



## Political Economy of Populist Rentier Governments in Iran: A Case Study of Ahmadinejad's Presidency (2005-2013)

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### ABSTRACT

Various studies indicate that rentier governments possess a significant capacity to empower populist leaders due to their reliance on oil revenues as a primary source of income. Economically, rentier-populist governments tend to be redistributive while exhibiting politically radical and authoritarian tendencies, generally representing the interests of the lower classes. While rentier governments are widespread globally, with notable populist models in Latin America, Mahmoud Ahmadinejad's rise to power in Iranian 2005 epitomized this approach, allowing him to implement his populist policies. This research is grounded in Rudiger Dornbusch and Sebastian Edwards' (1995) political economy theory, aiming to examine the dynamics of Ahmadinejad's government through the lens of the political economy of populism. The primary question addressed is: What role did oil revenues play in the execution of Ahmadinejad's populist policies? The hypothesis posits that the policies implemented during Ahmadinejad's tenure were fundamentally populist in nature, reliant on oil revenues for their viability. By leveraging oil income, Ahmadinejad sought to enact populist policies and redistribute wealth to the underprivileged and marginalized sectors of society, ostensibly working to alleviate poverty and promote social justice. Ahmadinejad initiated his populist economic policies upon taking office. Despite rising oil revenues, these policies failed to bolster Iran's economic and institutional infrastructure. Coupled with ineffective economic management, his administration faced multiple structural crises. Indiscipline in financial practices, high-risk program implementation, and a lack of reliance on expert advice contributed to a vicious cycle of economic turmoil. Issues such as mounting bank debts, currency devaluation, increasing liquidity, financial deficits, diminished economic growth, inflationary stagnation, and rising unemployment characterized the fallout from his policies. Not only did his government fail to reduce poverty among the lower classes, but his strategies also exacerbated inequality, deepening economic instability and widening social divides. The political and social challenges stemming from his policies have lingered in Iran's economy for over a decade, likely leaving enduring impacts for years to come.

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## **Introduction**

With the nationalization of the oil industry in many oil-rich countries during the 1970s, a surge of populist politics emerged, positioning oil as a crucial tool for politicians to maintain power. Populism, with its various forms and structures in contemporary social history, capitalizes on waves of popular sentiment, thereby enhancing political legitimacy. Due to their inherent contradictions, populists can consistently rally public support for their policies by disseminating misleading and often distorted information, a phenomenon particularly evident in oil-rich nations with fragile and abundant institutional frameworks. In these countries, oil revenues serve as an effective mechanism for the policies and actions of populist leaders, creating a crisis-ridden trajectory closely intertwined with oil wealth.

Although populist leaders can be found globally, they manifest in different forms across various nations. For instance, oil populism has notably surfaced in Latin America, especially in Venezuela. Similarly, Mahmoud Ahmadinejad ascended to power in Iran by avowing populist promises. By leveraging revolutionary fundamentalism and relying on oil revenues, Ahmadinejad sought to implement policies of distribution and redistribution grounded in populist economic principles. However, his approach, characterized by a simplistic understanding of populist economic ideas, led to widespread economic disturbances. The implementation of his populist policies resulted in the emergence of a populist economy, where populist interpretations were applied to various issues. Ultimately, his policies contributed to the proliferation of poverty, unemployment, inflationary stagnation, and a decline in economic growth, yielding negligible benefits for Iranian society.

This research seeks to examine and analyze the economic policies of Ahmadinejad's oil populist government and intends to examine the political economy of the rentier government of Ahmadi Nejad's populist government. the purpose of this research is to show:

1. What effect and role did oil revenues have in increasing populist tendencies in Ahmadinejad's government?
2. Were the oil revenues the cause of the economic crises of his government or the populist policies that encouraged him to implement such policies?

The article posits the hypothesis that Ahmadinejad's populist policies, supported by oil resources, prioritized short-term financial strategies over substantial reforms to the business environment and tax system. Rather than addressing critical issues such as budgeting, poverty alleviation, and the provision of subsidies across various sectors, his administration focused on increasing government-subsidized housing and employment opportunities. Through the implementation of redistribution policies and support for marginalized classes via industrial projects and nationalization, Ahmadinejad aimed to appease the lower classes. Economically, Ahmadinejad's government was deeply rooted in populism, characterized by a lack of effective macroeconomic management, mismanagement, and imprudence. This can be attributed to unclear economic policies and the implementation of various short-term projects, which ultimately failed to promote social justice, job creation, and poverty alleviation. Instead, these policies led Iran's economy into a cycle of persistent challenges, including budget deficits, currency devaluation, inflation, reduced economic growth, and a chronic lack of resources.

From an economic perspective, Iran faced significant fluctuations and shortages, highlighting structural weaknesses that had been exacerbated by previous administrations. Ahmadinejad criticized these prior governments for their attempts to implement alternative policies. In this context, he leveraged oil revenues and his populist rhetoric to attract support from the disadvantaged classes, enabling him to consolidate political power. Initially, lower-class support bolstered his policies; however, in the end, they became the primary victims of his populism. His simplistic view of the economic landscape, driven by non-expert and

unprincipled reasoning, ultimately contributed to the decline and instability of Iran's economy and political environment.

The income generated during Ahmadinejad's tenure had the potential to foster economic growth and development within the global economy. However, his populist policies not only failed to produce significant benefits for Iran but also rendered the vast oil revenues a burden rather than a boon for the nation's economy. Consequently, some experts view the emergence of Ahmadinejad's government as marking the end of a golden age characterized by rational economic management and the comprehensive accumulation of capital and resources, creating profound economic and social disparities within Iranian society.

This research first defines populism and its characteristics, specifically regarding oil populism. Second, it analyzes the economic features of Ahmadinejad's oil populism using various statistics, alongside an examination of the extensive damages across different sectors of the economy. Finally, the paper conducts a pathological analysis of his government's populist economic policies within the framework of rentier political economy, addressing each topic in detail. Thus, the prevailing economic conditions had become so dire that Rouhani's administration, as Ahmadinejad's successor, was unable to resolve these crises and the inherent divisions within the system. These crises reflected unmanaged economic policies that significantly impacted the economy and the livelihoods of the people, plunging Iran into deep-seated problems over the past decade. Addressing these issues will require coherent policies and the effective utilization of the country's capacities, grounded in sound economic principles.

The incomes obtained by Ahmadinejad's government could have prepared the way for Iran's economy to enter economic growth and development in the world economy in the long term, but his populist policies not only did not have a significant achievement for Iran, (Safarian et al, 2019: 104) but also a boon of huge oil revenues for the country's economy it became boring. therefore, some experts consider the emergence of the Ahmadinejad government as the end of the golden period of the return to rationality and the widespread accumulation of capital and resources in all economic fields due to the economic and social gaps that created in Iran's society. Social and human knowledge. the present research firstly refers to the definition of populism and its characteristics to the issue of oil populism. Second, it analyzes and researches the economic characteristics of Ahmadinejad's oil populism with various statistics along with extensive damages in various sectors of the country's economy. finally, in terms of rentier political economy; his government's populist economic policies are pathologically examined and each of these topics will be addressed in a channel.

## **1. Theoretical framework**

The political goals associated with oil-rich nations are termed "Oil Populism," often at the expense of the country's long-term interests. Political leaders in these oil-rich countries tend to maintain their grip on power for extended periods, a trend that is particularly evident in many Arab Gulf states. Although variations exist among the populist movements in different oil-rich countries, they share common features, especially during periods of rising oil prices: power structures become more centralized, and political leaders engage directly with the populace, often bypassing formal institutions and mechanisms of governance. These leaders aim to present themselves as representatives of "the people," particularly the lower classes, fostering a sense of solidarity with them. Oil populists gain popularity by utilizing oil revenues extravagantly, leveraging this popularity to mobilize support and confront opposition political elites. However, they often lack familiarity with formal bureaucratic processes and legal frameworks. Consequently, corruption frequently permeates their administrations. For instance, Venezuela's top political officials maintain a façade of being

"popular and national" even amid challenging circumstances, reflecting the complexities of oil populism (Hossein Khaleghi, 2016: 5).

