# Substantive Challenges in Iran's Criminal Policy Regarding Economic Crimes

**1. Behrouz Tolabi: Department of Law, S.C., Islamic Azad University, Saveh, Iran**
**2. Mahmoud Habibi Tabar*: Department of Law, S.C., Islamic Azad University, Saveh, Iran**
**3. Hamed Rostami Najafabadi: Department of Law, S.C., Islamic Azad University, Saveh, Iran**

*Correspondence: 0385947801@iau.ac.ir

**Abstract**

Economic crimes, as a serious threat to public order, economic security, and public trust, require an effective and coherent response from criminal policy. In Iran, despite the growing prevalence of economic offenses such as embezzlement, money laundering, tax evasion, and rent-seeking, the current criminal policy faces significant substantive challenges. These challenges include contradictions in legal concepts, the lack of a comprehensive and exclusive definition of economic crime, fragmentation of criminal regulations, and disproportion between offenses and punishments. Moreover, the absence of a clear distinction between economic crimes and other organized crimes, the weakness in criminalizing emerging economic behaviors, and the inconsistency between criminal laws and economic institutions have collectively undermined the effectiveness of the criminal response. This article adopts an analytical approach to examine the substantive challenges in Iran's criminal policy regarding economic crimes and ultimately proposes recommendations for conceptual and legislative reform.

**Keywords:** criminal policy, economic crimes, substantive challenges, criminalization

Received: 01 December 2024
Revised: 01 February 2025
Accepted: 10 February 2025
Published: 25 August 2025



**Citation**: Tolabi, B., Habibi Tabar, M., & Rostami Najafabadi, H. (2025). Substantive Challenges in Iran's Criminal Policy Regarding Economic Crimes. *Legal Studies in Digital Age,* 4(3), 1-12.

## 1. Introduction

Rapid economic transformations, the emergence of complex patterns in organized crime, and the expansion of technological platforms have fundamentally altered the nature of economic crimes in recent decades. Economic crimes not only threaten the financial structures of nations but also erode public trust in the government, harm social justice, and reduce the legitimacy of the criminal justice system. Accordingly, national criminal policies are compelled to redefine their approaches to countering these offenses.

In Iran, the growing prevalence of financial corruption, tax evasion, money laundering, and other forms of economic crime has increasingly underscored the need to revise legislative and judicial criminal policy responses to such phenomena. However, Iran's criminal policy faces numerous substantive challenges in dealing with economic crimes, including ambiguity in defining economic crime, fragmented regulations, lack of conceptual coherence, and inconsistency between criminal policymaking and

the country's economic objectives. A thorough examination of these challenges could lead to the reform of the legal and legislative infrastructure and, ultimately, enhance the effectiveness of the criminal justice system in addressing economic threats.

The primary objective of this article is to structurally analyze these substantive deficiencies in Iran's criminal policy regarding economic crimes. In doing so, the article first explores key concepts, then outlines the manifestations of legal incoherence and contradictions, and finally offers suggestions for reforming national criminal policy in this domain.

## 2. Typology of Substantive Challenges

This section investigates and analyzes some of the most significant substantive challenges in Iran's criminal policy regarding economic crimes.

### *2.1. Lack of Criminalization of Embezzlement in the Private Sector*

In many civil law countries, embezzlement is defined as the appropriation, withdrawal, or any form of interference with public property by individuals who possess such property by virtue of their official position or duties. One of the fundamental elements of embezzlement is the offender's status as a public official or employee in public service (Aghababai, 2007). Article 22 of the United Nations Convention against Corruption (UNCAC) obligates member states to criminalize embezzlement in the private sector. It defines this offense as: "Each State Party shall consider adopting such legislative and other measures as may be necessary to establish as a criminal offense the embezzlement of property in the private sector by a person who, in the course of economic, financial or commercial activities, misappropriates any property, private funds or securities, or any other thing of value entrusted to him or her by virtue of his or her position, intentionally." It is thus evident that this type of embezzlement can only be committed by private-sector employees.

However, Iran's domestic legislation—particularly Article 5 of the Law on Aggravated Punishment for Perpetrators of Bribery, Embezzlement, and Fraud—limits embezzlement to government employees, and embezzlement in the private sector is not recognized as a distinct criminal offense. Just as private-sector bribery has become increasingly difficult to differentiate from its public counterpart, many recent major embezzlement cases have occurred within the private sector, causing severe harm to the economy and the administrative system. As one of the most frequently occurring economic offenses in Iran over the past two decades, embezzlement demands more precise criminal policy. The warnings in Articles 17 and 22 of the UNCAC, which emphasize the need for broader criminalization, have unfortunately been disregarded by Iranian legislators.

