Middle East Policy, Vol. XIV, No. 3, Fall 2007

Islamic Social Justice, Iranian Style

Jahangir Amuzegar

Dr. Amuzegar was finance minister and economic ambassador in Iran's pre-1979 government.

The ideal of social justice was a prime goal of Iran's 1979 revolution. The monarchy was mercilessly chastised by Ayatollah Ruhollah Khomeini for having neglected the plight of the poor and the disenfranchised, the *mostazafan*. A new constitution adopted under his supervision after the revolution is replete with references to justice and equity as two of the main Quranic principles of governance. Eradication of poverty and deprivation thus became one of the Islamic Republic's principal duties and its leaders' principal aims. And the dominance of public sector over the national economy, specified in the constitution, was expected to guarantee the achievement of that objective.

The fact that, after nearly three decades of "Islamic" rule, millions of Iranians are still living below the poverty line and the gap between rich and poor has actually widened is not surprising, in view of gross economic mismanagement. The real surprise lies in the recent ideological turnaround by the regime and the candid rejection of the state as an anti-poverty agent. This review intends to (a) discuss the Islamic Republic's several privatization programs in the last 18 years to reduce state economic dominance and the way in which the 1979 Constitution has been amended to reach that goal; (b) President Ahmadinejad's cherished scheme to distribute a portion of public assets among the poor as "justice shares" (*saham-e edalat*); and (c) appraise the new measures' prospects for achieving the goal of social justice.

THE ECONOMY'S NEW CORNERSTONES

To Ayatollah Khomeini, the ascetic spiritual founder of the Islamic Republic, economics was a dismal and distasteful subject. He is frequently quoted as having referred to economics in highly derogatory terms. In the preamble of the 1979 Constitution, adopted under the ayatollah's direction, economics is described as a *means* and not an *end*. The economy's main task is defined as the satisfaction of man's basic "material needs" in the course of his "journey toward God." This unique and somewhat bizarre concept (which was hardly understood and seldom practiced by the majority who voted for the Basic Law) was presented as a distinct feature of Islamic government "in contrast" to non-Islamic economic systems, in which the goal is "the concentration and accumulation of wealth."[1] Taking his cue from the

© 2007, The Author

Journal Compilation © 2007, Middle East Policy Council

founding father, current Supreme Leader Seyyed Ali Khamenei, for the first 15 years into the revolution, also praised "spiritual virtues" (*taqva*) as life's main goals and asked the faithful to shun material possessions (*zakharef*). On other occasions, he openly cursed "those who made Iran dependent on oil" and wished the country could afford to shut down all its oil wells.[2]

The body of the Basic Law that was drafted by the first Assembly of Experts functioning as a constitutional convention, however, makes no further reference to this puritanical Islamic concept and, in fact, requires the government to provide for the people's basic needs in the fullest possible manner from cradle to grave. The assembly, composed of delegates from various ideologically diverse factions that had joined Khomeini's "rainbow coalition" against the monarchy, initially had a hard time agreeing on an "Islamic" economic regime. In the final give-and-take among the factions, the *Tudeh* (communist) and other leftist members of the assembly were given the task of drafting the economic segment of the document as long as Khomeini diehards were equally allowed to provide the political segment. In the ultimate compromise that was finally reached, the "Islamic Marxists" accepted the principle of the *velayet-e faqih* (rule by an Islamic jurist) as the new regime's political foundation in exchange for inserting their own favored economic version. The new constitution's Chapter IV on the economy (Articles 43 to 55) thus became a communist-style economic manifesto in which the "commanding heights" of the economy were to be in the government's hands. The rest was to be divided between the "cooperative" and the "private" sector with the priority belonging to the former. Thus, ironically, an essential segment of an "Islamic" constitution that was supposed to help people "move towards God" was drafted by a cabal of godless ideologues who subscribed to a totally different agenda. According to Article 44, the public sector includes "all large-scale and key industries; foreign trade; major mineral resources; banking, insurance; energy; dams and larger-scale irrigation networks; radio and television; post, telegraph and telephone; aviation; shipping; roads, railroads and the like." To placate other Islamic clerics in the assembly who defended Islam's respect for private property, Article 44 also adds: "Public ownership described in this article is sanctioned as long as it does not work against the interests of society."

By virtue of this provision, hundreds of prosperous and well-managed private enterprises in industry, agriculture and trade that had already been confiscated by the revolutionary government and nationalized without due compensation became the legal wards of the state. They were placed at the disposal of several *bonyads* (charitable foundations) and two government agencies: the National Iranian Industries Organization and the Industrial Development and Renovation Organization. Following the beginning of war with Iraq in 1980, the scope of government operations and involvement quickly expanded. As a result, by the end of the war in 1988, state enterprises and bonyads became the dominant players in the economy. Large-scale economic activities in the energy, industry and other strategic sectors remained in state hands. The private sector was limited to small-scale agriculture, domestic trade and services, and minor mining and manufacturing.

Meanwhile, dire wartime economic conditions were further aggravated by the misguided policies of Mir Hossein Mussavi, a leftist prime minister, and carried out by a Soviet-type bureaucracy run largely by dogmatic, incompetent or corrupt managers. Bent on financing the ruinous war with meager domestic resources, the Mussavi administration played havoc with the economy. Inflation was artificially kept low through strict rationing, comprehensive wage and price controls and massive subsidies. The exchange rate between the Iranian *rial* and the U.S. dollar was allowed to become increasingly overvalued by means of strict annual foreign-currency appropriations, exchange rationing and a multiple-exchange-rates regime. The result was a steady decline in gross national product and growing overall poverty. According to the Central Bank's latest revised calculation, Iran's national income by the end of the war in 1988 fell to 64 percent of its 1978 level in real terms. And, due to the government's disastrous pro-natal policy, designed to produce more soldiers for Islam, per capita income plummeted to 37 percent of its pre-revolution high. Growing cost/price distortions, accompanied by an increasingly over-valued rial, produced shortages of basic goods and services, widespread public dissatisfaction and a near revolt by consumers. The result was the election of a new centrist and pro-business government under President Ali Akbar Hashemi Rafsanjani that promised to make up for wartime hardships by reversing course.

INITIAL ATTEMPTS AT PRIVATIZATION

The early effort toward reducing state economic dominance was made in the context of the first Five-Year Economic Development Plan (1989-94) under Rafsanjani's so-called "structural adjustment" (*taadeel*) program.[3] The declared goals, under the banner of privatization (*khosousi sazi*), were (a) to cut back the number of state-owned enterprises (SOEs) that had mushroomed since the 1979 revolution to over a thousand; (b) to get the government out of its "non-essential" functions; and (c) to increase total national-factor productivity. An enabling decree by the Council of Ministers in spring 1991 ordered the privatization of public enterprises through three methods: the Tehran Stock Exchange, open auctions and negotiations with potential buyers.

