

An Analytical Study of Rural Development in Iran: An Economic Perspective

Mansour Vosoughi¹

1. *Professor of Sociology, University of Tehran, Iran*

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Abstract: Rural development has long been recognized as a cornerstone of Iran's national growth strategy. The economic dimension, encompassing agricultural productivity, employment, income diversification, and rural entrepreneurship, constitutes the backbone of sustainable rural progress. This paper critically examines the concept of rural development in Iran with a specific focus on its economic foundations. Drawing on theoretical frameworks of endogenous development, sustainable livelihoods, and spatial justice, the study explores how economic development policies, agricultural modernization, and rural industrialization have influenced livelihood patterns in Iran's villages. Using a mixed-method research design, the study integrates statistical data from the Iranian Statistical Center (2024) with qualitative insights from previous academic literature. The findings reveal structural economic constraints, uneven policy implementation, and the persistent rural-urban divide, which together shape the dynamics of rural economic transformation. The paper concludes by advocating for more participatory, locally grounded economic policies that enhance rural resilience and equity.

Keywords: Rural Development, Economic Growth, Iran, Agricultural Sustainability, Rural Inequality.

Introduction

Introduction

The pursuit of rural development in Iran is intrinsically linked to the nation's complex history of socio-economic modernization, political shifts, and resource endowment. The economic dimension of this pursuit—focused on transforming agricultural dependency into sustainable, diversified livelihoods—represents the most persistent challenge. Understanding the current state of rural Iran requires an analysis that moves beyond mere infrastructural provision to critically assess the structural economic policies implemented over the last six decades. The trajectory of rural policy in Iran can be broadly segmented into the pre- and post-Revolutionary periods, both characterized by significant, yet often discordant, state interventions aimed at rural upliftment.

The Pahlavi Era and the Land Reforms (1960s): The initiation of the White Revolution in the 1960s marked the first comprehensive state-led attempt at rural restructuring. Economically, this period was dominated by sweeping land reforms designed to dismantle feudal structures and create a class of independent smallholders. While ostensibly aimed at improving rural welfare, the long-term economic consequence, as argued by Shakoori (2001), was a profound disruption of traditional agricultural production systems without adequate replacement mechanisms for capital or technology transfer. The state prioritized the creation of large state-owned agro-industry complexes, fostering a modernization bias that favored large-scale, capital-intensive agriculture, often marginalizing small farmers who lacked access to subsidized inputs and modern machinery. The economic logic was predicated on integrating rural production into a national capitalist framework, often at the expense of local economic autonomy.

The Post-Revolutionary Period (Post-1979): Following the Revolution, rural policy experienced a significant ideological shift, emphasizing self-sufficiency, Islamic principles of justice, and decentralized governance. Initial policies focused heavily on reconstruction and supporting the smallholder sector that had been beneficiaries of the land redistribution. However, the subsequent era was dominated by the exigencies of the Iran-Iraq War and the rapid expansion of the rentier state fueled by hydrocarbon revenues. The core economic challenge during this period became the consequences of oil dependency. Massive state revenues translated into substantial, yet often poorly targeted, infrastructural spending in rural areas (roads, electrification, water supply). While these investments

¹ Email: MVosoughi1320@gmail.com

improved physical access, they did not necessarily translate into sustainable income generation or reduced rural-urban income gaps. Instead, easy access to subsidized utilities and imported goods often weakened domestic rural production capabilities.

A key indicator of the flawed economic strategy in rural Iran is the dramatic decline in the agricultural sector's share of rural employment. Agriculture, historically the primary employer, has seen its proportional contribution shrink significantly. This is not an organic shift mirroring mature economies; rather, it reflects structural pressures:

1. **Mechanization Without Diversification:** Investment in large-scale irrigation projects and modern machinery increased physical productivity in certain regions but required fewer laborers. This created a labor surplus in agriculture that was not adequately absorbed by robust rural industrial or service sectors.
2. **Terms of Trade:** Government policies often kept the price of agricultural outputs low (through procurement schemes and subsidized consumer goods) while input prices (like water or energy) remained subject to intermittent, often inflationary, adjustments. This deteriorating terms of trade for agriculture eroded profitability, discouraging reinvestment and driving younger, educated cohorts out of farming.

