Investigating Neutrality and Lack of Neutrality of Money in Iranian Economy

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ARTICLE INFO

Article history:
Received 11 September 2013
Received in revised form 24 October 2013
Accepted 5 October 2013
Available online 14 November 2013

Keywords:
Neutrality Money • lack of neutrality•
Iranian economy

ABSTRACT

Monetary variables are variables that measured in terms of current prices such as nominal production, nominal interest rate, nominal investment, nominal consumption, nominal money supply, government spending based on current prices and oil incomes based on current prices. This study investigates investigating neutrality and lack of neutrality of money in Iranian economy. The results of this research show that monetary policies in Iran's economic are neutrality. So, for stimulate production in the Iranian economy, economic policymakers should notice that cannot be resorted to monetary policies.

INTRODUCTION

There are different views about the interaction between monetary and real sectors of economy. Although the classical duality theory before the great crisis of 1929 did not give any interaction between real and nominal variables in the short and long term, but today many economists believe that changes in prices and nominal money stock, i.e. impulses, can affect the behavior of real variables such as output and employment in the short term. In new theory classics, money is a neutral factor. According to this theory in a closed economy, anticipated changes in the amount money lead to proportional changes in nominal variables like prices and wages [1]. Without having an impact on real variable, in an open economy with flexible exchange rates, the nominal exchange rate changes as appropriate. The basic idea is that any changes do not result in the production, employment, interest rates and real exchange rates and so on. The only exception related to transaction costs when changing their asset portfolio (between money and other financial assets). Since the changes in nominal interest rates, affect the real demand for money, some are real effects of the channel. However, this effect is not large enough Justify economic fluctuations. Moreover, if the volatility monetary policy or to change the cost of intermediation, savings rates, investment and asset maintenance habits in the right direction, can be obtain different results. For example, increase in legal reserves or establish restrictions on interest paid to deposits, reduces intermediation costs and the willingness of individuals to keep their deposits. These cases, like a monetary contraction, lowers the price level and other nominal variables but, with the decreased production, employment and investment.

So In the face of such impulses, the Nominal and real variables are moving in one direction. On the other hand Real momentum Such as rising oil prices in an oil-importing economies Leads to reduce production and raise prices (even assuming constant currency basis). In this case, the price level changes produced in the opposite direction. In an open economy with fixed exchange rates Monetary, authorities cannot determine the amount of the amount of money [2]. In order to keep money growth, government must make some restrictions on the foreign trade (goods and foreign assets). Such restrictions may have a real impact on production. In economic theory, the interaction between nominal and real variables is not rejected, but how depends on the nature of momentum. However, Neutrality of money is among the most basic predictions of classical theory and accordingly Net monetary impulses have real effects the concept changes in the monetary base. Although monetary impulses make huge fluctuations in prices and other nominal variables, it does not change Production, employment and real wages. Most economists’ neutrality does not accept money at least for short periods. In fact, many researchers have attributed a large share of trade volatility to monetary impulses. Common point of view these groups it is monetary expansion is Stimulating real economic activity. As a monetary contraction leads to Recession, Keynesians and proponents of school money is not distinguish when analyses of monetary variables on real between anticipated money and unanticipated money. In this pattern, anticipated money and systematic monetary policy also make a real impact [3]. For example, opponents of monetary union and a fixed exchange rate believe that policies are to prevent it countries with systematic and independent monetary policy to neutralize the effect of each country's specific impulse.

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Economists like Romer [4] that systematic monetary policy led to the end of long post-war recessions. Also literature that evaluates the targeting nominal GNP, It is based on the belief that adequate systematic policies, reduces the volatility of production. Besides that, there is debate over the impact of money on real variables momentum asymmetry deals with monetary issues that are fundamental to this question are the positive and negative money supply shocks similar effects on the (absolute terms) on economic activity. The 1930s, some economists such as Keynes and Pigou [5] raised the argument that monetary policy can have asymmetric effects on output in periods of recession and economic boom. Indeed it be considered part of the supply curve is vertical monetary policy will have less impact on production during the boom. New classics and empirical literature emphasizes that the effects of monetary impulses cannot distinguish between positive and negative monetary shocks. If this argument is correct and is an important distinction, then the traditional approach is not valid for unexpected changes in monetary neutrality test and ignores economic conditions whether in recession or in boom periods to analyze the effects of monetary impulses.