This research is grounded in the political economy theory of oil populism developed by Dornbusch and Edwards. According to their theory, Dornbusch and Edwards (1991) demonstrated that oil populist rulers implement their economic policies based on the foundation of oil-derived economic power. In this context, populist leaders prioritize salary increases and pursue expansionary policies. Initially, this approach drives economic growth, allowing prices to remain stable and compensating any shortfalls in demand with imports. However, as demand for goods and services rises and foreign currency becomes scarce, these limitations emerge. Consequently, the increasing general price level necessitates a devaluation of the national currency, ultimately leading to capital flight and budget deficits due to inflation and the continuation of subsidies.

In this situation, governments often attempt to address budget deficits by cutting subsidies and raising exchange rates, which results in decreased wages. Gradually, these policies can incite public protests, threatening the stability of populism. Characteristics such as rising economic growth, income redistribution, and neglect of inflation contribute to budget deficits and other economic risks (Chardin, 2013: 16). In this context, the general public remains disorganized, while producers face significantly diminished bargaining power compared to unproductive sectors. These governments often adopt a short-sighted approach to decision-making and resource allocation, leading them toward populist policies and a volatile period of stagflation. Ultimately, their objectives—redistributing income, creating jobs, and accelerating economic growth—stand in opposition to achieving political stability (Dornbusch and Edwards, 1991:10). The rise of populism can thus be regarded as a net loss to the economic resources of any country, manifested through reduced investment, declining real wages, economic instability, and decreased foreign reserves. Governments that rely on the unchecked exploitation of natural resources often encounter crises throughout various periods. If such governments fall into the populist trap, extricating themselves becomes a daunting and time-consuming endeavor, often resulting in severe and lasting crises. The reliance on resource revenues can temporarily bolster economic conditions, but this can lead to prolonged periods of economic turmoil. Extended populist policies and increased liquidity necessitate more financial resources, which, if mismanaged, can translate into further detriment to the government (Dornbusch and Edwards, 1991: 42).

The issue of oil populism is closely linked to broader concerns of economic literacy. In the foreign policy literature, countries that export natural resources like oil tend to exhibit distinct foreign policy behaviors compared to non-resource-rich nations. Their income generates deep connections with other countries, yet they often exhibit limited political flexibility and convergence. This research asserts that oil populism encompasses a range of political and economic behaviors specific to oil-rich nations. In these contexts, radical foreign policies are typically associated with leftist domestic politics, opposition to large domestic capitalist groups, redistributive policies, and particularly the political mobilization of marginalized lower classes (Torcuato, 2015: 3).

The term "Oil Populism" is characterized by elements such as authoritarian rule, economic nationalism versus foreign trade, self-sufficiency, and ambitions for societal transformation. While some of these characteristics can also be observed in non-oil populist countries, it is uncommon to find all of these traits simultaneously present in such nations (Dornbusch and Edwards, 1990: 304). By examining the four oil-rich countries of Iran, Venezuela, Bolivia, and Ecuador, we find that these populations behave similarly, particularly in their radical approaches. Their behavior often contrasts sharply with that of Gulf countries, whose foreign policies align more closely with the United States and other major powers (Kaviani, 2017: 13).

Therefore, it can be concluded that oil populist governments, stemming from differentiated sources of income, exhibit significant behavioral disparities. In their research on oil populist governments, (Ross and Edwards ,2011: 15) found that countries rich in natural resources, including oil, forge intense connections with the external world. Yet, politically, they exhibit less convergence. Consequently, nations whose income derives from oil sales are prone to the rise of populism. The interplay of oil revenues and a semi-democratic political system creates fertile ground for populists to leverage public sentiment and mobilize support—ultimately enabling their ascent to power. In such economies, the potential for populism thrives alongside the availability of oil revenues, establishing conditions conducive to its growth.

## **2. Populism**

Populism was a common democratic movement in Russia in the late nineteenth century, a direct translation of the Russian word *Nardovik*, first recorded in Dictionary of Oxford in 1865 in an article by P. Miliukov, one of the leading humanists. with the knowledge that can be obtained from a particular set of populist beliefs, populism involves defending the traditions of ordinary people against the change and transformation imposed by powerful aliens, which may be the rule of merchants or the workers' union. These ideas are uncommon among the petty bourgeoisie and are more anti-capitalist and anti-intellectual. Politicians who advocate these beliefs may resort to populist sentiments whenever it is in their favor, and if not, they may resort to denouncing such attractions. (McLean,2016:761) Populism was born in Latin America and is derived from the word "Populism". The word is about rationalism, rationality, and elitism. In other words, populism is derived from the Latin word "Popularis" or "Populurs" meaning the mass of people, and it has a special form in any society and is more common in developing countries and the Third World. Populism has demagogic characteristics, individual sanctification, bigotry, reliance on the masses, lack of clear ideology, reformism, bourgeoisie, and elements of anti-imperialism and nationalism. Expansionism and promotion of forces affiliated with internal officials, and sometimes trade unions and democratic freedoms, are the major characteristics of the populist era (Shamsini et al, 2017: 41).

The main origins of populism in Latin America were revealed. But factors such as authoritarian regimes, class conflict, lack of freedom of speech, oppression of the people, suffocation, backwardness, etc., caused it to reach all parts of the world, especially third world countries (Darvishian et al, 2015: 292) The term came to life in the nineteenth century after European colonialism. Populism emerges during a political crisis and when the legitimacy of questionable institutions is at stake. Populists hate politicians and consider them corrupt and seek to restore factors such as the integrity of the leadership, social justice, national pride, non-violence against women, political decency, etc. (Torres, 2016: 17), populism in today's world, despite its media giants, is complex. Its boundaries and types cannot be determined. The media can persuade the audience to chant populist slogans as rational ones, or consider a rational or practical opinion populist to make it fruitless (Hosseini, 2019: 86).

The center of gravity of populist thinking is the attraction and prioritization of people. People are mostly written the same, who have the same interests. Real populists mostly point to the gap between the people and the elite. They oppose the values and behaviors of certain groups, including the elite, and, according to populists, deprive certain sections of the government of their value, which is a threat to the people (Jagers and Walgrave, 2021:5) Although populism, with all its diversity and structures in contemporary social history, is facing a wave of the public emotions, it is through this wave that it gains political legitimacy. Organizations and groups may be successful in communities that can use the wave of populism in society to lead the masses in the direction they want. The best reason why populism is an emotional response and not rational thinking reflects that it does not retreat

despite repeated failures. Populism considers the complex economic aspects of the world to be very simple, and for each problem it presents a simple solution.

### ***2-1. Characteristics of Populism***

The primary characteristic of populism is underdevelopment, which often serves as a catalyst for broader dissatisfaction. Populism can balance the limitations of institutional governing power, particularly in countries lacking robust institutions, such as independent central banks. In these contexts, populists tend to adopt highly interventionist economic policies that significantly expand state power, allocate populist resources, and divert the economic system (De Castro and Ronci Peter, 2017: 26). Populists claim that elites obstruct the creation of effective laws, especially those benefiting large state-owned enterprises. They contend that if politicians were to enact these laws, they would ultimately find ways to circumvent them, leading to the misuse of government resources. Politicians associated with the private sector often face discredit for being perceived as solely profit-driven. As a result, they find themselves in a precarious position similar to that of public sector actors, caught between the demands of profiteering politicians and the feeling of government ineffectiveness (Müller, 2017: 65). These analyses underscore the contradictions and conflicts between populists and elites, highlighting their strong opposition to one another's policies (Atkinson et al, 2015: 20). Thus, the long-term performance of a populist government may not only fail to foster economic growth and equality but could also lead to severe economic problems. Through their anti-institutional policies, populists undermine the institutions that mediate between the government and the citizenry, which can lay the groundwork for fascist and dictatorial regimes. Historically, most populist governments have arisen in times of crisis and despair.

