

Obama's Existential Challenge to Ahmadinejad

Two countries, “both alike in dignity,” have for too long been the Capulets and Montagues of our days. Grudges like the 1979 hostage crisis and the U.S. role in the overthrow of the popular Mossadeq government in 1953, ill feelings stemming from the clerical regime’s nuclear program and help for organizations like Hezbollah, and the Bush administration’s ham-fisted policy of “regime change” have combined to make the Islamic Republic of Iran one of the most intractable challenges facing the United States.

For thirty years, Iran has partially defined itself in opposition to the United States. The founder of the clerical regime, Ayatollah Rouhollah Mousavi Khomeini, called the United States the “Great Satan” and accused it of leading a crusade against the Islamic world. His successor, Ali Khamenei, has continued to rely on this incendiary rhetoric. For the regime, then, the presidency of Barak Hussein Obama offers something of a challenge. *Barak* is Arabic for Grace of God, and *Hussein* conjures the most important Imam of Shi’ism, the dominant branch of Islam in Iran, and its ultimate martyr. Obama’s multi-racial, multi-cultural roots also defy the regime’s stereotypical description of the United States as an incorrigible land of racism and inequity. Long before the November election, President Mahmoud Ahmadinejad stated with his customary certitude that “they” will not allow a black man like Obama to become the president of the United States.¹

A hint of Iran’s problem with the paradox of an African-American president can be found in the regime’s behavior in the first days of the 1979 hostage crisis. Khomeini tried to sell the occupation of the U.S. Embassy in Tehran as a gesture

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Oabama's multi-racial, multi-cultural roots defy Tehran's stereotypical U.S. description.

against imperialism, but he believed that holding African-American embassy personnel as hostages would symbolically undermine the event's anti-imperialist *mis en scene*. To obviate such a possibility, he quickly ordered the release of all ten African-American hostages. The election of an African-American child of an African émigré will make it far more difficult for the mullahs in Tehran to successfully continue their "anti-Imperialist" narrative, or their claim that Christian White America is bent on a crusade against Islam.

Moreover, an Obama presidency is likely to drastically improve the political position of the United States in the world. Any improvement in the global stature of the United States would not only render the Islamic regime's anti-Americanism less useful, but it would also make it harder for the regime to forge or maintain the kind of expedient anti-American alliances they have successfully made over the last 16 years. Through these tactical and new strategic alliances, particularly with China, India, and Russia, the regime has bought time to develop its nuclear program, and made it more difficult for Western powers to pass UN resolutions against Iran. In fact, an increase in tensions between the United States and Iran, hand in hand with rising global demand for oil and gas, afforded the regime oil revenues beyond its wildest dreams allowing it to ameliorate some of the more dire consequences of economic sanctions.

Circumstances, however, have changed drastically since the financial melt-down of last December. The 2008 U.S. general elections and the upcoming Iranian presidential election on June 12, 2009 have created a new dynamic and increased the potential for an improved U.S.–Iran relationship that would ultimately help break the bilateral diplomatic gridlock. The global economic recession and its incumbent decrease in the price of oil have increased this potential while simultaneously increasing tensions within what was already a fractured Iranian ruling elite. What lies ahead for the U.S.–Iran relationship as both countries potentially transition in two new administrations? Even if Ahmadinejad is reelected, his badly tarnished image, and the now evident vapidity of his economic populism will make him less giddy with the arrogant self-righteous bravura of his first term, and arrogant leaders filled with self-righteous piety make bad diplomatic interlocutors. What sort of policy should the Obama administration adopt toward Iran?

Ahmadinejad the Vulnerable

Many have written about the existence of factions within the Iranian elite, but there is something profoundly new about the feuds of today. For the first time since the appointment of Khamenei as the Supreme Leader in 1989, there are now clear signs that some forces within the regime, and many outside it, are beginning to either openly challenge his hitherto absolute authority, or simply ignore his commands. The June reelection of Ahmadinejad has become the public locus of these tensions. Yet, more than just the reelection of a beleaguered president is at stake.

