



# Globalization, Income Growth and Human Development Index: Experience of Iran

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## ABSTRACT

This article is an attempt to answer this question that; does globalization process increase the income levels a country like Iran? And the impacts of economic globalization on human development index and its levels? Output generated from data's of Iran revealed a rise of income in national levels (GDP), so a relativity improvement in HDI and also in two indices viz, means education and health index. Whereas, per income index of Iran to had improvement in the past three decades, but in comparison to per revolution (1979) there was no improvement. So, this study explored the poverty and inequality hasn't decreased to scale of considerable in Iran.

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## Introduction

The attention on human security revolves around the central issue of development that protects the current generation's life opportunities and their future. The human development pattern encourages all people to use their abilities and develop their potential capacities. These abilities and capacities will be employed in all the economic, cultural, political and social aspects. Human development is a trend which increases human facilities and will provide access to knowledge and education, health and generally a suitable life level. The HDI is an index of measurement and scaling in the economic and social development of countries. Furthermore, the more part of the cognitive areas of the contemporary scientists and experts of economic, social science and political have concentrated on the relationship between globalization and development. These arguments are such as; globalization and economic growth, income, poverty, inequality, human development, human well-being and generally the impacts of globalization on the social and economic efficiency in the world society. Many of developing countries confirms that globalization accelerate the process of development and liberalization. For example; the studies are related to Latin American (Brazil, México, Argentina and Southwest Asia (China, Malaysia, South Korea, Singapore, or Middle East (Turkey, Qatar) and others have accessed to rapid growth in GDP, GNI per capita, and economic growth, which these growth are concerned to liberalization and the rise of economic markets results from globalization process.

Globalization is a term that broadly speaking by writers and scientists, they determined a set of the principal underline ideas for progressive integration of economic and societies. These ideas driven on the two aspects, the first refers to factors such foreign direct investment (FDI), foreign trade, new technology, systems of informational and communicational. The second refers to outputs and outcomes result of globalization process

that appears in the socio-economic feature. In fact, the second aspect more emphasis the role of policies and institutions that are affectively on international relations, global markets and merchandize trade, issues compass the human development index, standards of life or quality of life in global society, which support the integration of economics and societies (Lee, et al. 2006).

Cognition of the socio-economic conditions of Iranian society after the 1979 revolution, other structural revolutions and events changed the socio-economic face of Iranian society and affected the lives of Iranian society. If, the new religious government (1979) promised to bring foundational changes to Iranian society, improve social and economic conditions, and raise the living standards, particularly of the poor and dispossessed in society. But, the new government and political leaders of Iran had been pessimistically looking to foreign states and globalization process, and society of Iran encountered the more isolate on the side of world society and economic activities especial globalization process. Thirty three years since the revolution and 22 years since the foreign war, the country now suffers the consequences of revolution. In here, we can conclude that a study of Iranian society will provide a true understanding of the current income growth and HDI situation of the country in respect of the process of globalization. Thus this study investigates the process of development and globalization and theirs relates with GDP, economic growth rate and HDI of Iran during the past three decades.

## Related literature

Statistics provided by the Human Development Report (HDR, 1990) since 1990 have indicated the outputs and outcomes toward successful economic and social development and improvement in the life levels of human societies. These indicators have easily recognizable purposes and are related directly to economic programs and policies and social

development. In fact, these powerful and recognizable indicators reflect constant stability or instability in a country's economic and social indicators and demonstrate that instability in the human development index may cause the fall of a government.

The HDI is important because it allows the opportunity to understand how and why a country with an aggressive economy enjoys better per capita income. The basic elements in models of world economies are constancy, productivity, and human freedom for active participation to form a human development pattern in the case of countries that are successful and are able to move ahead in context of international trade. The main losers in the economic process are countries with lower role play in access to human development. Today's human development is an important and influential factor in internal and external relations and communications in society and human development reports are published yearly by the UNDP (UNDP, 1999).