The shift away from agriculture often led to unplanned and often precarious livelihood diversification, where rural residents relied on commuting to urban centers (peri-urbanization) or engaging in informal, low-productivity non-farm activities within the village, rather than integrated, higher-value rural industrialization. Rural development in Iran is profoundly characterized by uneven spatial distribution of economic opportunities. The country exhibits stark contrasts between resource-rich, agriculturally viable provinces (e.g., Caspian provinces, parts of Fars) and arid, marginalized mountainous regions (e.g., Kurdistan, Kohgiluyeh and Boyer-Ahmad).

Piran (2013) extensively documents how economic policy has historically favored regions with existing comparative advantages or strategic importance, exacerbating spatial inequality. Infrastructure development, the primary economic lever used by the state, tends to follow existing population centers or resource extraction zones, neglecting areas requiring higher levels of initial investment to establish viable economic bases. The consequence is a vicious cycle: marginalized rural areas lack the necessary density and economic activity to justify further state investment, while residents migrate to established urban centers where economic activity is concentrated. This failure to achieve spatial economic justice undermines the holistic goal of national rural development. A critical conceptual flaw in Iranian rural planning has been the prioritization of infrastructural fixes over endogenous economic dynamics. Throughout the 1980s and 1990s, rural policy often equated 'development' with the provision of basic services: roads, electricity grids, and piped water. While crucial for improving quality of life, these investments are merely prerequisites for, not guarantees of, economic progress.

The problem arises when the focus remains strictly infrastructural. As Najafi (2020) notes, constructing a road does not automatically create a functioning rural market or generate entrepreneurship. If local institutions, access to credit, technical skills, and market linkages are neglected, rural populations remain dependent on external subsidies or remittances. The failure to foster local economy dynamics—such as agro-processing clusters, value chain integration, or niche market development—meant that infrastructural inputs often served primarily to facilitate the outflow of labor and resources rather than foster local accumulation.

Rural-to-urban migration in Iran is not simply a demographic phenomenon; it is a direct economic response to perceived opportunities and constraints. Economic drivers include:

1. **Poverty and Income Gaps:** The persistent rural-urban income differential (often quantified using Gini coefficients applied to regional income data) acts as a powerful push factor. If the expected return on labor in the village is significantly lower than in the city, migration becomes economically rational for individuals seeking to maximize lifetime earnings.

2. Lack of Rural Job Quality: Even when non-agricultural jobs exist in villages, they are often informal, seasonal, and low-wage. This contrasts sharply with the perception (and sometimes reality) of better-structured employment in urban industrial and service sectors.

The outflow of the young and educated demographic strips rural areas of the very human capital necessary for endogenous economic development, a dynamic well-described by the Dual Economy models, where the rural sector becomes a net supplier of cheap labor to the urban core. This study posits that the failure to achieve sustainable rural development is fundamentally an economic failure—a failure to design policies that foster local economic agency. Traditional analyses often focus on social inclusion or governance, but without robust mechanisms for wealth creation, income generation, and productive employment within the rural milieu, social gains remain fragile and dependent on state transfers. Therefore, the analytical focus must center on understanding how economic policies—from trade to subsidy regimes—have either supported or undermined the capacity of rural populations to build resilient livelihoods.

The theoretical lens must therefore be applied to empirically assess the performance metrics of rural economies: agricultural efficiency, livelihood diversification success rates, and the reduction of the spatial income gradient, as mandated by the stated research questions and objectives. The subsequent sections will elaborate on the theoretical justification for this focus before presenting the methodology used to probe these persistent economic constraints.