Economic Turmoil

Much of the public criticism of Ahmadinejad stems from his woeful mismanagement of the economy. Over the first three years of Ahmadinejad's presidency, Iran has received windfall oil revenues totaling \$197.5 billion. Ahmadinejad ignored the mandates of the fourth development plan, ratified on September 2004, requiring the government to set aside each year any surplus from oil revenues and deposit the money in the Foreign Exchange Reserve Fund. The fund is intended to be used at a time when a sudden drop in the price of oil creates unexpected deficit in government revenues. In other words, precisely what has happened since December 2008, when the price of oil fell from an all-time high of almost \$150 per barrel to as low as around \$40 per barrel.

Aside from the mandate to set aside some of the windfall, Ahmadinejad also ignored the advice of economists who argued against spending the entire oil windfall. A surprisingly large number of the country's most eminent economists correctly declared that spending all of the windfall revenues would create serious problems for the regime in the future. He not only ignored the economists and refused to make any of the mandatory deposits to the Foreign Exchange Reserve Fund, but even dipped into it more than once. When asked about these withdrawals and their amount, he has refused to answer, claiming that the holdings of the fund are state secrets, and not to be revealed.

As the result of this form of expansionist fiscal policy, Iran's liquidity, or the total sum of currency in circulation in the country, went from \$68.8 billion to \$168 billion, creating hyperinflationary pressures on the economy. Moreover, any growth the economy has experienced has been through government expenditure and to the detriment of the private sector. Government expenditure as a percentage of gross domestic product went from 15.2 percent to 27.6 percent.²

Critics ask where all the money has gone, and neither the government nor any economist has yet provided a reasonable response. According to one report, there is even \$30 billion missing from the public coffers. The money has simply

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disappeared. Incredible as it may seem, it is estimated that in spite of the unprecedented windfall, the regime will face a \$60 billion deficit in the coming year. The contours of the last years are eerily reminiscent of the Shah's last years when he first went on what the Central Intelligence Agency (CIA) called his "lending binge," giving away almost \$2 billion. With the sudden decline

in the price of oil in 1977, Iran was forced to seek foreign loans. History is repeating itself as Iran is again entering the market for loans from international institutions today.

The current government's ridiculous and often bizarre monetary ideas have been the driving force behind its incredible fiscal irresponsibility. Some examples are low-interest "job-creation" loans, which were both inadequate as seed capital and given with little control. By some estimate \$40 billion was thus wasted with no perceptible change in the double digit rate of unemployment. Much of the money ended in real estate speculation, creating what is now a housing bubble in Tehran and other big cities. The global financial crisis, once praised by Ahmadinejad as God's punishment against the hubris of the United States, has now begun to reach Iran. Inflation rates are now around 24 percent, and expected to double in the next few months, while double digit unemployment (anywhere between 14 to 18 percent in the general population and double that amount among those between the ages of 18 and 30) continues unabated. The government's decision to change the definition of the "employed" to include anyone who has had two hours of gainful employment in a week has not diminished the unemployment rates.

Three Fissures

As the country moves toward new presidential elections, these economic problems contribute to, but are certainly not the only source of, at least three fissures that have opened up in Iran's politics. First and fundamentally, there is a power struggle between Khamenei and two-time former president and now the leader of the powerful Council of Experts Akbar Hashemi-Rafsanjani. For the last thirty years, the two men, and erstwhile friends and partners, have been two of the real pillars of power in the clerical regime. There are even faint but still audible whispers that the very nature of the *Velayat-Fagih* (the rule of jurist based on divine legitimacy, not popular sovereignty) must be changed. Rafsanjani, who played a key role in the anointment of Khamenei as the successor to Khomeini has recently made clearly critical comments about the nature of *fagih's* rule. On one hand, he suggested that the basis of a *fagih's* rule must be "friendship" not

authoritarianism, an unmistakable criticism of Khamenei. On another occasion, he proposed the idea of a “committee of clerics” as a replacement for the personal rule of the *fagih*. Either way, the absolute rule of Khamenei was the clear subjects of these critical comments.

Perhaps more important is an even earlier second, theological, fissure that opened as a result of the pronouncements of one of the regime's founding fathers, Ayatollah Hossein Ali Montazeri. He not only dared criticize the regime he helped create (for that sin, he has now been under house arrest for almost 20 years), but on more than one occasion, he has declared that the concept of *Velayat-Fagih* was never intended to afford the *fagih* anything other than an overall supervisory role. The job, he said, was intended to be more akin to the British monarch than an absolutist individual rule. In reality, ever since its inception, the *fagih* has been an absolutist authoritarian ruler who directly participates in every major aspect of policy and his word is considered nothing short of divine and thus beyond doubt or reproach.