Neutrality of money:

In the framework of general equilibrium models of money, neutrality of money can be defining as follows Harris Laurence [6]: When that money is neutral in the primary balance (due to changes in the nominal money supply), the new balance that achieved when the values of all real variables in the money supply. Obviously, if the model does not satisfy these conditions, non-neutral money, in discussing the neutrality of money, economists have pointed to a particular theoretical experience naturally and they not observed directly in real economies. This particular theoretical experience is at once unexpected and lasting change in the level of money. What is important in this case, the surface is new money for a relatively long period, be so sure that is lost due to temporary and transient changes. On the other hand, changes in the volume of money must be unforeseen, if you are aware of the economic units of the increased volume of money, knowing that change will increase the price level in the future, their expectations thwarted by the volume of new money and its effects.

In the 1960s and before the test that done about the long-term neutrality of money summarized at parameters of a regression equation where the dependent variables were estimated actual production and the independent variables interruptions money. These reviews were less than what considered a permanent change in the money. Update revolution “unit root” on issues related to time series this issue can be solved greatly as if a time series is not unit root this implies that these permanent changes over time not encountered and fluctuations observed are temporary and transient. In fact, the presence or absence of permanent changes in one economic variable that shows exactly what the time series variable. The idea is that the researchers as Fisher and citrate [7, 8] and King and Watson [9, 10 and 11] used the new practices were introduced to test the neutrality of money in the long-term propositions.

Lucas [12] and Sargent [13] examples show that it is impossible to be neutral, long-term test using an abbreviated form. Examples is represent the rational expectations with short-term absence of neutral exogenous variable creation that follow a stationary process, so that the data generated by these models do not include permanent changes necessary to directly test the long-term neutrality. In these models, Lucas and Sargent [12, 13] argue that to test the neutrality theorem it is essential to build the behavioral model has explained fully. Been criticized by Lucas and Sargent [12, 13] depends to stationary. Nominal variables in the model are that non-stationary, long-term neutrality test can be give without full knowledge of the behavioral model. However, when the variables are cumulative, long-term neutrality cannot be tested using the model are summarized. Instead, the final form of model is necessary to show the dynamic responses of variables to structural abnormalities. Standard results from the simultaneous equations econometric analysis shows that it is not clear the final form of structural econometric models, because the former is a set of restrictions to identify structural abnormalities. King and Watson [9, 10 and 11] Check that the estimated value of long-term elasticity of output the money depends on the subject what we have assumed about the elasticity of each of the three following:

- Tension Simultaneous output with regard to money
- Tension Simultaneous Money due to the output
- Tension Long-term Money due to the outputs

Although the many attempts by economists had been done to test the above propositions but recent developments in understanding characteristics of time series variables, is the question Statistical validity of tests used in previous experimental studies. Fisher-Seater [8] and King and Watson [11] showed neutrality tests, when are valid that will have nominal and real variables some conditions non-stationary and determined. Given that attention has not been in ancient literature to neutrality of money to this topic should be excluded results from these studies. They showed that neutrality tests are possible when that accumulation times (Order of integration). Nominal and real variables is at least once one and tests of neutrality cloud are possible when the accumulation times the nominal variables equal to accumulation times of real variables sum be one [14].

This is because of the obvious when the monetary variable is fillet with zero-order I(0), series is steady and means permanent changes in money supply did not occur and the observed fluctuations in money supply,
changes represent temporary and transient, and therefore cannot be test cases neutrality and super neutrality of money. Variable time series money test run neutrality must be at least I(1) and to test the neutrality of money cloud must be at least I(2). In this regard, the three are inseparable:

- When changing money I(1) and the real output variable I(0) and it happened suggests that permanent changes in monetary variables, but it has done not happen in actual production. It cannot be rejected hypothesis of money neutrality.
- When monetary and real variables both are I(1) means a permanent change to occur is variable in both so possible to test the neutrality of money using The usual methods of econometrics like OLS is provided with assumed to be exogenous monetary variable.
- When changing money I(2) and real output variable is I(1) means that permanent changes in money growth rates and actual production levels occurred and has provided possibility theorem cloud neutrality of money.