Some argue that embezzlement in the private sector can be treated as a form of breach of trust under Article 674 of the Islamic Penal Code, and therefore no separate criminalization is necessary (Farahmandfar, 2009). However, this reasoning is flawed. Breach of trust typically occurs in private contractual relationships and is committed by the trustee violating the terms of an entrustment agreement. In contrast, the embezzlement described in Article 22 of the UNCAC involves an employee entrusted with legal responsibilities in line with administrative or financial duties—such as employees of private postal companies. The penalty for breach of trust is six months to three years of imprisonment, while the penalty for embezzlement in the public sector ranges from a minimum of six months to a maximum of ten years, depending on the amount involved. Given the functional similarity between public and private-sector employees, applying the lesser penalty for breach of trust does not correspond to the gravity of the offense. Moreover, while the concept of entrusting property is essential in breach of trust, embezzlement is realized merely by possession of property due to one's position and its misappropriation, rendering the defense that property was not entrusted invalid (Aghababai, 2007). Consequently, domestic legislators must either establish a distinct offense of embezzlement in the private sector or amend the Law on Aggravated Punishment to extend the definition of embezzlement to include private-sector employees.

### *2.2. Lack of Criminalization of Electronic Money Laundering*

The necessity of criminalizing this offense arises from the development of tools and methods used to commit economic crimes. Compared to traditional money laundering, electronic money laundering has two notable features that make it especially appealing for criminals seeking to legitimize illicit proceeds—regardless of whether the underlying crime is cyber-based.

The lack of traceability in electronic financial systems significantly undermines the ability to identify transaction parties and victims, thereby enabling criminal profits to be exchanged in an environment of anonymity. Encryption and digital signatures are among the most important tools used in electronic banking and finance to ensure operational security. In summary, encryption technology renders content unintelligible, and a decryption process is required to restore the original state (Jalali Farahani, 2005). Another characteristic is the dynamic nature of virtual environments, which disregard national borders and render the world a "global village," drastically increasing the speed of financial transactions. In cyberspace, electronic funds can be transferred in a very short period, aiding online money launderers and making their detection and prosecution more difficult at the domestic level (Nourzad, 2010).

Although the stages of online money laundering are substantively similar to traditional methods, the 2009 Computer Crimes Act remains silent on the matter. Nevertheless, due to the borderless capabilities of cyberspace, it is necessary—like in many other countries—to criminalize electronic money laundering as a distinct offense. It is worth noting that situational preventive measures, such as financial and behavioral compliance mechanisms in e-commerce, can be more effective than harsh punitive responses.

This concern was highlighted in Paragraphs 178–180 of the Eleventh United Nations Congress on Crime Prevention and Criminal Justice (2005), which identified the prevention of cyber-laundering havens as a major policy priority and emphasized the need for effective criminal policies. Furthermore, Articles 14 and 23 of the UNCAC stress the necessity of criminalization in this area (Ghanad, 2008).

### *2.3. Lack of Criminalization of Attempt to Commit Money Laundering*

Paragraph 2 of Article 27 of the United Nations Convention against Corruption (UNCAC) addresses criminal attempt, stating: “Each State Party may adopt such legislative and other measures as may be necessary to establish as a criminal offense, in accordance with its domestic law, any attempt to commit an offense established in accordance with this Convention.” Moreover, according to Subparagraph (2)(b) of Paragraph 1 of Article 23 of the same Convention, member states are obligated to criminalize attempts to commit money laundering. Despite these provisions, the Anti-Money Laundering Act enacted in 2007 in Iran does not criminalize the attempt to commit money laundering. This issue—though part of Iran’s commitments under the Convention—has been overlooked.

In response to this legislative gap, it might be argued that, according to the general provisions of the 2013 Islamic Penal Code concerning criminal attempts, one could prosecute attempts to commit money laundering. However, a close reading of Article 122 of the said Code, which addresses criminal attempts and their punishments, reveals that the legislator has only criminalized attempts in the case of ta’zir offenses punishable by first to fifth-degree imprisonment. In contrast, Article 9 of the Anti-Money Laundering Act prescribes a fine equal to one-fourth of the proceeds of the crime, which does not correspond to any of the punishments listed under Article 122. Therefore, it is imperative to criminalize attempts to commit money laundering, and the legislature must amend the Anti-Money Laundering Act to explicitly address this form of criminal attempt.

### *2.4. Lack of Criminalization of Crimes in the Banking Sector*

Banks play a crucial role in managing the affairs of nations and are among the most significant tools for national growth and development. In general, banks, by absorbing liquidity and extending credit facilities, can play an effective role in fostering a country’s economic growth (Saki, 2012). In a national economy, banks act as financial intermediaries; thus, functions such as saving, investment, production, employment, and economic growth are influenced by the decisions and actions of banks. Considering the significance of banks and financial institutions as platforms for implementing monetary, currency, and credit policies, and the undeniable impact of their performance on broader economic policymaking, banking health is central to maintaining national financial stability and, in turn, macroeconomic stability.

Accordingly, given the influential role of banks in national economies, the legislator’s failure to address crimes committed within banking operations—whether public or private—is indefensible. Offenses committed in the banking sector are undoubtedly economic crimes and should be categorized accordingly under the law. Crimes related to the banking system include general offenses involving banks such as money laundering, embezzlement, forgery, and theft, as well as specific

banking crimes such as offenses in electronic banking, fraud in letters of credit, and crimes related to the issuance of guarantees (Abdolmaleki, 2012).

