

# Ahmadinejad retreats in clash over Iran's budget

## Slashing of subsidies to begin

**Keith Jones**  
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Iran's President, Mahmoud Ahmadinejad, has backed down from a confrontation with the country's parliament over the implementation of a politically explosive plan to phase out \$100 billion worth of price subsidies for gasoline, electricity, public transport, bread and other food staples.

For several weeks, Ahmadinejad, his aides and ministers had been insisting that, in amending the government's budget proposal, the Majlis (parliament) had sabotaged the government's plans to eliminate the subsidies in a manner that would limit the economic and political fallout, especially the adverse impact on the poor.

Government spokesmen had implored the Majlis to revisit the budget. They suggested that if it didn't restore \$20 billion worth of revenue and spending tied to the subsidy elimination plan, the government would have to delay reducing the subsidies. Ahmadinejad even threatened to call a national referendum so as to have the budget overturned.

But on Wednesday, Iran's president made an abrupt about face. He ordered the vice-president for planning and strategic supervision to implement the budget for the Iranian year 1389, which began March 21, as it had been amended by the Majlis and approved by the Guardian Council.

Unquestionably, the intensification of the US's campaign of threats and bullying against Iran played a role in Ahmadinejad's decision to back off from a confrontation that could only intensify the already bitter divisions within Iran's bourgeois-clerical establishment. Recent days have seen the US and its European allies step up their efforts to have further UN sanctions imposed on Teheran and orchestrated leaks from Washington and Tel Aviv about possible military action against Iran.

But Ahmadinejad's retreat is also testament to the depth of the elite opposition to his subsidy reduction plan. Ahmadinejad had advocated a rapid move to higher prices through the elimination of \$40 billion in subsidies in the 2010-11 fiscal year and for half of all of the money saved to be redirected into income-support payments for Iranians with less than median incomes.

Iran's president claimed that without such an abrupt change, the government would neither be able to reduce the consumption of gasoline, thereby lessening Iran's vulnerability to a US-led embargo on gasoline exports to Iran, or raise sufficient revenue to properly compensate poorer Iranians for the price increases.

The opposition to Ahmadinejad's targeted-subsidies scheme cuts across the elite divide between those supportive of Supreme Leader Ayatollah Khamenei and those aligned with the bourgeois opposition

Green Movement of defeated presidential candidates Mir Hossein Mousavi and Mehdi Karroubi and former president Mohammad Khatami.

Significantly, Supreme Leader Khamenei issued a statement March 21 that signaled his support for parliament's budget, including its stand on the phasing out of the subsidies. While Khamenei began with a pro forma call for "all state bodies" to "help the government," he stipulated that "the government should consider what is a law as credible and valid."

The parliamentary opposition to Ahmadinejad's budget has been led by Majlis Speaker Ali Larijani.

Larijani, who enjoys close family and political ties to the Shia religious establishment, supported Ahmadinejad and Khamenei in the crisis that erupted over the results of last June's presidential election. But he has long been a critic of Ahmadinejad, especially of his purportedly "overly generous" social spending. In recent months he has frequently spoken out in favor of Hashemi Rafsanjani, a former president, who is reputedly Iran's wealthiest businessman and remains the head of two important state institutions. Rafsanjani bankrolled Mousavi's presidential election challenge and continues to press behind the scenes for a political realignment that would reconcile the leaders of the Green opposition with Khamenei.

Larijani and the other leaders of the parliamentary majority opposed to Ahmadinejad's budget-subsidy plan argue that rapid withdrawal of the subsidies will fuel rampant inflation and social unrest. They have called for a more incremental approach, with a fifth of the current \$100 billion in subsidies phased out each year for five years and, toward that end, they halved the new revenue and spending from subsidy elimination in the budget to \$20 billion and reduced the total budget from \$368 to \$348 billion.

Undoubtedly there are apprehensions in the ruling elite over the economically and socially destabilizing impact of Ahmadinejad's "shock" approach to subsidy elimination. The world economic crisis, subsequent steep decline in oil prices, and US-led economic sanctions have battered Iran's economy. There have been a growing number of workers' protests over the non-payment of wages.

But a huge factor in the opposition to the government's subsidy-reduction plan from "principalists," other religious conservatives, and from the Green leaders is their view that it is too favorable to the working class and rural and urban poor.

"Justice," Larijani told state television in the midst of the clash over the budget, "does not require distribution of money. Socialist methods can never be taken as equal to justice... Distribution of money does

harm to justice.”

