International Journal of Psychosocial Rehabilitation, Vol. 24, Issue 06, 2020
ISSN: 1475-7192

The Impact of Banks' Economic Policies on the Intensification of Class Difference Case Study: Fifth to Eighth Governments (1989-2005)

Gholamali Farhadi, Alireza Khoddamy*, Majid Rezakarimi

Abstract--- *One of the goals of the Islamic Revolution is to improve the distribution of incomes and reduce the class divide, but the course of affairs in various governments does not fit well with this ideal. From the beginning of the fifth and sixth governments, indicators such as the increase in the Gini coefficient show the trend of increasing income inequality and class gaps between different sections of society. The purpose of this study is to investigate the effect of banks' economic policies on the intensification of class gap in the period 1989-2005. This research is a causal library and analytical study based on panel data analysis. Statistical data were purposefully selected as a sample size based on the statistics of the Central Bank and the Management and Planning Organization. In this research, to estimate the model, the vector autoregression method in Eviews software has been used. The results showed that, in addition to reducing GDP, rising inflation and liquidity in the studied states have exacerbated the class gap. In general, the results of the analysis indicated that government policies have affected the process of increasing the class gap, the main reason being the mismatch between inflation and rising incomes.*

Keywords--- *economic policies, class gap, governments, Gini coefficient.*

I. INTRODUCTION

In order to achieve the goals of macro-economy, the monetary policies can play the greatest role by the assistance of the bank network. Banks can play this role effectively when they adopt suitable economic policies in proportion to their goals and for accomplishing them. Social justice aims at moderation of income inequality and, in general, fairer distribution of the positive outputs of the country's economic growth and development amongst all the people, especially amongst the families from the low-income deciles. Undoubtedly, the actualization of these goals and improvement of the people's life conditions are suspended on the country's economic growth, empowerment of the human workforce and generativity of the society members hence the codification of the proper policies in proportion to the society by the banks. In between, social classes' gaps are enumerated amongst the important disadvantages of the communities. Class differences and gaps are issues that have been prevalent since long ago.

The statistics and researches offered based on the documents of the international institutions like world bank demonstrate that Iran's Gini coefficient has even exceeded 0.50, as well, before the Islamic Revolution. In 1968, Gini coefficient has been 50.2 units in Iran. This figure has been 49.5 units for 1973. The lowest Gini coefficient recorded for

Gholamali Farhadi, Ph.D, Department of Sociology, Faculty of Humanities, Jahrom Branch, Islamic Azad University of Jahrom, Fars, Iran. Email: Gh.alifarhadi58@gmail.com
Alireza Khoddamy, Faculty member, Department of Sociology, Faculty of Humanities, Jahrom Branch, Islamic Azad University of Jahrom, Fars, Iran. *Corresponding Author Email:Alirezakhoddamy@yahoo.com*
Majid Rezakarimi, Faculty member, Department of Sociology, Faculty of Humanities, Jahrom Branch, Islamic Azad University of Jahrom, Fars, Iran. Email: majidrezakarimi@gmail.com

years before the revolution in the existent statistics pertains to 1969. Iran's Gini coefficient was estimated equal to 41.9 units in the foresaid year. However, it was with the victory of the Islamic Revolution that the class gaps of the Iranian society started shifting towards improvement in such a way that the Gini coefficient reached 37.3 units in 2013 according to the information attributed to the world bank's statistics and it is the lowest figure in the course of the history before and after the revolution (special economic report, 2016, p.98). Based thereon, the income distribution parity and justice index has not only not been improved during 40 years (though growths can be witnessed in some of the cases) but it has also had a descending trend in most of the cases. For example, the estimations are reflective of the reality that the reduction in the shares of 40% of the low-income individuals has had a large negative effect on the class gaps in such a way that the more the poor and deprived individuals' shares are reduced the more inequality are increased[1]. It has to be actually stated based on the central bank's statistics on Gini Coefficient or index regarding the amount of poverty and creation of class gap that if this index is used for comparing the performances of the fifth-sixth (1989-1997) and seventh-eight (1997-2005) governments, the central bank's statistics indicate that the performances of Rafsanjani and Khatami governments have brought about increases in this index meaning that the income distribution inequalities have been more intensified in these two governments (Musavi and Bahadori, 2017, p.43). These statistics are frustrating for these governments. It has to be stated in general that the higher the amount of this ratio (income distribution equality and justice index) the more the inequality is increased. Thus, the supportive policies should be in line with increasing the share of the low-income deciles and decreasing the share of the high-income deciles. For instance, it is theoretically expected that the inflation rate is directly associated with the inequality index. Thus, increase in the inflation leads to the increase in the class gaps.

On the other hand, absence of the proper opportunities for offering the workforce can have a considerable effect on dragging individuals to the oasis of indigence and expansion of inequality. Therefore, the absence of the occupational opportunities and unemployment is theoretically expected to be always directly associated with the income distribution indices. In the meanwhile, policies known as compensatory (such as payment of subsidies to the essential goods until 2009) has had a very weak effect on the reduction of the income gap. This study shows that the increase in the unemployment brings about an increase in the income inequality and this same issue has caused the share of the 40% of the individuals with low income to exert a negative and very large effect on the gap and it is vivid that the more the poor and deprived individuals' income share is increased the more the inequality is reduced. On the contrary, the shares of 10% of the rich individuals in comparison to the poor individuals have had a positive and large effect on the increase in the class gap meaning that the inequality is increased with the increase in this ratio (Hosseini and Mahdavi, 2017, p.51).

