

**POLITICAL ECONOMY OF IRAN 1800-1979:
AN INQUIRY INTO THE NATURE OF THE RELATIONSHIP
BETWEEN THE STATE AND SOCIAL CLASSES
IN THE PROCESS OF SOCIO-ECONOMIC DEVELOPMENT**

**DISSERTATION SUBMITTED TO THE
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DEDICATION

DEDICATED TO MY BELOVED PARENTS



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GLOSSARY

<i>Abi Land</i>	Irrigated land
<i>Arbab</i>	Landlord; master
<i>Barzegar</i>	Cultivator; the lowest member of a <i>boneh</i>
<i>Boneh</i>	A team of peasants who grouped together to cultivate a specified amount of land
<i>Dang</i>	One-sixth part of a village
<i>Deimi Land</i>	Rainfed land
<i>Khaleseh or khalesejat</i>	State land
<i>Khordeh-malek</i>	Small-holder
<i>Khoshneshin</i>	A villager who did not have cultivation rights before the land reform; a landless villager
<i>Majles</i>	Assembly
<i>Malek</i>	Individual landowner
<i>Nasaq</i>	A cultivation right of the village land before the land reform; the lay-out of a village lands
<i>Nasaqdar or nasaq-holder</i>	A villager who had cultivation rights
<i>'omdeh-malek</i>	Big landlord
<i>Ra'yat</i>	A peasant who cultivated the land of a landlord in accordance with the local customs
<i>Sarraf</i>	Money changer
<i>Shah Man</i>	A unit used to measure the weight, equal to 13½ Lbs
<i>Shahi Land</i>	Owned by the Shah
<i>Six-dang</i>	Whole village or piece of land
<i>Tuyul</i>	Land assignment
<i>Vaqf or ouqafi land</i>	Land endowed for certain purposes, usually religious or charitable
<i>Vaqef</i>	Endower

Introduction:

The purpose of this dissertation is to inquire into the nature of the state with the different social classes in the process of socio-economic development of Iran. In other words, we would like to trace what has been the role of the various declining and rising classes in the development of Iran, as well as what has been the feedback of the development process on the social classes. The process of development of western countries reveals the distinct role of the various classes in the process of development. For the so-called developing countries, however, the issue is more problematical. The lack of enough and adequate research, the shortcoming of the data sources, etc., add to the ambiguity of the subject.

At any rate, the present thesis is an endeavour to imitate discussion pave the way with the hope that its deficiencies would be covered by the other researchers.

In studying the reciprocal relation of the state and social classes in Iran, I begin from the modern period of Iranian history, namely the early nineteenth century onward, through which a new process of interaction with the modern world developed in Iran.

The three chapters of this text have been designed as follows:

The first chapter covers the period of the nineteenth century and the first half of the twentieth century. We would explore the socio-political developments in this period, which culminated in the formation of the state in the last century. To understand what has happened to the Iranian society, in general, and to the social classes, in particular, it is necessary to

review the socio-economic development of Iran. In pursuing that, the dominant as well as effective role of the foreign super powers would be pointed out. It will be argued that the existence of this relation provided the ground for the bourgeoisie to emerge, resulting in a conflict with the national mercantile capital. In reviewing the land ownership, it will be highlighted that in Iran, land property was based on land assignment, which was quite different from the property relations which existed in feudal western Europe. Then, in pursuing the developments in the nineteenth century, the contributing factors to the growth of the working class, its migration to find job, the labour movement and its fluctuations will be reviewed. We will conclude the chapter by examining the declining position of the peasants.

The second chapter captures the period 1951-67. It begins with the establishment of the nationalist state and ends with the final year of the third development plan of Iran. This chapter, first, reviews the economic development of the period, pointing to the historical role of oil income in the Iranian economy, and its cessation during the years of the nationalist state. Then the general economic conditions of the period, affected by the liberal economic policies, devaluation, stabilization programme, land reform, as well as import-substitution industrialization, which ultimately led to the shift in the power bloc, will be discussed.

Subsequently, the expansion and fall of the national bourgeoisie as well as the comprador bourgeoisie, beginning from the era of nationalist movement and also during the post coup period will be discussed. Then, we review the conditions of the industries and labour force to uncover the

economic and also the political limitations faced by the workers in this period. To explore the dominant agrarian relations, we will examine the landlord-tenant relations, explore the concentration of land among the landlords and its effects on politics. The decline of the power of the landlords in the villages through the three steps of land reforms will be discussed, together with the overall impact of these reforms on the Iranian economy.

The third chapter covers the period 1968-1977, which witnessed the implementation of the two five-year development plans, namely, the fourth and fifth plans. Here, first the effect of the oil sector on the various socio-economic variables will be reviewed. We shall see how the oil income, especially after the abrupt oil price increase, has undermined the socio-economic as well as the political development path of Iran. Then, the expansion of the dependent bourgeoisie in the fields of commerce, industry, finance, agriculture and bureaucracy along with its origins and characteristics, as well as the declining position of the bazaar and petty bourgeoisie will be considered. The total shift of power bloc will also be dealt with.

The position of the working class, its development, background, class consciousness, wage level, and recourse to strikes will be discussed in the later part of the chapter. We shall also see the impact of the land reform programmes on the rural social classes one decade after its implementation. The strategy for accelerating the pace of development of the agricultural sector will also be reviewed.

CHAPTER I: FROM 1800 TO 1950

Prologue:

Most analysts hold that any analysis of the recent events of the Iranian Society should focus mainly on the modern history of Iran, from the nineteenth century. Others, however, argue that the characteristics of modern Iran can not be comprehended independently from the Iranian premodern history.⁽¹⁾ Owing to the limitation of space we shall, in this study, adopt the first of these approaches, and focus exclusively on the recent history of Iran, namely, from the beginning of the nineteenth century. By the modern period, I simply mean the period which witnesses the process of interaction between the old historical system of Iran with the penetration of the western influence, accompanied by the integration of Iran into world market system.⁽²⁾ Besides, in this period, the western influence acted as a stimulus for the disintegration of the nomadic tribal dynasties and for the development of production forces, though to a limited extent.

The modern period of Iranian history is marked by several phases. The first phase covers the sub period 1800–1908 in which Iran was a quasi–colony with little participation in world market. A major shift occurs however with to the Constitutional revolution (1905) and the production of oil (1908). It is followed by the growing participation of Iran in the world market, the fall of the Qajar dynasty (1926), and the start of Pahlavi rule. The period is also accompanied by growing oil production, industrialisation and modernisation. It witnessed the social uprising (1941–53) leading to the rise of the nationalist government of Dr. Mohammad Mosaddeq (1951). The period continued with the fall of Mosaddeq (1953),

faster integration into the world market, land reform expansion of the economy, rapidly rising oil revenues, the Islamic Revolution and its subsequent developments.

The Development of the Economy:

The nineteenth century witnessed a doubling of the population, a rise in urbanization, and considerable agricultural expansion. The second half of the century in particular was marked by significant expansion of trade, communication, and modern western education. Nevertheless, famine was the dominant feature of the nineteenth century Iran.⁽³⁾

The attempts of the despotic regime to fill its empty coffers impoverished the large class of taxpayers, the peasants. The lack of investment in manpower and equipment weakened the economic position of the country, driving it under foreign influence. The customs services were run by foreigners without any effective governmental supervision. The structure of the government expenditure was an expression of the backwardness of the economy and country. Two-fifth of the budget were allocated to the army (with a very low fighting capacity), one-fifth went to payment of pensions (actually an organised bribery for the higher officials and the nobility), one-fifth was spent by the Shah's court and his tribal relatives (the Qajar tribe) and the remaining one fifth, or even less, was allotted to all the economic, social and administrative functions of the state.

In nineteenth century Iran, the fiscal policy of the state, that is the way the surplus extracted from the agricultural sector by the state, had a considerable effect on the development of the agricultural sector on one hand, and the well-being of the peasants on the other. The available evidence indicates that the government failed to invest the surplus in the public works such as irrigation systems or roads to facilitate increases in

the production of crops and their proper marketing. Furthermore, lack of security among landholders owing to the state's aggressive policy against private property contributed to the continuation of the agricultural backwardness. On the whole, the negative measures and policies of the state did not provide the ground for peasants to raise firm productivity. On the other hand, the landowners' fear of confiscation led them to take the surplus out of the sector rather than invest in it for developing the production conditions. As a result, the conditions were not favorable for the surplus to expand and get transformed to capital.

In the second half of the nineteenth century, the existing industry was in the hands of foreigners and minorities. Furthermore, several factors exerted an adverse impact on commerce and industry. The most important of these could be counted as follows: the influx of foreign products, general economic depression, the depreciation in the value of the *kran* (the then currency unit of Iran), political unrest, and the lack of adequate means of transportation and communication.

During the same period, in the export section, just three branches, namely opium, raw silk and rice contributed for 55 per cent of the total export value. Although low living conditions prevailed in the country, a considerable amount of goods such as cotton, silk, sugar, etc., was imported to Iran. It met the demands of the wealthy classes for luxury goods as well as that for cheap commodities not internally produced. In the meanwhile, the most interesting point in the foreign trade section was that Iran became a county for primary exports, while it simultaneously imported the processed commodities of the same primary goods. Iran, actually, even

needed to import those manufactured commodities which had been previously produced by local industry and crafts, but which were not able to compete with the influx of the cheap European manufactured goods. "Finished cotton, wool and silk products constituted 80% of total imports."⁽⁴⁾

These trends continued into the twentieth century as well. The Iranian population increased from 10 million in 1900 to 18 million in 1950 (table 1.1), an increase that equaled the total increase in the whole of the previous century. Putting it differently, the annual growth rate of population changed from 0.6 per cent at the beginning of the century to 2.4 per cent at the middle. The proportion of total population living in urban areas rose from 21 per cent in 1900 to 28 per cent in 1950, indicating the expansion of urban areas and inhabitants. This was mainly due to rural–urban migration.

Table 1–1: The population of Iran and its urban proportion, 1900–50

Year	Population (millions)	Year	Population (millions)	Year	Population (millions)
1900	9.9	1920	11.4	1940	14.6
1905	10.2	1925	11.8	1945	15.7
1910	10.6	1930	12.6	1950	17.6
1915	11.0	1935	13.5		

Source: Bharier, (1971), PP. 26,27.

As economy underwent substantial transformations becoming a major oil exporter and enjoying increased oil income, government got the opportunity to formulate policies to stimulate economic growth. Besides, modern banking, new industries were introduced and the foundations for a

modern capitalist economy were laid down. As a result, the proportion of agricultural workers in the labor force decreased from 90 per cent in 1906 to 85 per cent in 1926 and 75 per cent in 1946. In contrast, similar figures for large industrial establishments were 0 per cent, 1 per cent and 2 per cent. In other words, the number of the workers of these establishments expanded from 30 thousands in 1926 to 94 thousands in 1946.

