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Background: One of the main issues in macroeconomics is the relationship between monetary shocks and fluctuations of currency rate in the form of mutation theory of over shooting. On the other hand, one of the main problems in different sections of the country is the risk of exchange rate fluctuations. Because of the dependence of country's health sector on foreign goods and services, the final cost of health care sections is under influence of exchange rate. So, one of the tools for achieving the economic goals, is monetary policies. If not managed correctly, monetary policies will led to an increase in money supply and currency exchange rate jumps that in turn can affect the health section. The aim of this study is to investigate the effect of currency exchange rate on value jumps of Health Section during years of 1981 to 2011 in Iran.

Material and Methods: This study is a time series study. In this study, the required data have been collected on an annual basis from the Bank of the Islamic Republic of Iran and the World Bank period 1981-2011. First, over shooting was calculated by using data from the real exchange rate, money supply, government size and the ratio of exports and imports to GDP through a VAR and VECM method. Then, in order to assess the impact of over shooting on value added of health section, over shooting was applied with other VARiables such as the government size, capital of the health section, the active population and the rate of inflation in the model. Finally, VAR and VECM were used to estimate the final obtained model.

Results: For this purpose, in the first part of this paper, vector regression model (VAR) and vector error correct model (VECM) were used to evaluate an expansionary monetary shock on the exchange rate. It was found that in over shooting model, the exchange rate after a monetary expansionary shock reaches to a level higher than its long- term level and then is adjusted in the long -term to its initial level. In the next step, vector regression model (VAR) and vector error correct model (VECM) were used to estimate the impact of over shooting on value added for health section paid. The results also showed that the increase of monetary mutation of exchange rate has a direct impact on value added of health section.

Conclusion: The findings of this study prove the existence of over shooting in Iran and also show that there is a direct and significant impact of over shooting on value added in health section.



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Title:

**The Effect over shooting on value Added for Health sector in Iran: 1981-
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