It is worth noting that providing a comprehensive list of overlooked banking offenses exceeds the scope of this article and requires deep insight into the legislator's understanding of the economic system and their priorities regarding criminal protection—should they recognize these offenses as requiring legal attention.

### *2.5. Lack of Criminalization of Offenses in the Stock Exchange Sector*

Capital market crimes, regardless of the precise definition of economic crime, are among the most prominent examples of such offenses (Ghorbani & Bagheri, 2010). The activity of securities exchanges, as financial and economic instruments, plays a vital role in capital circulation and economic dynamism within any country. The same holds true for commodity exchanges. On the positive side, stock market activity can significantly contribute to economic development. Given this importance, integrity, trustworthiness, and adherence to relevant regulations and standards within capital markets are crucial (Saki, 2012).

Therefore, the stock exchange, as one of the most influential institutions in the national economic system, must be legally protected. This has been addressed in part by legislation such as the Securities Market Act, which criminalizes stock market offenses in Articles 46 to 52. However, it is surprising that the Islamic Penal Code neglects to include stock market crimes in the list provided in the Note to Article 36. Especially in Iran's transitioning economic system, the role of the stock exchange is becoming increasingly prominent.

Examples of specialized stock market crimes include insider trading, market manipulation, failure to disclose material information, and unauthorized disclosure of insider information. These constitute critical forms of capital market offenses and should be recognized by the legislator within the Islamic Penal Code as distinct economic crimes.

### *2.6. Disproportionate Sentencing – A Proposed Solution*

From the perspective of retributivism, justice requires that punishment be proportional to the offense. According to Plato, treating unequals equally results in inequality, and Aristotle maintained that justice consists in treating equals equally and unequals unequally (Garland, 1990). In Islamic criminal law, although the basis for punishment differs, the principle of proportionality—particularly in ta'zīr punishments—grants the legislator discretion in determining the severity of punishment in a manner appropriate to the offense and the offender's circumstances (Mohaghegh Damad, 2019). In the case of qiṣāṣ, one of the oldest expressions of proportionality—lex talionis—is observed.

Historically, punishment has been justified through various lenses: reparation, deterrence, moral reform, revocation of criminal privilege, emotional satisfaction, and the communicative function of censure. The latter—punishment as a means to communicate societal condemnation—is considered the most effective standard for determining proportional penalties, signifying the social gravity and moral reprehensibility of the offense (Ghorbani & Bagheri, 2010).

Beccaria observed that while it is impossible to geometrically calculate human behavior in all its complexity, it suffices for a wise legislator to establish basic distinctions and avoid imposing the harshest punishments for first-degree offenses (Benson & Simpson, 2012). Accepting this expectation from the principle of proportionality enables not only retributive justice but also serves utilitarian benefits for society: ensuring proportionality prevents moral confusion, legal ambiguity, and loss of public confidence in the law. It strengthens citizens' sense of legal commitment, rooted in the belief in fair punishments, which in turn promotes public cooperation with crime detection and increases crime reporting—ultimately enhancing public safety.

Achieving proportional sentencing involves three stages: first, categorizing crimes based on severity; second, classifying punishments by their intensity; and third, aligning punishments with respective crimes. Of course, economic conditions and other contextual factors also influence this alignment.

Given the gravity of liberty- and life-depriving punishments in comparison to others—and considering Note 3 of Article 19 of the Islamic Penal Code, which states that when multiple punishments exist, the severest (i.e., imprisonment) should be the benchmark for severity—the prescribed punishments for economic offenses can be categorized as follows:

- Disruption of the economic system: 5 to 20 years of imprisonment

- Bribery (for amounts over one million rials): 5 to 10 years
- Embezzlement: 2 to 10 years
- Fraud: 1 to 7 years (2 to 10 years for public officials or in aggravated cases)
- Receiving commission (kickbacks): 2 to 5 years
- Ministerial interference: 2 to 4 years
- Counterfeiting banknotes and coinage: 1 to 10 years
- Collusion in foreign transactions: 1 to 3 years
- Abuse of influence: 1 to 3 years
- Tax offenses: 3 months to 2 years
- Abuse by public officials: 3 months to 1 year
- Illegal appropriation of public funds: restitution, fines, and 74 lashes
- Goods and currency smuggling (under 10 million rials): confiscation only; (over 10 million rials): fine of double value plus confiscation
- Money laundering: forfeiture of proceeds plus a fine of one-quarter of the criminal gain
- Abuse in government contracts (Articles 599–601 of IPC): 6 months to 5 years in prison, 3 months to 3 years disqualification, and 74 lashes

The question arises: have these penalties been applied in a proportionate manner to the respective crimes?

A brief review suggests otherwise. For example, the punishment for fraud—an offense often affecting individuals—is harsher than that for receiving commissions, which undermines public trust, causes more substantial material and reputational harm, and threatens the integrity of state institutions in international contexts. Moreover, fraud cases are more readily discovered and prosecuted due to private plaintiffs, whereas kickbacks often go unreported due to their covert nature and the absence of an individual victim.