MATERIALS AND METHODS

Barro [15] Model based on this experimental work is based unanticipated components of money affect on real economic variables among unemployment rate or level of production. Anticipated growth in the Borough money knows part of the process of determining the money growth is predictable based on available information, over time, so knows his job this process of detection. Several theoretical and experimental works on certain considerations, Barro [15] estimates the following equation As Determine the best process for money growth, 1978-1941 for America's economy:

\[
DM_t = 0.97 + 0.48DM_{t-1} + 0.17FEDV_t + 0.33U_{t-1}
\]

\[R^2 = 0.9 / 0.90\]

\[DW = 1 / 9\]

Measure of growth is logarithmic and as \(DM_t = 10gm_t - 10gm_{t-1}\). \(M_t\) is the annual average volume of money in America. FEDV\(_t\), measure that indicates the deviation of government spending from its normal level, \(U_t\) is the unemployment variable is defined as Log \((U/1-U)\)\(_t\) and \(u\) is the annual average unemployment rate. Unforeseen growth is OLS estimates of waste Coefficients of equation (1) the dependent variable is actual money growth (DMI). To test the effect the anticipated money on real variables, fortification estimates production levels and unemployment current and delayed values DMR\(_t\) and government spending and variable time T:

\[\log\left(\frac{U}{1-U}\right) = \alpha_0 + \alpha_1DMR_t + \alpha_2DMR_{t-1} + \alpha_3G_t + \varepsilon_t\]

\[\log Y_t = \beta_0 + \beta_1DMR_t + \beta_2DMR_{t-1} + \beta_3G_t + \beta_4T + \varepsilon_t\]

Therefore, that \(\varepsilon_y\) is sentence error, G government spending to a fixed price, Y GDP to constant prices, and T represents the time variable, improved technology and enhanced performance. Components are only effective if unanticipated money on real variables components and its predictive are unaffected on real variables, this is money neutral and no effect on actual parameters of the economy.

Gordon model [16]: Gordon First, the nominal output growth variable to enter in their model instead aggregate demand, Second uses inflation of the late as preferred variable in their estimation model, and the production model estimates as:

\[YC_t = \beta_0Z_{t-1} + \beta_1YC_{t-1} - \sum \beta_2P_{t-1}^0 + W_t\]

That in \(Z_{t-1}\) Of vector of variables known by economic agents at time t-1 is affecting nominal income or production (DXTt) The model \(DXT_t = \alpha Z_t + V_t\) was estimated and alternative be mentioned in the model. \(P_{t-1}^0\) Inflation, delayed and \(W_t\) is sentence error. In addition, \(YC_t = Y_t - Y_t\) the rate of growth of real output 879 shows of its natural growth. Inflammatory statements with delays in the above equation was test Keynesian view of the Gordon the possible effects of inflation with a delay (information delay) on current production.

Mishikin model [17]: The model features is delays during the transfer of the money supply or the to Production changes. In summary, Mishikin [17] model considers the following:

\[X_t = Z_{t-1} + U_t\]
\[ Y_t = \bar{Y}_t - \sum B_i (X_{t-1} - X_{t-1}^e) + \sum \delta_i X_{t-1}^e + \varepsilon_t \]  \hspace{1cm} (6)

So that is \( Y_t \) Unemployment or real output, \( \bar{Y}_t \) its natural level, \( X_t \) Aggregate demand variable (money growth or inflation or the growth of nominal gross product), \( X_t^e \) Predict \( X_t \) with information \( t-1 \), \( B_i \) coefficients, \( \varepsilon_t \) and \( \delta_i \) error terms. \( Z_{t-1} \) Vector of variables used with the information available to period \( t-1 \) to predict \( X_t \). \( \alpha \) is vector of coefficients, thus we have:

\[ X_t^e = Z_{t-1} \alpha \]  \hspace{1cm} (7)

Neutrality of money and monetary policy means that there is no correlation between policy predicted \( Y_t - \bar{Y}_t \) and \( \delta_i \) coefficients are constrained to zero for \( X_t^e \) and in this case, \( \delta_i = 0 \) test is the neutrality of money test.

