

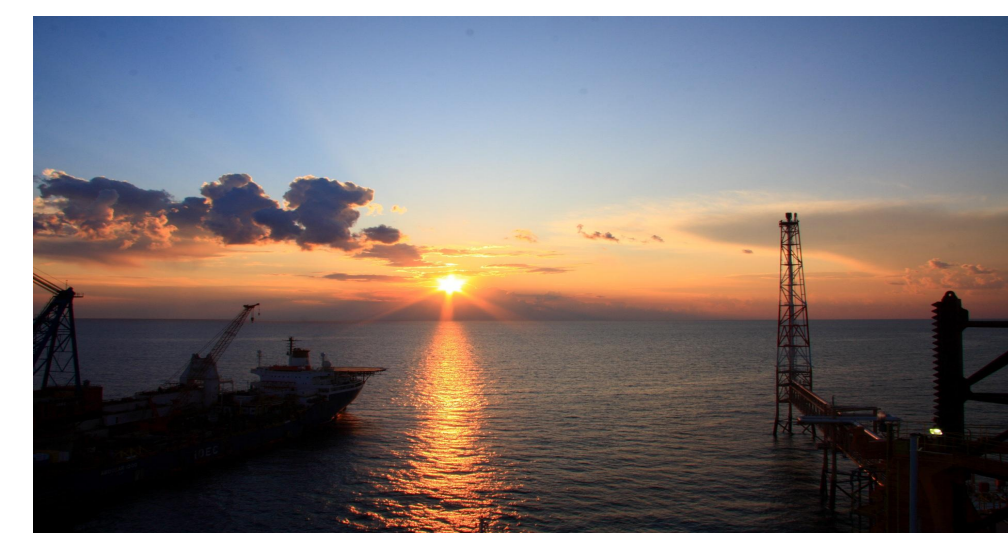
The People and The Revolution

How Ideology Shapes Domestic Energy Consumption by Civilians in Iran?

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Abstract

Incentivizing citizens to support the government, which can be done through a multitude of ways, many of which could be categorized as either political, social, or economic advantages. Within oil rich countries this support of the citizenry is sometimes achieved by using the revenue from oil sales to either provide subsidies on the cost of oil or to provide government services for a much cheaper price. The Islamic Republic of Iran is no exception to this rule, as they provide a fairly high rate, around about four thousand rials a year average per person, in subsidies. However, this paper attempted to investigate if the rate of consumption increased due to the higher subsidies experienced under Revolutionary Iran, as compared to the Shah regime, an autocracy. In order to measure this, the project looked at household final consumption expenditures in urban and rural areas, looking at in particular the expenditure on fuel and lighting. In order to determine a distinct difference it was necessary to calculate the rate of growth. This indicated that there did exist a substantial increase between the household energy expenditures of the Shah regime and those experienced in post Revolution Iran. In essence, this indicated that the higher subsidies were effective in changing the spending behavior within Iran in this particular area, especially in terms of rural household energy consumption. It also seemed to show that the revolution's ideology of providing more for the Iranian people would in fact be an accurate outcome of the changes made by the revolution. Additionally, the revolution ideological imperative to develop rural Iran is definitely expressed by the high growth rate experienced by the rural areas in post-revolution Iran. It was determined that to some extent the semi-socialist ideologies of the 1950s Mossadegh government and the Tudehs, the communist Party in Iran, were influential in shaping the policies of the revolutionary government, despite the Ayatollah's claim against supporting communism.