The first period of privatization, 1990-94, was carried out by virtue of the First Development Plan's authorization, albeit in an unplanned, haphazard and chaotic manner, with total sales of public assets worth 1.7 trillion rials. The procedure that was followed in the first 20 months, however, had to be stopped in the winter of 1992 due to widespread reports of flagrant corruption, cronyism and no-bid sales of moneymaking enterprises to selected groups at below-market prices. A new ministerial decree with added safeguards against abuses proved to be equally flawed. The Majlis in mid-summer 1994 put a temporary end to all privatization efforts until previous infractions were rectified. The second phase, 1995-97, was carried out under the Second Plan's mandate according to a special Majlis law limiting the transfer of public assets — totaling 1.8 trillion rials — only to workers and war veterans on specially favored terms. In the third period, 1998-99, some 3.1 trillion rials changed hands under annual budget laws as well as the Second Plan's statutory authorization.

As total sales figures annually fell considerably below budgeted sums in the first ten years of privatization, and the whole program failed to achieve the objectives of downsizing the bureaucracy, the Third Plan (2000-05) devoted a special section to the process. Accordingly, three new organs — the Privatization Organization of Iran (POI), the High Council on Shares Distribution and a series of Conglomerates called "mother" corporations — were established. The POI was given the exclusive mandate to dispose of enterprises belonging to all government ministries and agencies. The High Council, composed of cabinet ministers, was to decide which industries or enterprises were to be privatized. Conglomerates or holding companies were to take over individual enterprises in a specific field and put them together in a basket destined for privatization. The fourth period, 2000-05, thus followed the Third Plan's authorization and managed total sales of 2.9 trillion rials in the first two years, following a tighter and more focused program.

Reliable data regarding total privatized assets during the 1990-2006 period are not available. As in most official statistics in the Islamic Republic, published figures are replete with contradictions, ambiguities and misinformation. A report based on the POI data and covering the first 12-year period of operation values total privatized assets at 10.1 trillion rials (about $1.6 billion).[4] According to another report, by the Majlis' Research Center for the 16-year period, the POI has transferred total shares worth 23 trillion rials (about $2.4 billion).[5] The head of the Privatization Organization, and the minister of economy and finance both put the total at $3 billion.[6] President Ahmadinejad has on different occasions talked about $3.2 billion[7] and $3.5 billion.[8]

The percentage of total privatized assets as a portion of the total government holdings is hard to assess. Data regarding the number of enterprises belonging to the government and other public and semi-public organizations, their balance sheets and net worth are scarce, unreliable or unavailable. By one official's estimate, the number of public corporations and their second-third-fourth-and fifth-generation subsidiaries has reached 2,500.[9] A government report to the Majlis in early 2003 showed the total capital of the 460 largest entities, one-fourth of which were listed as money losing, to be $62.5 billion.[10] Another report by the National Accounting Organization refers to 1,038 entities with total assets of about $92 billion and liabilities of $55 billion.[11] A knowledgeable Majlis deputy values all SOEs at $150 billion.[12]

Regardless of the exact worth of privatized assets and the total worth of government holdings, however, the maximum transferred shares has been a minute portion of total public wealth. Two other related factors must also be kept in mind in assessing the magnitude of privatization. First, some major buyers of "privatized" shares were financial subsidiaries of state banks, state insurance companies, and other semi-public enterprises that were not part of the private sector. A major portion of total "privatized" assets also consisted of transfers to the Social Security Fund and the Government Employees' Pension Fund as part of the treasury's past-due contributions; they were not truly "private sector" participants. Second, and more startling, is the fact that during the privatization exercise the government, instead of shrinking as mandated by law, had actually become ever bigger. According to a high government official, while a maximum of

$3 billion of SOE shares were reportedly transferred during 1990-2006, state banks and other SOEs had an annual return on their capital of about $12 billion, of which 45 percent, or about $5 billion, was left at their disposal for reinvestment. By this calculation, the public sector grew by nearly $5 billion each year[13] through these reinvestments alone. Altogether during the period, an estimated $132 billion in totally new public investments — or 40 times total privatized assets — were made in the oil, gas, petrochemical, steel, aluminum, copper and other ongoing or new public projects.[14]

PRIVATIZATION'S EARLY SETBACKS

A number of factors are frequently cited for the slow pace and insignificant scale of privatization. Some of these factors were similar to the experiences of other countries; others are more country specific. In general, privatization in any state-dominated economy is an issue with a diffuse, unorganized and silent constituency, i.e., consumers who may eventually enjoy better products at lower prices. These beneficiaries, however, while in the numerical majority, are normally outflanked by a minority of vested interests that will go to any lengths to preserve its prerogatives in public ownership. For example, government agencies in charge of state enterprises resist privatization because they lose part of their political power by giving up their economic clout. Politically appointed boards of public corporations, along with incompetent or corrupt managers and tenured employees who might lose their jobs and perks are other privatization opponents. Privileged suppliers and customers of public enterprises who would be deprived of their usual sweetheart deals would similarly engage in a tooth-and-nail fight to keep those businesses in public hands.

In the case of the Islamic Republic, several other factors acted as additional handicaps. First, there was an absence of national consensus about the very benefits of privatization. There were lingering suspicions, if not actual hostility, among the left-leaning bureaucrats held over from the Mussavi government toward capital, capitalists, private investments and the profit motive. Privatization also faced a skeptical public that saw the process as a squandering of national wealth and an enrichment of government cronies.[15] Second, since each state enterprise often embodied the economic power of a political or clerical faction in the country, a source of employment and income to faction supporters, and a vehicle for transferring rent to its satellite private businesses, there was a great deal of reluctance by managers, who feared losing these prerogatives. Third, there was a lack of enthusiasm on the part of potential investors because enterprises that were destined for privatization were not, as a rule, highly profitable. They had two to three times as many workers as normally needed; they were operating mostly under old technologies; they were in some cases heavily in debt to state banks; and many owed unpaid taxes.[16] Fourth, even a few profitable entities offered for sale had annual returns of between 10 and 15 percent at best. High as these rates may seem in a global context, they were actually rather meager in a country with an average annual inflation rate of the same magnitude.[17] Furthermore, the 10-15 percent taxable rates of return did not compete favorably with the 17 percent riskless and tax free annual "profit" (interest)