Gross domestic fixed capital formation increased almost fourfold during the first half of the century. In constant 1965 market prices, it increased from 5.3 billion Iranian Rials during 1901–10 to 24.0 billion Rials in 1950 (table 1–2). Some new taxes and increasing oil royalties were two chief sources of contributors to finance for government enterprises, including for the completion of the Iranian railway. The strong association between increased capital formation and increased proportion of imported capital goods which existed all through these years is particularly evident in certain periods, such as during the era of the founder of the Pahlavi dynasty.

Table 1–2: Gross Domestic fixed capital formation, 1900–50 (billion Rials)
Constant 1965 market prices

Year	Investment	Year	Investment
1900–10	5.3	1935	13.6
1911–20	6.3	1940	9.8
1925	7.2	1945	9.9
1930	14.2	1950	24.0

Source: As for table 1–2, P. 50.

By the turn of the century, the only explicit state development activity in the realm of the domestic economy was granting concessionary rights to foreigners to utilize the existing natural resources. The D'Arcy oil concessions, the Reuter banking concession, the Liazanov fisheries concession, the Indo-European company's telegraph concession, and various rail concessions were among these projects; and these faced criticism for preparing the ground for foreign exploitation. Such concessions were not integrated into overall development program of the country, but directed towards the benefit of the foreign countries as concessionaries.

As early as the second decade of the century, the government began to intervene more consciously for bringing about economic development. In 1911, an American mission arrived in Iran for three years to propose a programme of financial reforms. After a year the mission was dismissed because of the Russian opposition to its activities. In 1922 another American mission was appointed to reorganize and centralize the nation's finances. The mission proceeded also on a reconstruction of irrigation channels and introduced some agricultural implements. May be the most important effort of the government relates to the prevention of the 1920s famine by transporting grain from surplus areas to shortaged ones. Success in this scheme, rationalization and centralization of government finances along with increased oil income and cancellation of debts to Russia, provided the necessary ground for development purposes. Besides, granting permission for duty-free import of machinery and equipment and the establishment of the National Bank of Iran revealed the developmental intentions of the government.

By 1950, Iran became the fourth largest oil producer in the world. During this period, the total crude and refined oil export of Iran amounted to 1200 million pounds, of which only a very small portion (10 per cent) was paid to the producing country (Iran) in the form of royalties, taxes and share of profits (table 1–3).

Table 1–3: Iranian Government income from Oil Export: 1911–51

Million pounds

Period	Government Income
1911–19	0.335
1920–30	10.5
1931–40	26.9
1941–51	82.0

Source: Amuzegar, J. and M. Ali Fekrat, (1971), P. 16.

Since the oil sector was insulated from the other sectors of the economy, the direct influence of the operations of Anglo–Iranian Oil Company on the Iranian Economy was minimal. During the first half of the twentieth century, Iran remained mainly an agricultural country. Despite the existence of cheap labour, vast amounts of natural resources, and other favourable circumstances, no strategic production or processing industry (other than oil–related ones) was established.

The backward linkages were confined merely to labour force. Regarding employment opportunities, the company’s operations had a very marginal impact on total employment. More specifically, out of an estimated

7 million workforce in 1949, merely 50,000 or less that 1 per cent were hired by the company. Alternatively, it was less than one-fourth of overall industrial labour force.

The impact of the company on the economy, from the point of view of forward linkages was small. It never sought, directly or indirectly, to establish the by-product industries linked to oil production. The company even kept all its reserves, deposits and foreign – exchange earnings in the foreign banks. Thus, the linkage actually was confined to the sale of oil for domestic consumption. Interestingly enough, even a major part of this consumption was later supplied through oil imported from Russia, even an increasing amount of Iran's own oil was exported abroad.

While the oil sector, by contributing to an opening up of the Iranian economy to international trade had important indirect effects, its indirect effects were limited, at least during the first half of the century. It did not have a substantial impact on total government revenue, and it did not have much integration with the rest of the Iranian economy.

The Formation of the State:

The Iranian State, traditionally, was an absolutist state. It was marked by an absence of private property; what existed instead was monarchical state property. Having possession of the chief means of production, land, Persian absolutism granted land assignments. There was, however, no contract between the ruler and the assignee, which means that the grant had a temporary character. "Besides bureaucratic Land-holding, absolutism also meant the interference of the state in trade and commerce. The *bazaar* guilds, originally imposed from above, were channels for the administration of the bazaars, which were subordinated to the absolutist state."⁽⁵⁾

External and internal causes, however, led to the disintegration of the absolutist state structure during the rule of Qajar dynasty (1796–1925). Following the defeats of the Qajar dynasty in two major wars with Russia, there were two new developments which contributed to the disintegration of the tribal dynasty: (i) the growing penetration of foreign influence and (ii) attempts by the rulers to build a modern army. During this period, independent social classes began to emerge. Due to the profligacy of the Qajar Kings, the treasury became empty, even as the state felt an urgent need for money to purchase western armament to defend itself. The only possible way out was the systematic selling of state lands, resulting in a growing power of the landed classes, the mercantile bourgeoisie and the clergy.

One significant peculiarity of the Iranian economy is relevant here. In the nineteenth century, the economy was predominantly based

upon subsistence agriculture, which continued to last, to a considerable extent, up to the present time. Until the adoption of modern ways of organizing the government and the military, the constraints imposed upon the state by subsistence agriculture were never felt. But when the new changes in the administration was introduced, it was no more possible to adopt these new processes on the basis of subsistence farming. But, agriculture continued to function on a subsistence basis, a fact which gave rise to a perennial fiscal crisis in the nineteenth century. Therefore, the only avenue open to the government to make ends meet when confronted by a fiscal crisis, was the sale of state lands. As a result, the bureaucratic land-holding began to dissolve and the state started to finance itself through land sales, and also by becoming increasingly dependent upon foreign powers. Besides, the expansion of foreign trade arising from the incorporation of the country into capitalist system resulted in prosperity of merchant class.

The victory of the Constitutional revolution was the result of the alliance among several classes which subsequently occupied the seats of the first session of the parliament in 1906. Of the representatives for that session, 21 percent were landlords, 37 per cent were from the *bazaar* guilds, 17 per cent were from the *ulama*, and 25 per cent were state employees and professionals. One of the early acts of the parliament, dominated by the new power bloc was the abrogation of bureaucratic land-holding and its substitution by private property in land. This act resulted in a majority of villages coming under landlord ownership, changing the status of the most peasants to that of landless share-croppers. Gradually, the

landed class became the dominant force and parliament witnessed some change in the composition of the deputies. More specifically, by 1921, the share of the landlords had increased from 21 to 50 per cent, while that of guilds had decreased from 37 to 5 per cent, and of the *ulama* from 17 to 13 per cent; the share of professionals, however, rose from 25 per cent to 31 percent. these developments were mainly to the benefit of the landed magnates and the loss of the *ulama*. The composition of the fourteenth session of the parliament (1944) reveals the dominant forces in the power bloc: 59 per cent of the deputies belonged to the landed class, 11 per cent of them were from the bazaar, 27 per cent of them represented the upper bureaucracy (partly landlords), 2 per cent from the *ulama* and 1 Per cent from the lower classes.

The Creation of Bourgeoisie:

At the beginning of the nineteenth century, Iran faced two exploitative empires, one in north (Czarist Russia) and the other in the south (Britain). To exercise its expansionism, Russia attacked the Iranian feudalists forming the Qajar dynasty. The Iranian army got engaged in two series of wars with Russia ending in its decisive defeats and the subsequent Treaty of Golestan in 1813 and Treaty of Torkamanchai in 1828. Accordingly, commercial protocol consisting of considerable concessions was imposed on Iran.

The British, in turn, expanded their political as well as commercial influence in Iran, imposing various capitulations through the Treaty of Paris in 1857. "In subsequent periods, with the growth of capitalism in Europe and the dawn of the age of imperialism, Iran entered the era of foreign concessions. This was also the start of the age of foreign investment, i.e., the export of capital by imperialist countries."⁽⁶⁾ But since the expansion of colonialism benefited the monarchs and feudal rulers through import duties, royalties and bribes, actually there did not exist any real contradiction between feudalism and colonialism.

The activities of foreign capital in Iran had a double effect: on the one hand, it spread the foreign influence all over the country; on the other, it paved the way for expanding the Iranian bourgeoisie. Besides, the increase in the commercial relations with capitalist countries facilitated the growth of commercial bourgeoisie.

The process of class stratification of Iranian society, the years of famine, and increased demand for certain agricultural crops (cash crops)

promoted and accelerated the development of the merchant class. Frequently, it was rich landlords settled in town and also high government officials who were involved in trade. They kept different products such as wheat, barely, peas, lentils, cotton, wool, butter etc., including poppy seeds in storehouses and used to sell these when prices shot up during shortages.

Along with the development of trade in the country, the merchants gained more importance and influence. Gradually, at the turn of the century, some of them specialized in commodity trade and even competed with European and Russian merchants.

Being actively involved in economic activities in nineteenth century Iran, the merchants were engaged in long distance and relatively large scale domestic and international trade. The economic position of the merchants was not the only factor contributing to their class identity. Iran's traditional (religious and national) culture was also an important element underlying the class identity of the merchants. These two factors also provided ideological dimensions to their conflict with the dependent bourgeoisie. The merchants were more educated compared to other classes, sometimes ninety percent of them could read and write. They also enjoyed the reputation of being honest and sincere.

The characteristic of merchant capital was, actually the conversion of money to commodity by purchase and that of commodity to money by sale. Therefore, the domain of merchant capital was only confined to the exchange and not the production process.

Following improvements in the economic conditions of the peasants in the early decades of the nineteenth century, trade increased rapidly because of the growing security and greater attention paid to Persian Gulf trade by the Indian government. More specifically, trade in Persian Gulf doubled between the second and the sixth decades of the nineteenth century. Trade with India changed the characteristics of the agricultural economy from being domestic-oriented to one meeting foreign market demand. Almost in the same period, Russian trade with Iran also doubled. On the whole, the total trade increased by threefold during 1800–50 and another fourfold between 1850 and 1914, amounting to a twelve times increase for the period under review.

The tradable goods included industrial ones for import and farm products as well as traditional luxury items for export. Since foreign businessmen were active in local trade, it brought about the first rivalries between them and the local bourgeoisie for controlling these markets. Granting concessions to foreigners resulted in the growth of the bourgeoisie; it also increased the contradiction between the latter and the former. Therefore, along with its augmented desire for investing in industries and mines, the Iranian bourgeoisie demanded a reduction in foreign business activities. Its demand to abrogate the Tobacco Monopoly concession granted to a British company is a perfect example of this contradiction.

