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The impact of monetary policy on addressing economic imbalances: Iran as a case study

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Abstract
This study aims to clarify the relationship between monetary policy, represented by internal and external variables, and the imbalances in Iran's gross domestic product. The study hypothesizes that monetary policy has a significant and positive impact on addressing the economic imbalances faced by the Iranian economy. Employing the inductive approach to validate the hypothesis, the research concludes that monetary variables exert a positive influence, albeit at varying levels. Broad money supply ranked foremost among these variables, with the adjusted coefficient of determination reaching 0.75%. Therefore, it is essential to adopt a monetary policy that generates economic surpluses, such as exchange rate reduction policies, to address financial imbalances.

Keywords: Monetary policy, economic imbalances, exchange rate, broad money supply

Introduction
The relationship between monetary policy and economic imbalances represents a fundamental element in economic reform policies, as the proper implementation of monetary policy can mitigate economic imbalances, particularly internal ones. Controlling the money supply and interest rates helps the economy avoid inflationary pressures and achieve price stability. It also encourages investment and economic growth, the latter contributing to the reduction of unemployment. Moreover, monetary policy influences the external sector by stabilizing the exchange rate, which enhances competitiveness in international markets, promotes exports, and reduces the balance of payments deficit. Economic imbalances thus pose significant challenges to the Iranian economy, manifested in high inflation and unemployment rates, along with a budget deficit referred to as internal imbalances. On the other hand, imbalances affecting the trade balance and external debt are classified as external imbalances. These issues stem from unbalanced economic policies, weak economic diversification, and economic sanctions imposed by the United Nations, all of which have exacerbated the economic crises. Addressing such crises requires adopting optimal solutions, such as embracing more flexible and efficient economic policies, most notably monetary policy and managing key monetary variables to achieve stability and restore economic balance.

Research Significance
This research seeks to understand the nature of the economic challenges facing Iran, whether internal or external, and to address them by adopting a monetary policy suitable for the current economic and political conditions in the country, thereby contributing to the reduction of economic imbalances and the achievement of economic stability.

Research Problem
The study originates from a central problem: the Iranian economy suffers from various economic imbalances. However, can monetary policy address internal imbalances through interest rates and money supply, and external imbalances through the exchange rate and trade balance, to achieve comprehensive economic stability?

Research Objective
The research aims to clarify the relationship between monetary policy, represented by internal and external variables, and economic imbalances as reflected in the gross domestic product of Iran, by relying on analytical methods and appropriate econometric tools.

Research Hypothesis
Monetary policy has a clear and positive impact on addressing the economic imbalances facing the Iranian economy. In other words, there is a statistically significant positive relationship between monetary policy variables and Iran's gross domestic product.

Research Methodology
To validate the research hypothesis and encompass all aspects of the study, the inductive approach was adopted, which begins with specific elements and leads to general conclusions. Additionally, analytical and econometric methods were employed to comprehensively address the topic.

Previous Studies and Literature Review
This section reviews several prior studies that addressed similar topics to identify the measurement methods employed by earlier researchers, examine their findings, and compare them with the results of the current study.
The researchers Simin & Abdolmajid (2015) [6] conducted a study entitled "The Impact of Domestic & Foreign Monetary Policy on Iran's Economy: Global Modeling". This study examines the effects of both domestic and foreign monetary policies on Iran's macroeconomic variables, including real output, inflation, short-term interest rates, and the real exchange rate. Using quarterly data from 1996 to 2015 and applying the Global Vector Autoregression (GVAR) model to Iran and its major trading partners, the study concluded that domestic monetary policy particularly the domestic interest rate had positive effects on real GDP. It also found that interest rates had a positive

impact in China but a negative impact on inflation in Iran. Moreover, the study showed that Iran's real GDP was largely independent of monetary policy shocks from its trade partners (Turkey, China, and Europe). Given the closed nature of the Iranian economy, global economic crises had minimal influence on Iran's economic performance.