rates paid on government "participation papers" (bonds), or higher long-term deposit rates in state banks — not to speak of the 30-45 percent returns in the "informal" economy of the bazaar. Fifth, extensive deficiencies in the operation of the Tehran Stock Exchange, where privatized shares were to be traded (including the absence of market-makers and lack of both liquidity and transparency) played against their attraction. Sixth, with the country's formal capital market nearly monopolized by inefficient and struggling state banks and insurance companies, the public's access to funds for financing purchases of privatized shares was highly limited. Seventh, there was strong opposition by the politically active labor lobby. Although Western-type labor unions do not exist in Iran, an Islamic House of Labor, with a Majlis deputy as its secretary general, is there to champion the cause of workers. The House of Labor has opposed privatization from its early inception, calling it an exercise in dismissing workers, downsizing the labor force, lowering wages and creating more poverty. It has further argued that privatization in a majority of developing countries has caused nothing but chaos, ruin and the shredding of the social fabric.[18] Eighth, there were significant ambiguities in the Third Plan law regarding priorities in the sale of public enterprises (e.g., banks vs. industrial units). Ninth, Iran's small and orphaned private sector had neither the technical nor managerial capabilities for absorbing the bulk of privatized businesses. Finally, but by no means least significant, the pervasive and exclusive definition of the "public sector" in Article 44 of the Constitution kept many risk-averse private investors from purchasing shares of key industries that were still clearly categorized as belonging to the state.

TRANSITION TO A MARKET ECONOMY

The Islamic Republic's experience with privatization under the first two economic development plans, 1990-2000, was, as already discussed, by no means a success. The budgeted revenues from sales of SOEs perennially fell short of targets, in some years by as much as 65 percent.[19] With no proper safeguard in a number of well-publicized cases, the new owners decided to shut down the plant, fire workers, sell the company's most valuable asset — the land — to private builders, and liquidate the enterprise.[20] Due to pressure from the dismissed workers, the government was forced to take back privatized firms in a few cases.[21]

As early as the middle of the Second Plan, it was thus becoming increasingly clear that the costs of keeping the overstaffed, mismanaged and money-losing state enterprises on life support through budget subsidies could neither be justified nor continued for long. A detectable national consensus seemed to indicate that the constitutional language and implications of Chapter IV, and specifically Article 44, was the main stumbling block to wholesale privatization. Amending the Constitution, however, was neither easy nor politically prudent. The procedures for amendment were time-consuming and highly complicated. But, more significant, any attempt at amending Chapter IV could have opened a Pandora's box. There were no guarantees that other parts of the Constitution, particularly the crucial principle of velayat-e-faqih, would not be raised for "discussion."

Two convenient escape routes thus suggested themselves: simply ignoring the mandate of Article 44 and proceeding with

the transfer of public-sector assets, or searching for an enabling "interpretation." Unthinkable as the violation option might appear in a Western legal context, the decision was not precedent setting in the Islamic Republic. In previous years, various administrations had routinely sidestepped, bypassed, ignored or even boldly violated various principles of the country's 1979 Constitution and its 1989 amendment. Constitutional guarantees had frequently been ignored by over-zealous security agents, corrupt prosecutors or politicized judges. Glaring violations occurred in many areas: the rights of ethnic and religious minorities (Articles 12 and 19); the sanctity of one's life, home and property (Article 22); freedom of thought and expression (Article 23); an uncensored press (Article 24); political-party formation and activities (Article 26); peaceful demonstrations (Article 27); habeas corpus rights (Article 32); the prohibition against torture and forced testimony (Article 38); Majlis oversight authority in all national affairs (Article 76); the immunity of Majlis deputies in the discharge of their duties (Article 86); and jury trials for political and press offenses (Article 168). In foreign affairs, Article 11, calling for unity and solidarity with the Muslim world, and Article 152, regarding non-alignment with any superior power and defending the rights of Muslims everywhere under the slogan of "neither East nor West," had also been virtually ignored and forgotten. Close and extensive political and economic ties with Russia and China, both major powers mistreating their Muslim citizens, had dominated the Islamic Republic's foreign policy. A watchdog commission set up during the Khatami administration to record and report constitutional infringements by government employees and agencies was later terminated when its workload became unbearable.

Yet, in no case up to 1992, had any of the original mandates regarding the structure and direction of the economy and the Islamic Republic's basic economic ideology been formally countermanded. Furthermore, the option of ignoring the Constitution could not be easily extended to Article 44 without palpable costs. Other provisions of the Constitution had been disregarded only at the (unquantifiable) expense of the regime's legal and political "reputation." Ignoring Article 44 would have affected the pocketbook, driving away both domestic and foreign investors.

A plausible alternative thus favored the "interpretation" route. Interpreting the Constitution, however, was the prerogative and responsibility of the Guardians Council (Article 98). But this organ could neither

An avowedly austere cleric who had persistently enjoined the devout from seeking worldly goods seems to have lately changed his mind and gone on record stating that "the accumulation of national wealth and the establishment of social justice" are indeed "the two main pillars of Islamic economics."

be expected to come up with a favorable verdict, nor was it technically equipped to offer detailed operational provisions. As in other difficult cases, the Expediency Council, as the final arbiter of all legislation in Iran, came to the rescue. Invoking its duty under Article 110 of the Constitution — "advising the Supreme Leader in the establishment of the regime's principal national policies" — the Council began a long and arduous process of finding a solution. And, after five years, in late 1997, it reached a consensus that the ambiguities embodied in Article 44 were indeed partly responsible for the slow progress of privatization. Citing the last sentence of the article, it concluded that continued extensive public ownership during peacetime was indeed against the national interest and, therefore, should be relaxed. In March 1998, the supreme leader agreed with the Council's findings and ordered it to proceed with necessary clarifications. Protracted studies and deliberations within the Council and further instructions from the supreme leader took another six years. The final document was resubmitted to him in late 2004 in five parts.[22] Four parts of the new "Guidelines" were approved immediately and ordered implemented in May 2005; the more crucial one, dealing with Article 44, was finalized in July 2006,[23] authorizing a major divestiture by the state of some of its major possessions.

Parts A and C of the Guidelines set up the essential course for government actions. Part A deals with basic policies aimed at expanding the role of the non-public sectors (private and cooperative) and preventing further expansion of the bureaucracy. First, it essentially puts an end to government monopoly in the commanding heights of the economy. It gives the green light, with clearly defined exceptions, for the private and cooperative sectors to invest, own and manage most areas and activities already in the domain of Article 44: basic industries and mining, foreign trade, banking, insurance, electric-power generation, dams and irrigation, post and telecommunications, railways, airlines, shipping, and downstream oil and gas. Of equal significance, it also enjoins the government from entering into any new economic activities outside the parameters of the existing Article 44.[24] Furthermore, it calls on the government to transfer to the non-public sector any involvement in the domain outside Article 44 by 20 percent a year. In the so-called "liberated" areas, the non-public sector can enter and compete with the public sector.

