Reformism, Economic Liberalisation and Popular Mobilisation in Iran

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Abstract: Whereas in other MENA countries the impact of neo-liberal policies has been the subject of intense debate, there are at present few voices that directly analyse or critique its social and political consequences in Iran. This article seeks to address this lacuna by analysing the dynamics of reformism, economic liberalisation and popular mobilisation in Iran. It charts the country’s move from a post-revolutionary populism to a liberalised yet increasingly exclusivist model of politics and compares this to trajectories of economic liberalisation in Egypt. Two distinct outcomes of economic reform are analysed in the first part of the article: Socio-economic exclusion; and the contraction of political rights. In the second half, I investigate the ways successive post-war governments in Iran have packaged neo-liberal reforms, and how their re-imagining of the role of the state has led to differing levels of popular resistance. Finally I argue that under the present administration, political elites increasingly are oriented toward strengthening the state and seeking to limit opposition to their policies. However, the absence of neo-liberal hegemony in Iran means that growing mobilization on socio-economic issues is challenging these policies. The Right in Iranian politics is utilizing this mobilisation to present a populist challenge to the reformists in power.

Key Words: Iran; neo-liberalism; politics; popular mobilization; reformism

Following the election of a ‘liberal’ administration in 2013, its re-election in 2017 and the nuclear deal of 2015, academics and political commentators identified a watershed moment in Iran’s history, with the possibility of ending the country’s international isolation, opening up its economy and liberalising the political system. As a developing
economy and a country with a large, urbanised and youthful population, Iran represents a major market for western goods and products. Adam Tarock writes, for example, that former senior advisor to the World Bank, Nadereh Chamlou, argued that a post-nuclear Iran represents the most lucrative market for the West in the Middle East.  

The World Bank’s country overview of Iran began with an echo of this assessment, stating that Iran is the second largest economy in the Middle East with an estimated GDP in 2015 of US$393.7 billion, and has the second largest population of any country in the region, 60 percent of which are under the age of 30. The World Bank’s publication, “Iran’s economic outlook” for March 2016 stated that Iran’s economy is expected to grow rapidly over the next two years at 4.2 percent and 4.6 percent as a result of the lifting of sanctions and the fostering of a “more business oriented environment.” It warned, however, that a key challenge for Iran in achieving these high levels of growth relates to “the prospect of undertaking structural reforms that can move the country toward the sustained and inclusive growth envisaged in its sixth five-year plan.”

Economic liberalisation is being framed as an essential part of the ‘opening up’ of Iran to the world after many years of international isolation and the rationalisation of its political system to bring it in line with other successful international economies. These hopes are largely responsible for what Kaveh Ehsani argues is a consensus, both inside and outside of the country, in which privatisation has been portrayed as “the technocratic

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3. Ibid, p. 2
rationalization of a hopelessly deadlocked economy” and the cure for “a host of social and political ills, from authoritarianism to corruption and nepotism.”

In this article I delve into the consequences of neo-liberal reforms in Iran. In the first section I analyse where Iran sits within debates on neo-liberalism and present a comparative analysis of the experience of economic reform in Egypt – a country with a long history of liberalisation. I utilise socio-economic data on Iran in order to demonstrate that the last thirty years have seen a contraction of economic and potentially political rights that are comparable to the Egyptian case. In the second, I critically examine the ways in which neo-liberal policies were packaged by successive post-war administrations within Iran. Finally, I argue that the lack of neo-liberal hegemony in Iran which relates to the identity and legitimacy of the revolutionary republic, has presented opportunities both for popular mobilisation and for the resurgence of right-wing populist forces.