Based thereon, meanwhile investigating the central bank's economic policies (including determination of interest rate), the present study tries showcasing the effect of these policies that stem from the special perspectives of Akbar Hashemi Rafsanjani and Sayed Muhammad Khatami's governments on the intensification of the social classes' gap for a period of time between 1989 and 2005 and this important task can be done by evaluating the factors influencing the class gap considering the banks' economic policies as well as by exploring the quality with which the banks' economic policies influence the intensification of the social classes' gaps.

II. THEORETICAL FOUNDATION

- **Class Distance**

In sociological discussions, class distance is usually very frequently applied but such a class difference is observed differently in every society in terms of type and vastness. The feature or the indicator of this distance is the method with

[1] The aforementioned statistics are based on the analyses offered by the central bank and statistics organization of Iran and they will be thoroughly explained in the study's follow-up and forthcoming sections.

which every society's material and nonmaterial capitals are apportioned. For instance, the individuals' access to education can be mentioned as a nonmaterial wealth and, on the other hand, the appropriation of the cash and material assets can be realized as a material wealth. It is assumed that the society members are dissatisfied and unhappy when they constantly bear witness to the large income differences. Thus, the class difference would have a visible effect on the internal satisfaction of the society members. Karl Marx believes that the creation of inequality and class distance in a capitalist society is inevitable (Naghbizadeh, 2011, p.77). The studies have shown that the economic balance of the society causes satisfaction and consent of its members and, conversely, the class difference or income inequalities bring about dissatisfaction and unhappiness in them (Ahmadi and Basiri, 2012, p.34).

- **Economic Policies**

Economic policies constitute part of the governments' policies. In its specific sense, economic policy is a whole consisted of economic strategies and it can be envisioned in a more limited sense as special strategies adopted for the accomplishment of the specified goals(Icing, 2011, p.8). Nowadays, economics is applied in two ways: the first is the use, explication, elaboration and prediction of the trends of the production, inflation and earnings. However, many believe that the product of the above efforts should be found in the second kind of this science's application, to wit improvement of the economic performance (Samuelson and Nordhaus, 2009, p.25). In this case, the economic policies are placed in the area of the imperative economy because economic strategies usually include judging the values, i.e. with issues like "what should and should not be there". In this regard, economic policy becomes the source of debates about the value of the economic theories and economic policy (Tafazzoli, 2012, p.26). Of course, as a justificatory branch in the science of economy, economic policy discusses about various perspectives in this regard. This science seminally tries regularly expressing and rating the tangible and objective realities that are obtained in the course of action. The most important duty of this science in this regard is explaining about the idea as to why the economic agents behave exemplarily and specially under certain conditions. In the next stage, it analyzes the goals and relations and predicts the effects originating from the economic strategies that are obtained with various methods and observations by the qualified political authorities.

- **Banking Policies**

Banking policy is defined based on the relationship between interest rate in the country's economy, i.e. the price according to which money can be borrowed, and the total money supply. Monetary policy uses diverse instruments for controlling one or both of the interest rate and money supply so as to influence issues like economic growth, inflation, currency exchange rate and unemployment (Musavi, 2015, p.21). In implementing the monetary policy, the central bank can directly take advantage of its regulatory power and/or indirectly influence the conditions of the money market as the powerful disperser of money (circulating paper money and coin and money deposited to the central bank). Based thereon, there are two kinds of monetary policy instruments separable: direct tools (non-reliance on the market conditions) and indirect tools (based on market conditions) that totally constitute the monetary policy (Haidari, 2019, p.21).

In general, banking systems include processes devised by each country's monetary authority, mostly central bank. As an example, the borrowing cost control or the monetary base control can be mentioned that are predominantly adopted for targeting the inflation rate or interest rate so that the price stability can be ensured and the general public's trust in the national money can be won. Amongst the other goals of the monetary policy is the participation in the stabilization of the gross domestic product (GDP) by which low unemployment rates and predictable currency exchange rates are obtained and set. Monetary policy offers this approach that how an optimal monetary policy can be accomplished skillfully. In developed countries, monetary policy is isolated from the government's financial policy to a large extent. Moreover, the

government's financial (budgetary) policy is pertinent to the taxes, government's expenditures and its borrowed money. Expansionary monetary policies can result in the reduction of the national money's value (Kazemi, 2015, p.12).