The third critical element of the current power struggle in Iran has been the Revolutionary Guards and their increasing economic as well as political clout and appetite. They have become the wildcard of Iran's domestic politics, and will play a determining role in deciding the victor of the ongoing power struggle. All sides and factions are trying to secure the support of this crucial force. For example, Khamenei, who is by law the commander in chief of all armed forces in Iran, has been busy consolidating his ties with the Revolutionary Guards. He recently used his special powers to permit *Bonyad Mostaz'fan* (Foundation for the Dispossessed) to take part in the sale of Iran's oil, hitherto the sole right of the state oil company. *Bonyad Mostaz'fan*, along with other foundations, controls about 30 to 40 percent of the entire Iranian economy. Their appointed managers report directly to Khamenei and to no one else, and are increasingly chosen from the ranks of the commanders of the Revolutionary Guards. They have become a powerful force in support of sustaining the statist status quo. The companies they manage invariably lose money but are kept afloat through government subsidies since closing them would further add to the already volatile unemployment situation.

Ahmadinejad has also been busy greasing the palms of his allies in the ranks of the Revolutionary Guards. There is ample evidence that all of Ahmadinejad's electoral victories—from his election as the mayor of Tehran to the presidency—were mainly due to the support he received from these Revolutionary Guards. It is estimated that more than two-thirds of all ministers, nearly every governor, and the majority of Majlis (the Iranian parliament) representatives come from the ranks of past commanders of the Revolutionary Guards.

The latest addition to the cabinet is Sadeq Mahsuli, the new minister of interior, aptly nicknamed by his many critics as the “billionaire commander.” He

was one of the founders of what is now infamously called the Qods Brigade, the “Special Forces” of the Revolutionary Guards, used in the most sensitive, usually overseas, actions by the regime. Ahmadinejad’s relations with Mahsuli and other commanders of the Revolutionary Guards go back to the early days of the eight-year war with Iraq. In those days, Ahmadinejad, who was in Mahsuli’s words “part of the engineering group”³ of the new Qods Brigade, made “contacts with the early founders” of the Revolutionary Guards.⁴ After the war, Mahsuli, like many of his other pious brethren, decided to cash in his piety as well as his war record into a quick, massive but illicit fortune.

In his first days as president, Ahmadinejad nominated Mahsuli to the potentially lucrative post of minister of oil. But the confirmation of the Majlis is required for every ministerial appointment and Mahsuli failed to receive enough votes for his confirmation. Angry at the rejection of his close ally, Ahmadinejad appointed his controversial comrade to an advisory position, and waited. In early November 2008, when the Majlis impeached the then-minister of interior for falsely claiming to have received a doctorate degree from Oxford University, Ahmadinejad nominated his billionaire commander to the interior minister cabinet post, which will handle the upcoming presidential election. This time, Mahsuli seems to have won confirmation by a one-vote margin.

It is a measure of the bitter, ongoing factional conflicts in Iran today that not only did Mahsuli win his confirmation in mid-December with the thinnest margin possible, but the members of the Majlis who voted against him believe that the confirmation vote was rigged. They demanded to review the security videos of the voting session, claiming that Mahsuli’s supporters stuffed the ballot bowls with fake ballots and that some voted more than once. Ahmadinejad has defiantly dismissed these allegations. To further show his disdain for the Majlis, Ahmadinejad appointed the impeached interior minister with the fake doctorate—who is incidentally another ex-Revolutionary Guard commander—to head the Iranian *Farhangestan*, which is Iran’s equivalent of the *Academie Francaise*.

Mahsuli is not the only corrupt ex-commander serving in a key position in Ahmadinejad’s administration. During the first three years of the Ahmadinejad presidency, in spite of his constant railings against nepotism, his allies among the Revolutionary Guard commanders and the companies they established have garnered billions of dollars worth of no-bid contracts. Ahmadinejad, who has made fighting the “economic mafia” a central part of his political persona and who has made his own simple mode of living a campaign issue and his defining virtue, looks the other way when it comes to the malfeasance of his pious revolutionary allies. Aside from the Mahsuli example, “every year up to \$6 billion worth of goods were imported illegally through the unofficial ports” controlled by the Revolutionary Guards.⁵ This is only one of their sources of

income. Ahmadinejad, like much of the nation, knows about these ports, but has done nothing about them.