**Comparative Analysis of Economic Reform**

Analysis of the linkages between the economic and political characteristics of a state has been explored in a large body of literature, much of which posits a positive correlation between economic development and political liberalisation. However, the idea that economic reform programs consisting of privatisation, the development of the private sector, rolling back of subsidies, trade tariffs and welfare programs would engender political liberalisation has been the subject of substantial criticism. Instead theorists have

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argued that neo-liberal economic policies strengthen the authoritarian features of the state. A number of reasons have been put forward to explain the convergences between economic reform and authoritarianism. Firstly, economic reforms which result in economic hardship for the majority of the population lead to a loss of legitimacy for states and political elites and therefore encourage states to rely on repression. Secondly, rather than producing smaller and more accountable states, neo-liberal reforms and privatisation of state assets do not lessen the role of the state in the economy. Instead, the focus of state intervention shifts from welfarism and corporatism to militarisation with the expansion of the security sector, police, military groups and private security companies. In these ‘securocratic states’ a ‘security discourse’ prevails where political elites articulate a hegemony based on ideas of providing safety and security rather than welfare. ‘Safety’ here implies protection from both overseas threats and importantly from elements within the domestic population which leads to high levels of domestic surveillance and detention. Thirdly, new classes are empowered through the processes of neo-liberal reform. However, contrary to arguments that a reform minded independent class would support political liberalisation, a number of cases from the former Soviet countries, Latin America and the Middle East, have demonstrated that “powerful interest groups” connected to the state have been the main beneficiaries of reform.

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Egypt has been regarded as emblematic of this form of neo-liberal authoritarian as a post-populist state characterised by increasingly exclusionary policies as well as the empowerment of the military and security sector. Egypt was among the first countries to liberalise its economic system under the policies of infitah introduced by Anwar Sadat in the 1970s. More draconian neo-liberal policies were implemented by Sadat’s successor, Mubarak, and in 2007 Egypt was praised by the World Bank for being the world’s most successful economic reformer.

As a result of the restructuring of the economy and deregulation in order to attract foreign investment, unemployment and poverty levels in Egypt skyrocketed to some of the worst in the region. A number of commentators hoped that the opening up of Egypt’s markets to foreign goods and Foreign Direct investment (FDI) would benefit the country, both economically and socially. However, FDI was slow to materialise and did not create enough jobs to replace the destruction of substantial sectors of the economy and the public sector. Limited investment was concentrated in the areas of tourism, service industries and real estate speculation, which led to massively inflated real estate prices and a housing crisis in the major cities.

Unemployment and underemployment grew, particularly among educated youth as the public sector was dismantled, and the new jobs that were created were notoriously

Arab State and Neo-Liberal Globalization: The Restructuring of State Power in the Middle East, pp. 97-123 (Reading: Ithaca Press).


badly paid, casualised and unstable. At the same time, cuts to government subsidies and welfare led to soaring food and energy costs and the destruction of the safety net. As a number of authors have noted, the convergence of these factors contributed in no small way to the outbreak of the 2011 uprising in Egypt. In addition, Egypt did not experience political liberalisation as a result of these reforms, or a lessening of the control of the state. Instead, the state continued to play a major role in the economy and society, becoming more authoritarian in order to put down dissent to its increasingly unpopular policies. As a result of these processes, Egypt’s political system became a “securocratic state.”

In Egypt neo-liberal policies were introduced by a series of military dictatorships, whereas in Iran, they have been associated with elected administrations. However, neo-liberal policies have had similar effects in the different contexts where they have been introduced. Egypt is a comparable case to Iran due to its large and mainly urbanised, youthful population. In addition, neo-liberal policies were introduced in Egypt in the 1970s in the context of a similar ideological consensus that they would solve the problems associated with statist policies and produce a smaller and more accountable state.

The aims of neo-liberal reform in both contexts are comparable. As in Egypt, a major goal of economic reform in Iran is to deregulate the economy in order to encourage foreign investment. In October 2016 the English language newspaper *Keyhan International* reported on a series of foreign investment deals after a successful two-day

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13 Farsoun & Zacharia, Class, Economic Change, and Political Liberalization in the Arab World, p. 263.


