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Implications of Policies Aimed at Reducing Iran's Oil Revenue Dependence during President Hassan Rouhani's Administration (2013-2021)

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ABSTRACT

The Islamic Republic of Iran has long suffered from the chronic effects of a mono-product economy due to its reliance on oil revenues and the vulnerabilities inherent in its rentier economic structure. This rent-dependent economic system has consistently been accompanied by widespread crises and economic challenges. In response, policymakers have envisioned strategies aimed at achieving a "non-oil economy" to mitigate the problems arising from such dependence. Therefore, the separation of Iran's economy from oil revenues, reliance on non-oil sectors, and the pursuit of a "non-oil economy" have a long-standing history and have often been considered an elusive goal. This study, based on Nafisi Rad's theory of the non-oil economy, aims to critically analyze the implementation of a non-oil economy during Rouhani's administration and examine its associated outcomes.In other words, the study seeks to determine the consequences of relying on a non-oil economy for the economic performance of Rouhani's administration. The article's hypothesis posits that Rouhani's government, facing declining oil revenues and international sanctions, encountered an unprecedented opportunity to implement a non-oil economic policy—an aspiration long held by Iranian policymakers. However, due to the dominance of a mono-product economy and a strong dependence on oil revenues, the government was unable to remain immune to the adverse effects arising from the rentier economic structure. From this perspective, bank indebtedness, declining national revenues, poverty and widening income inequality, currency devaluation, stagflation, unemployment, reduced production, budget deficits, and slower economic growth were among the consequences of unprecedented crises faced by Rouhani's administration. The unprecedented crises faced by Rouhani's administration resulted in bank indebtedness, declining national revenues, poverty, widening income inequality, currency devaluation**,** stagflation, unemployment, reduced production, budget deficits, and slower economic growth**.** Consequently, the government's policies aimed at implementing a non-oil economy not only failed to free the economy from its rentier dependence on oil revenues but also resulted in a fragmented economic system plagued by crises, which became a pervasive problem for Iran's economy and may continue to affect future administrations for years.

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Introduction

From a political economy perspective, rentier states—because of their dependence on oil revenues and reliance on a mono-product economy—tend to exhibit chronic economic instability and limited social class representation. This type of economic structure, on the one hand, encourages the state to become cross-class, unresponsive, and weakly representative; on the other hand, it exposes the government to recurring structural crises.In this context, as a rentier state, Iran has long sought to understand the effects of reliance on rent-based revenues and the resulting vulnerabilities in order to overcome the crises of an oil-dependent economy. The government has aimed to free the economy from the constraints of a mono-product system and, through economic diversification, create a foundation for sustainable economic growth. For many years, Iran has sought to implement non-oil economic policies, while a significant portion of government revenues continues to derive from oil income. This structural reliance on oil revenues has made the state highly vulnerable. Consequently, any disruption to these revenues can have severe repercussions for Iran's economy. Although successive policymakers have long aimed to reduce this dependency, they have never achieved complete success.

Following the JCPOA[1] agreement in 2016 and after the United States' withdrawal and the re-imposition of sanctions on Iran in 2018, Hassan Rouhani's administration sought to adopt and implement a non-oil economic policy, aiming to mitigate the impact of sanctions on Iran's economy. In this context, the statements and slogans of leaders and politicians from various factions, including Rouhani's administration, further reinforced the rationale for utilizing the country's existing capacities to implement national production and development policies. However, because alternative revenue sources—such as strengthening the domestic economy and supporting local production—were not sufficiently available under the prevailing economic conditions in Iran, such policies were unlikely to achieve substantial success in the short term. Consequently, such an approach and policy failed to materialize in practice, remaining largely rhetorical, and contributed to the increasing crises in Iran's economy. This study aims to apply Nafisi Rad's political economy theory of non-oil economics to analyze Rouhani's administration (2013-2021) from a political-economic perspective. Specifically, it seeks to examine how declining oil revenues and oil-related sanctions during Rouhani's tenure, alongside the implementation of non-oil economic policies, affected Iran's economy. In other words, the research aims to identify the administration's points of vulnerability and to understand why the non-oil economic policy ultimately failed to achieve its objectives.

The hypothesis of this study posits that, although previous Iranian administrations were largely dependent on oil revenues, Rouhani's government relied relatively less on this mono-product economy due to international sanctions and declining global oil prices. Faced with economic sanctions and reduced oil income—considered the lifeblood of Iran's economy—Rouhani's administration seized the opportunity to experiment, albeit through trial and error, with a non-oil economic policy. Consequently, Rouhani assumed leadership of the non-oil economy and proudly referred to his administration as a "non-oil government," asserting that the era of reducing oil dependency had begun and that this long-cherished aspiration could be

1. Joint Comprehensive Plan of Action (JCPOA)

realized in the future. With the support of domestic capacities, he projected that a non-oil economy would eventually be established in Iran. Rouhani and politicians from various Iranian factions believed that separating the national economy from oil revenues and relying on non-oil sectors could protect Iran's economy from the adverse effects of sanctions and the country's underdevelopment.

An analysis of Rouhani's economic policies indicates that his administration was unable to operate independently of oil revenues during this period, given Iran's heavy reliance on oil income. In the short term, due to weak domestic structures and the absence of a stable, production-oriented economy, the government remained anchored in a rentier and non-productive economic logic. The implementation of a non-oil economy not only deviated from sound economic principles and exposed Iran's economy to substantial shocks during Rouhani's tenure, but also suggests that, without coherent macroeconomic planning and strategic policies aligned with economic science, a future vision of an Iranian economy independent of oil revenues remains unattainable.

Accordingly, with declining oil revenues, Rouhani's administration became one of the most crisis-ridden and unstable governments since the Iranian Revolution. Major crises—including massive bank debt, runaway inflation, severe budget deficits, currency devaluation, exchange rate instability, declining domestic production, reduced government revenues, rising unemployment, expanding liquidity, banking system insolvency, and chronic economic instability across multiple sectors—represent only a portion of the consequences and legacy that Rouhani's administration left for Iran's economy. It appears that the only positive aspect of Rouhani's administration was its ability to prevent Iran's economy from following a Venezuelan-like trajectory. Despite a sharp decline in oil revenues, the government managed to partially redirect Iran's economic course; however, it ultimately left behind an extremely unstable and fragile state. This study aims, first, to examine Rouhani's administration from a political economy perspective; second, to provide a historical account of the non-oil economy; and finally, to evaluate the key factors behind the failure to implement non-oil economic policies during Rouhani's tenure by analyzing the economic and political sectors separately. Indeed, the relationship of political economy without oil can be analyzed within this scientific framework: oil is a source of rent and power concentration, and its removal would push the state towards greater taxation and efficiency. However, in practice, rent can have extensive effects. Transitioning away from dependence and its resulting vulnerabilities is not merely an economic issue, but rather a political-institutional transformation

Theoretical Framework

Indeed, the relationship of political economy without oil can be analyzed within this scientific framework: oil is a source of rent and power concentration, and its removal would push the state towards greater taxation and efficiency. However, in practice, rent can have extensive effects. Transitioning away from dependence and its resulting vulnerabilities is not merely an economic issue, but rather a political-institutional transformation. Since the beginning of oil exploration and extraction in the late nineteenth century, the oil economy has been one of the most complex sectors within the global capitalist system. In the twentieth and twenty-first centuries, oil has served as a central driver of economic growth worldwide, playing a pivotal role in the economic and political affairs of nations. From this perspective, in rentier states, the inflow of oil revenues has failed to generate long-term economic prosperity due to the lack of coordination between income and state structures. Even when economic booms occurred as a result of rising oil revenues, they were temporary; once oil income declined, the entire economy would fall into instability. In this regard, dependence on oil revenues has been a fundamental obstacle to sustainable economic growth for all such rentier states, and Iran, as a rentier state, follows the same pattern. (Karl,2020: 62) argues that when oil revenues decline, the administrative system that remains lacks sound and prudent economic management. An empty treasury, combined with a lack of revenue diversification and the burden of extensive state obligations, represents the typical outcome of a rentier government. Accordingly, some theorists consider a non-oil economy as a viable strategy to address the challenges of dependence on oil revenues. They argue that implementing a non-oil-based economic model, guided by specific principles and regulations, can ensure the stability and security of Iran's economy (Harvani et al., 2016: 68).