On the other hand, Mansour & Others (2005) presented a study titled "An Investigation into the Efficiency of Monetary & Fiscal Policies in Iran: Case Study—The Economic Development Plan". The study examines the effectiveness of the quantitative objectives of Iran's fourth economic development plan using a dynamic simulation approach. The model comprised eleven behavioral equations across various economic sectors in Iran for the period 1971–2004, employing the Autoregressive Distributed Lag (ARDL) model. The quantitative objectives of monetary and fiscal policy were applied, and their effects on selected macroeconomic variables were forecasted for the period 2005–2013. A comparison between projected, realized, and targeted values was published. The study found that a contractionary monetary policy could help reduce inflation; however, it may also lead to reduced output and recession. To minimize the negative effects of contractionary monetary policy on the production sector, the study recommends enhancing productivity, improving cost efficiency, and upgrading economic infrastructure. Furthermore, it highlights the need to define and allocate government revenues and expenditures in a manner that fosters reduced government involvement in the economy, promotes private sector activities, and determines the optimal size of government within the Iranian economy, while also accounting for delays in fiscal policy implementation and aiming for minimal deviation during long-term planning execution.

Section One: Theoretical Framework

The concept of money neutrality is an old one, emerging after the First World War. It can be examined through monetary equilibrium and its effect on real equilibrium. Money neutrality implies that an increase in the money supply leads to a rise in prices without affecting output, employment, or utilization. This idea is attributed to the economist Hayek, who believed that money has no positive effect on economic activity (Zahra & Others, 2023, p. 54) [1]. Furthermore, money should have neither inflationary nor deflationary effects on economic activity; its function should be limited to facilitating production and consumption, serving as a medium of exchange, a unit of account, and a store of value through its role as a saving instrument. This interpretation implies that monetary policy has no role in addressing economic imbalances. However, some economists who support the idea of money neutrality argue that money can influence economic activity only in the short term (Yusoff, 2007, p. 664) [2].

David Hume believed that increasing or decreasing the money supply affects employment levels and influences productive capacity. In contrast, Keynes approached the concept of money neutrality from a different angle, arguing that an increase in the money supply affects interest rates, which in turn influences asset prices relative to their production costs, thereby affecting the rate of investment and output. According to Keynes, an increase in the money supply reduces the interest rate and raises the price of capital assets, which stimulates the production of capital goods. As a result, both investment and output increase, ultimately contributing to the reduction of economic imbalances (Islam & Meah, 2022, p. 40) [3].

Moreover, James Tobin developed the Keynesian model through his dynamic aggregate model, viewing money as a form of wealth and one of the various capital assets through which individuals can hold their wealth in an investment portfolio. These assets are substitutes, so an increase in the money supply leads to a decrease in their prices and a rise in the prices of other assets, whether physical or real. This, in turn, affects investment, which determines capital stock and the rate of real output. Modern developments have shifted from the notion of money neutrality to an emphasis on its dynamic functions. Money is considered neutral under normal conditions and does not affect real equilibrium in the economy (Gregorio, 2009, p. 14) [4].

Classical economists believed that there is a natural economic system that operates harmoniously and consistently among real economic relationships if left to market forces. According to their view, the primary determinants of production and employment are real, not monetary. They viewed money as having only one function: a store of value and a medium of exchange. In contrast, modern theory asserts that the economy is influenced by both monetary and non-monetary factors that interact to generate effects on economic relationships.

The concept of interest rates was later introduced into the analysis. Knut Wicksell distinguished between the real interest rate and the nominal interest rate. He argued that monetary policy is neutral only when the nominal interest rate equals the real interest rate. At this point, savings equal investment, and the money supply equals money demand (Kaya, 2021, p. 702) [5]. Wicksell's analysis focuses on the relationship between money, interest rates, and investment. A change in the interest rate leads to equilibrium between nominal and real interest rates, at which point the money supply equals money demand, and savings equal investment, resulting in monetary equilibrium. In other words, for Wicksell's theory to be realized, three conditions must be met: the equality of nominal and real interest rates, the equality of savings and investment, and price level stability. These three conditions constitute monetary equilibrium in the modern analysis of monetary theory (Simin & Others, 2015, p. 160) [6].

