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Poverty and Inequality in Iran:

From Land Reform to the Present

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Abstract

This paper traces the evolution of poverty and inequality in Iran, emphasizing the enduring impact of the country's feudal past on distributive outcomes since the 1960s. The period under study is marked by profound social and structural transformation and by distinct inequality regimes. The land reform of the 1960s, which dismantled Iran's feudal system of land tenure, was followed by rapid industrial growth sustained by the migration of unskilled agricultural workers—excluded from land redistribution—to urban areas. This "golden age" of industrial expansion gave way in the 1970s to a rentier economy fueled by the oil boom, which intensified income inequality.

Accounting for the influence of Iran's pre-revolutionary agrarian class structure on inequality after land reform is essential for understanding the persistence of high inequality in subsequent decades—both in the 1970s, when it likely contributed to the revolutionary crisis that toppled the monarchy, and in the post-1979 period, when the Islamic Republic's promise of social equity largely went unfulfilled. The analysis relies on household survey data — available in tabular from before 1983 and in unit-record thereafter — to document long-term trends and the dynamics of poverty and inequality across these structural shifts.

Keywords— Feudal inequality, land reform, poverty, inequality, Iran

1 Introduction

The central claim of this paper is that inequality in post-1960 Iran is path-dependent, transmitted through the feudal agrarian class relations which socially excluded agricultural workers — landless laborers (*khushneshin*) and sharecroppers, collectively known as the *raiyyat*. While the land reform helped the majority (close to 80% gain land titles, migration of a large section of the rural population (the *raiyyat*) to cities in the 1960s and 1970s kept unskilled urban wages low at at a time that the eocnomy and average incomes were rising rapidly. The low wages in the segmented urban labor markets into which the rural migrants entered is the mechanism that links Iran's successive inequality regimes, from feudal to post-revolution period. The social exclusion inherited from the harsh feudal system of land tenure that considered former *raiyyat* in the cities as lesser citizens and less deserving of basic services such as health and education made the urban wage structures less equal.

Inequality plays a central role in narratives of Iran's recent economic and political history. Many accounts of the 1979 Revolution portray it as a rebellion of the have-nots against an unjust social and economic order and identify rising inequality as a contributing factor to the revolutionary mobilization. In the post-revolution decades, public discourse has remained saturated with references to poverty and inequality, often highlighting the stark contrast between persistent disparities and the egalitarian promises of the revolutionaries. Some scholars argue that the stability of the post-1979 state — despite international isolation and far-reaching efforts to Islamicize the Iranian society — owed much to its pro-poor policies (Harris, 2017), while others view high and persistent post-revolution

inequality as the Achilles' heel of the Islamic Republic.

However, much of the scholarly work on these topics has focused on contemporaneous factors, such as the role of the oil boom of the 1970s in mobilizing the masses in the 1979 revolution, but rarely looking back to earlier institutional and social structures, especially to the pre-land reform feudal Iran. Globally, a substantial body of research emphasizes that inequality is historically self-reinforcing rather than transitory. Early distributions of property and power shape institutional arrangements that, in turn, reproduce advantage and exclusion — a dynamic identified as *path dependence* (North, 1990; Pierson, 2000). Engerman and Sokoloff (1997, 2002) demonstrate how initial endowments and colonial hierarchies produced unequal institutions across the Americas that perpetuated inequality. They show that societies with plantation agriculture and high initial inequality developed institutions that perpetuated inequality by restricting education, limiting suffrage, and social exclusion, whereas more egalitarian settler societies created inclusive institutions that would eventually raise the living standards of the poor. Acemoglu and Robinson (2006, 2012) extend this logic, arguing that elites design political institutions to secure existing advantages, thereby locking societies into trajectories of persistent inequality. Piketty (2014) and Bowles and Gintis (2002) trace analogous mechanisms in advanced economies, where intergenerational transfers of wealth, education, and social capital sustain disparities even amid economic growth.

I argue that inequality in Iran is best understood in the context of its feudal past, as one would when comparing inequality in the United States with Northern Europe noting the existence of slavery in the US, or the persistence of high

inequality in Latin America considering the latifundia plantation system.