Ahmad Tavakoli, a close associate of Larijani and a fellow leader of the Majlis’ opposition to Ahmadinejad’s budget, similarly declared, “we are not obliged to redistribute.” Tavakoli has accused the government of “reverse-engineering” the elimination of the subsidies, by determining in advance how much money should be given over to income support and then fixing the prices accordingly, rather than letting the capitalist market determine prices. Subsidy elimination, said Tavakoli, “is meant to enhance the efficiency of the economy and [end] the wasteful use of resources... We cannot say how much money we want to pay [to people] and then calculate how much the prices should be increased and how much the income should be.”

Larijani and Tavakoli will use their victory in the budget-subsidy dispute to press forward with their campaign to reduce, if not entirely eliminate, the money to be redirected to low-income Iranians.

The Green movement has been largely silent over the subsidy elimination debate, although this change will have a huge impact on the lives of tens of millions of Iranians as prices rise and businesses readjust their production plans in accordance with the elimination of energy subsidies.

This silence bespeaks the Greens’ politically fraudulent character. The Green opposition—as attested by the role the former pro-market presidents Khatami and Rafsanjani have played in its development—represents a powerful faction of the Iranian bourgeoisie that wants an acceleration of market reforms and a rapprochement with US imperialism.

But the Green movement, or at least sections of it, calculate that they can politically exploit opposition in the working class and rural poor to the withdrawal of subsidies that have hitherto provided them a vital economic lifeline.

Thus Mousavi has declared himself opposed to the government’s subsidy elimination plan. In so doing, he made clear that he favors the subsidies’ abolition, but says their elimination should be part of a more fundamental restructuring of the economy. He also voiced his concern that the government will use the ending of subsidies to reward its supporters, in Green circles a virtual codeword for the poor.

Greater light on the thinking of the top echelons of the Green movement is provided by a speech Dr. Hossein-Abdeh Tabrizi gave at Teheran University March 3. Tabrizi is a supporter of the Green opposition and his speech was published by Kalameh.ir, a website associated with the Green movement.

Tabrizi began by proclaiming his support for eliminating the subsidies, but in terms similar to Tavakoli, he attacked Ahmadinejad’s government for focusing “on the distribution of the income from liberalizing prices.”

“Any government,” continued Tabrizi, “who wants to remove the subsidies should in principle believe in a competitive economy and the principles of the market. The current government boldly declares that it does not have such a belief. We should move in all arenas toward liberalization but the commerce minister talks about price control for example. Liberalization of the prices requires recognition of the freedom and rights of individuals.”

Following this paean to capitalism, Tabrizi expressed his fear that the government will not follow through with subsidy elimination, that it will “back off at the very first sign of social resistance of the people” and that this will delay further “liberalization,” i.e. market reforms, “for months if not years.”

To recognize the rightwing character of the opposition to the government’s original budget is not in any way to give credence to

Ahmadinejad’s claim that his subsidy elimination plan is directed at promoting social justice.

Ahmadinejad postures as a friend of the poor and opponent of western capitalism, but his government has pressed forward with the privatization of Iran’s economy.

Now Ahmadinejad is moving forward with the elimination of the energy, food and water subsidies that were rapidly expanded in the Islamic Republic’s early years as the bourgeois-clerical regime sought to consolidate its rule by combining brutal repression of the working class and the left with the extension of limited social-welfare measures to the rural and urban poor.

For two decades, the elimination of the subsidies has been a key element of the Iranian bourgeoisie’s and clerical-political establishment’s agenda for restructuring the country’s economy on free market principles.

Ahmadinejad claims targeted income support will be fairer than the current system of subsidies, arguing that the better-off benefit disproportionately from the gasoline and other energy subsidies. It is true that the better-off, because they consume more energy, take a much larger per capita share of the subsidies than do poorer Iranians.

But an analysis of the subsidies by the well-known academic Dr. Djavad Salehi-Isfahani demonstrates the extent to which low-income Iranians are dependent on the subsidies and the degree, therefore, to which they are threatened by their removal.

Based on figures relating to the subsidies on bread, gasoline, electricity and natural gas, Salehi-Isfahani found that the subsidies are equivalent to 37 percent of the total yearly expenditure of the poorest 10 percent of Iranians. They represent more than 25 percent of the expenditures of the second poorest decile, and more than 20 percent of the expenditures of those Iranians who fall in the third and fourth lowest income deciles.

Ahmadinejad has vowed that the urban and rural poor will be fully compensated for their loss of subsidies. But to date his government’s explanation of how this will be done is vague and unconvincing.

More fundamentally, even if one were to accept that the government will make good on its claims to redirect the money saved, the very nature of Iran’s capitalist economy ensures that the bourgeoisie by virtue of its control of production and distribution will be able to drive up prices so as to place the burden of the subsidy elimination scheme on the working class and poor.

The Iranian elite’s removal of the subsidies underscores the urgency of the working class mounting its own challenge to the Islamic Republic, in irreconcilable opposition to US imperialism, the Greens, and all factions of Iran’s bourgeois-clerical establishment.



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