried out. In order to analyze the data, the Dynare program in the MATLAB software environment is used based on the Markov chain Monte Carlo within the framework of the metropolis-Hastings Algorithm. The results indicate that the addition of intangible capital to the real business cycle model can cause the reduction of the volatility in the growth of physical capital as well as the increase of its efficiency. In addition, the results demonstrate that a model employing intangible capital is susceptible to a higher risk premium for the physical capital in comparison to intangible capital. Therefore, it is concluded that a model with intangible capital is better than the other models explaining the value premium of the stock market in Iran.

**Keywords:** Real Business Cycle, General Equilibrium, Intangible Capital, Value Premium.

**JEL Classification:** E22, E32, G12, G13.

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