In Iran, path dependence suggests that the high and rising inequality of the 1970s that fueled the 1979 revolution is better understood in the context of the country's feudal past, which had crumbled less than a decade earlier thanks to the 1960s land reform. Viewing this increase in income inequality in terms of the more immediate flood of oil income and the unequalizing rent-seeking that followed offers an incomplete explanation of the collapse of the Pahlavi monarchy.

The inflow of oil money no doubt intensified income inequality as it trickled down a highly unequal structure of wealth and political power under the Shah. But in part inequality was inherited because city people considered the *raiyyat* – especially, the *khushneshin* – as undeserving of decent urban living. The tense class relations borne of the harsh feudal relations affected service provision that could have boosted living standards of unskilled urban migrants.

Likewise, the persistence of inequality after 1979 is often explained by corruption and the Islamic Republic's failure to implement the pro-poor policies necessary to fulfill its egalitarian promises.

The mechanism of path dependence is the fact that the bulk of the urban labor force in the 1960s and 1970s were rural migrants coming to cities as former *raiyyat* from villages where absentee landlords had used every means to limit their consumption to the bare minimum, who in cities would want to keep their wages down. Urban wages of unskilled workers depend critically on the living conditions of the communities in which they live Banerjee and Duflo (2011); Bayat (1997); Tilly (1998). Local services — water, electricity, sanitation, transport — affect workers' reservation wages and, through them, the market wage for unskilled labor.

In the case of Iran, Bayat (1997) documents that poor or informal settlements around Tehran (e.g., Islamshahr, Bagherabad) faced systematically lower wages due to stigma, inadequate services, and exclusion from formal labor markets. Hooglund (1982) similarly notes that post–land reform rural migrants residing in urban slums earned significantly less because employers regarded them as "second-class" labor. These migrants, coming from the ranks of the *khushneshin* or small cultivators did not have access to basic services such as water, electricity, clinics and education. This social exclusion had substantial negative effects on their social mobility and earnings.

Today, five decades on, Afghan refugees occupy the position of the urban underclass that the Iranian rural migrants occupied before the revolution. In earlier decades, the oil boom improved the lot of the rural migrants and the popular Islamic revolution lessened their social exclusion, lowering poverty, sharply rising incomes at the top helped inequality stay high. Thanks to the arrival of Afghans refugees, employers have a new pool of low-wage unskilled working class.

The treatment of the *raiyyat* in urban areas is a key mechanism for the transmission of inequality from before the land reform to the 1970s and beyond. The unskilled migrants entered cities where the former absentee landlords resided, still wielding considerable economic and political influence, which they used to direct local governments toward preserving the pre-existing hierarchies that would keep wages for unskilled migrants low. Migration, therefore, did not fully free the rural poor from the social and economic disadvantages associated with the agrarian order. This continuity in the mechanisms of exclusion — the continued stigmatization and subordination of the rural poor in urban labor markets — was respon-

sible for the persistence of feudal inequality after the land reform, and shaped the emerging urban wage structure.

In the sections that follow I first describe in greater detail the inequality regimes of different periods, especially the feudal and post-land reform regimes. I then provide estimates of inequality and poverty over time, some of which are presented here for the first time.

2 Feudal inequality regime

Feudal relations of production in Iran share important features with those of Europe. Both consisted dominant landowning nobilities who asserted hereditary property rights to land (hence the term land*lord*) and cultivators – serfs in Europe and *raiyyat* in Iran.

Property rights entitled landowners to a portion of the cultivators' output as rent. Extracting the rent required social, ideological, and political power that justified or enforced the resulting income inequalities — why the poor had to pay rent to the rich.

There was similarities in the overall division of the output in that both employed some form of sharecropping. In Europe the predominant method was called *metayage* (meaning sharing, sometimes equally) and in Iran it was often called *nesfeh kari* (literally half and half). But the implementations differed in significant ways that made Iranian exploitation more harsh. In Europe the predominant method of surplus or rent extraction entailed the serfs working about 3 days a week on the land surrounding where the landlord lived, known as the domain (also spelled as demesne), and the rest on the land designated to, but not owned by, the

serf. In Iran, sharecroppers worked all the land allocated to them and shared the total output.

Whereas serfs were tied to the land, the *raiyyat* were not. European landlords lived in the same general area as the serfs and division was based on the number of days of the week the serfs worked on fields designated as domain as rent or corvée land the product of which was for their consumption. In contrast, Iranian landlords (*arbab*) lived in urban centers often hours or days of travel away from the villages they owned — hence the term absentee landlords.