**Pesaran model [18]:** The model is based on Barro [16] model established an important logical point and has raised its Keynesian model. Pesaran [18] focus on variables in the model, money is \( FEDV_t \) and believes that identify the value of this variable do not be simply in period \( t-1 \). To avoid this problem, Pesaran development will the model predicts that government spending and in the \( FEDV_t \). Barro [16] uses instead \( DMR_t \), So the variable is projected government spending. Pesaran [18] model due to differences \( FEDV_t \) predicted from its actual value, the calculated values Pesaran [18] of money growth forecast \( DMR_t \) is different from the Barro [16] and it uses in their model with Mark \( DMR_t \) based on Barro [16] data estimates the model output and unemployment and then using non-nested these two models the test against each other.

**Fisher-Seater Model [9]:** Shelly & Wallace [19] in an article entitled “Monetary neutrality test in the long run in Mexico.” In addition, Wallace [20] in an article entitled "Neutrality of money in the long run: the case of Guatemala”. The method utilizes Fisher & Seater has started to a similar study. The model used estimates are to method ARIMA and Logarithmic linear is as follows:

\[ \alpha(L) \Delta^m m_t = b(L) \Delta^v y_t + u_t \] \hspace{1cm} (8)
\[ d(L) \Delta^v y_t = c(L) \Delta^m m_t + w_t \] \hspace{1cm} (9)

Where \( m_t, y_t \) are respectively the logarithms of money and generate \( W_t \) and \( U_t \) and \( \alpha_m = d_b = 1 \) have zero mean. Fisher & Seater [7] proves that \( b_k \) of method OLS in estimation of equation (9) Can us Guide to test neutrality:

\[ y_t - y_{t-k-1} = \alpha_k + b_k (m_t - m_{t-k-1}) + e_{kt} \] \hspace{1cm} (10)

Based on the model for Mexico during the period 1932-2001 be rejected Long-run neutrality of money, although the not rejected shorter period 1981-1932 neutrality of money. Based on for Guatemala during the period 1950-2001 is Money Neutral. The test is on real GDP and GDP per capita and similar results.

**Model used in this study:**

In this section, we measure the impact of money on real economic variables we use of two ways. A real variable such as employment and real economic growth are regression on other variables such as real money, real growth rate of government spending and growth rate of oil revenues and once the actual amount of money are regression on real economic growth rate, real growth rate of government spending and growth rate oil revenues. If monetary policy be effective on real variables should be significant, the coefficients of these variables and so what Mark it is line monetary policy has a positive impact on real economic variables. This part of the model is derived from model Mc Gee and Stasiak [21] and Yamak and Kucukale [21] Checks Being neutral or not neutral monetary policy using annual data from 1959 to 2008. The econometric analysis has done using software Microfit 4. General information the model is as a system regression and includes three variables endogenous and three variables exogenous as follows:

Real economic growth rate (rgdp) Employment rate (E) Endogenous variables and model of money growth (rm1), Growth rate of government revenues (rio), Exchange rate in the parallel market (PEX) and real government expenditure growth rate (rg) are exogenous variables causing model. Your system outo-regressive desired is estimated using SUR and the optimal model is selected based on information criteria. As the specified
outo-regressive of your system. Based on these equations can expected about neutral or non-neutrality of monetary policy. In other words, monetary policy will be neutral, if money is not a significant variable coefficients or negative impact on real variables.

