

# Iranian Degringolade

by Hugh Fitzgerald



Now that America has pulled out of the nuclear deal, and the American government is pursuing sanctions against countries buying oil from Iran, the economic news from Tehran has only been bad and getting worse.

*The New York Times* last December [described](#) how the Iranian middle class has shrunk by 50% in the last year.

*The Iranian government has expanded the money supply by more than 30 percent annually for more than a decade, using the extra cash to cover budget deficits and other expenses. In the United States, by comparison, a broad measure of the money supply has increased by an annual average of 6.4 percent over the last decade, according to the Federal Reserve.*

*As a result of Iran's rapid expansion of the money supply, says Djavad Salehi-Isfahani, a professor of economics at Virginia Tech University, inflation has exploded and by*

*official figures is now running at an annual rate of 35 percent, compared with below 10 percent a year ago.*

*“The withdrawal [by the United States from the nuclear deal] busted the expectations for an economic boom created by the J.C.P.O.A. and Iran’s return to the global economy, which was expected to boost oil exports and foreign investment,” he said. “The reversal caused people to convert their rials into other assets, mainly dollars and gold.”*

*By raising the cost of imports, the currency collapse has reinforced the inflationary surge and decimated small businesses that... rely on imported goods.*

*President Trump’s decision to leave the nuclear deal, known formally as the Joint Comprehensive Plan of Action, or J.C.P.O.A., and to reimpose harsh economic sanctions prompted the other major economic disaster to befall Iran: a collapse in its currency, Mr. Salehi-Isfahani said. The rial lost about 70 percent against the dollar before strengthening recently, but its rates are still fluctuating heavily.*

*The Times described the economic collapse of one middle-class family, the Taymouris, who had a business selling computer accessories bought from abroad. The collapse of the rial made those goods much more costly for the Taymouris to buy; the higher prices they then had to charge caused a steep downturn in business.*

**Here is the grim tale:**

*Mr. Taymouri, saying it was best to let his money – or lack of it – do the talking, sat down and calculated the financial calamity that had befallen the family in the past year. Their monthly income fell from 50 million rials, or about \$1,400, a year ago to 10 million rials, or \$90, at the current heavily devalued rate.*

From \$1,400 to \$90 a month is a colossal decline. Of course they were forced to close their business. Mr. Taymouri now works at a video arcade. His current salary is unknown. He and his wife have moved into a tiny two-room apartment in a rundown section of Tehran.

*He is quietly furious about his own situation.*

*"If someone had ever told me I would one day live like this, I would've laughed," Mr. Taymouri said bitterly, before falling silent. Finally, his wife spoke.*

*"I'm not really that sad, because we are not alone," she said. "It's happening to so many people."*

*The Taymouris gave up:*

*"One night, Ms. Taymouri said, "he just came home, dropped on the couch and said, 'It's over.'"*

*In a country that still puts debtors in jail, the Taymouris had no choice but to make good on their debts. They sold the car, their furniture and the carpets they had been given as wedding presents.*

*Mr. Taymouri sold the shop to the arcade man on the condition that he could work there. Then they moved to their current apartment, which has a communal shower in the hallway.*

The Taymouris are, like tens of millions of other Iranians, former members of the middle class now ravaged by inflation and the collapse of the currency. Those whose livelihoods were based on reselling goods from abroad, like the Taymouris, were hit the hardest. The steep rise in the price of imported goods, which had to be passed on to customers, led to a deep decline in sales.

Another economic catastrophe in Iran is the result of the severe drought that began ravaging southeastern Iran 20 years

ago, and has continued to spread, so that now 96% of Iran is affected. In 2018 alone, the estimate is that the agricultural loss due to the drought – the worst in at least 50 years – has led to agricultural losses of four billion dollars. How many more billions have been lost in the years since the drought began two decades ago, and how many billions more will be lost in future years – for there is every sign that the drought is only worsening – is unknown.

Meanwhile, while the farmers suffer, and the urban middle class has decreased by half in just the last year, and one in five Iranians now live below the poverty line, the Iranian government continues to pour money into its aggressive projects abroad. The Iran Action Group in the State Department estimates that Iran has spent at least 16 billion dollars in Syria, Yemen, Iraq, Lebanon, and “Palestine” between 2012 and mid-2018. There is no end in sight for the war in Yemen, with deep-pocketed Saudi Arabia pouring more money into supporting the Sunnis than Iran does to the Shi’a Houthis. Assad may have reconquered almost all of Syria, with Iranian and Russian help, but now he has to reconstruct his country, which has suffered incredible destruction. It will cost, according to Western estimates, several hundred billion dollars to rebuild. How much of that will the Islamic Republic of Iran provide? It’s likely to be a lot, for Iran has too much invested in Assad to see Syria turn to others, including the Saudis, who have hinted that they would help Syria to rebuild. The commitment by Iran to support, with money and weapons, the Shi’a militias in Iraq and Hezbollah in Lebanon, remain. Iran has also increased its financial support to Hamas in Gaza.

