

Income Inequality and Poverty in Iran

By Katie Susman

Introduction

Income inequality is a hindrance to the global fulfillment of human rights, as acknowledged in the Universal Declaration of Human Rights. The Middle East North Africa (MENA) region is experiencing a steady increase of economic disparity. The impact of the global economic environment and the 2008 recession has brought to the forefront the region's economic reliance on the rest of the world. As a result, a triple "food-fuel-financial" crisis has emerged. This will undoubtedly affect the most impoverished part of the population and could potentially exacerbate the gap between the poor and the rich.

Income Inequality

Following the Islamic revolution of 1979, income inequality in Iran—which is substantial—has been a controversial topic. It is contentious whether the economic gap between the rich and the poor has widened, though it is clear that redistribution has commanded the attention of the working class. The most alarming issue regarding income inequality is that it continues to grow, a trend which has not changed in nearly thirty years.

Modern Iran has a growing economy with strong state intervention and with both high inflation and unemployment rates. The Iranian government invests in many areas to bolster its economy; this includes foreign investment and the creation of free-trade zones. The large amount of remittances that it receives provides the country with an economic boost. In the era of globalization, income inequality has increased and some believe this increase is at least in part due to this phenomenon. Others contest that the causal link between inequality and globalization is contingent on past history of income distribution within the country. They claim that measurements of this relationship are too time specific to make a conclusive judgment regarding its impact.

Poverty in Iran

The increase in income inequality in Iran has severe implications for attempts at poverty reduction. Income inequality proves to be one of the biggest challenges in the nexus of poverty reduction. Although poverty is low in the MENA countries relative to some other regions, the sensitivity of it to exogenous shocks—a global recession—is high. Poverty in this region is concentrated among groups that are the last to benefit from economic growth: the illiterate, rural populations and large families with many dependents.

Despite economic dissatisfaction, rising populism and increasing inequality, poverty has substantially declined since the Islamic Revolution. Social assistance and government public service programs have aided in the reduction of poverty. Social welfare for the poor has increased, indicated by improvements in access to safe water and electricity. Between 1980 and 2007 Iran's Human

Development Index (HDI) rose by 1.23 per cent annually from 0.561 to 0.782 in 2009 (UNDP Human Development Report, 2009). It is suggested that Iran's distributive economy and oil revenue emphasize the importance of wealth accumulation in order to gain political access rather than individual productivity. Therefore, subjective feelings regarding poverty and inequality may matter more to the greater population than objective measures.

Oil, Poverty and Income Inequality

The oil and natural gas industry is considered to be Iran's most lucrative and a stimulator of economic growth. While it may augment the GDP, constant changes in the resources' availability prove to be highly volatile for the economy, increasing inflation rates to some of the highest in the world. Furthermore, the benefits of the oil industry do not typically have a "trickle-down effect" for the majority of the population, giving advantage to the rich and politically powerful of the country and adding to income inequality. The country's distribution of income fluctuates following the inflow of oil money—typically, it gets worse.

Disparities in Gender, Ethnicity, Religion, and Region

On a social level, inequality is inherent in religious, racial, ethnic and gender discrimination. This is evident in business, in families, and in the overall structure of society. Iran is obligated by treaty to provide all citizens basic human rights without discrimination of "race, color, sex, language, religion, political or other opinion, national or social origin, property, birth or other status". The human rights protected include the right to equality before the law, as well as the right of equal access to education, health care, professional opportunities and housing, among many others. Yet, clear discrimination by gender, class, ethnicity and religion exists in the interpretation of Islamic law by the Iranian government. Both economic inequality and poverty are aggravated by these systemic prejudices within Iranian society and government.

Gender

Gender inequality in Iran is a persistent concern of human rights advocates. Links between gender and income inequality have been established. According to the Gender Empowerment Measure (GEM), which is an indicator of socio-economic and political opportunities for women, the country ranks 160, illustrating that it has some of the least empowered women in the world (UNDP Human Development Report, 2004). However, since the 1990's, labor force participation of women has indicated a generally positive trend. This is in part due to the combination of changing economic, structural and ideological factors that affect female employment in Iran.