Advantage of this model presented that Mc Gee and Stasiak [21] explicitly have pointed in their paper can be cited to System of equations (In terms of mutual and bilateral relations between model variables) and thus hypothesis of rational expectations. The use of an equation system (The model used in this review) in its rational expectations hypothesis and so the estimated equation system, In addition to the test neutrality of money can test the rational expectations hypothesis. During the period 959-2008 money from the 40.3 billion rails’ reached to 625759 billion riyals, Suggests that the 1552652 percent (Volume of money in case has 15528-fold). The figures suggest that money on average has grown 24 percent per year. During the period 1959-2008 Iran's economy except for the years 1339, 1340 and 1363 has experienced always double-digit growth rates. Variable growth in 1353 Peak (about 57%) and in 1342 has been about (-5.9%).

In this paper, we measure the impact of money on real variables we use of econometric methods regression estimates of employment and real economic real money and real size. With beginning, we estimated employment rate (E) on variable with continuous growth with employment rate (E). Variables are including with a constant amount of money (rm1 (-1)), Continuous variables with real economic growth rate (rgdp), Variable with a constant growth rate of real government spending (rg), Variable with a constant growth rate of government revenues (rio), Parallel market exchange rate (pex), Real economic growth rate (rgdp). We estimated on variable with a constant amount of money (rm1 (-1)) Variable interval variable with the continuous growth of government revenues (rio), Variable with a constant growth rate of real government spending (rg), Variable with a constant employment rate (E).

RESULTS AND DISCUSSION

Unit root test:

ADF test investigates the presence of unit root in time series data. Strong negative numbers of unit root reject the null hypothesis of unit root at some level of confidence. ADF framework to check the stationary of time series has been given in following equation:

$$\Delta X_t = \beta_1 + \beta_2 \Delta X_{t-1} + \sum_{i=1}^{n} \alpha_i \Delta X_{t-i-1} + \epsilon_t$$  \hspace{1cm} (11)

Where, $\epsilon_t$ is white noise error term. This test determines whether the estimates of $\theta$ are equal to zero or not. Fuller [23] has provided cumulative distribution of the ADF statistics by showing that if the calculated-ratio (value) of the coefficient is less than critical value from Fuller table, then $x$ said to be stationary. However, this test is not reliable for small sample data set due to its size and power properties [24, 25]. For small sample data set, these tests seem to over reject the null hypotheses when it is true and accept it when it is false. The results of ADF test IS displaying in Table 1.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Level</th>
<th>1st Differences</th>
<th>integrated of order</th>
</tr>
</thead>
<tbody>
<tr>
<td>rgdp</td>
<td>-3.05</td>
<td>-7.65*</td>
<td>I(0)</td>
</tr>
<tr>
<td>E</td>
<td>-0.03</td>
<td>-2.98*</td>
<td>I(1)</td>
</tr>
<tr>
<td>rm1</td>
<td>-1.14</td>
<td>-4.12*</td>
<td>I(1)</td>
</tr>
<tr>
<td>rio</td>
<td>-2.79</td>
<td>-6.09*</td>
<td>I(0)</td>
</tr>
<tr>
<td>PEX</td>
<td>-0.93</td>
<td>-3.79*</td>
<td>I(1)</td>
</tr>
<tr>
<td>rg</td>
<td>-1.23</td>
<td>-4.98*</td>
<td>I(1)</td>
</tr>
</tbody>
</table>

Note: * denote statistical significance at 1%

The results reported in Table 1 show that null hypothesis of ADF unit root is accepted in case of $E$, $rm1$, $PEX$ and $rg$ variables but rejected in first difference at 1% level of significance. This unit root test indicate that $E$, $rm1$, $PEX$ and $rg$ variables considered in the present study are difference stationary $I(1)$ while $rgdp$ and $rio$ variables are level stationary $I(0)$ as per ADF test. Based on this test, it has been inferred that $E$, $rm1$, $PEX$ and $rg$ variables are integrated of order one $I(1)$, while $rgdp$ and $rio$ variables are integrated of order zero $I(0)$. The empirical result based on ARDL tests repeated showed that the most significant break for variables of under investigation are consistent. Therefore, at this stage we include one dummy variable of war 1980 in order to take into account the structural breaks in the system.