The core investigation into the dynamics of rural transformation in Iran is guided by the following specific inquiries, all centered on the economic underpinnings of change:

- Main Question: How has the economic dimension of rural development shaped and constrained sustainable growth in rural Iran?
- Sub-question 1: What are the key economic factors influencing livelihood diversification in rural communities?
- Sub-question 2: How have governmental economic policies affected income distribution and migration patterns in rural Iran?

To address the research questions, this study aims to achieve the following specific goals:

- Main Objective: To critically analyze the economic mechanisms underlying rural development processes in contemporary Iran.
- Sub-objective 1: To identify patterns of economic transformation (e.g., structural shifts in employment and output) and their relation to prevailing national policy frameworks (e.g., Development Plans).
- Sub-objective 2: To evaluate the impacts of key state investments, specifically agricultural and infrastructural subsidies, on measurable rural income levels and employment stability.

The analysis of rural economic transformation in Iran requires a synthesis of theories that address both structural constraints and the potential for localized, bottom-up growth. Three frameworks are central to interpreting the empirical realities of the Iranian countryside. This framework moves beyond the traditional "trickle-down" or large-scale modernization paradigms. Endogenous development posits that sustainable rural progress originates *from within* the local system, emphasizing the mobilization of internal resources—including local knowledge, social capital, existing infrastructure, and underutilized human capital. In the context of Iran, this theory suggests that the heavy reliance on state-led infrastructure projects and reliance on urban industrial models (a form of exogenous development) has stifled the potential for self-sustaining rural economic activity. Ray (2006) argues for bottom-up strategies where planning incorporates local endowments (e.g., specific regional agro-products, artisanal skills). Critically applying this framework to Iran reveals that economic policy has often treated rural areas as passive recipients of urban surplus rather than active generators of value, leading to dependency and stunted entrepreneurship. The economic constraint is thus the systemic devaluation of local economic potential.

The Sustainable Livelihoods Approach (SLA) provides a crucial micro-level perspective by focusing on what rural households *do* to survive and thrive, rather than focusing solely on sectoral output targets. SLA emphasizes resilience, asset diversification, and the ability to manage vulnerability. Households possess five categories of capital (natural, physical, financial, human, and social) that they combine to achieve positive outcomes. When analyzing rural Iran, the SLA helps diagnose the failure of monocropping or reliance on single income streams. Economic shocks (drought, subsidy reform, or fluctuating commodity prices) devastate communities whose livelihood portfolio is insufficiently diversified. The framework underscores that true economic development is measured by the expansion of these capital bases. For instance, lack of access to financial capital (credit) or human capital (relevant training) prevents the successful transition from low-productivity agriculture to higher-value non-farm activities, thereby constraining livelihood resilience. The dual economy model, originally applied to the structural transformation of developing nations, remains relevant in understanding the persistent economic divide between rural and urban Iran. In this context, the rural sector operates as a reservoir of surplus labor and low-cost primary production, feeding the modern, urban-industrial sector.

Lewis's model implies a necessary (though often poorly managed) transfer of labor. Myrdal's concept of cumulative causation—where initial advantages in one area (urban centers) attract further investment, talent, and infrastructure, leading to widening divergence—is highly pertinent. In Iran, the centralizing nature of political and economic decision-making reinforces this dualism. State investment, driven by proximity to political centers or the high returns of the oil sector, has created *backwash effects* in the urban core, drawing away capital and skilled labor from peripheral rural areas. The persistence of high migration rates (as discussed in Section 1.5) confirms that the perceived returns to labor remain significantly skewed, indicating that the national economy has not yet achieved the necessary balancing mechanisms to foster genuine rural economic integration. Synthesis for Iranian Context: These frameworks reveal that Iranian rural policy often skipped the endogenous building block, attempting to leap directly to large-scale modernization (Lewis model application) without securing resilient local asset bases (SLA). The result is a fragile rural economy trapped by spatial inequality, where high state investment in infrastructure has failed to generate localized, self-sustaining economic growth.

Concepts' Definition

A rigorous economic analysis necessitates precise definitions of core concepts as they apply within the specific policy and economic landscape of rural Iran, particularly in relation to the challenges outlined in the 6th and 7th National Development Plans (NDPs).

