

## **Economic Austerity along with Resistive Economy as Two Actuating Forces in Iran's Economy**

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### **Abstract**

Resistive economy is an attempt to control and counteract effects of international limitations against a zone or any country. In fact, it is necessary to resist counteracting threats and turning them to opportunity and obtaining national strengths. In an ideal situation, resistive economy can remove the crisis resulted from international limitations. Certainly, public belief and cooperation and rational and wise management are prerequisites for such goal. Resistive economy is a decrease of dependencies and emphasis on benefits of domestic production, efficiency of human resources and trying for self-sufficiency. Of course, a real resistive economy is a dynamic one not a stable and closed economy, as resistance is defined to remove obstacles of development and to try for improving level of economy. By studying Iran's economy during recent years, it is found out that international limitations are not the only negative factor influencing the Iranian economy. Rather, other factors such as failure in proper execution of subsidies purposefulness law as a public service of government has caused shortage in budget and also improper consumption of national and natural resources. To counteract the negative effect of such factors, a kind of economic austerity at the same time with the Resistive economy should be executed by the policymakers of economy. The fact that austerity is imposed on the economy and its critical situation does not seem to be tolerable but in long term it can help restore the economy. Consequently, the Iranian economy should turn to austerity in long term.

**Keywords:** economy, resistive economy, economic austerity, national productions, national capitals, human capitals efficiency

### **Introduction**

Resistive economy is a term used for resistance against international limitations. Nowadays Iran's economy should be founded on correct principles so to be able to overcome international limitations and turn the threat of limitations to opportunities. The principles and bases Iran should take created a term named resistive economy. Monetary policies should be specified in this economic term and we should always answer the question of what to follow from our policies, in order to understand the nature of monetary policies and its direction, first we should correctly recognize Iran's economy and its main economic problem. i.e. a policy is conducted with a certain purpose but latter it is determined that not only we did not reach our objective but also get farther from it. Therefore, in the literature of resistive economy first of all we should know what is the main problem of Iran's economy? Next we should identify the problem and there we can speak of the monetary policy methods and its types and other types of policies.

In Iran, the issue of lack of a specific pattern for economy management especially in facing challenging and critical conditions is simply understandable. What is clearly seen in Iran's economy is that monetary, currency, banking, employment and production without a coherent and defined relation and sometimes completely contingency and case, is applied after expansion of challenges

and since there is not a certain systematic relation between them they neutralize each other in most cases and have not the required efficiency in general. The result of implementing these passive policies is already clear and completely different from the expected situation that by applying a certain pattern in macro-economic management the economic organ's activity at the macro and average level is coordinated and the macro-economic variables along the related objectives are adjusted and all potentials are applied for the final objectives of development and justice.

Fortunately, the ground for explanation and implementation of resistive economy pattern for a country such as Iran with numerous resources, massive population and large market within the country and pretty good areal communication is provided. Unemployed and not-used potential and resources now indicates that complete and efficient use of available resources and using them in employment capacity can solve a lot of problems and damages.

Another important point is that in challenging conditions if a resistive economic pattern is formed based on activating internal capacities, the best Launch pad for the post conditions of challenge. As by removing these challenges economic capacities is freer and will accelerate progress.

But the very significant point in implementing economic plans is to consider the future economy of that country because implementation of cross-sectional economic policies rather than a continuous one in economy which can be referred to as resistive economy should be based on general and long-term policies in the economy of each country, since Iran's economy requires economic austerity, the issue of resistive economy should move along with economic austerity step by step.

#### **Austerity in Iran's economy**

Nowadays, everybody knows that the problem in Iran's economy is the problem of supply side. The problem which arose in reduction of production capacities is unemployment increase and ruining human capitals (de-specialization instead of specialization) and other types of problems.

What caused that Iran's economy could not concentrate their main problem is related to a kind of lack of planning or confusion. The public budget deficit, increasing thirst of production to liquidity, brokerage and speculation, weakness of banking system for bestowing facilities and not receiving currency through oil export and exchange clearinghouse of oil export are among the fundamental problems in Iran's economy which creates other problems and adds to previous problems and inflation and insecurity is generated out of these problems. In the meanwhile, financial irregularities rant and repeated abuse of country's resources by people who access resources in different ways increase problems, now what we should do against all problems of government? Should we increase the exchange rate so as to make the exchange rate a single rate or increase the foreign exchange supply to reduce agiotage? Should we cover the budget deficit and use national development fund and uses participation bonds for income or choose monetary policies and fattens banks? Put monetary policies in priority? Should we entrust losing state companies to reduce its costs or import goods to combat inflation and remove its need to cost by supporting local production and do not depend on custom revenues?

These causes Iran's economy loses its objective and instead of concentrating on the reason of its problems become involved in the results of these problems.

Now, despite all of these problems and imposing difficulties and austerity on economy and its critical conditions, it does not appear as a favorable act but can help long-term retrieval of economy. A point which is necessary for Iran's economy because cross-sectional and objectiveless policies now caused continuity in economy and permanently fluctuates Iran's economy as in recent

years these fluctuations had worse conditions due to national limitations. Therefore, as it is clear from table 1, Iran's economy shows signs of crisis which leads to the economy austerity.