Beginning Employment rate (E), We estimate on Variable with a constant growth rate of employment (E), Variable with a constant amount of money (rm1 (-1)), Variable With interruption real economic growth rate (rgdp), Variable with interruption real government expenditure growth rate (rg), Variable with interruption growth rate of government revenues (rio), Exchange rate in the parallel market (pex). The estimated coefficients of the long-run relationship and error Correction Mode (ECM) are displaying in Table 2 and 3.
increased exchange rate and become more expensive relative decline is certainly. So Country's productivity are economy, a lot related to imports of intermediate goods and capital and Imports of these goods also resulting in against domestic goods. However, since production of export goods and general manufacturing sector in Iranian domestic currency has led to devaluations against foreign currency and thus foreign goods Is more expensive corresponding is increased price level. The increase price level Negative impact on the purchasing power of empirical realities of Iran's economy has shown that in each period reasons (Such as increased levels of debt to because is that external money or in other words monetary base when increase leads to price increases. Because

does not Spend affairs investment. Thus the obviously, the private sector access is not much the sources and that at Iran's economy a major part of the bank resources be captured by public sector and all these resources lending in the economy. It has positive impact on investment and production. Of course its small this indicates coefficients what obtained and the amount of contra lateral, it shows that internal money opportunity to increase internal cash money over the long term respectively is equal to 0.19-and 0.7. Of the symptoms of these two distributed lag also showed that elasticity of real GDP Iran's economy ,Toward two sections external and economy than government spending and monetary policy. Analyses were performed the pattern auto regressive (Applied to monetary policy), this issue was determined by comparing the modulus of e lasticity of the real element affecting on the real economy of production changes has been changes in government spending (rg), Variable with a constant employment rate (E).

Table 2: Estimated long-run and ECM coefficients using ARDL (1,0,0,0,0,0) model for first regression.

<table>
<thead>
<tr>
<th>Regressor</th>
<th>Coefficient</th>
<th>t-Ratio (prob)</th>
<th>Estimated ECM coefficients (E as dependent variable)</th>
<th>Coefficient</th>
<th>t-Ratio (prob)</th>
</tr>
</thead>
<tbody>
<tr>
<td>E(-1)</td>
<td>0.72</td>
<td>6.25[002]</td>
<td>DE(-1)</td>
<td>0.69</td>
<td>7.58[000]</td>
</tr>
<tr>
<td>rm1(-1)</td>
<td>-0.11</td>
<td>0.21[049]</td>
<td>D(m1(-1))</td>
<td>-0.09</td>
<td>2.24[008]</td>
</tr>
<tr>
<td>rgdp(-1)</td>
<td>0.07</td>
<td>8.54[000]</td>
<td>Dgdp</td>
<td>0.06</td>
<td>10.65[000]</td>
</tr>
<tr>
<td>r(1)</td>
<td>0.02</td>
<td>5.85[001]</td>
<td>Drg</td>
<td>0.01</td>
<td>6.32[002]</td>
</tr>
<tr>
<td>pex(-1)</td>
<td>0.008</td>
<td>3.37[005]</td>
<td>Dpex</td>
<td>0.007</td>
<td>4.68[004]</td>
</tr>
<tr>
<td>C</td>
<td>8.64</td>
<td>5.24[005]</td>
<td>DC</td>
<td>6.14</td>
<td>6.87[001]</td>
</tr>
<tr>
<td>DDU1980</td>
<td>-0.24</td>
<td>-4.77[004]</td>
<td>ECM(-1)</td>
<td>-0.42</td>
<td>-6.08[002]</td>
</tr>
</tbody>
</table>

Note: The order of optimum lags is based on the specified ARDL model.

Now, for real economic growth rate (rgdp), we estimate on variable with a constant amount of money (rm1 (-1)) Variable with a constant growth rate of government revenues (rio), Variable with a constant growth rate of real government spending (rg). Variable with a constant employment rate (E).

Table 3: Estimated long-run and ECM coefficients using ARDL (1,0,0,0,0,0) model for second regression.