In its extreme forms, populism disregards all constraints on the popular will, including the protection of minority rights and the independence of institutions. Populists perceive these institutions as threats to the political systems established by their governments. They adopt a markedly anti-elite stance, coupled with a hostile approach toward political and economic elites. Their foreign policies tend to be isolated and radical, posing significant risks to the political and economic systems they operate within. Concepts such as civil law, tolerance, and conspiracy theories are often framed symbolically from a populist perspective, which can manifest in dangerous ways (Bryder, 2019: 10).

Although the central priority of populist programs is often unclear, they employ certain strategies to mobilize individuals against institutions such as parliaments, governments, elites, political parties, and all forms of government representatives. Their objective is to disrupt the economic and political order for their own benefit, exploiting the system to its fullest (Swoboda and Wiersma, 2018: 39). Historical experience indicates that most populist politicians progress through four stages in their economic policymaking agenda:

Step 1: Initial policies tend to be stable, characterized by productive growth, high employment, and rising real wages. At this stage, there may be a destruction of import/export inventories, financing challenges, or suspension of foreign payments, alongside increased domestic demand.

Step 2: As demand for domestic goods strengthens and foreign currency growth stagnates, the economy begins to experience difficulties, marked by falling prices, declining exchange rates, and rising inflation.

Step 3: This stage is characterized by severe currency shortages, skyrocketing inflation, and capital flight. A budget deficit prompts the government to increase tax collection, often resulting in civil unrest. Stabilization attempts through subsidy reductions and tax hikes lead to a significant drop in real wages and economic instability.

Step 4: In this final stage, the government becomes unstable and isolated. Political and

economic isolation, coupled with instability, reduces investment opportunities and capital development. This phase often results in political upheaval, culminating in violence and ultimately, the disintegration of the state (Dornbusch and Edwards, 1995: 12).

It can be argued that populist policies are appealing in the short term but ultimately detrimental, as they provide quick fixes that may lead to longer-term economic decline and lower living standards. The specialized nature of these policies often simplifies complex problems, offering simplistic solutions that may exacerbate economic instability. Koniev views populism as a form of electoral management where politicians engage the masses by arousing their support through emotive movements or political currents, aiming to sustain their hold on power. These politicians frequently promote a sense of nationalism or cultural pride among their followers, promising a better quality of life. The populist struggle predominantly occurs in major cities and is supported by workers seeking improved conditions, as well as urban middle-class individuals who resonate with economic and labor programs (Nazari and Salimi, 2015: 162).

### **3. Political Economy**

The topic of political economy examines the relationship between politics and economics, aiming to provide social analysis of political and historical economic processes (Clarke, 2020: 9). In today's world, political economy has engendered a parallel existence and interaction between government and market; there can be no political economy without both entities (Taqwa, 2016: 9).

Some experts argue that in underdeveloped countries, conventional economic approaches alone cannot adequately address existing problems. Instead, we should incorporate alternative approaches to deepen our understanding. One approach that has gained significant traction is political economy, which can uniquely mitigate the effects of market failures and manage public goods. (Momeni, 2022: 130) Political economy is central to state planning, enabling the exploitation of structural capabilities within any society to promote welfare and social security. The themes of political economy have emerged prominently in the United States since the 1930s, largely within the context of the welfare state, which itself is a product of the post-World War II era. This framework has played a crucial and thought-provoking role in the development agendas of nations. The state has not only preserved its role and position in the international political economy but also holds a vital position in regulating relationships among power, welfare, production, and employment within the domestic structures of countries (Sheikh Mahmuoudi and Massoud Nia, 2023: 6).

### **4. Oil Populist Economy**

Oil populism is a term that has gained traction in recent years within economic literature. This phenomenon examines the characteristics of oil-rich countries and posits that politicians in these nations have a strong propensity to implement populist policies, particularly through the indiscriminate use of oil revenue to secure political support. The term was first applied to describe the rule of Hugo Chávez in Venezuela and has since been used to characterize Ahmadinejad's populist government in Iran (Mirfenderski et al, 2023: 17). In their studies of Latin American countries, Kaufman and Stallingas concluded that a populist economy possesses a distinct definition, primarily formed to achieve the following goals: 1) organized support for the marginalized and impoverished; 2) promotion of domestic markets and production; and 3) the political isolation of capitalists, the wealthy, and opposition to the capitalist system, including foreign elites and large industries (Kaufman and Stallingas, 2019: 25). The economics of populism serves as a conceptual framework in political literature that has permeated economic discourse.

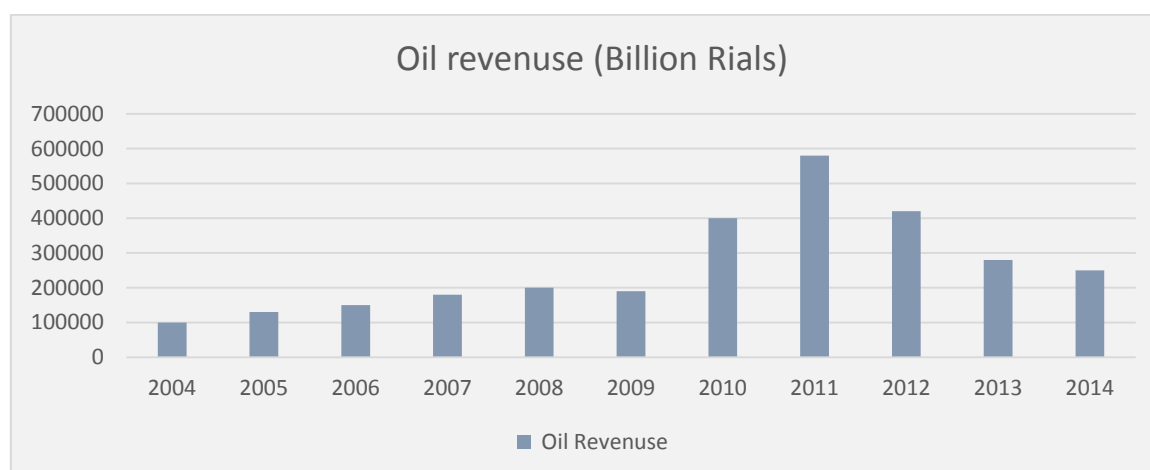
The economy of oil populism refers to policies characterized by expansionary tactics that ignore limited economic resources and focus on distributing oil revenues to garner political support. Such states generally embrace radical policies with anti-elitist ideologies, socialist inclinations, and a tendency toward nationalizing industries and economic infrastructure, often devoid of specialization and supportive of revolutionary movements. Specifically, if governments that derive revenue from natural resources lack politically dominant and powerful parties, they exhibit a strong tendency to pursue a populist economic model alongside an expansion of resource-supplying policies. In rentier, oil-rich states, authoritarianism indicates that allocated rents are primarily unproductive and arise from encroachments on underutilized properties, occupation of public resources through excessive employment, and various contracts for construction and imports. This form of populist accumulation generates rents with minimal tangible benefits. Typically, it yields limited positive effects on production; in many instances, it can have significant negative consequences (North et al, 2013:90). Consequently, in rentier economies, populist economic policies can lead to severe repercussions. A key strategy of populist governments in managing the economy is to increase government spending and aid directed at lower socioeconomic groups while refraining from enhancing non-oil revenue streams. This dichotomy may gradually escalate costs without a corresponding increase in revenues. Moreover, in terms of foreign policy, these governments often find themselves engaging in propaganda, as they decry rising exchange rates and currency devaluation, which ultimately results in further depreciation of the national currency (Sarzaeim, 2023: 22).

