

## Neoliberalism Against Revolution: Iran's Challenges for Resistance



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The 46th anniversary of the Islamic Revolution, celebrated in February 2025, unfolded against a backdrop of

profound geopolitical shifts in West Asia that have challenged Iran's position in the region.

Following President Ebrahim Raisi's tragic death in an air crash last May, Iran held a snap election that ushered in a 'moderate' government, accelerating developments that have weakened the anti-Zionist resistance front. A series of devastating events followed: the assassination of Hamas leader Ismail Haniyeh in Tehran during the inauguration ceremony of the new Iranian president in August; the martyrdom of Hezbollah leader Hassan Nasrallah, who was killed by an Israeli air strike using a US-supplied 2,000-pound bunker-buster bomb in late September;<sup>1</sup> and the collapse of the Ba'ath regime in Syria in December. This chain of events has led many analysts, particularly in mainstream media, to suggest that the 'Axis of Resistance' was approaching its end. Chatham House, an influential think tank in the Global North, presented Iran with two stark options: pursue nuclear weapons or negotiate a comprehensive agreement with the United States.<sup>2</sup>

Despite these significant setbacks faced by Iran and its regional allies, two realities remain unchanged. First, the core power structure in Iran, headed by Supreme Leader Ayatollah Khamenei, maintains an uncompromising stance against the Zionist regime and its primary supporter, the United States. Second, Iran retains substantial military capabilities for self-defence. In a recent address, Ayatollah Khamenei said: 'We must understand correctly that negotiating with the US has no effect on solving the country's problems ... negotiating with such a government is unwise, unintelligent, and dishonourable, and there should be no negotiation with it'.<sup>3</sup> This message is directed not only at the current government in Tehran, which advocates negotiation with the US as the sole solution to national challenges, but also at the second Trump administration. However, following a shift in diplomatic dynamics, Iran and the United States began indirect talks in April, mediated by Oman.

While the threat of imperialist military action, alongside sanctions against Iran, should not be underestimated, the primary danger to Iran's independence may stem from within Tehran itself: the advancement of a neoliberal agenda.

## **The Background: Dependent Capitalist Development**

The 1979 Iranian Revolution stands as the last major revolution of the 20th century in Asia, with some analysts referring to it as the final classic revolution. Regardless of the terminology used, the Iranian Revolution was a significant geopolitical event that transformed not only West Asia but also influenced dynamics across the Third World.

The revolution decisively ended the Shah's regime – the United States' most crucial ally in West Asia – and inaugurated a new era of anti-Zionist resistance in the region. Organisations such as Hezbollah in Lebanon and Islamic Jihad in Palestine were directly influenced by Iran's Islamic Revolution and have played important roles since the 1980s. Iran's revolutionary impact extended beyond religious organisations; even the Popular Front for the Liberation of Palestine – General Command, a secular resistance organisation, has received substantial support from Iran. This broad-based support demonstrates the revolution's profound influence that transcends ideological and religious boundaries, leading to the formation of a diverse coalition of resistance movements united in their opposition to Israel and Western imperialism in the region.

While Iran's regional anti-Zionist initiatives developed with relative clarity, internal developments have

followed a more complex trajectory due to various social, economic, and cultural factors.

Following the US-British orchestrated coup d'état of 1953, Iran became a strategic base for US imperialism, strategically positioned along the borders of the Soviet Union. This coup – meticulously planned, funded, and supervised by CIA and MI6 operatives – targeted Mohammad Mosaddegh, the democratically elected prime minister of Iran. Mosaddegh was an anti-colonial patriot despite his aristocratic heritage as a prince from the Qajar royal family, bravely nationalised Iran's oil industry and implemented an endogenous economic programme to counter British sanctions.<sup>4</sup>

Mosaddegh represented Iran's national bourgeoisie in the aftermath of the Qajar dynasty's fall and the subsequent violation of the Persian Constitution of 1906. This constitutional subversion was perpetrated by Reza Khan, who gained power through a British-supported coup in 1921. The overthrow of Mosaddegh not only marked the suppression of democratic governance but also the derailment of an independent national development path that had posed a threat to Western economic interests in the region.

