



Spotlight on Iran



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Editor: Dr. Raz Zimmt

From Niavaran Street to the president's office: Hassan Rowhani's economic team

During the campaign for president of Iran, Hassan Rowhani expressed views consistent with a liberal outlook on economy. The president-elect is an advocate of the economic policy pursued by former President Ali-Akbar Hashemi Rafsanjani, based on privatization, deregulation, and economic openness.

Reports published in the Iranian media in recent weeks indicate that some of Rowhani's top economic advisors are affiliated with the Niavaran school of thought, established on neo-liberal economic principles. Its adherents support a free-market economy and a reduction of government economic intervention. Major economists affiliated with that school of thought and considered close to Rowhani are Dr. Mohammad Baqer Nowbakht, Dr. Mohammad Tabibian, Dr. Ali-Naqi Mashayekhi, Dr. Mas'oud Nili, Mohammad-Ali Najafi, Dr. Mas'oud Roghani-Zanjani, Dr. Mohammad-Hossein Adeli, and Dr. Majid Qassemi.

These top economists, who may come to hold some of the top economic positions in the new administration, played a major role in shaping Iran's economic policy in the 1980s and 1990s. By promoting economic reforms, they took a neo-liberal stance, sought to reduce government economic intervention, encouraged private and even foreign investments in the economy, and drove the private sector forward. In the 1980s, as Iran was facing a severe economic crisis, these economists played an important role in drawing up recommendations that contributed to the decision made by Iran's Supreme Leader Ayatollah Khomeini to agree to a ceasefire with Iraq in 1988.

During the first presidential debate, held on May 31, Hassan Rowhani laid out his economic vision. Among other things, he argued that the government should dramatically cut its expenses to help fight inflation and encourage production to bring back stability to the economy. Rowhani expressed his support for promoting the privatization process and voiced disappointment at the lack of progress made in that area. He said that only a small number of privatized government companies had gone over to private ownership, and that ownership of most companies had in fact been transferred to semi-government bodies, making it impossible to increase economic competitiveness. Rowhani said he was opposed to the existence of monopolies and called for a competitive environment. He added that the government must provide

economic security to encourage potential investors and allow them to make medium- and long-term plans.

Speaking about the subsidy policy reform, Rowhani said that changes are needed in the way the program is run since it benefits the top and bottom income quintiles but hurts the middle class. He expressed his support for reestablishing the Management and Planning Organization (formerly the Planning and Budget Organization), disbanded by President Ahmadinejad, saying that the knowledge of private-sector economic experts and entrepreneurs has to be put to use and that they have to be brought into the decision-making process.

Rowhani's remarks were indicative of his support for liberal views that call for the decrease of the government's economic intervention. Rowhani is an advocate of the economic policy embarked upon by Ali-Akbar Hashemi Rafsanjani during his time as president (1989-1997), which was based on privatization, deregulation, and economic openness.

The Niavaran school of thought: Iranian neo-liberal economy

Reports published in the Iranian media in recent weeks indicate that some of Rowhani's top economic advisors are affiliated with the Niavaran school of thought, established on neo-liberal economic principles. Its adherents support a free-market economy and a reduction of government economic intervention.

Starting in the 1990s, top economists affiliated with that school of thought have worked within the Institute for Management and Planning Studies (IMPS, *موسسه عالی آموزش و پژوهش مدیریت و برنامه ریزی*), which has ties to the Management and Planning Organization.



The institute is situated on Niavaran Street in Tehran, a short distance from the Expediency Discernment Council's Center for Strategic Studies, headed by Rowhani. According to its official website, the institute was established to conduct research in planning and economic development. Its missions include carrying out research to improve skills and develop methods of planning; identifying problems in the field of planning and budgeting and propose solutions to remove the obstacles in that field; organizing courses in economic, social, and cultural planning and development; increasing the planners' technical knowledge; collecting and publishing documents pertaining to planning, preparation of plans, and budgeting; publishing journals in the field of economic development and planning; and cooperating with the president's office, government ministries, and other public institutions in the institute's areas of responsibility (<http://en.imps.ac.ir/>).