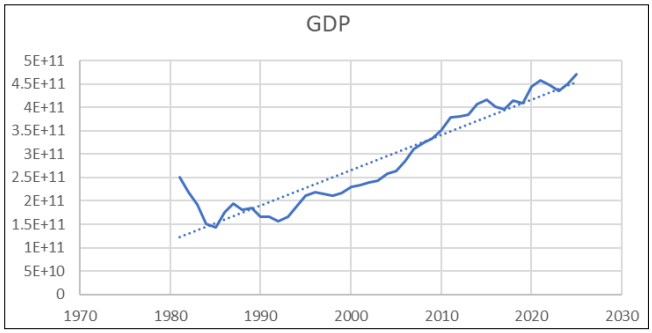
According to the new quantity theory, reformulated by Keynes and based on a number of simplified assumptions, effective aggregate demand does not change in the same proportion as changes in the money supply. Since resources are heterogeneous, the law of diminishing returns will increasingly come into effect. In addition, the difficulty of perfectly substituting economic resources makes the supply of many goods inelastic despite the presence of idle resources in the economy. The increase in aggregate demand resulting from the increase in money supply is spent in two directions: the first towards increased employment and output, and the second towards raising the general price level. Accordingly, Keynes believed that price increases result from reaching full employment. When aggregate demand increases, prices rise proportionally because the economy has reached full resource utilization. However, in the case where the economy has not reached full employment, an increase in the money supply is accompanied by an increase in aggregate demand, with the aggregate supply fully responding to this demand increase due to the flexibility of the productive system (Mansour, 2022, p. 740) [7].

Economic imbalance refers to a disruption in the path of economic growth and a decline in the level of production. It often manifests in the form of fluctuating unemployment rates and the emergence of inflation, accompanied by external fluctuations in the balance of payments. In other words, imbalance represents the state of instability experienced by the economy, including exchange rate volatility, which affects external equilibrium. All of this necessitates the intervention of monetary policy—represented by the central bank—to address or correct the economy and restore it to a state of balance (Simin & Others, 2015, p. 162) [6]. According to Keynesian thought, monetary policy is one of the key tools that influence economic activity and can be used to address economic imbalances.

Section Two: Analysis of the Trends of the Study Variables

Monetary policy plays a significant role in achieving economic stability and addressing economic imbalances. In this section, we analyze the variables of the study, which represent monetary policy as expressed through broad money supply, real interest rate, the exchange rate of the Iranian Toman against the US dollar, and net foreign trade all of which influence the level of economic activity, represented here by gross domestic product (GDP). The trends of these variables can be analyzed as follows

1. **Gross Domestic Product (GDP):** Figure (1) illustrates the development of Iran's GDP during the period (1981–2025).

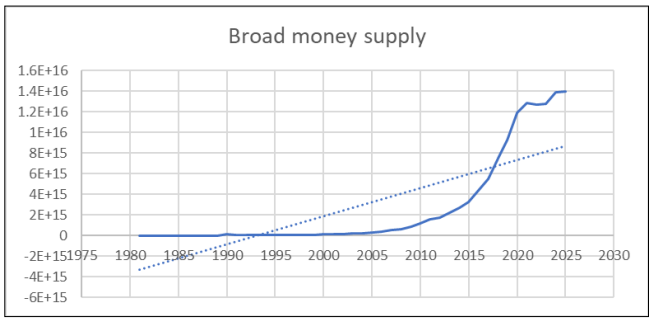


Source: Figure prepared by the researcher based on the results of the Excel statistical program.

Fig 1: Illustrates the development of GDP growth in Iran during the study period (1981–2025).

