A Study of Relationship between Poverty and Income Mobility in Iran, 1984-2013

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Abstract

Income (or consumption) based analysis of poverty is mostly limited to income deprivation. But deprivation can be attributed to different aspects of life. In capability approach, elaborated by Amartya Sen, poverty may be considered as deprivation of capability. It is 'understood as deprivation in the capability to live a good life'; and consequently, 'development' might be understood as expansion of capability. Different aspects of human life are considered in the capability approach in an irrevocable manner that family status can be determined by income and non-income minimums required for a decent human life. So, this approach is 'unambiguous in favoring a direct approach to poverty analysis'. The issue of poverty and poverty alleviation programs is important social policies that public sector deal with. Measuring and evaluating the quality of people's life in one or more periods of time cannot indicate continuity of this condition over time; Thus, pursuing and monitoring level of welfare of households that are eligible to be supported by programs of income distribution and poverty alleviation over time seems necessarily tentative. The purpose of this study is to investigate the relationship between poverty and income mobility in Iran. In this regard, by a combination of cross-sectional data (constructing a pseudo-panel data) of the period of 1984 to 2013, head of households born in 1927 to 1981 are followed to determine the income mobility. Also, using an Auto-Regressive Distributed Lag and using time series of income mobility and poverty is investigated. Results indicate that the sign of the variables coefficients of the model are consistent with economic theory and in the long term income mobility has had a significant negative impact on the poverty and the error correction coefficient indicates that about 0.52 of short-term imbalances was adjusted to achieve the long-term equilibrium.

Keywords: Income mobility, poverty, Iran, ARDL.

Introduction
This paper considers the dynamics of poverty in Iran. Income mobility related to changes in the socioeconomic status of income groups. A measure that degree of equality and inequality of opportunities, including employment, education, income and consumption, family situation and others in a community is measured (Mackenzie 2006). In most developing countries there is no Panel data to evaluate the different people or households' comparison to poverty over time or just for the very short period available; but the cross-sectional data are available in most countries. For investigating the status of various individuals or households Researchers use cross-sectional data.

Using cross-sectional data can be followed a random sample of individuals or households over time; but this data set of certain households cannot be use during consecutive years. Pseudo-panel can be used to solve this problem. Pseudo-panel approach uses repeated cross-sectional (Repeated Cross Section, RCS) data of generations of individuals or households over time. Specificity of this method is tracking the performance of each cohort\(^1\) over time.

This paper is organized as follows: First, the theoretical framework of the research is presented. Then, the methodology of research is presented. Third, theoretical framework of pseudo-panel is introduced. Forth, by mean of specified model, Iranian data is processed and analyzed. Finally, implementation and the results are analyzed.

**Theoretical Framework**

From the perspective of Amartya Sen (1981) poverty is a denial of life services. Deprivation is the concept of relative in different places and different times. In a study concept, poverty is divided into two types of income poverty and capability poverty. Income poverty is measured in two ways expression: absolute poverty and relative poverty. But the more general concept of poverty is income poverty. Amartya Sen advanced the notion of capability.

In his view, poverty is a deprivation of capabilities. Sen’s point of view on value of goods is the role and function that have in detoxifying human needs.

**Income Mobility**

Some of early studies of income mobility are Atkinson (1992), Maasoumi (1998), Solon (1992) and Field and Ok (1999). The basis for the study of income mobility is studying the same individuals or specific groups in society over time. To study the precise, a framework is intended where the society's income distribution is displayed with \( \bar{m} \). The number of population is \( n \) and \( n \geq 1 \). Is assumed to be \( x = (x^1, ..., x^n) \), income vector is in primary year. This vector shows the same individual units that are tracked over time. Based on the

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\(^1\) Cohort: Refers to a group of people who share at least one trait, such as year of birth
content expressed $x = (x^1, \ldots, x^n) \in R^n$. Income vector are displayed $y = (y^1, \ldots, y^n)$ in following years. In the context of mobility is expressed that individual income is changing over time and these changes in the patterns of income mobility by model $x \to y$ in the two periods of time or the more general in most time periods is introduced by model $x \to y \to z \to \cdots$. In general, the model $x \to y$ is displayed as $m(x, y)$. Based on this framework, mobility index is defined as a continuous function that $f: R^{2n} \to R$. Using this interpretation it can be stated changes $x \to y$ shows more mobility compared to $z \to w$ if $f(x, y) \geq f(z, w)$.