#### ***4-1. Oil Populist Economy in Ahmadinejad's Government (2005-2013)***

Since its inception, Iran's economy has faced numerous challenges due to its reliance on oil revenues and the integration of these revenues into its economic structures. The declining oil prices and government dependence on these revenues have undermined economic policies in the long term (Mossalanejad, 2015:176) Despite numerous development programs, the economy has remained less industrialized, increasingly marginalized, and dependent on oil revenues. This underdevelopment is reflected in the political structure, leading to the emergence of a dual system. This dual tendency has, on one hand, driven government institutions and actors toward populist economic policies, while on the other hand, prompted another segment of these institutions to pursue privatization and reform policies. Consequently, while reliance on oil revenues in Iran's economic framework may temporarily address performance deficiencies, the underlying structural problems of the economy and society remain unresolved. As a result, economic crises could destabilize the state structure, leading to conflicts among competing institutions and fostering radical demands within the political system (Attar and Khajeh Naeini, 2015: 13).

Karel (2007) specifically examines Iran, noting that the change of government in the historical context is influenced not only by political and religious motivations but also by the policies of an oil state. Due to the rentier nature of the state structure, economically populist policies can become characteristic of such governments, as oil revenues provide the potential for populist leaders to emerge. The immense oil revenues, alongside the government's extensive responsibilities in economic and social affairs, encourage the government to exert control over mass society and persuade politicians to adopt strategies similar to those pursued by Ahmadinejad's administration. After assuming power in 2005, Ahmadinejad gained popularity and implemented his populist policies leveraging these oil resources, making it evident in his government's approach. His reliance on oil revenues facilitated the execution of these populist measures.





**Figure 1. Oil Revenues of the Ahmadinejad's Government (2005-2013)**  
Source: Central Bank of the Islamic Republic of Iran (2018)

Ahmadinejad's economic populism combined with his conservative political agenda won the outright support of a coalition of conservative political forces and institutions as well as lower economic classes. (Alizadeh, 2018: 13). From 2005 onwards, Ahmadinejad's government-controlled non-governmental organization, did not allow newspapers to be published by independent parties, did not believe in the existence of the party in the country, and did not change middle managers and technocrats in the administrative field. Besides, he dissolved management organizations, destructed the expert body of the Program and Budget Organization (PBO), dissolved the upper councils such as the Monetary Council, and retired some university professors. As a result, some parts of the new elite's plans for controlling civil society and technocrats appeared the ruling elites, particularly the officials of Ahmadinejad's government, heavily relied on fundamentalism, romanticism, and populism, drawing support from oil revenues and the petty bourgeoisie (Ostovar, 2017:78). To a large extent, Ahmadinejad was able to fulfill his election promises to bring wealth and oil revenues to the country to the people's tables and to solve economic-social complaints be sure even without foreign investment because oil revenues had reached their peak and he could fulfill his populist promises. (Pesaran,2022:331).

In 2005, Iran experienced a significant surge in oil revenues, with the eight years under Ahmadinejad's administration accounting for more than half of the country's total historical oil revenues. This increase in oil revenues facilitated his implementation of various policies (Zavar Zadeh et al, 2016: 60) which proved crucial. During Ahmadinejad's tenure, the government's annual revenue fluctuated between 55billionand55billionand 120 billion. According to the Central Bank, the revenue generated during Ahmadinejad's administration over eight years was equivalent to the total revenue from 103 years since the discovery of oil in Iran. The abrupt rise in oil revenues prompted the government to pursue extensive spending, often referred to as the "temptation to spend" these abundant resources (Sarzaeim and Mirtorabi,2015: 91). Statistical analyses indicate that, particularly during Ahmadinejad's second term, the oil revenues reached their highest levels in the three decades following the revolution

Title	\$ Billion
Mir Hossein Mousavi's states	111,395
Hashemi Rafsanjani's governments	126,767
Seyyed Mohammad Khatami' governments	191,921
Mahmoud Ahmadinejad's governments	613,256
Khatami's first term	66,773
Ahmadinejad's first term	279,800

**Figure 2. Revenues in Various Iranian Governments**  
Source: Economic time series data of the Central bank of the Islamic Republic of Iran (2020)

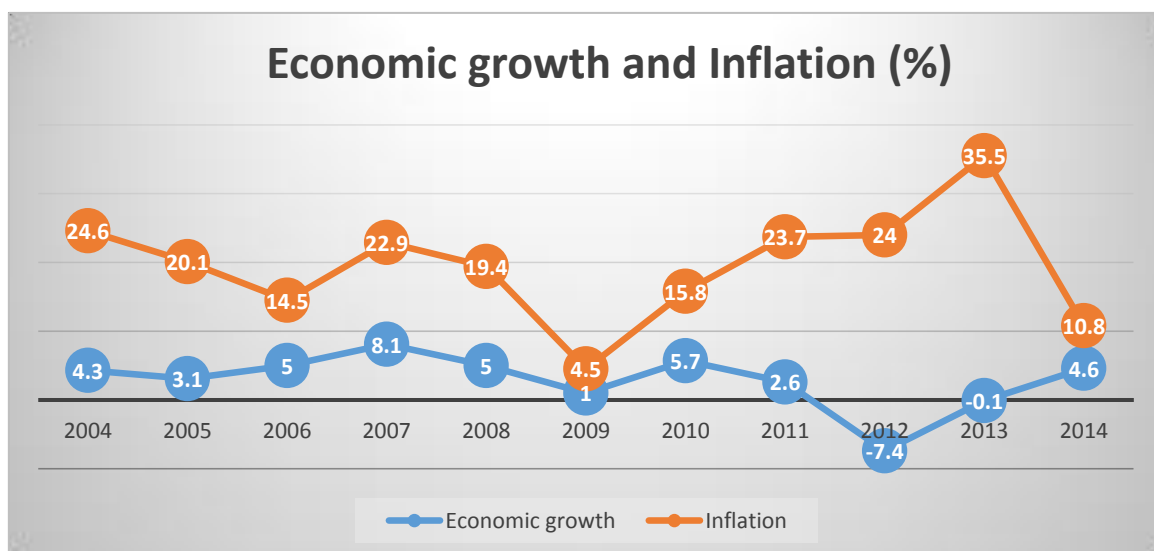
## **5. Policies of Populist Economy**

### ***5-1. Inflation and Economic Growth***

An examination of the policies of a populist economy reveals that the redistributive functions take precedence over the general orientation of the economic policies of the populist regimes. These regimes have put redistributive policies at the forefront of their policies, including the equitable distribution of wealth, the nationalization of industries, the implementation of welfare and social reforms, and special attention to the interests of the working class. Populism is, in particular, a political thought, claiming to rule with its unique ideology and striving for power. In addition to political aspects, this idea also has economic aspects. Its characteristic is its remarkable distributive nature (Hatami, 2013: 105). Looney explains that Ahmadinejad, Iran's populist presidential candidate in the 2005 elections, promised oil money to the people. he argued that the reason for Ahmadinejad's use of the slogan "taking the country's oil money to people's tables" was to help him win the election. The ninth government gained its legitimacy during the election campaign from the point of view of criticizing the previous government. they argued that the previous governments failed to pay attention to the needs of the lower classes of the society. Therefore, they criticized the previous governments, which significantly increased the economic pressure of the people without paying attention to the demands of the upper class by increasing inflation and the price of basic goods. (Momeni, 2014:119 ).

The World Bank in 2014 also reported that despite the real savings rate of 5.11% of the government revenues in 2000, government spending had increased 27 times during Ahmadinejad's government. During his first presidency year, experts and observers believed that his policies were designed to strengthen and support the lower classes and that his populist face was visible (Matsen and Natvik, 2014: 47). His propaganda slogan taking the country's oil money to people's tables played an important role in the deprived classes of society, because in the minds of the deprived masses of society, the slogan was more exploitation of some resources, and if oil revenues were used properly, deprivation would be eliminated. Thus, Ahmadinejad believed that justice is the spirit of decision-making so much that without it there is no possibility of progress. Even national security, peace, independence, and freedom are linked to justice. (Ghasemi Siani and et al, 2016: 137) so that his government, through its populist economic policies, appeared to some extent in the lower-class conflicts with critical economic consequences. Economically, Ahmadinejad's government, by ignoring the shares of production from targeted revenues and allocating subsidies, caused some economic damage. In this sense, the unbalanced allocation of benefits to the lower classes and the disregard for the interests of the bourgeoisie and capitalism led the government to upset the balance between accumulation and distribution by preferring the industrial bourgeoisie. Thus, by stimulating the demand sector and allocating the supply sector, on the one hand, the government intensified not supporting the inflationary effects of demand, and on the other hand, by not supporting supply and production, it reduced economic growth and increased stagflation (Hatami and Kalateh, 2014: 3). Various studies show that inflation remained at a low-level during Ahmadinejad's tenure. Officials in the Ahmadinejad administration's economic policy. for example, Da'avari and Ra'ahbar thought that there was no connection between liquidity and inflation, and warned Ahmadinejad of the ineffectiveness of inflation and liquidity, believing that they were traps for policymakers. Ahmadinejad also worked to implement those policies. His government was forced to convert oil dollars into rials to spend oil revenues, which greatly increased liquidity. (Sarzaeim, 2023:157) Since inflation is not a short-term process and can be effective in the long run, they mistakenly pursued reckless policies so that in Ahmadinejad's term, inflation took a turn for the worse, reaching 25% in 2008.