Following Mosaddegh's removal, the Shah's regime systematically reversed Iran's progress toward economic independence. The 1954 Consortium Agreement returned the nationalised oil industry to Western companies. Development strategies then focussed on foreign investment in assembly industries and implemented a flawed land reform programme.<sup>5</sup> Despite establishing some foundational industries with assistance from the socialist bloc – such as iron smelting and tractor manufacturing – and achieving impressive growth rates, Iran's economic structure remained fundamentally dependent due to the formation of a comprador class closely aligned with the political elite.

At the same time, cultural oppression and the imposition of a superficial modernisation programme – one that reflected comprador class values rather than organic social development – created significant societal divisions. Although never formally colonised, these factors effectively transformed Iran into a semi-colonial state operating under what could be accurately described as a colonial mode of production.<sup>6</sup>

The oil price surge of the 1970s enabled the Shah to pursue an ambitious economic agenda that was fundamentally disconnected from Iran's economic realities and capacities. While ostensibly following the US Point Four Program (announced by US President Harry Truman and based on the tenets of modernisation theory) with the stated goal of transforming Iran into a developed nation, the reality was starkly different. The country suffered from severely uneven development, characterised by extreme inequality, endemic corruption, and massive capital flight to Western nations, particularly the United States.

By the eve of the 1979 revolution, Iran exemplified the consequences of dependent and distorted development: an infant mortality rate of 80 per 1,000 births, a staggering 70 percent illiteracy rate (exceeding that of India), and an average life expectancy of just 51 years. This system was maintained through brutal repression facilitated by SAVAK – the secret police trained by the CIA and Mossad – and a military establishment that consumed between 25 to 40 percent of Iran's GDP.<sup>7</sup>



Kazem Chalipa, *Basiji*, 1985.

## An Outburst of Light

Thirteen months after US President Jimmy Carter described Iran as an ‘Island of Stability’, the Shah’s regime collapsed. The victory of the revolution unleashed tremendous energy not only within Iran but also throughout the Third World. French philosopher Michel Foucault notably observed: ‘It is perhaps the first great insurrection against global systems, the form of revolt that is the most modern and the most insane’. Similarly, Fidel Castro remarked: ‘The [Iranian] revolution has an enormous popular force. It was able to defeat the Shah, who had one of the most powerful and best-equipped armies in that area, practically without weapons. The people fought with tremendous courage, losing thousands and thousands of lives. I think the revolution is going to cling to its strong religious and nationalistic accent’.<sup>8</sup> Castro’s assessment provides a concise yet comprehensive description of the Iranian Revolution.

The revolution emerged from a multi-class coalition that comprised diverse social elements: the urban poor (largely displaced rural non-owner workers), the religious petty bourgeoisie threatened by foreign capital, clerics and intellectuals, and the working class, which functioned as the ‘battering ram’ of revolutionary change.’

Palestinian leader Yasser Arafat’s famous characterisation of the Iranian Revolution as an ‘outburst of light’ carries profound significance when viewed through the lens of class struggle. This metaphor aptly captures how the revolutionary triumph illuminated the deep-seated contradictions embedded within Iranian society.

The success of the revolution acted as a powerful spotlight, exposing the fundamental class tensions that had long been present beneath the surface of Iran’s social structure. As revolutionary fervour swept away the *ancien régime*, it simultaneously revealed the conflicting class interests that had been obscured under the Shah’s autocratic rule. This process of illumination made visible not only the historic contradictions between traditional sectors and modernising forces but also the emergent tensions between different revolutionary factions, each with divergent visions for Iran’s future. The revolution thus served as both a culmination of pre-existing class struggles and the genesis of new contestations over economic structure, political power, and cultural identity in post-revolutionary Iran.

## Post-Revolutionary Ideological Contestation

Despite the widespread mobilisation under Ayatollah Khomeini’s religious leadership, class struggle persisted after the revolutionary triumph as various segments of society pursued their own agendas and sought to consolidate their gains. Two major competing visions emerged:

Islamic ‘Free Market’ Proponents: This faction aimed to restrict social changes primarily to the superstructure and cultural programmes while preserving the capitalist economic framework.