Despite the economic growth Iran achieved during the 1970s—marked by clear industrial and economic modernization of the agricultural sector, as shown in the figure—economic growth soon slowed significantly, especially in 1978, due to political instability and capital flight prior to the revolution. Following the 1979 Revolution, the Iranian government initiated several reforms; however, these were not realized on the ground due to the Iran-Iraq War and the associated war expenditures, which led to a noticeable decline in GDP. This decline continued until the end of the war in 1988, after which GDP began to rise again as the government implemented various reforms, including the development of the telecommunications, transportation, and industrial sectors, along with improvements to infrastructure. These measures contributed to the steady growth of GDP. Iran managed to achieve self-sufficiency despite the economic sanctions imposed on it. Iran's GDP reached approximately USD 405 billion in 2023 and is expected to reach USD 504 billion by 2025, as clearly reflected in the general trend line, which illustrates the economic progress Iran has experienced.

2. **Development of Broad Money Supply:** The figure shows that the trend of broad money supply remained relatively stable during the period (1981–2002). However, it exhibited continuous growth during the period (2003–2025), as clearly shown in **Figure (2)**.

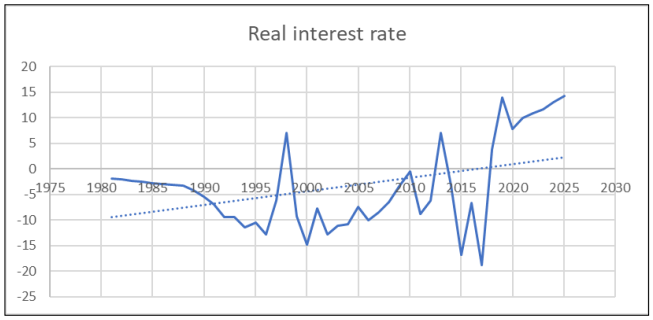


Source: Figure prepared by the researcher based on the results of the Excel statistical program.

Fig 2: Illustrates the development of broad money supply in Iran during the study period (1981–2025)

This trend is attributed to the U.S. sanctions aimed at reducing Iran's oil revenues and restricting access to foreign currency resources. The increase in the broad money supply reflects monetary policy interventions intended to enhance liquidity and support economic stability. Additionally, monetary policy has aimed to devalue the Iranian Rial commonly referred to by Iranians as the Toman through increased issuance in order to boost foreign trade and secure a competitive position in international markets. With escalating sanctions from the United States, Iran's oil exports are expected to decline to around 500,000 barrels per day. Since Iran has not yet reached full resource utilization, the increase in money supply generally encourages economic growth. This is evident from the general trend line, which shows a steady and continuous upward trajectory despite ongoing imbalances and instability.

3. **Development of the Real Interest Rate in Iran:** Figure (3) shows the development of the real interest rate in Iran, which began to decline gradually during the period (1981–1996).

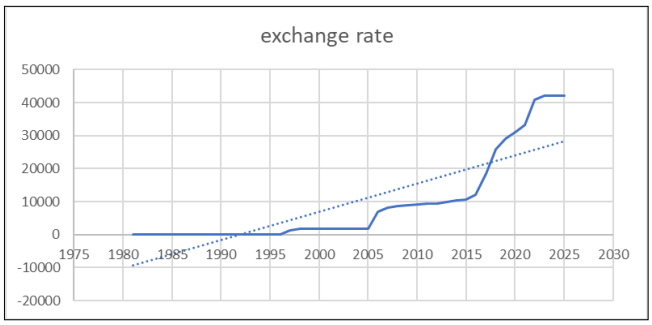


Source: Figure prepared by the researcher based on the results of the Excel statistical program.

Fig 3: Illustrates the development of real interest rates in Iran during the study period (1981–2025).

The decline in the real interest rate can be attributed to the difficult economic conditions faced by the Iranian economy due to the Iran-Iraq war. The rise in inflation rates led to a decrease in the real interest rate. However, it began to increase during the period (1996–1999), reaching its highest levels before dropping into negative territory and continuing to fluctuate throughout the period (1999–2019). Iran managed to achieve notable growth rates during the period (2019–2025), which is clearly reflected in the return to positive and elevated real interest rates during this period, aimed at encouraging foreign capital to invest domestically.