15 Guazzone & Pioppi, Interpreting Change in the Arab World, p. 1.
trip to Tehran by the German minister for the Economy Sigmar Gabriel, including a contract to upgrade Iran’s railway network signed by the German company Siemens.\textsuperscript{16} The English-language Iranian economics daily, the \textit{Financial Tribune}, reported that in the same month President Hassan Rouhani extended an invitation to the 2020 Investment Association, a group of influential investors overseeing $7 trillion of assets, to visit Iran in January 2017.\textsuperscript{17} In a bid to attract foreign investors, the Tehran Chamber of Commerce, Industries, Mines and Agriculture planned a “roadshow” of Iranian companies to visit London in December 2016 in order to meet with European asset managers, sovereign wealth funds and pension funds.\textsuperscript{18} Foreign investors are also being sought in the politically sensitive oil and natural gas sector.\textsuperscript{19}

In addition to foreign and international aid revenue, tourism and the expansion of the service industries catering to foreign tourists was a major plank of economic reform in Egypt. Similarly, alongside attracting foreign investment, increasing tourism is a major goal of President Rouhani’s economic reform program. Indeed, \textit{Keyhan} reported that Deputy Finance Minister Muhammad Khazae offered foreign hotel chains 100% tax holidays of “between five to 13 years.”\textsuperscript{20} The drive to encourage foreign investment and tourism within Iran is taking place against a backdrop of an enormous crisis within the


\textsuperscript{18} Ibid.


Middle East and as such it has important political ramifications.\textsuperscript{21} In both the domestic and foreign press, Iran has been advertised as the “safest” country in the Middle East both for tourists and foreign investors. For example, the newspaper \textit{Ettela‘at} reported that at a conference in Beijing, Minister of Economic Affairs and Finance Ali Tayebnia, referred to Iran as “the safest country in the region for foreign investors” particularly in the context of the current regional crisis.\textsuperscript{22} However, foreign governments also use the leverage provided by potential trade deals to exert political pressure on Iran as reports of pressure being placed on Iran by German representatives to “normalise relations with Israel” and stop intervening in the Syrian conflict demonstrate.\textsuperscript{23}

In addition, the social and political impact of neo-liberal policies in Iran are similar to those seen in Egypt in the areas of unemployment, poverty and militarisation. However, as this article demonstrates, in the case of Iran the negative effects of these policies have been somewhat offset by welfarist measures undertaken by the state to ensure its own survival. Over the past three decades Iran has experienced rising unemployment, particularly youth unemployment, poverty levels and soaring real-estate prices, as well as privatisation, the destruction of the public sector and the empowerment of the security sector. Iranian census data shows that unemployment increased gradually from 11.5 percent in 2005 to 12.1 percent in 2012. Youth unemployment increased more rapidly, from 23.2 percent in 2005 to 26.8 percent in 2012. In a number of respects, however, the situation has deteriorated more markedly for middle class and working class Iranians than this data reveal. The housing crisis is an important part of this equation.


\textsuperscript{23} \textit{Keyhan International}, Germans Clinch Lucrative Deals in Tehran.
There is a saying in Tehran that the most lucrative business to be in at the moment is that of “selling air.” This refers to the business of real-estate speculation, the ‘air’ referring both to the vertical spaces of the city and the huge profits that are generated for investors in high-rise apartment construction. As in the case of Egypt, real estate speculation has driven up house prices and rents to unaffordable levels. Kaveh Ehsani has analysed the housing crisis effecting Iranian cities since the 1990s, noting the average dwelling size in Tehran has fallen by half as a result of real-estate speculation. Private-sector investment in new urban construction in Tehran quadrupled in four years between 1998 to 2002, whereas state investment in affordable housing over the same period has been negligible. Real-estate speculation has benefited those who can afford to invest in property, shifting the economic burden to the majority of the working population.