Along with the dominance of the landlordism, two contradictory groups of forces were engaged in the formation of a national market. The process of the peasant impoverishment, destruction of small producers, the

development of monetary relationships in the country and specialization of various regions constituted the positive factors. And the negative factors were the dominance of subsistence economy in the rural areas, the division of industry from agriculture and the weakness of capitalist mode of productions. This weakened the process of capital accumulation in the industrial sector.

Beginning from the 1880s, several national companies were established in the various provinces of the country, carrying out vast business in the internal and external markets. Actually, it was the first steps of the budding national bourgeoisie to challenge foreign capital.

At the beginning of the twentieth century, the Iranian bourgeoisie still had a nationalist character. The lack of security for capital as a result of the domination of feudalism, and the influence of foreign capital, had a restricting effect on the commercial bourgeoisie. It was therefore, unable to transform itself into industrial bourgeoisie; it only remained confined to the ownership of land. The bourgeoisie consisted of other elements as well. The situation promoted the comprador character and tendencies in a part of existing bourgeoisie. The comprador element by involving itself in the import of industrial goods and sometimes the export of locally produced commodities amassed considerable capital and profit. The other aspect was the emerging financial bourgeoisie which was interested in widening its sphere of investment.

Meanwhile, the bourgeoisie had its contradictions with foreign capital. It got involved in mining, importing factories, and even building infrastructure facilities (such as roads, railway, telegraph line) to facilitate

exports. It also competed with foreign banks which had earlier acquired the concession to issue bank notes and to mint coins. This bourgeoisie was unwilling to grant concession to foreigners, demanding a reduction in the domain of their activities. What it needed was actually the technical help of the European (other than the British and the Russians) to develop the technical strength of the newly initiated projects. Therefore, the economic contradiction of the Iranian bourgeoisie vis-a-vis foreign capital gave it a nationalistic character.

There were grounds for potential conflicts between merchants and craftsmen. But even though the economic situation was ready for such conflict, during the nineteenth and twentieth centuries capitalist development of Iran witnessed little conflict between the former and the latter. Actually, the foreign economic penetration strengthened this alliance leading to a coalition in the political scene in this period. Putting it differently, one characteristic of the class politics of Iran was the coalition between the merchants and the petty bourgeoisie against the dependent bourgeoisie and international capital.

It was from the second quarter of the nineteenth century that the internal market witnessed the growing competition of European and Russian companies with Iranian merchants and crafts guilds. Gradually the latter lost ground to the former.

Furthermore, the high taxes on the merchants as compared to Europeans, and the concessions granted to the foreigners undermined increasingly the merchants and intensified the economic pressure on them. Loosing their control over the domestic market, the merchants, gradually,



became dominated by foreign companies by the end of the century. This critical development not only seriously affected the Iranian trade but also had destructive effects on industry.

The deterioration in the economic position of the merchants from being a competitor to becoming an agent of foreign capital as well as the decline in their reputation as a result of their dependence on the European firms created among them an anger against foreigners and the state. Besides, this process provided the grounds for merchants and petty bourgeoisie to have a common political platform, strengthening the political position of *bazaar* in the coming movements. For instance, since the merchants controlled foreign trade in Tobacco, they and retail traders organized the movement against Tobacco Concession in 1890-92.

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Gradually, the merchants created syndicates to set the prices and control the market. Merchant capital, now, was no more an intermediary, but actively involved in buying goods from small producers and reselling them. A very considerable part of this capital was financed by *sarrafs* (money changers) whose capital, along with that of the merchants engaged in real estate, farming and trading in cash crops (such as cotton, dried fruits, cocoons, silk, etc.), for the world market. This system was transformed into the modern banking system during the late nineteenth and twentieth centuries.



Nevertheless, the institutions formed by *sarrafs* could not succeed in satisfying the demands of the Iranian economy. The reason for that, actually, was the obstacles imposed by the (British) Imperial Bank and (Russian) the Discount and Loan Bank. The negative effect of these two

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banks was not restricted to that. Their domination over the financial system of the economy had adverse effects on the government's finance and the rate of the Iranian unit currency (*Kran*).

The lack of the normal conditions for the development of the national bourgeoisie, the increasing penetration of foreign capital and the spread of the feudal relationship, directed the bourgeoisie to invest in land and farming to produce cash crops whose demand in the world market was buoyant. Therefore, the capital of internal bourgeoisie constituted the main source for the production of the commodities (raw materials) favoured by the industries of the capitalist world. The period between the 1880s and the first World War, was a favourable one for the primitive accumulation of capital in Iran, although directing it to the orbit of the world capitalism.

The main factor contributing to the emergence and development of the foreign capital in the country was granting concessionary rights to the foreigners. Put in other words, the system of capitulations forced upon Iran provided numerous privileges and advantages to foreigners to carry out substantial activities in the trade sphere. Discrimination against domestic merchants was rampant: various taxes were levied on their operations while their foreign competitors were exempted from them. The development of the Iranian bourgeoisie required the destruction of the feudal order, the removal of the oppression of the governors and their officials, the growth of trade and economic development. This had to be a long-drawn out process. By participating in the Constitutional revolution, the merchants and craftsmen demanded democracy and nationalism, by which they could overcome the foreign domination. Therefore, capturing

the government and using it to expand capitalist relations, was the objective of the bourgeoisie in taking part in the constitutional revolution of 1905. The revolution gave a share to bourgeoisie in the government and reduced the domination of aristocracy on it.

After the victory of the revolution, the merchants and guilds enjoyed a considerable share of the seats of the parliament (37 per cent). But the guilds lost their power very soon; their representation in the parliament fell drastically.

Later, the bourgeoisie got split. One section favoured a continuation of the revolution and remained among the masses. The other part, consisting of larger bourgeois elements, established the main cells of the comprador bourgeoisie, cooperating with foreign capitalists and the feudalists.

In the early twentieth century, the development of national industry remained weak. The rapid political changes, the modification of Iran as a war zone, and the financial corruption of the ruling classes leading to the loss the state sovereignty resulted in an enfeeblement of the position of the budding bourgeoisie striving to invest in the national economy.

Reza Shah's economic policies favoured the large merchants and landlords, while weakening the artisans and retail traders. Income tax and consumer goods tax as well as other policies made them angry and the establishment of modern factories destroyed many handicraft workshops. Therefore, economic centralization paved the way for a weakening of the *bazaar* organizations.

The Genesis of the Working Class:

Until the second half of the nineteenth century, most of the Iranian wage earners were employed as unskilled workers in agriculture, traditional handicrafts and services. It was during the late nineteenth and early twentieth century that the modern industrial working class began to appear in the country.

A glance at the existing documents and literature reveals that the peasants have formed the skeleton of the primitive Iranian proletariat. According to the history of the operation of the British oil monopoly in the southern Iran, it was the peasants of that area, together with the nomads and the population of the inner provinces who constituted the main source of the unskilled labour force of the company.

The involvement of the unskilled nomads in the industrial operations may be regarded as a step forward in the path of the socio-economic development of Iran, but there are also some criticisms that this process has been imposed from above: putting it differently, the British imperialists blocked the development of the productive forces of the region, forcing the people to seek job in the company.

Generally speaking, the foreign trade expansion and increasing inflow of the foreign capital had differing effects on the different segments of the workers. While the development of the foreign market for the carpet industry had a positive effect on its expansion, the increased importation of the machine made materials led to the decline of textile production. The crafts having a local market and not being threatened by foreign influence grew moderately.

One contributing factor in the constitution of the Iranian proletariat, was the incessant oppression by the administration and feudals. Previously, the peasant used to migrate to the other ports of the Persian Gulf to work. Following the establishment of the Oil Company, and along with heavier feudal yoke leading to the loss of the peasants' land, their influx to work in this industry increased.

The other factor behind the transfer the unskilled labour to the oil industry was the landlessness of the peasants who constituted a high percentage of the rural population.

An important consequence of the origin of the industrial workers, and the specific characteristics of industry in Iran, is that the labourers did not cut off their ties with the village and farming. This was natural since a majority of the new workers had their families stayed back to the village. In addition, one more factor contributed to this process: the seasonal involvement of the workers in the industry. As a result, the formation of a perpetual cadre of workers was impeded. This conclusion bore significant outcome even in the future.

The second most important source forming the working class of Iran was the handicraftsmen. The penetration of foreign goods into the internal market had destructive effects on the native crafts. The only commodities that survived were the ones in which foreign capital was interested (such as carpet, opium,...). As a result the workers of other branches were left as unemployed in the streets. It should be noted that since 75 to 80 percent of the total population consisted of peasants, the

number of the unemployed craftsmen was much smaller than that of peasants ready to sell their labour.

The other important source forming the working class of Iran was the urban poor, consisting of a considerable part of the urban population. A look at the bazaars and streets of the towns revealed that poor unemployed people were looking for a job to be employed.

The reports and different sources indicate that in the first decade of the present century, the number of the urban workers totaled some 126000. Of these, only 9000 (7.2 percent) were employed in the newly emerging industrial sector and 7000–8000 involved in the Anglo–Iranian Oil Company. Of the remaining, 60000–70000 worked in rug weaving establishments, 20000 worked in textile workshops, 10000 in traditional crafts, 4200 in the Caspian fisheries, 4000 in the Persian Gulf pearl fisheries, 5000 in home–based workshops, 4000 as boat operators and dockers, 3000 as porters, 3000 in railway construction, 2000 in metal workshops, and 2100 in mining and the like. Foreign workers consisted of over 5000 from Russia, some Arabs and Indians, as well as a few skilled workers from France, Germany, Italy, Spain and Canada.

Besides, the women and children constituted a fundamental part of the labour force with wages well below those paid to males. This was true not only for the traditional industries, like rug weaving, but also in the modern enterprises such as silk factory.

Iran also continued the migration of hundreds of thousands of workers who were forced to go to other countries to seek job. This migration is indication of the limited development of capitalism in Iran in

contrast to the accelerated development of capitalism in Russia. In Iran, the difficult and complicated circumstances of the growth of capitalism led to a shortage of the demand for labour compared to the supply of the working force. This condition, at the end of the nineteenth century and the beginning of the twentieth could be explained by the strength of feudalism in Iran, low level of development of productive forces and the slow formation of the local bourgeoisie, all determining the ultimate destiny of the industrial development of the country. In Russia, the favourable conditions for development of capitalism resulted in a severe demand for cheap labour, resulting in the migration of tens of thousands of Iranian workers to that region.

Although the data are fragmentary, there are several reports pointing to the massive migration of some hundreds of thousands from different parts of Iran to foreign countries to seek jobs, of which the majority returned home later. These regions included mainly various parts of the Russian Empire, Karachi, Muscat, India and Turkey, of which just Russia provided industrial jobs for the majority of the migrants. "Impoverished peasants, handicraftsmen, and persons from other strata of the Iranian population"⁽⁷⁾ constituted the bulk of the immigrants.