Part C, which the supreme leader took much longer to approve, complements Part A by calling for the overhaul of the state-dominated economy through divestiture of existing activities and assets in a wholesale manner. Accordingly, the government role is to change from direct ownership and management of the economy to that of policy making, guidance and supervision. The private sector is to be strengthened and assisted in its international competitiveness. To these ends, 80 percent of the government's shares in the areas falling under Article 44 (with some major exceptions, notably up-stream oil and gas industries) are earmarked to be transferred to the private and cooperative sectors.[25] Part C also provides other enabling requirements for wholesale divestiture in terms of share pricing, sales conditions, publicity and other related matters.[26] It is expected that, with full implementation of the program, the government would eventually own no more than 20 percent of the economy, consisting only of "mother" or strategic industries.

The new mandates reflect a near-total change from both the letter and the spirit of the original Constitution: they involve an overhaul of Iran's economic structure and a historic revision of private-public relationships, defining the proper roles of the state and the market. Most astonishingly, they reflect a dramatic ideological shift in the supreme leader's own creeds. An avowedly austere cleric who had persistently enjoined the devout from seeking worldly goods seems to have lately changed his mind and gone on record stating that "the accumulation of national wealth and the establishment of social justice" are indeed "the two main pillars of Islamic economics."[27] The official in charge of privatization has recently gone even further by claiming that the supreme leader, anxious to ensure national economic security, believes that "the creation of wealth is not only a necessity, but actually precedes its distribution."[28]

SOCIAL-JUSTICE SHARES: AHMADINEJAD'S INITIATIVE

The Ahmadinejad government that came to power in summer 2005, calling itself the "justice-driven administration" under the banner of *mehrvarzi* (compassion) represents in fact populism of the right rivaling Mussavi's compassionate socialism of the left. The scheme, dedicated to the cause of the poor and deprived regions of the country, proposed a different direction to accomplish the privatization task. The president himself was widely quoted as having denounced the past actions as corrupt, ineffective, contrary to workers' interest and tantamount to giving away the ranch. He openly accused the previous two administrations of selling public assets on favorable terms without proper safeguards to friends, relatives and cronies at one-fifth to one-eighth of their true worth — and all on credit.[29] He even vowed to take back properties that were unjustly ceded to a few privileged individuals, calling the transfers null and void.[30] To reverse past injustices, the new president promised to change course and follow the privatization drive through the distribution of what he termed "justice shares" (*saham-e edalat*).

The scheme, however, was neither original nor highly valued in informed circles. It was rooted in Ayatollah Khomeini's repeated references to "Islamic justice."[31] Proposals to transfer shares of SOEs to the people in different forms and under different terms had also been offered by other sources as early as 1996.[32] A published study, entitled *Popular Privatization*, had already proposed a detailed plan for giving every citizen "stock coupons," redeemable in cash or exchangeable with shares of SOEs, in order to raise national productivity and spread social justice at the same time.[33] Rafsanjani's campaign for the presidency in 2005 also promised a nationwide distribution of "stock coupons." A Tehran Stock Exchange manager had suggested a similar proposal. Based on these varied schemes, the Ahmadinejad plan to distribute ownership was presented to the Majlis in October 2005, with the initial objective of granting stock rights to the lowest-income families.[34] The program encompassed the distribution of shares of all government enterprises and semi-public entities under government jurisdiction. Interestingly, the scheme was presented not as a replacement, but as an adjunct to privatization with a set of other complementary objectives: equitable distribution of wealth combined

with steady income for the poor; propagation of the culture of stock ownership; increasing enterprise productivity; changing the public's negative view of private enterprise; and enhancement of the share of the cooperative sector in the national economy. The Ministry of Welfare and Social Security was given the task of identifying prospective families among the lowest-income recipients in the country. The Ministry of Economy and Finance was to serve as a conduit for the transfer of shares.

As finally put together, the multi-layered and complex program now involves (1) an initial sale on credit of SOE shares by designated enterprises to the Privatization Organization in 20-year installments; (2) subsequent sales by the POI to an intermediary agency called the Corporation for Transfer of Justice Shares (CTJS) within the Ministry of Economy and Finance on the same conditions; (3) separate agreements by CTJS with each of the country's 30 *Ostan* (region) Justice Shares Cooperative; (4) sale by the Ostan JSC to 337 *Shahrestan* (province) JSCs; and (5) issuance by the latter of coupons to eligible recipients.[35] In this complicated vertical lineup, individual coupon recipients are shareholders of their Shahrestan cooperative; Shahrestan cooperatives are shareholders of the Ostan holding companies; Ostan holding companies are shareholders of the Transfer Corporation; and the latter holds shares of privatized SOEs on behalf of the government.

Based on various official declarations, the Ahmadinejad administration intends to transfer to the public 80 percent of the shares of all designated state enterprises, estimated at $115- $120 billion within three years. Previously, an eight-year time horizon had been announced for the entire process.[36] Forty percent of the assets are to be distributed under the justice-shares program, 35 percent offered to public investors through the Tehran Stock Market or sold through auction, and 5 percent earmarked for the workers and managers of the privatizing entities. The state will retain 20 percent of shares.[37] The POI has announced an ambitious program of offering shares of 240 state enterprises up to March 2008. By the end of the period, the public sector's share of the national economy is to be reduced to 20 percent from the current 65 percent, the private sector's share will rise from 30 to 55 percent, and the share of the cooperative sector will go up to 25 percent from the present 5 percent.[38]

In the current perspective, share distribution is to reach some 21 million of the poorest 30 percent of the population, who will receive a total of 420 trillion rials (about $46 billion) in public-enterprise shares in three phases. In Phase I, the lowest-income 10 percent — an estimated 5.6 million individuals with an income less than 300, 000 rials a month ($32) and currently supported by various welfare schemes, would receive about 27 trillion rials.[39] In Phase II, another estimated 7.4 million rural residents and migrating tribes will be included, receiving 6.5 trillion rials. In Phase III, the program will be extended to an estimated 8 million government employees, workers, retired army and security personnel, and civilian retirees — comprising the six lowest deciles of income receivers — who would receive about 10.5 trillion rials. Each member of a designated family of five (maximum) would initially receive 5 million rials worth of justice shares, and eventually 20 million rials. The beneficiaries are to pay for the coupons in

10 to 20 years out of the annual dividends on their shares. According to a special decree by the supreme leader, the lowest 20 percent of income earners are entitled to a 50 percent discount in the purchase price of their shares. Discounts or other benefits are also provided for workers and managers of privatizing firms. There are detailed provisions regarding further transactions in distributed coupons.