Ahmadinejad in the populist slogans of the government and the existence of bureaucracy; Dependence of the budget on oil; the gap between income and prosperity; low wages; high unemployment rate; inequality; He condemned the existence of monopoly in economy and politics in Iran and distribution of oil income among the people, especially the lower classes; distributing equity shares(Sahame Edalat) to the masses and creating a special fund for young people and their marriages, and those with low income, he intended to implement his populist policies by relying on the huge oil revenues of his government. However, the sharp increase in oil prices caused the government to implement its expansionary policy in the budgeting system and due to the presence of oil dollars in the central bank's reserves and the implementation of the policy of early return loans along with the strong expansion in the monetary sector; it led to a sharp increase in demand in other economic sectors which could greatly increase inflation.(Samie Esfahani et al , 2020:611) Economic growth in 2004 and the year the government was handed over to Ahmadinejad was 4.6% and 6.3%, respectively, but with the government measures, that rate rose to 6.1% and 7.7%, respectively. The sharp decline in the rate of economic growth in 2008 and 2009 is another sign of the outbreak of Dutch Disease in the Iranian economy, leading to a period of critical recession. (Sarzaeim, 2023:157). These analyzes show that although the implementation of his economic policies was to reduce poverty and class division, he implemented this policy strategy to redistribute income and oil revenues. However, the simplification of Ahmadinejad's complex economic relations, along with the lack of expertise in various areas of management backed by oil revenues, led to the implementation of these economic policies, which in the long run led to stagflation and a slowdown in economic growth. The 9th and 10th administrations of Ahmadinejad obtained the largest oil revenues in the country's history, earning around 650 billion dollars. He took over the tenure of the previous government with an economic growth of 5.5% and with a growth of -4.4, it was handed over to the 11th government. (Samie Esfahani et al, 2020: 618).



**Figure 3. Debt and the financial deficit of Ahmadinejad's government (billion Rials)**  
Source: The World Bank 2020

In the ninth and tenth governments (Ahmadinejad's governments), despite having the highest oil revenues as \$ 324 and \$ 361 billion, respectively, in the Iranian history, Ahmadinejad took over the administration with 3.1% economic growth and handed over to Rouhani with -7.4% economic growth. (World Bank, 2020) Accordingly, the mere existence of oil revenues cannot be hoped for, but long-term achievements can be achieved by

managing and optimizing oil revenues. These policies can pave the way, not populist and patriarchal economic policies. Thus, his actions not only did not lead to economic growth but also led to stagflation and a slowdown in economic growth, which was unique. It was shown by Torvik et al (2016) Iranian government spending during Ahmadinejad's presidency it increased to 72%.

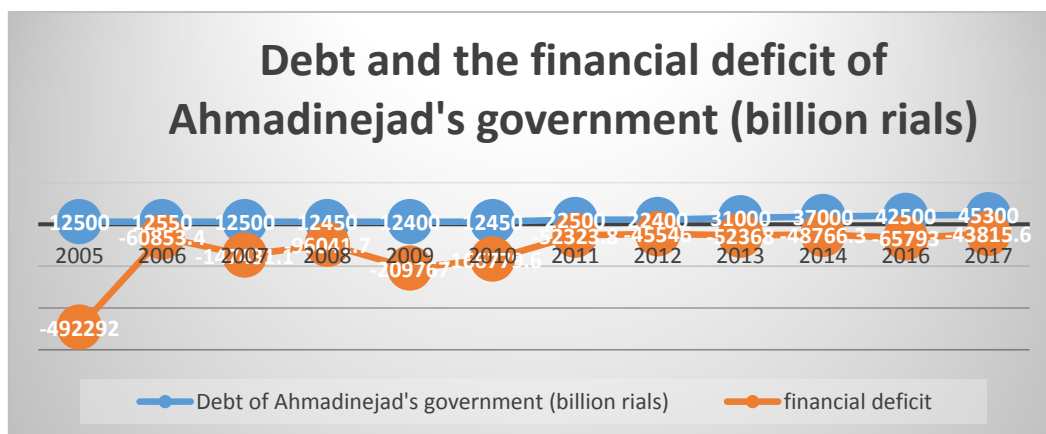
### **5-2. Government Bank Debt and Financial Deficit**

Due to the Iranian state and oil-dependent economic structure, since the beginning of the 1979 revolution, institutions such as banks and national insurance became the government that pursued a kind of populist distributional economic policy (Abuzari Lotf, 2014 :147). By politicizing all economic issues, especially those related to the elimination of deprivation and helping vulnerable groups and the elimination of regional deprivations, oil populism pursues the solution of all issues in the context of a very expansionary economic policy in both money and finance. The result of this approach in many countries lacks God-given resources such as oil, expansion of the budget and reliance on the budget deficit and borrowing from the central bank, and in countries such as Iran that enjoy the blessings of oil, relies heavily on oil revenues (Mahdavian,2017: 31). The starting point for a significant portion of Iran's economic problems has been identified as the entry of oil revenues into the government budget as the root of many of Iran's economic problems. A look at the past trend of the government's budget in the Iranian economy shows several serious challenges in budgeting, the most important of which are: 1- Severe dependence of government expenditures on oil revenues, 2- Dependence of tax revenues on oil revenues, 3- Failure to reduce current expenditures in response to reduction of government expenditures and high dependence on oil revenues indicate high dependence of government expenditures on unsustainable financial resources, that no dependence of the central bank is one of them. The government raises the monetary base by raising the price of oil, selling foreign exchange earnings from oil exports to the central bank, and financing the government accordingly. Thus, the net foreign assets of the central bank, as part of the monetary base, increase.

In the 2000s, after the government borrowed from the central bank as part of its third economic plan, the government's debt to the central bank decreased, while the central bank's net foreign assets increased. However, as oil revenues declined, the government struggled to adequately reduce its current expenditures, leading it to increasingly rely on borrowing from banks or other sources to meet its obligations. This situation contributed to fluctuations in the monetary base. An increase in the monetary base is the primary mechanism through which fluctuations in oil revenues affect the economy, as greater monetary expansion boosts liquidity, which is expected to rise in tandem with economic growth (Rouhani, 2017: 5). Populist economic policies were particularly evident in the banking sector. To stimulate investment, Ahmadinejad's administration reduced interest rates, which diverted capital to private banks and intensified demand in the housing and land markets, subsequently inflating land and housing prices. Additionally, banks faced pressure to manage repayments for loans covering quick-return projects, marriage loans, and self-employment initiatives, exacerbating inflation. While state-owned banks experienced capital flight, they also contended with declining revenues and government-mandated loans, resulting in increased expenditures due to annual employee salaries. Consequently, state-owned banks turned to the central bank for assistance, borrowing from private banks to avert bankruptcy. Moreover, financial indiscipline, mismanagement, and liquidity growth—coupled with the underdevelopment of the productive sector—put the government in a precarious position. The crises observed subsequently can be traced back to the policies enacted during Ahmadinejad's presidency (Latifi Pakdeh, 2018: 139). During his eight years in office, the allocation of resources and the

country's budgeting system reached unprecedented levels of mismanagement. From a political economy perspective, such policies proved critical, gradually ensnaring the government in a quagmire of inefficiency and corruption.