This study is grounded in the theory of a petrol-free economy, with the primary aim of evaluating its applicability in Iran. According to the dynamics of oil imports and exports—as two principal macroeconomic variables—exert a decisive influence on the country's economy over the course of development plans, particularly within the context of the 20-year Vision Plan. He cautions that this constitutes a critical warning, one that policymakers have largely neglected, potentially undermining the long-term sustainability of economic growth. Over the past two decades, oil has served as the primary backbone of Iran's economic indicators, effectively acting as the driving force of an economy whose productive factors have remained in a semi-paralyzed state. Meanwhile, the growing population has provided a suitable consumer market for imported goods. From a macroeconomic perspective, non-renewable resources such as oil can function as an economic indicator only when the revenues they generate are immediately converted into capital and reinvested in the production cycle. However, this has not occurred in Iran. Although five-year development plans periodically include policies advocating for such investment, in practice, they are rarely implemented. As a result, while the country's young and unemployed population increases year after year, overall population grows, and natural oil and gas reserves continue to diminish, as reported by the then government in an official report, was obligated to implement a petrol-free policy by leveraging domestic capacities and non-oil exports (Nafisi Rad, 2017: 69). However, according to a report issued by the Ministry of Industry and Mining, this program was not realized. The main factors hindering its implementation included rising inflation accompanied by approximate exchange rate instability, reduced competitiveness of domestic products, increased imports, lack of significant improvement in business environment indicators, failure to secure foreign financial resources, excessive reliance on public investment, inefficiency of credit-providing institutions, high investment risk, slow investment processes, sluggish privatization, and the reciprocal effects of economic and political factors. In this field, Momeni (2022) believes that this policy of structural adjustment and detachment from oil dollars, along with the specialization of their management in productive sectors, is essential. The continuation of this policy could have been the source of extraordinary achievements through the reduction of corruption, increased productivity, and the enhancement of the national economy's competitive capability.

Due to the inherent complexities of economics and politics, and the intricate relationship between these domains, only political economy can serve as the crucial link connecting the effects of economic and political spheres. In Iran, given the rentier nature of the state's economic structure, political economy is uniquely positioned to analyze the gap in studying these mutual effects. In this sense, political economy transcends purely economic or political aspects, and by relying on an interdisciplinary approach, it has demonstrated significant potential for analyzing and solving the problems of modern societies. (Mosalanejad, 2024: 7). Although the 20-year Vision Plan (2025) is approaching its conclusion, the country faces the most severe international sanctions, including those targeting oil, making the realization of such a vision highly unrealistic. This is because the advanced infrastructure and technology required for non-oil and import-substituting production remain unattainable. From Masoud Nili's perspective, the transition to an "oil-less economy" is a fundamental structural transformation that begins with shifting the government's financing base from unstable oil revenues to stable tax revenues. This requires budget discipline, control over current expenditures, and channeling oil income toward productive investments. In parallel, a significant expansion of non-oil exports and higher productivity in the production sector serve as the driving force behind sustainable economic growth. All of this must take place within a framework of institutional reform, transparency, and healthy competition, so that the economy becomes shielded from external shocks and grounded in its own internal capacities. (Nili, 2015: 335).

Oil-less economy in Iran

Iran's economy has been dependent on oil for approximately a century, and a sudden cessation of oil sales would, at least in the short term, pose serious challenges to the entire economy. Current estimates suggest that in the coming years, if these revenues are depleted, exports will decline sharply. Considering the country's population growth, urbanization, and youthful demographic, the consumption of oil and its derivatives, as well as domestic and imported goods, is expected to rise steadily. The prevailing issue is that weaknesses in domestic production, shortages of skilled labor, limited capital, and other production and export-related challenges exacerbate the problem. Therefore, appropriate policies must be adopted to address these challenges; otherwise, the country may face widespread public poverty (Research Services Group, 2016, p. 2). In this context, the issue lies in two main points. First, revenues from oil sales have historically been treated as national income rather than as an asset or wealth. Second, the entirety of these revenues has been funneled directly into the government budget, primarily as current expenditures and only minimally as development investment. Oil export revenues are inherently volatile, and their direct injection into the domestic economy creates instability and fluctuations in economic functions. In the event of a sudden halt in oil exports, multiple constraints would arise within the economy. The historical experience of problems resulting from government reliance on oil revenues underscores the necessity for foresight and the establishment of a stable and healthy financial system. In recent years, numerous discussions have emerged regarding the reduction of oil dependence in Iran's economy. However, most of these initiatives require a sustainable strategy and effective long-term planning. The absence of such a program in Iran could have a significant impact on the structure of the country's economy (Amirkhani, 2013: 45).

Oil is a politically sensitive commodity, and its price fluctuations depend on specific conditions such as sanctions and reductions in exports. To compensate for this shortfall, non-oil exports can be expanded. Accordingly, reliance on a single commodity fundamentally makes the economy vulnerable, and buyers may also resist or leverage their position against it. Therefore, to transition away from a petrol-dependent economy, it is necessary to strengthen the domestic economy and rely on internal resources, which can be significantly beneficial and effective (Hashemi Bahramani, 2001: 121). In this regard, the *Tehran Times* reported that for single-commodity economies like Iran, dependence on oil revenues can no longer be considered an efficient policy, as it endangers growth and development. Iran has been dependent on oil for several decades; however, given the current conditions of the global economy, it is necessary to prepare alternative sources to achieve its economic objectives. Consequently, a petrol-free economy has been a recurring slogan in Iranian economic circles for several years, and researchers and economists in both the public and private sectors have been assessing the feasibility of implementing such a policy (www.Tehrantimes.com, 2008: 16). Relying solely on non-oil exports—without addressing persistent double-digit inflation, while simultaneously building infrastructure, strengthening long-term investment confidence, and replacing oil-derived revenues with non-oil earnings—will not be sufficient to sustain an economy that remains heavily dependent on oil income (Tāle, 2015: 21).

Political Economy of Iran during Rouhani's Administration

Iran's economy remains heavily dependent on oil and the revenues generated from its exports. Any disruption to oil export revenues—such as declines in production or prices, or international and banking sanctions—can damage the economy and pose serious threats to its stability. Economic data indicate that during Rouhani's administration, oil revenues were the lowest compared to other governments, which, according to many analysts, was a key factor contributing to the economic crises faced by his administration. One of the periods in which the government relied heavily on oil revenues was during Rouhani's administration. Although his government sought to shift toward non-oil exports in response to international sanctions, studies indicate that during this period, 25% of the government's budget was dependent on oil revenues. With the intensification of sanctions, reliance on these revenues increased, reaching 35% (Safarian et al., 2016: 104).