The differences are explained by climate and geography. The European countryside was not arid and did not require major investments in irrigation, which enabled individual or small groups to break away and cultivate on their own, hence the need to bind them to the estate Bloch (1961); North and Thomas (1973). The arid conditions in Iran meant that landlords did not need to tie the peasants to the land Lambton (1953); Katouzian (2003); Abrahamian (1982).

The difference is geography had strong implications for the relations between lords and peasants in Europe and Iran. Whereas European serfs were not free and sometime violence was necessary to keep them on the land or bring them back from places they had fled to, Iranian peasants seemed free and the system less harsh. However, in Iran, in practice, the frequent enforcement of the division of output at harvest time introduced more violence and required a more elaborate social hierarchy. Absentee landlords could not observe the amount of labor peasants applied not the output produced, so they relied on the village as an organized entity to extract maximum worker effort and ensure honest reporting of the total output.

As far as effort was concerned, economists have known since Alfred Marshall that sharecropping peasants did not have the incentive to apply effort at the same rate as owner-cultivators or fixed-rent tenants because they received only a fraction of the additional output they produced. So, landlords used other mechanisms to extract more rent. In addition to generating fear of physical punishment, which has been widely reported Salehi-Isfahani (2009b), they used village administrators to monitor worker behavior and village hierarchies to keep the *nasaq* holders on their toes.

In most parts of Iran village heads (*kadkhoda*) were appointed by the landlord who supervised village affairs and were themselves answerable to landlord's agent (*mobasher*). Together they appointed the (*abyar* and *mirab*) who were responsible for maintaining the irrigation system (*qanats*). The bottom category was the *khushneshin*, which did not enjoy any rights to land but benefited from belonging to the village community, which offered some social protection. What they lost after the land reform is the community support that helped them find housing, odd jobs, and survive droughts.

The *khushneshin*, despite its welcoming tone in Persian (meaning happy dweller), were at the bottom of the village hierarchy. As their numbers grew with falling death rates in the 20th century, they increased landlords' power vis-a-vis the *nasagdar* sharecroppers, whom they could threaten with replacement, similar to the role of the reserve army of the unemployed in disciplining wage workers in a modern capitalist economy Shapiro and Stiglitz (1984). With support from the village headmen, landlords could promote the more skilled *khushneshin* to the position of *nasagdar*, a possibility that prompted sharecroppers to apply more effort than was

efficient from their point of view. Since they received only a portion of the fruits of each day of labor, they had less incentive to push themselves for additional produce.

The system of divide and rule that pitted the *khushneshin* against *nasaqdars* in perpetual competition with the latter wanting to close the paths to social mobility for the former, extended across occupations, undermining the idyllic image of village communities with egalitarian work cooperatives (*boneh*) that the land reform destroyed Hooglund (1982); Keddie (1968).

In comparing inequality before and after the land reform it is important to recognize that besides income inequality, inequality in social status and political power defined the feudal inequality regime. A simple model of the feudal Iran, with landlords and sharecroppers accounting for 20 and 80 percent of the population and landlords pushing the latter to subsistence level and keeping the rest for themselves, the Gini index of inequality would be about what it was in 1969 (see below) and what it has been since the revolution. However, no one should conclude from this that landless workers were fared less badly under feudal regime. The persistence of similar distributional outcomes across different political orders is consistent with the claim that inequality in Iran has been path dependent and embedded in what Piketty (2014, 2020) calls distinct "inequality regimes" — that is, historically specific configurations of power, property, and ideology that justify and reproduce disparities. The origins of inequality shape how it is perceived — whether as a natural condition or as social injustice—and unless those underlying structures are uprooted, old regimes of inequality can continue to shape outcomes long after formal reforms have taken place.

3 Land reform and import substitution industrialization

The land reform of the 1960s had a complex effect on inequality, and not necessarily to reduce it. This was because of its two opposite effects. On one hand it increased equity because it transferred ownership of significant amounts of agricultural land from rich absentee landlords to 1.9 million sharecroppers who had traditional rights (*nasaq*) to operate specific plots of land Majd (1992); Hooglund (1982). The transfer of land was accompanied by the loss of access to landlords' resources (seed, credit, and other inputs), and peasants had to pay for the land, though it is generally agreed that on net the transfer improved their income and wealth.