Ahmadinejad's interference in the banking system, coupled with the allocation of low-interest government loans, represented significant political missteps that resulted in substantial increases in liquidity and inflation. Initially, he believed that by appointing like-minded officials, he could reform bank management and enact fundamental changes. He attempted to innovate within the banking sector by establishing Mehr Imam Reza Bank. However, his interventions in banking matters ultimately proved detrimental. Programs such as the annual provision of 200,000 housing loans to rural residents at a 5% interest rate, and 300,000 loans for dilapidated urban structures, alongside loans for essential goods, created new issues for repayment. The government's interference in these loan management processes led to significant debt accumulation within the banking system. By 2013, the government debt to banks had exceeded 36 trillion tomans, which has been recognized as a legacy of Ahmadinejad's administration (Sarzaeim, 2023:148).



**Figure 4. Debt and the financial deficit of Ahmadinejad's government (billion rials)**  
Source: Economic time series data of the Central Bank of the Islamic Republic of Iran (2019)

In this regard, Ahmadinejad left behind a legacy of various injuries and crises resulting from the adoption of populist economic policies. The big challenges of this government were the lack of serious management of government revenues, populist and deviant views, government debt to banks in the amount of 7 thousand billion, government debt to contractors in the amount of 200 billion tomans, which shows the inversion and disruption of Iran's economy. Thus, it can be said that the distribution of oil revenues instead of creating national wealth, important economic infrastructures were able to challenge the economy of the government at once. In this regard, Ahmadinejad used state-owned banks as a tool for government policy-making and monopolized much of the bank's credit. He urged banks to divert national resources to low-interest geographic areas and significantly increased the volume of loans that government agencies and companies received from banks. This strategy caused public sector debt to banks increased, banks were indebted to the central bank and forced to take out loans from the central bank and disrupting the economic system. According to the Central Bank of Iran, the government's debt to the banking system increased by 400% from 2005 to 2011 (Habibi, 2014: 6). With the efficiency of the Ahmadinejad government, the annual budget was adjusted to an unprecedented expansion, and liquidity increased greatly along with inflation. In During this period, with Iran's economy suffering from the alarming increase (Dutch disease) in the volume of imports in the balance of foreign payments; there was a deep split in the government and finally, a unique opportunity to save foreign exchange

earnings and focus on more investment and private sector development was lost that the redistribution of oil revenues can be considered a turning point in his populist policies. based on the findings of the article, financial indiscipline and a budget; the unrestrained and unbridled injection of liquidity and the ineffectiveness of seeing the economic aftershocks caused by the sanctions against the country can be described as three major political and economic mistakes of the justice-oriented government of Ahmadinejad, in addition to his other political mistakes. (Dedman ,2020: 142).

### **6. The Mehr Housing Project, Targeted Subsidies, and Provincial Trips**

The establishment of the ninth government in Iran in 2005 caused a paradigm shift, changing goals and implementation of the Fourth Economic and Social Program to be more under the slogan of justice. It also made the issue of inequality in the distribution of resources important and put economic welfare of low-population deciles on the government's agenda. Issues such as the entry of oil revenues into people's tables spread with the same approach. to achieve these goals, in the first to third years, the government carried out the mechanical distribution of resources by adopting methods such as provincial trips, quick-return plans, expansionary monetary policy, and the distribution of justice. he was trying to fulfill his promises by relying on oil revenues in such a way that the government considered itself obliged to invest the government's revenues in domestic expenses and projects that would reduce injustice. therefore, economic and populist projects such as *Mehre -Ema Reza* Fund could very well increase the level of desire to compensate the economic and social problems of the people. (Pesaran ,2022:335).

In the fourth year, the "Economic Transformation Program" was put on the government's agenda in 2009. However, the general principles and framework of the program can be interpreted by the government's policy on the "distribution of resources" assuming the existence of oil revenues. The experience of monetary policy, especially in controlling "liquidity", was evident in the rise of inflation by more than 25% in 2008. Emphasizing the significance of targeted subsidies, especially energy carriers, supporting vulnerable sectors (family, industry, and government), and paying attention to the financial consequences of the "global crisis", the economic transformation program is significant and has serious implications for redistributive policies. In Iran, unlike developmentalist governments, subsidies have been used not in a targeted manner in exchange for proper performance and efficiency, but often for the compensation of the poor performance of production units and prevention of them from going bankrupt. In Iran, the distributional approach prevails over the production approach. Insisting on his populist policies and oil revenues, Ahmadinejad made redistributive and expansionary policies. Therefore, contrary to his slogans in his eight-year term, he created a serious obstacle in the way of formulating and implementing human capital development policy in Iran with major institutional weaknesses. Contrary to the pattern of developmentalist governments, this type of populist distribution-oriented rentier state did not have the necessary institutional capacity for effective and efficient policy-making in the field of human capital accumulation (Valizadeh et al., 2018:120).

The provincial trips undertaken by the Cabinet, along with targeted subsidies, the merger of the Revolutionary Council, the dissolution of the Management and Planning Organization, the payment of justice stocks, and the Mehr Housing (*Maskan Mehr*) Project, were practical actions aimed at realizing the slogans of justice during the ninth and tenth administrations. However, these initiatives have faced significant criticism from experts who argue that the provincial trips imposed exorbitant costs on the government. While these trips were intended to create a disintegrated democracy that addressed the people's needs, they ultimately hindered efforts toward justice, cost reduction, and the reduction of administrative

bureaucracy. The outcomes of these trips were paradoxical; they fostered a sense of internal belonging among certain segments of the population, thereby reinforcing some social and political components related to national security, such as social support and public cooperation with the government. Conversely, they also resulted in divergent perspectives regarding compliance with existing mental frameworks. Ahmadinejad's government adopted both populist and neoclassical approaches. The neoclassical aspects manifested in the targeted implementation of subsidies and the liberalization of prices, while the populist dimensions became evident through the cash payment of subsidies. Although this subsidy plan was implemented with the justification of promoting social justice, it ultimately led to a deterioration in the overall status of subsidy payments, a lack of transparency in pricing, and increased energy consumption waste (Qureshi et al 2017, 158).

This feature was reinforced by criticism of the exorbitant costs of those trips. In addition to its structural and infrastructural problems, the Mehr Housing (*Maskan Mehr*) Project was recognized as one of the causes of liquidity growth and unbridled inflation. According to the head of the Central Bank of the 10th government (Mahmoud Bahmani), 40% of the country's 44% monetary growth during that period was due to the implementation of the Mehr Housing (*Maskan Mehr*) Project. Experts, economists, and representatives severely criticized the government's implementation of targeted subsidies and other economic policies. In several letters, economists challenged the destabilization of the cooling and business environment, inflationary monetary and fiscal expansionary policies, the poor state of the banking system, uncontrolled interference in the labor market, and policies to improve the environment. Representatives and the Parliamentary Research Center always questioned the staggering growth of liquidity; the increase in imports; the manipulation of tariffs; the lack of theory, plan and the specific economic official in the government; and the hasty non-expert and unscientific implementation of targeted subsidies (Ketabi and Rahimi, 2014: 54).