While the migrant labourers participated in the Russian revolutions of 1905 and 1917, the skilled and unskilled workers began to organize unions or struck for higher wages. In 1921, the 9 existing unions in Iran were brought together by newly formed leftist parties to establish the Central Council of Federated Trade Unions (C.C.F.T.U.). In the same year, Iran witnessed the first significant labour movement. But, the movements,

nevertheless, reflected the economic backwardness of Iran as well. Even, later in 1925, out of thirty two existing unions, twelve represented *bazaar* wage earners, workshop employees, and traditional craftsmen; eight represented clerks, professionals and technicians; six represented unskilled workers, such as porters, labourers, and domestic servants; and only six represented modern wage earners, such as printers, mill hands, and oil workers.

Very soon, in 1926, after crowning himself, the Reza Shah (the founder of Pahlavi dynasty) heavily interfered in the labour movement. Such interference included banning trade unions, outlawing the communist and socialist parties, handing out heavy sentences to anyone advocating socialism and arresting the labour organisers. But even though these measures impede the labour movement in the short-ran, Reza Shah's efforts on modernizing the economy and creating an industrial working class, actually contributed to a strengthening of the labour movement in the long run. In his attempts to modernize Iran, Reza Shah launched the trans-Iranian Railway, built new ports, 12000 miles of road and, most important, several new factories. In 1925, Iran had fewer than 20 modern industrial plants, of which only 5 were large, employing more than 50 workers. In contrast, in 1941, the number of modern factories rose to over 346, around 200 were small. The remaining 146 consisted of 36 textile mills, 11 match factories, 8 sugar refineries, 8 chemical plants, 2 modern glassworks, and 5 tea and tobacco processing plants. These developments resulted in an increase in the number of the workers employed in the large modern factories from less than 1000 in 1925 to more than 50000 in 1941.

Two factors contributed in the further expansion of the industrial proletariat. The first was the growth of the oil labour force from 20000 to 31000. The second was the merger of the small workshops to form larger ones employing over 30 workers. Therefore, by 1941 wage earners in all of the large modern establishments (including oil installations) numbered over 120000 workers consisting of around 10000 in small modern factories, 2500 in the Caspian fisheries, 9000 in the railways, 4000 in the coalfields, 4000 in the port docks, and a very large number in seasonal construction. "A modern proletariat had been born."⁽⁸⁾

This new working class was heavily exploited, the workers were living in miserable conditions. Long working hours, low wages, heavy consumer taxes, and slave-like conditions of work were pervasive. As a result, the discontent of the workers, in the absence of unions, was reflected through underground activities and wildcat strikes. But it was not costless for them. Normally, the strike of the workers of the large establishments for higher wages, an eight-hour day, paid vacations, independent trade unions ended with clashes with police, the arrest of even several hundreds of the strikers, imprisonment of the leaders and organizers for even a decade.

The Anglo-Soviet invasion of August 1941, destroyed the Reza Shah's despotism through his forced abdication, opened the doors of the prisons and released the political prisoners including veteran labour organizers.

Very soon, the labour organizers with radical intellectuals attempted to revive the trade union movement. By May 1944, the labour

organizers were strong enough to declare the formation of C.C.F.T.U. Focusing on economic demands, the leftist leaders decided cleverly not to emphasize ideological issues. It became, actually, an effective tactic in absorbing the workers of a traditional–religious society into the unions. Then all of the workers were invited to join the union regardless of their political views. “The C.C.F.T.U. program avoided political issues, focusing on economic concerns, especially an eight–hour work day; Friday pay; double pay for overtime; two weeks’ paid vacations; pensions, sick pay, an unemployment insurance; equal pay for men and women doing the same jobs; ban on child labor; safety measures; safeguards against arbitrary dismissals; and the right to strike, form unions, and bargain collectively. These remained the main goals of the labor movement for the next decade.”⁽⁹⁾

Among twelve leaders of the central committee of the C.C.F.T.U., there were three railwaymen, two white collar workers, one professor, one lawyer, one cabbler, one tailor and two factory workers. One of the latter, as the first secretary of C.C.F.T.U., studied agriculture, taught literacy courses, acquired considerable experience in organizing unions, and eventually took employment in a factory out of political commitment. It seems to me that this combination of high–ranking leaders reveals the superior place occupied by non–modern industrial labourers, (including the traditional workshop workers) compared to that of the newly established modern plants. The energetic traditional labourers and workshop owners reflected the depth of the class consciousness among them.

By 1946 the C.C.F.T.U. claimed having 186 affiliated unions and a total membership of 335000, of whom 90000 were in Khuzestan, 50000 in Azarbaijan, 50000 in Tehran, 45000 in Gilan and Mazandaran, 40000 in Isfahan, 25000 in Fars, 20000 in Khorasan and 15500 in Kerman. The C.C.F.T.U had unionized 75 percent of the industrial labour force and formed cells almost in all of the large industrial plants and many smaller workshops and factories. The 186 affiliated unions consisted of the most sectors of the urban economy. The workers covered included industrial wage earners such as oil workers, textile workers, railwaymen, tobacco processors, and coal miners; skilled nonindustrial wage earners, such as printers, garage mechanics, and truck drivers; skilled traditional craftsmen, notably carpet weavers; relatively unskilled wage earners—for example, construction workers, dockers, municipal road sweepers, and house painters; service employees, especially restaurant waiters, clothes cleaners, and cinema attendants; professional and white collar associations, such as the Syndicate of Engineers and Technicians, Association of Lawyers, and Union of Teachers; wage earners in the *bazaar* workshops, particularly tailors, carpenters, and shoemakers; and even some shopkeepers, such as pharmacists, confectioners, and newspaper sellers.

Reaching a peak in 1946 and organizing some successful strikes, the labour movement began to suffer a setback in the later part of the year. With change in the government, some restrictions were imposed on the movement along with the arrest of the labour organizers. The repression

continued through 1947–48 and intensified in Feb 1949 after the assassination of the Shah, leading to the outlawing of the C.C.F.T.U.

The relaxation of the police control provided the ground for C.C.F.T.U. to become an active force, but this time under the cover name of the Coalition of Workers Syndicates. Following several strikes, the unions raised their economic demands, and combined these with the political demands for the nationalization of the entire oil industry, which Dr. Mosaddeq's national front was articulating. During the new premier era, the labour movement developed more and by 1953 it had surpassed its 1946 peak.

Regarding the obstruction of the Imperial court, and the activity of some suspicious elements in the framework of unions, the political activists supporting the new nationalist government warned that economic strikes would weaken the state vis-a-vis the Shah. At last, the premier Dr. Mosaddeq, to decrease the inflation and cut expenditures decided a law for social stability restricting wage increases, and examining union organizations.

A part of the strength of the labour movement in Iran, in the period under study, stemmed from the economic grievances of the working class. Intensified during the Reza Shah period, these grievances worsened in 1940s owing to spiraling inflation. As the National Bank of Iran reports, the cost of living index rose from 100 in 1936–37 to 163 in 1940–41, jumped during the war period to 1030 in 1944–45; decreased slightly in the post war period to 946 in 1949–50. Since the employees had no chance to adjust their wages with inflation, therefore they struggled to get their aim

through protests and boycotts. Actually, the number of major industrial strikers (with 50 workers or more) closely corresponds to fluctuations in the cost of living index. There were 3 major industrial strikes in 1941; 37 in 1942; 28 in 1943; 57 in 1944; 44 in 1945; 183 in 1946; 8 in 1947; 5 in 1948; 4 in 1949; 5 in 1950.

The other factor contributing to the growth of the labour movement was political freedom. Therefore the years facing mass unemployment and police repression, were unfavorable for the labour movement. During the post war period, recession prevailed the economy because of the adjustments of the Allies and the Anglo-Iranian Oil Company with the peacetime needs. Facing a huge amount of foreign imports, the manufacturers reduced the level of the production. With the intensification of the unemployment problem as well as the fear of losing the job while thousands were looking for work, the labour movement got weakened. This trend reversed when the nationalist government came to office deciding to decrease imports and increase production.

Furthermore, the martial law imposed on the major industrial plants in 1947-49 left its negative effect on the labour movement, previously shown in the form of the decreased number of the major industrial strikes as a proxy. This trend was also not reversed until the new government came to power.

The labour movement in Iran, in effect, suffered from two structural weaknesses. First the separation of the trade unions from the armed forces, which remained loyal to the Shah. Second the small number of the urban working class. The passive position of the peasantry, the good

relations of the chiefs of the nomads with the regime and opposition of the *bazaar* petty bourgeoisie to the unions, left the labour movement alienated from the rural masses as well as urban bourgeoisie. But the radical segments of the intelligentsia were dreamed towards the labour movement.

The Emergence of Landlord:

Despite variations, there has been a kind of continuity in the land system of Iran from the earlier times. The land system was based on a bureaucratic system, different from the feudal system of Western Europe. The main difference arose because of the states' need for money to finance its operations, such as the payments for its civil and military costs. This led to a fundamental difference between the feudal system of Western Europe and the land assignment system in Iran. While the prevailing characteristic of the former one was the contract arrived at between the land-lord and the present, the latter was lacking any similar feature.

Gradually, the functions of the provincial governor, the tax collector, the provincial military commander and the man to whom the land assignment was made tended to be concentrated in one person. Therefore, the process resulted in the appearance of large land holding with one important difference from the system that existed in Europe. Although independent from the central government, the land ownership and land assignment in Iran came out of the will of the ruler and was actually based on the continuation of his tendency. So, in pointing to the feudal feature of the land system of Iran, what actually was referred to, was the arbitrary nature of the power, which prevailed during the whole of medieval Iran. This factor has acted as an obstacle to economic development as well as affecting profoundly the social conditions; it still underlies many of the problems which the country encounter.

The other important difference between European land ownership and that of Iran relates to the geographical location of the landlords. While

the landed property in the former has been a rural phenomenon, due to a number of reasons, in Iran it was an urban one. The landowners tended to stay at towns while those in Europe lived in the castles and manorial estates. The absentee landlordism leading to a gulf between urban and rural population has resulted in a range of problems, of which the devastation of the village, the continuity of the subsistence basis of agriculture, and the contempt bestowed on the rural population are worthy of mention.

In the course of the nineteenth century Iran, there was no land registration, and in its absence there either does not exist any documentation on it or if it does, it is scattered. Therefore, it is not easy to assess the exact size of the land holdings and its changes over time. The obvious point, however, is that, during the last century, the private property on land increased at the expense of the state land ownership.