4. **Development of the Iranian Rial Exchange Rate:** The exchange rate in Iran witnessed noticeable stability during the period (1981–1996). Despite Iran being engaged in a prolonged war, the exchange rate of the Rial (Toman) remained unaffected. This is illustrated in Figure (4).



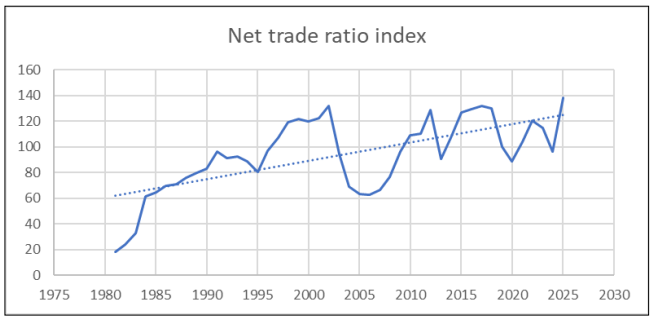
Source: Figure prepared by the researcher based on the results of the Excel statistical program.

Fig 4: Illustrates the development of the Iranian Toman exchange rate against the US dollar during the study period (1981–2025)

Experience in other countries demonstrates that monetary changes do not achieve their intended goals and outcomes unless economic stability is first established. This poses a significant financial burden, especially considering that the Iranian government suffers from a budget deficit due to U.S. sanctions and the inflation it continues to face. These circumstances require Iran to assign its currency its true value. In the 1980s, the exchange rate for one U.S. dollar was 70 Rials, whereas it has now increased manifold, exceeding 120 Rials. The expansion of the money supply allows the Iranian government to finance its deficit through monetary issuance, which has further exacerbated economic instability and increased poverty levels, particularly among low- and middle-income classes. Inflation acts as an indirect tax on income.

Iran has continued to address its fiscal deficit through new monetary issuance, especially since the mid-1990s. This is evident in Figure (4), where the general trend line shows a continuous upward trajectory over time. Iran can address these imbalances by achieving price stability and adopting a policy of removing zeros from its currency, along with implementing a series of balanced economic reforms to escape the inflationary trap it has fallen into. Otherwise, the current monetary policy could lead to further imbalances and a potential collapse of the currency. Nonetheless, the depreciation of the Iranian Rial does enhance the competitiveness of its exports in international markets.

5. **Indicator of Iran's Net Trade Balance:** As shown in Figure (5), Iran recorded a trade deficit during the 1980s due to the Iran-Iraq War and the political instability that followed the collapse of the Shah's regime.



Source: Figure prepared by the researcher based on the results of the Excel statistical program.

Fig 5: Illustrates the development of Iran's net foreign trade during the study period (1981–2025)

However, recovery was swift, particularly in the late 1980s and early 1990s, with net trade reaching its peak in 2003 and hitting its lowest point in 2005. This is clearly shown in Figure (5). The surpluses Iran began achieving from 1999 onward were mainly due to oil and natural gas shipments. Nevertheless, the renewed UN Security Council sanctions imposed in June 2012 had a severely negative impact on Iranian exports. Despite the increasing sanctions, Iran's trade exchange rates have continued to rise over time, driven by the devaluation of its currency and growth in international exports. This is evident in the general upward trend line in Figure (5), reflecting Iran's ability to secure a prominent position in the international market and its economic development capacity, as the country has achieved self-sufficiency since the 1990s.

Section Three: The Impact of Monetary Policy on Addressing Economic Imbalances in Iran for the Period (1981–2025)

The variables of the study can be presented as an initial step in specifying the model, which represents the most critical phase. Accordingly, the econometric model adopted in this study (Palm & Urbain, 2004, p. 130) takes the following form

$$Y_i = \beta_0 + \beta_1 X1 + \beta_2 X2 + \beta_3 X3 + \beta_4 X4 + \mu_i \dots\dots\dots\dots\dots\dots\dots (1)$$

Y = Iran's Gross Domestic Product (GDP), which represents the dependent variable.