The influence of the Niavaran school of thought on shaping Iran's economy reached its peak under President Rafsanjani. The most notable economist belonging to that school of thought is Dr. Mohammad Tabibian; other major economists affiliated with it are Dr. Ali-Naqi Mashayekhi, Dr. Mousa Ghaninejad, Dr. Mas'oud Nili, Mohammad-Ali Najafi, and Dr. Mas'oud Roghani-Zanjani. Mohammad Baqer Nowbakht, Hassan Rowhani's top economic advisor, is affiliated with that school of thought as well. Nowbakht is currently the head of the Economic Research Department at the Expediency Discernment Council's Center for Strategic Studies. In recent years the center has become a leading venue for economists affiliated with the Niavaran school of thought to engage in economic discourse (<http://www.boursenews.ir/fa/pages/?cid=97688>).

The ongoing dispute on “Islamic economy” in Iran

The efforts of the economists affiliated with the Niavaran school of thought to promote neo-liberal economic views reflect the dispute—one that goes back to the Islamic revolution—between different economic philosophies. The areas of debate are the government's involvement in economic life, the right to private property, social justice, as well as capital and hired labor profits. The struggle to create an Islamic economic system began with the establishment of the Islamic republic; however, the interpretations with regard to the would-be fundamental properties of an Islamic economic system were quite numerous.

During and after the revolution, three main approaches were formulated in Iran as to the meaning of the limits of private property in Islam: the radical approach, the populist-state approach, and the conservative or free-market approach. The radical approach, which took after the philosophy of Dr. Ali Shariati (1933-1977), one of the main

ideological architects of the Islamic revolution, rejected the right to private property, arguing that Islam goes against capitalism, private ownership, and class exploitation. The populist-state approach accepted the right to private property, with some limitations. Those limitations, according to that approach, must be imposed to ensure that all people can realize their right to property, thus maintaining social equality. Its supporters believed that the state had to be allowed to define property rights and set the limits for their implementation. The conservative approach suggested that Islamic religious law is definitely in accord with the functioning of the market system and the principles of neoclassical analysis, arguing that the most important rights are property rights. Its supporters emphasized economic growth over social equality, explicitly recognized the profit motive, and accepted the market price mechanism as being fair and rational.

Ayatollah Khomeini, the founder of the Islamic revolution, left no room for doubt that Islam did allow ownership of property—provided that the property was acquired by legal means, he decreed. Khomeini accepted market relations but rejected capitalism. In his last will, he proposed the concept of Islamic balance, which did not justify oppressive and unrestrained capitalism yet was not opposed to private property. In 1984 Khomeini decreed that it was Islamically illegal to prevent the private sector from engaging in foreign trade, and that it was inappropriate to restrict the citizens' freedom as far as economic activity was concerned.¹

The economic team of the president-elect

As already mentioned, Hassan Rowhani's economic team consists of top economists affiliated with the Niavaran school of thought, chiefly **Dr. Mohammad-Baqer Nowbakht**, who was the spokesman of Rowhani's election headquarters. Nowbakht, born 1950, is the most prominent economist to advise the president-elect. He served as member of the Majles and is the secretary general of the Moderation and Development Party (Hezb-e E'tedal va Towse'eh), a centrist party formed in 2002 and affiliated with the moderate wing of the reformist camp. Nowbakht, who received his Doctor of Economics degree from the University of Paisley, Scotland, is considered one of the top candidates for a senior economic position in Rowhani's new government.

¹ For further information on the dispute between the different economic approaches in the Islamic republic, see: Sohrab Behdad, "A Disputed Utopia: Islamic Economics in Revolutionary Iran", *Comparative Studies in Society and History*, 36 (1994), 4, pp. 775-813.