On the other hand, land reform may have worsened inequality because it led to the migration of the *khushneshin*, who comprised as much as one-third of rural population migrated to cities in search of low-paying jobs because the reform left them worse off. They lost their rights to membership in the village community that offered them casual employment and informal community support and received no land. The weakening of the informal property rights enforced by the landlords and the rise of modern legal ownership protected by the legal system, prompted village headmen and influential peasants to exclude the *khushneshin* from any potential claims of ownership.

As a result, like in the English enclosures of the 16th-19th century, as the informal feudal ownership rights gave way to private property, the race to consolidate land ownership in the new system intensified, displacing the socially and politically weak *khushneshin* Majd (1992).

Low urban wages were to some extent a legacy of the feudal era segregation of the *raiyyat* in villages and landowners a city dwellers. The boom of the 1960s created a prosperous urban middle class, but "left the working classes struggling with stagnant wages and rising living costs." (Abrahamian, 2008, 124-125)

Comparing wage data from Iran's Ministry of Labor and the Central Bank, The World Bank found that between 1962 and 1970, "Real wages of unskilled labor in the construction and manufacturing sectors have risen by about one-quarter over the past decade, considerably less than the increase in output per worker" (World Bank, 1971, 73). During this period the GDP grew at roughly **9% per year**, and living standards by about by 6% per year, while real wages of unskilled urban workers rose by only about **2.5%** World Bank (1971).

4 The oil boom

The massive inflow of oil income following the oil price revolution of the 1970s intensified inequality as it trickled down the unequal pyramid that represented the Iranian society under the Shah. As I show below, inequality reached its peak in 1977, with a Gini index in excess of 0.70.

Evidence from household surveys suggests that higher oil income may increase inequality Salehi-Isfahani (2009a).

In section 6.1 I use household survey data to trace the shifts in inequality across the feudal and post-land reform inequality regimes. The oil boom of 1974–1978 effectively ended the import substitution phase and ushered a rentier economy, which has continued to date. The concept of the rentier state, first formulated by Mahdavy (1970) and later developed by Beblawi and Luciani (1987) and Luciani (1990),

has been widely applied to Middle Eastern economies but less often examined for its implications for inequality. In Iran, the mechanism of inequality creation changed profoundly: from industrial subsidies and tariff protection to the distribution of oil rents. Gaining protection from imports required entrepreneurial initiative; access to oil rents required political connection. Cheap credit—a key rent-distribution channel—favored the wealthy and the well-connected Abrahamian (2008); Katouzian (1981); Alikhani (1976); Karshenas (1990). This mechanism expanded dramatically during the 1970s oil boom Salehi-Isfahani (1989).

5 Islamic Revolution

The post-revolution period can be divided into several periods with somewhat distinct inequality regimes. The war period (1980-1988) was the most egalitarian of any decade, thanks to the revolution and the war that recruited primarily from poorer households, which were rewarded by pro-poor investments Salehi-Isfahani (2009b); Lob (2018). Widespread rationing of the essential goods forced a level of equality that is only possible during wartime. While poverty climbed as a result of the destruction caused by war inequality fell, though because of rationing and multiple prices poverty and inequality measures are less reliable than for other periods.

After the war, the government moved rapidly to dismantle the system of rationing, leading to rise in inequality (see below). Various governments have vacillated between neo-liberal pro-market reforms and pro-poor subsidies and cash transfers. The most significant experiment in redistribution took place in 2010 when the government raised energy prices and in return offered cash transfers that

for most people canceled the higher cost of energy Salehi-Isfahani (2014). The program very quickly came under pressure from Iran's middle class. The program failed on its own weight — the cash transfers exceeded the revenues generated, causing deficit financing and inflation.

The Islamic Republic's rhetorical pro-poor posture has not always been followed by results. Despite the state's redistributive ideology and the reconstruction and sanctions, inequality has remained stubbornly high. The opposition of the middle class to redistribution in favor of the poor appears as a serious obstacle to redistribution in post-revolution Iran. In most social democracies that have low poverty rates and low income inequality, as in northern Europe, the middle class voters have elected governments that offer social protection and national health. In Iran, the government monopoly of social protection and poverty reduction may alienate the middle class from siding with a government with which it is at odds over its own interests. This may have been a problem with the Ahmadinejad government, which initiated the subsidy reform/cash transfer program, because of his 2009 controversial re-election.