The program has, from the start, faced five major challenges to its basic design. As the judiciary chief in a rare public statement has noted, there have been "strong differences of opinion" among the Islamic Republic's various power centers regarding policies and actions in the implementation of Article 44 and the basic direction by the supreme leader and the Expediency Council[40] — implying some resistance by the enterprises in voluntarily relinquishing their shares. The second hurdle has been the difficulty of identifying a reasonably accurate number of the "poor" in all three phases. Due to a near total absence of income-distribution data in Iran, figures regarding the size and status of the "poor" are both controversial and unreliable, with estimates ranging from zero to 30 percent of the total population. According to the current minister of welfare, "no one" in Iran was under the absolute poverty line.[41] He later admitted that some 9.2 millions of Iran's total urban and rural population of 70 million are under the absolute or relative poverty line.[42] A Management and Plan Organization official and a Majlis deputy, however, give estimates of 10-12 percent. Two other members of the Majlis welfare committee put the figure at 13 and 20 percent, respectively, while a radical private economist raises the figure to 30 percent.[43]

The third challenge has been the selection of enterprises whose shares are to be transferred. If these entities were in the red and kept alive on public subsidies, transferring their shares would be tantamount to distributing poverty, not plenty. And if they were profitable businesses, the government could lose even more budgeted revenues from their operation and face larger deficits with more dire consequences. Fourth, obtaining an accurate, cost-based pricing of enterprise shares has been a thorny problem, given the companies' opaque accounting system, the unpublished amounts of annual state subsidies, loans received from state banks on favorable terms, unpaid taxes and other market data. In view of difficulties encountered in pricing the total worth of even a small public enterprise in the earlier privatization exercises — sometimes stretching to several months — share pricing of the current mammoth government entities is likely to entail interminable disagreements among company accountants and POI appraisers. Fifth, the elaborate, complex and ill-defined administrative and bureaucratic processes involved in carrying out various phases of the scheme constitute a new daunting task for the already overwhelmed bureaucracy. Finally, there have been no specific sources of financing officially designated for the elaborate administrative costs of the various agencies involved.

Matching these multiple challenges faced by the program's supporters is an apparent lack of enthusiastic demands on the part of the public as well as share recipients.[44] This attitude reflects partly the insignificant immediate impact of the program on their daily lives, and it manifests the national financial culture that

exhibits a clear preference for tangible wealth such as land, property, gold, jewelry, antiques and even mobile telephones compared to financial assets.[45] The poorer the income group, the less interest is shown in owning financial papers. Emblematic of this phenomenon is the fact that less than 10 percent of the Iranian population's total possessions is in financial assets, compared to more than 60 percent in advanced countries.

Published information about the justice-shares program so far is sketchy, contradictory and full of ambiguities. Actual share distribution reportedly began in February 2006 among the poorest group in four relatively "deprived" Ostans each of which received 5 million rials ($540). Within a year, a total of 5.6 million individuals reportedly received a total of about 27 trillion rials worth of shares.[46] In defending his privatization record against widespread criticism, President Ahmadinejad has boasted that, in the previous 15 years, only 35 trillion rials of government shares had been privatized, while his government had thus far distributed more than 26 trillion, and intends to transfer another 60 trillion in the current and coming years.[47]

Assuming that the program succeeds in reaching its primary objective, there is no evidence, or even a reasonable assurance as yet, that other objectives of the program — increasing income, expediting privatization, downsizing the bureaucracy, promoting stock ownership habits, and enhancing enterprise efficiency — might be tackled or even approached. A palpable redistribution of income, the program's prime objective, can hardly be accomplished with the promised 11-15 percent annual dividend[48] on the initial $50 or even the ultimate $200 distributed shares to a poor family member, half of which has to be paid back annually. Furthermore, there is no guarantee that privatized SOEs will have a double-digit return year after year and pay regular dividends so that the recipients can pay for their shares.[49] Second, expediting the privatization process as the next major goal of the program is also difficult to imagine.[50] In fact, it has been all too clear from the start that the objective of privatization (downsizing the public sector), and the goal of social justice (wealth redistribution), could not be optimized or even accomplished by one stroke, as the minister of economy and finance claimed.[51] Privatization could not be achieved through a justice-shares program that leaves 20 percent ownership (and thus effective management control) in state hands. The program could at best be called partial *denationalization* rather than privatization. Third, downsizing the government through reduced ownership is equally dubious, given the nightmarish multi-stage structure of the share-distribution program. The Central Headquarters, led by the president and composed of nine ministers, the mammoth Holding Company possessing large shares of 500 SOEs, the 30 *Ostan* and 337 *Shahrestan* cooperatives — each with its board of directors, managers, accountants, auditors, inspectors, etc. — would add to the government's size instead of reducing it. Fourth, enhancing total-factor productivity as another crucial goal of the scheme is also questionable.[52] There are already grave doubts about the technical, managerial and fiduciary ability of the Privatization Organization, the main Holding Corporation, and that of the regional and provincial cooperative societies to perform their fiduciary duties.[53] The only objective of the program that is

perhaps within reach, and has been partly achieved, is expanding the share of the cooperatives sector — so far the orphan segment of the national economy. For this reason, the justice-shares program has been dubbed *cooperativization* rather than privatization.[54]

Furthermore, despite continued statements and repeated assurances, there is great doubt that the program will be able to distribute even the first 5-million-rial tranche of the 20 million rials promised to its 21 million eligible recipients by February 2008.[55] Fully aware of the difficulties involved in altering the recipients' preference for tangible assets and alerted by the sad experiences of privatization in the former Soviet Union and Eastern Europe, the framers of the justice-shares program have placed a two-year total ban on sale of distributed coupons. They also strongly advise the recipients to hang onto their papers for steady returns and claim that the shares' value has already gone up in the Tehran Stock Exchange. Nevertheless, there are scattered reports that, in certain shahrestans, the coupons are already being sold in the "informal" market at half their face value.[56] And, notwithstanding the various legal restrictions imposed on the sale of distributed coupons, private analysts believe that a majority of the recipients are likely to bypass those restrictions and create a black market in shares in Iran's underground economy. Or they may take advantage of several loopholes in the program by selling their shares back to their local cooperatives, making the latter a new, semi-public, large institutional shareholder. In either case, the effect would not only negate the program's original intent but may entail new hazards for the economy. Many private economists warn about further fueling the already alarming double-digit inflation.[57] Others argue that even those who may hang on to their coupons are likely to increase their consumption, stimulated by the wealth effect. The Iranians' legendary low propensity to save and the bitter memories of the Tehran Stock Exchange crash in 2004 underscore these pessimistic forecasts.