Both gender and class disparities increase the risk of economic inequality. Women are economically, socially and politically subjugated. In Iran this would attribute affiliation to the Muslim faith, sub-regional disparities, and lack of civil liberties as triggers of gender inequality, which exacerbate economic inequities.

Ethnicity and Religion

Iran's population consists of more than sixty million people, including a considerable amount of ethnic minorities: Arabs, Azaris, Baluchis, Kurds, Lurs, Turkmen and other groups. Shi'a Islam is the dominant religion practiced by eighty percent of Iranians and it serves as the state religion. Religious minorities include: Sunni Muslims, Jews, Christians, Baha'is and Zoroastrians. Systemized governmental discrimination towards minority groups results in a wide socioeconomic gap and fosters an uneven distribution of power, resources and socio-cultural status. Unemployment and poverty, as well as deep-rooted economic and cultural grievances, among non-Persian ethnic groups are fueling increased unrest and dissatisfaction towards the central government of Tehran. This has resulted in some of the worst ethnic violence in Iran's history.

Sub-regional Differences

There is an increasing focus on the harsh disparities between urban and rural poverty in Iran. Between 1980 and 1990 there was a rapid growth of the urban population without commensurate expansion of basic services and employment opportunities. The cities are now viewed as agents of economic growth and development, and while technology and trade are expanding, poverty, unemployment, and inequality are burgeoning as well, especially in rural areas. These regions are increasingly marginalized from national development; low rates of agricultural productivity and poor infrastructure place the rural areas at a higher risk for poverty and economic inequity. This has resulted in an increasing trend in migration from rural to urban areas and is creating concentrated populations more susceptible to poverty.

Efforts to Minimize Poverty and Income Inequality in Iran

The Iranian administration's efforts to minimize poverty and income inequality have been negligible. Despite the wealth of human and natural resources, Iran still experiences relatively high levels of inequality and poverty. In the past ten years, government administration has pushed economic development and growth policies as a means to alleviate poverty and minimize income inequality. They have been successful in improving social policy and advancing health and education systems. This has had a significant effect on the national poverty rate, but has not influenced the extent of income inequality within the country.

Conclusion

To ensure equity and sustainability of poverty alleviation, further changes must occur in Iran. Inclusive economic equity and commitment to basic human rights need to be systematic social and political concerns, both for policy-makers within the government. Ideology and governance stemming from the Islamic Revolution should turn to populism as an appeal for national equality in social, political and economic endeavors. Safety nets and social protection mechanisms need to be

established for the poor to endure outside economic shocks. Finally, the government must be willing to invest in further social and economic policy reforms from a human rights perspective, and to expand industries to decrease economic dependence on oil revenue for future reduction of poverty and income inequality.

Annotations

Aminmansour, Morteza. 2007. "Uneven Urbanization in Iran/Globalization." IranReview.com.

Available online:

<http://iranreview.com/News%20and%20views/Iran%20and%20globalization.htm>. (Accessed May 01, 2010).

Annotation: Aminmansour addresses the urbanization of globalization in Iran. He emphasizes that cities drive economic globalization. He discusses two types of urbanization processes in Iran, one with development and the other with limited development. Rapid urbanization in the context of economic stagnation, poor governance and unstable public institutions is also discussed, as are disparities between the urban and rural areas of Iran. This article identifies globalization as a possible instigator of income inequality. Poverty is described as the lack of money, access and power. While this article is informative, it lacks empirical evidence to support its claims.

Amnesty International. 2009. "2009 Annual Report for Iran." Available online:

<http://www.amnestyusa.org/annualreport.php?id=ar&yr=2009&c=IRN>.

Annotation: Amnesty International's report for Iran documents a general overview of the most prevalent human rights violations of 2009. It begins with a brief synopsis of the government's failure to provide protection of economic, social and cultural rights to ethnic minorities. It provides specific incidences of the repression of minorities. This advocacy organization focuses on common human rights abuses such as the oppression of freedom of expression, association and assembly, civil society activists, torture and juvenile executions. The report also notably mentions human rights defenders and their work advocating for human rights in Iran. This is an informative summary of the most recent documented attacks on human rights in Iran and provides one with a basic understanding of the subject.