For example:

\[
\begin{align*}
&x = (1, 3) \rightarrow (1, 3) \quad (1) \\
&x = (1, 3) \rightarrow (3, 1) = y \quad (2) \\
&x = (1, 3) \rightarrow (2, 2) = z \quad (3)
\end{align*}
\]

In process (1) does not occur income changes therefore, there is no mobility. In process (2) secondary income changes are quite was based on the primary income. Between cases (2) and (3), state (2) experiences, more mobility than the state (3), because in this case, the income changes in the initial state are higher than secondary state.

Income mobility is measured in two ways: (1) The absolute mobility (2) Relative mobility (Fields and Ok, 1999)

**Absolute mobility**

The analysis of income mobility across deciles of the income distribution performed in the previous section presented movements across income thresholds. The degree to which these thresholds are exceeded or not exceeded is neglected. Moreover, movements across income deciles describe changes in the relative positions of individuals regardless of the direction of changes in real incomes. These measures do not indicate whether the real incomes of most people are falling or rising. Therefore, in order to show a comprehensive picture of income mobility, we also measure absolute mobility, i.e. mobility in real incomes.

We employ the index proposed by Fields and Ok (1999), which is formulated as follows,

\[
M = \frac{1}{n} \sum_{i=1}^{n} |\log x_i - \log y_i|
\]
Where n is the number of individuals, x refers to the base year income and y is the final year income. This index is the aggregate of the change in each individual’s log-income. It can be used for international comparisons, as it can be interpreted as the mean percentage income changes between the two years.

**Relative mobility**

**Strongly relative changes**

Sometimes mobility concepts are characterized by a strong relativity. To understand this subject considers the following examples:

\[ A: (1,3) \rightarrow (1,3) \]
\[ B: (1,3) \rightarrow (2,6) \]
\[ C: (2,6) \rightarrow (4,12) \]

Considering the a particular aspect of income mobility as a strong relative concept the value of mobility in the conversion of A, B and C is equal to zero, because the initial shares of incomes is fixed as a result of a strong relative mobility index \( m \) should be related weakly relative changes \( m(\lambda x, \lambda y) = m(x, y) \) for all values of \( \lambda, \alpha > 0 \) and \( x, y \in R^+_n \) is provided.

**Weakly relative changes**

Sometimes the concept of mobility is determined by the relative weakness. A motility index (weakly) relative m about m \( (\lambda x, \lambda y) = m(x, y) \) for all values of \( \lambda > 0 \) and \( x, y \in R^+_n \) provides. Therefore, considering the other aspects of income mobility as a relatively weak notion of mobility in modes B and C equal to zero. The important thing, in both concepts, change income of a person other than income changes, by determining upward mobility and low.

**Theoretical framework of pseudo-panel**

Pseudo-panel data analysis of the new topics and application of econometric. In pseudo-panel analyses, individuals are grouped according to criteria that do not change from one survey to another, such as their birth year or the education level of the reference person of a household. Estimation with pseudo-panel data diminishes efficiency on the cross-section dimension, but we will show that it also gives rise to a heteroscedasticity in the time dimension. Deaton (1986)
presents the case for using “pseudo-panel” data to estimate demand systems. He assumes that the researcher has independent cross sections with the required expenditure and demographic information and shows how cross sections in successive years can be grouped into comparable demographic categories and then differenced to produce many of the advantages gained from differencing individual panel data.

In many developing countries, panel data in which individuals are followed over time, does not exist. Sectional survey data and tracked regularly over time to cause the multi-dimensional data is Sub-panels are used in the study cohort behavior. Pseudo-panel data, panel data are compared to the benefits that today are being used increasingly in economic research.

Deaton (1997) describes the benefits of using the pseudo panel as:

1. In contrast to the pseudo-panel panel data sample is renewed each year and new samples are mined each year, this causes problems of sample loss that usually occurs in panel data, this data is more limited.

2. Pseudo-panel data caused by measurement error in the index, such as the mean and median are more restricted in the presence of outliers while the median is more appropriate.

3. Pseudo-panel data by creating a relationship between household behavior and aggregated at the national level in addition to the macro and micro level analysis will minimize conflict. Suitable areas to establish links between macroeconomic statistics (national accounts) and income distribution statistics (costs and income) provides that the data, information is presented at a level between the micro and macro levels.