6 Data and measurements

To study the twofold impact of land reform on income inequality — transfer of titles to *nasaqdars* and the migration of the *khushneshin* to urban unskilled labor market — requires extraction of income distributions from tabular data available for 1960s and 1970s. Household surveys have been collected since 1963, first in rural areas (1963) and later in urban areas (1967). Before 1984, we have only have table for grouped data. Groups are expenditure ranges rather than deciles

showing average expenditures and the frequency for each group. Since groups are for households and not individuals, we have to first convert the household tables to individual-level table. Fortunately, for most years there is a table showing the average family size for each group, allowing an approximate conversion of average household expenditures and frequencies to individual level.

The extraction of the entire distribution from individual-level grouped data has a long history from the era before computers allowed easy operation of unit record data. I used a program available on the World Bank poverty site (PovcalNet engine) to convert 10 groups into 100 which is a good representation of the distribution of expenditures. The program takes population shares and mean income/expenditure for each group (decile, quintile, or ventile) as input and provides the Gini index and poverty rates as output, assuming a lognormal, generalized beta (GB2) distribution. Once the continuous CDF is estimated, synthetic individual observations are drawn to approximate the same distribution. Each synthetic observation represents an equal share of population.[1]

6.1 Inequality estimates

This view is broadly supported by household survey evidence showing a sharp increase in inequality in the years immediately preceding the Revolution. Estimates of the Gini coefficient exceeded 0.50 just three years before 1979, but fell to below 0.45 in the subsequent decades, which is significantly lower than its pre-revolution level bu high by developing-country standards, especially for one arising from a popular revolution.

[1]For more information, see Castañeda Aguilar et al. (2019).

Figure 1 shows the long view of the Gini index of consumption inequality (household expenditures per person). Two important observations can be made. First, the sharply rising inequality before the revolution. Various authors, for example Farzanegan and Kadivar (2023)) use estimates of inequality for this period using global projects, such as Estimated Household Income Inequality Dataset (EHII) and the Standardized World Income Inequality Database (SWIID). These sources are highly unreliable because they are not derived from careful estimates based on survey data. They describe the indices as measuring income inequality, not noting that, like in most countries, income data in the Iranian surveys are inferior to expenditure data. Some studies use estimates from the Central Bank of Iran (CBI), which publishes inequality measures based on its surveys that cover urban areas only, which leaves out the part of inequality due to the mean difference between rural and urban consumption. In the case of Iran, these indices do not agree on the trend of inequality before the revolution. For example, EHII shows a *declining* or constant trend, while SWIID, which shows a moderate rise reaches a peak of 0.47 Solt (2020), far below 0.70 in 1977 in Figure 1. See Jenkins (2015) for an evaluation of the global data bases.

Second, as Figure 1 shows, inequality declined after the revolution but then it stabilized at a level above 0.40, which indicates moderate income inequality, quite at odds with the egalitarian promises of the revolution. Notice that in 1969, the Gini registered a similar value, so leaving out the effect of land reform and the oil boom that occur after 1969, pre-land reform and post-revolution inequalities are quite similar. The SWIID data differs from my estimates, also on the optimistic side, showing a long trend o decline from 1979 onward, in contrast to Figure 1,

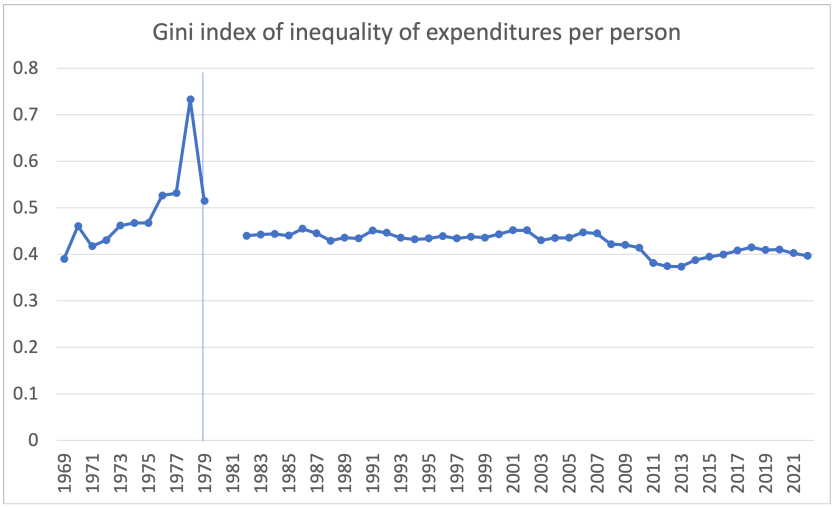

Figure 1: The rise and fall of the Gini index of consumption inequality

which shows a relatively constant trend, above 0.40, until 2011 when heft cash transfers associated with the 2010 Targeted Subsidy Reform lowered it to below 0.40.