Generally speaking, the land tenure system in Iran could be classified as follows:

(1) *Shahi Lands*, referred to those owned by the shah, also called as *Khaleseh Lands*;

(2) *Arbabi Lands*, owned by individual land owners;

(3) *Vaqf Lands*, owned by religious institutions. The surplus appropriated from this category of land went to the account of either those institutions or eminent *mullahs* to be spent for religious affairs;

(4) *Peasant Properties*, owned by the direct cultivators.

As mentioned earlier, in the absence of legal institutions concerning the property rights leading to failure of land registration, the determination of the size of each classification is impossible.

The *Shahi land*, in turn, was divided to some sub-classes, in which (*tuyul holding*) the inherent features of some of them were insecurity of tenure as well as providing ground for state officials to plunder the peasants.

The *arbabi* land was owned either by an individual, *malek*, or group of individuals, *Khordeh malek*. The difference between the latter and peasant proprietor lies in that the *Khordeh malek* was usually a city dweller and not directly engaged in cultivation, say, as a labour. Peasant properties could not be regarded as *arbabi* lands since the peasant received no rent and it was the headman of the village, *Kadkhoda*, who collected the taxes while in the latter, it was *malek* or *khordeh malek* who performed the duty of tax collection.

The *vaqf lands* belonged fundamentally to religious institutions, such as holy shrines and mosques. Their origin lay partly in the religious tendencies of the endower, *vaqef*, and partly in the desire to protect one's property from confiscation by the state's officials.

Here, we shall attempt to summarize the nature of the western impact on land holdings. This impact re-inforced the investment in land specially that producing crops to satisfy foreign demand. This led to appropriation of land to produce special raw material in different parts of the country. Two examples can be provided. First, in the early second half of the nineteenth century, after the decline of silk production, opium

cultivation began to expand. The growth in this crop was encouraged by the English for exports to the Far East as well as for consumption inside the country.⁽¹⁰⁾

Before being promoted by the western impact, the trade of opium was not customary among merchants. As quoted by Stannus in 1824, "It is strange indeed that the exportation of opium should not earlier have attracted the attention of the Persian merchants, as this drug may be made with common attention to its cultivation and package fully equal to any produced in India, and can be produced in Bushire for one third of the price at which the best Malwa Opium sells in Bombay."⁽¹¹⁾

Gradually and even in less than a decade, due to the foreign induced policies, the production and export of opium rose in Iran greatly. R. Thomson discussed on the opium trade in Iran as follows:

"Of late years the manufacture of opium in Persia has increased considerably, and the quantity now (1869) exported from the country may be reckoned at double what it was in 1860.... During the year 1868–69 the quantity produced in Persia and imported from Herat was 15500 *Shah Man*– and each man weighing 13½ Lbs.... Of the 15500 Mans about 600 or 700 Mans were last year (1868) consumed in Persia and the rest was exported.. to china. A small quantity found its way to the Toorkoman desert, having been purchased by agents from these tribes in various parts of Khorassan."⁽¹²⁾

Secondly, following the increase in Russian demand for cotton, the northern part of the country was allotted to raise this crop. The process

of meeting the demands of the profitable western markets led to the increase in the wealth and power of the landlords.

The increasing exploitation of Iranian land and agriculturalists, however, was not confined just to the imposed cultivation of opium. In the late nineteenth century the volume of the exported raw material of Iran totaled five times that of imported finished goods, while the amount paid for import was three times more than that received for export.

In the nineteenth century, local administration and judicial processes was increasingly concentrated in the hands of the village owner receiving feudal dues. The western impact not only strengthened and increased the power of the land owners but added colleagues to them. The trade with west resulted in the growth of merchant class leading to increasing investment in land. Furthermore, some money lenders, village headmen and prosperous peasants could be able to own land along with the increase in their wealth. On the whole, it could be concluded that the landowners and tribal leaders took advantage of the developments coming out of the western impart to enhance their position; and new groups got encouraged to invest in large estates.

The Dispersed Peasantry:

In addition to the sale of large estates one way to cover the costs of the modernization of the army in the nineteenth century, there was also the systematic sale of offices. Every year, the local offices were sold at the highest proposed price, while the winner employed the lower officers on the basis of the highest possible return. The governors, in order to earn enough money, in turn, raised the maximum possible tax, from which a profit was retained for local offices. Now, it was the peasant who was forced to obey the officials whose duty was to rob him.

Furthermore, the nineteenth century wars weakened the central government's control over some regions in raising the taxes. But, even the situation didn't benefit peasants since the landlords raised their feudal rents and dues. Furthermore, from the late nineteenth century, more burden was imposed on the shoulders of the peasants when the government decided to ask for cash taxes. To respond to it, the peasants were forced to sell their crops as soon as possible and as a result, at an artificially low price to the benefit of the middlemen.

There is a tendency among scholars to generalize a particular rate of surplus extraction in Iranian agriculture. For instance, it has been asserted that the rate of surplus extraction from *deimi* cultivation that – depending on rain fall – was one-fifth of the harvest, while that for *abi* land – the irrigated land – was one third.

Although the appropriation of the same rate of surplus could not be generalized for the entire country, it actually was correlated to the amount of inputs supplied by each side. Therefore, the greater the amount

of the inputs (i.e., land, water, labour, seed and plough animals) supplied by the owner, the greater was his share of total output. On this basis, since there was a fixed proportion of the crop system, the more the peasant raised the crop, the more he had to pay as rent as well as tax to landowner and state officials. From a technical point of view, it appears to be highly likely this system impeded the technical improvement, keeping the agricultural sector in a backward position.

Besides being locked in a variety of laws and regulations designed to continue the government control over the peasant and increase its revenue leading to a reduction in peasant's income, he was caught in another squeeze in the Reza Shah's period. Upto 1932, the gold and silver coinage in circulation was a kind of commodity, being bartered and providing a sense of security. With the introduction of bank notes in 1932 replacing gold and silver and the manipulation of foreign exchange rates, the peasant found that what he received as reward of his work and the price of his produce were increasingly shrinking and were inadequate to meet his usual, simple, basic needs. The result was relinquishing the few possession of the already poor peasant.

Traditionally when landlords and peasants had right to a piece of land, it was not regarded as an absolute one. After the western influence, enclosing the lands of the commoners, the wealthy denied the right of the peasants and actually exercised their own superior power to register the land as private property and gain absolute right even over peasants' lands. This was not the only way to expropriate the lands of the peasants. Borrowing to pay for food, implements as well as for government cash tax,

the peasants were often in heavy debt. Any kind of failure in repaying back the amount due might mean the loss of the land.

Peasants suffered more owing to western influence. From the late nineteenth century the import of the western commodities overshadowed the Iranian handicrafts production, terminating in the loss of the job and income of the peasants had been produced by home industries. The western treaty limitations never let the country increase the import tariffs to an appropriate level to provide fair competition between Iranian and foreign goods. Professor Nikkie Keddie portrays the peasants' critical situation as follows:

"If the Western impact helped the wealthier groups it harmed most peasants. Although the influence of the west was felt only indirectly by the peasants, through the actions of the wealthier classes, and although some of the features of their worsened position might have occurred even without a Western impact, the total picture of peasant conditions in this period cannot be separated from western influence. Traditional land rights of the peasants were abrogated, the majority of villages fell under landlord ownership, debt grew, and most peasants eventually became landless share-croppers. The late nineteenth and early twentieth centuries saw the creation of that destitute peasantry now associated with Iran.... It seems impossible to account for an actual decline in the peasant's position in the late nineteenth and early twentieth centuries without considering the indirect impact of the west."⁽¹³⁾

Notes:

- (1) *For details and a traced theoretical model on this basis, See Moghaddam, (1988), PP. 402–18.*
- (2) *Attributing a point in time as the beginning of a process is problematic. Actually, a considerable integration with Europe started from fifteenth century. The main peculiarities of the Safavid dynasty (1501–1722) were departure from the dynastic cycles, as well as the official adoption of shi'i religion. Therefore, the fifteenth century could be regarded as the beginning of the transition. None of these developments, however, led to the instant disintegration of nomadic dynasties, and there is no evidence that it could have happened at the absence of strong western influence. This is the reason why the nineteenth century is chosen as the beginning of the process of integration.*
- (3) *As an indication of deteriorating situation, the frequency of food scarcity and even famine in 1810–11, 1816–17, 1860–61 and 1870–2 and bread riots in Iranian towns may be pointed out.*
- (4) *Hershlag, (1980), P. 148.*
- (5) *Bashiriyeh, (1984), P. 7.*
- (6) *Jazani, (1980), P.2.*
- (7) *Issavi, (1971) P. 52.*
- (8) *Abrahamian, (1981), P. 214.*
- (9) *Ibid., P. 215*
- (10) *It is interesting to note that due to the poverty of the population (while the vast majority was countrymen and as poor peasant), opium was used as a homely and chief remedy to defend against sickness. J.M. Upton writes. "Sickness for a present was a serious matter....If he did become sick, all but home remedies were beyond his means. Chief among the home remedies, which he could secure by barter, was opium, which*

was almost the sole agency available to the peasants to ease physical pain from illness, accident, hunger and cold. It is partly for that reason that the use of opium in Iran was so widespread and its eradication so difficult.” Quoted from Upton, J.M., the History of Modern Iran, P.68.

(11) *Issawi, (1971), P. 240*

(12) *Ibid., PP. 240–41*

(13) *Keddie, N. Historical obstacles to agrarian change in Iran, P. 7*

CHAPTER II: FROM 1951 TO 1967

Period of Cyclical Growth, Oil Nationalization and Land Reform:

In Iran, Oil revenue has traditionally played the main role in providing foreign exchange earnings as well as government revenue. This foreign exchange, has partly been allotted to the private sector for the purpose of importation and partly to the public sector to cover its expenditures including direct government imports. An official report of 1952 reveals that before the oil boycott leading to cutoff of oil revenue, 25 percent of government outlays was financed through the sale of foreign exchange to private sector, which also equaled 75 per cent of the nation's total imports. Furthermore, the oil revenue stoppage in 1952 led to a 37 percent decrease in the government income.

The oil revenue cutoff because of the nationalisation of the oil industry in 1951 led to a sharp decline in the foreign exchange earning: in 1950 the total foreign exchange earning of Iran from direct and indirect (through Anglo-Iranian Oil Company) sale of oil amounted to \$115 million, which constituted 64 percent of the total foreign receipts of the country. In the following year, the corresponding figure was only \$29.9 million. The situation became worse in the next two years when both the items constituting the total oil income, actually, were nil.

To cover the budget deficit Dr. Mosaddeq, through using his legislative power, passed legislation imposing a land tax, an automobile tax, a radio tax, a fixed tax on tradesmen and artisans, and a tax on income from agricultural land. He also revised the laws on income tax and property tax. Although these taxes were intended to increase government revenue,

they were also used as weapon against landed and wealthy classes and for ushering in a more egalitarian income distribution.