**Table 1. Signs of crisis which leads to the economy austerity**

Signs of ill economy that requires austerity
Indirect decrease of salaries through increasing taxes
Reducing and removing some public services
People's turn to foreign goods specially Chinese due to their low price
Removing job opportunities
Increasing financial insecurity, reduction of investment and production and capital scape
Increasing social insecurity and Protest movements
Political instability and negative influence on country's independence and power
Lowering the power to negotiate and penetrating in the countries of the area and the world
Political discredit
Government budget deficit
Reduction of import and increase of export
Economic enterprises bankruptcy

Economic austerity in Iran aimed at reducing and eliminating deficit should decrease or eliminate providing some public services and advantages. Thus, the government should start this austerity itself in a way to have the least pressure on the society classes.

With regard to the economy, generally in Iran, austerity should start from Iran and its side effects hurt people and the society. Therefore, the government should put local austerity at the top of its economic policies.

### **Resistive economy in Iran**

Resistive economy has requirements which are referred to here:

1. Realization of resistive economy, which is people-oriented in nature, should be reminded in the integrity of people and authorities, honesty and cooperation. Resistance and stability is a double, sacred and purposeful effort which observes encountering barriers and removing them with value motivations. In order to perform resistive economy not as a sectional and temporary slogan rather as a viable strategy should be organized in form of popular mobilization. Therefore, we should try to think and organize all aspects with a national will with regard to removal of barriers the massive economic movement either internal or external.

2. It is necessary to explain a long-term strategy (road map) in theoretical and practical zones (knowledge and industry) and specific attention to knowledge-based companies in line with economic targets in the growth and justice decade to achieve macro-economic goals in the 20 years program and attempt to implement effectively the performed policies of the article 44 of constitution whose act, though notification of policies delayed, was adopted and notified. Therefore, with regard to the long-term economic austerity a kind of long-term strategy in economic policy of our country is taken into account.

3. Continuity of the strategy of productivity increase and attention to productivity strategy in different areas such as scientific and technological, industrial and agriculture and other businesses including production, commerce and services that bears production promotion and self-sufficiency as a pre-requisite for resistive economy. Productivity and its place in economic advancement is an economic necessity that facilitates resistive economy. Promoting national productivity requires attention and attempt for work engineering in effective implementation of it by relying on strong will in choosing and applying reformative methods aimed at reducing production

costs, preventing resource and facilities waste, simplifying production and services operation along with increasing productivity.

Therefore, protecting production and decreasing imports and increasing export which is studied in the economic austerity plan leads to achieving objectives.

4. Continuity and attempt to implement strategy of consumption pattern reformation and building its culture at the time of information and communication (age of knowledge) and in the global dynamic and transformative conditions that human needs changes with a higher speed and lack of resources is more felt in the past. Despite scientific, technologic developments and human knowledge growth in controlling and using resources, there are numerous worries in the way to balance between increasing equipment and needs of humans. Consequently, using the resources and facilities properly, correct use of strategic resources including oil, gas, electricity and mines and jungles provides a scientific and logical balance between individual, family needs and desires and potential and resources. And any type of extremes, extravagance, luxury and consumerism and avoidance and with effective management based on values provides ground for realization of resistive economy.

Consequently, in the economic austerity that leads to reduction of government services such as subsidiaries allocated to people which is to increase consumption and prodigality of advanced people, it is necessary to eliminate these services in resistive economy.

5. Specific attention to national production, supporting Iranian work and capital is one of the most important requirements of resistive economy. Therefore, double attention should be paid to the motivational engine of advancement and economic development which is entrepreneurship from the viewpoint of economist and managers. Thus, the effective role of entrepreneurs in creation and development of entrepreneurial businesses and or profitable innovative financial institutes which provides the ground for domestic production and financial development should be realized and consequently accomplishes the resistive economy. Attempt to generative entrepreneurship with two main organs of innovation and creativity can be known as the most necessary and valuable financial need that cause the economic power and independence and social justice with maintaining political governance. Also, entrepreneurship in the economic process of the country cause saving public, aimless and wandering and capital improvement and protection of internal investment and leads to Employment and mass production on a large scale and consequently reduces the unemployment rate, which is the root of many social malformations. Also, entrepreneurship promotes foreign commerce especially export which is one of the main elements and indicators of economic development and growth and motivates unused and wandering skills. Additionally, entrepreneurship with an innovative production viewpoint in different areas causes increasing productivity aimed at providing services for the society and so a desirable profit and finally the ground for realization of resistive economy.

### **Conclusion**

Purposes expected from the resistive economy plan in the framework of justice and advancement and unity and solidarity are eliminating economic dependence, productivity improvement, reduction of class gap, elimination of country's exclusion and making the country's economy efficient against limitations. Therefore, in order to implement resistive economy, we should always try to provide facilities of life improvement, eliminating wasteful costs, establishment of knowledge-based enterprises and protecting them, using local experts, increasing national products and supporting and using national products, reducing dependence on oil exports against increasing conversion of oil to other products and selling its products, saving and optimal use of resources, empowering social-economic infrastructures, balanced development in all sections,

recognition of new capacities within and out of the country with the purpose of providing income and wealth for the society, attention to entrepreneurs and generators of wealth and people that by their support of internal economy can bring about economic prosperity and its less dependence on other countries. On the other hand, we should refer that more optimal production is not possible unless through efficient production and increasing productivity along with increasing product's quality and reducing its total price increases capital return and can provide the ability to pay high wages for companies which are both the main factors of creating national wealth and an step towards resistive economy.

Finally, it can be said that economic austerity and resistive economy are both two important arms of Iran's economy and the best instrument for getting out of stagnation and crossing the international sanctions.

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