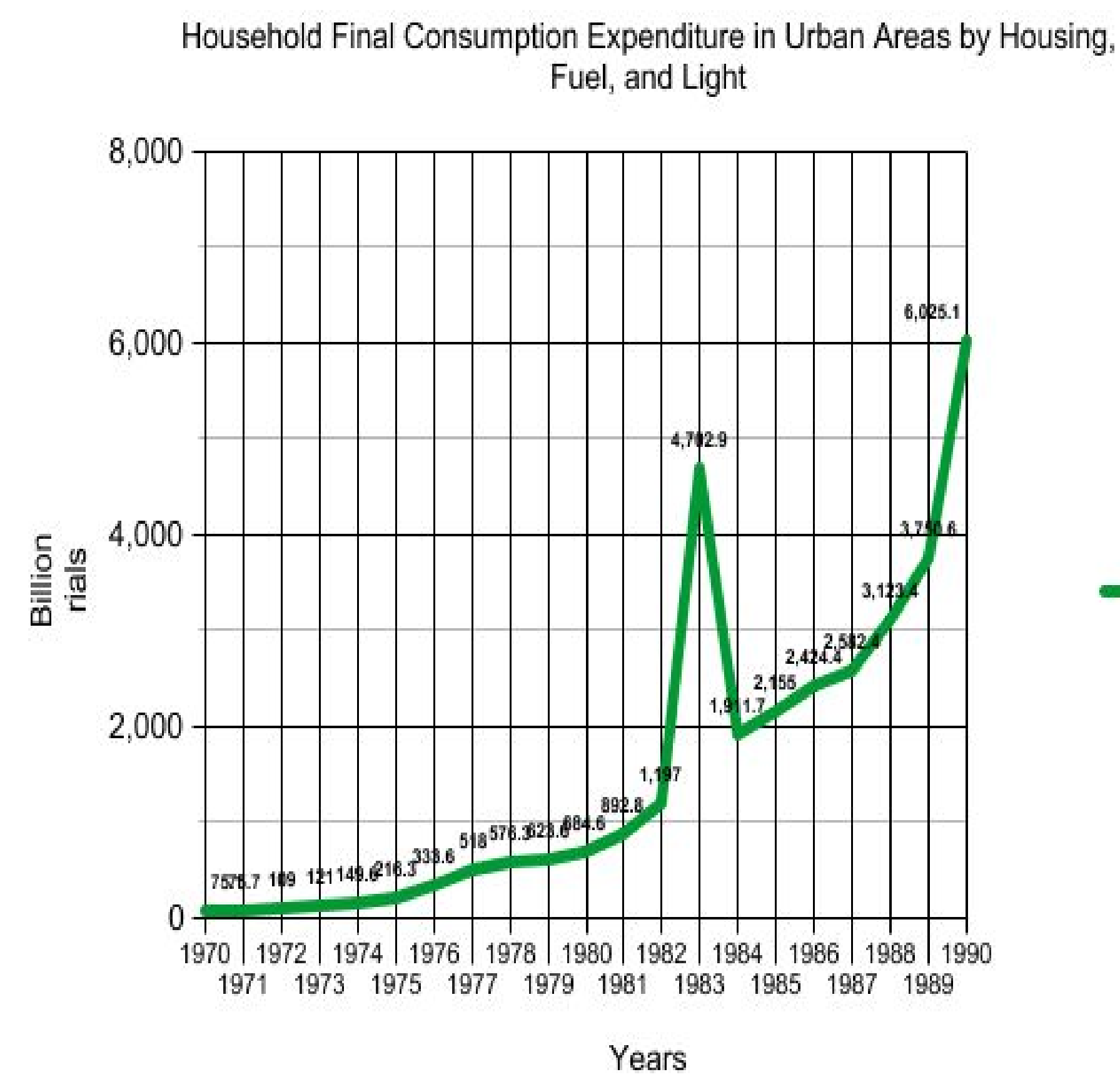
South Pars Offshore Oilfield
Credit: Alireza234

How did the ideological stance of Iran's government affect household energy consumption by Iranian civilians before and after the Revolution?