Moreover, from his first days in politics, Ahmadinejad also endeared himself to the *Basij*, an estimated seven to ten million strong force of devout followers of the regime, opportunists, or desperate people hoping to feign piety and access the many privileges afforded a *Basji*. They behave like gangs-cum-militia and virtually control every neighborhood and institution in Iran.⁶ They too have played a crucial role in Ahmadinejad's electoral victories. Ahmadinejad's own political discourse, his repeated use of slang and street talk, no less than his demeanor and his folksy dress, all emulate the *Basiji* style. Loose-fitting shirts, overcoats or baggy suits in dull colors, and a beard are all part of his populist sartorial style. Islam forbids dress that betrays bodily curvature for men and women. It also forbids what it considers the frivolous touch of a razor on a man's face.

During Ahmadinejad's first three years of the presidency, the *Basij* too have been amply rewarded for their support. In the month of June 2008 alone, they received more than three thousand no-bid contracts from the government. They are now engaged in everything from city sanitation to road construction. Their ample use of nearly free labor and their access to raw materials at "special" prices have made them, like the companies owned and operated by the Revolutionary Guards, the nemesis of Iran's already struggling private sector. Moreover, many of these companies, as well as powerful members of the political elite, have developed the expedient habit of not repaying the loans they receive from banks. According to a recent study, the total amount of bad debts owed to Iranian banks has, in three years, gone from \$4 billion dollars, accumulated in the course of the first hundred years of modern banking in Iran, to \$31 billion dollars today.

A rare glimpse into this world came in June, when an audiotape of a talk by a regime official named Abbas Palizdar was leaked to the press, and became a veritable bombshell. He accused 44 top leaders—nine of them senior clerics of the regime—of massive corruption, such as buying companies through loans they never repaid at a fraction of their real price, and making billions of dollars in the illicit import of cigarettes and opiates into Iran. The most serious charges were made against the Rafsanjani family. Since then, hardly a week goes by without Ahmadinejad or one of his known allies making similar allegations of malfeasance against Rafsanjani.

As the economic woes of the regime increase, and as its increased isolation will afford the Revolutionary Guards and their allies in the *Basij* an increasingly

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Fierce presidential politics has already consumed the Iranian elite for almost a year now.

crucial role in securing the regime's survival, they will be tempted to demand a bigger piece of the political and economical pie for themselves, and may even try to seize power outright. The corruption rampant in its ranks, the ideological purity of an isolated small minority, and the incumbent decision to take sides in the on-going factional feuds within the regime will put the Revolutionary Guards in uncharted but potentially treacherous waters.

Tehran's Electoral Free-for-All

Against this backdrop of political fissures, Iranian presidential elections are scheduled for June 12, 2009. Yet, despite Khamenei's August 2008 proclamation ordering all factions to cease and desist from campaigning too early, fierce presidential politics has consumed the Iranian elite for almost a year now. Even Khamenei did not abide by his own admonishment. The most egregious breach came in a speech he gave in support of the current president. Never before had he, or his predecessor Khomeini, so openly interfered in the electoral process.

In a meeting with Ahmadinejad and his cabinet, Khamenei offered unequivocal support for the president and his reelection. In the course of the meeting, Khamenei praised Ahmadinejad as the president who follows most closely the tenets of Islam and "keeps alive the Khomeini legacy." He supported the president's fight against "encroaching secularism and Westernization" that he claimed had recently threatened to poison the "managerial infrastructure" in Iran. This was clearly a criticism of Mohammad Khatami, the two-term past president from 1997–2005 and a likely candidate in the next election. The words of approbation might even be construed as a hint that, should Khatami decide to challenge Ahmadinejad in the next election, he will not pass the vetting process Khamenei and his allies' control.

