

# Iran imposes huge increases in fuel and food prices

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Iran's government has imposed massive hikes in the prices of subsidized goods and services, including gasoline, diesel, natural gas, electricity, water and flour. The price hikes, which came into effect last Sunday, are the first stage in what is now expected to be a two-step elimination of the government's more than \$100 billion price-subsidy program.

The price hikes included a trebling of the cost of water and electricity, a fourfold increase in the price of natural gas used in home heating and cooking, and a tenfold increase in natural gas as vehicle fuel. The price of gasoline is being raised by 4 times to 40 cents per liter when bought as part of Iranians' monthly ration allotment, and by seven times for other purchases. The price of flour has been raised by a factor of 40.

Fearing the popular reaction to the price hikes, the government mobilized security forces in Teheran and other major urban centers. There was reportedly a large police presence at gasoline stations. When the government hiked gasoline prices in 2007, several dozen gasoline stations in Teheran were torched.

Press reports indicate that as of yet there has been little organized resistance to the price hikes, but the *Washington Post* claims that many trucks were off the road at the beginning of the week to protest the price increases.

So as to undercut the organization of protests, the government imposed the price hikes with no forewarning.

In a speech to the nation Sunday, Iranian President Mahmoud Ahmadinejad conceded that the changes would have a major economic impact, calling them "economic surgery" of a kind unseen since before the 1979 revolution. He also made a telling admission of the failure of the Islamic Republic to meet the basic needs of the people. He said he favored a society where the poor can "eat meat and buy refrigerators" and young people do not have to struggle to find housing, but such "justice" will take several decades more to achieve.

Ahmadinejad made clear that any popular protest against the price increases would be considered an intolerable political challenge. Iran's president claimed his government has established offices where people can register complaints or make recommendations about the elimination of the current price subsidies and the introduction of a new "targeted" subsidy scheme under which most Iranians will receive a cash

payment. He then declared, "Therefore, if anything happens we see the motive behind that as not economic." In other words, such opposition will be treated as unacceptable political opposition and repressed.

Ahmadinejad repeated in his speech his longstanding claim that the elimination of the price subsidies will benefit the poorer sections of Iranian society, especially the poorest quintile.

This is palpably false. While it is true that on a per capita basis the rich consume more of the subsidized goods and services than other Iranians, studies have shown that as a proportion of their income the subsidies provide a much larger benefit to the less well-off—Iran's workers, toilers and unemployed—than to the most privileged sections of society.

In recent years, as unemployment has grown and many workers have been forced into low-paying jobs on contract, the 16 subsidized goods and services have become an economic lifeline for tens of millions. Indeed, the subsidies are among the last significant social benefits of the 1979 Iranian Revolution, which toppled the US-sponsored monarchical dictatorship of Shah Reza Pahlavi.

The IMF, which strongly supports their elimination, estimates that they are equal to about \$4,000 annually per Iranian.

Ahmadinejad's "targeted" subsidy scheme will provide Iranians the equivalent of \$40 per month as compensation for the phasing out of the subsidies. Not only is this a meager stipend, its value will be quickly eroded by inflation.

The Iranian bourgeoisie—much of which has attacked Ahmadinejad's new cash benefit as too generous, while pressing for the government to compensate businesses for their loss of cheap energy and water—will use its control of the levers of the economy to shift the burden of the transition to "market prices" onto working people.

Ahmadinejad has said that price rises will be held in check through state monitoring. But his government lacks the will and the means to do so. It routinely makes demagogic declamations about social justice, while pressing forward with privatization and "market" reforms.

In the coming weeks and months, the energy and food price increases will ripple through the entire economy, fueling inflation, but also dampening demand and production, leading



to further job cuts.

Under the plan adopted by the Iranian parliament earlier in the year, the subsidies are to be phased out over five years. But Ahmadinejad has argued for a quicker transition, claiming that both the inflationary impact and popular opposition will be lessened if the subsidy cuts and price rises are imposed more rapidly.