Benar, Hasret. 2007. "Has Globalization Increased Income Inequality in the Mena Region?"

International Journal of Economic Perspectives 1, (4): 195-211.

Annotation: Benar explores the relationship between globalization and income inequality in the Middle East North Africa region from 1960-2004. The study is based on ten countries: Algeria, Egypt, Iran, Kuwait, Israel, Jordan, Morocco, Syria, Tunisia and Turkey. The author defines globalization with two indicators--- trade interrelations/GDP and Foreign Direct Investment

(FDI)/GDP. Background information regarding politics and economics of the MENA region is discussed. The countries' economies are examined through a general literature review, data and methodology. The increase in income inequality in Iran is addressed with special attention on remittances and oil revenues. Through empirical evidence and statistical measures, the author finds that globalization has heightened income inequality in the aforementioned countries.

Bradley, John R. 2007. "Iran's Ethnic Tinderbox." *The Washington Quarterly* 30, (1): 181-90.

Annotation: Bradley concentrates on the discrimination of ethnic minorities by the central Tehran government in Iran. He discusses ethnic violence and the need for the government to address the concerns of minority populations. The article claims that higher levels of unemployment and poverty exist among ethnic minorities. The author explores specific provinces of the country and highlights their extreme economic disparities and ethnically related violence. Finally western policies regarding ethnic politics in Iran are explained. The author recommends that partnerships should be emphasized between Iran's ethnic minorities and the central government to encourage democracy and create awareness regarding their situation.

Campbell, Kelly. 2007. "Is Iran Facing an Economic Crisis?" United States Institute of Peace. Available online: <http://www.usip.org/resources/iran-facing-economic-crisis>.

Annotation: In this report, Campbell investigates the state of Iran's economy and energy sector. This is a summary of a discussion between The Iran Policy Forum and the U.S. Institute of Peace (USIP) regarding the effects of Iran's political climate and its nuclear program on the economy. Actions that the government should take to avoid future economic problems are suggested. Myths concerning Iran's macroeconomic performance are argued. President Mahmoud Ahmadinejad's influence in economic, political, and legal reforms is discussed. The decline of Iran's crude oil production is attributed to poor maintenance, lack of new project development, rising domestic demand and consumption, and Iran's political and investment environment. The author concludes that Iran's energy sector and economic policies need to be reformed to ensure future economic success.

Dollar, David and Gatti, Roberta. 1999. "Gender Inequality, Income, and Growth: Are Good Times Good for Women?" *Policy Research Report on Gender and Development, Working Paper Series 1*. The World Bank Development Research Group/Poverty Reduction and Economic Management Network.

Annotation: This report discusses the status of women in the developing world. Different measures of gender equality are explored. Market failures are described as an obstacle for investment in gender equality in developing countries. Gender inequality in education and health is explained by differences in religions, regions and civil freedoms. The authors assert that gender differentials suggest that lack of capacity building of women is not an effective economic choice. They determine that gender inequality in education is detrimental to economic growth.

Finally, they conclude that societies that are not invested in gender equality will pay in slower growth and reduced income for the overall population. This report is a helpful insight into the intersection of gender equality, income and growth.

Firebaugh, Glenn. 2003. The New Geography of Global Income. Cambridge, MA: Harvard University Press.

Annotation: This book chronicles the “new geography” of income inequality, claiming that it is declining across nations and rising within nations. Firebaugh examines global income inequality and identifies industrialization and globalization as instigators of these trends. He describes the new geography and determines the changes in global inequality. He aims to predict if these patterns will continue and forecasts they will. The author addresses origins and historical trends of inequality, as well as measurement and plausibility of data. He presents evidence across regions and provides explanations and predictions on the future of global inequality. Firebaugh’s assertions are subject to dubiety among some reviewers as they refute traditional explanations of rising global income inequality.