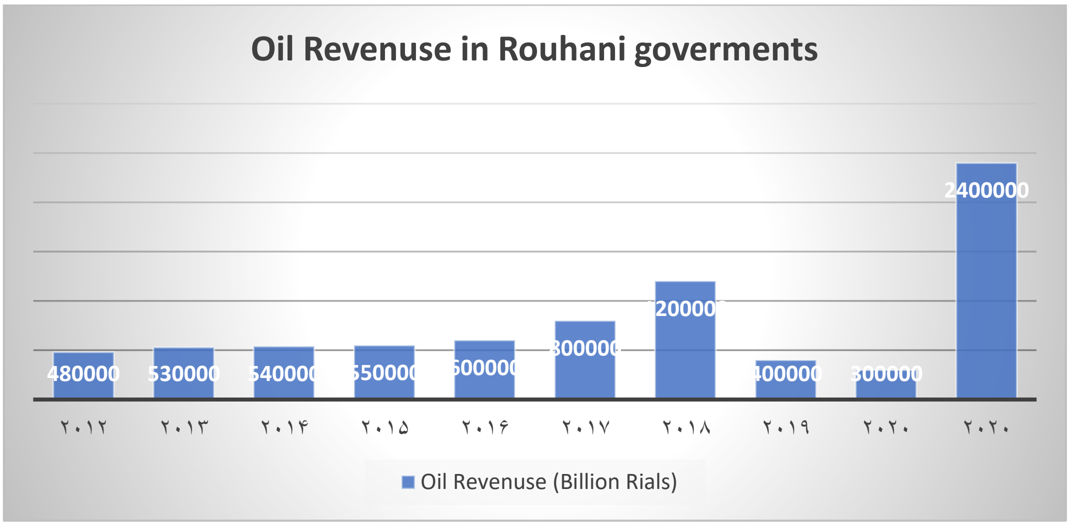

Figure 1. Oil Revenues during Rouhani's Administration
Source: Central Bank of Iran

Rouhani emphasized that oil holds a significant position and plays a crucial role in Iran's economy. This importance becomes even more pronounced when considering that, first, oil is one of the main factors linking Iran to the global system, and second, with the adoption and implementation of the Twenty-Year Vision Document, Iran aims to pursue outward-looking development based on constructive engagement with the international community.In this regard, Iran's oil possesses the potential to serve as a motor of national development and as a central axis for constructive engagement with the world, fulfilling its role and responsibility in achieving the objectives of the Twenty-Year Vision Document. Rouhani presented the model of a petrol-free economy based on the Twenty-Year Vision (2005–2025), aiming at sustainable domestic development and enhancing national security to become the leading economic power in the region (Rouhani, 2010: 16).

Since the summer of 2013 (1392 SH), following eight years of Ahmadinejad's administration and the adverse legacy it left on Iran's economy, issues such as increasing international isolation, runaway inflation, and economic instability became evident. In this context, the public placed their hope in the slogan of "Prudence and Hope" as a means of escaping the prevailing conditions. During his one-month electoral campaign, Rouhani presented himself as a consensus-builder, capable of fundamentally changing the existing situation, restoring normalcy, and promoting economic stability, pursuing peaceful engagement with the West, and strengthening national unity through a shared sense of national identity and religious values (Ditto, 2013, p. 12). Rouhani assumed leadership of the country at a time when Iran was politically isolated. Economically, the country faced dire conditions, and several economic indicators had moved beyond the warning stage and reached a crisis point (Omidi & Ghalamkari, 2019: 57; Ditto, 2013: 12). After assuming power in 2013, he issued directives aimed at ending Iran's international isolation and established moderation as the central principle of his government. However, it became evident that exiting isolation and normalizing relations with other countries was far more challenging than the government had anticipated (Akbarzadeh, 2015: 26).

Rouhani's "Prudence and Hope" government, by prioritizing the resolution of issues such as the foreign relations crisis and economic instability in its economic program, was able, despite challenging initial conditions, to achieve significant economic accomplishments through the implementation of a clear economic policy. It is worth noting that these achievements were realized under circumstances in which sanctions and an uncertain economic environment persisted until 2015 (mid-term of his administration). Moreover, from mid-2014, Iran's economy faced the largest oil price shocks in several decades, with oil prices falling by more than 60% within a few months. This decline significantly reduced the country's foreign exchange revenues and placed the government under substantial financial strain (Rouhani, 2017: 25). Following the decline in Iran's ability to export oil, imports, exports, and trade were conducted through the international banking system. The flow of goods and the attraction of foreign investment were affected by sanctions, and domestic mismanagement further exacerbated these issues. This situation significantly intensified Iran's economic problems, reducing oil exports and revenues, depreciating the value of the rial against the U.S. dollar, and sharply increasing inflation.

Impacts of a Petrol-Free Economy on Economic Indicators

1. Budget Deficit and Recession

With the inauguration of Rouhani's eleventh administration, the economic consequences of eight years of Ahmadinejad's ninth and tenth administrations became increasingly evident. Beyond the persistent and chronic budget deficits experienced over past decades, from 2011 onwards, the combined effects of international sanctions—particularly on oil exports—along with fluctuations and sharp declines in the national currency, led to a significant rise in exchange rates, which in some periods reached as high as 40%. According to economic experts, currency shocks resulting from reliance on oil revenues, continuous budget deficits, multiple barriers to production, an unfavorable business environment, expansionary financial policies, and other factors constitute the main roots of stagflation and, consequently, the high levels of economic distress in Iran.In this regard, potential solutions include government financial expansion through proper budget management and avoiding the continuation of budget deficits, controlling and reducing the current expenditures of executive agencies, utilizing oil revenues in a manner that does not increase the monetary base, reforming the tax structure, improving financial and monetary markets, and increasing investment to boost production and enhance total factor productivity (Danesh Jafari et al., 2014: 565). In this context, various studies indicated that, by the end of Rouhani's first administration, Iran recorded some of its most prominent economic indicators in the past 80 years, including the highest inflation rate, a budget deficit of 480 trillion tomans, an average economic growth rate close to zero, negative growth rates, gross fixed capital formation, the highest growth in the monetary base and liquidity, minimal net employment creation, and a recession in businesses and commercial activities due to the COVID-19 pandemic (Iran-e-Eghtesadi, 2023: 4).

In 2013, Iran's economy faced a cumulative accumulation of problems, some of which stemmed from incorrect decisions and misguided policies over many years, while others resulted from the manner in which the abundant oil revenues were spent between 2005 and 2011. At the start of

Rouhani's first administration, these problems included severe economic instability, widespread economic sanctions, inflation exceeding 40%, substantial government debt to contractors that created significant financial and monetary challenges within the country's contracting system, unrestricted use of banking system resources for public finances, and a sharp economic recession of 6.8% in 2012, accompanied by a depletion of the country's expert workforce.

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Rouhani's first administration began its tenure under these challenging conditions and, naturally, had to prioritize issues in order to address the most urgent problems and create the foundation for tackling other matters (Abdollahi, 2017: 6). The World Bank, in its report, emphasized that due to rising inflationary expectations, the budget deficit under Rouhani's government continued to pose significant risks to Iran's economic outlook. The intensification of climate change challenges—such as recurrent floods, droughts, storms, dust storms, and energy shortages—can adversely affect Iran's economic outlook (Mousavi, 2022: 8). He further emphasized that fluctuations in commodity prices led to a decade-long recession in Iran, which came to an end in 2019. The sharp contraction in oil exports exerted significant pressure on government finances and drove inflation above 40 percent for four consecutive years. As a result, the persistence of recession and high inflation led to a substantial decline in people's purchasing power.