In an interview to Iranian TV on June 16, Nowbakht went into some detail about the president-elect's economic plans. He said that the next government intends to continue with the implementation of the subsidy policy reform, but also introduce changes that will take into consideration the different income levels of those who receive government cash benefits under the reform program. He said that the government needs to stop paying cash benefits to people in the upper income levels, and thus allow the rest of the population to receive higher benefits. According to Nowbakht, the new government intends to create a comprehensive database to break down the population by income level and use that database to achieve a more just division of national resources.

In his remarks, Nowbakht discussed the harm that has been caused to the Iranian middle class in recent years as a result of the economic policy pursued by Ahmadinejad's government. He noted that the new government intends to work for increasing the citizens' buying power and curbing inflation by controlling liquidity in the economy and the means of production.

He said that the government intends to provide benefits to entrepreneurs to encourage more new businesses to open. Among other things, a new bureau to be established under the president's office will be in charge of reducing the government bureaucracy currently required to obtain a license for a new business. According to Nowbakht, the new president is expected to appoint a vice president for development affairs who will also be responsible for the new bureau. Nowbakht further noted that the new government intends to complete approximately 2,800 development projects across Iran that have not been completed in recent years. Each project will be prioritized according to its significance, and economically unjustified projects will be canceled.

Other major economists affiliated with the Niavaran school of thought and considered close to Rowhani are Dr. Mas'oud Nili, Dr. Ali-Naqi Mashayekhi, Mohammad-Ali Najafi, Dr. Mas'oud Roghani-Zanjani, Dr. Mohammad-Hossein Adeli, Dr. Majid Qassemi, and Dr. Mohammad Tabibian.

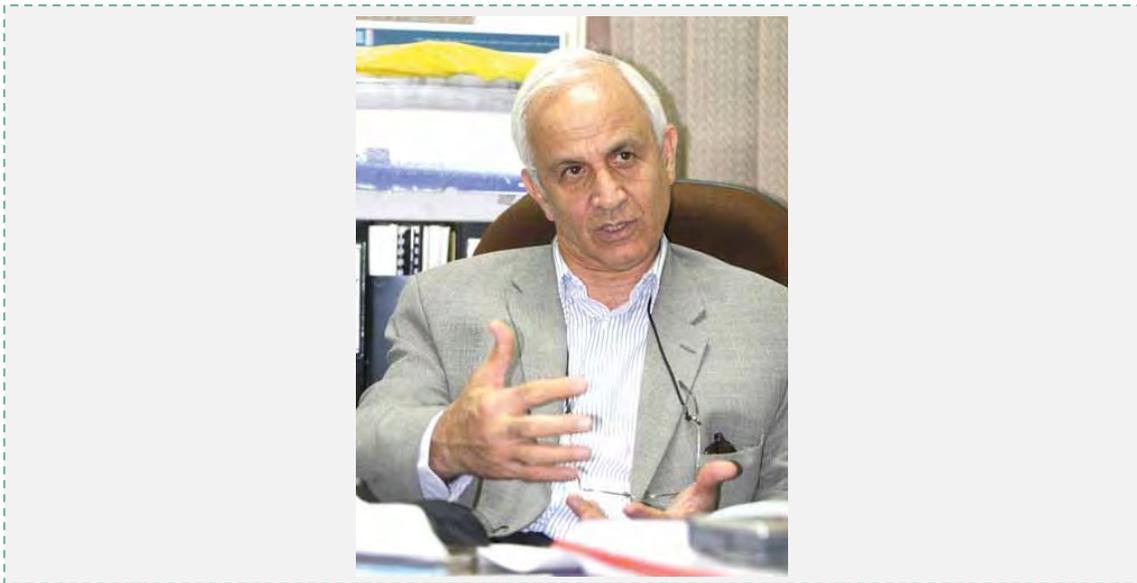
Dr. Mas'oud Nili, who received his Doctor of Economics degree from the University of Manchester, UK, is currently head of the Department of Economy at the Management and Economy School of the Sharif University of Technology in Tehran. In the 1990s he held a number of top economic positions, including deputy chairman of the Planning and Budget Organization, head of the Economic Privatization Committee, and head of the expert panel that was responsible for drawing up a strategic document that discussed industrial development in Iran. He played a major role in formulating the first,

second, and third economic development programs (1989-1993, 1995-1999, and 2000-2004, respectively), and was an advisor to the ministers of petroleum and industry (http://www.erf.org.eg/CMS/uploads/pdf/1184084577_Masoud_Nili_CV07.pdf).