The said reforms as well as other initiatives resulted in a rise in the government revenues of around 30 per cent between 1951 and 1953, while, simultaneously, the oil income had come to nil.

It was after the overthrow of Mosaddeq, with the resumption of the oil export and increasing financial assistance, that the second seven-year development plan was launched. Like the first plan, this one also followed no development strategy and was confined just to a medium-term financial programme. Concerning the agricultural sector, its main objectives was constructing three dams and in the industrial sector it pursued mainly the construction and modernization of large textile, sugar and cement factories. The 1957 devaluation decreased the official foreign exchange rate of Iranian Rials from 32.50 to 75.77 Rials to a U.S. Dollar. Since the oil revenue paid to the government was in dollars and it constituted a considerable part of government's budget (See table-2.1), the devaluation provided the excuse for an increase in government expenditure and led to a strengthening of the bourgeoisie. The rise in government expenditure coupled with the expanded credit to the private sector created an economic boom.

Faced with rising prices and a widening current account deficit (see table 2.2 and 2.3), the government, inevitably, was forced to put an end to the boom by enforcing the 'Economic Stabilization Programme' prescribed by the International Monetary Fund in December 1960. Its contents, as usual, consisted of direct control of private sector credits, a

rise in interest rates, restriction of imports and cuts in government expenditures. Hence, the newly adopted economic policy was, actually, a response to the economic crisis beginning two decades ago which through liberal economic policies (with an interruption in Dr. Mosaddeq's era) had led to the growth of an export-import-based mercantile bourgeoisie, bearing heavy negative effects for the rates of economic growth and causing balance of payment deficit.

Table 2-1 The percentage share of oil revenues in total exports and the share of the value added of oil sector in G.D.P. during 1959-67

Year	In total export	In government revenues	G.D.P.
1959	86.5	N.A.	27.6
1960	86.4	N.A.	28.4
1961	85.5	N.A.	30.1
1962	87.6	N.A.	32.5
1963	87.5	47.7	34.2
1964	86.6	53.9	36.3
1965	86.8	51.5	37.0
1966	88.6	42.6	38.9
1967	90.8	44.1	42.6

Source: Plan and Budget Organization, (1997), PP. 6, 7, 30.

As a result of these measures, the boom of 1957-60 gave way to a recession in the early 1960s, at least in some sectors.

The growth of the real gross domestic fixed capital formation decreased from 13.4 percent in 1960 to -3.1 percent in 1962; it was slow to revive: even in 1966 it was 0.0 per cent; it reached 26.8 per cent only in

1967. Starting from an -8.3 percent growth rate in 1960, public sector investment too followed a similar path. The private sector suffered more than the public sector: the decrease in its investment growth rate was more pronounced and protracted, from 27.7 percent in 1960, to 5.3, -1.6 and 1.6 percent respectively in the following three years (see table 2.4).

Table 2-2 The Balance of payment of Iran during 1951-67
(In \$ million)

Year	Current Balance	Capital Balance	Balance of payments
1951	-2634	34	-2600
1952	-765	485	-280
1953	-77	64	-13
1954	2	58	60
1955	-82	75	-7
1956	-129	121	-8
1957	-65	101	36
1958	-129	68	-36
1959	-115	71	-44
1960	-101	54	-47
1961	-27	89	62
1962	42	2	44
1963	71	-40	31
1964	-58	-45	95
1965	-115	19	-55
1966	-148	120	-19
1967	-212	214	2

Source: Bharier, (1971), PP. 125-26.

This phenomenon left its impact on the value added of the various sectors of the economy. While having different effects on the modern and traditional sectors, the recession, and more importantly, the implemented land reform programme, slowed down heavily the growth rate of agricultural

Table 2-3 Cost of living index in Iran, 1951-67

(1959 = 100)

Year	Index	Year	Index
1951	55.9	1960	107.9
1952	59.9	1961	109.6
1953	65.4	1962	110.6
1954	75.8	1963	111.7
1955	77.1	1964	116.7
1956	83.9	1965	117.0
1957	87.9	1966	117.9
1958	88.5	1967	118.9
1959	100.0		

Source: As for table 2-2, PP. 48-9.

Table 2-4 Annual real growth rates of the gross domestic fixed capital formation in Iranian economy during 1960-67 at constant 1982 prices

Year	Private	Public	Total
1960	27.7	-8.3	13.4
1961	5.3	12.7	7.7
1962	-1.6	-6.2	-3.1
1963	1.6	32.6	11.6
1964	20.8	-1.5	12.3
1965	12.9	76.5	34.3
1966	5.3	-6.6	0.0
1967	14.9	43.6	26.8

Source: Plan and Budget Organisation of Iran, (1997), table 6.

sector down to even 0.1 and -1.4 percent, respectively, in 1962 and 1964.

In other words, the Iranian land reform did not provide adequate incentives

to increase the agricultural output. To clarify it, although reforms of land tenure are necessary for a land reform, the sufficient factors such as finance, organization and a sense of security –from the arbitrary power of either the landlord or the bureaucracy – was absent there. In the other traditional sectors such as construction (with nil growth rate in 1962) and domestic trade (encompassing the economic activities of the bazaar) the recession, which began during the first half of the 1960s, as a result of the cuts in credit as well as in import was both deeper and more long-lasting. By virtue of the modernization of the economy and change in the mode of production, the manufacturing sector was not hit by the stabilization shock, prolonging its growth even up to 1962 when it registered 16.1 percent (see table 2.5).

Table 2-5 Annual real growth rates of some of the sectors of the Iranian economy during 1960-67 at constant 1982 prices

Year	Agriculture	Manufacture	Construction	Domestic Trade	G.D.P.
1960	2.8	11.3	18.1	3.1	9.1
1961	1.9	8.0	20.9	0.0	5.8
1962	0.1	16.1	0.0	2.8	6.3
1963	1.3	9.8	11.6	-3.5	6.3
1964	-1.4	6.0	5.0	2.5	8.2
1965	6.3	12.8	26.4	5.7	13.9
1966	3.2	16.0	-4.4	10.4	9.4
1967	7.1	15.0	17.6	3.5	17.3

Source: As for table 2-4, table 2.

The economic stabilization programme, notwithstanding its immediate recessionary consequences provided the ground to implement

an import-substitution industrialization strategy, owing to the restriction on non-essential imports that had been imposed on balance of payments considerations. This was coupled with land reforms, exclusive industrial licensing, low or zero profit taxes, and low-interest loans for the manufacturing sector. Therefore, the changing mode of production and the economic policies of the state led to a deep transformation of the social structure from a mainly agrarian-based economy to a semi-industrial society.

The *coup* and its aftermath appeared to cause a shift in power bloc from an alliance of national commercial bourgeoisie⁽¹⁾ and the state to one between the new régime and the modern dependent industrial bourgeoisie. The emerging authoritarian regime began to intervene in the economy and support the upper industrial bourgeoisie at the expense of landed and commercial interests. The new attempts were, in effect, to integrate the domestic economy as deeply as possible into the advanced capitalist one. The newly adopted stabilization and growth policies, as the focal point of the new authoritarian regime, were to be followed to transform the economic and political systems into a new pattern.

The political (emergence of an authoritarian regime) as well as economic (land reform and stabilization) developments aroused opposition from the different groups of the society. For a variety of reasons, such as the previous warnings of impending legislation (which permitted evasive action), the exemptions incorporated in the land reforms laws, the sale of crown lands, the earlier experience of the Mosaddeq reforms and the 1959 land reform law, the opposition of the landed class was not so threatening.

Besides, the opposition of absentee landlords was less strong than that of resident ones. Meanwhile, the opposition of the smaller landholders was effective enough to slow down the reforms. Hence, the aim of the reforms was to demolish the large landholding, which was successfully realized. When faced with the smaller landlords, the reforms were slowed down. Furthermore, the bazaar, hit by the growing government intervention in the economy and its attempts to redirect the mercantile capital towards industrial ventures, expressed its strong opposition.

The path that Iran was pursuing, however, had a major difference with the same strategy which other developing countries had embarked upon, a fact which had important having impressive economic and political implications.

While most of the other countries planned to export a growing part of the manufacturing commodities to finance the necessary imports of capital and intermediate goods, Iran was exclusively relying upon ever growing oil exports. Beginning from the mid 1950s, the share of the oil income in the government revenues increased to around half of the total revenues in 1967 (table 2-1). Oil income formed a good proportion of total foreign receipts as well, totaling 90 percent in 1967. Furthermore, the share of the value added of oil sector in the gross domestic product expanded from 27.6 percent in 1959 to 42.6 percent in 1967. Hence it appeared as if the oil sector be used to solve the socio-economic problems of Iran, resulting in even greater insulation of the state from the society. It is noteworthy that the ever-increasing supply of oil, mainly to the most advanced industrial countries, continued, not because of its rising price but

at the cost of reserve depletion. More specifically, the oil price increase during the 1960s was, actually, insignificant, changing from 80 to 86 cents. The realization of the import substitution strategy was accompanied by an increase in the import of capital as well as intermediate goods (as manufacturing investment) on the one hand, and a decrease in the consumer goods import on the other. Table 2-6 is a clear indication of this trend. While the share of the imports of consumer goods in the total imports of the merchandise sector declined from 30.2 percent in 1959 to 12.6 percent in 1967, the corresponding figure for the intermediate goods rose from 49.2 to 59.7 percent and for capital goods from 20.6 to 27.7 percent. Consequently the value added of the manufacturing sector grew annually by 11.9 percent during 1959-67, augmenting its share in the G.D.P. from 4.7 to 5.6 percent.⁽²⁾

Table 2-6 Classification of Iran's import by their use during 1959-67

Type of use	1959	1962	1967
Consumer goods	30.2	21.8	12.6
Intermediate goods	49.2	57.2	59.7
Capital goods	20.6	21.0	27.7
Total	100.0	100.0	100.0

Source: Central Bank of Iran, Annual Reports, Quoted by Pesaran, (1985), P. 26.