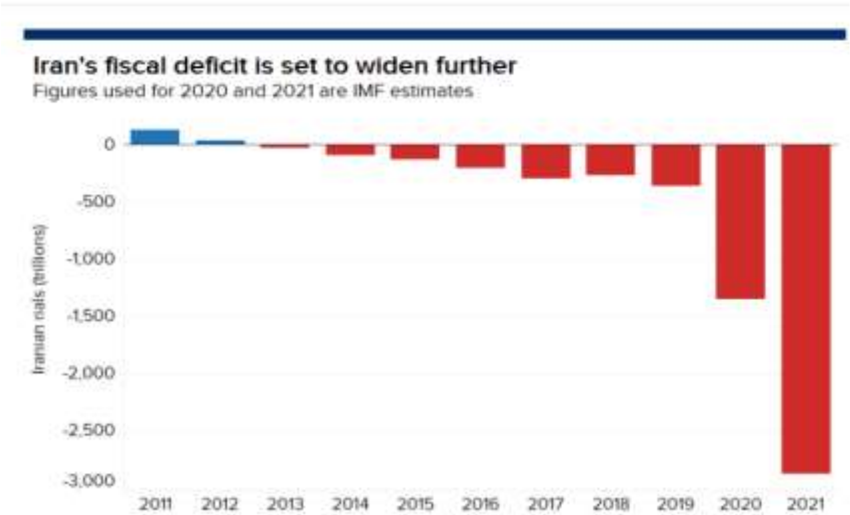

Figure 2. Iran's Budget Deficit during Rouhani's Administration
Source: International Monetary Fund (IMF)

Rouhani's administration experienced one of the most severe manifestations of stagflation in Iran's economy. This phenomenon led to widening class disparities and the downward mobility of segments of the middle class into poverty, and, in turn, contributed to the intensification of severe poverty across the country. These sanctions primarily targeted oil revenues and exports. Due to the increased degree of economic openness within the country's institutional and structural conditions, the oil-based economy merely expanded a rent-seeking structure dependent on the import of raw materials, intermediate goods, and consumer goods. As a result, this process largely sustained a rentier economy characterized by an inefficient and dependent industrial sector (Nademi & Hasanvand, 2019: 168). In 2021, Iran's economy faced multiple challenges. In that year, the country's current account of the balance of payments recorded a surplus of 11.1 billion USD. This contrasted with 2020, when the same account registered a deficit of 708 million USD. The primary reason for this surplus was the increase in oil exports, driven by higher global oil prices and export volumes. Meanwhile, the financial and capital account recorded a deficit of 10.2 billion USD in the year under review (Economic Studies Department, 2021: 3).

Following the achievement of the nuclear agreement in 2015, Iran's economy entered the implementation phase of the Joint Comprehensive Plan of Action (JCPOA). With the increase in oil exports, Iran regained a significant presence in the global oil market and experienced a substantial economic growth rate of 12.5 percent. This marked a considerable improvement compared to the negative growth rate of –1.6 percent recorded in the previous year. However, Rouhani's non-interventionist approach to economic affairs produced adverse effects on Iran's economy and its policy orientations. From an economic perspective, this approach led policymakers to overlook—and even sideline—the inward-oriented development paradigm. This paradigm maintains that, in order to achieve self-sufficiency or reduce external dependence, policymakers should utilize economic sanctions as a compelled opportunity and, by mobilizing domestic capacities and resources, further strengthen the country's productive power toward self-reliance. Consequently, this neglect contributed to the emergence of a deep economic recession in Iran. The United States and its allies interpreted this line of thinking and policy as a turning point that signaled the weakness of Rouhani's administration. They concluded that the government would be unable to withstand their demands (Hosseinzadeh, 2018: 7). In this context, economic restrictions and the intensification of sanctions further deepened Iran's economic crisis and placed the government under pressure through the expansion of budgetary constraints, compelling it to consider policy adjustments.

During Rouhani's eleventh and twelfth administrations, the budget deficit intensified, which led to the expansion of various forms of rent-seeking. In most oil-producing countries, only resource rents exist; however, in Iran, in addition to oil, gas, and energy rents, land and capital rents also emerge with a scope and intensity far exceeding that of other countries, absorbing and undermining the productive capacity of the economy. The diversity and multiplicity of rents prevailing in Iran's economy have rendered it largely unproductive. The scale and volume of these rents, while generating widespread impoverishment for the general population and enriching a small elite closely linked to the government, have prevented sustained economic growth and trapped Iran in a cycle of low-quality growth, leading consequently to chronic stagflation (Raghfar & Soltani, 2019: 7). During Rouhani's first administration, a significant portion of the budget deficit was financed through the Central Bank and the banking system by creating unpaid obligations to consultants and contractors of government projects, as well as to public-sector employees, retirees, and banks (Hadi Zenouz, 2019: 291).

The role of oil in financing the government has been influenced by political developments. The share of oil revenues in both government income and gross domestic product began to decline following the imposition of international sanctions in 2011, prompting the government to take measures to make the economy more resilient to external shocks. After the 2013 elections, the Iranian government sought to stabilize the contribution of oil revenues to the budget through value-added taxation and gradually reduce their share. Following the implementation of the JCPOA, although the share of oil in gross domestic product increased in 2016, the share of oil in government revenues fell to 32 percent. However, in 2017, it rose again. This reflects a significant diversification of oil revenues, although the share of oil in government revenues has remained above 50 percent. In March 2017, the Iranian Parliament approved the 2017 national budget. The main assumption of the government's $100 billion budget was that the country's economy would grow by 7.7 percent and that inflation would decline by 6.7 percent. However, these policies and plans were never realized, and Iran's economy gradually experienced rising inflation and an increasing budget deficit (Iran Economic Observer, 2017: 7). In this context, the Plan and Budget Organization stated in a 2018 report that, in order to compensate for the decline in oil revenues during Rouhani's administration, a more thorough review of budget expenditures was required. Accordingly, it is necessary to categorize government spending based on its relative importance and to set ceilings for these expenditures in proportion to revenues, so that the budget deficit can be minimized. Thus, what is clear is that, historically, the government has been the owner, seller, and distributor of energy in the country, and it has had the ability to use energy prices as a tool for supporting livelihoods and production. The continuation and expansion of this practice have gradually increased the financial dimensions of pricing, reduced production-related technology, and simultaneously resulted in productivity outcomes that are disproportionate across different segments of society (A Group of Researchers, 2019: 19).Iran's economy, particularly during Rouhani's administration, became trapped in a crisis of capture within the fundamental decision-making system. The outcome of this structural configuration has been a rapid increase in political, economic, and social inequalities (Raghfar & Soltani, 2019: 8), with the severe budget deficit serving as one of the most prominent factors behind these inequalities, pushing the government into a state of instability.

Budget deficits and double-digit inflation have been persistent features of Iran's economy for several decades. However, governments have often refrained from implementing costly reforms and have instead covered these deficits through oil revenues and borrowing from the Central Bank. These government actions to finance the budget deficit have led to an increase in monetary variables and the emergence of chronic inflation in the Iranian economy. With the rising economic pressures caused by international sanctions during Rouhani's second term, Iran’s economy faced unprecedented constraints. These constraints resulted in budget deficits of 130 and 180 trillion rials in 2019 and 2020, respectively, and it was projected that this figure would reach 300 trillion rials in 2021. This deficit was so large that even the lifting of sanctions and increased oil sales could not offset it. Thus, it can be argued that, in the presence of oil sales and inflows of foreign currency, the Iranian economy would experience not only monetary expansion and inflation but also the Dutch disease and a weakening of domestic production. Moreover, the simultaneous rise in public debt alongside chronic inflation threatened to trigger a major economic crisis, making budgetary reforms an urgent necessity for Rouhani’s administration (Dehghani, 2020: 11). From this perspective, Iranian economist Mousa Ghani Nejad argues that all political and economic institutions of the Iranian government had reached a certain equilibrium due to the abundance of previous oil revenues. Today, with these revenues no longer available, a new equilibrium is needed. However, the Rouhani administration was unable to bear the cost of this adjustment, as reducing the budgets of organizations and institutions would entail political costs—costs that could expose the government to serious challenges (Ghani Nejad, 2019: 9).

Considering Iran’s structural characteristics, one of the main factors behind stagflation and persistent budget deficits has been shocks from oil revenues, financial indiscipline, and expansionary policies. The continuous reduction of development budgets, along with decreased investment in capital assets on the one hand, and rising production costs due to outdated technologies and declining competitiveness of Iranian goods on the other, led to an economic recession between 2012 and 2017. This became the longest recession in Iran’s economic history, as the government needed to implement monetary, fiscal, and trade (foreign exchange) policies targeting production and employment. Unfortunately, counterproductive measures intensified the recession, and price suppression, combined with interventions made without precise expert analysis and understanding of economic linkages, exacerbated these problems (Rezaei, 2018: 217). Considering the post-sanctions conditions of Iran’s economy, the eleventh government (Rouhani administration) decided to implement a set of policies aimed at opening up the economic space and overcoming the recession. However, the outcome was nothing more than an increase in problems, including continued recession and financial constraints.