In April 2013 Nili took part in an economic program aired on Iranian TV Channel 1 in which he strongly criticized the Ahmadinejad government's employment policy. He presented data according to which in 2006-2011 the government had created only 14 thousand new jobs a year, compared to approximately 695 thousand jobs a year in 2001-2006. His remarks sparked a controversy and prompted the government to release an announcement rejecting his claims and arguing that in recent years it had created about 780 thousand new jobs each year

(<http://www.asriran.com/fa/news/266939>).

Dr. Ali-Naqi Mashayekhi, who received his Doctor of Business Administration degree from the Massachusetts Institute of Technology (MIT), is the dean of the School of Management and Systems at the Sharif University of Technology in Tehran.



Source: www.kargarnews.ir

Since the 1970s Mashayekhi has held top economic positions in the academia and the regime, including chief advisor to the director of the Planning and Budget Organization, advisor to the ministers of housing, industry, and energy, and advisor to the Foundation for the Oppressed. He has also worked as an advisor for leading Western companies, including AT&T and McKinsey

(http://www.erf.org.eg/CMS/uploads/pdf/1194807200_Ali_Naghi_Mashyayeki_CV_07.pdf).

Mohammad-Ali Najafi was the minister of culture and higher education in Mir-Hossein Mousavi's government (1981-1984) and the minister of education in Rafsanjani's government (1987-1997). During Mohammad Khatami's presidential term he was appointed as director of the Planning and Budget Organization.



He is currently a lecturer on mathematics at the Sharif University of Technology in Tehran. In the 1970s he began studying for his Ph.D. at the MIT, but returned to Iran in the wake of the Islamic revolution and did not complete his studies (<http://dena.sharif.edu/~web/Profs/Najafi/Najafi.htm>).

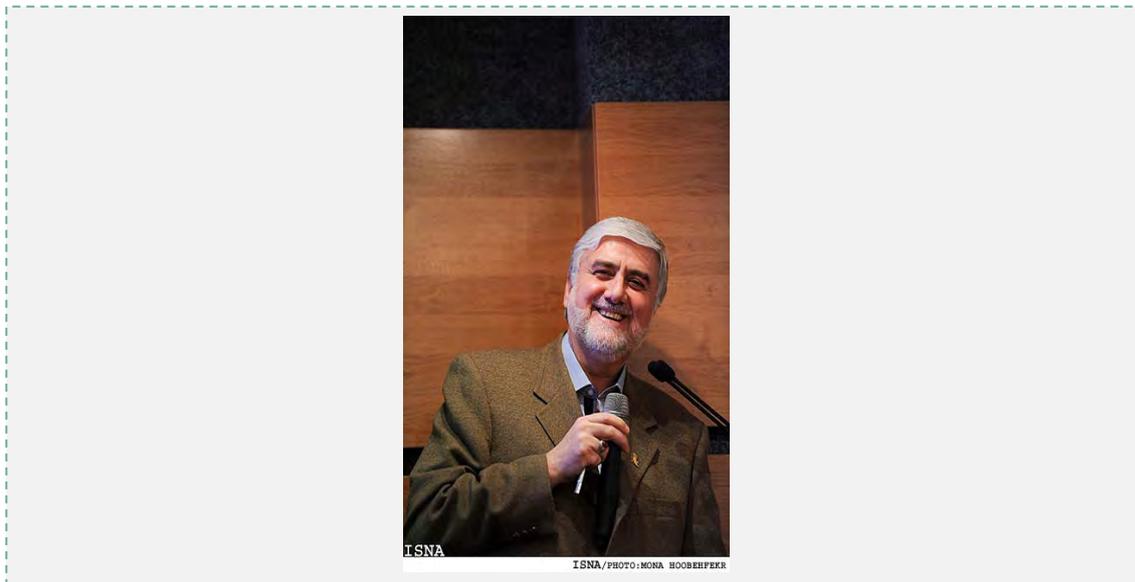
Dr. Mas'oud Roghani-Zanjani is a lecturer on economics at the Alameh Tabataba'i University in Tehran. In the 1980s and 1990s he intermittently served as director of the Planning and Budget Organization.



