

Abstract

In response to threatening trends in Iran’s development of its nuclear capabilities, the United Nations Security Council passed Resolution 1737 (2006) imposing various arms and technological trade sanctions on Iran. In 2007–2008 the U.S. extended its own sectoral sanctions on Iran. In 2012, the Obama administration deepened these sanctions by imposing strict financial sanctions on Iran, effectively cutting off Iranian banks from the global financial system that, in turn, shut down the country’s oil exports and deprived the economy of substantial revenues. These measures served as a major exogenous shock to the Iranian economy, which fell into its first contraction in nearly 20 years. In 2018, after a brief period of multilateral sanctions relief related to the implementation of the 2015 Joint Comprehensive Plan of Action (JCPOA), the Trump administration reimposed U.S. sanctions, moving unilaterally to place Iran’s economy under “maximum pressure.”

This study examines the humanitarian harms of U.S. sanctions on Iranian citizens by focusing on their principal economic impact—high rates of inflation. Although nonexperimental, the study draws upon various data to present a cohesive, if not comprehensive, narrative of the economic shocks that followed the imposition of U.S. sanctions in 2012 and 2018. To trace the connection between the macroeconomic impact of sanctions and the diminished welfare of households, it is possible to focus on the mechanism that made basic goods, including food and medicine, both less affordable and less available. This analysis shows that sanctions had specific impacts on Iran’s finances and supply chains that, in turn, served to induce persistent high inflation. In 2020, dislocations in the global economy of medical supplies caused by the COVID-19 pandemic intensified inflated prices in that sector. By tracing these impacts, and by pointing to the accounts of key American policymakers, this analysis conceptualizes sanctions as an “inflation weapon.” This report concludes with modest suggestions for reforming sanctions with a view to minimizing the humanitarian harms that have been suffered by the Iranian people. It notes the importance of reconsidering whether inflation—particularly when the goal is to induce maximal levels of inflation in the target country—is an acceptable intended impact of sanctions given disproportionate harms inflicted on civilian populations.