Altogether a cursory examination of the justice-shares program so far is sufficient to indicate that the scheme is an ad hoc populist program — poorly conceived, inadequately prepared and highly complex — with insufficient prior cost-benefit analyses or calculations of its socioeconomic consequences.[58] For these reasons, even during the first phase of implementation, it has undergone repeated changes in its major provisions and continues to do so.[59] A great deal more data is needed to predict the ultimate success of the scheme.

IRAN'S PRIVATIZATION PARADOX

By a consensus of both domestic and foreign observers, the Islamic Republic's 18-year privatization attempt has not been a success. The new scheme under the Guidelines also faces a multitude of challenges. As already mentioned, during the nearly two decades of privatization efforts, the public sector, if anything, has continued to expand several times faster than the privatized segment. The share of the national budget in GDP has nearly doubled; private savings and investments in relation to GDP have remained the same; and national-factor productivity has actually declined.[60] The number of major SOEs listed in the comprehensive annual budgets (excluding their subsidiaries) has reached more than 500 from less than 270 in 1989, and their share of total public expenditure

has risen to 73 percent from about 53 percent.[61] More significantly still, after nearly two years since the Guidelines proclamation, which the supreme leader termed "an economic revolution,"[62] not much interest has been shown by the private sector in the newly opened fields. While the constitutional "interpretation" of Article 44 was at the time hailed as the key to large-scale privatization, subsequent developments significantly tempered the initial euphoria. In the nearly two years since the first proclamation, no more than 10 percent of projected privatization revenues in the 2005 and 2006 national budgets actually materialized. This setback was so keenly felt that the supreme leader, in an unusual gesture, publicly chastised the government for the slow pace of privatization.[63] As it turned out, however, the process had encountered another major obstacle. An ad-hoc Majlis committee, established to watch and expedite the privatization process, ultimately came to the conclusion that the main reason for the shortfall was the fact that the implementation of the Guidelines still required special enabling legislation from the Majlis. Without a specific parliamentary authorization, the privatizing agencies could not be found negligent in their transfer delays, and courts were not able to sanction the legality of transferred assets.[64] According to a Privatization Organization official, despite repeated advertisements in newspapers, no offer has been received from the private sector for some of the public enterprises put up for sale.[65]

Although the Islamic Republic's current domestic and international political climate, the real or imaginary winds of war with the United States or Israel, a shortage of domestic private capital and the paucity of foreign direct investments are often cited as the main causes of the economic malaise, the underlying cause may, in fact, lie in a more fundamental paradox. To be sure, under the Ahmadinejad government, which is accused of having "a clear anti-bourgeoisie policy aimed at paralyzing big investments by the private sector"[66] and giving conflicting signals regarding government policy,[67] the climate for liberalization, marketization and privatization has palpably deteriorated. Ahmadinejad's own quasi-dictatorial interventions in various domestic economic arenas — goods, capital, labor and trade — have also actually intensified. Such various factors as his objection to streamlining energy prices, mandatory increases in workers' paychecks, the mandated lowering of interest rates, compulsory earmarking of bank credits for the government's favored but questionable projects,[68] forced changes in private banks' management, the arbitrary raising and lowering of tariffs on scores of items, threatening to take back the questionably transferred enterprises, the granting of lucrative contracts to certain special entities on a no-bid basis,[69] the haphazard allocation of oil money to hundreds of small and questionable projects demanded by welcoming crowds during the president's travels around the country, and allegations of government interference in the election of the Iran Chamber of Commerce president[70] have all been pointed out as inimical to long-term domestic private investment.[71] A longer and more specific list of challenges to the implementation of the Guidelines is presented by private-sector leaders and high government officials.[72]

A belligerent stance by the president on the nuclear-proliferation issue and a clumsy and needlessly hostile position

towards Washington and Tel Aviv have also resulted in a reluctance by foreign oil companies to invest in Iran; and *de facto* sanctions by European and other foreign financial and credit institutions under pressure from Washington have virtually shut off badly needed foreign direct investment.[73] After President Ahmadinejad's repeated statements that the UN and American sanctions have had no adverse effects on the economy or his nuclear policies and that Iran was unfazed by the prospect of further sanctions, the oil minister recently admitted that sanctions are hurting the oil industry.[74] The Tehran Stock Exchange's lackluster performance during the current administration and its recent erratic receptions to the initial public offering of four giant state steel, aluminum and copper enterprises, coupled with widespread reports about Iranian capital flight to Dubai, seem to confirm the political uncertainty hanging over the economy.[75] To help the private sector finance its purchases of privatized shares, the government has decided to turn one of its state banks into a cooperatives bank with an additional 3.500 billion rials in capital, and has ordered other state banks to set aside 15 trillion rials in credit for large buyers of state enterprises in return for a 30 percent down payment in cash.[76] It remains to be seen how these marginal measures may deal with the problem.

Even in the absence of the current obstacles, however, an effective and measurable privatization drive remains an elusive goal due to the influence of a seemingly insoluble systemic paradox. On the one hand, there is no doubt that Iran's current economic woes — high unemployment, virulent inflation, low factor productivity, slow growth, low levels of domestic savings and foreign direct investment, and relatively high but unprofitable public outlays — cannot be remedied without the creation and promotion of a strong private sector.[77] Privatization is not an option but a necessity. On the other hand, there are certain indisputable indications that neither the institutional nor the ideological underpinning of the Islamic regime would allow such a transformation.[78]

Institutionally, privatization is a daunting, if not impossible, task in an oil exporting country like Iran, where (a) the mainstay of the economy — oil reserves and revenues — is a government monopoly; (b) petroleum-export incomes are too large and far beyond government needs to finance and maintain the basic infrastructure and provide public goods; (c) oil revenues are not directly distributed among citizens as in Alaska; and (d) oil windfalls are not placed in a "lock box," to be invested abroad and drawn upon only during oil shortfalls and other emergencies as in Kuwait or Norway.[79] In the absence of these four conditions, extra oil income received by the government would invariably be invested in new public enterprises and would always exceed the simultaneous privatization of existing ones. In Iran's case, additional factors are also at play. Even in the most successful implementation of the current privatization program, 20 percent of the ownership of privatized enterprises is to be retained by the government, another 40-45 percent of shares will also remain in state hands because the managers of privatized enterprises and the leadership of cooperatives will still be appointed by the ministries of finance, industry, commerce, cooperatives, and others. As a result, meaningful privatization would probably never be achieved since

the Islamic Republic's sub-par performance lies not in public ownership but in poor management.[80]

Ideologically, too, privatization is anathema to the Islamic Republic's political fabric and essence. True privatization requires, first, a clear legal recognition of private ownership rights with solemn guarantees regarding the impossibility of expropriation without due compensation. Second, it calls for the sanctity and security of contracts, business transparency, a modernized and private banking system, removal of inhibiting regulations, wage/price decontrol, trade liberalization and a market-friendly labor code. Third, it requires a modern business and commercial law with proper safeguards against monopoly, unfair trade practices, and deceitful advertising strengthened by special provisions against stock fraud, price manipulation and insider information deals. Finally, the need is for an independent, honest, accessible non-political and business-savvy judiciary.