4. Pseudo-panel data on manufacturing data from various sources can be merged and do not have all the information to be collected in a survey of the same households. Pseudo-panel data estimation methods to expand the information-rich environment and provide results.

We propose using pseudo-panel methods to estimate the degree of income mobility in the presence of measurement error. A pseudo-panel tracks cohorts of individuals, such as birth cohorts, or birth-education cohorts, over repeated cross-sectional surveys. Since a new sample of individuals is taken in each period, the use of a pseudo-panel will also greatly reduce the effect of attrition on mobility estimates. The use of the pseudo-panel will capture mobility which is accompanied by movement within the cross-sectional survey domain. However, it will not capture mobility which arises from migration into or out of the survey area. Moffitt (1993), Collado (1997), McKenzie (2001, 2004) and Verbeek and Vella (2005) discuss conditions under which one can consistently estimate linear dynamic models with pseudo-panels. Our aim here is to show that these methods can also deal with the measurement error problems facing panel data models. Originally, Deaton (1985) suggested that, when panel data is not available, it is still possible to track cohorts, and estimate relations based on cohorts averages that form pseudo panels. Starting from a simple static model:
\[ y_{it} = x_{it} + u_i + v_{it} \]  
(1)

Where \( y_{it} \) is the dependent variable for individual \( i \), \( x_{it} \) is a vector of explanatory variables, \( u_i \) is an individual fixed effect, and \( v_{it} \) is the error term. The subscript \( i \) corresponds to a different individual in every period. Defining a set of \( C \) cohorts, where one individual can belong to only one of them, and averaging the observations over individuals in each cohort we obtain:

\[ y_{ct} = x_{ct}\beta + u_{ct} + v_{ct} \]  
(2)

Since the original equation includes an individual fixed effect, the corresponding relationship at the cohort level will also include a fixed effect but now at the cohort level. However, this effect \( u_{ct} \) now varies with \( t \), because it is averaged over a different number of individuals belonging to cohort \( c \) at time \( t \). Since these \( u_{ct} \) are most likely correlated with the \( x \), a random effect specification will lead to inconsistent estimates. On the other hand, treating the \( u_{ct} \) as fixed effects leads to an identification problem, unless it is invariant over time (\( u_{ct} = u_c \) for all \( t \)). This assumption is plausible if the number of observations in each cohort is large enough.

In this case, \( y_{ct} = x_{ct}\beta + u_c + v_{ct} \)  
(3)

For this specification, the fixed effects estimator \( \hat{\beta} \), based on the within cohort transformation \( y_{ct} = y_{ct} + y_c \) is a natural candidate for estimating \( \beta \). However, since the sample-based averages of the cohort means, \( y_{ct} \) can only estimate the population cohort means with measurement error, it has to be corrected for that. More recently, researchers have focused on the estimation of dynamic models. The main challenge here is generated by the lack of information on lagged dependent and independent variables (since different individuals are interviewed in every survey), and the consequent un-observability of the intertemporal covariance needed to identify and estimate the models.

**Methodology and model**

This analysis using method ARDL and using time series data for 30 years (1984-2013) has been done.

**Models and variables influencing poverty**

With regard to economic and social factors affecting poverty, the models presented in this study are as follows:

\[ poverty = f(\text{relative mobility, gini, rate of growth} ) \]
In our model the dependent variable is one of the indicators for measuring poverty, extreme poverty indices (FGT). The independent variables included the relative movement of one of the types of income mobility, economic growth and the Gini coefficient. According to model (Vedder & Gallaway, 2002) proposed a linear model is as follows:

\[
p_2 = \alpha_0 + \alpha_1 \text{relative mobility} + \alpha_2 \text{gini} + \alpha_3 \text{rate of growth} + \varepsilon_t
\]

\[p_2 = \text{severity of poverty}\]  
\[\varepsilon_t = \text{random error}\]

**Methodology of income mobility**

In this section, using Pseudo-panel statistical data, absolute mobility without considering the individual fixed effects (\(\alpha\)) is estimated by under regression function. Absolute mobility represents the mobility of households in total income distribution in the estimation of this model is unused, no variable control for household characteristics. This model shows that how much the current income role in determining the amount of its future.