2. Debt and Declining Economic Growth

In the fall of 2013, when Rouhani assumed power, Iran’s economy experienced its lowest growth rate since the post-war period, accompanied by a sharp decline in oil revenues (Ghanbari, 2017:19). During his administration, policies were designed to improve production and enhance the country’s economic growth, a significant part of which focused on addressing or alleviating the most pressing economic challenges, namely financial constraints and the need to boost growth (MosallaNejad, 2017: 293). This situation was compounded in 2014, following the reopening of the economy, by the sharp decline in oil prices, which reduced government revenues and simultaneously caused a noticeable drop in development-related expenditures that same year. This decline, in turn, led to a reduction in investment and the value added in the construction sector. Moreover, the decrease in government spending—as the largest demander of goods and services in the economy—alongside falling national revenues, resulted in lower demand growth and reduced economic expansion (Barkejian, 2015: 45).

The expansion of economic sanctions—including those targeting oil and gas, finance, banking, transportation, assets, and insurance in connection with the nuclear program—completely blocked the Central Bank's access to both macroeconomic and micro-banking operations. Following the decline in global oil prices in 2014, economic growth in 2015 turned negative, which further exacerbated the downward trend in oil prices and led to a reduction in the country's GDP and an increase in national debt (Barkejian, 2015: 18). At the outset, Rouhani described his administration as development-oriented and moderate, and by pursuing this policy, he sought to create conditions for the country's economic growth and development within the framework of higher-level strategic documents. He believed that Iran's foreign policy in previous years, by intensifying tensions and adopting hardline approaches, had effectively pushed the country into a security-focused phase and limited the potential for comprehensive national growth and development. Consequently, to return the country to the path outlined in strategic documents such as Iran's 2022 Vision, a development-oriented government must be in power—one that prioritizes constructive engagement with the world and creates conditions for economic growth and development (Rezaei & Torabi, 2013: 152). However, the non-oil economic growth under Rouhani's administration deviated from this vision, reaching only 1.4% in 2021, and having fallen to 0.7% in the fall of 2020. According to data from the Central Bank of Iran, the country's average annual economic growth during Rouhani's tenure was 2.2%.

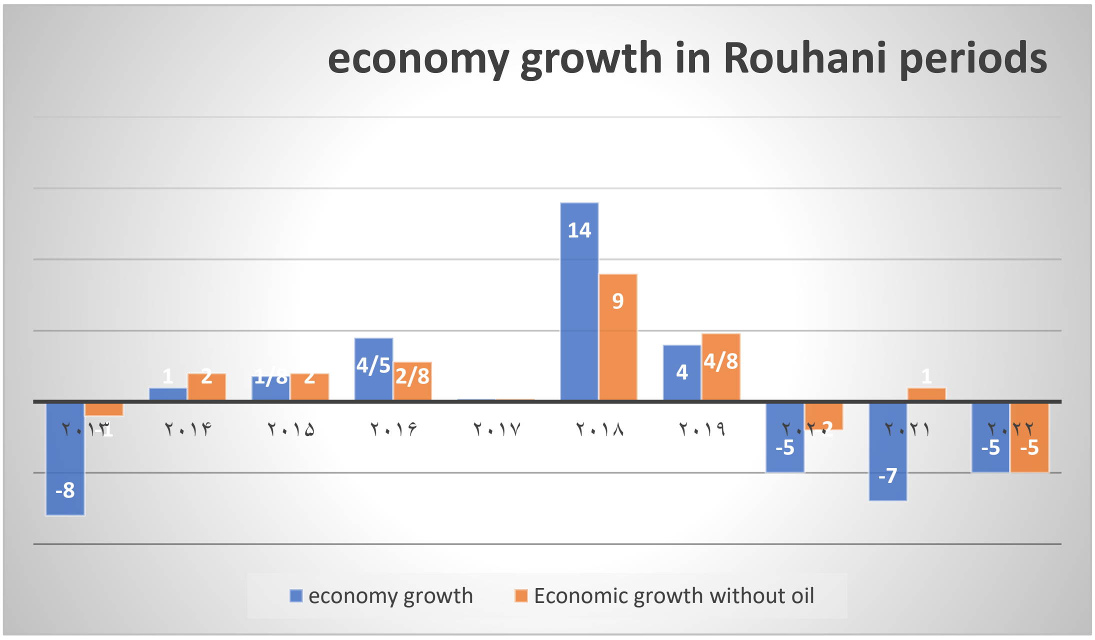

Figure 3. Economic Growth during Rouhani's Administration
Source: Central Bank of the Islamic Republic of Iran

Over the past three decades in Iran, both oil revenue growth and government expenditure have experienced significant fluctuations. In most cases, increases in oil revenues were accompanied by corresponding growth in the government's real expenditures, reflecting a disregard for the negative effects of excessive spending of foreign exchange earnings derived from oil exports.While real oil revenues during the period under review grew by only 7.5%, the government's real expenditures increased by 36.9%. According to the International Monetary Fund's projections, the decline in Iran's real oil revenues between 2012 and 2016 caused Rouhani's administration to experience negative growth in all years, even though government spending increased positively by between 27% and 56% during the same period. Therefore, it can be argued that government policies in Iran's economy, particularly during Rouhani's administration, led to frequent changes in laws, resulting in instability, uncertainty regarding policy directions, and concerns about the protection of foreign exchange resources among experts (Shafiei et al., 2012: 117). Rouhani and his economic team repeatedly emphasized that high liquidity, public debt, and low economic growth were the main factors behind Iran's unfavorable economic performance, and that foreign direct investment was the only viable solution for overcoming the country's development trap (Sadeghi et al., 2020: 199).

In this regard, in an interview with *Tejarat-e-Farda* weekly in 2016, then-Minister of Economy and Finance, Ali Tayebnia, stated that, based on the debt figures of the eleventh government up to the end of 2014, the total debts of the government and state-owned companies amounted to 380 trillion rials. Specifically, the government's debt totaled 146 trillion rials, while the debts of state-owned companies reached 184 trillion rials. (Hadi Zanouz, 2019: 290) noted that these debts constituted a major portion of the government's liabilities. From this perspective, Rouhani's administration created over 380 trillion rials in debt, which, according to the then-Minister of Economy and Finance, represented the main problem in the country's economy. The minister viewed government debt and financial constraints as major obstacles to economic performance.