X1 = Broad Money Supply. An increase in the money supply leads to a rise in the general price level if the economy is operating at full capacity, according to economic theory; conversely, if the economy has not reached full capacity, as per Keynesian thought, the effect may differ.

X2 = Real Interest Rate. It has an inverse relationship with GDP, meaning that a reduction in interest rates leads to increased investment and output, in line with economic theory.

X3 = Exchange Rate of the Iranian Rial (Toman) against the U.S. Dollar. It has an inverse relationship with GDP; that is, a depreciation of the Rial increases exports, generates a surplus in the balance of payments, and consequently raises GDP.

X4 = Net Trade Rate. It has a direct relationship with GDP, according to economic theory, meaning that an increase in net trade leads to higher GDP and vice versa.

The first step involves testing the stationarity of the study variables and determining the order of cointegration of the time series to assess whether the variables are stationary. This is done using the Augmented Dickey-Fuller (ADF) unit root test. After conducting the ADF test, the results are presented in Table (1), where it is observed that the original time series are stationary, but at different levels. This necessitates the use of a measurement method compatible with the given case, namely the Autoregressive Distributed Lag (ARDL) approach. The stationarity test results indicate that the dependent variable is stationary at level, while the independent variables (X1, X2, X3, X4) are not stationary at level but become stationary at the first difference, with statistically acceptable significance levels.

Table 1: Summary of Augmented Dickey-Fuller (ADF) Test Results for the Stationarity of the Study Variables' Time Series (1981–2025)

Irst difference	Levels	Levels Variables				
	Constant & Trend	Constant	None	Constant & Trend	Constant	None
Gross Domestic Product (GDP)	-2.1467 (0.0414)	-7.8773 (0.0343)	-4.4488 (0.0049)			
Broad Money Supply (M2)				-2.1485 (0.0319)	-2.4776 (0.1279)	-3.3664 (0.0300)
Real Interest Rate				-7.0665 (0.0000)	-7.0352 (0.0000)	-7.2332 (0.0000)
Exchange Rate of the Iranian Rial vs. Dollar				-3.2110 (0.0020)	-3.6543 (0.0085)	-4.2261 (0.0090)
Net Trade Rate				-5.5173 (0.0000)	-5.6100 (0.0000)	-5.5225 (0.0002)

Source: Table prepared by the researcher based on the results of the EViews 13 statistical software

After conducting the stationarity test, we can observe from the estimated distributed lag model that the results presented in Table (2) indicate that the independent variables have a statistically significant effect on the dependent variable. The adjusted coefficient of determination reached (0.751167), meaning that the independent variables explain approximately 75.1% of the variation in the dependent variable, while the remaining portion is attributed to external variables not captured by the model, amounting to (0.2484). The overall results of the model are statistically significant, as confirmed by the value of the F-statistic, which reached (31.5940) at an acceptable significance level. Moreover, no problem of autocorrelation among the random variables appeared, as confirmed by the value of the Durbin-Watson statistic, which was (1.872126), indicating that it falls within the acceptance region.

Table 2: Illustrates the study of the impact of selected monetary variables on Iran's Gross Domestic Product (GDP)

Variable	Coefficient	Std.Error	t-Statistic	Prob.
GDP (-1)	1.311147	0.138798	9.446463	0.0000
GDP (-2)	-0.321646	0.149331	-2.153916	0.0382
DX1	0.69E-06	0.51E-06	3.031442	0.0094
X2	-0.46208	0.19E+08	-2.502043	0.0188
DX3	-0.38012	0.373118	-2.173337	0.0334
DX4	-0.372365	0.542008	-2.412682	0.0224
DX4(-1)	-0.534208	0.070308	-3.120891	0.0411
C	-5.97E+09	9.571109	-2.120891	0.5365
R-squared	0.784306			
Adjusted R-squared	0.751167	Akaike info criterion	49.82907	-
F-statistic	31.5940	Schwarz criterion	50.15673	-
Prob. (F-Statistic)	0.000000	Hannan-Quinn criter	49.94990	-
Durbin-Watson stat	1.872126			

