

Investigates the relationship between monetary policy and exchange rate jumps in the Iranian economy using the overshooting Dornbusch Model and the monetary model with sticky prices

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Abstract

The present paper investigates the relationship between monetary policy and exchange rate jumps in the Iranian economy using the overshooting Dornbusch Model and the monetary model with sticky prices and using the SVAR structural vector autoregression model based on quarterly data for the years 1370-1397. Based on the model results; one shock from oil revenues increases by 3% and a shock from liquidity and inflation increases by 36 and 53%, respectively, the exchange rate jump in the country. Also, based on the results of analysis of variance in the third period; 94.32% of changes related to oil revenue shocks, 0.21% related to liquidity volume shocks, 1.02% related to inflation shocks, 0.13% related to deposit interest rate shocks, 0.25% related to market shocks Gold was 1.01 percent related to the production momentum and 3.02 % was related to the stock market momentum it is suggested that, while adopting a single-rate floating exchange rate management system, consider the effects of the exchange rate shock instead of the fixed exchange rate policy. the compatibility of other macroeconomic policies in particular and monetary policy with the exchange rate regime is necessary; Because exchange rate policies without adopting appropriate monetary and fiscal policies to control inflation, the country will be caught in the spiral of rising inflation - rising exchange rates.

Keywords: Monetary policy; exchange rate overshooting; overshooting Dornbusch Model; SVAR model.

JEL Classification: C24 ,E52 ,G12 ,G32 ,G19.

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