To what extent these data can reveal the role of land reform and the implied mechanism at work? Land reform affected average rural incomes by ending the landlord share in the distributed land. At the same time, as noted earlier, because land reform encouraged unskilled migration to cities while urban unskilled wages were suppressed by social exclusion in cities, land reform also tended to lower average urban consumption. The increase in the ratio of urban to rural consumption in Figure 2 appears inconsistent with this analysis. Urban average consumption has increased faster than rural consumption. To find out if this increase is due to faster rising urban consumption or falling rural consumption, we turn to Figure 3. This graph shows both rural and urban consumption rising before the revolution but with urban rising much faster than rural areas. Rising consumption in both rural and urban areas is likely due to rapid economic growth in the decade before

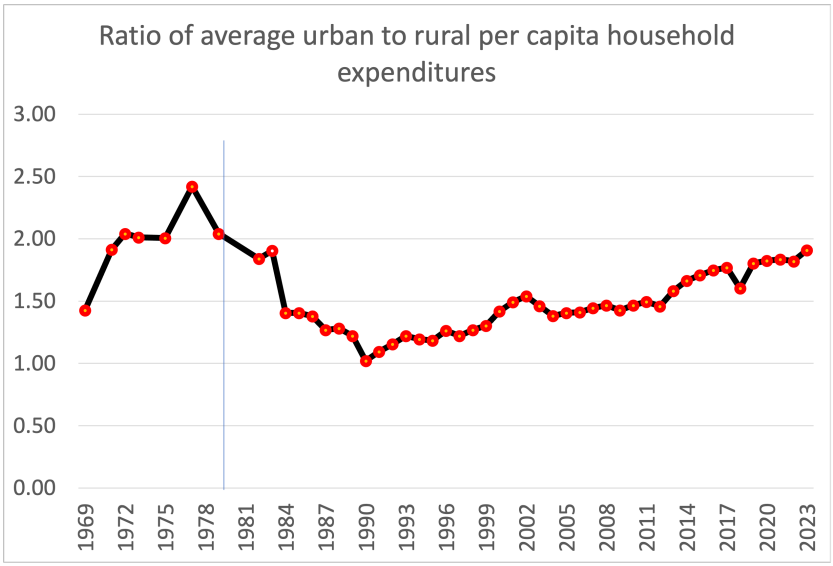

Figure 2: The history of the rural urban gap in consumption

the revolution with urban areas benefiting from the growth more than rural areas. Evidence of the impact of the land reform is difficult to gauge from the data.

An interesting example of the path dependence of inequality can be observed in the experience of the 2010 energy subsidy reform Guillaume et al. (2011); Salehi-Isfahani (2014). The reform was shunned by economists. One leading economists, finding it lacked economic logic and another did not like the unconditional nature of the transfer program, recommending it be given to the charity arm of the Islamic Republic to distribute to the poor (conditional not just on means but also on political loyalty). More telling was one economist claiming, without proof that 600,000 agricultural workers had abandoned their jobs.

6.2 Poverty

For assessment of how poverty rates behaved, we turn to the lowest part of the distribution, below a designated poverty line. We choose a poverty line used by