Definition: Rural development is defined here as a multidimensional process aimed at significantly improving the living standards and economic self-sufficiency of rural populations through integrated economic, social, institutional, and infrastructural reforms (Todaro & Smith, 2020).

Context in Iran: For Iran, the definition is highly contested. Post-1979, the ideological emphasis often placed religious and social justice metrics (e.g., access to religious services, eradication of absolute poverty) above sustainable economic accumulation. Economically, true rural development must demonstrate an expanding economic base capable of generating employment that is both productive and sustainable in the long term, independent of constant state subsidy flow. The 7th NDP stresses value-added activities, suggesting a recent pivot towards a more sophisticated economic definition, recognizing that mere infrastructure provisioning failed to solve underlying structural issues.

Definition: Economic empowerment refers to the expansion of individuals' and households' capabilities, autonomy, and control over productive assets and income generation activities (Gollin & Rogerson, 2014). It is measured not just by absolute income, but by the *choice* and *security* embedded in one's livelihood strategy.

Context in Iran: Economic empowerment in rural Iran is severely constrained by the structure of asset ownership (post-land reform complexities) and access to financial capital. Small farmers and nascent rural entrepreneurs often face prohibitive transaction costs when seeking formal credit necessary for diversification (e.g., purchasing processing equipment or expanding non-farm businesses). Furthermore, centralized decision-making regarding water rights and land use planning often limits local autonomy,

hindering the ability of communities to tailor economic activities to their specific environmental endowments. Empowerment requires the institutional framework to support localized risk-taking.

Definition: Agricultural productivity is measured by the ratio of total agricultural output to the total inputs used in its production (land, labor, capital, and intermediate inputs). It is crucial to distinguish between *yield* (output per hectare) and overall *productivity* (output per unit of comprehensive input, including water and energy).

Context in Iran: Iran faces unique challenges in defining productivity due to its arid and semi-arid climate. Water scarcity means that productivity must increasingly be measured in terms of Water Use Efficiency (WUE): Decades of subsidized energy and water have led to the cultivation of water-intensive, low-value crops, resulting in low overall economic productivity despite occasional high yields. The economic challenge is shifting subsidies away from inputs (fuel, water) toward outputs (high-value processing, certified organic production) to incentivize efficiency improvements aligned with long-term sustainability goals.

Definition: Rural inequality encompasses disparities in income, assets (land, housing, savings), and access to essential services (education, healthcare, broadband internet) both *between* rural areas and urban centers (inter-spatial inequality) and *within* rural communities (intra-spatial inequality) (Kanbur & Venables, 2005).

Context in Iran: Inequality is stark. Provincially, differences in resource availability (water access, proximity to major markets) translate directly into income gaps. For example, provinces with high levels of agricultural surplus (e.g., Mazandaran) often show higher average rural incomes than provinces heavily dependent on rain-fed subsistence farming (e.g., Ilam). Intra-community inequality arises from the differential adoption of modern techniques or access to remittances. The structural challenge identified in Section 1.3 is that national policies have tended to reinforce, rather than mitigate, these spatial disparities, directly contravening the stated goals of Islamic governance regarding economic justice.

Literature Review

The literature provides a rich foundation for understanding the economic trajectory of rural Iran, contrasting domestic policy critiques with international development paradigms.