Table 1. Government Debt during Rouhani's Administration

Table 9. Islamic Republic of Iran: Balance of Payments, 2015/16–2022/23 1/
(In millions of US$, unless otherwise indicated)

			Projections					
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Current account balance	1,237	16,283	18,395	29,238	26,013	22,976	24,507	26,514
(in percent of GDP at market prices)	0.3	4.0	4.3	7.0	6.3	5.8	5.8	5.9
Trade balance	5,354	20,843	24,596	33,850	30,977	28,390	29,862	31,947
Exports	62,995	83,978	98,062	116,714	114,206	112,957	116,145	120,204
Oil and gas	26,949	49,781	63,662	78,331	73,554	69,184	70,272	72,305
Crude oil	17,259	32,910	42,292	57,240	55,989	55,732	56,679	58,463
Petroleum products and natural gas	9,690	16,871	21,370	21,090	17,565	13,452	13,592	13,842
Non-oil and gas	36,047	34,198	34,400	38,383	40,652	43,772	45,873	47,899
Imports	-57,641	-63,135	-73,466	-82,864	-83,229	-84,567	-86,283	-88,257
Services and Income (net)	-4,544	-5,118	-6,809	-5,274	-5,686	-6,201	-6,213	-6,368
Credits	13,031	12,596	13,928	16,563	16,214	16,044	16,494	16,868
Debits	-17,575	-17,714	-20,737	-21,837	-21,900	-22,244	-22,707	-23,235
Transfers (net)	427	558	608	662	722	787	858	935
Capital and financial account balance	2,346	-16,658	-27,435	-16,000	-7,402	-8,024	-1,600	-3,757
Foreign direct investment and portfolio equity	407	2,177	1,000	970	956	922	5,953	5,953
Medium- and long-term debt	253	-2,095	-860	300	400	400	400	400
Bilateral project financing	901	32	307	300	400	400	400	400
Disbursements	901	242	500	500	500	500	500	500
Repayments	0	-210	-193	-200	-100	-100	-100	-100
Repayments of rescheduled debt	438	1,694	1,167	0	0	0	0	0
Other official financing and portfolio investment	-210	-433	0	0	0	0	0	0
Oil prefinancing	0	0	0	0	0	0	0	0
Trade credit	5,308	-14,102	-27,243	-14,138	-8,826	-9,613	-8,421	-10,778
Other capital 2/	-3,622	-2,637	-332	-3,132	68	268	468	668
Errors and omissions	-1,350	-7,292	0	0	0	0	0	0

Source: World Bank

Following the damages inflicted on Iran's decision-making and executive management system during the previous administration (during the time of president Ahmadinejad, 2005-2013), the public sector suffered more than a decade ago from elements such as an inefficient, unhealthy, and non-specialized bureaucracy that protected its own interests. For a long time, it has not effectively contributed to national economic goals, including strengthening production and promoting justice. Since 2012, when oil revenue flows were disrupted, public sector management faced significant challenges, although the performance in the first half of 2014 suggested that at least the government budget challenges might be mitigated. The global collapse of oil prices in the second half of that year, coupled with the sharp decline in oil revenue collection in the early months of 2015, along with heavy obligations—such as the government's multi-trillion-rial debts to various sectors, numerous unfinished development projects, monthly cash subsidies for over 70 million people, repayment of principal and interest on previously issued bonds, and more than 1.2 billion dollars of outstanding external debt for that year—revived concerns about the financial capacity of the public sector. The continuation of previous opportunistic practices in budgeting by the Management and Planning Organization, as well as sometimes irresponsible interventions by members of the Islamic Consultative Assembly in initiating and continuing inefficient development projects, exacerbated the government's governance problems and gradually enabled rent-seeking networks to penetrate the core of the country's economy (Khandouzi & Abou Hamzah, 2021: 198).

Rouhani's administration inherited a bankrupt government, which, in Leftwich's terms, was a "shepherd government." In its first year, under the influence of the previous administration, it faced a negative trade balance, declining economic growth, and a shrinking gross domestic product. Despite the government's inclination to remove security-related interventions from the economy, a significant portion of economic activity remained under the control of oil shocks. Consequently, opportunities for investment by international companies were not realized (Omidi & Ghalamkari, 2019: 70). Rouhani's twelfth administration began 2020 amid a decline in foreign currency revenues from oil exports, compounded by difficulties in accessing the country's foreign earnings held in overseas banks, as well as negative expectations arising from the continuation and intensification of sanctions. These factors were among the main causes of currency market instability and reduced economic growth. With the outbreak of COVID-19, non-oil exports were also negatively affected on the supply side of the market, which contributed to an increase in the exchange rate. The promises and priorities of the "Government of Prudence and Hope" focused on increasing economic growth and financial welfare, as the administration aimed to raise the standard of living for Iranians. However, due to the expansion of U.S. sanctions and a sharp decline in oil revenues, economic growth did not materialize, and the prices of essential goods, including food and fuel, rose significantly (Robert & Ashley, 2019: 14).

Economically, during his first term, President Rouhani managed to prevent the country's economy from collapsing, raising economic growth from negative levels to 0.7%, reducing inflation from 40% to 9%, restoring oil exports to pre-sanctions levels, and attracting approximately $12 billion in foreign investment. However, his main challenge lay in meeting the public's expectations, particularly in rapidly improving their living standards and welfare. Economic recession and its associated social disruptions were among the main challenges faced by his administration. In addition to the heavy burden of sanctions, the government's banking debt—comprising 102 billion tomans owed by public sector entities to banks—grew by 13.4%, reaching approximately 225 trillion tomans (Rahimi et al., 2022: 757). Consequently, the country's realized "non-oil economic growth" averaged only 0.6% during 2018–2020. Furthermore, in 2020, the country's gross domestic product at constant prices could have been 22% higher than the realized value. Non-oil GDP at constant prices could have been 11% higher than the achieved level, yet neither was realized in the economy.

Inflation and Unemployment

When Rouhani assumed the presidency in 2013, he simultaneously committed to achieving economic and political progress; however, he was unable to make significant gains amid the inherited crises. Among his electoral promises, he had pledged to improve the living conditions of Iranians and sought to achieve this goal after the implementation of the JCPOA by lifting sanctions. Nevertheless, economic conditions did not improve for the Iranian population, and social and economic demands, including unemployment and inflation, were deferred. (Fathallahi Nejad, 2020: 43) Hassan Rouhani, in his electoral promises, emphasized controlling the inflation rate and pledged to contain it. Upon assuming office during the tenth administration, he signaled that a different policy approach was forthcoming. This announcement contributed to somewhat slowing the pace of price increases in the market before the new government was fully established. Nevertheless, statistics indicated that the upward trend in the inflation rate continued until October 2013, after which the trajectory reversed, and the inflation rate during this period reached 40.4%. The establishment of fiscal discipline during Rouhani's first administration immediately impacted the inflation rate, as the government aimed to halt the economic "bleeding" and prevent the collapse of Iran's economy. The administration set a specific timeline for reducing inflation, but each time progress exceeded the promised schedule, making the fulfillment of this commitment increasingly difficult. Since 2016, the inflation rate has gradually increased, reaching 9% by the end of the year (Juneau, 2017:37). The continuous decline in oil revenues—driven both by falling global oil prices and a reduction in export volumes—particularly affected Rouhani's first administration, exacerbating the challenges it faced in managing the country. When Rouhani assumed control of the economy, Iran was already experiencing a severe recession, while runaway inflation simultaneously intensified the nation's economic crises.

Masoud Nili, an Iranian economist, acknowledges that Iran's economy faces a vague and uncertain outlook due to declining oil revenues. Consequently, under the current conditions, the country's economy confronts instability and uncertainty regarding future policies. Therefore, given the reduction in oil revenues and the economy's dependence on them, it can be argued that Iran faces serious economic challenges. This implies that low economic growth and rising unemployment emerged as two major challenges for Iran's economy during the years 2013 to 2017. The combination of very low average economic growth, sluggish investment rates, persistent inflation, increasing liquidity, and escalating unemployment, along with growing financial instability in the government of Rouhani, widened the gap between Iran's economy and other emerging economies in the global economic arena. Furthermore, the balance in the money market, energy market, and product markets on one hand, and the effects of sanctions on the other, made solving the country's economic problems difficult (Nili, 2017: 19). The Rouhani government, following a coordinated and prudent policy, supported large enterprises to prevent them from falling into economic crisis. The economy inherited from the previous administration was the result of such crises, which had created rising unemployment and stagflation, because the economic policies of the eleventh government largely continued those of the previous administration and, from a policy-making perspective, showed little difference (Yousefi & Pazouki, 2015: 16). In this context, two issues take priority. The first is the foreign relations crisis and being subject to the deepest and most extensive sanctions that the country had faced up to that point in time. The second is severe macroeconomic instability, which was reflected in high inflation—particularly in food prices and other essential goods for the population—and in the turbulent surge of the exchange rate (Abdollahi, 2017: 8). Alongside the economic instability caused by repeated fluctuations in the exchange rate, the idle liquidity of over 500 trillion tomans in the economy, the implementation of the Mehr Housing Project, and the injection of substantial monetary resources from this project, together with cash subsidies, were among the major and effective reasons for the rise in inflation in Iran during Rouhani's administration. Furthermore, the International Monetary Fund reported that during Rouhani's tenure—especially in the final years of his administration—the inflation rate reached 58 percent due to adherence to incorrect economic policies and mismanagement in governance, a level unprecedented in Iran over the past four decades.

