

## The Role of Different Costs on the Inequality of Iranian Urban Households

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### Abstract:

According to different roles that types of revenues or expenditures play in creating inequality, the present study applies the analytic method of Lerman and Yitzhaki (1985) to investigate the role of types of expenditures on creating inequality. For this purpose, the Gini coefficient of elasticity and the effect of changing the share of each of the cost components on the Gini coefficient during 2004 to 2016 are calculated. The results show that Iranian urban households have been faced with decreasing sources of income during these years. For this reason, they have shifted their expenditure away from unnecessary items such as entertainment and culture to more fundamental items such as food. During the period under study, most inequalities were in the expenditure categories of transportation, cultural and recreational services, health care, education, home and hotel, and restaurant appliances. Moreover, the highest share of total inequality was related to the cost of transportation, housing, and food, which has been increasing over the years under study.

**JEL classification:** D3, D6

**Keywords:** Inequality Decomposition; Component of Total Expenditure; Gini coefficient

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