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The Impact of Domestic and Foreign Shocks on Industrialization of Iranian Economy

Mohammad-Reza Lotfalipour,* Taghi Ebrahimi Salari, ** Mohammad Sadegh Adibian, ** Emad Kazemzade, *** Amir-Hassan Akbari Khalilabad, *** & Farzad Asgharipour Zarkami*****

* Professor of Economics, Department of Economics, Faculty of Administrative Sciences and Economics, Ferdowsi University of Mashhad, Mashhad, Iran

Email: lotfalipour@um.ac.ir

** Assistant Professor of Economics, Department of Economics, Faculty of Administrative Sciences and Economics, Ferdowsi University of Mashhad, Mashhad, Iran (Corresponding Author)

Email: ebrahimi@um.ac.ir 0000-0002-5290-6934

Postal address: Department of Economics, Faculty of Administrative Sciences and Economics, Ferdowsi University of Mashhad, Mashhad, Postal code: 9177948951, Iran

*** PhD Student in Economics, Department of Economics, Faculty of Administrative Sciences and Economics, Ferdowsi University of Mashhad, Mashhad, Iran

Email: adib.mohammad@gmail.com

**** PhD Student in Economics, Department of Economics, Faculty of Administrative Sciences and Economics, Ferdowsi University of Mashhad, Mashhad, Iran Email: emad.kazemzadeh67@gmail.com

***** Master of Economics, Department of Economics, Faculty of Administrative Sciences and Economics, Ferdowsi University of Mashhad, Mashhad, Iran

Email: akbari.ahassan@gmail.com

****** Master of Economics, Department of Economics, Faculty of Administrative Sciences and Economics, Ferdowsi University of Mashhad, Mashhad, Iran

Email: farzadasgharipoor001@gmail.com



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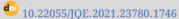
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EXTENDED ABSTRACT

INTRODUCTION

The goal of all the world's economies is economic development. Many developed countries have experienced economic development through industry. In recent years we have witnessed an increasing trend among less developed countries to industrialize. That is why the discussion of "industrialization" is an important topic in the writings of economic development. Industrialization has been a major factor in the economic development of developed countries, and industrialization has deep links with the issue of underdevelopment and backwardness.

METHODOLOGY

The purpose of this study was to investigate the effect of structural shocks on inflation, oil prices, world price index, interest rate, money supply, exchange rate and



total production on industrial production based on quarterly data (1370-1395) and estimate the severity of the effect of each. On industrialization, using structural vector autoregression model (svar). The research data were extracted from the databases of the World Bank, the Central Bank, the Journal of Economic Indicators, the Statistics Center of Iran and OPEC.

FINDINGS

First, the effect of structural shock of variables on industrial production is estimated and the table of variance analysis is given below. The results showed that the shock of oil prices on the industrial sector, initially increases the production of the industrial sector, which can be due to expansionary policies, leading to long-term adjustment and neutralization. Other shocks also cause turmoil in industrial production, which, like oil price shocks, creates damping waves. The analysis table of variance of production of the industrial sector shows that in the first place, the explanation of the production of the industrial sector is the previous values of the production of the industrial sector, and with 41% of the reason for the changes, The power of shocks from global prices and interest rates with 39% and 13%, respectively, were named as the cause of changes. In fourth place is total production with 4% of the cause of change, other variables explain small amounts of the cause of change in the long run. The results showed that the variables of global prices and interest rates have the greatest impact on increasing the output of the industrial sector and given that the interest rate is one of the monetary instruments, so in practice the central bank can achieve the goal of maximum growth of industrial output. Also follow.

CONCLUSION

Given that the results show that oil revenues will strengthen industrial production in the short term but will be neutralized in the long term, it indicates important issues and very important political recommendations. First, the huge overflow of revenues from oil resources has not been able to Is to have a fundamental impact on industrial production, in other words, we have lost resources and have not been able to build industry; On the one hand, managerial inefficiency shows the use of oil revenues in the industrial sector, and on the other hand, it shows us a clear path ahead, or in other words, it shows us based on the past and seeing the performance. We can decide for the future. If our policy plan is the same as in the past, we will not be able to help industrialize with oil revenues. On the other hand, the results show that the most important part of explaining the changes in industrial production is the amount of industrial production in the past, and this indicates the infrastructure and market conditions in previous periods, so holding exhibitions to introduce and facilitate transactions, improvement Business and transactional conditions, maintaining and strengthening production infrastructure can be more useful than monetary policy, and



given that global price shocks justify about 39% of changes in industrial production, it shows the fact that the economy We are very much influenced by the international economy and most of the production resources of the industrial sector are supplied from the international market. The international market is also an important market for the sale of domestic industrial goods and at the same time an important market for the supply of alternative goods, so while interaction in the international economy has proven beneficial effects, it is a very important alarm for our country that political relations Our country and negative political interactions can cause profound damage to our industrial production. In other words, our industrial production is very sensitive to international economic relations, and this indicates the need for great caution in this regard.

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