Since the revolution, Iran has been torn between two futures for the Islamic Republic: a populist and distributive state vs. a development state. Energy subsidies and attempts to remove them provide an interesting window into Iran's politics and economics. The policy conundrum in removing energy subsidies is that subsidies accrue mostly to the rich while removing them hurts the poor more because energy forms a larger share of their budget. In 2010, under President Mahmoud Ahmadinejad, Iran made a bold attempt at reform of subsidies for energy and bread. The conundrum was resolved by compensating the poor with generous cash transfers. The transfers were popular with lower income people but drew the ire of the middle and upper classes. The election of President Hassan Rouhani in 2013 signaled a sharp turn from populism to neo-liberal economics, promising in particular to phase out cash transfers. The attempt in his latest budget, for the Iranian year 2018/2019, to accomplish this has been linked to urban unrests that have swept the country recently. These unrests demonstrate how the success of Rouhani's economic modernization project—expanding the role of the markets and integrating Iran into the global economy—depends crucially on finding a middle course between populism and economic growth. How he plans to deal with energy subsidies and cash transfers in the aftermath of the recent unrests will be an important test case.

FEBRUARY 15, 2018
12:00 pm–1:20 pm | Aaron Burr Hall – Room 219
Light lunch served | Please RSVP by 2/13 to iran@princeton.edu