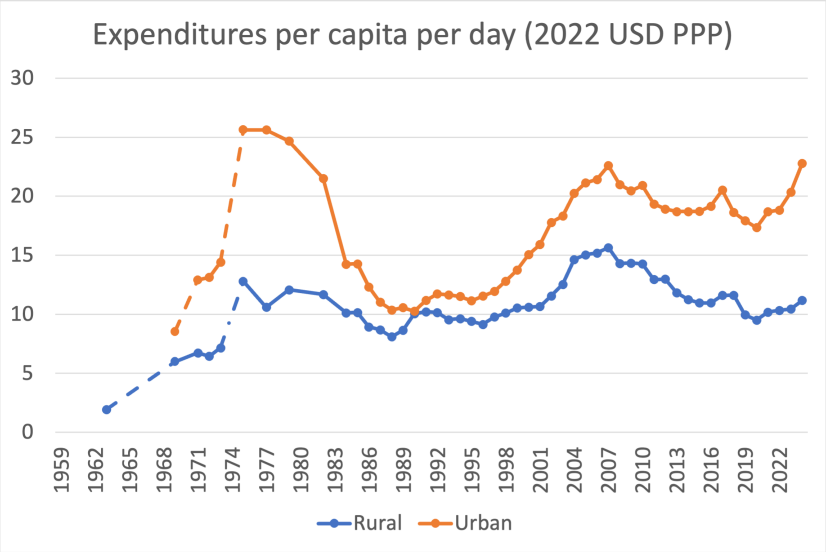

Figure 3: Average consumption in rural and urban areas

the World Bank uses for upper middle income countries, about $7.60 PPP. Iran is not currently in this category, but it was for most of the period os study so we use a constant price value of this poverty line to trace poverty rates over the long period.

Figure 4 reveals important contrasts between inequality and poverty over time. The period before the revolution experiences one of the sharpest declines in poverty, just as inequality is increasing. Fall in poverty alongside rising inequality is not uncommon, especially during episodes of rapid economic growth, structural change, and urbanization — all of which Iran went through in the 1960s and 1970s. There is no reliable data on poverty in the 1960s. The first estimate is from 1969, after several years of rapid economic and industrial growth, when poverty rates are very high — 50% in rural and above 35% in urban areas.

In the 1970s, poverty rates fall rapidly in both rural and urban areas. This is not surprising in view of the fact that rising oil revenues boosted construction and

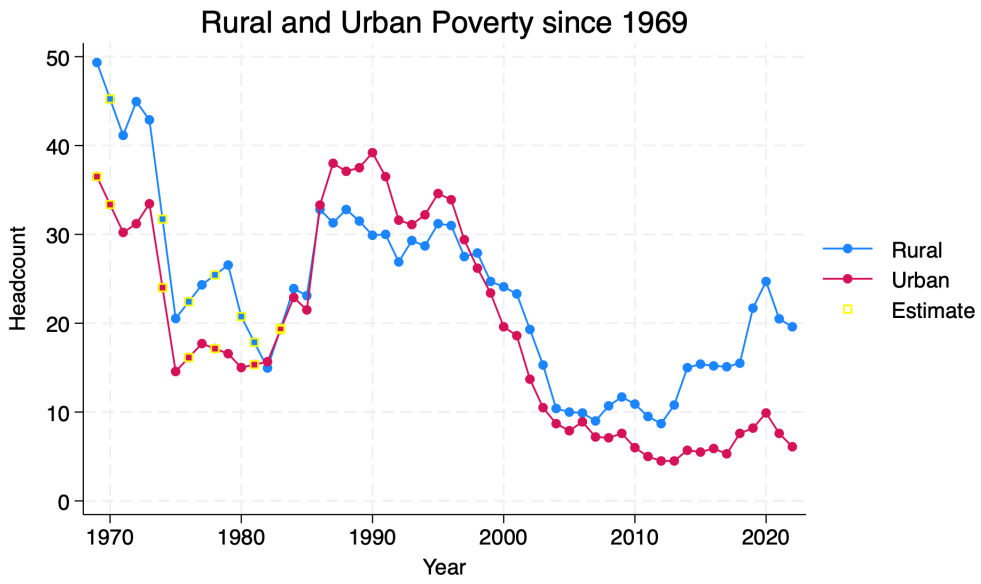

Figure 4: Poverty rates

demand for unskilled labor. But the same did not reduce inequality, which is also not surprising given the source of growth was increased oil rent. In this decade, rising oil income overshadows any impact from the land reform, both in terms of explaining rising inequality and falling poverty. Plausibly, the construction boom that increased demand for unskilled labor reversed any evidence of the low wage decade of the 1960s.

The war with Iraq hurts the poor despite attempts at preserving their consumption with rationing.