- **Akbar Hashemi Rafsanjani's Government (1989-1997)**

During Rafsanjani's presidency, the substantial economic policies were: 1) enforcement of the economic moderation policies (liberation of the prices and currency exchange rate and privatization); 2) launching stock exchange market and 3) reconstruction of the war destructions (Haidari, 2019). During Akbar Hashemi Rafsanjani's tenure that was commenced since 1989, economy was accompanied by an about six-percent growth which reached its highest amount in 1990. Amongst the primary factors of this economic growth, the initiation of the war destructions' reconstruction, increase in the government's civil reconstruction budget and increase in the oil price can be pointed out. As a specimen, the oil price was increased from 15 dollars in 1988 to 20 dollars in 1989 and this led to the GDP growth. Furthermore, in 1992 and 1993, reduction in the global oil prices hence severe decrease in the GDP growth was witnessed. This growth has been 5.4%, 5.1% and 0% respectively during 1992, 1993 and 1994. In the last two years of Hashemi Rafsanjani's presidency period, the GDP again started ascending in such a way that it reached 6.1% in 1996 (Mohammadi, 2019).

- **Sayed Mohammad Khatami's Presidency (1997-2005)**

The substantial economic policies of this period were: 1) reformation of the structures; 2) system of taxing (correction of the tax on firms); 3) currency exchange rate unification; 4) enactment and enforcement of the foreign investment law (that caused an increase by 4.1 billion dollars in the foreign capital); 5) creation of private banks (Eghtesad-e-Nowin, Saman, Kar Afarin and Parsian); 6) creation of private insurance firms; 7) approval of a law on aggregation of tolls; 8) creation of a reserve account for foreign currency earned from crude oil for creating stability in the foreign and Rial currencies as well as creating a Rial-based reserve account for investment in production affairs; 9) making efforts for controlling the savings' funds; and 10) operationalization of several units in the Southern Pars Gas Field (Sattari, 2019).

Mohammad Khatami's presidency initiation coincided with the reduction in oil price and this resulted in severe reduction of the oil earnings hence decrease in the GDP in such a way that GDP reached 2.8%, 2.9% and 1.7% respectively in 1997, 1998 and 1999. Since 2002 on and due to the inappropriateness of the climatic conditions and, on the other hand, oil price equilibration and increase, GDP started increasing and reached 6.7% (Haidari, 2019).

Based on the preliminary estimations, Iran's economy enjoyed a favorable growth in 2007 in contrast to the previous year. The calculations based on 1997's base price and fixed price indicated that the country's GDP was increased from 446,880 billion Rials in 2006 to 477,683 billion Rials in 2007 which is, in other words, expressive of a growth increase by 6.9%. In addition, GDP growth rate has been 6.2% in 2006. Resultantly, the real economic sector has been enjoying an increase by6 0.7% in growth rate during 2007 (Hamidi, 2019).

- **Study Background**

Assari Arani et al (2009) and Sabahi et al (2010) showed that the ninth and tenth government's financial policies have not had fixed effects on Gini coefficient rather they are varying in several different deciles. The results of their study indicated that Gini coefficient of the various governments is different. Kafa'ei and Dorostkar (2007) and Gergerzadeh and Eghbali (2005) pointed out that variables like per capita GDP, private sector's investment, tax earnings and capital expenses have positive effects and variables like inflation, unemployment, oil incomes and the government's current expenses have negative effect on the income distribution. Kally (2008) showed that there is an indirect and relatively strong relationship between urbanization level and economic development. The results of Kally's studies are expressive of the idea that the government pays more attention to the urban regions than the rural regions in order to improve the

economic welfare and bridge the social gap with the underdevelopment in the rural regions in terms of economy and reduction in migration being reflective of the increase in the class gaps. Jorjio (2006) and Bird (2005), Damuri and Pradna (2003) and Erik and Ratso (2001) showed that although consumption tax accounts for a large volume of the taxes, wealth tax exerts a larger distributive effect. Baliskan et al (2003) concluded that factors like investment in human resources, economic infrastructures, business status of the agricultural products and access to the production technology set the ground for reduction in income inequality and works parallel to the reduction of poverty. Chu et al (2000) figured out that unemployment is an important factor giving rise to more inequalities in these countries.

III. METHODOLOGY

The present study firstly tests the correlations between the study variables and, in case of the existence of correlation between the study variables, efforts will be made for estimating the regression models. The present study's period is a 16-year span from the beginning of 1989 till 2005. The study population of the study is Iran from 1989 to 2005. The statistical data have been presented according to the statistics of central bank and planning and management organization for the intended period for each of the corresponding variables. All the available data were selected as the study sample volume based on a convenience purposive method. As for the data gathering method, it can be stated that the required information has been collected through investigation of the documents based on library research (in reference books and articles). The gathering instrument has been taking notes from the resources and reports and surfing the internet-based information banks as well as searching in the statistics published by the central bank.

- **Study Variables**

1) Banks' Economic Policies

Considering Iran's economic conditions as well as the performed studies, the following model can be considered for showing the role of the central bank's economic policies in the national economy:

$$LGDP=f(LEX, LOP, INF, LM2) \quad (1)$$

Where, LGDP is the natural logarithm of GDP; LEX is the natural logarithm of the government's expenses; LOP is the natural logarithm of the oil price; INF is the natural logarithm of the inflation rate and LM2 is the natural logarithm of liquidity.