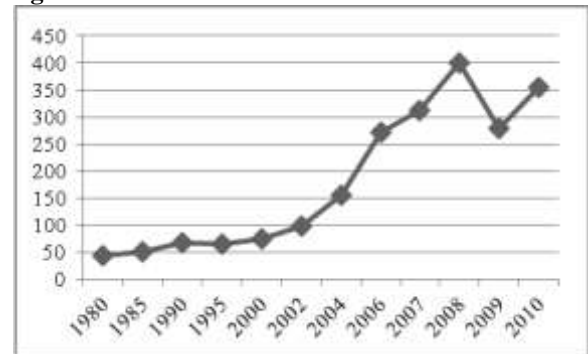
UNDP (UNDP, 2002) say's globalization is as a element for increasing of capacities of educational, cultural, economic and technology in world societies and promote individual abilities in higher educational levels. According to Jacob (Jacob, 1999), these concepts are homogeneity to social globalization concept and improvements result of it. As Schulte (Schulte, 2000) emphasizes on the relationship between the social development and globalization on three issues of the human security, social justice, and democracy, which these relate to quality of life index. In comparison, studies by Sulaiman et al. (2010) found that FDI impacted on the GDP and economic growth rate in Pakistan from 1975 to 2008, but GDP had no significant impact on HDI and decreasing of income inequality in Pakistan. The impacts of FDI on a country's economy can be seen in the country's general economic growth as reflected in greater economic efficiency and higher outputs that lead greater accessibility of maximum income utility, economic development and a higher level of economic interactions at the international level (Zenegnaw, 2010). Kabir Rabbane et al. (2010) say's globalization process increase interconnectedness of individuals, groups, companies and societies that its impacts appears on the trade, economic markets and human development. The important influence of FDI to such countries is also seen in the rise of free and transnational trade including exports and imports of goods and positive consequences of modernization and globalization and even more development (Njong, 2008). Bilbao (2011) focused on HDI analysis as a starting point toward knowledge and evaluation of sustainability development a society and prospects for future it. He believes that HDI needs to supplementary indicators such as; economic and social choosing and others for growth models.

#### Design of the Study

The nature of current study is related to the use of documentary research and historical that can argue the globalization concept and the human development index in the society of Iran in the past three decade based on secondary data. This study used of the multiple linear regression and hierarchical model for to show the relationship of probability between independent variables and dependent variables. This study focused on components of globalization include FDI, exports and Imports of goods as independent variables and GDP, GNI per capita as dependent variables and controlling, so HDI and its indices that include education index, health index and per income index. So, we have a superficial looking to inequality index and poverty of Iran in the past three decade. that in fact we

show the rate of improvements of socioeconomic situation of Iran.

#### Findings



“Fig. 1. FDI of Iran 1980-2010

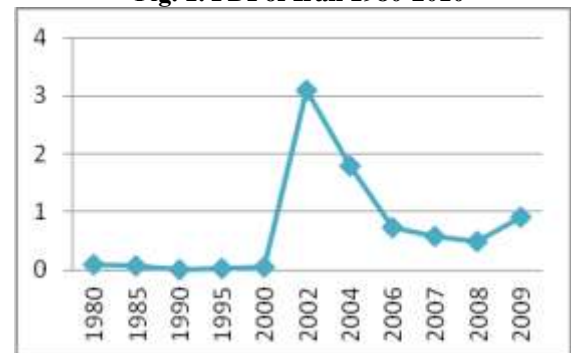


Fig. 2. FDI as % of GDP

Looking Iran data (Table 1, Figure 1&2) it can be seen that the Iran country did experience negative FDI growth in the decade 1980. In other words, prior to 2000, Iran did not succeed in attracting foreign direct investments and in fact experienced negative growth, particularly in 1990. The change came in 2000 when the country attracted \$US 3,657 million in FDIs, which made up 3.1% of GDP. There was however a trend of declining FDI until 2008 when FDI began to flow again into the country, with total amount of \$US3,016 million in 2009 and 3,616 in 2010, although it did not reflect more than 1% of GDP, there was fluctuation in FDI. The main reason for such fluctuation could be due to the many internal problems faced by the country in the last 30 years that ran counter to the general globalization process. Iran experienced the suitable situation in the foreign trade. The value of exports rose from \$US 43 billion (US\$) in 1980 increased to \$US 401 billion in 2008, proximately ten times. The imports of goods increased from \$US 88 billion in 1980 to \$US 412 billion in 2010. An important point about the Iran merchandise trade is its negative performance between 1980 through 2004, so in 2010, with imports outstripping exports. The scale of international and transnational participation was less in the decade of 1980.