Similarly, the punishment for ministerial or parliamentary interference in foreign trade—acts with considerable economic implications and public harm—is disproportionately lenient compared to lesser offenses. Collusion in foreign contracts, involving clear criminal intent and significant public harm, is penalized less severely than commission-taking, which may not even involve request or collusion by the official.

Tax evasion—an act of defiance against contributing to public funds, exacerbating inequality and social problems—is treated as one of the least serious economic offenses, despite its broad consequences comparable to disrupting the national production and distribution systems.

Illegal appropriation of public property—often widespread among government employees and rarely prosecuted due to lack of private complainants or administrative indifference—may be no less harmful than embezzlement or fraud, yet is treated with far less seriousness by lawmakers.

Goods and currency smuggling—an offense devastating to domestic production, employment, and economic independence—is often not criminally prosecuted at all. Instead, authorities settle for administrative fines, opening the door for organized crime groups to exploit unemployed individuals as mules without legal consequence.

All crimes driven by financial gain rest on the assumption that the illicit profits will eventually be legitimized, a goal achieved through money laundering. However, money laundering was not criminalized in Iran until 2007, and even then, the legal formulation was so weak that the law barely reflects any meaningful intention to counter it. Among economic crimes, it remains one of the least severely punished.

The Iranian Constitution provides no express basis for proportional sentencing. However, general laws offer some support—for instance, Clause 6 of Article 272 of the Criminal Procedure Code for Revolutionary Courts identifies disproportionate sentencing due to judicial error as grounds for retrial. Additionally, Article 20 of the Islamic Penal Code calls for sentencing to reflect both the crime and the offender's personal characteristics. Yet, these refer only to judicial discretion—not legislative proportionality. Unless rooted in Islamic jurisprudence, no direct statutory foundation for legislative proportionality exists (Mohaghegh Damad, 2019).

Currently, the severity of punishment in Iranian criminal policy does not correlate with the offense. In some cases, punishment is based on the offender's intent rather than the actual harm caused—an approach that is conceptually flawed. For

example, in cases of currency forgery or disrupting the economic system, lawmakers consider whether the offender intended to undermine the state, rather than assessing the actual damage or harm to citizens.

At times, lawmakers apply severe punishment indiscriminately to all accomplices, without philosophical or normative justification. For instance, under Article 7 of the 1958 Law on Foreign Exchange Transactions, violators—whether principals, partners, or accessories—are subject to a 50% fine in addition to full restitution.

Thus, current sentencing lacks alignment with any recognized model of proportionality—be it harm-based, subjective (mental state of the offender), or comparative. This legislative gap allows professional criminals to exploit the system, often through corporate legal entities that shield directors and shareholders from accountability. The situation is even more complex with state-owned enterprises, where punishment for economic crimes is especially ineffective and disproportionate.

**Proposed Solution:**

In addressing this challenge, it must be acknowledged that proportionality is not a mathematically precise concept. The inability to achieve perfect proportionality should not justify its complete abandonment. Instead, proportionality must be pursued with an understanding of its limitations—since no punishment system is flawless. Most societies exhibit relative consensus on crime severity, and shared societal values can serve as the basis for designing appropriate punishments. Even in pluralistic societies, such common values exist and should inform penal development (Ashworth, 2003).

### *2.7. Legislative Neglect in Establishing Effective Sanctions for Certain Types of Economic Crimes – Proposed Solution*

Economic crimes, due to their inherently complex nature and the emergence of new forms of commercial transactions and communication technologies, manifest in diverse ways. Responding effectively to such crimes remains one of the most challenging aspects of criminal policy, as legislated penalties have rarely corresponded in a meaningful way to the gravity of the offenses (Nourzad, 2010). A clear example of this is found in the penalties prescribed for tax-related crimes.

For instance, Article 194 of the Direct Taxation Act (enacted on June 2, 1987) provides that if a taxpayer's declared income, upon assessment under Article 158, differs from the actual taxable income by more than 15%, the taxpayer will not only be subject to unremittable penalties but will also be barred from accessing any tax exemptions or legal relief for three years following the final tax determination.

Article 196 of the same Act states that any director or liquidator who unlawfully distributes a legal entity's assets prior to settling tax obligations or providing the required guarantee under Article 118 shall be fined an amount equal to 20% of the unpaid tax.

These examples show that the legislator has imposed relatively insignificant fines without establishing broader punitive mechanisms, thereby signaling a general underestimation of the importance of tax crimes in the development of a just and equitable economic system.

Regarding smuggling offenses, current penalties—such as the mere confiscation of goods for offenses under one million tomans, or confiscation plus double-value fines for those above that amount—reveal deeper systemic issues:

(a) The legislator, motivated by hesitation and political expediency, has favored administrative over judicial processes. This reflects not only a legislative ambivalence but also sends a message to offenders and the public that these crimes are of minor importance.