Oil is amongst the world's strategic goods and it is enumerated amongst the important provisions of production in every country; resultantly, the severe oil price fluctuations that are termed oil shocks exert a notable effect on the economies of the countries, whether developing or developed. On the other hand, since the incomes stemming from oil account for a large share of GDP and annual budgets, Iran's economy is a single-product one indicating that the oil price and the revenues obtained thereof should be considered as an exogenous factor and incentive for economic booming and depression in Iran in such a way that this factor's uncontrollable undulations cause fluctuations in most of the economic variables. Thus, it is of a great importance to investigate the oil price variations and shocks' effects on Iran's economic growth and insert this variable in the economic growth model.

2) Class Distance

Since the present study specifically aims at the investigation of the economic policies' effects on class distance reduction, the effect of factors like unemployment rate and minimum wage on reduction of class distance are investigated along with the evaluation of the economic policies' effect. To do so, Gini coefficient has been employed as an index for

class distance. Since, the unemployment rate in Iran is presently higher than in other communities, particularly industrial countries, and also because the unemployment's structure in Iran's economy is in a type that most of the society's educated individuals are jobless, the unemployment rate and the unemployment rate by the power of two have been taken into account in the study's proposed model. Moreover, the work market variations also influence the class distance. Since a considerable volume of simple and unskillful laborers receives low incomes with wages close to minimum, the increase in the minimum wage level can lead to the reduction in class distance and/or, in other words, improvement of the income distribution. Therefore, the present study uses Gini coefficient as a scale of class distance reduction as well as a function of the direct and indirect taxes, unemployment rate, the square of the unemployment rate and minimum wage level.

$$GINI= Log\ INDTAX- Log\ DTAX+U-(U)^2- Log\ MW \quad (2)$$

Gini= Gini coefficient

LINDTAX= the logarithm of the indirect taxes

LDTAX= the logarithm of the direct taxes

U=unemployment rate

U^2=square of unemployment rate

LMW= the logarithm of minimum wage

- **Data Analysis Tool**

In order to estimate the mode in this study, use has been made of vector autoregression method in Eviews. Vector autoregression is one of the econometric methods introduced and posited by Sims (1980) based on whose idea vector autoregression pattern enjoys this favorable property that it considers all the variables as endogenous. Unlike the simultaneity models, it is not permissible in vector autoregression models to classify the model's variables as either endogenous or exogenous. These models are generally posited under the title of non-theoretical models because attentions should not be paid in using them to the theoretical basics. This flaw was removed with the entry of topics like Johansen's cointegration. Vector autoregression is a model wherein each variable is regressed on its own and other variables' break values. Mathematically, vector autoregression of this study can be defined as shown beneath:

$$Y_t=C+ \sum^{p}_{i=1}+A_i \times y_{t-1}+\varepsilon_t \quad (3)$$

Where, y_t is an n×1 vector of the endogenous variables; C is a 1×6 vector of the vector autoregression's y-axes; A_i is a 6×6 matrix; I^{th} is the matrix of autoregression coefficients for i=1, 2, …, p; ε is error terms with ε=(ε1t. ε2t, …, ε6t)

In order to correctly estimate a vector autoregression model, certain stages should be finished. At first, the variables' stationarity should be investigated and, to do so, augmented Dickey Fuller's unit root test (ADF) has been used herein. Then, the model's optimal break should be evaluated in the next stage.

IV. FINDINGS

- **Descriptive Findings**

The results of table (1) show that GDP of the fifth and sixth governments (1989-1997), the banks' interest rates of the sevenths and eighth governments (1997-2005), inflation in the fifth and sixth governments (1989-1997), liquidity in the fifth and sixth governments (1989-1997), unemployment rate in the seventh and eight governments (1997-2005), wage in the fifth and sixth governments (1989-1997), indirect taxes in the seventh and eighth governments (1997-2005), direct taxes in the seventh and eighth governments (1997-2005), electronic banking in the fifth and sixth governments (1989-

1997) and Gini coefficient in the seventh and eighth governments (1997-2005) have been lower as compared between the studied governments.

Table 1- variables' descriptive findings

Variables	Governments	Mean	Minimum	Maximum	Standard deviation
GDP	5th and 6th (1989-1997)	563.34	134.65	1976.66	81.32
	7th and 8th (1997-2005)	769.209	398.109	673.091	91.28
Banks' interest rate	5th and 6th (1989-1997)	18.20	1.42	89.19	1.42
	7th and 8th (1997-2005)	17.67	1.87	56.98	3.49
Inflation rate	5th and 6th (1989-1997)	10212.27	9823.90	12981.18	126.17
	7th and 8th (1997-2005)	1265.091	2311.823	26711.09	165.88
Liquidity	5th and 6th (1989-1997)	451.90	17.38	982.01	12.94
	7th and 8th (1997-2005)	566.55	12.387	653.33	11.27
Unemployment rate	5th and 6th (1989-1997)	6.8544	3.209	7.6976	2.198
	7th and 8th (1997-2005)	4.3872	3.983	2.1982	2.322
Wage	5th and 6th (1989-1997)	24343.9455	1972.0934	354233.0934	14.134
	7th and 8th (1997-2005)	34322.7622	1543.4665	459834.983	15.765
Indirect taxes	5th and 6th (1989-1997)	121.9845	14.10830	154.0824	18.983
	7th and 8th (1997-2005)	165.498	154.309	655.984	12.398
Direct taxes	5th and 6th (1989-1997)	197345.0982	18623.092	2018374.082	187.092
	7th and 8th (1997-2005)	176588.323	41276.79	944564.566	199.877
Electronic banking	5th and 6th (1989-1997)	26434.0934	18623.0913	289983.091	20844.093
	7th and 8th (1997-2005)	875344.08	1349887.45	5639074.0893	344.0982
Gini Coefficient	5th and 6th (1989-1997)	3.2873	1.0923	4.2983	0.98233
	7th and 8th (1997-2005)	2.1098	1.2983	4.9891	0.39722
(Source: the author)					