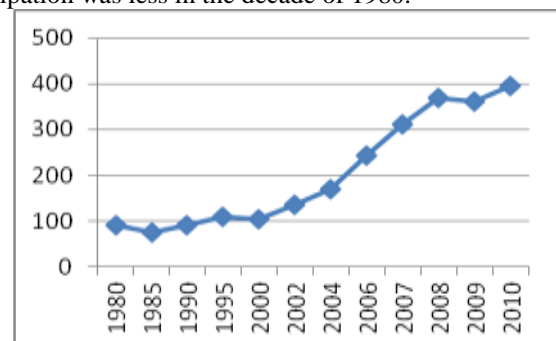
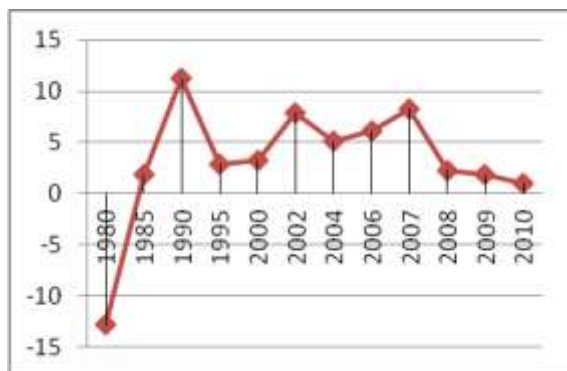
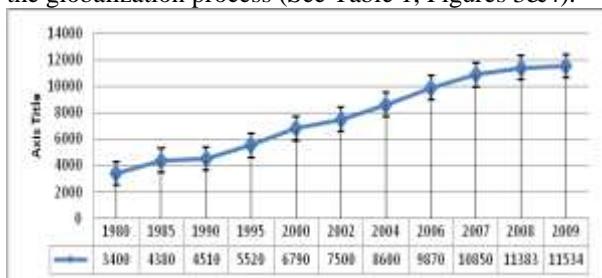


Fig. 3. GDP of Iran 1980-2010



**Fig. 4. Economic growth rate of Iran**

In early 1980s, the Iran economy experienced negative growth of -12.8% on the back of a weak economy, which however gradually improved in the following years before a significant decline in 2009 to 1.8% and 2010 to 1% in GDP growth rate. To better understand the economic history of Iran, it should be noted that the country's GDP was \$US 91 billion in 1980, rising to an impressive \$US 395 billion in 2010. In contrast, the Iranian economy was successful and stable and with high national incomes, although Iran's scale of integration into the globalization process (See Table 1, Figures 3&4).



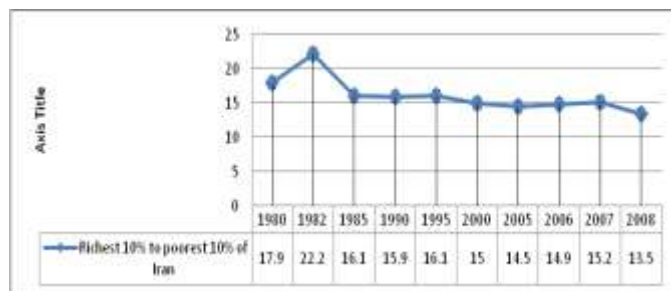
Source; UNCTAD, 2010 .10.19 [www.unctad.org](http://www.unctad.org),

**Fig. 5. GNI Per Capita of Iran**

Definitely, performance of GDP and economic growth result from globalization should appear in general welfare and improvement in social indicators such per income, poverty, inequality and HDI. Figure 5 is revealed amount of GNI per capita of Iran have had a much little rise in per income of Iranian in during 1980 to 2009 that amount its raised from 3400 (US \$) in 1980 to 11534 (US \$) in 2009, but this increasing can't has an ideal rise and suitable for a rich country, possessor of raw materials and exporter of oil (See Figure 5).

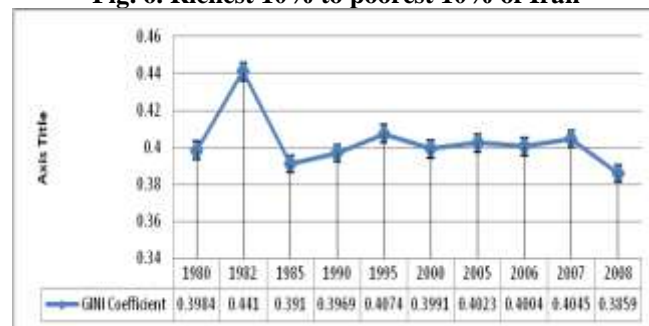
#### Dependent Variable: GNI per capita

Outputs (Table 2) show that Correlation coefficient values are between 0.854 and 0.933, which indicate a too high correlation between a set of independent variables on DV. The Adjusted R-Square values are from 0.712 to 0.831. Namely, these values explain from 71%, to 83% of the variation of DV is dependent on four IVs in three models. The Beta coefficient values explain the predictors and DV, that on the basis of two IVs, the gross domestic product (GDP) and economic growth rate share much in increasing GNI per capita (PPP) or DV. These analyses show that GDP has a key role in variations of DV or GNI per capita (PPP) in models 1, 2 and 3. So, economic growth rate in model 2 has a positive impacts and importance on DV. Thus we can understand that the components of the economy have a positive role and are important in income distribution and socio-economic equality. The estimated tolerance and VIF values have not violated the Collinearity assumptions (tolerance value of less than .10, or a VIF value of above 10).