\[
\bar{y}_c(t),t = \alpha + \beta \bar{y}_c(t-1),t-1 + \bar{\mu}_c(t),t
\]  
[5]

By this model determined the amount of time dependence of individuals income and revenues divergence or convergence path compared to the average, this criterion, the concept of mobility will lead to this positive idea that mobility can reduce inequality over the life and provide equality of opportunity. Therefore, taking into account individual fixed effects, model is determined as follows and relative mobility is obtained.

\[
\bar{y}_c(t),t = a_c + \beta \bar{y}_c(t-1),t-1 + \bar{\mu}_c(t),t
\]  
[6]

Individual differences, such as differences in education levels, health status, or generation to which they belong be reflected in\(a_c\). These features can affect people's ability to obtain appropriate opportunities and higher revenues so the relative mobility is mobility around average income of each generation.

1) If \(\beta=1\) it means there is a lack of convergence in income. This is not acceptable in a society.
2) If $\beta = 0$ it means represent income mobility is complete. The inequality of opportunity is equal to zero. The people can easily be replaced in their distribution of income. These conditions make best in a society that rarely happens in a community.

3) If $\beta < 1$ in this case there is a convergence in income and the difference between rich and poor will be reduced over time. (Barro and Sala-i-Martin, 1999).

4) If $\beta > 1$ it means over time the income differences between rich and poor people is increasing. In this case of high income mobility and inequality is perpetuated over time.

5) If the amount of income mobility is negative, in this case incomes of the rich decreases over time.

**Processing data**

Data have been extracted from the website of the Central Bank of Iran and the Statistical Center of Iran during the years 1984 to 2013. For refining data Access and Stata software have been used.

The cost components of household budget questionnaire include the costs of food and non-food. To determine the poverty line has been introduced commodity cart such as rice, wheat, pasta, potatoes, beans, red and white meat, eggs, milk, yogurt, cheese, fruit, vegetables, vegetable oil and sugar. To estimate the household equivalent per capita cost, Equivalence Scale Indices can be used. By Organization Economic Cooperation and Development(OECD) proposed current approaches for taking into account costs of Equivalent in studies.

In this study has been used from method of Haughton and Khandker (2009).

\[
AE = \left( N_a + 0.4 N_c \right)^{0.85}
\]

$N_a =$ Number of adults

$N_c =$ number of children

**Table1:** Food basket for determining the poverty line, monthly an adult

<table>
<thead>
<tr>
<th>Caloric intake daily</th>
<th>The amount of monthly food basket</th>
<th>Food basket</th>
</tr>
</thead>
<tbody>
<tr>
<td>720</td>
<td>8 Kg</td>
<td>Bread (including traditional bread)</td>
</tr>
<tr>
<td>240</td>
<td>3 Kg</td>
<td>Foreign rice quadratic</td>
</tr>
<tr>
<td>20</td>
<td>7 Kg</td>
<td>Pasta</td>
</tr>
<tr>
<td>40</td>
<td>5.1 Kg</td>
<td>Potato</td>
</tr>
<tr>
<td>-----</td>
<td>--------</td>
<td>-------------</td>
</tr>
<tr>
<td>40</td>
<td>6 Kg</td>
<td>Lentil</td>
</tr>
<tr>
<td>115</td>
<td>7 Bag of one liter</td>
<td>Pasteurized milk bag</td>
</tr>
<tr>
<td>50</td>
<td>3 Kg</td>
<td>Yogurt</td>
</tr>
<tr>
<td>65</td>
<td>2.1 Kg</td>
<td>Red meat</td>
</tr>
<tr>
<td>100</td>
<td>5.1 Kg</td>
<td>White meat</td>
</tr>
<tr>
<td>30</td>
<td>10 number</td>
<td>Egg</td>
</tr>
<tr>
<td>20</td>
<td>0.45 Kg</td>
<td>Cheese</td>
</tr>
<tr>
<td>120</td>
<td>60 unit (equivalent 6.36 Kg)</td>
<td>Fruits (apples, oranges, grapes)</td>
</tr>
<tr>
<td>50</td>
<td>60 unit (equivalent 6.072 Kg)</td>
<td>Green leafy vegetables</td>
</tr>
<tr>
<td>50</td>
<td>60 unit (equivalent 6.437 Kg)</td>
<td>Other vegetables</td>
</tr>
<tr>
<td>290</td>
<td>900 CC</td>
<td>Liquid oil</td>
</tr>
<tr>
<td>230</td>
<td>1 Kg</td>
<td>Sugar</td>
</tr>
<tr>
<td>2080</td>
<td></td>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Ministry of Health Nutrition Office of Iran

**Findings**

The results Augmented Dickey – Fuller of unit root test for durability study. First, unit root test Dickey Fuller used the main variables then results in Table 2 are shown.