- **Results of Unit Root Test**

Critical values of generalized Dickey-Fuller and Phillips-Perron Test have been given in table (4-7) in 5% level. Based on the stationarity tests of generalized Dickey-Fuller and Phillips-Perron tests, a variable is stationary when the modulus of its calculated t-statistic is larger than the modulus of the critical value offered by Dickey-Fuller or Phillips-Perron. As shown in table (2), since the modulus of the calculated t-statistic is smaller than the critical value offered by Dickey-Fuller or Phillips-Perron, it can be stated that the hypothesis holding the non-stationarity of the variables cannot be rejected hence all of the studied variables in both of the countries are in non-stationary levels.

Table 2- results of the stationarity of variables' levels for class gap

Variables' first order differentiation						
Variable	Generalized Dickey-Fuller test			Phillips-Perron test		
	Prob	Critical value	t-statistic	Prob	Critical value	t-statistic
Banks' interest rate	0.87263	-2.3972632	-2.309323	0.6068	-3.520787	-1.957582
Inflation	0.8004	-3.520787	-1.537110	0.7449	-3.520787	-1.664258
Liquidity	0.7474	-3.520787	-1.668945	0.6457	-3.520787	-1.882654
Unemployment rate	0.8150	-3.520787	-1.496825	0.5770	-3.520787	-2.013804
Wage	0.76324	-1.298343	-1.5872632	0.4973	-1.436434	-1.389743
Indirect tax	0.48534	-1.3977454	1.2873059	0.5654	-1.483263	-1.3986434
Direct tax	0.47634	-1.7652432	-1.3903843	0.4765	-2.8724304	-1.4976643
Electronic banking	0.59734	-2.7635430	-1.7625340	0.7843	-4.7763443	-1.9763409
GDP	0.40802	-3.4544309	-1.768434	0.4533	-2.650987	-1.6764549
(Source: the authors)						

In order to render all variables stationary, differentials of all of them was once determined following which it was made clear that all of the variables become stationary following differentiation. The results of the stationarity test of the

variables' first order differentiation have been summarized in table (3). As it is seen, both Dickey-Fuller and Phillips-Perron test prove the stationarity of the variables. Thus, it can be stated that the variables are stationary in I(1) level.

Table 3- results of the stationary test of variables' first order differentiation for class distance

Variables' first order differentiation						
Variable	Generalized Dickey-Fuller test			Phillips-Perron test		
	Prob	Critical value	t-statistic	Prob	Critical value	t-statistic
Banks' interest rate	-3.697534	-3.697534	0.0338	-3.706959	-3.523623	0.0331
Inflation	-5.084133	-3.523623	0.0009	-5.184985	-3.523623	0.0007
Liquidity	-6.448055	-3.523623	0	-6.451560	-3.523623	0
Unemployment rate	-4.428805	-3.523623	0.0055	-4.463997	-3.523623	0.0050
Wage	-1.6767678	-1.0981733	0.087344	-1.4089873	-1.3412223	0.58766
Indirect tax	1.4768998	-1.165655	0.487877	-1.346565	-1.9087587	0.8799
Direct tax	-1.3903873	-1.6786664	0.409773	-1.4976643	-2.8724304	0.45656
Electronic banking	-1.798045	-2.354776	0.59734	-1.9763409	-4.7763443	0.098172
GDP	-1.768434	-3.4544309	0.40802	-1.6764549	-2.650987	0.4533
(Source: the author)						

- **Results of Granger's Causality Test**

The results of short-term causality test of Iran's economy was indicative of the existence of a one-way causality relationship from the side of monetary and financial policies' indices towards class gap. On the other hand, as an indicator of business openness, the business intensity is considered also an economic growth cause. There was also found a causality relationship from the banks' interest rate index towards class gap and money volume, as well. The results of the long-term causality relationship indicated that there is a bilateral causality relationship between the two indices of monetary-financial policies and the class distance. Furthermore, GDP was found influencing the financial-monetary policies and class distance.