Candidates for all elected offices must be vetted not only by the intelligence agencies and the police, but also by the twelve-man body of appointed jurists called "The Guardian Council." Though ostensibly their main function had been to ensure the compatibility of all new laws with the tenets of Islam, the body has become a key clearing house where critics of the regime are excluded from appearing on any ballot. Presidential candidates too must be approved by the Guardian Council before their names can appear on the ballot. The big question of Iran's electoral politics today is whether Khatami, who has now decided to run, will pass the vetting process. Another likely reformist candidate, Abdullah Nouri, a one time interior minister who spent several years in prison

for his temerity in criticizing Khamenei, faces a similar vetting obstacle, should he choose to run for the office of the president.

Khamenei further praised the “genuinely independent and honorable” policies of Ahmadinejad in the nuclear negotiations. Leaders intimidated by the power of the West wanted Iran to submit to the West’s “hegemonic designs,” he said, but Ahmadinejad changed that course “and stood firm.” These were thinly disguised criticism of Khatami and Rafsanjani, who had both advised prudence in nuclear negotiations. Khamenei went on to praise the president and his ministers for “fighting corruption” and for living simple lives “in line with Islam’s teachings.” References to simple living were again obvious words of opprobrium for Rafsanjani whose lavish lifestyle is something of a common lore in Iran.

The most sensational aspect of Khamenei’s speech came when he told the ministers they should not think of themselves as lame ducks and having only one more year in office. He told them to work and plan as if they had five years left in their tenures. In other words, he appeared to be effectively guaranteeing an Ahmadinejad victory in the upcoming presidential election. Though the Islamic Republic News Agency (IRNA), the country’s official news agency, and run by staunchly pro-Ahmadinejad forces, reported and emphasized these parts of the speech, before long, under apparent pressure from other powerful factions in the regime, Khamenei had to partially retract his statement. His office made its own version of the speech public. Glaringly absent from the new version was any mention of the promise of the “five-year tenure.”

Aside from his uncharacteristically open support for Ahmadinejad’s reelection, there are also signs that Khamenei has been busy dissuading other likely conservative candidates, particularly Ali Larijani, the speaker of the Majlis, from running in the coming election. But as Ahmadinejad and his allies have been busy preparing for the election, others have not remained silent. Khatami and Rafsanjani were formidable foes during the early days of Khatami’s first term as the president. It was in fact some of the reformist journalists—foremost amongst them Akbar Ganji—who first labeled Rafsanjani as the “Godfather.” But today Rafsanjani and the reformist camp have joined forces to create a de facto united front against Ahmadinejad. Many other prominent political figures—from Hassan Rouhani (Iran’s chief nuclear negotiator during the Khatami years) and Mehdi Karubi (a presidential candidate in the last election and since then the founder of a new political party advocating reformist policies) to Behzad Navabi (Iran’s chief negotiator during the last stages of the hostage crisis and the leader of Islamic Revolution Organization) and Saeed Hajjarian (a one-time deputy in the ministry of intelligence and an architect of Khatami’s first run for presidency)—are parts of this loosely organized reformist bloc.

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Some like Karubi, who ran and bitterly conceded defeat in the last election, has already announced his candidacy. Moreover, in direct contravention of Khamenei's orders, they have become increasingly open in their criticism of the government. Even the usually pliant Majlis has not relented in its criticism of the government. Everything from Ahmadinejad's sanity to the wisdom of his economic policies, even the honesty and probity of his

administration, have been questioned by his opponents. A secretly recorded tape of his conversation with a senior cleric, after his second trip to the UN, was released to the public. It showed Ahmadinejad recounting his experience speaking to the UN General Assembly, in which he says he believes that as he began to speak, the Mahdi, Shi'ism's twelfth imam and the messiah, now in occultation for over a thousand years, provided him with a protective cocoon.

On another occasion, Ahmadinejad's claim that he escaped a U.S. attempt to kidnap him during a trip to Iraq also became a subject of public ridicule. Moreover, his recent "analysis" of the real reason behind the U.S. invasion of Iraq has become a subject of some satire. The invasion of Iraq, he claimed, was neither for oil nor for geopolitical reasons. According to Ahmadinejad, the Americans, the same ubiquitous "they" who would not ever allow an Obama presidency, have discovered that the Mahdi's return is imminent, and the invasion of Iraq was in fact a ruse to delay the return of the savior. Ahmadinejad's fervent belief in the important role of Mahdi, and his claim that in reality the imam runs the Iranian economy, have been often criticized by clerics as well as his reformist opponents, and ridiculed by secular opponents of the regime.