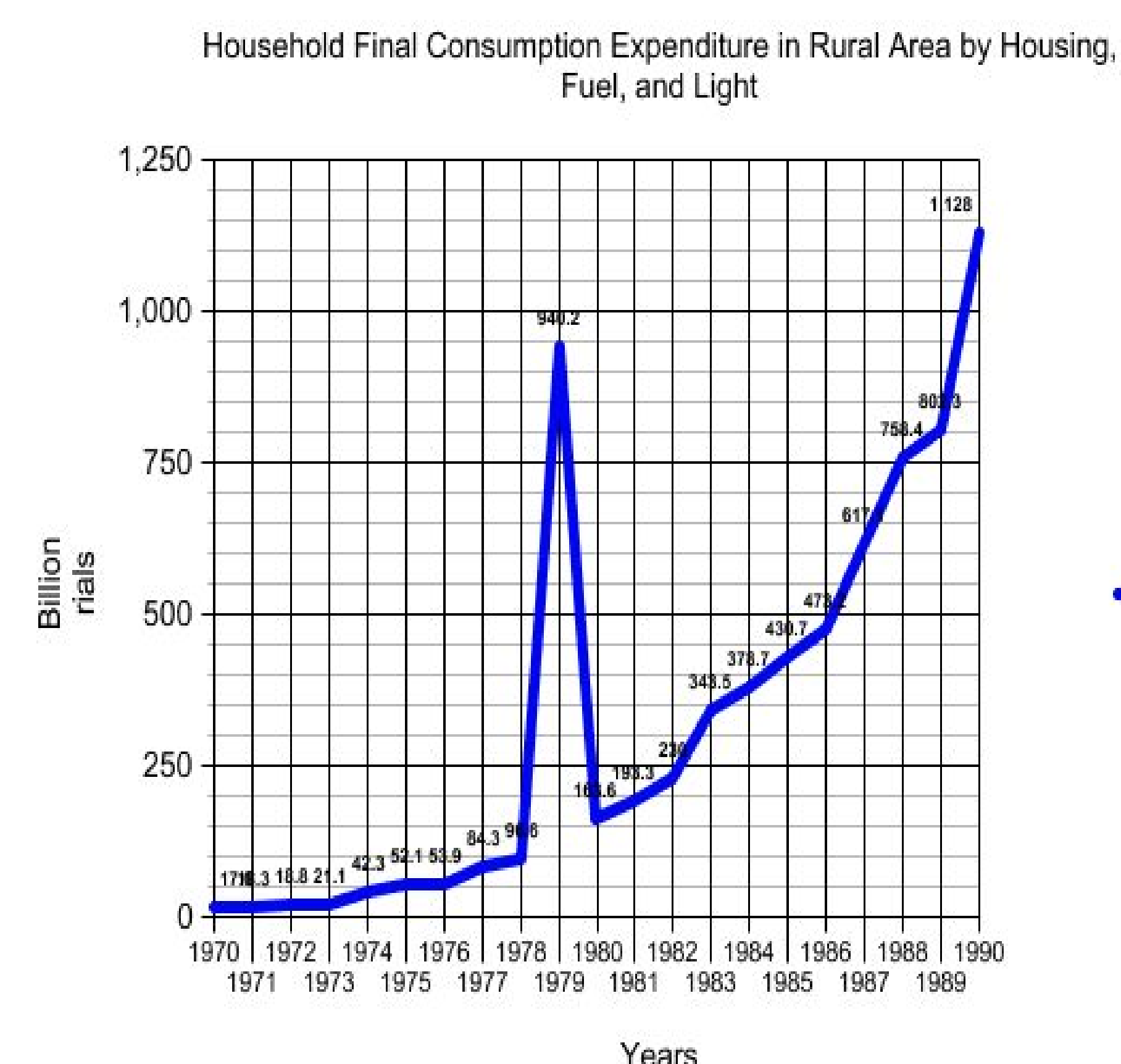
In many oil rich countries, such as Iran oil is either heavily subsidized or the oil revenues are used to provide services for the people of that country, which helps the government stay in power. Iran is no exception to this logic, as Ayatollah Khomeini established in one of his election speech stating that it was the goal of the Revolutionary government to "put oil money on everyone's dinner table". In order to do this Iran enacted a higher rate of energy subsidies, which were in the hundreds of millions in the from those imposed by the Shah government, which were only around However, if the Ayatollah's word were in fact true, a visible increase would have to be observed in at least some aspect of Iranian life. There are many indicators of quality of life within the country, however, the one that seemed the most relevant and observable in a country like Iran would be the energy consumption by household, in both urban and rural Iran, as this indicator would have been directly affected by the increased subsidies enacted by the Revolutionary government.

Maps and Graph Indicating Change in Oil Infrastructure

The following graphs indicate that the household final consumption expenditure in urban and rural areas when it comes to home energy costs (housing fuel and light) was greatly affected by the Iranian Revolution in 1979, resulting in a spike in both urban and rural rates of consumption. The increase in growth rate of household consumption post-revolution from 84.22/27.11 percent rural and 37.44/30.46 percent urban shows that the subsidies enacted by the government were effective in changing the purchasing power of the Iranian citizen, in an economical sense giving them more rights. It is interesting perhaps to observe that the growth rate in rural Iran was much higher than that in urban Iran, 84.22 percent to 37.44 percent.