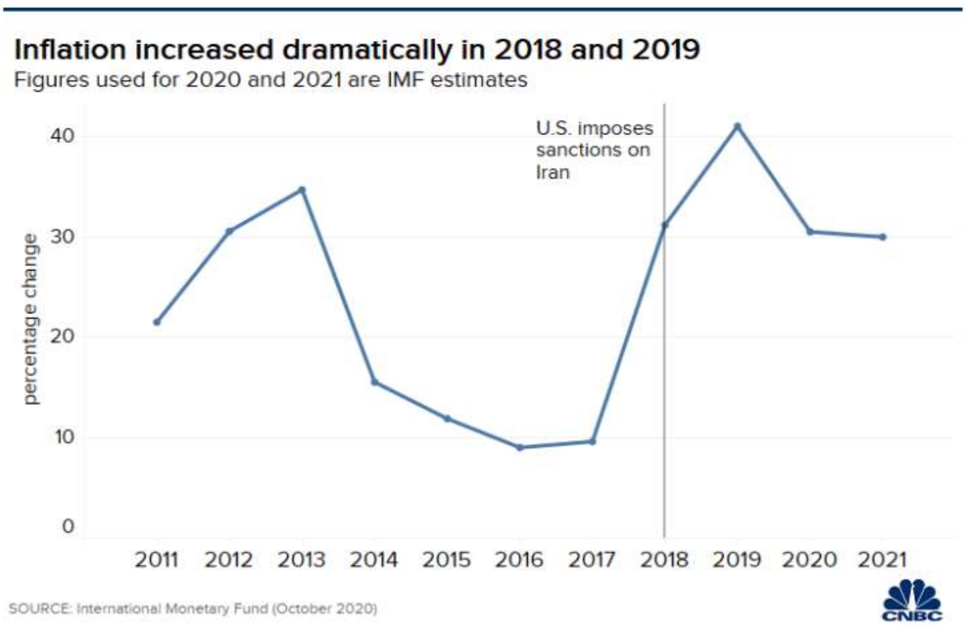

Figure 4. Inflation Growth during Rouhani's Administration
Source: International Monetary Fund

During Rouhani's administration, economic and political reforms were implemented at critical junctures. Following his reelection, he faced a dual challenge: criticism from conservative elites on one hand, and high expectations from a broad base of supporters on the other. Due to his numerous promises to improve the country's conditions, he struggled to meet these demands. Rouhani's vision was that foreign investment could help diversify Iran's economy and enhance domestic employment. This issue arose at a time when economic bottlenecks had peaked, and runaway inflation was hindering job creation (Vakili & Neil, 2017: 14).From an economic perspective, when the Eleventh Government (Rouhani's first term) came to power, Iran was experiencing the most severe economic collapse since the 1979 Islamic Revolution. In terms of the misery index, the country faced chronic inflation and unemployment rates that, over the past five years, had never been observed according to the standards of mid-2013 (mid-1392 in the Iranian calendar). At the time this index was examined, it became clear that Iran was experiencing a catastrophic situation due to the multidisciplinary nature of the misery, encompassing political, economic, social, cultural, and international dimensions. Consequently, the country was handed over to Rouhani's government as a deeply indebted and virtually bankrupt state, facing a multitude of both minor and major crises, some of which even threatened the very survival of its economy and society. Rouhani's government faced a sharp decline in oil prices, reaching approximately 70 dollars per barrel. In light of these circumstances, the administration confronted a catastrophic situation on one hand, while lacking the necessary support to overcome these challenges on the other. From a revenue and resource perspective, it experienced a very difficult and unfavorable position. Overall, it can be argued that the inefficiency of Rouhani's government in addressing crises—such as the deep banking crisis, pension fund instability, unprecedented droughts, environmental and natural resource degradation, chronic unemployment particularly among educated youth and women, and macroeconomic instability accompanied by the return of double-digit inflation—was evident throughout his tenure.

In a context where the tightening of sanctions on the banking system and the country's oil sector had long been predictable, the continuous increase in cheap imports and the absorption of domestic production into the international economy—relying on the central bank's reserves and vulnerable oil revenues—was highly imprudent. During this period, the country experienced its highest economic growth rate, while negative economic growth set a record amid high inflation (Khodabakhshi et al., 2018: 111). The serious decline of Iran's economy began after the United States withdrew from the JCPOA during Trump's administration in May 2018. Trump had previously announced his intention to exit the JCPOA, and following this decision, Iran's economic situation became increasingly unstable and tense. For example, the exchange rate began an upward trend from late 2017, which led to the implementation of the 42,000 rials per dollar policy in early 2018, resulting in exchange rate instability. Therefore, before the sanctions, Iran's inflation rate was relatively low; however, with Trump's withdrawal from the JCPOA and the resumption of sanctions, this pattern changed. The return of sanctions disrupted the country's economic situation, and this trend continued until the end of Rouhani's administration (Hooman Tahmasbi, 2022: 20).

By 2013, Iran's economy had reached relative stability, and unemployment and inflation rates had stabilized following the end of the sharp depreciation of the national currency after prolonged economic tensions. According to the Statistical Center of Iran, the number of employed individuals in 2016 increased by approximately 800,000 compared to the previous year, reaching over 23.3 million people. In 2013, the unemployment rate in Iran was 10.4%, which began to rise the following year, reaching 10.5% in 2014. The upward trend continued in 2015, with unemployment reaching 11%, and in 2016 it increased further to 12.4%. However, in 2015, the rising trend in unemployment finally stopped, showing a 0.3% decrease. Even in 2019, the youth unemployment rate for those aged 15 to 29 improved by 0.6%, reaching 25.3%. Nevertheless, youth unemployment in recent years, particularly in 2020, remained concerning, although it slightly improved in 2021. At the same time, job creation was insufficient to absorb the large number of young and educated entrants into the labor market (www.amar.org.ir).

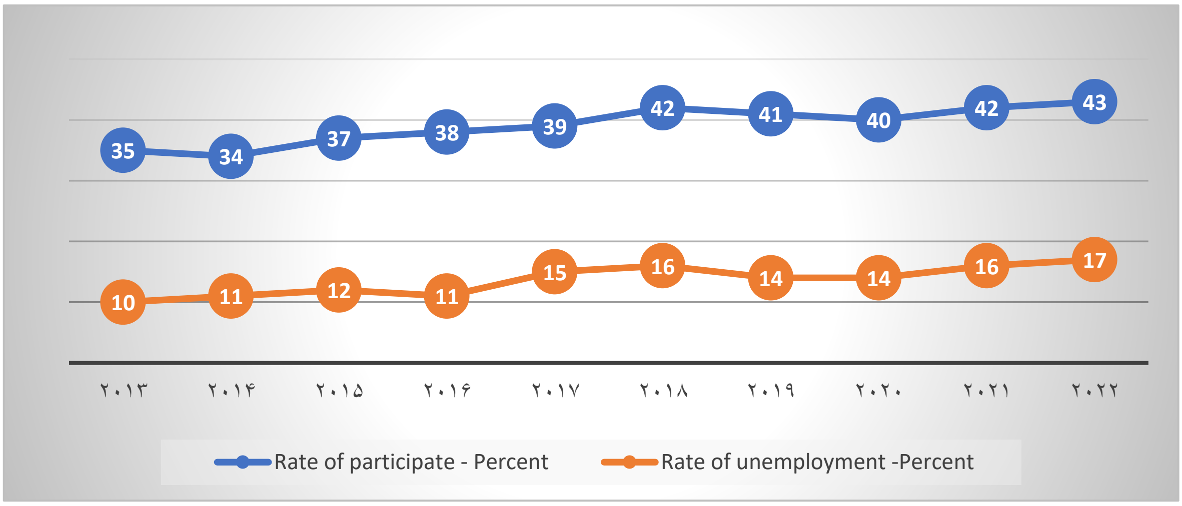

Figure 5. Unemployment and Labor Force Participation Trends during Rouhani's Administration
Source: Data from the Statistical Center of Iran