The Ninth Government, with its anti-corruption and anti-poverty rhetoric, called for the need for a managerial revolution in domestic affairs, independence, and confrontation with the world's powerful countries (instead of interacting with them in foreign affairs.) These slogans and redistributive policies have prompted people to promise to provide financial facilities thanks to the unprecedented rise in oil prices and currency reserves in provincial trips in most cities. And it was a violation and with a revolution Management, often former directors were replaced. Finally, amidst the fight against corruption, the best private banks, and successful factories were accused of corruption (Jalaie pour, 2022: 16). the government came up with plans such as distributing wealth, eradicating poverty, providing services to disadvantaged areas, and fighting rent-seeking. In line with the development policy, deprivation alleviation of rural areas, justice stocks, and targeted subsidies, construction of infrastructure in rural areas along with the increase in budgets of rural areas are the main signs of the central justice discourse. The ninth government's most important goals were to distribute equity shares (*Sahame Edalat*), distribute national wealth in a balanced way, and expand public ownership to ensure social justice and reduce reliance on government through support institutions and long-term income for low-income families. The targeted subsidies plan could not be implemented due to inequality in income distribution and lack of a basic plan for codification society due to inflation and people's reduced purchasing power (Hezar Jaribi and Safari Shali, 2013: 36-38). in addition, the goal of the equity shares plan (*sahame edalat*) as one of the main plans of justice-oriented government policies; it was to increase wealth and create permanent income for low-income families, which to accelerate the process of privatization; promoting a culture of ownership; increasing the efficiency of government enterprises and realizing social justice. (Abrishmi et al, 2022: 99).

The targeted subsidies plan could not be implemented due to inequality in income

distribution and lack of a basic plan and lack of name of the codification society due to inflation and reduced purchasing of people. the Mehr Housing Project could not improve many quantitative and qualitative housing indicators haste in planning and implementation; government and dependence on government resources; extensive intervention in the housing market; weakness of study bases and project support; disregard for national and global experiences; and no climate, social, cultural, and economic considerations (Hosseini, 2019: 32). the rise in oil revenues in 2005 resulted in making policies to inject oil revenues to achieve higher economic growth (Heidari, 2016: 872). During this period, credit grew in various forms and, most importantly, in the form of high-yield enterprises. Finally, it recorded a growth rate of 6.49% for liquidity for 2006. Expansion budgets and notable loans, including the Mehr Housing Project, were features of this period. Despite the injection of oil revenues and the increase in the granting of facilities, the inflation rate increased. The implementation of the targeted subsidies plan, which could be interpreted as a shock, along with the increase in oil revenues in 2011-2011, provided the peak of inflation so that the inflation rate increased from 4.12% in 2010 to 5.21% in 2011. As a result, the economic growth rate decreased from 8.5% to 3% in 2011.

The Ahmadinejad government came to power to bring the vulnerable class into the political field with mass mobilization, uprooted the seedlings of freedom and civil institutions to give the military institutions the opportunity to be more active in the political and economic fields. therefore, he showed his criticism of the development of capitalism and friendship ties. during the first period of his government, luck favored him because of the continuous increase in oil revenues. He openly declared his opposition to the law of the fourth program of economic and social development and refused to implement its provisions. Ahmadinejad spent oil money despite the advice of experts and economists with a generous hand from this point of view, plans such as the targeting of subsidies had no economic importance for implementation. (Hadi Zenooz ,2019: 150). During this period, Ahmadinejad's government significantly increased oil prices, leading to substantial income for the state. However, this revenue surge was largely a result of misguided economic policies. The government initiated extensive imports and adopted a redistribution pattern linked to direct subsidy payments. These non-expert policies ultimately exacerbated sanctions against Iran, resulting in a dramatic decline in oil revenues, which plummeted from four million barrels per day to one million (Mossalanejad, 2016: 322).

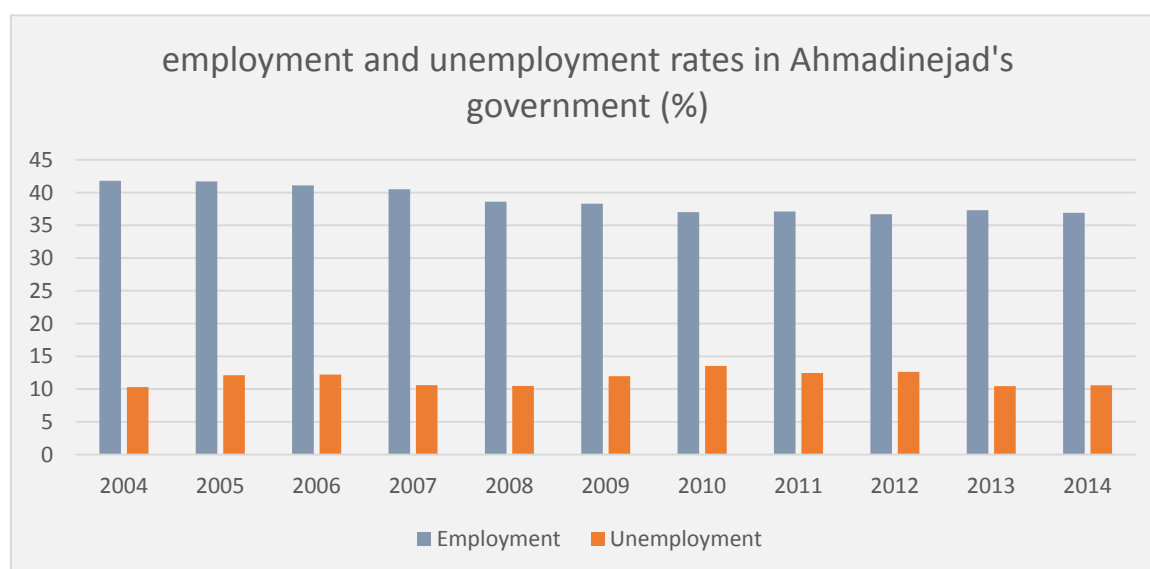
### **7. Corruption, Unemployment, Financial Deficit**

In Ahmadinejad's justice-oriented government, the dissolution of the PBO and its accession to the presidency, the dissolution of the Economic Council, the reduction of the apparent budget, and the addition of various credits made it difficult for parliamentary and public oversight and auditing. The government expanded bureaucracy through a large number of unregulated and illegal employments, so much so that in the ninth and tenth administrations, bureaucracy increased sharply and further expanded bureaucracy. This large volume of bureaucracy also led to an increase in corruption so that Ahmadinejad's government experienced the highest level of corruption among its predecessors (Hajilou, 2017: 107). Elsewhere, the International Organization for Migration (IOM) ranked Iran 145th out of 177 countries in terms of administrative transparency from 2005 to 2011 (Ahmadinejad's government). Besides, Ahmadinejad's government benefited most from oil revenues to achieve immediate and targeted restrictions, as well as the implementation of contradictory populist policies, the indiscriminate distribution and cash distribution of subsidies, and oil revenues that brought oil money to the public. A system tainted with corruption and devoid of government revenue management was largely the legacy of Ahmadinejad's government (Vaziri Hane ,2013: 17)



Prominent examples of economic corruption in this government, in addition to the above-mentioned crimes, include the embezzlement of 300 billion tomans by Amin Khosravi, the CEO of a company called Aria ([www.aftabnews.ir](http://www.aftabnews.ir)) Economists saw financial and budgetary indiscipline as the most important cause of economic corruption in Ahmadinejad's government. To implement his populist plans, Ahmadinejad sought to appoint people who were either unknown or left out of government bureaucracy. In this regard, he was even opposed by the Iranian Principlists<sup>1</sup> (Niakoui and Safari, 2017: 120). At the same time, preparations were made for economic movements toward redistributive policies.

The most obvious aspect of the above policy was the division of justice among the lower and needy classes. Based on these policies, the government committed itself to first distributing the shares of state-owned factories and the profits among these classes. Thus, the purpose of implementing this policy was to reduce the class gap in social construction by redistributing government assets. Instead of being transferred to the private sector, these companies were transferred to the cooperative sector, whose members received shares in the form of subsidies from the government (Abuzari Lotf,2014:155). Nili believes that the employment created by Ahmadinejad's government between 2006 and 2011 was about 70,000 people, which results in an average of 14,000 jobs a year. It can be concluded that in Iran, the state economy is not one of the most important reasons for economic populism. The type of challenges and the type of Ahmadinejad's populist macro-management also have a significant effect on the future of the economy (Nili ,2015: 16). Ahmadinejad's populist policies show that high levels of economic inequality, poverty, chronic unemployment, inflation, and recession became the hallmarks of his government. According to official statistics, the unemployment rate reached an average of 13.5 percent in 2007 and 2008, at a time when the demand for university graduates to enter the labor market increased.