**Table(2):** The results of the durability variables by using Dickey-Fuller test generalized in level

<table>
<thead>
<tr>
<th>Variable</th>
<th>Test process</th>
<th>Dickey-Fuller test</th>
<th>Amounts critical at various confidence levels</th>
<th>Status Stationary</th>
</tr>
</thead>
<tbody>
<tr>
<td>p2</td>
<td>Without intercept and trend</td>
<td>-1.37</td>
<td>10 Percent -1.60</td>
<td>5 Percent -1.95</td>
</tr>
<tr>
<td></td>
<td>To intercept and no trend</td>
<td>-2.00</td>
<td>-2.62 -2.98</td>
<td>-3.71</td>
</tr>
<tr>
<td></td>
<td>To intercept</td>
<td>-2.14</td>
<td>-3.23 -3.59</td>
<td>-4.35</td>
</tr>
</tbody>
</table>
The results in Table (2) shows that most variables are not stationary in level, to determine the degree of accumulation do Dickey-Fuller test generalized in the first order difference.

**Table (3):** The results of the durability variables by using Dickey-Fuller test generalized in the first order difference.
According to Table (3) variables have reposition the first order. The estimated model and interpret the results. According to the estimation method, ARDL form of poverty for the model is as follows:

\[
\begin{align*}
    p_2 &= \alpha_0 + \sum_{i=1}^{n} \alpha_i p_{2,t-i} + \sum_{j=0}^{n} \beta_{1j} relative \ mobility \ c_{t-j} \\
    &+ \sum_{j=0}^{n} \beta_{2j} rate \ of \ growth \ c_{t-j} + \sum_{j=0}^{n} \beta_{3j} gini \ c_{t-j} + \epsilon_t
\end{align*}
\]

The results of the estimate the relationship between income mobility and poverty is mentioned using ARDL in the table (4).

**Table (4): The results of the short-term dynamic model estimation (1,1,1,0) ARDL**

<table>
<thead>
<tr>
<th>Prob</th>
<th>Statistics t</th>
<th>Standard error</th>
<th>Coefficient</th>
<th>Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.05</td>
<td>2.03</td>
<td>0.13</td>
<td>0.27</td>
<td>( p_2 (-1) )</td>
</tr>
<tr>
<td>0.04</td>
<td>-2.09</td>
<td>0.007</td>
<td>-0.015</td>
<td>Relative mobility</td>
</tr>
<tr>
<td>0.03</td>
<td>-2.30</td>
<td>0.007</td>
<td>-0.016</td>
<td>Relative mobility((-1))</td>
</tr>
<tr>
<td>0.03</td>
<td>-2.20</td>
<td>0.009</td>
<td>-0.021</td>
<td>Rate of growth</td>
</tr>
<tr>
<td>0.02</td>
<td>-2.38</td>
<td>0.009</td>
<td>-0.22</td>
<td>Rate of growth((-1))</td>
</tr>
<tr>
<td>0.00</td>
<td>3.50</td>
<td>0.19</td>
<td>0.69</td>
<td>Gini</td>
</tr>
</tbody>
</table>
### Table (5): The results of diagnostic tests

<table>
<thead>
<tr>
<th>Null hypothesis</th>
<th>LM(CHSQ)</th>
<th>Probability level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serial Correlation</td>
<td>0.42</td>
<td>0.50</td>
</tr>
<tr>
<td>Functional Form</td>
<td>1.08</td>
<td>0.17</td>
</tr>
<tr>
<td>Normality</td>
<td>0.28</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Heteroscedasticity</td>
<td>0.24</td>
<td>0.26</td>
</tr>
</tbody>
</table>

Source: Research calculation

The first step in ARDL method the estimated short-term model and assess long-term relationship. Short-term pattern of results is presented in Table (4). Maximum lag is 1 in this pattern and the optimum model is selected based on Shvartz- Bayesian (SBC). Be seen in the short term, poverty has been in the past period a significant positive effect on poverty in the current period. Income mobility has significant and negative effect on poverty in the current period and the past. Economic growth rate has significant and negative effect on poverty in the current period and the past. Gini coefficient has a significant positive effect on poverty in current period.

