

## The Impact of Monetary and Fiscal Coordination Policies on Macroeconomic Components in Iran

*Seyed Javad Emadi\**

*Nasser Elahi\*\**

*Seyed Zia Aldin Kia Al-Hosseini\*\*\**

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### Abstract

The purpose of this paper is to investigate the effect of coordinating monetary and fiscal policies in the co-operative game space on macroeconomic components in which the government acts as a leader and the central bank as a follower and its effect on macroeconomic variables including inflation. Unemployment, economic growth, as well as the Tehran Stock Exchange market index have been studied and compared with the situation in which these two institutions operate in a non-cooperative manner. This article uses the SVAR method to study and test the coordination of monetary and fiscal policies in the period 1979 to 2016. The results show that the dominance of the financial sector as a leader over the monetary sector as a follower has led to higher inflation and lower unemployment rates as policies are implemented, indicating the dominance of the financial sector as well as the government's political goals. The central bank's economic goals have led to an increase in the GDP gap during the study period.

**Keywords:** Harmonized Monetary Policy; Inflation; Economic Growth; Stock Market Index; Optimal Combination of Monetary and Financial Policies; SVAR.

**JEL Classification:** E61, C71, C54, E52, E62.

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\* Assistant Professor, Higher Education Institute, rahbordshomal, Rasht, Iran.

Email: j.emadi.p@gmail.com

\*\* Associate Professor, Faculty of Economics, Mofid University, Qom, Iran.

Email: elahi@mofidu.ac.ir

\*\*\* Associate Professor, Head of the Faculty of Economics, Mofid University, Qom, Iran.

Email: z.kiaalhosein@gmail



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