Source: Central Bank of Iran and, Statistical Center of Iran

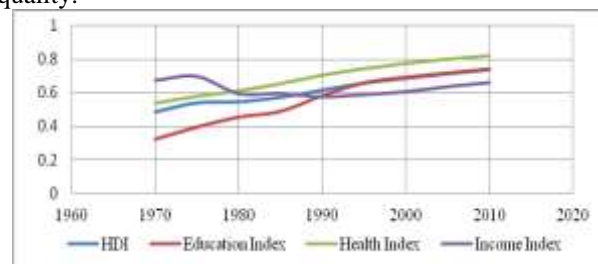
**Fig. 6. Richest 10% to poorest 10% of Iran**



Source: Central Bank of Iran and, Statistical Center of Iran

**Fig. 7. GINI Coefficient of Iran**

Figure 6 and 7 tell us that a rise in index of richest 10% to poorest 10% and GINI coefficient in 1980 to 1982 observes, but this figure shows a wonderful decreasing in 1982 to 1985 to variation scale 6.1%. We observe a trend of decreasing with little fluctuations during 1985 to 2009. Hence, this figure shows a relativity improvement in decline of income inequality in Iran society. In fact, this percent of variation can't an ideal scale and suitable for a rich country oil exporter during past three decade. So cannot have fundamental changes in improvement of social development indicators of Iranian particularly in income inequality.



Source: UNDP, HDRO, Calculation.

<http://www.hdr.undp.org/data/trends/>

**Fig. 8. Educational Index 1970-2010**

The next Looking us has to HDI and its indices. The first index is related to education, which is presented in Table 3 and 4 and Figure 8. We can see that the education index of Iran improved from 0.321 in 1970 to an impressive 0.742 in 2010, showing a positive variation of 0.421. Subsequently, the literacy rate of Iran was raised from 36.5% in 1980 to 82.3% in 2010. Iran therefore has succeeded well in improving the education index and greatly improved the literacy rate in their respective country.

The second component is the health index and the data are represented in Table 3 and 4 and Figure 8. Iran had successful health programs and its health index improved, from 0.537 in 1970 to 0.822 in 2010, and life expectancy has been raised from 58 years to 72 years between 1980 and 2010. In the area of health, Iran's progress has been gradual but slow as can be observed in the health index of Iran.

**Table 1. Economic indicators of Iran 1980-2010**

year	EGR <sup>1</sup>	GDP	FDI	FDI % GDP	Export	Import
1980	-12.8	91	80	0.09	43	88
1985	1.8	74	-38	0.07	50	78
1990	11.2	91	-361	0	68	120
1995	2.9	110	8	0.02	64	84
2000	3.3	104	193	0.04	74	88
2002	7.9	135	3,657	3.1	99	146
2004	5.1	170	2863	1.8	156	232
2006	6.1	243	1,646	0.74	271	268
2007	8.3	312	1,669	0.58	313	295
2008	2.3	369	1,615	0.48	401	376
2009	1.8	360	3,016	0.91	278	331
2010	1	395	3,616	---	356	412

Source; UNCTAD, 27.04.2011 [www.unctad.org](http://www.unctad.org),

1. Economic Growth Rate

**Table 2. Regression Equation of GNI per capita**

Model		R	Adjusted R-Square	Beta	t	Sig	Collinearity Statistics	
							Tolerance	VIF
1	GDP	0.854	0.712	0.854	6.566	0.000	1.000	1.00
2	GDP	0.890	0.765	0.889	7.492	0.000	0.981	1.020
	EGR			0.254	2.142	0.049	0.981	1.020
3	GDP	0.933	0.831	0.866	3.166	0.007	0.133	7.508
	EGR			0.271	1.876	0.083	0.476	2.100
	FDI			0.416	2.783	0.016	0.445	2.246
	Imports			-0.301	-1.041	0.317	0.199	8.400