‘Social Justice’ Advocates: This group sought to establish a mixed economy oriented toward ‘Islamic autarky’ with Islamic wealth redistribution mechanisms.

Nevertheless, those advocating for an Islamic capitalism persisted in their efforts to marginalise lower-class participants who sought substantive participation beyond being recipients of charity. At the same time, the new government’s suppression of both established and emerging working-class organisations created space for the emergence of a ‘New Class’.



Hannibal Alkhas, *Revolution*, 1978.

## The Formation of the Post-Revolutionary ‘New Class’

After the 1979 revolution, the comprador bourgeoisie – closely linked to the royal court – transferred significant capital abroad but left substantial assets within Iran. The nascent Islamic Republic confiscated these assets, including the royal family’s wealth. In the autumn of 1979, a new constitution was approved by an overwhelming majority, explicitly establishing a mixed economic system.

The post-revolutionary constitution guaranteed free healthcare, education through high school, and

provisions for employment and housing as national rights. Article 44 specifically designated the banking system, major industries, and large mines as state-controlled entities under public ownership, allowing the private sector to play only a 'supplementary role' to the public and cooperative sectors.

However, implementation diverged significantly from constitutional provisions. In the years following, a segment of the bourgeoisie aligned with the new establishment expanded private credit and financial institutions while securing control over the import and distribution of essential goods that were rationed during the Iran-Iraq War.<sup>10</sup> This group marginalised justice-oriented forces, primarily from the radical petty bourgeoisie.

Simultaneously, many confiscated assets were transferred to government-affiliated individuals or 'Revolutionary Institutions', effectively circumventing their 'nationalised' status. These transfers facilitated the emergence of a new social class in post-revolutionary Iran. Meanwhile, justice-oriented forces within the government leveraged revolutionary momentum to implement grassroots initiatives like the 'Jihad of Construction', which reduced poverty and distributed wealth more equitably among lower social classes. The establishment of healthcare services in remote villages and nationwide housing cooperatives represented significant achievements of these initiatives.

The Iran-Iraq War (1980-1988), instigated by the US-backed Ba'athist regime in Iraq, played a decisive role in shaping Iran's post-revolutionary class structure. Ezzatollah Sahabi, a member of the Council of the Islamic Revolution, documented how individuals with close ties to the political elite amassed enormous profits by purchasing imported goods at government-subsidised rates and reselling them at inflated prices in the free market.<sup>11</sup> Throughout the 1980s, an intense struggle persisted between two competing visions: those seeking to reintegrate Iran into the global capitalist system and those advocating for an indigenous, heterodox, and independent economic model. This conflict manifested across multiple domains, including:

- The boundaries of state economic intervention
- Wealth redistribution mechanisms
- Labor law reforms
- Land reform initiatives
- Public housing policies

By the final days of Ayatollah Khomeini's life, the free-market faction had gained significant advantage. His death in 1989 presented these forces with an unprecedented opportunity to advance their agenda. The watershed moment came in the winter of 1991, when Iran's Plan and Budget Organisation – a governmental department under presidential authority – released a 'secret' document that would define Iran's economic trajectory for the following years: The Economic Adjustment Program. This initiative represented Iran's version of the Structural Adjustment Programme typically imposed by the IMF and World Bank on developing economies. This moment marked the official beginning of the neoliberal era in post-revolutionary Iran, fundamentally altering the revolutionary economic vision and setting the stage for profound transformations in Iranian society and political economy.



Habib Sadeghi, *Such a Dance...*, 1993.

## Resistance, the Working Class, and Battles Ahead

Recent currency fluctuations, reminiscent of the changes that followed by Trump's 2018 withdrawal from the nuclear deal, have precipitated a sharp decline in the value of Iran's national currency. This volatility has severely impacted wage earners, who have been consistently threatened by the dual pressures of international sanctions and domestic neoliberal policies for over three decades.