Table 4- short-term and long-term causality in Iran

Explanatory variable	Dependent variable								
	Banks' interest rate	Inflation	Liquidity	Unemployment rate	Wage	Indirect taxes	Direct taxes	Electronic banking	GDP
Banks' interest rate	-	2.596035 (0.1071)	1.343691 (0.2464)	0.023677 (0.8777)	3.597475 (0.0579)	12.33171 (0.0004)	3.597475 (0.0579)	12.33171 (0.0004)	3.597475 (0.0579)
Inflation	9.260785 (0.0023)	-	2.799588 (0.0943)	0.603820 (0.4371)	5.903549 (0.0151)	0.012530 (0.9109)	5.903549 (0.0151)	0.012530 (0.9109)	5.903549 (0.0151)
Liquidity	3.597475 (0.0579)	12.33171 (0.0004)	-	1.346259 (0.2459)	0.035270 [0.035270]	0.053080 (3.74761]	0.035270 [0.035270]	0.053080 [3.74761]	0.035270 [0.035270]
Unemployment rate	5.903549 (0.0151)	0.012530 (0.9109)	2.092242 (0.1480)	-	3.597475 (0.0579)	12.33171 (0.0004)	3.597475 (0.0579)	12.33171 (0.0004)	3.597475 (0.0579)
Wage	0.035270 [0.035270]	0.053080 [3.74761]	0.047335 [2.632404]	-0.008346 [-0.29269]	-	3.597475 (0.0579)	12.33171 (0.0004)	3.597475 (0.0579)	12.33171 (0.0004)
Indirect taxes	3.597475 (0.0579)	12.33171 (0.0004)	3.597475 (0.0579)	12.33171 (0.0004)	3.597475 (0.0579)	-	3.597475 (0.0579)	12.33171 (0.0004)	3.597475 (0.0579)
Direct taxes	5.903549 (0.0151)	0.012530 (0.9109)	5.903549 (0.0151)	0.012530 (0.9109)	5.903549 (0.0151)	3.597475 (0.0579)	-	3.597475 (0.0579)	12.33171 (0.0004)
Electronic banking	0.035270 ([0.035270]	0.053080 [3.74761]	0.035270 [0.035270]	0.053080 [3.74761]	0.035270 [0.035270]	5.903549 (0.0151)	3.597475 (0.0579)	-	1.343691 (0.2464)
GDP	3.597475 (0.0579)	12.33171 (0.0004)	3.597475 (0.0579)	12.33171 (0.0004)	3.597475 (0.0579)	0.035270 [0.035270]	5.903549 (0.0151)	3.597475 (0.0579)	12.33171 (0.0004)
(Source: the author)									

- **Hypotheses Test**

1) Hypothesis One

It seems that GDP has been effective on the intensification of the class gap in the post-revolution governments.

Based on table(5), it can be expressed that the regression coefficient, F-statistic and significance level of the fifth and sixth governments have been respectively 0.451, 45.55 and 0.000; the regression coefficient of the seventh and eighth governments is 0.377 and their F-statistics are 23.92 and 23.71, respectively and their significance levels are 0.002 and 0.000, respectively. According to these findings, it can be stated that GDP of the abovementioned governments has been effective in the intensification of the class gaps and this effect has been larger in the fifth and sixth governments so the abovementioned hypothesis is confirmed. The amount of the adjusted coefficient indicates that GDP predicts the economic policies of the fifth and sixth and the seventh and eighth governments correspondingly for 21% and 15.6% in respect to the class gap; the amount of F-statistic, as well, indicates that there is a positive and significant relationship between GDP in the studied governments and intensification of the class gap with the highest significant relationship being documented in the fifth and sixth governments.

Table 5- first hypothesis test

Governments	Variable	Regression coefficient	Adjusted coefficient	F-statistic	Significance level
5th and 6th (1989-1997)	GDP	0.451	0.211	45.55	0.000
7th and 8th (1997-2005)		0.377	0.156	23.92	0.002
(Source: the author)					

2) Hypothesis Two

It seems that the inflation rate increase has been effective in the intensification of class gap in the post-revolution governments.

It can be stated according to table (6) that the regression coefficient, F-statistic and significance level of the fifth and sixth governments are 0.522, 54.77 and 0.000, respectively; the regression coefficient, F-statistic and significance level of the seventh and eighth governments are 0.476, 34.88 and 0.000, respectively. Based on these findings, it can be stated that the inflation rate has been effective in the post-revolution governments in the intensification of the class gap and that this effect has been larger in the eleventh governments than the other governments so the above hypothesis is confirmed. The amount of the adjusted coefficient indicates that the inflation rate predicts 25.5% of the fifth and sixth governments' economic policies and 21.4% of the seventh and eighth governments' economic policies. The amount of F-statistic, as well, indicates that there is a positive and significant relationship between the inflation rate in the post-revolution governments and the intensification of the class gap with the largest significant relationship being evidenced for the eleventh governments.

Table 6- second hypothesis test

Governments	Variable	Regression coefficient	Adjusted coefficient	F-statistic	Significance level
5th and 6th (1989-1997)	Inflation rate	0.522	0.255	54.77	0.000
7th and 8th (1997-2005)		0.476	0.214	34.88	0.000
(Source: the author)					

3) Hypothesis Three

It seems that liquidity has been effective in the post-revolution governments in the intensification of the class gap.