In the 1980s he resigned from his position on two occasions (in 1985 and 1988) due to differences of opinion with the then Prime Minister Mir-Hossein Mousavi, who held leftist economic views.

Najafi and Roghani-Zanjani are considered two of the likeliest candidates for director of the Management and Planning Organization, assuming that the organization is in fact reestablished by the president-elect.

Dr. Majid Qassemi and **Dr. Mohammad-Hossein Adeli** formerly served as governors of Iran's Central Bank (Qassemi in 1986-1989 and Adeli in 1989-1994) and are, too, considered economists who are close to Rowhani. Qassemi is currently the chairman of the Macroeconomic Committee in the Expediency Discernment Council and is a close ally of Mohammad-Baqer Nowbakht.

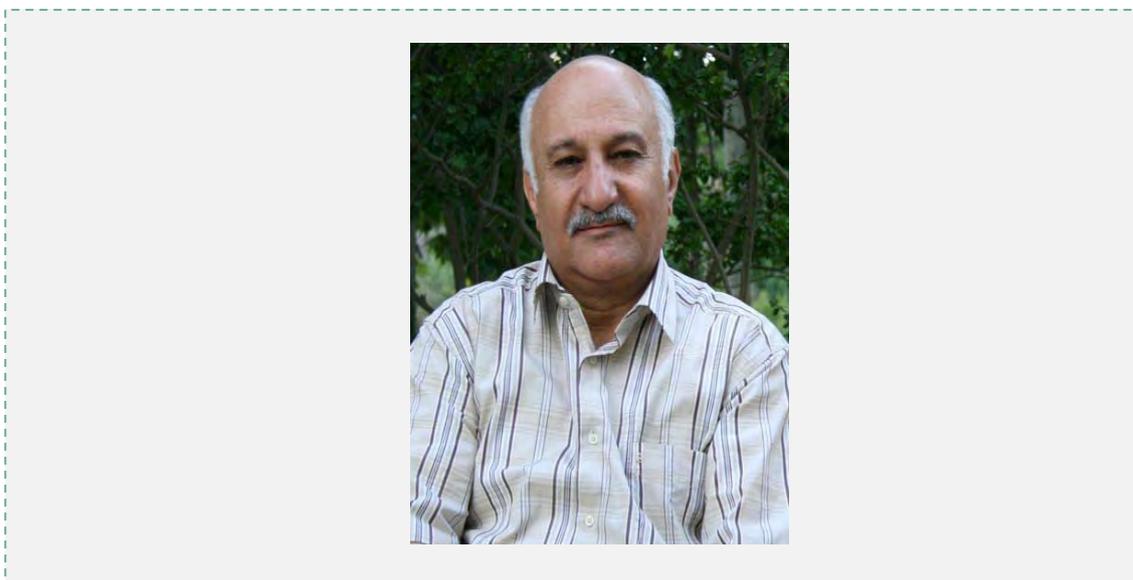


Adeli, who received his Doctor of Economics degree from the University of California, is considered one of the leaders of the economic reform launched by Rafsanjani during his presidential term after the Iran-Iraq War. Upon completing his term as governor of the Central Bank, Adeli, who had been Iran's ambassador to Japan in 1986-1989, returned to the Iranian Foreign Service. He served as ambassador to Canada (1995-1999), deputy foreign minister for economic affairs, and ambassador to the UK (2004-2005). After leaving the Foreign Ministry, Adeli founded Ravand, an independent institute for economic and international studies.