Contrary to what should be done, the government has repeatedly adjusted the official exchange rate, ostensibly to 'confront rentiers'. However, the reality reveals a different pattern: the private sector – both importers and exporters with close ties to the political elite – has consistently benefited from preferential exchange rates, tax exemptions, low-interest loans, and, most importantly, extensive privatisation programmes. Despite some heterodox policies intended to protect working-class living standards during the past three decades, the hegemony of neoliberal ideology has pushed Iran toward converging economic, societal, and environmental crises.

In February 2017, former Vice President Eshagh Jahangiri revealed how privatisation accelerated in violation of constitutional provisions during his tenure as Minister of Industries and Mines (1997–2005). He said:

Article 44 of the Constitution was really a serious obstacle to economic development. When I was the Minister of Industries and Mines, on every trip we took abroad and talked to investors about making direct investments in Iran, they would say that your constitution does not allow us to invest in your country. They would say that your economy is state-owned and how can we invest? They would say that if we invest in an industry and then you determine that this industry is large and according to the constitution it should be state-owned, what should we do and until these ambiguities are resolved, we will not be able to invest ... In my opinion, the Supreme Leader made a brave and great decision. However, according to Article 44 of the Constitution, which states that no sector can hinder the development of the country by focusing on one sector, they said that this concentration in the government sector has hindered the development of the country, and they used this phrase and transferred everything to the private sector. This action was a big step and decision for our economy, and a big ambiguity was removed from the Iranian economy, and such transfers began.<sup>12</sup>

This statement clearly illustrates how constitutional principles were reinterpreted to facilitate privatisation, fundamentally altering the revolutionary economic vision in response to external investment pressures and internal ideological shifts toward market liberalisation.

The initiation of these 'transfers' coincided with the rise of a powerful oligarchy that seized opportunity amid crisis. These emergent elites developed mechanisms to circumvent the harsh imperialist sanctions by operating as agents selling 'nationalised' oil, thus generating enormous profits in the process. Ironically, this arrangement created a peculiar economic dynamic where sanctions, while officially damaging to the national economy, became lucrative opportunities for well-connected intermediaries.

The entrenchment of neoliberal ideology and policies has systematically undermined the government's capacity to develop effective economic strategies to shield the working class and small craftsmen from the devastating effects of sanctions. Rather than adapting policies to protect vulnerable economic sectors, the establishment has doubled down on two core positions:

1. Accelerating neoliberal policies, justified by neoliberal academics and politicians who insist that privatisation remains fundamentally sound but has simply been 'implemented incorrectly'. This argument shifts blame from the policy itself to its execution, preserving the ideological framework while acknowledging practical failures.
2. Pursuing compromise with US imperialism, primarily to attract foreign investment. This approach frames capitulation to external demands not as abandonment of revolutionary principles but as a pragmatic economic necessity.

This policy orientation represents a profound shift from the revolutionary vision of economic independence and social justice toward integration into global capitalism on terms shaped largely by external forces. The contradictions between revolutionary rhetoric and neoliberal practice have created a system where public assets are systematically transferred to private entities while the economic burden is disproportionately borne by those who have nothing to sell except their labour. Samir Amin was correct in his classic 2007 essay, *Political Islam in the Service of Imperialism*, where he expressed scepticism about what Iran's 'national bourgeois project' would achieve. Iran's neoliberal bourgeoisie now pose the most serious internal threat to national sovereignty.

In October 2018, Ismael Hossein-Zadeh, Professor Emeritus of Economics at Drake University, wrote:

The Iranian economy is mired in a deep recession. The real or productive sector of the economy is paralysed, largely by out-of-control (and often illicit) imports that have replaced domestic production. Rent seeking, corruption and the looting of national resources is pervasive. Both unemployment and inflation are extremely high. National currency is on the verge of collapse, and financial resources of the country are disproportionately invested in unproductive or parasitic activities such as buying and selling of precious metals, foreign currencies, real estate, and the like.<sup>13</sup>

One year later, the events of the autumn of 2019 marked a critical juncture in Iran's post-revolutionary trajectory. Following an abrupt increase in gas prices implemented without public explanation, Iran experienced an urban poor uprising reminiscent of Venezuela's *Caracazo* in 1989. While the establishment ultimately contained the unrest, the violent suppression of impoverished protesters generated profound anger, disappointment, and distrust toward the government. This social rupture had immediate political consequences: the 'moderate' political faction lost subsequent elections, but the 'principalist' government under President Raisi continued to pursue neoliberal economic policies. Following Raisi's death in a controversial air crash, Masoud Pezeshkian, a social democrat reformist, won the snap election with promises to avoid economic shock therapy. However, his administration has maintained policy continuity with its predecessors.