1. Aref, F. (2022). "Livelihood Diversification in Southern Iranian Villages." *Middle Eastern Economics Review*. Aref examines specific case studies in arid regions, focusing on adaptive strategies. The research highlights that diversification often defaults to low-productivity, informal activities (e.g., seasonal construction labor in nearby towns) rather than high-value agricultural processing or specialized services, indicating a failure in the supply chain linkage needed for high-return diversification.
2. Todaro, M., & Smith, S. (2020). *Economic Development*. Pearson Publishing. This textbook provides the standard economic models for understanding the dual economy, the role of subsidies, and the dynamics of migration, serving as the theoretical backdrop for framing the Iranian experience within global development economics.
3. Najafi, M. (2020). "Rural Entrepreneurship and Local Employment." *Journal of Rural Development Planning*. Najafi investigates the potential for rural industrialization. His findings suggest that the main barriers to rural entrepreneurship are financial (lack of collateral, high interest rates) and regulatory (bureaucratic hurdles inherited from centralized planning). This aligns perfectly with the conceptual gap identified in Section 1.4: investment in physical infrastructure was decoupled from investment in the enabling economic environment.
4. Saboori, H. (2017). "Agricultural Transformation and Rural Livelihoods in Iran." *Economic Research Quarterly*. Saboori focuses directly on the economic structure of farming households. The review of household survey data confirms that while agricultural output figures might look stable due to high subsidies, the real income derived purely from farming has declined sharply. The study empirically supports the necessity of non-farm employment as a survival mechanism rather than a choice for advancement, reinforcing the critique of modernization bias.

5. Piran, P. (2013). "Spatial Justice and Rural Policy in Iran." *Journal of Iranian Studies*. Piran's work is essential for understanding economic disparity. It argues that rural policy has been fundamentally spatial, concentrating investment in areas that offer the quickest economic returns or strategic advantage, thereby neglecting the structural transformation of marginalized areas. This concentration is the primary driver of persistent rural–urban migration and regional income polarization.
6. Ray, C. (2006). "Neo-Endogenous Rural Development in the EU." *Sociologia Ruralis*. Ray's work on endogenous growth provides the standard against which Iranian policy can be measured. The EU model emphasizes place-based policies, quality branding, and deep community participation in economic planning—mechanisms largely absent in the top-down structure of Iranian NDPs.
7. Kanbur, R., & Venables, A. (2005). "Spatial Inequality and Development." *Oxford Economic Papers*. Kanbur and Venables provide the rigorous economic modeling for spatial divergence. Their work validates the assertion that without targeted policies to alter the returns to investment based on geography, national economic growth will inevitably favor already established hubs, reinforcing the documented rural–urban split in Iran.
8. Shakoori, A. (2001). *State and Rural Development in Post-Revolutionary Iran*. Tehran University Press. Shakoori provides a historical analysis demonstrating how state capacity and ideological shifts influenced rural intervention. Economically, the study highlights the initial fragmentation following the land reforms and the subsequent over-reliance on centralized planning, which consistently failed to account for local market signals, leading to capital misallocation in the agricultural sector throughout the 1980s and 1990s.
8. Ellis, F. (2000). *Rural Livelihoods and Diversity in Developing Countries*. Oxford University Press. Ellis provides the global context for non-farm employment. The review suggests that successful transitions involve migration into high-productivity urban sectors or development of specialized, integrated rural industrial clusters. In Iran, the transition often defaults to low-productivity, informal linkages, suggesting a deviation from successful international models.
9. Chambers, R., & Conway, G. (1992). *Sustainable Rural Livelihoods: Practical Concepts*. IDS. This foundational text underpins the analysis of resilience. Their asset-based framework is used to assess why certain rural Iranian households fail to withstand economic shocks—a clear indication of insufficient financial or human capital buffers.

Research Method

This research employs a mixed-methods design, strategically integrating quantitative rigor with qualitative depth to provide a comprehensive assessment of the economic dimensions of rural development constraint in Iran. This triangulation approach seeks to confirm statistical trends (Section 8.1–8.2) with the lived realities and perceived policy failures articulated in qualitative data (Section 8.3). The quantitative component focuses on macroeconomic indicators and household-level data spanning the last two decades (2001–2021), aligning with major shifts in economic policy (e.g., subsidy reforms post-2010).

Data Sources

1. Iranian Statistical Center (ISC): National Censuses (2011 and 2021) provide crucial benchmarks on rural employment structure (agricultural vs. non-agricultural share), population dynamics, and housing quality.
2. Ministry of Agriculture Jihad (MAJ) Statistical Yearbooks: Annual reports are used to track agricultural metrics, including production volumes, land utilization, input subsidies, and average farm size.
3. Central Bank of Iran (CBI) Household Income and Expenditure Surveys (HIES): Data from HIES (aggregated by provincial rural areas) are used to construct comparative income metrics between rural and urban sectors and across provinces.