**Figure 5. Employment and Unemployment Rates in Ahmadinejad's Government**  
Source: International Labour Organization, ILOSTAT database.

According to the Islamic Parliament Research Center (IPRC) in 2019, the university unemployment rate had risen from 20% to 40%.the statistics show a rise in unemployment as much as 100%. The significant flood of unemployment rose as oil revenues peaked at a staggering \$ 650 billion to the state treasury and oil prices rose \$ 150. Although Ahmadinejad's government allocated a huge budget for the employment of one and a half

1. conservatives

million jobs. However, his support for high-yield enterprises not only did not bear fruit but also increased unemployment. Employment policies were implemented when those born in the 1980s entered the labor market and the unemployment crisis entered the phase of chronic unemployment. Studies show that the highest liquidity shock in Iran's economy was in the years up to 2013. and during this period, had increased sixfold the country's liquidity. this was while the production growth was fluctuating and also has been negative in some years this process. this negative growth cast a shadow on Iran's economy while Ahmadinejad's government experienced the highest income among all previous governments (Sadeghi,2020: 153). Various studies indicate that the political economy of Ahmadinejad's government was fundamentally based on redistributive economic policies. This approach, rather than fostering prosperity and economic justice, resulted in severe inflation, increased liquidity, and a widespread crisis within Iran's economy (Emami et al., 2021: 47).

Various studies indicate that the political economy of Ahmadinejad's government was fundamentally based on redistributive economic policies. This approach, rather than fostering prosperity and economic justice, resulted in severe inflation, increased liquidity, and a widespread crisis within Iran's economy (Emami et al., 2021: 47).

With the victory of the Alliance of Builders of Islamic Iran in the city and village council elections, Ahmadinejad gained control over Tehran and became known as a populist figure within political circles. He quickly connected with the public and crafted a new model of governance by advocating a discourse of justice against the entrenched power structures in the country. Although Ahmadinejad's government, like its predecessors, faced weaknesses, it possessed the capacity to capitalize on public sentiment, bridging the gap between citizens and authorities to create a government conducive to reform (Asna Ashari, 2020: 40).

Both proponents and critics of the tenth government—including its cabinet—recognized that the national economy's reliance on oil revenues adversely affected the economy and undermined the government's reputation. Ahmadinejad's populist economic policies resulted in significant challenges for Iran's political economy, leading to inflationary stagnation, decreased economic growth, escalating government debt to the private sector and central bank, capital flight, rising unemployment and class disparities, as well as broader economic stagnation. The government undertook various measures to satisfy public demands, including the implementation of the Subsidy Targeting Law and the initiation of quick-return projects aimed at job creation. The legacy of Ahmadinejad's government includes substantial depletion of the national treasury and currency reserves, the accumulation of significant debts, the crisis of state banks, and bankrupt pension funds, alongside the implementation of the Mehr Housing Project aimed at supporting vulnerable groups. Financial corruption peaked during his administration, as the failures of fast-return employment schemes within the Mehr Housing Project, coupled with declining economic growth and increasing inflation, alienated many constituents. It later became evident that his justice-oriented government not only failed to deliver justice and equality in Iran but also left behind a legacy of significant financial corruption. The case of Babak Zanjani, noted as one of Iran's biggest fraudsters, and the allegations against his associates signify a turning point in the financial corruption associated with his administration (Hadi Zenooz, 2019: 151).

By 2012, the government faced an unprecedented financial deficit. To conceal part of this deficit, the strategy of "hostage-taking" was implemented in subsequent budget proposals. The 2013 budget projected solutions involving domestic and foreign borrowing, as well as the issuance of participation bonds, which ultimately resulted in debt burdens carried over to the next administration (Rouhani's government) from 2013 onward (Momeni, 2014: 98). In this context, populism in Iran coincided with Ahmadinejad's administration and the surge in oil prices, enabling him to implement his populist economic policies fueled by oil dollars.

Despite Iran's economy gradually entering a chronic crisis, oil revenues increased. Ahmadinejad's government initiated various projects, including the Subsidy Targeting Law, the Mehr Housing Project, and the distribution of Justice Shares, while increasing imports of cars and luxury goods. These initiatives undermined domestic production and relied heavily on Central Bank reserves, which were significantly derived from oil revenues, effectively making oil the lifeblood of the nation's economy (Khoda Bakhshi et al., 2017:111). Furthermore, the dissolution of the Budget and Program Organization and its integration into the presidential office, alongside the Mehr Housing Project, substantial allocations for economic infrastructure, equity shares, and the procurement of expensive machinery contributed to severe mismanagement. The rapid proliferation of low-quality universities and increases in pensions, combined with ineffective administration and haste across various sectors, ensnared Iran's economy in an unmanageable crisis.

### **Conclusion**

This study demonstrates that Ahmadinejad's populist politics relied heavily on oil revenues as an effective tool for implementing his plans and policies. Without these revenues, it would have been challenging for him to attract and gain the support of the underprivileged classes. Upon coming to power, Ahmadinejad enacted distribution and redistribution policies backed by oil revenues, including cash subsidies, the establishment of the Mehr Fund, the distribution of equity shares, the Mehr Housing Project, and the allocation of credits for budgetary expansion and construction projects.

Despite the unprecedented influx of oil revenues, amounting to \$ 650 billion, Iran's economy steadily deteriorated. Ahmadinejad's impulsive decisions, made without regard for economic rationality, contributed to this economic crisis. His administration left behind a chaotic market marked by unbridled inflation, widespread corruption, an inflation rate of 40%, chronic recession, devaluation of the national currency, significant bank and private sector debt, declining economic growth, business bankruptcies, and overall economic instability. Ahmadinejad's rhetoric often included a commitment to combating luxury and aristocracy, utilizing terms such as "fight against corruption" and "economic corruptors." His efforts to support the underprivileged initially attracted lower-class support as he implemented oil redistribution policies aimed at these income groups. However, as the economic crisis deepened, the adverse effects of his policies eroded this support across various political factions and societal levels. By injecting money into the economy without adequate backing, he fueled inflation and indebtedness to the central bank, implementing rapid plans that ultimately jeopardized the government's stability. Consequently, many economic experts attribute his government's failure in these areas to poor management, insufficient fiscal development, and inefficiency.


Ahmadinejad's economic program was framed within a justice-oriented economy, but his reliance on quick-fix solutions—such as the Mehr Housing Project and the targeting of subsidies—merely exacerbated economic instability. His actions led to severe inflation and increased debt to the central bank, prompting experts to criticize his administration's lack of success in achieving effective fiscal policies. Ahmadinejad's oil populist policymaking illustrates that oil revenues did not serve as a sustainable catalyst for the economy of rentier states. From the outset of his administration, he implemented redistributive policies supported by oil revenues, including cash subsidies, the establishment of the Mehr Wellbeing Fund, the distribution of equity shares (Sahame Edalat), gasoline quotas, the Mehr Housing Project, and the allocation of funds for expansionary budgets and development projects. Nevertheless, the legacy of Ahmadinejad's government is characterized by market disruptions, rampant inflation, and administrative corruption, resulting in an inflation rate of 40%, chronic

recession, currency devaluation, high levels of debt, declining economic growth, and widespread business bankruptcies.

Despite the vast increase in oil revenues, Iran's economy continued to collapse during Ahmadinejad's tenure, particularly during the peak of oil prices. Although the revenues generated could have strengthened the foundations of Iran's fragile economy temporarily, his policies ultimately undermined the prospects for long-term prosperity and economic development as outlined in the 20-Year Regional Power Vision Document. Through short-sighted and superficial populist strategies, Ahmadinejad not only failed to secure the support of the deprived classes but also alienated his political allies within the government. He overlooked the fact that Iran's economy, due to its weak structural foundation, requires a strong, efficient, and transparent government—qualities that a rentier government struggles to provide. This misunderstanding is a common pitfall for populists, particularly those of the rentier variety, leading to instability across all economic and political levels.

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