The agricultural sector in Iran is in free fall because of the two decades of ever-worsening drought. The government prints money, and the inflation rate, unsurprisingly, has gone from 10% to 35% in a year. Meanwhile, though the Trump Administration said it would exempt eight countries, including Japan, South Korea, and India, from sanctions (with China and

Turkey sure to keep buying oil whatever Washington says), so that they could continue to buy Iranian oil, Iran's oil exports have plummeted by more than 50%, from 2.7 million barrels a day in June 2018 to 1.15 million barrels at the end of 2018. That's an unprecedented decrease in Iran's income.

The economic degrading in the Islamic Republic has had many effects. There is capital flight – \$59 billion was sent abroad in 2016 and 2017, by people seeking to invest outside Iran. It's a vote of no-confidence in the Iranian economy. Many thousands of Iranians have also left for the West. For example, when Serbia permitted visa-free travel for just three months (from August to October 2017), 40,000 Iranians arrived. Of those 40,000, 28,000 were ultimately unable to find permanent refuge, and returned unhappily to Iran, but 12,000 did manage to remain in the West, with most of them going to the U.K.

Most telling of all is the prediction of the regime's likely downfall, made not in Washington or Riyadh or Jerusalem, but in Iran itself, by two people closely linked to the regime. One is Hassan Khomeini, the grandson of Ayatollah Khomeini, the founder of the Iranian regime, who [has said](#) that he expects the Iranian regime to collapse unless it reforms.

"The foundation of any society is to win people's satisfaction. There is no guarantee that we stay in power and the others go," local media quoted Hassan as saying.

"The continued collapse of society and the spread of hatred and hypocrisy lead to forcing people to have two personalities," he said.

"If we lose our principles, and become preoccupied with formalities instead of fundamentals, it is an alarm bell that signals danger to this society."

And Faezeh Rafsanjani, daughter of the late Iranian leader Hashemi Rafsanjani, has in similar terms declared that "the

regime has morally collapsed and the Iranian regime's body would follow if an alternative to the current regime became available to the people."

Khomeini and Rafsanjani were addressing the moral failures of the regime, but as with the Soviet Union, those moral failures include economic crimes. The hatred of which Hassan Khomeini speaks is that felt by growing numbers of Iranians disgusted at the "hypocrisy" of the regime's leaders, who are engaged in their own vast enrichment while one-fifth of the country sinks into poverty and the middle class falls apart.

When the country was prospering, it was easier for people to overlook the unjust enrichment of their greedy rulers, but at a time of collapse in the two main sectors of the economy, oil and agriculture, there is now a keen awareness of how the Iranian system is rigged, to keep the leaders and their extended families – nepotism is rampant – very prosperous, while the rest of the country suffers.

For forty years, the Iranian people have had to endure rule by the fanatics of the Islamic Republic. Those fanatics have executed homosexuals, fanned antisemitism, forced women to wear the hijab, promoted the wearing of the chador, jailed and tortured and even murdered dissidents, and led those mindless chants of "Death to America" and "Death to Israel." "There is no fun in Islam," the Ayatollah Khomeini famously claimed, and Iran's clerics have spent their time trying to ensure just that.

The clerical rulers have mismanaged the economy at every level. Five million Iranians, including its most experienced technocrats – secular, Western-educated – fled Iran after the revolution. Those in Iran today who have advanced training in economics and management have often found themselves undercut by clerics who, without such training, nonetheless try to run the economy on the basis of vague "Islamic principles."

The rulers of Iran have squandered billions of dollars on foreign adventurism in Yemen, Syria, Iraq, Lebanon, and "Palestine," with no discernible benefit to the Iranian people.

The regime has not the slightest idea how to deal with the drought. But when Israeli Prime Minister Benjamin Netanyahu on June 9, 2018 publicly offered to help the Iranian people, by sharing Israeli expertise in drip irrigation and, especially, in the recycling of waste water (Israel recycles 90% of its waste water, far more than any other country), the mullahs angrily rejected the offer.

The clerics and the officers who run the Revolutionary Guard (IRGC) have created a culture of corruption that belies their claims of Islamic morality. Ayatollah Khamenei himself controls a business empire worth \$95 billion, far more than the Shah of Iran ever possessed. The late President Rafsanjani had amassed a fortune of \$1 billion. Other high-ranking clerics and IRGC officers have become millionaires.

How much longer can the regime survive?

Iran's oil exports have declined by more than half just in the last six months of 2018. If Washington, next April, refuses to extend the exemptions currently granted to eight buyers of Iranian oil, how low can those exports go? The Trump administration has said that it aims to reduce those exports to zero.