**Cointegration test**

After estimating equation ARDL must ensure the existence of cointegration between variables, if the sum of the coefficients of interval the variables associated with the dependent variable is less than one, dynamic model will be a tendency toward long-term equilibrium model. T-statistic for the model estimate is calculated:

\[
t = \frac{0.27 - 1}{0.13} = -5.61
\]

T critical value greater than the quantity provided by Banerjee, Dolado and Master (-4.05) at 95% Level of assurance. Therefore, the null hypothesis there's
no denying the long-term relationship and although it is accepted. After ensuring the existence of long-term relationship, we estimated and interpreted. The results of the estimated long-term relationship are presented in Table (6).

**Table (6):** The results of the estimated long-term relationship model (1,1,1,0)ARDL

<table>
<thead>
<tr>
<th>Prob.</th>
<th>t Statistics</th>
<th>Standard error</th>
<th>Coefficient</th>
<th>Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.01</td>
<td>-2.58</td>
<td>0.017</td>
<td>-0.044</td>
<td>Relative mobility</td>
</tr>
<tr>
<td>0.01</td>
<td>-2.66</td>
<td>0.022</td>
<td>-0.061</td>
<td>Rate of growth</td>
</tr>
<tr>
<td>0.00</td>
<td>3.55</td>
<td>0.27</td>
<td>0.96</td>
<td>Gini</td>
</tr>
<tr>
<td>0.02</td>
<td>-2.51</td>
<td>0.11</td>
<td>-0.28</td>
<td>C</td>
</tr>
</tbody>
</table>

Source: Calculations of research

It can be seen that all the coefficients are statistically significant variables, so that in the long run one unit increase in income mobility and economic growth rate reduction poverty respectively 0.04 and 0.06. And one unit increase in inequality, increased poverty by 0.96 units. Thus, there is a significant negative relationship between income and poverty mobility.

**Error correction model (ECM)**

Error correction model of the model is as follows:

\[ p_2 = d\alpha_0 + \beta_1 d\text{relative mobility} + \beta_2 d\text{rate of growth} + \beta_3 d\text{gini} + \beta_4 ECM(-1) \]

Coefficients estimated error correction model that shows the relationship between poverty and the explanatory variables in Table 7 appears.

**Table (7): Results Estimated error correction model (1,1,1,0) ARDL**

<table>
<thead>
<tr>
<th>Prob</th>
<th>Statistics t</th>
<th>Standard error</th>
<th>Coefficient</th>
<th>Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.04</td>
<td>-2.09</td>
<td>0.007</td>
<td>-0.015</td>
<td>d\text{relative mobility}</td>
</tr>
<tr>
<td>0.03</td>
<td>-2.20</td>
<td>0.009</td>
<td>-0.021</td>
<td>d\text{rate of growth}</td>
</tr>
<tr>
<td>0.00</td>
<td>3.50</td>
<td>0.19</td>
<td>0.69</td>
<td>DGini</td>
</tr>
<tr>
<td>0.01</td>
<td>-2.55</td>
<td>0.80</td>
<td>-0.20</td>
<td>Dc</td>
</tr>
</tbody>
</table>
According to table (7) all variables coefficients are significant. Coefficient ECM (-1) in the model of -0/52 been estimated. This coefficient shows that in every period (every year) about 52% of short-term imbalance adjusted to achieve long-run equilibrium. According to the statistic $R^2$, explanatory variables explained 63 percent of variations in the dependent variable.

**Conclusions**

One of the most important economic factors affecting poverty reduction in developing countries is increasing the production of these countries. Structural changes as well as infrastructure and superstructure amelioration in various countries have a role in reducing absolute poverty (income and poverty line). A more appropriate redistribution of income can also help the poor to obtain at least needs to get rid of extreme poverty. In this regard, using econometric models auto regressive distributed lag, and by using annual time series data for the years 1984 -2013 of Iran this issue is investigated. Results show that the all the coefficients of variables are in accordance with economic theories; and income mobility in the long term have significant negative effect on poverty. And ECM model shows that in every period (every year) about 52% of short-term imbalance is adjusted to achieve long-run equilibrium.

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