Obama's Challenge to Iran's Regime

As Iran's elections get closer, the reality of an Obama administration is casting a longer and longer shadow over the country's domestic politics and discourse. Increasing evidence exists that Obama's election has made Khamenei and his allies like Ahmadinejad feel more vulnerable than at any other time in recent memory. In mid-November, the regime organized a massive "exercise in civic control" employing thousands of forces loyal to the regime to virtually enforce martial law in major cities. In Tehran alone, more than 30,000 forces, as well as numerous helicopters, planes, and personnel carriers, were used to exercise how to maintain security in times of turmoil. In the same period, there were at least fifteen executions, among them an Iranian Jew accused of spying for Israel who

had been in prison for almost three years with the regime only recently choosing to make his case into a public spectacle. The regime's security organizations also claimed to have "broken" another Israeli spy network.

As in the past, the regime feels the need to show its muscle through massive demonstrations of brute force when it anticipates increased unrest amongst the populace or a challenge to its authority. Show trials and false confessions by alleged "foreign agents" are also part of the regime's attempt to show its vigilance and omnipotence, both necessary qualities for authoritarian regimes. A small chink in their armor of invincibility can be a sure first step in their demise and in emboldening a hitherto cowed and intimidated populace.

Another development underscoring the regime's anxiety about its own political future has been the November 2008 decision to reconfigure the mandate as well as the command structure of the Revolutionary Guards. The Guards, created on April 22, 1979, had been seen as the crack force defending the nation against foreign invasion and dangers. Such was certainly the Guards' function and claim to fame during the eight year war with Iraq. Its new mandate is protecting the revolution not from foreign foes or invasion, but from domestic enemies and turmoil. In preparation for this role, 31 Revolutionary Guards units (one for each of the country's 30 provinces and a second unit for Tehran) were set up, each with their own commander. Even more importantly, the *Basij* units, hitherto parts of an ostensibly autonomous organization, have now been put under the direct command of the Revolutionary Guards.

Surely this perceived vulnerability is at least partly the result of the regime's paranoid view of the world. Behind every event, they see a veritable conspiracy, usually masterminded by Israel or the United States. An example of this vision can be found in the analysis offered about the late November 2008 Mumbai attacks. In *Keyhan*, the paper that is said to speak for Khamenei himself, two editorials argued with surprising certitude that the terrorists were in fact working for the CIA.⁷

Similarly in a recent speech, Ahmadinejad offered the "real causes" of the terrorist attack in which he hinted at potential U.S. involvement, though he refrained from mentioning the CIA directly. According to this zany theory, the United States instigated the Mumbai attacks because it does not want peace and security in the region. By fermenting tension between India and Pakistan, the United States, the theory goes, can continue to dominate the region and instigate governments against the rise of radical Islam. The real cause of the regime's insecurity, however, is the reality that it is indeed isolated from, even despised by, the majority of the Iranian people who feel politically disenfranchised, economically pressured, and internationally isolated as a pariah nation. In spite

A coalition of forces is emerging within Iran, united around three principal ideas.

of the regime's public bravura, they are aware of their own vulnerability with the fear of democracy defining their disposition and determining their every move.

Although the Iranian regime gleefully celebrated the Russian invasion of Georgia as the last nail in the coffin of U.S.-sponsored color revolutions supporting democracy, it is nevertheless still working hard to abort such a possibility. A number of opposition papers have been banned in the days after the U.S. election. Foremost amongst them is

Shahrivande-Emrooz that called itself a journal of Iran's private sector and had been a vibrant forum for developing a democratic discourse. The attempt of the paper's staff and their talented editor, Mohammad Gouchani, to launch a new magazine was crushed even before a single issue reached the stands.

A new bill has been rushed through the parliament that sets the death penalty for anyone who uses the Internet to engage in pornography or other actions that "disturb the peace or security" of the nation. The bill is draconian not only in the penalty it sets but also in the studied ambiguity in its description of what constitutes a "disturbance," allowing prosecutors to define "disturbing the peace and security" as they wish. The regime has been busy not only filtering "disturbing" sites and arresting a few more vocal bloggers, but it has also tried to occupy part of the blogosphere by sponsoring a number of Web sites sympathetic to its own policies and ideology, including publicly announcing it has launched ten thousand new Web sites for some of its staunchest supporters in the ranks of the *Basij*.