(b) By avoiding harsher penalties such as imprisonment and releasing offenders after collecting fines, the legislator inadvertently fosters the normalization of such crimes, especially among vulnerable groups like border residents. This leniency encourages organized crime groups to exploit the unemployed for profit, leading to the widespread perception that the state's opposition to these acts is not grounded in moral or legal condemnation but in mere revenue collection or extortion.

Adding to this the widespread poverty and livelihood insecurity of large segments of the population, along with the presence of privileged elites, rent-seekers, and nouveau riche individuals, the motivation to provide for one's family—especially through crimes lacking any clear religious or scriptural prohibition (Saki, 2012)—can even be viewed as socially acceptable or noble. These offenses, rooted not in Islamic jurisprudence but in governmental policy, are further exacerbated by the failures of state economic policy. Consequently, individuals with no prior criminal background may perceive little moral restraint in committing such acts, while professional criminals fully exploit legal loopholes and the desperation of minor offenders.

The legislature's hesitant approach to money laundering—despite its centrality to the completion of nearly all economic crimes—further reflects the fragility of Iran's legislative resolve in combating transnational economic offenses. By seeking to legitimize illegal proceeds, economic crimes culminate in money laundering, yet the Iranian legislature has not only failed to address this with sufficient seriousness but has also exposed itself to accusations of tacit support for perpetrators. This undermines public condemnation of such crimes, making effective legal enforcement almost impossible without popular support and shared moral disapproval.

**Proposed Solution:**

Given the legislator's lenient treatment of offenses in this critical sector of economic development, the proposed solution is to amend the relevant laws to include stronger sanctions for such crimes. Stricter penalties would elevate public condemnation and restore confidence in the legal system's ability to uphold economic justice.

### *2.8. Lack of Certainty and Finality in Sentencing – Proposed Solution*

Beccaria emphasized that the effectiveness of punishment depends not on its severity but on its certainty and the public's confidence in its enforcement (Pradel, 2009). He urged legislators to eliminate excessively harsh penalties and abolish institutions like clemency that instill hope in criminals for avoiding punishment, thus undermining deterrence (Nourbaha, 2020). Unfortunately, this principle has not been consistently applied in Iran's economic crime legislation.

For example, Article 521 of the 1996 Governmental Discretionary Punishments Act states that if perpetrators of offenses under Articles 518, 519, and 520 voluntarily confess to the prosecutor prior to or during proceedings, and assist authorities in the investigation, the court may grant significant leniency, including exemption from imprisonment—especially if the perpetrator claims to have repented before arrest.

While the legislature's intent may be to encourage cooperation and the exposure of criminal networks, granting complete immunity or the cancellation of sentences is excessive. In particular, repentance as a means of sentence dismissal is problematic—especially with economic offenders adept at manipulating public perception and staging confessions. Such strategic performances may allow them to evade justice under the guise of remorse, mocking the entire investigative and prosecutorial process and undermining the certainty of penalties.

Similarly, under Note 3 of Article 5 of the Law on Aggravated Punishment for Bribery, Embezzlement, and Fraud, the court may waive financial penalties or suspend imprisonment if the embezzler returns the full amount of embezzled funds—though the disqualification from public service remains.

**Proposed Solution:**

A viable solution would be to revisit and strictly regulate the institutions that dilute judicial certainty, such as:

- Suspension of sentence (Chapter 5 – Article 40)
- Suspension of judgment execution (Chapter 6 – Article 46)
- Conditional release (Chapter 8 – Article 58)
- Alternative penalties to imprisonment (Chapter 9 – Article 46)
- Pardon and repentance (Chapter 11 – Articles 96–98)

Though these institutions were introduced with rehabilitative intent, when applied indiscriminately—especially to economic offenders—they reduce the deterrent value and public condemnation of sentencing. Judges may be pressured to apply lenient interpretations, citing the offender's social background or supposed remorse. This ultimately confirms the perception that penalties lack certainty and effectiveness.

If public disapproval and social consensus are essential to successful criminal policy—as they must be for economic crimes—then selective application of such exemptions is critical. It is essential to establish differentiated sentencing policies that exclude or strictly limit economic offenders from accessing leniency mechanisms, given the widespread damage and high-level corruption associated with such offenses.

### *2.9. The Security-Oriented Perspective on Punishment – Proposed Solution*

Criminal acts that disrupt the economic system represent some of the most prominent forms of economic crime. According to Article 2 of the Law on the Punishment of Economic Offenders, individuals who commit acts of fraud with a security dimension may be sentenced to imprisonment. This article states that any of the offenses listed in Article 1, if committed with the intent to harm the order of the Islamic Republic of Iran, to oppose it, or with the knowledge that the act is effective in confronting the system, shall—if amounting to *corruption on earth* (*fasād fi al-arḍ*)—be punishable by death. Otherwise, the offender shall be sentenced to 5 to 20 years of imprisonment.