This hasty industrialization left its impact on the pattern of sectoral employment as well. The employed labour force of the agricultural sector in 1956 totaled 3.3 million people corresponding to 56.3 percent of overall employment.⁽³⁾ Implementation of the land reform programme, coupled with

disregard of the necessities of the agricultural development process on the one hand, and the pursuit of the industrialization policy on the other, resulted in a relatively lower agricultural real rate of growth in compared to manufacturing (2.7 compared to 11.9 percent in the period 1959-67), in a decline in the ratio of agricultural value added in agriculture to the gross domestic product (at factor cost) from 33.8 to 20.2 percent during the same period and the employment share of agriculture to 46.2 percent in 1966.⁽⁴⁾ The rural-urban rate migration was not untouched by the developments of this period as well. Although reliable data on the growth of such migration is not available, according to one scholar, during 1956-66, rural-urban migration accounted for 44 percent of the expansion in the urban population.⁽⁵⁾ As a result the number of urban dwellers increased from 5.9 to 9.8 million and the ratio of urban to the total population from 31.4 to 38.0 percent.⁽⁶⁾

The Diversification of Bourgeoisie:

During the period under the study, i.e. 1951-67, the modern bourgeoisie, originating from the small groups of the factory owners and traders, continued its development of the last several decades. Having a clear political outlook, the modern bourgeoisie was attempting to get prepared to play a more vital role in the socio-economic domain. In the preceding couple of decades the diversification of the commercial bourgeoisie had been accompanied by the increase in the imports of machinery as well as consumer goods. This involvement in foreign trade, helped in modernization of the great merchants, of whom the most majority had the traditional bazaar background. Even the industrial bourgeoisie, coming mainly out of the old merchant class, was often still involved in the commercial activities as well.

World War II led to a considerable increase in the capital of the Iranian bourgeoisie, but since it was accompanied by a significant rise in foreign goods imports, there was a negative effect on the profitability of domestic production; this kept the expansion in industrial capital limited.

In the course of the liberation movement's growth, the Mosaddeq's '*economy without oil*' policy paved the way for the real expansion of the national bourgeoisie. The fact that Britain and other countries (even Russia) refrained from buying oil, led to a cessation of Iranian oil export.

The new condition, lasting up to 1954, provided a favourable climate for confining imports only to capital goods and essential industrial

commodities, and this provided scope for the growth of the national bourgeoisie. This policy, simultaneously, hurt the comprador bourgeoisie. This led to an equilibrium in the balance of payment. The economy witnessed a rapid rise in the industrial sector – especially the production of the workshops and traditional industries as well as those, which had suffered from excessive importation from abroad. The private sector, in response to the new favourable circumstances, welcomed the issue of government bonds to the people, which was necessary owing to fiscal problems; the national bourgeoisie's support for the government was demonstrated by its purchase of such bonds.

After the *coup d'etat* the economic situation got reversed. American aid and loans to Iran, (see table 2.7), and the constant influx of foreign consumer goods, despite of the resumption of the oil export, led to a deterioration in the balance of payment in the late 1950s (see table 2.2). During the 1950s, as the import of foreign goods was jacked up more than sevenfold, the non-oil exports increased less than twice. Interestingly enough, the oil export expanded dramatically nearly eight times, which should, actually, be attributed to the post *coup* era (table 2-8).

Beginning from late the 1950s, the modern industrial bourgeoisie began a sustained growth with the government providing low-interest loans amounting to \$100 million to a small number of great merchants. This money (loan) was created as a result of the 1957 devaluation of the Rial, which was directly earmarked for the private sector to invest in agriculture and industry during a three-year period. Therefore, the credit provided to

the bourgeoisie, increased by 46.1 percent in 1957, 60.5 percent in 1958, and 32.4 percent in 1959.

Table 2.7 United States Loans and Grants to Iran, 1946-65
(in \$ million)

Item	1946	1949	1953	1958	1959	1960	1961	1962	1963	1964	1965	Total	repayments
	-48	-52	-57									1946-65	
TOTAL ECONOMIC of which	26	17	367	52	47	38	107	69	45	27	44	837	133
Loans	26	-	116	40	38	-	72	27	23	14	36	392	133
Grants	-	17	251	12	9	38	35	43	21	12	7	445	-
A.I.D. and predecessors	-	15	303	51	46	38	62	53	22	4	3	597	67
P.L. 480	-	-	15	1	1	1	24	16	22	13	21	113	2
Export-import bank loans	-	-	49	-	-	-	21	-	-	9	19	97	61
Other economic programmes	26	2	-	-	-	-	-	-	-	1	1	30	2
TOTAL MILITARY (grants)	-	17	134	73	91	89	49	33	66	27	50	712	-
GRAND TOTAL of which	26	33	501	125	138	127	156	103	111	54	93	1,550	133
Loans	26	-	116	40	38	-	72	27	23	14	36	392	133
Grants	-	33	385	85	100	127	84	76	87	40	57	1,158	-

Note: Figures are for U.s. fiscal years.

Source: As for table 2-2, P. 119.

The bureaucratic bourgeoisie began to expand by occupying key positions in the growing modern state, playing vital roles in formulating and enforcing socio-economic development policies. This bureaucratic bourgeoisie, along with growing in size, formed an oligarchy, controlling and managing public affairs, and exercising its will in different aspects of the society. Beginning from the 1940s, they gradually enjoyed having increasing number as deputy in the parliament, (reaching at 32.6 per cent of the deputies between 1943-61), cabinet and other governmental

Table 2.8 Export and Import of Iran during 1951-60

(In billion Rials)

Year	Imports	Exports		Total	Balance (y-M)
		Non Oil	Oil		
1951	7.4	4.4	6.8	11.2	+3.8
1952	5.2	5.8	0.0	5.8	+0.6
1953	5.8	8.4	0.3	8.7	+2.9
1954	8.0	10.3	2.0	12.3	+4.3
1955	10.9	8.0	9.4	17.4	+6.5
1956	26.2	7.9	15.9	23.8	-2.4
1957	32.6	8.4	19.3	27.7	-4.9
1958	46.4	7.9	22.9	30.8	-15.6
1959	49.8	7.7	49.5	57.2	+7.3
1960	52.7	8.4	53.4	61.8	+9.1
1961	47.2	9.6	56.5	66.1	+18.9
1962	41.9	8.6	60.9	69.5	+27.5
1963	39.3	9.6	67.3	76.9	+37.6
1964	56.8	11.5	74.9	86.5	+29.6
1965	66.5	13.6	89.2	102.8	+36.3
1966	73.6	11.8	92.1	103.9	+30.3
1967	90.5	13.6	133.5	147.1	+56.6

Source: Ministry of Economy, Foreign Trade Statistics of Iran and also year book of Foreign Trade Statistics of Iran, 1966, Tehran, Quoted by Bharier, (1971), PP. 105-6, 112, 115..

organizations and establishments. In the 21st session of the *Majles*, (1963-67), or the period in which considerable developments took place in the country paving the way for the realization of a new mode of production, the proportion of the members of the new bureaucratic elite expanded vastly, to 45.8 percent of the deputies, a figure that could never be attained again. This change in the composition of political elite, coupled with the fall in the

share of the landlord nobility (from 40 percent during 1943-61 down to 23 percent in the course of 1963-67), reveals clearly the emerging shift of power from the old landed class to new groups comprising bureaucratic elements.

As was mentioned earlier, the financial and industrial (comprador) bourgeoisie, which became the dominant stratum later in the 1970s, came partly out of the landed class and partly from bazaar. Under the ruling Reza Shah, their aspirations, were never identical. While the financial and industrial bourgeoisie, as a modern bourgeoisie, was supporting the integral nationalism of the state, the bazaar as a traditional mercantile (national) bourgeoisie remained close to the Ulama. Stemming from this reason the state, supported the modern bourgeoisie in setting up new establishments at the expense of the bazaar bourgeoisie, especially after the land reform programme.

Furthermore, those landlords, especially after the land reform of 1962, who had set up mechanized agricultural units, added to the Iranian bourgeoisie.

All these developed rapidly the comprador bourgeoisie. In contrast, under the severe pressures, the national bourgeoisie lost its sovereignty, had to choose either marginalization or absorption by comprador one.

In a few years after the *coup*, having strong ties with foreign monopolies became the main mechanism of increasing the wealth. From 1959 onwards, part of this newly accumulated wealth was invested in establishments assembling the imported industrial components, in

constructing huge buildings and in real estate. Meanwhile, the mushrooming banks provided the necessary and easily accessible credit for businessmen to finance their business.

Later, the increase in oil income provided favourable conditions for the private sector to expand its capital accumulation: This happened in two ways: firstly, by the state providing credit at a favourable rates and, secondly, through channeling the increased income towards land speculation providing windfall profits. In this process, it is worth mentioning that increase in the investment of the private sector in construction in the capital city (Tehran) increased by 85 and 150 percent, respectively, in 1958 and 1959.

Following the monetary-induced boom, the ever-increasing prices forced stabilization programme in 1960. As a result, the value added of the traditional sector as well as the domestic trade, covering the economic activities of bazaar, decreased due to cut in import and credit restrictions. Value added in the trade sector did not grow in 1961; it recovered slightly before decreasing by 3.5 per cent in the year that followed. This recession in the trade sector has an impact on the commercial bourgeoisie in the bazaar, forcing some of them to stop their activities. The quick expansion of the industrial (modern) bourgeoisie with a value added growth rate up to 16 percent for manufacturing, was an indication that the impact of the recession was not similar for the modern and traditional sector.

The first victim of the rapid growth of the comprador bourgeoisie was the industrializing component of national bourgeoisie. Many factories dependent on local sources as raw material, capital and market faced

bankruptcy. A distinct example of that was the woolen factories. Traditional workshops, also lost their chance of improving their condition and failed to continue their job under the threat of the better quality of the imported commodities (Lemonade Factories vis-a-vis Pepsi-Cola). The small producers, were faced with two options: either to go out of business and join the workforce or to shift towards the branches which had not yet been touched by the foreign trade attack.

That sector of the commercial bourgeoisie, which used its own resources and did not have any foreign dependence, had a nationalist orientation. The only motive in engaging in commercial activities with particular countries was acquiring profit. Being involved in exporting locally produced goods was their priority although being more eager in participating in internal markets. Therefore, they attempted unprofitable resistance vis-a-vis the comprador bourgeoisie. Gradually, they agreed to shift only towards import, establish banks with cooperation of the foreign capital and assisted comprador bourgeoisie in developing dependent capitalism. As a result, the medium-size workshops transformed into large industrial establishments and new banks were inaugurated. Gradually, the feudalists also tended towards investing in urban real estates and banking. That channeling of the national bourgeoisie and this inclination of feudalists provided the highest social standing for comprador bourgeoisie coupled with appropriate atmosphere for its further growth.

Now, it appeared to be the proper time for the comprador bourgeoisie to develop its financial sector. In a matter of four years, several banks, with Iranian capital as well as joint Iranian – foreign capital were

established. The main task of the banks was financing the commerce. The increase in economic activities stimulated the rise in insurance companies, which was an indicative of the development of capitalist relations in the country.

The development of banking system constitutes an indispensable precondition for the development of the industrial bourgeoisie. In Iran, the banking system developed rapidly during the decade of 1950s. In the course of 1951-61, 23 private as well as joint venture banks were set up with increasing registered capital from 1.4 billion Rials to 23.0. While 9 banks were international joint ventures and engaged mainly in providing financial facilities for foreign trade, the remaining were owned either by the Iranian government (involved mainly in long-terms loans) or financial bourgeoisie (involved mainly in short-term loans).