To serious students of Iranian society, it has long been clear that saber-rattling by the United States helps the regime, and allows its most radical elements to consolidate their hold on power. In contrast, prudent U.S. diplomacy, geared more toward negotiations than threats, will rattle the regime, help resolve outstanding issues between Iran and the United States, and will also help Iran's indigenous democratic movement. Combined with an Iranian economic crisis that could soon take more systemic dimensions, signs of a prudent Obama policy have already left its mark on Iran's electoral landscape.

In the past, Iranian presidents have rarely, if ever, shown any warm feelings toward a U.S. president, and Ahmadinejad certainly carried that tradition in his dealings with President George W. Bush. When Obama won, Ahmadinejad congratulated his victory, becoming the first Iranian president to ever congratulate an American president for his electoral victory. In length and tone, Ahmadinejad's letter is different from his earlier epistles to leaders of

Western powers, including Bush. The new letter is less preachy and more pithy. More importantly, Ahmadinejad's spokesman, who is also one of the president's top advisors, has declared Iran ready for direct talks with Obama saying the United States is "behaving better" these days.⁸

Not surprisingly then, absent a *deus ex machina*, Ahmadinejad by all accounts is facing an uphill battle in his reelection bid. In a recent poll, more than 62 percent of those who previously voted for him indicated that they would not do so again. Ahmadinejad's most recent electoral gimmick is his announcement that the regime's subsidies, amounting to an estimated \$100 billion, have not been getting to the people, but are being diverted by the "economic mafia" into their own pockets. Like most populist slogans, this one too has some base in reality. There is something of a consensus in Iran that the current system of subsidies is socially unjust and irresponsible, economically unwise, and untenable.

As a remedy, Ahmadinejad proposes to pay these subsidies directly to the people, although it is not clear whether he will succeed in implementing this scheme. Every Iranian is supposed to receive a monthly "subsidy stipend" of about \$80 a month. It is important to remember that, according to the government's own statistics, a family needs \$400 a month to remain above the poverty line, and the minimum wage in Iran is about \$250 per month. Individualizing subsidies might be politically popular in the short run, but in reality it will be inflationary in its immediate effect, and it will entail a substantial reduction in people's standard of living. It is also safe to assume that no politician or faction in Iran has the requisite political capital to safely bring about such a drastic reduction. Opposition to the idea of direct subsidies is so strong among members of the Majlis that some have threatened to put the question to a national referendum. Moreover, the regime's massive show of force in the last few weeks seems to indicate its awareness of the political perils inherent in any such reduction. In other words, they want to nip in the bud any temptation to use the economy as a tool for mobilizing mass resistance to the regime.

A New U.S. Policy to Allow Indigenous Change

What then should the Obama administration do in the face of these dire economic and political realities in Iran? Iran's nuclear program shapes and limits the options open to the new administration, while Iran's economic realities determine the parameters of alternatives open to Tehran. According to a recent International Atomic Energy Agency (IAEA) report, Iran has already enriched enough uranium for one bomb.⁹ They have at least 4,000 centrifuges in a running cascade, and have claimed they will have close to 50,000 running

within five years. Suspension of enrichment now seems like a moot question. The IAEA had earlier declared that Iran is now well beyond a point of no return in its acquisition of nuclear know-how. It has learnt how to enrich uranium and has mastered the process of building centrifuges, and no military attack can now, according to the IAEA, take away that knowledge.

The only solution then is a policy that combines what could be called double deterrence with double inducements of the current regime. It should be deterred both from developing the bomb and from using its virtual or actual capacity to have a bomb to blackmail or attack any U.S. ally in the region such as Israel. At the same time, it should be induced to remain within the Non-Proliferation Treaty (NPT) and allow more rigorous inspection of all of its nuclear facilities. In the long run, the goal should also be to induce the emergence of a more democratic government in Iran. Such inducement is fundamentally different from the Bush administration's neoconservative ethos of "regime change," a change largely dictated and determined by outside forces. History has shown that brute force can never be a midwife of democracy. Peaceful transfer of power is a defining characteristic of democracies, and patience for lawful, periodic transfer of power is a prerequisite. Only a society's own gradual transformation—rise of the middle class, expansion of civil society, prevalence of a culture of tolerance, and of peaceful transfer of power—can help bring about democracy. An essential component of a successful Obama policy must be finding ways to induce these indigenous democratic forces inside Iran. Patience and prudence are the twin pillars of such a policy.

