

IRAN'S ECONOMY ON ITS KNEES: THE WEST BUILT THAT

According to the New York Times, the video above has been verified as depicting the massive outpouring of Iranians to the streets yesterday to protest debilitating inflation rates and the free-fall of the Iranian rial. The impact of these economic developments on the Iranian people is devastating:

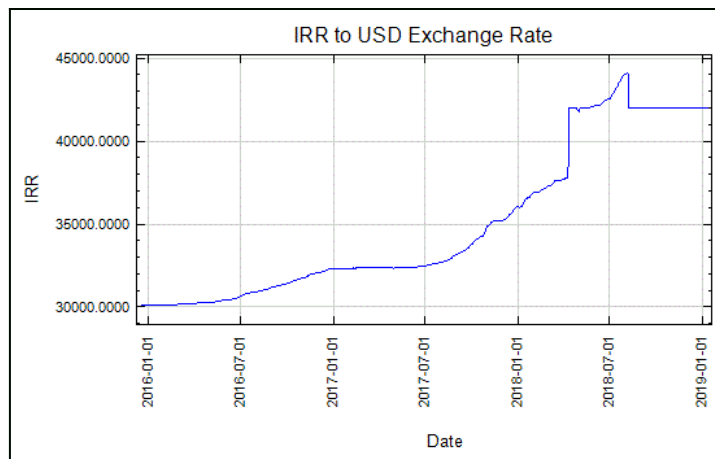
Iran's freefalling currency is turning meat into a luxury, sparking overnight price surges and spurring shoppers to stockpile goods.

"Most of my customers just look at products behind the window and pass," said Behrouz Madani, 42, who owns a butcher shop in northwest Tehran. "I see them going to the next store, which is a bakery, to feed their families with bread."

The Bloomberg report goes on to describe the street protest that broke out in response to the pain felt by Iranians:

Iran's rial is in a tailspin, having lost more than half of its value against the dollar in street trading in the past two months as U.S. and European sanctions aimed at curbing the country's nuclear program bite. Riot police yesterday fired tear gas and sealed off parts of downtown Tehran after the currency's plunge triggered street protests.

This graph (via Index Mundi) shows the number of Iranian rials needed to buy one US dollar over the past five years:



But the graph only depicts the official rate set at Iran's central bank. Note that the rial's best value against the dollar is in early 2008, at just under 9000 rials to the dollar, but the graph hits an arbitrary straight line this year at just over 12,000 rials to the dollar for the official exchange rate. The unofficial street exchange rate has gone as high as three times that value this week. Going back to the Bloomberg article:

The currency dropped about 18 percent on Oct. 1, reaching 35,000 to the dollar on the unofficial market. The currency traded at 36,100 yesterday, the state-run Mehr news agency said, though traders in Tehran said most exchange houses have halted dealing in the greenback. That compares with the official value of 12,260 rials per dollar set by the central bank.

The primary cause for the devaluation of the rial is, of course, the sanctions put into place by Western nations to pressure Iran over its nuclear technology. From today's Washington Post:

While the Obama administration has steadily imposed more severe economic sanctions on Iran, a European ban against Iranian oil imports did not take effect in July.

The European Union is meeting again

later this month to debate further refining of the sanctions, which a European official says is likely to involve tightened measures against Iran's financial and energy sectors.

The most likely additional penalties would close some loopholes in sanctions on the Iranian Central Bank and make it harder for Iran to evade existing European and U.S. oil sanctions through shell companies and straw buyers.

The goal is to "bring the Iranian economy to its knees," the European official said Wednesday, speaking on the condition of anonymity to discuss the issue frankly.

[Emphasis added.]

But Secretary of State Hillary Clinton tried to move the responsibility for the economic collapse back onto the Iranian government. From the Times article:

The unrest caught the attention of Secretary of State Hillary Rodham Clinton, who, speaking from Washington rejected Mr. Ahmadinejad's explanation for the rial's plunge. She suggested that conditions would improve if Iran engaged in meaningful negotiations over its nuclear program, which Western powers and Israel suspect is meant to develop nuclear weapons, but which Iran says is for peaceful purposes.

"I think the Iranian government deserves responsibility for what is going on inside Iran," she told reporters. "And that is who should be held accountable."

At the very least, it is encouraging that Clinton would mention that the sanctions could be eased by "meaningful negotiations" from Iran over nuclear technology. So far, the US position

has been that sanctions would end only after the Qom enrichment facility is shut down, which has been a non-starter for Iran.

Notably missing from all the coverage I have seen of the unrest in Iran is any mention from a US or European official expressing regret for the effects our actions are having on Iran's citizens. Ruining the lives of a country of 78 million people appears to be an acceptable level of collateral damage to the West in return for winning the battle of wills over what may or may not be a nuclear weapons development program in Iran.