

Income Inequality and Economic Growth in Iran; A Time-Scale Analysis

darioush Hassanvand^{*}

ramin khochiani^{**}

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Abstract

The study of the relationship between growth and distribution of income in the economic literature has a special place both theoretically and experimentally. Therefore, the causality between two variables in the short and long term is investigated by policy makers and economic analysts. The continuous wavelet and co-movement analysis have the ability to simultaneously investigate the interaction of the two variables at different times and scales. Hence, it is an appropriate tool for analyzing the relationship between economic growth and income distribution. In this paper, we evaluate this relationship in Iran's economy by Gini coefficient and ratio of deciles and using wavelet coherency analysis during the period 1969-2016. The results show that there is a positive correlation between income inequality and economic growth in the short and medium term (~5 years), briefly, in the period from 1979 to 1985, in the short and medium term, economic growth and inequality have moved in one direction. Also, in the long run and throughout the time period, two variables are in-phase.

Keywords: Economic Growth, Income Distribution, Wavelet Analysis, Coherency, Iran.

JEL Classification: C49, D31

* Assistant Professor in Department of Economics, University of Lorestan.

Email: hassanvand.d@lu.ac.ir

** assistant professor, economics, ayatollah borujerdi university.

Email: khochiany@abru.ac.ir