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## Alizadeh, P. & Hassan Hakimian (Eds.). *Iran and the Global Economy: Petro Populism, Islam and Economic Sanctions*. London and New York: Routledge, 2014.

Sina Ansari Eshlaghi  
*University of Vienna*, a0848182@unet.univie.ac.at

Ariane Sadjed Ph.D.  
*University of Vienna*, ariane.sadjed@univie.ac.at

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**Alizadeh, P. & Hassan Hakimian (Eds.). *Iran and the Global Economy: Petro Populism, Islam and Economic Sanctions*. London and New York: Routledge, 2014.**

This book illustrates how the post-revolutionary economic policies in Iran were initially aimed at social justice and economic independence and in time developed into an ambiguous stand regarding foreign intervention and the search for beneficial opportunities for engagement with the international economy. The political landscape of Iran has transformed from a monolithic structure under the Pahlavi monarchy to a polycentric structure with multiple and conflicting sources of political and spiritual orientation. These multiple orientations are well documented in this volume. However, internal strife and factional politics are an impediment to consistent economic reforms.

In Chapter 1, “One hundred years of oil income and the Iranian economy: A curse or blessing?” the authors argue that the volatility in oil revenues and the government’s inappropriate economic and political responses to them are the cause of most problems of the Iranian economy and not the abundance of revenues from oil exports.

Oil price volatility was rather small before 1970 and largely regulated by major oil companies. After the revolution in 1979 was the first time that an Iranian government had managed to control the level of her oil production. Another difficulty is the lack of a consistent and calculable economic policy. The Iranian economy adjusts very quickly to shocks, but lacks shock absorbers. Due to the relatively underdeveloped nature of money and capital markets in Iran, intervention in the economy is motivated more by short-term crises rather than long-term development perspectives and – as a result – sustains populist policies (p. 28). Three prominent strands of the resource abundance and growth literature are presented: Dutch disease, resource curse, and political economy considerations.

Chapter 2, “Institutional change, policy challenges and macroeconomic performance, 1979-2004,” discusses the limited economic diversification and continued dependence on the oil sector. The isolationist path since 1979 with a strong populist element has brought about a hybrid political form which combines aspects of democracy and non-democracy (p. 49). The post-revolutionary phase is divided in the following sub-periods: 1. *The ideological period* was marked by the Islamization of the economy, social redistribution and economic independency; 2. *The pragmatist period* was when market and foreign trade liberalization were introduced. Reforms were later scaled back to make space for public sector-led reconstruction efforts. Together with a debt-crisis, the inability to raise long-term credit on international markets and administrative inconsistency, the results of earlier reforms were marred. 3. The years 1994-2004 were characterized by uncertainty and factional strife. Adding to the continuing oil dependency during the years of the Islamic Republic and a lack of economic diversification, Hassan Hakimian cites weaknesses in the competitiveness of the non-oil sector.

In Chapter 3, “The political economy of petro populism and reform, 1997-2011,” Alizadeh describes former President Mohammad Khatami’s reforms and how most of them were reversed under the Ahmadinejad administration. The Central Bank and Management and Planning Organization of Iran (MPO) have come under direct control of former President Mahmoud Ahmadinejad. Populist policies, financed by growing oil revenues, distributed subsidy savings to consumers while hurting producers, leading to increasing inflation. However, populist policies in favor of the poor are ultimately inflationary and erode the purchasing power of the lower income groups. But interestingly, inequality has been resistant to policy change. Inequality has not grown under Ahmadinejad, but the sharpest reduction was observed under Akbar Hashemi Rafsanjani’s and Khatami’s administrations. Parvin Alizadeh discusses the limited privatization efforts which mainly benefitted parastatal organizations. Also there is a continued presence of government representatives on the boards

of “privatized” firms. Thus the private sector cannot develop, and involvement of the state remains high.

Chapter 4, “Iran’s free trade zones: Back doors to the international economy,” reviews the development of Free Trade Zones (FTZ) and Special Economic Zones (SEZ) in Iran. The expected role of FTZs was to facilitate the access to the Iranian market and to function as gateways to the wider international economy. The SEZs were planned in order to play a more active role in regional policy. Although there have been established many legal, financial and labor regulations in designated regions, the zones actually have developed into import platforms. Besides, Hakimian concludes that the free zones in the past decade-and-a-half have failed to attract Foreign Direct Investments (FDIs), which would have diversified non-oil exports and generated new jobs.