Economic crimes require a penal charter that begins with lighter sanctions such as fines and culminates in capital punishment. When committed collectively (e.g., currency counterfeiting) or with the intent to undermine the system (e.g., disrupting the economic order), these crimes are met with harsher punishments. It must be recognized that the death penalty is only imposed when the offender is deemed *mofsed-e-fel-arz* or *mohareb* (enemy of God). In such cases, the legislator effectively transforms an economic offense into a security crime.

However, the legislator often overlooks where, how, and to what extent national economic interests are harmed, focusing instead on whether the act was politically motivated.

To mitigate this issue, it is proposed that when drafting laws and determining penalties for such crimes, the legislator adopt a more rational approach inspired by international legislative standards. Punishment must consider the social damage caused by the crime and emphasize a *security-based approach* to penalty—not a *security-driven view* of the act itself. A purely security-focused stance risks violating corporate rights and even the rights of the accused.

### *2.10. Failure to Individualize Punishment – Proposed Solution*

In the 18th century, Cesare Beccaria, due to a lack of trust in judicial discretion, advocated for the expansion of fixed sentencing systems to promote justice (Button et al., 2022). He argued that punishment should correspond to the offense, not the offender (Honderich, 2006). However, Jeremy Bentham later criticized this approach, highlighting the importance of individualized sentencing as a key tool for achieving deterrence. He emphasized the need to tailor punishment to both the degree of culpability and the personal, social, and situational characteristics of the offender, identifying such proportionality as the true source of penal deterrence.

An analysis of the penalties proposed for economic crimes reveals that, in some instances, fixed punishments and non-judicial procedures are applied both by inexperienced prosecutors and through legislative directives lacking judicial flexibility. Often, even when the sentence is final and unappealable—or includes the death penalty without the possibility of mitigation—it becomes clear that legislators have disregarded the importance of individualized deterrent effects.

Examples of such issues include:

- **Disruption of the economic system**: When committed with anti-government intent and interpreted (vaguely) as corruption on earth, the offender is sentenced to death. This outcome applies across the board to all crimes under the Law on Disruption of the Economic System, without considering personal circumstances or the possibility of rehabilitation—leaving the offender only the option of repentance.
- **Law on Combating the Smuggling of Goods and Currency**: The only criterion for deciding punishment is the monetary value of the smuggled goods—not the manner of commission or the offender's background.
- **Tax offenses**: The same trend is evident here. Punishments, even when clearly disproportionate to the gravity of the offense, are determined solely by the unpaid tax amount. This suggests that the legislator's interest lies more in revenue collection than in deterrence or offender rehabilitation.

The above examples illustrate a systemic failure to adhere to the principle of individualized sentencing—where factors such as intent, context, and personal history should inform judicial outcomes. This failure undermines both the fairness and the effectiveness of the penal system in combating economic crimes.

### *2.11. Disregard for Rehabilitation and Social Reintegration of Offenders – Proposed Solution*

One of the recognized objectives of punishment is the rehabilitation and reformation of offenders. Rehabilitation has emerged as a central concern in criminal justice policies and criminological thought, especially in recent centuries. A review of the intellectual history of criminal justice reveals the long-standing presence of this idea, appearing even in the philosophies of ancient Greek thinkers such as Plato and Aristotle (Altman, 2022). However, the modern development and widespread attention to offender rehabilitation have primarily been influenced by the positivist school of criminology and the modern social defense movement. The United Nations' criminal policy has also been substantially shaped by these reformative ideologies.

Despite modern declarations of failure in rehabilitative criminology, contemporary discourse shows ongoing debate regarding the concept of rehabilitation itself. Much of the divide stems from religious versus secular perspectives. Some views of rehabilitation involve deep internal transformation in a person's soul, thought, emotion, and behavior—requiring moral awakening, recognition of wrongdoing, and a sincere commitment to change. This notion emphasizes a shift in the offender's ethical outlook (Altman, 2021), which, while idealistic, remains an admirable goal.

Others criticize such ideals as utopian, proposing instead that rehabilitation be viewed more pragmatically as social reintegration. In this view, rehabilitation means restoring offenders to socially acceptable behavior through interventions intended to return them to their pre-offense functional state (Button et al., 2022). Offenders, often deprived of essential social skills, require structured exposure to processes such as education and skill development. Rehabilitation in this sense may include vocational, moral, religious, or technical training, often carried out within custodial environments.

When medical and psychiatric treatment becomes necessary alongside educational interventions, the concept of "rehabilitation and treatment" is applied. Ensuring community safety and facilitating social reintegration require such support systems (Mehrabad et al., 2009). The underlying premise is that offenders are not inherently evil, but individuals suffering from psychological or personality disorders, necessitating professional correctional care within specialized institutions and models—such as clinical or social support models (Azimi & Gholami, 2017).

In Islamic thought, rehabilitation encompasses more than the mere restoration of social status. It involves an inner moral transformation that becomes manifest in outward social behavior. The terminology and methods found in Islamic texts—such as *taubah* (repentance)—illustrate this emphasis. The Qur'an, in verse 32 of Surah Al-Ma'idah, defines crime as an offense against humanity, and views the criminal's moral rebirth as a transformative process. This perspective reflects Islam's deep commitment to rehabilitation as a divine objective, rooted in the mission of prophets—especially the Prophet Muhammad—who embodied the anthropological, sociological, and ethical foundations of criminal reformation.