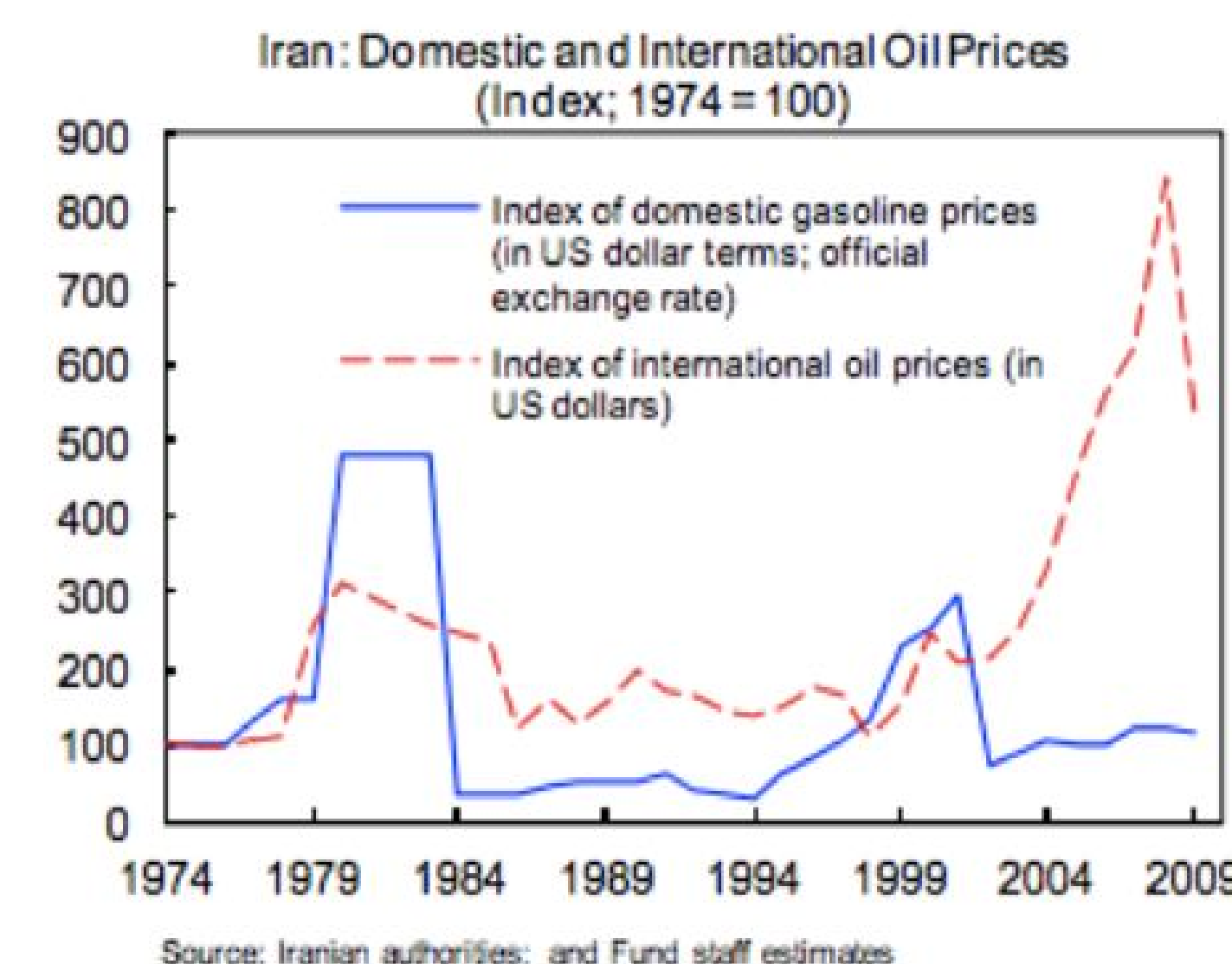
Central Bank of the Islamic Republic of Iran Annual National Accounts