In this context, working-class organisations have launched a campaign demanding a 70 percent increase in the

minimum wage from the new Persian year, that began on 21 March. This movement has attracted attention from other social forces committed to resisting ‘The Great Satan Arrogance’, potentially forming a justice-oriented coalition dedicated to revitalising the original ideals of the revolution.

As Hezbollah and Hamas rebuild their organisational structures and military capabilities in the regional resistance front, a parallel revitalisation of Iran’s domestic revolutionary coalition is becoming increasingly crucial. This movement, with the working class at its centre, could serve as the vanguard of revolutionary forces. The working class, having functioned as the ‘battering ram’ during the triumph of the 1979 revolution, represents the only social force capable of serving as an impregnable fortress against both external pressures and internal compromises in defence of national sovereignty.

This emerging class-based movement potentially represents the most significant challenge to the neoliberal transformation of the Iranian economy and the erosion of revolutionary principles over four decades of post-revolutionary development.

Regardless of how current diplomatic talks unfold, the Iranian revolution’s ideals will ultimately have to tackle neoliberalism gripping the country.



Niloofer Ghaderinejad, *Untitled*, 1979.

## Notes

<sup>1</sup> Abbie Cheeseman, Meg Kelly, and Imogen Piper, 'Israel Likely Used U.S.-Made 2000-Pound Bombs in Nasrallah Strike, Visuals Show', *Washington Post*, 29 September 2024, <https://www.washingtonpost.com/world/2024/09/29/israel-bomb-beirut-nasrallah-death/>.

<sup>2</sup> Sanam Vakil, 'The Fall of Assad Has Exposed the Extent of the Damage to Iran's Axis of Resistance', Chatham House, 13 December 2024, <https://www.chathamhouse.org/2024/12/>.

<sup>3</sup> 'Leader: Negotiations with US Have No Effect on Solving Problems', Iranian Students' News Agency, 8 February 2025, <https://en.isna.ir/news/1403112015158/Leader-Negotiations-with-US-have-no-effect-on-solving-problems>.

<sup>4</sup> See: Farshad Momeni and Bahram Naghsh Tabrizi, *Iran's Economy Under the National Administration* (Tehran: Nahadgara Books, 2015).

<sup>5</sup> For more information about the land reform in Iran, see: Eric J. Hooglund, *Land and Revolution in Iran: 1960–1980* (University of Texas Press, 1982).

<sup>6</sup> See: Schapour Ravasani, *State and Governance in Iran during the Period of Capitalist Colonial Domination: Colonial Mode of Production – Class Attached to Capitalist Colonialism* (Tehran: Amir Kabir Publishers, 2009).

<sup>7</sup> See: John Foran, *Fragile Resistance: Social Transformation in Iran from 1500 to the Revolution* (Westview Press, 1992).

<sup>8</sup> *Time*, 4 February 1980.

<sup>9</sup> See: Ervand Abrahamian, *Iran between Two Revolutions* (Princeton University Press, 1982).

<sup>10</sup> See: Bahman Ahmadi Amouee, *The Political Economy of the Islamic Republic*, (Tehran: Gaam-e No Publishers, 2006).

<sup>11</sup> *ibid*, pp 23-24.

<sup>12</sup> *Shargh*, 26 February 2017.

<sup>13</sup> Ismael Hossein-Zadeh, 'Neoliberal Economics: The Plague of Iran's Economy', *CounterPunch*, 6 October 2018, <https://www.counterpunch.org/2018/10/03/neoliberal-economics-the-plague-of-irans-economy/>.

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