None of these conditions exists in the highly regulated, rent-oriented, corruption-gripped, and non-transparent Islamic Republic. In fact, a recent report details the prevalence of preferential import licenses, access to interest free or cheap credit for well-connected groups, guaranteed market shares for favored religious centers, and other such discriminatory practices.[81] Furthermore, there is no doubt that such a firmly institutionalized and powerful private sector would inevitably cause the growth of competing political-power centers: private manufacturing associations, business roundtables, labor unions, an independent press, civic groups and political parties. All such developments would be an existential threat to the supremacy of the *velayat-e-faqih*, the Supreme Leadership. The resolve to get the government out of economic ownership and management is thus as fragile as the regime's confidence in its own survival.

For these reasons, privatization has remained a process based on mutual reluctance. That is, in addition to the economic, political, financial and managerial opposition on the part of government agencies to offer their enterprises for sale, there has been a significant lack of interest by the public. The lack of enthusiasm on the demand side may be traced to the yet unchanged structure of the Iranian economy — the prevailing anti-business environment, continued price controls, trade restrictions and protection, unfair and misplaced public subsidies, a crippling labor law, absence of incentives for foreign investments, inadequate money and capital markets, a significant lowering of Iran's ranking by Transparency International, and the earlier botched privatization efforts.[82] In the candid opinion of a government official, other factors such as dependence of state entities on subsidies (particularly on energy), lack of transparency in investment opportunities, voluminous and ever-changing government regulations, and other inhospitable conditions constitute further barriers to private-sector demand.[83] As a prospective private investor told a recent industrial conference in Tehran, private businesses will obviously be reluctant to invest in the country or even to bid for government shares under present conditions, where they still have to observe government price ceilings while their wage bill and other costs are increasing, the commerce ministry raises and lowers tariffs at will and permits or restricts exports without notice, and the central bank keeps the exchange rate unchanged despite continued high inflation.[84]

END OF AN ERA?

Privatization is now the ruling elite's declared priority. From the supreme leader to government ministers, agency heads, religious luminaries and security officials, all sing the praises of a large private-sector role. The Privatization Organization persistently announces imminent offers of new enterprises going on the block, covering oil and gas, petrochemicals, telecommunication, steel, aluminum, copper, cement, electrical power, state banks, insurance companies and other state entities.[85] Yet, there are legions of skeptics in and out of the country who still believe that the whole proram is nothing but a clever ploy by the government to raise revenue to cover part of annual budget deficits. In any case, achieving the goal of social justice through a genuine privatization program, including social-justice shares, requires substantial prior changes in the Islamic Republic's institutional and ideological underpinnings. It is becoming increasingly clear that, if the current schemes are to succeed, economic liberalization, de-monopolization and political democratization must precede them. However, in the frank opinion of the minister of finance, Iran is not yet ready for liberalization, and this ideal would take several more years to materialize.[86] A comprehensive piece of legislation currently submitted for debate to the outgoing Seventh Majlis — designed to allow the legal divestiture of Article 44 enterprises by the government and to provide a more hospitable and secure climate for private-sector expansion — may turn out to be of some help.[87] But the essential privatization paradox still remains to be dealt with.

[1] For all quotations see *The Constitution of the Islamic Republic of Iran* (Berkeley: Mizan Press, 1980).
[2] See, for example, *Kayhan Havaii* (Tehran) 20, *mordad* 12 *Aban*, and 4 *Esfand* 1372 (June to February 1993)
[3] For a brief description of early attempts, see Jahangir Amuzegar, "Iran's Privatization Saga," *Middle East Economic Survey*, June 17, 2002.
[4] For a breakdown of sales figures by various government agencies as well as methods of sales (negotiation, auction, and the use of the stock market) during the first 12-year period, see "Trends of Privatization in Iran," in www.Hamshahri.net, November 10 and 13, 2002, and January 16, 2003. See also statement by the privatization director in www.radioazadi.org, May 9,2002.
[5] http://jomhourieslami, October 10, 2006.
[6] www.donya-e-eqtesad.com, July 4, 2006
[7] www.donya-e-eqtesad.com October 28, 2006.
[8] www,donya-e-eqtesad, March 7, 2007.
[9] www.hamshahri.net/news, June 15, 2007.
[10] www.hamshahri.net February 1, 2003.
[11] www.hamshahri.net, May 20, 2003.
[12] Iran Economics, November 2006.
[13] www.donya-e-eqtesad.com, June 20, 2006, and http://.jomhourieslami.net December 30, 2005.
[14] Statement by the head of the Privatization Organization, reported in www.donya-e-eqtesad.com July 4, 2006.
[15] According to a poll taken by the Ministry of Culture and Islamic Guidance, from 66 to 82 percent of the ordinary citizens opposed the privatization of banks, insurance companies, universities, hospitals, public utilities, air transportation, telecommunications and, most strongly, oil and gas. See www.hamshahri.net, August 18, 2004.
[16] For example, of the 64 operating airports destined for privatization, only one, according to the head of National Aviation Organization, was profitable. www.hamshahri.net August 30, 2005.
[17] See "Money and Inflation in the Islamic Republic of Iran." IMF Working Paper WP/07/119, May 2007.