Dependent Variable: GNI per capita

**Table 3. Human Development Indexes of Iran 1970-2010**

Year	HDI <sup>1</sup>	Education Index	Health Index	Income Index
1970	0.488	0.321	0.537	0.674
1975	0.542	0.394	0.578	0.698
1980	0.548	0.453	0.611	0.594
1985	0.575	0.488	0.654	0.595
1990	0.618	0.582	0.705	0.575
1995	0.660	0.658	0.744	0.588
2000	0.688	0.692	0.776	0.606
2005	0.715	0.717	0.801	0.636
2010	0.739	0.742	0.822	0.661
RV <sup>2</sup>	0.251	0.421	0.285	-0.013

Source: UNDP, HDRO, Calculation. <http://www.hdr.undp.org/data/trends/>

1. This index is estimated based on 1970-2010

2. Rate of variations

**Table 4. Human Development Indexes of Iran 1980-2010**

Year	GDP per capita	Life expectancy	Literacy Rate	HDI <sup>1</sup>
1980	7673	58.60	36.50	---
1990	6772	64.50	65.50	0.536
2000	8302	69.00	77.00	0.619
2005	10085	70.60	82.40	0.660
2006	10525	70.90	82.30	0.674
2007	11201	71.20	82.30	0.684
2008	11506	71.40	82.30	0.691
2009	11658	71.70	82.30	0.697
2010	11891	71.90	82.30	0.702

Source: UNDP, HDRO, Calculation. <http://www.hdr.undp.org/data/trends/>

This index is estimated based on 1980-2010

The index of per capita income for Iran decreased from 0.674 in 1970 to 0.661 in 2010 with a negative variation range - 0.013. While the amount of per capita income may have increased from \$US 7673 in 1980 to \$US 1,1891 in 2010, there has not been a real increase in per capita income for the Iranian people during the past three decades.

Finally, the human development index of Iran has seen a relatively good growth. The value of HDI of Iran improved from 0.488 in 1970 to an impressive 0.739 in 2010, showing a positive variation of 0.251 (see Table 3 and 4 and figure 8). Thus, Iran has been relatively successful in promoting the

contexts of health, education and HDI, but experienced negative growth in per income. To other interpretation, we can conclude that Iran has had successful growth and improvement during the past four decades, the situation can still be improved. In fact, the comparative levels of HDIs and their progress during the past three decades show some quiet progress and impressive by Iran country during 1980s and 2010s.

### Conclusion

We refer to the component of social development indicators, which is HDI, and discuss the general evaluation of the HDI trend in Iran and its indices during 1970-2010. In a



general overview of these outputs, it appears that Iran has benefited with a relatively acceptable rate of improvements in health, education and HDI, but experienced negative growth in per income. While Iran has achieved relative improvements in some contexts but accompanied by fluctuations. Anyway, the HDI of Iran shows that there has been tangible improvement in Iranian society. According to published reports of the UNDP (UNDP, 2005), Iran was ranked 99 in 2005, whereas in the 2009 report (UNDP, 2009) the country's ranking jumped 11 ranks to 88. So, this value increased to 0.702 with rank of 70 out of 169 in 2010 (UNDP, 2010). In fact, Iran country had an improvement of 29 stairs in the human development index between 2005 to 2010. These statistics demonstrate the improvement in the three major indices of human development in the 2010: literacy rate (0.742), life expectancy (0.822) and per capita income (0.661) of Iranian society and sum up the human development index (UNDP, 2010). Thus, the estimates suggest that human development index of Iranian society is improved by three components including; health index, education index and per income index during the past three decades. If, per capita income index of Iranian society isn't desirable improvement in comparison with before revolution 1979. With reference to the question of the research, the answer is that human development indices have improved in the past four decades, but is still not ideal, and the HDI features of Iran are still far from the level in advanced countries.

Whereas, outputs generated from figures 6 and 7 shows a very weak trend in decreasing of GINI coefficient and richest 10% to poorest 10% after the revolution of Iran (1979) that poverty and inequality not improved to considerable rate. In fact, society of Iranian accompany to a superficial improvement in HDI and its indices but is encountered with a undesirable situation in poverty and inequality. As a result, for Iran, trade performance has been very weak as reflected in its negative balance of trade, but the rise of GDP and income growth rate of Iran country is accompanied to inflectional that more to result from petroleum sale and other raw materials no to invest (FDI) in the difference sectors of society and the rise of economic integration with other countries. Finally, our findings show that Iranian society has had a little integration in the international relations that is related to oil and others raw materials and also Iran state can not step effectively in integrations of world with others countries and increase to theirs economic activates in the current world and improve to socioeconomic feature of self society.

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