The extent of the subsidy cut varies by good and service. But the government has taken a major step toward raising the price of gasoline and several other key commodities to world market prices in one fell swoop.

Following Sunday's announcement, four of Ahmadinejad's top economic ministers and advisers met with members of Iran's parliament, the Majlis, to discuss the ramifications of this first phase of subsidy cuts. According to press reports, they agreed with the government's tactic of not announcing the subsidy cuts in advance, but expressed concern over their inflationary impact.

Later Majlis Speaker Ali Larijani suggested a coming together of the various factions of Iran's fractious political-clerical elite is needed so as to implement the transition to market pricing. "This plan requires national unity to succeed," said Larijani, "and is not something that the government can implement on its own."

A strong supporter and protégé of the Supreme Guardian Ayatollah Khamenei, Larijani has frequently criticized Ahmadinejad for the populist social policies he pursued during his first presidential term when Iran was benefiting from high world prices, advocating instead unabashed pro-big business policies. He also has repeatedly solidarized himself with former President Hashemi Rafsanjani, who spearheaded Iran's turn to free market policies and reintegration into the world capitalist economy. Last year Rafsanjani provided key support to the challenge mounted to Ahmadinejad by the Green movement and its defeated presidential candidates, former prime minister Mir Hossein Mousavi and former Majlis Speaker Mehdi Karroubi.

Pivotal to the government's success in beating back the challenge from the Green Opposition—a dissident faction of the ruling elite of the Islamic Republic that seeks a rapid accommodation with US imperialism and quicker implementation of market "reform"—has been the indifference and opposition to the Greens from Iran's workers and toilers.

Now, under the impact of the deepening world economic crisis and the widening US-led campaign to destabilize Iran's economy so as to force it to accept Washington's strategic domination of the Middle East, Ahmadinejad is having to reveal his true colors and is implementing an economic agenda that will impoverish or further impoverish millions.

In keeping with their rightwing orientation, the Green leaders are emphatic that the subsidies need to be phased out. But they are criticizing the manner in which Ahmadinejad has proceeded, clearly with the hope of harnessing some of the

popular opposition to the price rises.

In a statement published on their websites Wednesday, Mousavi and Karroubi said: "We are not against targeted subsidies, but what we are really saying is that they (the government) do not have the people to execute and manage this plan as most experts have been sidelined."

The Green leaders also repeated their standard attack on Ahmadinejad's foreign policy, claiming that the government's "adventurous foreign policies have resulted in issuing of several [sanctions] resolutions by international organisations against us in a short period and this has had negative effect on people's livelihood."

The reality is that the US campaign over Iran's nuclear program began in the immediate aftermath of the US's illegal invasion of Iraq, when the Bush administration was turning to the consideration of military action against Teheran as the culmination of Washington's quarter-century campaign to subvert the Islamic Republic.

Also very revealing of the social outlook of the Greens and more generally Ahmadinejad's elite opponents was a comment by Saeed Leilaz. An economic analyst long associated with Rafsanjani, Leilaz was briefly jailed after the Greens challenged the legitimacy of the June 2009 presidential election. Leilaz said that in principle the elimination of subsidies is positive, "However it is being implemented in an incomplete fashion because it's not accompanied by a greater liberalization of the economy."

The subsidy cuts clearly mark a new stage in the Iranian bourgeoisie's assault on the working class and will undoubtedly give rise to widespread popular resistance.

The crucial question is the development of an independent political movement of the working class in opposition to all the rival factions of the bourgeois and clerical-political establishment. Iran's workers and socialist-minded youths must draw the bitter lessons of the 1978-79 anti-Shah revolution—a mass plebian upsurge that was politically emasculated by the Stalinist Tudeh party and other purported socialist groups, thereby enabling Khomeini and his heterodox faction of the traditional Shia clergy to harness it to the venal interests of the Iranian bourgeoisie. Democratic rights, an agrarian revolution and genuine independence from imperialism will be only secured through a working class-led socialist revolution.



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