The second comparable social outcome of neo-liberalism in Iran is in poverty. Historically, poverty levels have been difficult to calculate, although several analysts have pointed to an alarming increase in poverty over the past decade. Poverty rates also have increased substantially in rural areas. Over the past decade 10.4 percent of Iran's urban population was classified as living below the absolute poverty line, as compared to 22.6 percent of rural inhabitants. At the same time, Iran is a relatively wealthy country in global terms. As an oil economy, Iran has been able to generate high levels of income for the state and, in the post-revolutionary era, has been able to channel this income into welfare provision. This has allowed the state to protect the population from economic shocks such as the removal of subsidies by directly compensating them through programs such as the cash subsidy introduced by the Ahmadinejad administration in 2010. According to economists, over the following year (fiscal year 2011-2012) the cash

24Ehsani, Survival through Dispossession, p. 3.
subsidy scheme increased median annual incomes by one-third and has proven endurably popular.25

The final aspect of Iran’s neo-liberal trajectory is that of militarisation. In Iran, neo-liberal economic policies have not led to the lessening of state power. Privatisation has led to the empowerment of a class of bureaucratic and military state elites with power invested in different parts of the state. In particular, the Revolutionary Guard (IRGC) has become the major beneficiaries of privatisation and the selling off of billions of dollars of state assets. This national security-military institution is often portrayed as conservative and essentially a vestige of revolutionary ideology. However, it is important to note that despite engaging in the rhetoric of anti-imperialism, it is the IRGC which, as it controls most of the economy, has the most to gain from liberalisation and ‘open door’ projects.

Despite the fact that Iranians have been partially shielded from the most socially exclusionary outcomes of economic reform due to compensation and welfare programs, there is consensus that the solution to the country’s economic problems is further privatisation measures and the removal of protections from workers in order to stimulate economic growth. Iranian economist Djavad Salehi-Isfahani, whose analyses the World Bank utilizes in Iran publications, has argued that rising unemployment in Iran is due to the rigidity of post-revolution labour policies, in particular the protections available to older workers who are guaranteed five month’s severance pay should they be made redundant. This difficulty in getting rid of the older workforce, in addition to the “youth

“bubble” are in Salehi-Isfahani’s opinion, responsible for the fact that over 35% of university graduates are unemployed and are, as he argues, trapped in the condition known as “waithood” – where they cannot find work or work that is highly paid enough to get married, move out of their parent’s houses and establish families of their own.26

However, in Egypt neo-liberal policies exacerbated unemployment or led to the phenomena of underemployment, where new entrants to the job market, in particular youth and women increasingly are employed in casualised industries or in the informal economy and struggle to earn a living wage. As Shahram Khosravi has noted, this is the real cost of economic reform in Iran where the increasing levels of poverty in rural areas are motivating people to move to cities to join the “growing urban precariat, who are exploited as cheap and docile workers in the informal labor market,” raising the number of Iranians living in slums to almost 10 million (17 times higher than before the revolution in 1979).27 These new workers are part of the employment trend observed by Sohrab Behdad since the revolution where a ‘reserve army’ of unemployed workers have found two industries open to them; the service industry and the security forces28 – another feature of the militarisation of the economy. There is no evidence that removing existing protections from established workers will address these issues.

Moreover Hossein Askari and Noora Arfaa argue that improvements in the living standard of the majority of Iranians in the first decade after the revolution came about not due to the creation of stable employment but to the welfare and subsidy policies, which


made “remarkable improvements in poverty alleviation and in key human development indicators.”\textsuperscript{29} It is clear then that the policies deemed by many economists today as inefficient and a barrier to growth such as “formal social safety net programs, employment guarantees, consumer subsidies, cash transfers and universal health and education services”\textsuperscript{30} in fact have shielded the majority of Iranians from economic disaster. It is also these policies that have been the main target of economic liberalisation programs.

Thus, the Iranian state’s ‘oil populism’ and its ability to compensate its population through welfare and cash subsidy schemes have complicated discussions of the social impact of economic reform measures. Indeed most economists argue that the economic problems of the country are due, not to neo-liberal policies, but to continued state domination of the economy, its interference in the private sector, inefficiencies and corruption.\textsuperscript{31} There are, however, a number of problems with this approach. Firstly it tends to treat Iran as a unique case and ignore the evidence of the social and political costs of reform from other comparable contexts such as Egypt. Secondly, there is growing evidence of rising poverty levels in the country and a real danger that poverty levels will rise dramatically in future as a result of new sanctions and the fact that the cash compensation scheme is no longer able to outstrip rising prices.