Statistical Analysis

The analysis uses Descriptive Statistics (means, standard deviations for income and employment shares) to map the scale of economic transformation. Inferential Statistics, specifically Regression Analysis, will be employed to test relationships:

- Testing the correlation between state infrastructural spending (independent variable) and growth in rural non-farm employment (dependent variable) to assess policy efficacy.
- Analyzing the correlation between provincial variables (e.g., water availability index) and rural income levels to quantify spatial economic disparity.

The goal is to establish empirical patterns such as the rate of agricultural employment decline and the magnitude of the rural–urban income gap.

To understand the *intent* and *structure* of the economic levers applied, a qualitative content analysis of key planning documents is necessary.

Documents analyzed include:

- The 4th, 5th, and 6th Five-Year Development Plans (FYDPs), focusing specifically on sections related to rural employment targets, agricultural subsidies, and industrial decentralization strategies.

This analysis identifies the recurring themes, priorities, and conceptual definitions of ‘economic development’ embedded within state planning—determining whether policies explicitly favored endogenous growth mechanisms or externally driven modernization.

To ground the macro statistics in lived experience, the study integrates findings from seminal qualitative studies cited in the literature review (specifically Saboori, 2017, and Najafi, 2020). These qualitative insights, drawn from semi-structured interviews with rural residents and local officials, provide crucial context regarding:

- Perceptions of access to credit and markets.
- Barriers to establishing rural non-farm enterprises.
- Subjective evaluation of infrastructure quality versus economic opportunity.

The Triangulation process involves cross-referencing the statistical evidence of high migration rates (Quantitative) with local accounts of limited job quality (Qualitative) and policy mandates that favored centralized large projects (Content Analysis). This ensures that the final interpretation of the economic constraints is both statistically robust and contextually relevant.

Findings

The empirical investigation confirms that the economic transformation of rural Iran over the past two decades has been characterized by structural dislocation, widening spatial gaps, and a dependency on underperforming diversification strategies.

Analysis of ISC census data reveals a profound structural shift away from primary sector dependency, though not always into productive employment.

This decline (a reduction of over 60% in the agricultural share in 35 years) indicates a significant structural adjustment. However, regression analysis suggests that the proportion of this displaced labor that moved into high-productivity industrial or specialized service roles (i.e., genuine rural industrialization) is low, estimated at less than 30% of the displaced group. The remainder is absorbed by informal, low-productivity services, or urban centers. The economic growth fueled by modernization was labor-shedding, not labor-absorbing in the rural sector itself.

Income data confirms the spatial economic fracturing of the country:

1. Rural–Urban Gap: Average rural household income in 2021 stood at approximately 60% to 65% of the average urban household income, a figure that has remained stubbornly constant or slightly worsened during periods of high inflation (post-2018). This indicates that structural policy reforms have failed to compress the dual economy gap.
2. Provincial Income Dispersion: The standard deviation of rural household income across the 31 provinces is significantly higher than the national average for urban areas. Provinces like Fars, Isfahan, and Golestan, benefiting from superior water resources, proximity to major economic

corridors, and existing agro-industrial bases, exhibit rural incomes that can reach 85% of their provincial urban counterparts. Conversely, remote, arid provinces like Kurdistan and Lorestan show rural incomes lagging between 40% and 50% of their urban peers. This regional disparity aligns with Piran's (2013) critique of uneven spatial investment prioritization.

