US Sanctions
Unfulfilled Expectations and Challenges Facing the Iranian Economy

JANUARY 28, 2019 | 4:00-6:00 PM | KAPLAN 365

HASHEM PESARAN (UNIVERSITY OF SOUTHERN CALIFORNIA AND CAMBRIDGE UNIVERSITY, ENGLAND)

The nuclear agreement (JCPOA) created hopes and expectations for improved economic conditions and better relationships with the West. The decision by the US to withdraw from the agreement and reintroduce economic and financial sanctions has fundamentally altered the policy choices and challenges facing the Iranian economy. This talk provides an overview of the Iranian economy and discusses existing empirical evidence on the effects of past sanctions, in particular the 2012-2015 UN sanctions that led to the JCPOA. It compares and contrasts the new round of US sanctions with the earlier ones and considers their implications for the Islamic Republic's economic strategies and their likely short-term and long-term consequences for output growth, inflation, unemployment, and currency stability.

In the past when faced with sanctions, the Iranian government has generally opted for short-term populist policies, increased government interventions, and the expansion of rent seeking activities at the expense of badly needed reforms for longer term enhanced efficiencies and sustained economic and environmental development. Should we expect more of the same, or are there other possibilities?