Chapter 5, “The role of government in the Iranian Banking System,” discusses problems such as the limited development of financial institutions and markets, inefficient property rights and bankruptcy laws, lack of trust in the juridical system, continuous government intervention in the financial sector and central bank, the Sharia law, subsidy reform, and the nuclear program. Especially since the presidency of Ahmadinejad the independence of the Central Bank of Iran has been seriously undermined. The resulting instability in the financial system in addition to sanctions has led to high risks in investment. The financial sanctions have not only restricted investors’ access to international markets for both imports and exports, they have also seriously reduced long-term investment opportunities due to the high level of uncertainty about prices of input.

Chapter 6, “The development of Iran’s auto industry in a comparative perspective,” covers the period from the early 1960s until now. In the 1990s, the auto industry became the second most important industry in Iran after oil and gas. But the national car project has remained dependent on imports. Under these circumstances, Alizadeh concludes that the Iranian auto industry is too closed to international trade and achieving a wider market requires the removal of sanctions.

There is little discussion about the lack of infrastructural facilities for development. Development cannot proceed just with foreign investment or free trade, it needs human capital and socio-economic changes in a country. In Chapters 5 and 6 it is assumed that inefficiency of the Iranian banking system or auto industry is more or less a consequence of sanctions, but an undeveloped economy is more complex.

Chapter 7, “The economy of Iran in the shadow of sanctions,” describes three different phases: From 1979-1996 Iran faced unilateral sanctions by the United States, but these sanctions did not interfere with other countries’ trade with Iran. From 1996-2006 the United States tried to restrict and reduce economic relations of other countries with Iran and in the mid-1990s the United States was able to bring the European Union on board. In this phase, Iran’s government could evade the sanctions through flexible and dynamic trade diplomacy.

Since 2006 the United Nations Security Council approved the first United Nations-sponsored sanctions against Iran. The United States and European Union introduced new sanctions that were far beyond those approved by the United Nations and which disrupted all aspects of Iran’s trade and relationship with other countries.

After 2011, sanctions on oil exports, financial transactions, the central bank, and cargo insurance caused severe troubles for Iran’s oil revenues and trade. As a consequence, domestic inflation reached high levels and industrial activity declined which resulted in unemployment.

Chapter 8, “Wage discrimination against women in Iran,” points to the improvement in university education and acquisition of productive skills among women since the revolution. But barriers in the labor market such as employment, promotion and wage

discrimination remain high. Since government regulations prevent discrimination, the gender gap is smaller in the public sector than in the private sector, as are wage differences. Female public sector employees were mostly specialists and skilled workers with high levels of education. The authors point to disadvantages of privatization and liberalization under the Rafsanjani administration: the deregulation of labor contracts and loss of public sector benefits made female employees more vulnerable to discrimination. They conclude that there is a need for better regulation and monitoring in the private sector.

In summary, the volume is very informative and presents a lot of data and statistics. Some chapters focus more on historical developments. However, underlying normative assumptions about liberalization, the free market, etc., are not spelled out clearly. Explanations primarily focusing on (the lack of) liberalization and privatization let other factors, such as corruption, intransparency, and not least the legacy of the tutelage of Western powers, fall short. It seems the authors assume that neoliberal ideas should be global and emancipatory. But the position of Iran in the global capitalist economy cannot be discussed without problematizing oppressive contracts and global inequalities.

Iran does not simply lack a neoliberal economy – there are fields where turbo capitalism is rampant, in the context of authoritarian state policies. Only in the last chapter it was briefly mentioned that some forms of state regulation have positive effects, i.e. regarding the prevention of discrimination of women working in the public sector. It would be interesting to learn more about the interplay of neoliberal structures with the Iranian polity.

Sina Ansari Eshlaghi  
University of Vienna  
[a0848182@unet.univie.ac.at](mailto:a0848182@unet.univie.ac.at)

Ariane Sadjed PhD  
University of Vienna  
[ariane.sadjed@univie.ac.at](mailto:ariane.sadjed@univie.ac.at)