Source: Table prepared by the researcher based on the results of the EViews 13 statistical program

The results indicate that variable (X1) Broad Money Supply has a positive and statistically significant effect on Iran's GDP. This means that a 1% increase in the money supply leads to a 0.69% increase in GDP growth, according to the calculated elasticity. In other words, an increase in the money supply reduces interest rates and boosts investment and output by the stated elasticity, which aligns with economic theory and contributes to reducing the imbalances facing the Iranian economy. The results also show the significance of variable (X2) Real Interest Rate, as confirmed by the t-statistic value of 2.502043, which exceeds the critical value, and the probability value is less than 5%, with a negative sign, in line with economic theory. This implies that a 1% decrease in the interest rate leads to a 0.46208% increase in GDP. Hence, the interest rate is a crucial factor in the Iranian economy and plays a role in mitigating economic imbalances.

As for variable (X3) Exchange Rate of the Iranian Rial against the US Dollar, it was also statistically significant and carried a negative sign, indicating an inverse relationship between the exchange rate and GDP. This is consistent with economic logic—namely, that a 1% devaluation of the exchange rate leads to a 0.38012% increase in GDP. Such devaluation makes Iranian goods relatively cheaper in international markets, promoting exports, generating trade surpluses, and helping to correct the balance of payments. Furthermore, the statistical results show that variable (X4) Net Trade Rate is also statistically significant but with a negative sign, which contradicts economic theory. With a one-year lag, a 1% increase in the

net trade rate leads to a 0.534208% decrease in GDP. This can be interpreted as the increase in exports bringing in foreign currency and reducing overall economic imbalances, which ultimately affects GDP.

Table (3) illustrates the first step of the diagnostic tests, which detect autocorrelation among the residuals. The Breusch–Godfrey test was used to examine the null hypothesis, which assumes no autocorrelation of errors. Since the LM statistic is less than 2 and the associated probability values are not significant at the 5% level, the null hypothesis cannot be rejected, indicating no autocorrelation issue in the residuals.

Table 3: Breusch–Godfrey Serial Correlation LM Test

F-Statistic	0.595445	Porb.F(2,23)	0.5571
Obs*R-squared	1.497717	Prob.Chi-Square (2)	0.4729

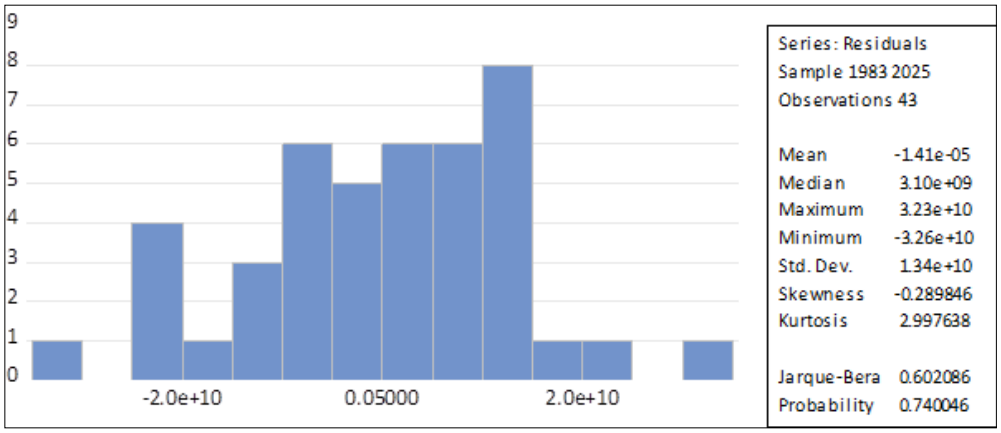
Source: Table prepared by the researcher based on the results of the EViews 13 statistical program.