Relying on oil revenues and creating visible and invisible blockages between the government and the public cannot be expected to prevent the consequences of a petroleum-dependent economy, such as inflation, the Dutch disease, and rising unemployment, since a rentier economy is inherently accompanied by various structural problems (Masarrat, 2018: 320). From an economic perspective, during Rouhani's administration, the sharp decline in oil revenues led to a collapse of the stock market, causing losses and widespread public distrust in the country's most reputable investment institutions, which was considered highly discouraging. At the same time, excessive growth of the monetary base, uncontrollable inflation, persistent and severe exchange rate fluctuations, and unprecedented events similar to those of previous years pushed Iran's economy toward reduced investment, capital flight, and increased economic uncertainty. Negative growth in production was also an inevitable consequence of these conditions (Kalateh, 2020: 8). During Rouhani's second term, in addition to the halt in oil exports and the near-complete suspension of international financial and banking transactions, Iran faced numerous natural and human-made disasters that made governance increasingly difficult. The Kermanshah earthquake, the spring 2018 floods in many provinces, damages to public and governmental resources, the state of Azerbaijan earthquake, and finally the outbreak of the COVID-19 pandemic were among the most significant events that compounded the challenges faced by the Rouhani administration. These calamities struck the country one after another at a time when the government was already grappling with challenges inherited from the previous administration, including the completion of the Mehr Housing Project and the settlement of public claims against financial and credit institutions. In addition to these issues, between 2019 and 2020, the government faced various events, such as nationwide public protests, while the second term of the administration encountered a series of international, natural, social, and economic crises. Despite these formidable challenges, the government utilized all available capacities to overcome them. Despite the severe reduction in financial resources and public budgets, the government managed to steer the country through a critical juncture. This occurred while external pressures continued to weigh heavily on the administration. The government's intensive response to the COVID-19 pandemic consumed substantial energy and resulted in significant losses. Moreover, additional challenges compounded the crisis, including a heavily indebted treasury in highly volatile markets, disruption in the prices of essential goods, unexpectedly high inflation, rising unemployment, stagnation in production alongside a surge in speculation, unprecedented borrowing from the Central Bank, accumulated public debt, and a collapse in the stock market.

The shift from an oil-dependent economy to a diversified and sustainable economic structure has become a central concern in the literature on resource-rich economies. This transition, often framed as innovation in non-oil economic policy, refers to a coordinated set of institutional, fiscal, technological, and productive reforms aimed at reducing macroeconomic dependence on oil revenues. The urgency of this shift is widely recognized in the literature, given the finite nature of oil, severe price volatility, Dutch Disease effects, and the vulnerability of oil-exporting states to geopolitical shocks and sanctions (Ross, 2012: 22). Recent policy-oriented studies also emphasize that economies heavily reliant on commodities must strengthen fiscal resilience, diversify revenue sources, and promote structural transformation to ensure long-term stability and growth.

Conclusion

The article demonstrates that Iranian policymakers, due to the structural vulnerabilities inherited by the economy after the revolution, have always aspired to a time when government revenues would no longer depend on oil. The concept of a "non-oil economy" has been a longstanding economic policy in Iran, and every post-revolution government has, in some way, adopted it as a central slogan during elections. This idea has become a unique and persistent concern among policymakers; however, in practice, such a policy has never proven to be effective or beneficial.

In this sense, not only was it unable to bring significant and beneficial effects to Iran's economy and reduce dependence on oil revenues, but this dependence continued to increase day by day. The findings of the article showed that the Rouhani government described the sharp decline in oil revenues due to sanctions as a test for implementing the oil-free economy policy, in order to gradually both reduce the country's reliance on oil revenues and neutralize the effects of U.S. sanctions on Iran. From the perspective of oil revenues, the Rouhani government experienced severe constraints in political economy and went through one of the most difficult periods in Iran's economic history in terms of financial resource shortages. Due to the decline in global oil prices and severe sanctions, the average value of oil exports reached its lowest level. During this period, not only did oil revenues decline sharply, but other sources of income also suffered significant drops due to sanctions and the COVID-19 pandemic. Through the implementation of its macroeconomic policies, which were influenced by a rentier economy, the Rouhani government gradually demonstrated that under normal conditions, ignoring the substantial revenues from oil sales would be economically illogical and irrational. Thus, this decline in oil revenues and the implementation of an oil-free policy gradually plunged all of the country's economic indicators into a deep crisis. The emergence of the Dutch disease exposed the nation to severe instability, including a sharp budget deficit, chronic stagflation, reduced economic growth, banking debt, capital flight, rising poverty and unemployment, widening class gaps, decreased production, exchange rate volatility, and other challenges. These extensive effects and consequences were imposed on his government in a way that gradually brought the Iranian economy to serious decay and paralysis. Thus, during this period, Iran's economy experienced massive shocks that only the lifting of sanctions and the inflow of oil revenues could revive. As a result, due to mismanagement and inefficiency in macroeconomic policymaking, the administration of the country increasingly plunged Iran's economy into a vicious cycle of diverse and widespread crises.

The Iranian economy, lacking alternative sources of revenue—such as a strengthened domestic economy and support for local production to implement these policies—faced intensified sanctions and a decline in oil revenues, which served as the lifeblood of the economy; as a result, this policy ended in failure. Moreover, the idealistic and superficial perspective of the government officials—far removed from a realistic, knowledge- and science-based economic approach—along with the lack of strategic thinking and forward-looking management, are among the most prominent and significant factors behind the failure and non-realization of the "oil-free economy" policy. In this regard, it can be said that today's Iranian economy is more than ever in need of a major economic restructuring, because, due to the continuation of flawed macroeconomic policies in the next period, the country's economy may enter a vicious cycle. If fundamental and structural reforms are not implemented to improve the economic situation, Iran's economy could slide into decline at an unimaginable rate, potentially becoming the "next Venezuela" in West Asia (the Middle East) in the coming years. Overall, it can be stated that to overcome such a situation, coherent policies for Iran's economy can be envisioned, including the following measures: managing the country's economy and utilizing domestic capacities alongside sound and principled policy-making can serve as the only practical strategy to prevent the stagnation of Iran's economy in the future. These policies include expanding non-oil exports; creating conditions for private sector participation and investment in the country's infrastructure; strengthening the economic system and diversifying exports; gradually avoiding a single-product economy in the long term; and reforming foreign policy to attract foreign investment and lift sanctions. By implementing these measures, there is hope for the improvement of Iran's economy in the future.

Successfully navigating the path towards a non-oil future in Iran hinges critically on addressing fundamental governance and economic structural issues. Key obstacles lie in institutional and governance shortcomings, such as resistance to reform and administrative corruption; economic impediments including high inflation, currency volatility, and an inefficient banking system; and external pressures like international sanctions that restrict access to global markets, foreign investment, and technology. Overcoming these challenges necessitates a profound reorientation of policy strategies, a steadfast commitment to deep structural reforms, the cultivation of good governance, and the creation of a stable business environment to attract domestic and foreign investment into non-oil sectors. Without these essential preconditions, the Iranian economy will remain exposed to the enduring risks associated with oil market fluctuations and international economic isolation.

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