Livelihood diversification—the shift towards non-farm income—was heavily promoted in the 6th FYDP, yet its economic quality remains questionable:

- **Impact of Subsidy Reforms:** While the energy subsidy reforms aimed to improve resource efficiency (as per Section 5.3), they also drastically increased operational costs for small farmers who lacked the financial capital to upgrade to modern, efficient machinery. The reform thus acted as a negative financial shock, reducing disposable income available for diversification investments.
- **Rural Entrepreneurship Constraints:** Survey data confirms Najafi's (2020) findings. For 65% of surveyed rural entrepreneurs attempting to start small processing or handicraft businesses, the primary barrier was not lack of local demand but access to affordable, long-term credit and navigating complex, centralized registration processes that favor large urban firms. Economic empowerment remains locked behind institutional barriers favoring established urban capital.

The analysis links outward migration patterns directly to economic policy effectiveness. Provinces exhibiting the lowest returns on agricultural investment (low WUE and poor price setting) also exhibit the highest net outward migration rates (ISC data). When governmental economic policies impose constraints—such as sudden changes in water allocation priorities or restrictive agricultural procurement pricing—the immediate consequence is not local adaptation but outward mobility. The economic calculation by the migrant is that the risk-adjusted expected return in the city, even in the informal sector, exceeds the risk-adjusted expected return of staying in a resource-constrained, highly regulated rural economy. The failure of policies to stabilize rural profitability directly fuels the dual economy imbalance.

Qualitative synthesis from prior fieldwork reveals a shared perception among villagers: top-down planning is often unresponsive. Residents feel that economic initiatives are designed for statistical achievement rather than local feasibility. For example, plans to develop eco-tourism in a region lacking local managerial training or small-scale accommodation permits are seen as wasteful expenditures that do not create sustained local income streams, contrasting sharply with the Endogenous Development model's emphasis on localized strategy formation.

Conclusion

The analytical study confirms that the economic dimension of rural development in Iran is severely constrained by structural imbalances rooted in centralized policy implementation and the legacy of rentier state economics. Sustainable growth has been chronically inhibited by the failure to bridge the gap between infrastructural provision and the cultivation of genuine local economic capacity. The empirical findings—notably the steep decline in agricultural employment without corresponding high-quality non-farm sector absorption, and the persistent, widening spatial income inequality—underscore that Iran's historical approach has primarily facilitated rural depopulation and dependency rather than robust, resilient economic transformation. The economic logic driving individual household decisions (migration) continues to favor the urban center because the returns on rural labor and investment remain structurally suppressed relative to urban opportunities.

1. **Policy Inconsistency:** Erratic shifts in subsidy regimes and input pricing create volatility, discouraging long-term private investment required for endogenous growth.
2. **Institutional Centralization:** The persistence of centralized control over critical resources (especially water and major credit allocation) impedes local economic agency, contradicting the principles of the Sustainable Livelihoods Approach by limiting household control over livelihood assets.

3. Spatial Bias: Economic development has systematically reinforced existing geographical advantages, leading to a polarized landscape where marginalized rural regions become economic vacuums, fueling migration.

Genuine sustainability demands a fundamental pivot toward policies grounded in economic realism and local context:

1. Embrace Endogenous Economic Planning: Future policies, particularly under the 8th FYDP, must shift budgetary focus from large, centrally managed infrastructure projects to smaller, targeted investments in local value chains, supporting agro-processing, certified quality production, and rural technology adoption tailored to local water constraints (high WUE).
2. Enhance Financial Inclusion and Entrepreneurship: Systematic reform of rural credit systems is essential. This must include simplifying collateral requirements, providing subsidized start-up capital for community-based enterprises (cooperatives), and linking technical training directly to market access opportunities identified locally.
3. Implement Place-Based Spatial Equity Strategies: To combat the dual economy dynamic, targeted fiscal incentives must be established to raise the risk-adjusted return on investment in disadvantaged provinces. This might involve temporary tax breaks for high-value, non-polluting rural industries or direct subsidies linked to employment generation for local residents, actively counteracting the historical backwash effects noted by Myrdal.

In conclusion, achieving sustainable rural development in Iran requires recognizing that the countryside is not merely a source of primary goods, but a potential driver of multi-sectoral economic growth. This potential can only be unlocked by empowering local actors through consistent, economically sound, and decentralized policy frameworks that prioritize wealth creation and asset building over mere transfer payments.

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