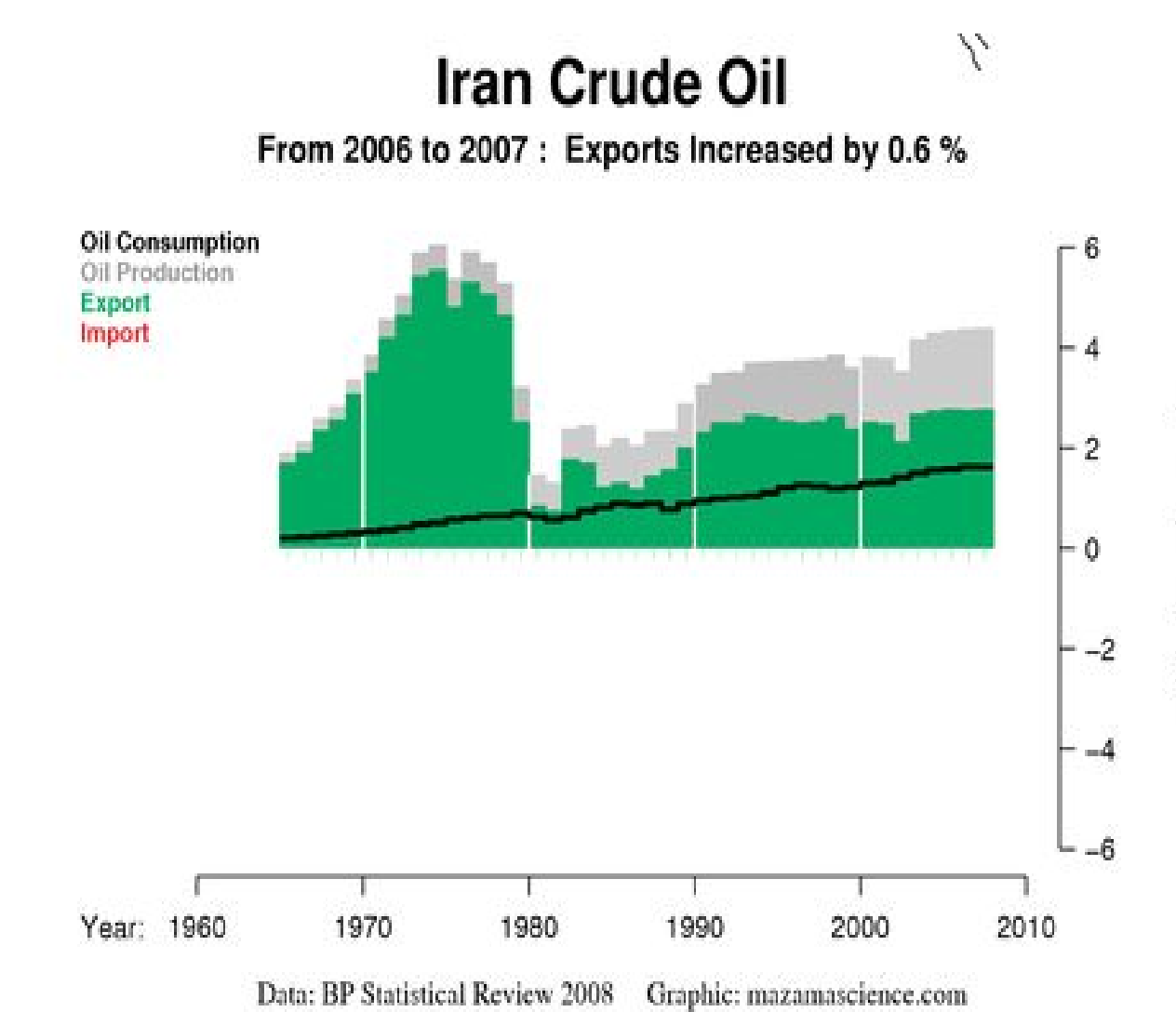
Central Bank of the Islamic Republic of Iran Annual National Accounts

Graphs Other Necessary Data

In many ways the drop in oil prices in 1984 very much correlates to the noticeable increase in oil consumption by both rural and urban Iran. This makes sense as the oil subsidies in Iran were mainly increased as a response to the Iran-Iraq War. It is interesting that this drop in oil prices and spike in household consumption occurred during the 1980s as the rate of oil production was much diminished from what it was before the Iranian Revolution. However, it should be noted that oil exports also decreased substantially following the Revolution, as can be seen by Graph 2, indicating that oil was perhaps being used in greater percentages domestically.



Source: Iranian authorities; and Fund staff estimates



Data: BP Statistical Review 2008 Graphic: mazzanascience.com

Conclusion and Inferences

It is clear from the data that subsidies enacted by the Revolutionary government were influential in increasing the rate of consumption of household energy, in both urban and rural areas, albeit the rate of consumption increased much greater in rural areas. This supports the claim that the ideology of the Revolutionary government of supporting the Iranian people, especially in development of the rural areas did translate into policies which did, at least in the case of household energy expenses better the lives of the Iranian people up until the 1990s. This discrepancy does correspond with the ideological policy of Iran it is especially interesting considering the vast urbanization that occurred post-revolution, creating an influx in the urban population. While it would be difficult to categorize the Iranian Revolution as being communist, there are definitely elements, adopted perhaps from the Mossadegh era into the operation of the Iranian state post Revolution, especially in its focus of bettering the lives of the peasantry. In many ways this only further complicates the way in which to view Iran during the post revolution. One possibility for further research would be to look at how the recent reduction in these subsidies came about and if this indicates an important ideological shift within the Iranian government. It may also be interesting to see if this has curbed greatly the rate of consumption in rural areas.

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