Heshmati, Almas. 2007. Global Trends in Income Inequality. New York: Nova Science Publishers, Inc.

Annotation: Heshmati addresses a number of issues critical to global income inequality by focusing on an empirical analysis of inequality at various levels. He discusses economic concepts, measurements and reviews of decomposition of inequality as pertinent matters. Furthermore, he reviews income inequality at the global, continental, international, intra-national and regional stages. He focuses on the regions of Sub-Saharan Africa, Latin America, East Asia, South Asia, South-East Asia and Pacific. He also concentrates on China, Russia, India, the USA and several smaller countries. He recognizes that the Middle East North Africa region lacks reliable data but suggests that due to the oil-based economies of this region, with low levels of human- and skills-based development, it is highly improbable that inequality has decreased. The analysis culminates in discussion of the data regarding discrepancies and the future of changes in global income inequality.

Jolly, Richard. 2000. "Global Inequality, Human Rights and the Challenge for the 21st Century." In The Creative Society of the 21st Century. Paris: Organization for Economic Co-Operation and Development.

Annotation: The author, in conjunction with the UNDP, explores the connection of inequality between the Organization for Economic Co-operation and Development countries and the poorest countries. Jolly determines that global inequality is both a cause and an outcome of a country's unstable institutions and human development factors. Global trends in inequality are looked at historically, and problems, implications and recommendations are considered. The author concludes that extreme inequality between the OECD countries and poor countries is

incongruent with the global commitment established by the Universal Declaration to human rights and stresses the need to make growing global inequality a priority on the international economic agenda.

Jomo, K.S. 2007. Flat World, Big Gaps: Economic Liberalization, Globalization and Inequality. J. Baudot (ed). New York: United Nations.

Annotation: Published in association with the United Nations, this book critically analyzes how economic liberalization has affected inequality, poverty and development. Editors Jomo and Baudot suggest that income inequality has increased in most countries in the world during the time of globalization. The authors discuss inequality in households and inequality trends to produce comparative studies of the effects of economic liberalization on income inequality, including income distribution in the Middle East and North Africa. The book is rich with empirical evidence highlighted by equations, tables and figures and provides a comprehensive overview of the effects of globalization and liberalization on countries that have attempted various economic policies.

Kerr, Malcolm H., and Yassin, El Sayed, (ed.) 1982. Rich and Poor States in the Middle East: Egypt and the New Arab Order. Boulder: Westview Press, Inc.

Annotation: Kerr and Yassin present a compilation of studies on economic, social and political relationships between the rich and poor countries of the Middle East, focusing on the most populated state of the region, Egypt. The authors of this book have many contentions opinions regarding the future of both rich and poor nations in the Middle East, though they all agree that the future must take into account oil wealth, labor migration and economic liberalization as factors of its political development. It discusses social, economic and political order in the Arab world in terms of: oil and migration, social mobility, development strategies, benefits and disadvantages of oil revenue, labor and intra-country relationships. Inequality and its relationship with the size of the country are examined as well. While dated, this is a useful source in providing a general overview of how the oil industry has furthered regional inequality in the Middle East and created a perilous social, economic and political future for its people.

Moradi, Mohammad Ali. *Oil Resource Abundance, Economic Growth, and Income Distribution in Iran*. Available online: <http://www.ecomod.org/files/papers/990.pdf>.

Annotation: This paper aims to analyze the effects of oil resource wealth on economic growth and income disparities in Iran from 1968 to 2005. The author claims that the country's economy has experienced lower per capita GDP and higher income inequality since the oil shock of 1973. Moradi takes a time series approach and focuses on forces of economic growth. He uses an empirical model to measure the determinants of income distribution. This study finds that oil abundance, income, and human capital have a negative effect on income distribution. The author points out that while income inequality is high in Iran, the poverty level is relatively low

because of an established social welfare system and private social responsibility. Overall, he concludes that the excess of oil is harmful for Iran's overall economy.

Noorbakhsh, Farhad. 2002. "Human Development and Regional Disparities in Iran: A Policy Model." *Journal of International Development* 14 (7): 927-49.