To address the existing deficiencies, scholars and jurists have proposed four general categories of offender rehabilitation:

(a) Rehabilitation through punishment;

(b) Rehabilitation through custodial measures such as imprisonment;

(c) Rehabilitation through non-custodial, educational, or reformative penalties;

(d) Rehabilitation through non-penal means.

When reviewing the penalties assigned to economic crimes, it becomes evident that rehabilitation through current penal measures faces serious challenges:

- In cases such as those under the Law on Combating Disruption of the Economic System, punishment through death (capital punishment) eliminates the possibility of rehabilitation.
- In crimes such as money laundering, smuggling, unlawful appropriation, and tax offenses, penalties primarily consist of asset confiscation or monetary fines, which—despite the significant harm caused to public interest—lack rehabilitative value.
- Even in tax crimes, enforcement is often treated with leniency, resembling banking-sector policies on overdue loans, except in rare cases where imprisonment is imposed (which often does not correspond to the moral gravity of the offense).
- Disproportionate penalties, insufficient detection of offenses, and systemic corruption—especially involving high-level government actors such as ministers and MPs—undermine accountability. These actors' influence within

administrative and judicial institutions, coupled with the lack of private plaintiffs and the risk of retaliation, prevents proper prosecution.

- Crimes such as bribery often involve mutual benefit and are thus rarely reported or penalized. When discovered, such crimes may still be left unpunished due to collusion, political protection, or institutional decay.

The fundamental problem, however, is the disproportionality of sentences in general, which undermines their rehabilitative capacity. Due to the lack of special correctional policies for economic offenders, prisons have become centers for criminal networking and recidivism—rather than rehabilitation—especially when they mix white-collar offenders with hardened criminals (Imani et al., 2022). Moreover, alternative punishments (non-custodial) like those applied to offenses such as money laundering, smuggling, or unlawful appropriation do not possess the educational or corrective value necessary for offender reform.

Furthermore, according to Article 23 of the new Islamic Penal Code, such corrective and supplementary penalties are only applicable to offenses of sixth-degree severity or higher. Hence, many economic crimes—including smuggling, illegal holdings, and money laundering—do not meet this threshold and are excluded from such rehabilitative mechanisms.

Based on the previously discussed definitions of rehabilitation, re-education, treatment, and moral reform, it is clear that the current punishments for economic corruption lack the necessary characteristics to enable the social reintegration of offenders. They also fall short of achieving either general or specific deterrence. Therefore, a reorientation of criminal justice policy is required—one that meaningfully incorporates rehabilitation principles into the treatment of economic offenders.

### *2.12. Lack of Deterrence in Sentencing – Proposed Solution*

The term "deterrence" originates from the Persian verb *bāzdāshtan*, meaning “to prevent” (Moein, 2007), and in English corresponds to the term *deterrence*, which implies prevention, particularly through intimidation and threat. In its technical usage, deterrence refers to the discouragement or reduction of criminal activity, based on the realization by individuals that refraining from criminal acts decreases their likelihood of facing punishment (Azami, 2011, p. 8; Azimi, 2017, p. 88).

The doctrine of criminal accounting holds that the deterrent force of punishment depends on its severity relative to the benefits the offender seeks to gain. Ideally, the ultimate goal of criminal punishment is crime prevention—achieving a state in which no crimes are committed, no offenders need to be prosecuted, and no criminal justice institutions need to be mobilized, thereby avoiding the systemic inefficiencies and negative consequences that punishment can impose on both individuals and society.

However, while prevention is inherently proactive—aiming to stop crime before it occurs—criminal policy typically functions reactively, taking effect only after an offense has been committed. In a broad sense, any action that reduces or prevents crime may be considered a form of prevention. Therefore, punishment, restitution to victims, and individualized sentencing by judges may all be categorized as preventive tools.

**Proposed Solution:**

An effective criminal justice system, applying learned principles and structured sentencing, can play a significant role in crime prevention. Punishment must be sufficiently severe to outweigh the potential benefits of criminal behavior. To achieve this, three strategic objectives should be pursued:

(a) Eliminating the offender's capacity to commit crime;

(b) Reducing the offender’s desire or motivation to commit crime;

(c) Intimidating potential offenders from engaging in criminal behavior.

Meeting these goals requires a coherent penal policy aligned with the nature of offenses and offenders, upholding principles such as proportionality, certainty and consistency in enforcement, public condemnation of crime, and offender rehabilitation. Unfortunately, the absence of these elements in Iran’s current criminal policy has rendered it largely ineffective in deterring economic crime.

**Conclusion**

A thorough examination of the substantive challenges facing Iran’s criminal policy toward economic crimes reveals significant inconsistencies, ambiguities, and disorganization across legislative, judicial, and enforcement domains. As a result,

Iran's criminal justice response to economic crime falls short of an effective model for prevention, detection, prosecution, punishment, and rehabilitation.