[18] See statement by Ali Reza Mahjoob, reported in http://jomhourieslami.net, November 17, 2004.
[19] For a sample of numerous shortfall reports, see www.radiofarda.com, April 29, 2002, and www. hamshahri.net, November 2, 2002.
[20] www.radioazadi.org/Iran, November 8, 2002.
[21] Five such cases were returned to their original state agencies. See www.hamshahri.net, June 27, 2002.
[22] See “Private ownership in large economic spheres is legalized,” www. hamshahri.net, October 2, 2004.
[23] For the background and details of the process, see *Iran Economics*, November 2006.
[24] According to a knowledgeable Majlis deputy, the government owned more than 2,000 enterprises of which 1,500 were outside the mandate of Article 44. See www.hamshahri.net, August 17, 2004
[25] Up to that date, only 49 percent of SOEs could be transferred.
[26] For a comprehensive description of the five parts and a full discussion of related matters, see “Methods and Requirements of Article 44 Implementation,” *Iran Economics*, November 2006.
[27] Statement reported in www.radiofarda.com/Article, February 19, 2007.
[28] Statement by the head of the POI, reported in http://jomhourieslami.com, June 5, 2007.
[29] www.radiofarda.com March 7, 2007; and donya-e-eqtesad, March 7, 2007.
[30] For a typical criticism, see his speeches in Arak and Saveh reported in www.emrooz.info, May 18, 2006.
[31] See “Imam's economic viewpoints,” in www.hamshahri.net, June 2,2005
[32] For references, see “A Critique of Justice Shares,” http:// emruz.info, February 4, 2007.
[33] See “Details of Shares Participation Through Coupons” in donya-e eqtead.com, October 16, 2005.
[34] For details of the initial proposal, see donya e-eqtesad.com, October 28, 2005.
[35] www.hamshahri.net, October 22, 2006.
[36] Statement by the head of the POI in www.hamshahri.net/news, November 26, 2006.
[37] Statement by the finance minister reported in http:// jomhourieslami.com, May 1, 2007.
[38] Statement by deputy finance minister in www.donya-e-eqtesad.com, January 8, 2007.
[39] www.donya-e-eqtesad.com, July 3, 2006; and www.hamshahri.net, May 8,2007.
[40] See www. donya-e-eqtesad.com, April 18, 2007.
[41] See “The Minister’s Claim,” http://emruz.info, March 13, 2007.
[42] See www.iran-emrooz.net, August 12, 2007.
[43] For sources of respective figures, see www.iranmania.com/news, May 15,2007; http://emruz.info April,29.2007; http://jomhourieslami.com, May2, 2007; and Guardian, April 30, 2007; Kayhan(London) June 27,2007.
[44] See the dialogue between the minister of finance and the members of the Tehran Chamber of Commerce, reported in www. donya-e-eqtesad, July 22. 2007.
[45] This attitude resembles the situation during the shah's time, when peasants showed significant resistance to cede the titles to their newly acquired small pieces of land under the land reform program to an agricultural cooperative in exchange for the cooperatives' shares.
[46] www.donya-e-eqtesad.com April 22, 2007.
[47] www. donya-e-eqtesad.com, May 19, 2007.
[48] See statement by the head of POI in www.hamshahri.net/news, May12, 2007.
[49] No dividend has so far been declared or distributed to coupon recipients, and no payment made for their receipts.
[50] For a fuller discussion of the subject, see *Islamic Republic of Iran: Managing the Transition to a Market Economy* (Washington, D.C: International Monetary Fund, 2007).
[51] www.donya-e-eqtesad.com, March 13, 2006.
[52] For doubts in this regard expressed by the government's Management and Plan Organization publication, see www.donya-e-eqtesad.com, January 23, 2007.
[53] For an official airing of these ambiguities and doubts, see “Three Unknowns about Justice Shares,” in www.donya-e-eqtesad, January 23, 2007; and a statement by an influential Majlis deputy reported in http:// jomhourieslami.com, June 20, 2007.
[54] http://emruz.info, February 4,2007.
[55] Statement by deputy minister of finance reported in www. hamshahri.net/news, May 8, 2007.
[56] www.donya-e-eqtesad,com, April 17, 2007.
[57] The World Bank and the Economist Intelligence Unit in their latest reports both predict higher inflation and

slower GDP growth of the Iranian economy in the next three years. See www.radiofarda..com, June 2, 2007.
[58] See statement by a member of the Tehran Chamber of Commerce in www. donya-e-eqtesad, July 24, 2007.
[59] For a detailed critique of the program, see http://emruz.info, February 4, 2007, and May 21, 2007.
[60] For details, see *Iran Economics*, June 2007.
[61] For an evaluation of the privatization program, see *Iran Economics*, June 2007
[62] www hamshahri.net, January 22,2007
[63] See www.radiofarda.com, February 19, 2007.
[64] See statement by Elias Naderan, www.donya-e-eqtesad, April 6, 2007.
[65] http://jomhourieslami.com, June 20, 2007
[66] See statement by a former president of the Tehran Chamber of Commerce, *Financial Times*, May 28, 2007.
[67] http://jomhourieslami.com, June 22, 2007.
[68] For the misuse of bank loans in the "quick return" projects see www.donya-e-eqtesad, June 18, 2007.
[69] For details see the *Wall Street Journal*, October 14-15, 2006; and *Financial Times*, March 16, 2007.
[70] www. radiofarda.com, June 13, 2007
[71] See BBC Persian.com, June 12, 2007; www. radiofarda.com, June 13. 2007; and specifically the letter written to President Ahmadinejad by 57 economics professors of various Iranian universities reported in www.iran-emrooz.net, June 11, 2007.
[72] See http://jomhourieslami.com, July 8, 2007; and www.donya-e-eqtesad, July 1, 2007.
[73] www.payvand.com/news, May 12, 2007; and *Associated Press*, May 24, 2007.
[74] *Agence France-Presse*, July 4, 2007.
[75] For the warm reception of four attractively-priced and dividend-paying state metal companies see www. donya-e-eqtesad, August 11, 2007. For promises of starting the second and third phases of justice share distribution soon, and the first dividends to be paid on already distributed shares see http://jomhourieslami.com, August 14, 2007.
[76] www.hamshahri.net, June 8, 2007; and www. donya-e-eqtesad, June 8, 2007.
[77] In the candid opinion of the current minister of commerce, "without creating a genuinely competitive climate in the country, privatization would be meaningless." www.donya-e-eqtesad.com, June 18,2007.
[78] For more detailed references to some of these factors see "The Third Letter of Economists to Ahmadinejad," in www iran-emrooz.net , July 15, 2007.
[79] See Jahangir Amuzegar, "Iran's Oil Stabilization Fund: A Misnomer," Middle East Economic Survey, November 25, 2005.
[80] For the significance of this factor see "Should state-owned financial institutions be privatized or reformed?" in *IMF Survey*, May 31, 2004.
[81] See "New Era for Iran's Private Sector," in ISN Security Watch, www.isn.ethz.ch/news, June 26, 2007.
[82] See statement by a Management and Plan Organization official in www.donya-e-eqtesad.com, December 9, 2006.
[83] Statement by the head of the POI reported in www.hamshashri.net/news, May 1, 2007
[84] www.donya-e-eqtesad.com, June 22, 2007.
[85] For various lists of state enterprises put up for sale this year see http://jomhourieslami.com, June 23 and 27, 2007, and July, 22, 29, and 31, 2007; and www.hamshahri.net, July 16, 2007.
[86] www.hamshahri.net, July 22, 2007.
[87] For details see www.donya-e-eqtesad.com, August 11, 2007.