Because of the drought, Iranian agriculture is a disaster. The most important agricultural crop in Iran, by far, is pistachios, before the drought bringing in more than \$5 billion annually. The province of Kerman produces 70% of Iran's pistachios. Officials at the Agriculture-Jahad Ministry in the North of Kerman say that the production of pistachio has fallen by 80% in 2018. In the city of Rafsanjan, which is the pistachio capital of Iran, production fell in 2018 by 90%.

And not only has production fallen by 80%-90% as compared with 2017, but the pistachios that are now produced are of poor quality due to drought and heat, and consequently fetch far less on the market than did crops in previous years. Furthermore, the pistachio trees have been so damaged by the heat and drought that they are expected to produce far less in 2019 than in 2018, which was for Iran's pistachio growers the worst year on record.

Iran gives an impression of strength because of its foreign aggression. Those Revolutionary Guards in Iraq and Syria, those 140,000 missiles supplied to Hezbollah in Lebanon, those weapons transferred to the Houthis in Yemen, are cause for alarm. But they are not signs of economic strength. The very adventurism that makes Iran appear powerful has increased its economic weakness in several ways. First, had Iran ceased its aggressive behavior abroad, the Americans would not have felt compelled to reimpose sanctions on its oil sales. Second, that aggressiveness has cost the Iranians more than 18 billion dollars, in money and weapons used on behalf of, or transferred to, allies in Yemen, Syria, Iraq, Lebanon, and "Palestine." That is money Iran needs at home. Third, had the Iranian rulers thought more of their own country's interests and less about being the champions of the Jihad against Israel, they could have benefited from Israel's offer to help Iran in the management of its water resources.

The Islamic Republic of Iran has suffered a moral collapse, as both Khomeini's grandson and Rafsanjani's daughter have charged. People are fed up with the morality police constricting their daily lives. Iranians are tired, too, of the corruption and hypocrisy of the regime – rife with nepotism, privatization of government assets, and insider deals – that are on maddening display. Having had their fill of the clerics, Iranians are as a result even leaving Islam. Some have abandoned religion altogether, while others have made Christianity the "fastest growing religion" in Iran.



Iran has also suffered an economic collapse, the result of expensive foreign follies, financial mismanagement, misallocation of resources, geopolitical miscalculation (Washington's sanctions have exacted a steep price), and the historic drought.

What has not yet arrived is the political collapse of the regime. But this is the Muslim Middle East, and anything could set it off. A rise in the price of bread and other staples. A higher tax on gasoline. An Instagram of the morality police in Tehran, shows them grabbing a girl for not wearing her hijab, while she yells at them, and even delivers a swift kick to her persecutors – an Instagram that goes viral. Or a different Instagram, this one of Ayatollah Khamenei's luxurious villa, inside and out, never before seen by the public, that every second Iranian has now seen.

Whatever the outrage that prompts them, thousands of protesters show up in Revolution Square in Tehran, to denounce the morality police, Ayatollah Khamenei and his villa, the Revolutionary Guards, the clerical lords of misrule. The police manage to finally disperse the crowd by firing tear gas and beating into bloody submission the front ranks of protesters. But the next day, ten times as many protesters show up in the same square, and not only there, but in another dozen Iranian cities. The Instagrams of these protests go viral. The police are not able to hold the crowds back. The army is called in, and the soldiers do not hesitate to use live fire, killing more than 2,000 people around the country. When the news of these killings spreads across the social media, all hell breaks loose. Now there are more protests, in 80 cities across Iran. Soldiers who are told by their officers to fire on the protesters, in Tehran, Mashhad, Isfahan, Karaj, Shiraz, Tabriz, as they had done previously, now refuse to obey. Some soldiers join the protesters instead. Instagrams of soldiers marching with the protesters spread everywhere. The crowds keep getting larger, throughout the country, and now

they start to attack the local headquarters of the religious police. Not even Qom is quiet. "The army is with us!" is the message on social media. Throughout the country, the quarters of the Revolutionary Guards are surrounded by units of the army. In a few places, the IRGC try to fight their way out, but the soldiers fire on them, killing many. The Guards realize that resistance is futile and, as the army demands, they surrender their weapons.

After several weeks of protest marches around the country, the regime is toppling. Orders from the top are being ignored. There is one final, gigantic march in Tehran. More than one million Iranians, with Hassan Khomeini among them, are marching toward the government offices. The army, where is the army, to halt the marchers, to save the regime? But the soldiers do not appear, the generals having countermanded the orders given them by the clerics to "crush the protesters." Or rather, many soldiers do appear, and so do some high-ranking officers – look, there is General Tabatabai! – not to halt, but to join the protesters. Now the marchers are closing in on the offices of the Supreme Leader, where white-turbaned clerics are seen attempting to flee, and now they've entered the building, but Ayatollah Khamenei himself is nowhere to be found, and the marchers are now joking about "the Hidden Imam" and...

Well, that's a possible scenario for the regime's downfall. Maybe not this year. Or the next. And maybe not as in my fantasy above. But one way or another, it soon will happen.

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