<table>
<thead>
<tr>
<th>Regressor</th>
<th>Coefficient</th>
<th>t-Ratio (prob)</th>
<th>Estimated ECM coefficients (rgdp as dependent variable)</th>
<th>Coefficient</th>
<th>t-Ratio (prob)</th>
</tr>
</thead>
<tbody>
<tr>
<td>E(-1)</td>
<td>0.52</td>
<td>2.55[005]</td>
<td>DE(-1)</td>
<td>0.49</td>
<td>3.26[004]</td>
</tr>
<tr>
<td>rm1(-1)</td>
<td>-0.19</td>
<td>-5.23[002]</td>
<td>D(m1(-1))</td>
<td>-0.15</td>
<td>5.97[001]</td>
</tr>
<tr>
<td>rg(-1)</td>
<td>0.12</td>
<td>5.88[001]</td>
<td>Dg</td>
<td>0.11</td>
<td>6.28[000]</td>
</tr>
<tr>
<td>r(1)</td>
<td>0.07</td>
<td>3.27[004]</td>
<td>Drg</td>
<td>0.06</td>
<td>4.65[003]</td>
</tr>
<tr>
<td>C</td>
<td>4.14</td>
<td>-5.35[002]</td>
<td>DC</td>
<td>2.34</td>
<td>-5.99[001]</td>
</tr>
<tr>
<td>DDU1980</td>
<td>-0.26</td>
<td>-2.79[005]</td>
<td>ECM(-1)</td>
<td>-0.31</td>
<td>-7.48[000]</td>
</tr>
</tbody>
</table>

Note: The order of optimum lags is based on the specified ARDL model.

Table 2, 3 shows that in the long run most coefficients are statistically significant but, there is not statistically significant between real employment rate and real money rate and also, there is not between real gross domestic product and real money rate. Also, war coefficient has a very significant effect on real gross domestic product and real employment rate.

Conclusion:
The goal of this paper was to test the existence of long run relationship determinants of Money Neutrality and Super Neutrality in Iran. This objective aided by the technique of Pesaran [26] approach to co-integration, which presents non-spurious estimates. Subsequently, our work provides fresh evidence on the long run relationship between agricultural real employment rate and real money rate and between real gross domestic product and real money rate. At work Studies present what was obtained of conventional two-stage approach it suggests that the only unexpected monetary policy against anticipated monetary policy are able to impact on national production. Of course the severity of this impact and its influence during has been very low and short after 2 or 3 year period this effect also be Zero. Yet Pattern of under Keynesian Showed that Years of important element affecting on the real economy of production changes has been changes in government spending (Applied to monetary policy), this issue was determined by comparing the modulus of elasticity of the real economy than government spending and monetary policy. Analyses were performed the pattern auto regressive distributed lag also showed that elasticity of real GDP Iran's economy ,Toward two sections external and internal cash money over the long term respectively is equal to 0.19-and 0.7. Of the symptoms of these two coefficients what obtained and the amount of contra lateral, it shows that internal money opportunity to increase lending in the economy. It has positive impact on investment and production. Of course its small this indicates that at Iran's economy a major part of the bank resources be captured by public sector and all these resources does not Spend affairs investment. Thus the obviously, the private sector access is not much the sources and investments higher level.

In any case, sign of this coefficient is positive and the expected and that internal money partly are irritating for production. However, Coefficient of external funds so what was expected obtained Negative. The expected because is that external money or in other words monetary base when increase leads to price increases. Because empirical realities of Iran's economy has shown that in each period reasons (Such as increased levels of debt to the bank and or even increase net central bank foreign assets), monetary base has increased, and its corresponding is increased price level. The increase price level Negative impact on the purchasing power of domestic currency has led to devaluations against foreign currency and thus foreign goods is more expensive against domestic goods. However, since production of export goods and general manufacturing sector in Iranian economy, a lot related to imports of intermediate goods and capital and Imports of these goods also resulting in increased exchange rate and become more expensive relative decline is certainly. So Country's productivity are...
affected and thus at Long-term reduced production levels. Of course it is minimal and it is somewhat about the positive effects due it is possible to increase lending that be neutral the increase in internal funds. So becomes clear that general in Iranian economy not produce so affected changes money stock.

REFERENCES