Annotation: Noorbakhsh argues that successful measurements of development, like the Human Development Index, depend on how operational they become. Primarily oriented to inform policy makers, he proposes a system and framework for reduction of regional inequalities in Iran. Social welfare indicators such as education, health and economic status from the Human Development Report of Iran are utilized in comparing twenty-six provinces of Iran. The author considers gender disparity in accordance with regional inequality. He proposes a mechanism for data compilation that ranks provinces according to their overall development. The extent of regional disparities is explored with regards to the indicators. Finally, recommendations are made for including the results into a policy model, which focuses on the reduction of regional inequalities in Iran. Plausibility of the integration of this operational method into policy is not addressed.

———. 2005. "Spatial Inequality, Polarization and Its Dimensions in Iran: New Empirical Evidence." *Oxford Development Studies* 33 (3 & 4): 473-91.

Annotation: The author empirically analyzes spatial inequality amongst regions of Iran through this policy-oriented piece. He examines theoretical premises for regional disparities in the country and addresses wide inequality in human development at the provincial level. Convergence and divergence of regions are explored. Noorbakhsh states that convergence in developed countries is common, while in developing countries the empirical evidence is dubious. The progression of inequality is measured by income and consumption between the rural and urban sectors. He establishes that polarization in distribution amongst urban areas is extremely high. Finally, the author concludes that a specific group of provinces in Iran fall behind the rest in spatial inequality and policy measures are necessary to combat it.

Pogge, Thomas. 2005. "Symposium: World Poverty and Human Rights." *Ethics & International Affairs* 19 (1): 6.

Annotation: Pogge focuses on the ethical and historical context of global poverty. He presents numerous fields of thought regarding expansive inequality and critiques them. This includes a critical analysis of historical justifications of inequality, and present global institutional arrangements. The issue of "morally acceptable poverty" is addressed as are debates regarding "moral duties" to aid the poor. The author asserts that global institutions have heavily contributed to the persistence of severe poverty. He notes the differences in consumption, resources and property rights in rich versus poor countries, along with the benefits yielded by

them. This piece is helpful in examining the general arguments concerning global poverty and contextualizing them from a human rights perspective.

Salehi-Isfahani, Djavad. 2008. *Has Poverty Increased in Iran under Ahmadinejad?* Middle East Youth Initiative. Available online: <http://www.shababinclusion.org/content/blog/detail/1119/>.

Annotation: Salehi-Isfahani discusses poverty and inequality rates under President Ahmadinejad's power. He denounces the results of a Central Bank of Iran study of urban poverty that claimed poverty was high and increasing. Instead, the author argues that income inequality is increasing, despite the president's platform of economic justice. He claims that the poverty rates declined from 2005 to 2006. The article asserts that economic distribution is correlated to oil revenue. It utilizes the Generalized Lorenz Curve to determine that all income groups have benefited from economic growth. The author concludes that poverty has not been exacerbated by President Ahmadinejad's socio-economic policies.

———. 2009. "Iran: Poverty and Inequality since the Revolution." Originally published in *Viewpoints Special Edition: The Iranian Revolution at 30*, Middle East Institute. Available online: http://www.brookings.edu/opinions/2009/0129_iran_salehi_isfahani.aspx.

Annotation: Salehi-Isfahani critiques Iran's attempt to encourage social justice through the improvement of income inequality and poverty since the Revolution in Iran. He discusses the nexus between income inequality and poverty in the country. The author highlights the increasing gap between rural and urban inequality and its contribution to the resistance of measured inequality. The fluctuating rates of poverty and their implications are explored. It is determined that the expansion of health, basic services and educational opportunities has been the greatest accomplishment in combating inequality since the Revolution. Salehi-Isfahani concludes that despite the improvement of Iran's social sectors, politics, oil revenue and lack of transparency hinders the potential for an equitable society. He also acknowledges that reliable data on the Iranian administration's endeavors in redistribution and poverty reduction is minimal.