More recent discussions have focussed on the economic impact of sanctions, with analysts arguing that it is sanctions, rather than neo-liberalism, which are to blame for the country’s economic misfortunes. There is no doubt that sanctions have had a profoundly


\textsuperscript{30} Ibid.

\textsuperscript{31} Ibid, p. 192.
dislocating impact on the economy. The country has endured four rounds of UN economic sanctions in 2006, 2007, 2008 and 2010. In 2010 the CISADA barred the US government from awarding contracts to companies and businesses that did business with Iran. In that same year EU unilateral sanctions were introduced and in 2012 the SWIFT banking and financial sanctions came into effect. Altogether these have represented a “comprehensive sanction against the whole economy.” 32

However, the problem with arguments that shift the blame from neo-liberalism and onto sanctions is that sanctions both directly and indirectly have enabled further privatisation of the economy. Nader Habibi, among others, argues that the IRGC (Revolutionary Guard), in particular, have benefited from the duel processes of sanctions and neo-liberal reforms that were introduced during the Ahmadinejad era. As foreign investment was not possible under the sanctions regime, it was the IRGC which gained significant economic assets through stepping in as a ‘substitute contractor’ and buying industries that were sold off by the state or went bankrupt as a result of the sanctions regime. This was particularly the case in the oil, natural gas, transport and construction industries.33 The sanctions regime also gave the government an excuse to implement unpopular economic reforms such as the removal of price subsidies in 2010, and which the IMF praised as going further than any other oil-exporting country would have dared.34 The argument that it is sanctions rather than economic reform which has hurt the majority of the country and empowered a military-business elite, does not take into account the ways in which sanctions and economic reform have worked hand in hand.

33 Ibid, p. 190.
34 Ibid, p. 191
The case of Iran demonstrates many of the outcomes of economic reform which empowers “powerful interest groups” while having negative consequences for the majority of the population. Rising poverty, the lowering of living standards, removal of the safety net and the housing crisis have been the result of neo-liberal reforms in Iran and yet are nowhere to be found in the economic predictions of the World Bank. Nevertheless they are greatly contributing to the phenomena of “waithood.” A comparative analysis of economic reform demonstrates that further economic liberalisation potentially may engender social and political conflict which will encourage elites to fall back on political repression as a means of maintaining social control. This is particularly the case as the two areas which the current administration is hoping will bring in much needed economic stimulus - tourism and foreign investment – are dependent on Iran maintaining its image as a lucrative island of stability in an otherwise crisis-ridden region.

A final aspect of the consensus surrounding the necessity of further economic reform measures is political. In Iran neo-liberalism is fundamentally associated with a move away from revolutionary ideology and intransigence and toward the triumph of the liberal bourgeoisie in the country’s political and economic spheres. Indeed, reformist administrations, publically committed to projects of political and social openness, the empowering of civil society and the ending of the country’s international isolation, have become among those most associated with economic reform. At the same time, the absence of neo-liberal hegemony in the country means that this project has been met with resistance and popular mobilisation, both of which have increased since 2017.

**Interactions between Reformism, Neo-liberalism and popular mobilisation**

The terms ‘reformists,’ ‘conservatives’ and ‘populists’ refer to political groupings, all of which have contested meanings. Although Iran does not operate a multi-party system, it
is a fluid political system in which publically identifiable factional groupings within the state compete openly in an at times hotly contested political debate in the media and other venues. Hossein Akhavi-Pour and Heidar Azadanloo identify two major factional groupings: Moderates and conservatives. They argue that the moderate group, in which are included “liberals, reformers, technocrats and pragmatists, “believe that Islam and democracy are compatible” and are “looking for a state that accommodates Islam as a faith.”