The fluctuations in poverty rates over the period under study are in contrast to the stability of the Gini index (Figure 1). This is not surprising as changes in the share of the bottom 20% do not influence the Gini as much as other indices of inequality, such as the ratio of top 20% to the bottom 20% shown in Figure 5.

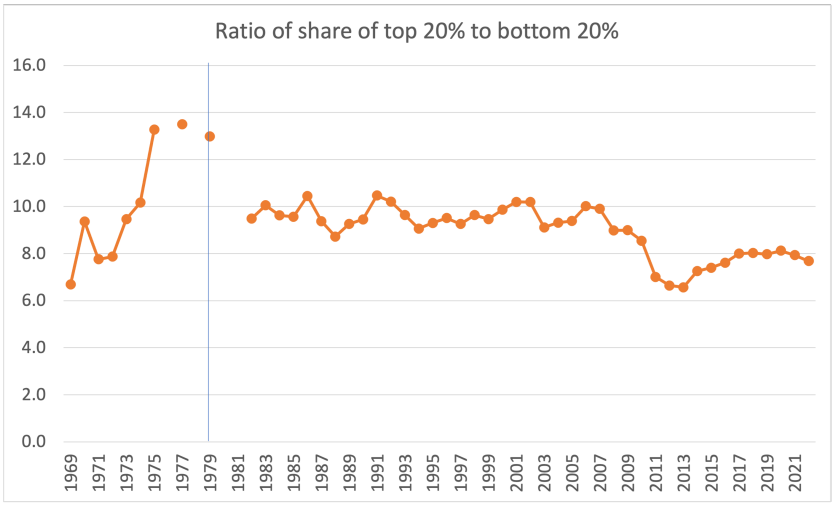

Figure 5: Poverty rates

7 Concluding remarks

This paper has argued that the evolution of inequality in modern Iran is best understood through the lens of path dependence across successive inequality regimes. Centuries of exploitation and social exclusion under the feudal agrarian order left a deep imprint on distributive outcomes long after the abolition of formal landlordism in the early 1960s. The key mechanism of transmission operated through the migration of the poorest villagers — especially the *khushneshin* who lacked *nasaq* rights — to urban centers. Drawn by the opportunities created by import-substituting industrialization and pushed by a land reform that replaced informal obligations with formal property rights, this group entered cities carrying the stigma and disadvantages of their rural status. Once in urban areas, they were treated as second-class citizens: denied access to basic services available to the middle class, confined to low-productivity sectors, and incorporated into labor markets on terms shaped by longstanding hierarchies of status and exclusion.

This framework offers a new interpretation of inequality after the 1960s land reform. The social exclusion of the *raiyyat* depressed their reservation wages, preventing unskilled wages from keeping pace with rising labor productivity. Evidence presented here shows that during 1962–1972 labor productivity grew roughly three times faster than real unskilled wages. By the mid-1970s, the massive inflow of oil revenues overwhelmed observable traces of feudal inheritance in the data, even as those historical structures may still have contributed to the sharp rise in inequality preceding the Revolution. The eruption of urban protests in the late 1970s can likewise be read in part as a revolt against the persistent social marginalization of the rural-born *raiyyat*.

After 1979, the Islamic Republic embraced an explicit pro-poor rhetoric that helped reduce the social stigma attached to rural migrants and redirected public investment toward marginalized rural regions. These policies have been credited with expanding opportunities for the lower and middle classes, including rising educational attainment and labor force participation among women Salehi-Isfahani (2006, 2016). Yet the endurance of substantial inequality despite these initiatives underscores the depth of the institutional and social legacies inherited from earlier regimes.

Looking forward, in the short run, meaningful reductions in inequality will depend on comprehensive reform of Iran's subsidy system. Energy subsidies—amounting to roughly 20% of GDP—remain highly regressive, with households in the top decile receiving nearly ten times more in implicit benefits from gasoline and natural gas subsidies than those in the bottom decile Salehi-Isfahani (2014); Salehi-Isfahani and Mostafavi-Dehzooei (2018). Past attempts at reform, notably the 2010 Tar-

geted Subsidy Reform, highlighted the central challenge: successful redistribution requires both sustained cash transfers and political support, yet middle-class opposition has repeatedly jeopardized the compensatory payments that are essential for an equity-enhancing transition. Addressing this political constraint will be crucial if Iran is to depart from its entrenched inequality regime and make durable progress toward a more inclusive economic order.

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