According to table (7), it can be expressed that the regression coefficient, F-statistic and significance level of the fifth and sixth governments are 0.266, 25.79 and 0.001, respectively; the regression coefficient, F-statistic and significance level of the seventh and eighth governments are 0.361, 32.90 and 0.000, respectively. It can be stated based on these findings that the liquidity has been effective in the intensification of the class gaps in the post-revolution governments and that this effect has been larger in the eleventh government than the other governments so the above hypothesis is confirmed. The amount of the adjusted coefficient indicates that liquidity predicts 15.5% of the fifth and sixth governments' policies and 18.8% of the seventh and eighth governments. The amount of F-statistic indicates that there is a positive and significant relationship between the liquidity rates of the post-revolution governments with the largest significant relationship being documented for the eleventh governments.

Table 7- third hypothesis test

Governments	Variable	Regression coefficient	Adjusted coefficient	F-statistic	Significance level
5th and 6th (1989-1997)	Liquidity rate	0.266	0.155	25.79	0.001
7th and 8th (1997-2005)		0.361	0.188	32.90	0.000
(Source: the author)					

V. CONCLUSION

The present study aimed at investigating the effect of the banks' economic policies in the post-revolution governments on the class gaps' intensification. In order to measure the banks' economic policies, use was made of GDP, inflation and liquidity. Variables like direct and indirect taxes, wage, unemployment rate and Gini coefficients were employed for investigating the class gaps. The results of the hypotheses test indicated that there is a positive and significant relationship between GDP in the post-revolution governments and class gaps' intensification with the largest significant relationship being documented for the fifth and sixth governments. The findings also indicated that there is a positive and significant relationship between inflation rate in the post-revolution governments and the class gaps' intensification. There was also found a significant and positive relationship between liquidity of the post-revolution governments and the class gaps' intensification. The largest significance level was found pertinent to the seventh and eighth governments. Thus, it can be expressed that the largest effects of the governmental policies have been documented for these two governments for the class gap has been intensively enlarged. In general, the analysis of the various governments' results indicated that the governments' policies have been effective in the enlargement of the class gap for such a reason as the inconsistency of the inflation rate and the incomes' increase. Thus, it seems that these policies have not been correctly enforced and/or the amount of the determined taxes have not had much of an influence on income distribution and Gini coefficient. Furthermore, the increase in the liquidity in the society was found increasing the inflation rate. Eventually, the class gaps have been very wide in all of the governments. It appears that the country's economy has not been so much successful and it has been more a function of the political variables than the policies specified by the governments. So, it seems that the current trends will be continued and the class gaps will be further widened in future. The class gap cannot be expected to be improved unless the economic policies are completely implemented.

In this regard, Huha (2010) showed that the inappropriate economic structure and unsuitable policies will cause class gaps and it was also made clear in the present study that the wrong economic policies in the area of the direct and indirect taxes' determination and, on the other hand, increase in the liquidity will cause increase in the inflation that can per se adversely influence the class gaps so the results of this and the foresaid study are consistent. Karya (2009) demonstrated in his study that the increase in the taxes on the workforce wage along with the exertion of monetary policies for reducing inflation would enhance the poor's welfare more than that of the rich classes. The results of Karya's study are in

accordance with the present study's results indicating that the incorrect monetary policies cause increase in the class gap. Kally (2008) exhibited that there is a relatively strong and indirect relationship between urbanization level and economic development. The results of the study by Kally is expressive of the idea that the government pays more attention to the urban regions than the rural regions for improving the economic welfare and reducing the class gap and this is also in match with the present study's finding signifying that the rural regions' underdevelopment in economic regards and reduction in migration are reflective of increase in class gaps. Jorjio (2006) and Bird (2005) as well as Damuri and Perdana (2003) and Erik and Ratso (2001) showed that although consumption tax accounts for a large volume of the taxes, wealth tax exerts a greater distributive effect. Based thereon, their results are consistent with the present study's results indicating that the increase in the amounts of tax received from the wealthy persons can bring about reductions in class distance. Parvin and Zaidi (2001), Gergerzadeh and Eghbali (2005), Sabahi et al (2010) and Jorjio (2006) also found similar results and confirm the findings of the study by Parvin and Zaidi (2001) and Gergerzadeh and Eghbali (2005) regarding the effect of tax on income distribution. In addition, in order to more precisely investigate the effect of tax on income distribution, income tax and consumption tax were found exerting a significant effect on Gini coefficient each with one break.

Considering the study results, the following suggestions have been made:

1. Government can identify the underground economy sector's activities to take steps in line with increasing the tax incomes and this can improve such a criterion as the income tax's justness and efficiency.
2. Government is required to implement programs for increasing the occupational opportunities in an operational manner because they cause the improvement of the income distribution in the long run. Additionally, it should determine the minimum wages based on the real inflation rate every year because the obtained results are expressive of the idea that the increase in the minimum wage is directly associated with the income distribution improvement.
3. In order to precisely investigate the effects of the taxes on the income distribution, it is better to consider the government's expenses (as another financial variable) along with it because the tax payment causes increase in the purchase power of the individuals whose income is intended to be decreased by the government, on the one hand, and increase in the earnings of the society's low-income groups, on the other hand, through taxes levied from the transferred payments. The result of this financial policy is, on the one hand, in favor of the low-income individuals as well as the government's transferring expenses with the tax load and loss being, on the other hand, imposed on the high-income individuals.
4. Government can reduce its current costs by bringing about more agility and more financial discipline and purposeful increase in the civil reconstruction budgets so as to pave the way for improving the structural grounds related to the increase in production and employment as well as for upgrading the sanitary and educational infrastructures and also for enhancing the country's income distribution. Moreover, the corroboration of the financial system through creation of transparent information bank for the identification of the tax-payers, identification of the underground and smuggling economic activities and exertion of higher tax rates on luxurious goods and spending the incomes earned from them in the social affairs can be in favor of the society's low-income groups.