Source: www.irdiplomacy.ir

Dr. Mohammad Tabibian, as already mentioned, is considered the most prominent economist affiliated with the Niavaran school of thought. He received his Doctor of Economics degree from Duke University, North Carolina. He served as deputy director of the Planning and Budget Organization in the Rafsanjani administration and played a major role in formulating the first and second development programs. He co-founded the Management and Planning Studies Institute in Tehran.



Source: www.asnoor.ir

In a recent article, Tabibian called for the reestablishment of the Management and Planning Organization. He argued that the organization is necessary to help the president and the government steer the economy, and that its disbandment by Ahmadinejad deprived the government of one of its most important tools for steering

the economy and undermined its ability to make economic decisions. He said that the organization's independence and ability to interact with various state authorities—necessary means for performing its duties—took a hit when its powers were transferred to the Ministry of Economy (<http://mtabibian.com/>).

Rowhani's economic team in service of the regime in the 1980s and the 1990s²

In the 1980s and 1990s some of the top economists who are currently members of Rowhani's economic team, mainly Mas'oud Nili, Mas'oud Roghani-Zanjani, Ali-Naqi Mashayekhi, Mohammad Tabibian, Mohammad-Ali Najafi, and Hossein Adeli, played a major role in shaping the economic policy of the Islamic republic. Among other things, they were involved in formulating the economic development programs and advancing the privatization policy.

By promoting economic reforms, these economists took a neo-liberal stance, sought to reduce government economic intervention, encouraged private and even foreign investments in the economy, and drove the private sector forward. They even supported the recommendations of the World Bank and in some cases were willing to confront adherents of radical leftist economic policies, who disapproved of free-market economic principles and advocated for greater government intervention in the economy. For instance, Mas'oud Nili discussed the tensions that arose between the top economic advisors and the decision-makers in the 1980s:

“Since the spirit of that time was in opposition to a capitalist economic structure, capitalist ideas and people who may approved of them were perceived as gheyrekhodi [not one of us, alien]”.

In the 1980s, as Iran was facing a severe economic crisis brought on by the prolonged war against Iraq, these economists played an important role in drawing up recommendations that contributed to the decision made by Iran's Supreme Leader Ayatollah Khomeini to agree to a ceasefire with Iraq in 1988.

In late 1986 Roghani-Zanjani, then the director of the Planning and Budget Organization, alerted Prime Minister Mousavi to the consequences that a continued

² This section is based on: Ehsanee Ian Sadr, *To Whisper in the King's Ear: Economists in Pahlavi and Islamic Iran*, A Dissertation submitted to the Faculty of the Graduate School of the University of Maryland, College Park, in partial fulfillment of the requirement for the degree of Doctor of Philosophy, 2013.

war against Iraq would have on Iran's economy and the stability of the Islamic republic. Mousavi was largely unimpressed with the warnings; however, he did eventually permit Roghani-Zanjani to write a letter to the leader of the revolution to communicate his concerns.

Aided by Nili, Tabibian, and Mashayekhi, Roghani-Zanjani composed a letter setting out the conclusions reached by the Planning and Budget Organization on the consequences of continuing the war. He stressed in his letter that making decisions on continuing the war was the exclusive province of the religious leadership, but stated that there were two options: to follow in the footsteps of the Shi'ite Imam Hussein and sacrifice everything for the sake of a war effort that was unlikely to succeed, or end the war and move on to dealing with the economic crisis and the escalating crisis brought on by the dramatic increase in birth rate. It is not inconceivable that the letter had an influence on Khomeini's decision, made just months after the letter was received, to agree to a ceasefire with Iraq.