Obama's avowed energy policy can be a crucial tool for actualizing these goals. Finding alternative sources of energy might well keep oil prices low. As a recent International Monetary Fund (IMF) study shows, Iran needs oil prices to be at least \$75 per barrel for the regime to pay its basic minimum expenses.¹⁰ Some other sources have estimated that Iran in fact needs the price to be as high a \$90 per barrel. Low oil prices also mitigate the regime's ability to sustain its domestic and international network of supporters. That is why countries like Saudi Arabia, fearful of Iran's hegemonic designs, might be inclined to keep oil prices low. The inability of the regime to feed its network of support can only be a good "inducement" for Iran's democratic movement.

But are there such forces, and what can induce their growth? There is in fact an emerging *de facto* coalition of forces. For example, the courageous women's movement in Iran, keen on collecting a million signatures for an equal rights amendment to the constitution; the nascent student and labor movements; thousands of well-educated, mid-level technocrats; reformists within the regime; secular forces opposed to the regime; and even pillars of the regime like Rafsanjani, who seem united around three principal ideas. They all believe that

the status quo, particularly the idea of *Velayat-e Fagih*—where one man, unelected by popular vote and unimpeachable by that vote, claims to speak for God and demands absolute authority and obedience—is untenable. Secondly, they believe democracy is the only viable answer to Iran's social and economic problems. Finally, they all believe that a revolution or the violent overthrow of the status quo is neither possible nor desirable. Anything that helps this de facto nascent collation become more powerful helps to induce democracy. Conversely, any U.S. policy that forces this coalition into inaction or retreat is inimical to this indigenous democratic transition.

Nothing is more detrimental to this democratic movement than the idea or threat of a war. Nothing is more dangerous for the regime than the idea of normalized relations with a U.S. government that acts as a responsible but powerful member of the international community, and not its master. It is thus not accidental that while the regime engaged in no overt “civil control exercises” during the days when the danger of a military attack on Iran was high, it has become restive now that the danger has subsided. Although the United States did not always seem to know what frightens the mullahs and the clerics, the Iranian democrats know the truth—war helps the mullahs and prudent U.S. policy hurts them. The Obama administration, therefore, should do what was previously unthinkable: reach out to Iran to promote nonproliferation and democratic processes.

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Notes

1. Aftab News, 14 Esfand 1386/March 4, 2008 (Iranian Source).
2. In an open letter to Ahmadinejad, a group of the country's top economists provided this and other crucial data. For the text of the letter, see <http://www.shahabnews.com/vdcb.5bwrhb0aiupr.html>. The part about government's expenditure as a percentage of GDP is at the end of band-52 just before section 4-2.
3. For an account of this relationship, see <http://www.Rajanews.com/detail.asp?id=19769>.
4. Kasra Naji Ahmadinejad, *The Secret History of Iran's Radical Leader* (Berkeley, CA: University of California Press, 2008), p. 32. For a brief account of Ahmadinejad's life, see Abbas Milani, “Pious Populism,” *Boston Review* (November/December 2007), <http://bostonreview.net/BR32.6/milani.php>.
5. Naji, *Ahmadinejad*, p. 76.
6. *Ibid.*, pp. 47–54, 56–88.
7. *Keyhan*, #1945, 11 Azar 1387/1December 2008.

8. For the text of Ahmadinejad's letter to Obama, see <http://www.farsnews.net/news/text.php?nn=8708160754>. For the quote by his spokesman, see http://www.hezbollahnews.it/fa/titr_weo.php?userid=2072.
9. International Atomic Energy Agency, "Implementation of the NPT Safeguards Agreement and Relevant Provisions," GOV/2008/59, November 19, 2008, http://www.isisnucleariran.org/assets/pdf/Iran_Report_11-19-08.pdf.
10. "Islamic Republic of Iran: Staff Report for the 2008 Article IV Consultation," *IMF Country Report no. 08/284* (Washington D.C.: International Monetary Fund, August 2008), <http://www.imf.org/external/pubs/ft/scr/2008/cr08284.pdf>.