This indicates the absence of autocorrelation among the sequential values of the random variable, which confirms the result previously indicated by the Durbin-Watson (DW) test. Table (4) presents methods for detecting the problem of heteroskedasticity, expressed as the question of whether the residuals in the econometric model are homoscedastic. One of the tests used is the Breusch–Pagan–Godfrey test. The results show that the model does not suffer from heteroskedasticity, as the LM statistic is less than 2 and the p-values are not significant at the 5% level. This confirms that the residuals are homoscedastic.

Table 4: Breusch–Pagan–Godfrey Heteroskedasticity Test Results

F-Statistic	0.895161	Prob, F (7,35)	0.5210
Obs* R-squared	6.529409	Prob.Chi-Square (7)	0.4795
Scaled explained SS	4.320757	Prob. Chi-Square (7)	0.7422

Figure (6) illustrates the normal distribution of the model's residuals, which is considered one of the fundamental assumptions underlying model estimation. One of the most commonly used and accurate tests for assessing this assumption is the Jarque-Bera test. The alternative hypothesis states that the residuals do not follow a normal distribution, while the null hypothesis assumes that they do. From the figure below, it is shown that the p-value of the Jarque-Bera test is (0.740046), which is greater than the 5% significance level. This confirms the validity of the test and leads to the acceptance of the null hypothesis, indicating that the residuals follow a normal distribution.



Source: Figure prepared by the researcher based on the results of the EViews 13 statistical program

Fig 6: Illustrates the Jarque-Bera normality test for the period (1981–2025).

From the above, it is evident that monetary policy has a positive effect through which economic imbalances can be addressed. Accordingly, the research hypothesis is confirmed, and the study's findings are consistent with the study by Simin, as referenced in the literature review.

Conclusions and Recommendations

First Conclusions

1. The stationarity test results show that the time series of the study variables are stationary at different levels. Specifically, GDP is stationary at level, while all independent variables are stationary at the first difference.
2. It was found that the monetary policy tools included in the model have a statistically significant effect consistent with economic theory. This is evident in their clear impact on addressing the economic imbalances faced by the Iranian economy. However, the variable representing the net trade rate displayed a significant effect contrary to economic expectations.
3. The contribution of the independent variables in explaining the variation in the dependent variable reached approximately 75%, as shown by the adjusted coefficient of determination R^2_{adj}, indicating a substantial explanatory power of the model.
4. The impact of monetary variables on addressing the economic imbalances facing the Iranian economy varies in intensity. Broad money supply ranked first in terms of influence, followed by net trade rate, real interest rate, and finally the exchange rate. This ranking is supported by the statistical significance of all their elasticity values.
5. The diagnostic tests indicate that the model passed all classical econometric problems: no autocorrelation was detected, no heteroskedasticity was present, and the residuals were normally distributed.

Second Recommendations

1. It is recommended to expand this model in future studies to include a larger number of variables that reflect the interrelationship between monetary variables and other macroeconomic indicators. This would help in identifying their positive effects more precisely for

the purpose of development and addressing the economic imbalances facing the Iranian economy.
2. Although Iran has managed to achieve self-sufficiency, there is a need to increase the contribution of other economic sectors in order to reduce the impact of the sanctions imposed on the country—particularly in the oil export sector—and to diversify non-oil income sources.
3. There is a need to adopt a monetary policy that generates economic surpluses, such as devaluing the national currency to enhance competitiveness in international markets and achieve trade balance surpluses, thereby addressing imbalances in the balance of payments.
4. It is necessary to increase the money supply to stimulate the Iranian economy, especially as it has not yet reached full resource utilization. The increase would help in employing currently unused resources.
5. Greater coordination between monetary, fiscal, and trade policies is essential to reduce economic imbalances and to work efficiently toward finding appropriate solutions to confront economic crises.

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