In addition, every research is faced in the course of its accomplishment with certain constraints. The historical data studied herein are the constraints of the present study for their accuracy and veracity might be doubted so the results of the studied periods cannot be generalized to the past or future beyond the time span as another of the present study's

limitations. The researchers also suggest as a further research that the data from the previous years, i.e. 1978-1988, can be evaluated.

REFERENCES

[1] Ahmadi, Ismail and Piri, Arash, (2012), "the effect of macro-level economic indices on income distribution in Iran (an inter-provincial research)", journal of economic research, 3: 65-95
[2] Asing, Walter, (2011), "time series econometrics with an applied approach", v.2, 3rd ed., Tehran, Imam Sadeq (PBUH) University
[3] Tafazzoli, Akbar, (2012), "investigating the salary income tax's effect on income distribution in Iran", seasonal journal of economic studies, 3: 73-97
[4] Haidari, Abolfazl, (2019), "an introduction to the recognition of income inequality and poverty indices", management and planning organization
[5] Hosseini, Ne'emat and Mahdavi, Reza, (2017), "spatial analysis of the effect of government's financial policies on the income inequality in Iran", seasonal journal of quantitative economics, 6(8) and 3:25
[6] Gergerzadeh, Alireza and Eghbali, Alireza, (2005), "investigating the effect of the oil incomes on the income distribution in Iran", seasonal journal of social welfare, 17:1-19
[7] Samuelson, Bryan and Nordhaus, (2009), "modern guidelines of macro-level economy", trs. Khalili Araghi, Mansour and Suri, Ali, Tehran, Baradaran Publication Insitute
[8] Kazemi, Pedram, (2015), "economic indices and income distribution amongst the Islamic countries", Tehran, Islamic economy and development seminar
[9] Kafa'ei, Muhammad Ali and Dorostkar, Ezzatollah, (2007), "the effect of formal instruction on income distribution in Iran", seasonal journal of Iran's economic studies, 30:53-77
[10] Sabahi, Ahmad; Dehghan Shabani, Zahra and Shanazi, Ruhollah, (2010), "the effect of workforce productivity on the income distribution (case study: the selected countries)", journal of knowledge and development, 31: 119-142
[11] Assari Arani, Abbas and Agheli Lotfali and Shafi'ei, Saeed, (2009), "the effect of monetary policy on income distribution in Iran", seasonal journal of quantitative economics (former economic studies), 3: 105-128
[12] Musavi, Yadollah, (2015), "the effect of monetary policies and benzene price shocks on the income and welfare distribution in Iran", seasonal scientific-research journal of social welfare, 28: 129-150
[13] Iran's center of statistics, (2011), "Iran's year book of statistics", Tehran, Iran's center of statistics
[14] Naghibzadeh, Hussein, (2011), "the effect of moderation policies on income distribution and poverty (case study: the policies of Iran's first economic, social and cultural development", journal of economic researches, 58: 113-146
[15] Balaskan, Wendy, Martin Eichenbaum, and Jonas D.M. Fisher, (2003), "Understanding the Effects of a Shock to Government Purchases", Review of Economics Dynamics, Vol.2, No.1, PP: 166-206, Enders, W., (2010), Applied Economic Time Series, 3end Edition
[16] Bird, J., (2005), "Effects of Fiscal Stimulus in Structural Models", IMF Working Paper, WP/10/73
[17] Cho, F., Jappelli, T., and Pagano, M., (2000), "Searching for Non-linear Effects of Fiscal Policy: Evidence from Industrial and Developing Countries", European Economic Review,Vol.44
[18] Damory, G. J. M., Peradona, J., (2003), "Debt Consolidation and Fiscal Stabilization of Deep Recessions", American Economic Review,Vol.100, No. 2, pp. 41-45
[19] Erik, H, A. Ratso, M., (2001), "Can Severe Fiscal Contractions be Expansionary?", Comment in Blanchard O.J. and S. Fischer (eds.): NBER Macroeconomics Annual, MIT Press: Cambridge, MA
[20] Kally Gerrit, (2008), "The impact of fiscal policy on economic activity over the business cycle –evidence from a threshold VAR analysis", Discussion Paper Series 1: Economic Studies, No. 03/2011
[21] Jorjio, , R. (2006), "An Empirical Characterization of the Dynamic13: Effects of Changes in Government Spending and Taxes on Output"., Quarterly Journal of Economics, Vol.117,N0. 4, pp:1329-1368