In contrast, conservatives or traditionalists are sometimes seen as ‘principalists,’ i.e., adhering to the principles of the revolution as they “believe in the notion of velayat-e faqih” and the supreme rule of a religious jurist. It is important to note that the boundaries and politics of these groups are not impermeable. For example, many important figures who in contemporary discourse are referred to as either moderates or reformists were hand-picked by Ayatollah Ruhollah Khomeini to serve in the first post-revolutionary government of the 1980s when they were part of the ‘Islamic left’ faction. Complicating this picture are the third group of para-statal organisations consisting of the Nehads or foundations established after the revolution, and para-military organisations such as the IRGC (Islamic Revolution Guard Corps). During the Ahmadinejad administration (2005-2013) these groups supported the new conservative faction which coalesced around the president, however their politics are fluid and several factions within these groups historically have supported reformist candidates. Indeed, during the 2013 presidential election they were not able to unite behind one candidate.


37 Ibid, p. 70.

Reformism in Iran connects ideologically to a long history of both Islamic reformism and secular liberalism as movements and popular strands of political thought in the country. It is also similar in its political outlook to other ‘post-Islamist’ parties and movements such as the wassateyya in Egypt, an-Nahda in Tunisia or the AKP in Turkey, each of which has played an important role in politics over the past twenty years. Populism also has a long history in Iranian politics. Ervand Abrahamian, among others, has compared the post-revolutionary state in Iran with the post-revolutionary ‘populist’ systems in Latin America with their combination of centralisation of power, charismatic leadership, state welfare programs and political repression. Populism more recently has been used to refer to the new conservative’s appropriation of leftist discourses of economic equality and the popular resistance to neo-liberal projects associated with the current administration.

It is important to note that neo-liberal policies were introduced by all post-war administrations, whether technocratic, conservative, reformist or populist. However, the level and nature of opposition to these reforms has changed according to the discourse utilised by state elites. In this way, although economic policies may have remained more or less consistent, the ideological ‘packaging’ of those policies has engendered differing levels of resistance. In this section I analyse the main phases of the history of economic reform in Iran: Technocratic, reformist and conservative-populist. Analysis of these trends can shed light on the current popular mobilisations, which oppose the economic policies of the Rouhani administration.


Structural adjustment policies were introduced by the Rafsanjani administration which referred to itself as a new party – *hizb* -- of technocrats and functionaries, *Kargozaran*. Rafsanjani’s administration (1989-1997) came to power in the context of an on-going social and economic crisis caused by the war and the switching of factional allegiances following the death of Ayatollah Khomeini in 1989; it oversaw the re-writing of the revolutionary constitution and the privatisation of 400 nationalised enterprises. This process included the transfer of billions of dollars from the state, some of which were bought up by the *nehads* and IRGC, which began to play an important role in the economy during this period.

Rafsanjani’s structural adjustment took the form of currency devaluation, price liberalisation and privatisation. Despite Iran’s international isolation following the US embassy occupation in 1979, in the following decade the country became a member of the International Monetary Fund and the World Bank. In 1991 the World Bank provided Iran with a $250 million loan. A further $850 million was promised in 1994 conditional on further structural adjustment measures. In March 1993 the government had floated the *rial*, and in 1993-94, it began raising the price of goods and services. In that year prices of natural gas, telephone, post, electricity, inner city transport and airlines increased – some by more than 100%. However, in many ways this initial experiment with neoliberalism was deemed a failure. The value of the currency had to be stabilised and a system of multiple exchange rates was introduced which in effect acted as a subsidy. Price liberalisation and privatisation in the 1990s were also introduced slowly with many starts and stops. On one occasion in 1993, the Iranian *Majles* approved a 100 percent increase in the price of gasoline on the day after President Rafsanjani and Supreme Leader

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40 Behdad, From Populism to Economic Liberalism, p. 115.
Khamenei had spoken out on behalf of the poor.\textsuperscript{41} This form of ‘zig-zag’ economic reform in which policies of structural adjustment are introduced at the same time as those which are intended to ensure the overall survival of political regimes, is well known to the Middle East, and was pursued by the Mubarak regime in Egypt during the same period.