———. 2009. "Oil and Economic Growth in Iran." In *Contemporary Iran: Economy, Society and Politics*. New York: Oxford University Press.

Annotation: In this chapter the author examines the history of economic growth, poverty and inequality in Iran. He discusses the importance of oil and demographic factors in the long-term growth of the economy. The question of the distribution of oil wealth and how it affects individual incomes is addressed. Both the growth of the economy and recent changes in the distribution of income and poverty are explored. He critiques the popular discussion that the gap between the rich and the poor has widened in Iran through Expenditure and Income surveys. Salehi-Isfahani concludes that the poverty rate in Iran has significantly improved and its inequality is about average.

- . 2006. "Revolution and Redistribution in Iran: Poverty and Inequality 25 Years Later." Paper presented at the Third Annual World Bank Conference on Inequality, Washington D.C. Available online: http://www.filebox.vt.edu/users/salehi/Iran_poverty_trend.pdf.

Annotation: Presented at the Third Annual World Bank Conference on Inequality this paper describes the trends in poverty and inequity in Iran using household survey data to illustrate that popular sentiments regarding economic dissatisfaction are not congruent with the evidence presented. He claims that poverty has increasingly declined and the welfare of the poor has substantially improved. Salehi-Isfahani indicates that the political economy of redistribution in Iran and the perception of wealth depending on access to the political system, rather than household yield, is a likely force in the peoples' feelings regarding income inequality in Iran. Lack of transparency within the economy and the distribution of oil rents are discussed in explaining the rise of populism in Iran.

- Shahin, Wassim and Dibeh, Chassan, (ed.). 2000. Earnings Inequality, Unemployment, and Poverty in the Middle East and North Africa. Westport, CT.: Greenwood Press.

Annotation: Shahin and Dibeh give a comprehensive overview of the relationship between income inequality, unemployment and poverty in the Middle East and North Africa. The book consists of a compilation of papers by international scholars and experts featured at the conference on Earnings Inequality, Unemployment, and Poverty in the MENA region. The aim of this book is to provide insight on the significance and depth of these problems and recommends policies to mitigate and diminish them. The nexus of inequality and poverty in the Arab world is presented both generally and regionally, highlighted in Egypt, Morocco, Kuwait and Iran. Economic trends, geographical differences, education, gender and ideology are also discussed.

- United Nations Development Programme. 2009. "Human Development Report 2009: Islamic Republic of Iran." New York: United Nations.

Annotation: The UNDP provides an overview of human development in Iran in 2009. The human development index (HDI) measures beyond economic indicators and takes into account life expectancy, education and standard of living. It provides a more complete picture of a country's development. It does not measure gender equality, human rights, or political freedoms. The report examines changes and trends in the HDI from 1980 to 2007 in Iran. It illustrates that HDI scores in all regions of the country have progressively improved over time. The report examines human poverty with the Human Poverty Index (HPI). It also measures achievements in human development by inequalities in achievement between men and women with the Gender Development Index (GDI). Furthermore, it utilizes the Gender Empowerment Measure (GEM), which shows the inequality of economic and political opportunities by gender. Finally, migration and remittances in Iran are discussed. This report is extremely valuable in furnishing basic statistical data regarding human development in Iran.

van der Hoeven, Rolph, and Shorrocks, Anthony F. 2003 Perspectives on Growth and Poverty. Poverty, Growth and Redistribution: A Case-Study of Iran. New York: United Nations University Press.

Annotation: This case study of Iran examines changes in the extent of poverty over a period of ten years. It investigates the rural and urban sectors by analyzing contributions of growth and redistribution to the changes in poverty. Issues involved in measuring poverty are discussed. Differences in levels of poverty amongst regions and occupations are explored. Poverty and income inequality are investigated. Politics, war and changes in government administration are reviewed related to their effects on poverty. The authors determine that the extent of poverty in Iran significantly differ depending on the region and occupation within rural and urban areas. They conclude that changes in poverty in the post-Islamic era have been heavily influenced by political instability. To ensure a reduction of poverty in Iran, authors suggest that a stable government coupled with consistent growth development policies is necessary.