The first section of this article highlighted the conceptual void surrounding the definition of economic crime. The absence of a unified legal definition has led to fragmented classifications, incoherent policymaking, and inconsistent judicial rulings. This conceptual gap restricts strategic policymaking and causes confusion among law enforcement and judicial actors.

The second section addressed legislative weaknesses. Iranian lawmakers have typically adopted a reactive and situational approach to economic crime, often enacting laws under economic crisis or social pressure. This has resulted in an unstable legal framework marked by frequent, sometimes contradictory, and hastily drafted reforms.

Further, in analyzing the enforcement mechanisms, it was found that the penalties prescribed for economic offenses are often not only non-deterrent but also grossly disproportionate to the gains of criminal activity. This misalignment violates the principle of proportionality and undermines deterrence—the cornerstone of criminal policy.

Ultimately, the lack of a comprehensive and cohesive national criminal policy toward economic crime has led to a system that is not only ineffective but sometimes even enables further corruption.

To address this, the following reforms are recommended:

- Developing a clear and comprehensive legal definition of economic crime
- Enacting consistent, specialized legislation
- Establishing expert adjudicatory institutions
- Training specialized economic crime judges
- Reviewing and strengthening enforcement mechanisms
- Implementing preventive policies rooted in economic transparency and social justice

Undoubtedly, success in combating economic crimes depends on a sound understanding of their multifaceted nature and on achieving institutional and strategic alignment across all components of criminal policy.

## Authors' Contributions

Authors contributed equally to this article.

## Declaration

In order to correct and improve the academic writing of our paper, we have used the language model ChatGPT.

## Ethical Considerations

All procedures performed in this study were under the ethical standards.

## Acknowledgments

Authors thank all individuals who helped us do this study.

## Conflict of Interest

The authors report no conflict of interest.

## Funding/Financial Support

According to the authors, this article has no financial support.

## References

Abdolmaleki, M. (2012). *Criminal Protection of the Banking System* University of Qom]. Qom.

Aghababai, H. (2007). New Strategies in Criminal Policy to Combat Corruption with Emphasis on Bribery and Embezzlement Crimes. *Mofid Journal*, *17*(61).

Altman, M. (2021). *A Theory of Legal Punishment: Deterrence, Retribution, and the Aims of the StateCY - London*. Routledge. https://doi.org/10.4324/9781003143352
Altman, M. (2022). *The Palgrave Handbook on the Philosophy of Punishment*. Palgrave Macmillan. https://doi.org/10.1007/978-3-031-11874-6
Ashworth, A. (2003). *Principles of Criminal Law*. Oxford.
Azimi, S. M., & Gholami, A. (2017). Technological Oversight in Situational Prevention of Economic Crimes and Its Challenges with Informational Privacy. *Majlis and Strategy*(91).
Benson, M. S., & Simpson, S. (2012). *White-Collar Crimes: An Opportunity-Based Approach*.
Button, M., Hock, B., & Shepherd, D. (2022). *Economic Crime: From Conception to Response*. Routledge. https://doi.org/10.4324/9781003081753
Farahmandfar, H. (2009). Legislative Requirements for Iran After Joining the United Nations Convention Against Corruption. *Kar Agha Journal*, *2*(7).
Garland, D. (1990). *Punishment and Modern Society: A Study in Social Theory*. University of Chicago Press. https://doi.org/10.7208/chicago/9780226922508.001.0001
Ghanad, F. (2008). Money Laundering in the Context of Information and Communication Technology. *Law and Politics*, *10*(24).
Ghorbani, M., & Bagheri, A. (2010). Market Manipulation in Securities. *Public Law Research*(1).
Honderich, T. (2006). *Punishment: The Supposed Justifications*. Pluto Press.
Imani, M., Farhoud, N., & Taheri Nasab, S. Y. (2022). Imprisonment and Alternatives to Imprisonment in Islamic Jurisprudence and Iranian Law. *Foundations of Islamic Jurisprudence and Law*(30).
Jalali Farahani, A. H. (2005). Electronic Money Laundering. *Jurisprudence and Law*(4).
Mehrabad, S., Mohammad, & Jahangard, M. R. (2009). Virtual Banking as a Means to Create a Sense of Security Among Military Personnel and Examining the Reasons for the Lack of Public Reception of Virtual Banking in Iran. *MILITARY MANAGEMENT QUARTERLY*(35).
Moein, M. (2007). *Moein Dictionary (Single-Volume Persian)*. Zarrin Publishing.
Mohaghegh Damad, M. (2019). *Reasoned Jurisprudence (Comparative Criminal Jurisprudence)*. Islamic Sciences Publishing Center.
Nourbaha, R. (2020). *Foundations of General Criminal Law*. Mizan Publishing.
Nourzad, M. (2010). *Economic Crimes in Iranian Criminal Law*. Jangal Publishing.
Pradel, J. (2009). *Comparative Criminal Law*. Mizan Publishing.
Saki, M. R. (2012). *Economic Criminal Law*. Jangal Publishing.