In Iran, as in other post-populist states, political elites not only are interested in their own survival but also are committed to a welfarist and revolutionary identity for the state. Thus, it has been important for politicians to claim that they have been acting ‘in the best interests’ of the poor. This has also been reflected in the fact that the government ramps up such discourses when faced with increasing economic discontent and popular mobilisation. However, reformists have attempted to move away from the revolutionary discourse in which the state exists to serve the people, to a new one – that of civil society, transparency and rights. As Sohrab Behdad points out, this political project entails the re-centering of the bourgeoisie in Iranian politics, who were “battered in the revolution” and acceding to their demands for liberalisation by raising “the banner of economic liberalism, demanding denationalization (privatisation) of industries and deregulation of the market.”\textsuperscript{42}

It therefore is not surprising that neo-liberalism was a fundamental part of the political discourse of reformism. In the 1990s neo-liberal reforms were posited as being important for the growth of non-state groups such as civil society organisations and social movements. These ideas were part of mainstream Western development discourses and were developed in the work of important Iranian reformist intellectuals who saw a historic opening for non-state organisations to flourish as a product of the loosening of the state’s

\textsuperscript{41} Ibid, p. 123.
\textsuperscript{42} Ibid, p. 111.
corporatist populism. As such, intellectuals such as Akbar Ganji merged the ideas of the technocratic Rafsanjani administration with the argument that it was liberalism, not revolution, which constituted the truest expression of the national aspirations of the Iranian people. In practice, Ganji and others supported privatisation measures and argued that these would entail a lessening of the power of the state, and a flourishing of ‘civil society.’ These ideas found practical expression in the reformist administration of Mohammed Khatami (1997-2005) whose policies centred on ideas of democracy and pluralism as ways of strengthening both the state and civil society.

However, the reformists of the 1990s were not successful in convincing a majority of the electorate of their neo-liberal vision of civil society and a new identity for the state. Their economic and foreign policy failures alienated many in the working population, while liberals were disappointed by Khatami’s refusal to confront the supreme leader following attacks on student protesters in 1999. These factors allowed a new conservative coalition to gain power under President Mahmoud Ahmadinejad in 2005. Those on the right of Iranian politics such as the Ahmadinejad administration (2005-2013) also embraced policies of economic reform. Indeed, under President Ahmadinejad the 1979 constitution was amended to enable full privatisation of the public sector. However, the Ahmadinejad administration did not, like the reformists, seek to move away from the revolutionary rhetoric of the state. Similar to the zig-zag privatisation described during the Rafsanjani era, in its political rhetoric, the Ahmadinejad administration stressed socio-economic issues and claimed to act on behalf of the poor and oppressed.

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44 Povey, Social Movements in Egypt and Iran.
protests of the ‘Green movement’ that occurred during the Ahmadinejad administration were thus centred on political, rather than economic issues.

The current Rouhani government has embraced neo-liberalism in both policy and rhetoric. In policy terms this has meant privatisation of communications and manufacturing sectors, as well as government services such as water distribution, in addition to removal of subsidies and the dismantling of welfare services and the public sector. The Rouhani administration also has linked its neo-liberal economic agenda to the seeking of a rapprochement with the West. In terms of foreign policy, President Rouhani has continued the reformist goal of opening up Iran’s market to the rest of the world, deepening both regional ties and international trade agreements. Indeed, President Rouhani’s UN resolution, ‘A World without Extremism and Violence,’ adopted in December 2013, is seen by Farhang Rouhani, for example, as an expanded form of diplomacy tied to a neo-liberal goal of opening borders to foreign capital and trade.46

The state also has engaged in a security discourse in its attempt to secure hegemony. On the one hand, Rouhani’s administration has stressed the language of rights, citizenship and government accountability. Indeed, one of Rouhani’s major campaign promises came to fruition in December 2016 with the release of a Charter of Citizenship Rights. However, Rouhani’s administration also has utilised a security discourse that calls for “domestic social harmony” and the maintenance of a strong state. Indeed, the current administration’s use of the language of rights is framed as a part of the government’s efforts to build and maintain a strong, stable Iranian state and nation. In speeches and government documents released over the past year, President Rouhani has stressed that maintaining domestic social ‘harmony’ is also invaluable for attracting both tourism and

foreign investment. In the same speech quoted above, President Rouhani argued that “establishing social peace and economic stability are the government's main goals” and that “creating unrest and widening political and social divisions are detrimental to the country.” The increasingly hostile international environment that Iran has encountered since the election of the Trump administration in the United States also significantly has strengthened the perceived political need for a strong state in order to be able to defend against any potential future attacks from the US or its allies within the region.

The Rouhani government is attempting to complete the 1990s project of the Khatami administration, which can be interpreted as the triumph of the bourgeoisie in the Iranian economic and political system. This entails, not only a “face off with Iranian labour” but a re-imagining of the state and the formulation of a neo-liberal hegemony based on the idea of the free-market and a liberalised, autonomous workforce. However, as in Egypt, political liberalisation will not be the main result of this societal transformation. Zig-Zag neo-liberalism and increasing state penetration of both society and economy is not a flaw in this system, it is the only form of neo-liberalism that can ensure the continued survival of political elites committed to this project.48

The rejection by the populace of this new vision of austerity and the security state means that Rouhani’s administration is under pressure from a protest and labour movement that is able to see-through the promises of social justice made by the state. In May 2018, for example, it was reported that there were 17 protests in one day, one of which occurred during a ceremony to mark International Labor Day held at Ayatollah

47 Behdad, From Populism to Economic Liberalism, p. 134.

Khomeini’s shrine, where workers protested about pay and conditions during President Rouhani’s speech about the importance of labour.\(^{49}\)

Meanwhile the right in Iranian politics has attempted to embrace a discourse of socio-economic equality. This was demonstrated in the 2017 presidential election in which the conservative candidates Ebrahim Raisi and Mohammad Qalibaf claimed their campaign represented 96 percent of the electorate against the 4 percent of super-rich which they identified as the reformists. Despite many predictions that the right would make a strong showing in the election, Rouhani won another convincing victory, which demonstrates the continued support for reformism and its popular liberal stance on socio-cultural issues within the country. Having failed to take power through the ballot box, the right of Iranian politics has re-mobilised and attempted to co-opt the economic protests that erupted in provincial areas and in Tehran December 2017 and January 2018. These events indicate a potentially important shift in Iranian politics where reformists are moving toward embracing the strong state, whilst conservatives espouse their support for popular mobilisation.

**Conclusion**

Rather than viewing Iran as an exceptional case, it is fruitful to look to other trajectories of neo-liberal reform in the region, and the consequences of austerity policies elsewhere in the world. Far from being associated with increasing socio-economic and political participation, economic liberalisation in other contexts has left a legacy of hardening the exclusivist features of the state. In addition, data on the Iranian experience over the past twenty years demonstrates that while some aspects of Iran’s economic policies have

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remained stable over time, the inclusionary policies of the post-revolutionary state including welfare, subsidies, public sector employment and access to health and education, were important in enabling social mobility. Programs of privatisation and liberalisation target these very protections and have led to the destruction of the safety net which protected Iranians from economic shocks. Therefore, it should come as no surprise that these policies engender popular challenges to the reformist agenda that conservative forces can co-opt. As in other contexts, liberalisation in Iran will not be implemented evenly, or bring equal benefits to the population. Different groups will benefit depending on their historical positioning vis-à-vis the state. Indeed, the experience of other countries and Iran over the past two decades suggests that liberalisation of the economy will lead to a deepening of the security-military-business alliance, and of a continuing project of ensuring the political power of the state though the formulation of exclusivist political discourses of security and the maintenance of a strong state.

References


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