The ever rising bank loans to public and private sectors were also an indication of emerging new relations in the financial market of Iran. Earlier, most of the demand for credit came from merchants, artisans and property-holders, later, the industrial bourgeoisie added to this demand. The establishment of special banks such as: Construction Bank (1952), Development Bank (1952), Industrial Credit Bank (1956), and Industrial and Mining Development Bank (1958) constituted the first series of attempts toward the development of the industry, mining and construction through the banking system.⁽⁷⁾

Despite the establishment of special banks and the granting of a large amount of bank credit for industrial and agricultural sectors, still the main part of the bank resources was spent on services, including,

especially, business, export and import. This peculiarity led to the concentration of capital in the non-productive sectors. Having relied mainly on the exploitation of the increase in oil income as well as the development of domestic and international business, the banking system expanded quickly. It contributed impressively towards mobilizing small savings and turning them to capital accumulation, and these facilitated economic growth.

During the period 1951-67, the loan granted by banking system expanded by more than 12 times from 14.1 to 213.6 billion Rials. In the beginning of the period, the share of the public sector in the total granted loans was twice that of private sector. Later, because of the rapid growth of the private sector, from 1959 onwards, its share began to rise reaching twice of the public sector's share in 1967 (table 2-9). However, since the system was suffering an industrial support and sound development of the main economic sectors, actually, the banking system turned to an impediment inducing inflation and speculation.

Along with the development of the banking system, the insurance system emerged and developed. In the 1950s, 7 additional insurance companies were added to the previously existing one.

During the 1960s, gradually, the industries producing consumer goods expanded while mechanized agriculture began to spread in the lands there were conducive to its spread. In this way, besides commercial and bureaucratic bourgeoisie, there also emerged financial, industrial and agricultural bourgeoisies. But, although existing even as the remnants, the

national bourgeoisie could never overcome comprador bourgeoisie in achieving an independent class character.

Table 2-9 Bank Loans granted to private and public sector (1951-67)

Year	Private Sector	Public Sector	Total
1951	5.1	9.0	14.1
1952	5.3	12.5	17.8
1953	6.2	17.0	23.2
1954	7.6	18.9	26.5
1955	9.2	19.1	28.3
1956	10.1	20.8	30.9
1957	14.7	20.7	35.4
1958	23.7	26.7	50.4
1959	37.8	32.4	70.2
1960	42.0	33.2	75.2
1961	50.7	29.0	79.7
1962	61.5	27.0	88.5
1963	72.9	33.3	106.2
1964	88.1	39.6	127.7
1965	102.1	45.6	147.7
1966	121.2	51.6	172.8
1967	142.3	71.3	213.6

Source: Upto 1958 from National Bank of Iran and from 1959-61 from Central Bank of Iran, quoted by Sodagar, (1358), PP. 382, 385; from 1962 onwards from Central Bank of Iran, quoted by Plan and Budget Organization, (1997).

Since the attempts of Dr. Mosaddeq's government in expanding the industrial sector was not very successful, due to the lack of the financial resources stemming from oil sanction, the industrial bourgeoisie began its second stage of development in the second half of the 1950s.⁽⁸⁾ As previously mentioned, the resumption of oil income and the provision of the

U.S. financial aids and loans to the Shah's government formed the new atmosphere for foreign dependent industrial development.

The expansion of the industrial activities during the 1960s was accompanied both by changes in the composition of the industrial goods and establishment of modern industries through higher organic composition of capital. The increase in the 1956-61 period in the manufacturing production such as cement (2 times), sugar (1.5 times), shoes (5 times), edible oil (5 times), textile (3.5 times), power (3 times), continued in the 1960s.

Given the low level of capitalist development, individual private property formed the prevailing pattern of industrial property. Out of 2473 existing large-scale factories (employing 10 or more employees), in 1956, 1813 (73 per cent) factories were individually owned and less than one-fourth had corporate proprietorship (see table 2-10).

Table 2-10 The Iranian large-scale factories and their employees classified by the type of owning in 1956

Type of owning	Number of the factories		Number of the employee	
	Absolute	Percentage	Absolute	Percentage
Public	74	3.0	22325	27.5
Corporate	586	23.7	58871	72.5
Individual	1813	73.3		
Total	2473	100.0	81196	100.0

Source: Ministry of Industries and Mines, Industries and Mines Statistics, PP. 1-2, quoted by Sodagar, (1358) , PP.364-64.

The public sector factories, constituting some 3 percent of the total number of the factories, hired 27.5 percent of the total employees (see table 2.10). Hence, the public establishments, through capital intensive investments, began to dominate the manufacturing sector, providing favourable ground for emerging bureaucrats who later entered the ranks of the large bourgeoisie through utilizing the monopolized opportunities. Since the industrial bourgeoisie of Iran was, actually, formed by the merchants, bureaucrats and landlords, their conservative characteristics acted as an impediment to industrial development. Despite this, however, industrial expansion occurred in the new circumstances; it led to the development of the industrial bourgeoisie, thanks largely to government policies in favour of capitalists, including easily accessible credits. As a result, private investment in manufacturing increased from 60 million dollars in 1956 to 120 million dollars in 1960.⁽⁹⁾

During the 1950s, the members of the modern industrial bourgeoisie were engaged mainly in producing non-durable consumer goods, previously provided by crafts, for local markets. As table 2-11 shows, in 1959, around three-fourths of the value of the industrial products consisted of food and beverages (33 percent), textiles (28 percent), tobacco, garments, and wood products. The intermediate goods such as paper products, chemical products and metal products constituted 19 percent and consumer durable goods as well as capital goods formed the remaining 3 percent of the total industrial production. By the mid 1960s, however, the application of the import-substitution strategy, had changed the composition of industrial production, increasing the share of the capital

and durable consumer goods to about 11 percent.⁽¹⁰⁾ Furthermore, the rise in the imports of the industrial goods played an important role in the pattern of the industrial production, deepening the dependence of the domestic industries upon the foreign imports and strengthening the dependent bourgeoisie. Table 2-12 shows the relative importance of imports in the value of the locally produced industrial products in 1961. Obviously, as the local/indigenous industries were more labour-intensive and were using local raw materials, they were less foreign dependent.

Table 2-11 The Percentage of value of industrial commodities produced in Iranian factories

Non durable consumer goods	Percentage	Intermediate goods	Percentage	Capital and durable consumer goods	Percentage
Food and Beverage	33.0	Paper products	0.6	Machinery and Miscellaneous	3.3
Tobacco	7.4	Printing	0.7		
Textile	28.3	Tire	0.5		
Garments	2.5	Chemical products	3.0		
Wooden products	2.2	Metal products	0.6		
Leather products	3.5	Non-metal mining products	7.6		
		Metal products	5.8		
Total	76.9	Total	18.8	Total	3.3

Source: As for table 2-10, P. 367.

Table 2-12 The relative importance of foreign import in the value of industrial products in 1961

Non-durable consumer goods	Percentage of dependence	Durable consumer goods and vehicle	Percentage of dependence	Intermediate and capital goods	Percentage of dependence
Sugar	2	Heater	20	Paper	25
Cotton textile	10	Vehicle	50	Colour	45
Shoe and Sock	10-20	Tire	50	Cement	45
Canned fruit and vegetable	10-20			Cable	65-90
Woolen textile	40				
Edible oil	50				
Medicine	60				

Source: As for table 2-11, P. 368.

During the decades preceding the 1950s, feudalism has been gradually weakened by the expanded political activities coupled with the emergence of comprador bourgeoisie. Actually, it was the emerging class who could better serve the interests of the imperialism. Alternatively, although the existence of feudalism was essential to extract the surplus and impede the national bourgeoisie, it was not as good consumer for the foreign goods as were the new emerging classes.

While in the past, a relatively stagnant Iranian market might have been acceptable to imperialism, the need for expansion of the world monopolies in the new situation of the post war boom, demanded a much bigger consumer market in Iran. And the increased Iranian oil income make

this possible. More clearly, if the extensively scattered oil and other mineral resources coupled with cheap labour of Iran were to be exploited, and also the monopolies were to invest to gain more, then for sure the feudalism had to be replaced by a new class compatible with the necessities of the new era. In so doing, the feudalism could be turned towards comprador bourgeoisie to discharge the new responsibility of turning the wheels of the new systems.

Some changes happened in the feudalist economy coupled with the above mentioned necessities. The feudal elements failed to take into consideration the developmental needs of the agricultural sector. There was no attempt to invest in the irrigation system or in mechanisation, or in the persuasion of the modern inputs. The outcome was a situation where the peasants started leaving the land, migrating from the village and adding to rural exodus.⁽¹¹⁾ In contrast, the feudalists faced better investment opportunities in spheres such as urban properties, banking, cinema, hotels, etc. The conditions prevailing on the peasants' land, which accounted for a considerable proportion of all agricultural land was no better. The lack of the access to adequate amounts of water, the absence of a proper irrigation system and the low quality of land left these lands impoverished and fragmented. The court had already sold and divided all its land; this pattern was later followed by some big landlords. Others, being warned in advance of the coming land reform turned their lands into mechanised or semi-mechanised farms, while evicting the peasants who were already working on these lands. Actually, the emerging situation was an indication of decaying feudalism in Iran. In this situation,

the contradiction between feudalism and the bourgeoisie reached a stage that acquired a vital response.

At this time, the main contributing factors towards the conflict between feudalists and comprador bourgeoisie could be summarized as follows:

- While the feudalists were not prepared to take any further action on improving the economy through exploiting the agricultural lands and mineral resources, the comprador bourgeoisie was attempting to dominate the agricultural and mineral resources to provide the ground for investment by internal and external capital.

- While the Landed class used to spend considerable parts of its resources on unnecessary Luxury commodities, the comprador bourgeoisie was to dominate over the public resources to ensure and facilitate its rapid growth.

- The intention of the comprador bourgeoisie was to dominate over the political and the Judicial apparatus, so as to decree the necessary rules and legislation to secure its all-embracing growth and to sweep away the existing impediments to such growth.

- Although its industries were inherently dependent and not that much need to labour force, nevertheless later the comprador bourgeoisie could benefit from the released labour force as an important factor as far as land reform was concerned.

The intensification of the internal political conflicts as well as the appearance of an economic crisis at the end of the 1950s provided the ground for the U.S. to take one more step towards bringing about a

favourable conjuncture inside Iran for its own benefit. Cutting economic and military aid, they put the regime under severe pressure. Actually, the condition they had laid down for the continuation of the aid was a clever one to demolish the feudalism and enhance the position of comprador bourgeoisie. They asked for a land reform as well as an administrative purge.

In other words, the contradiction within the comprador bourgeoisie and their close ties with the Americans caused the U.S. to put pressure to bear on the ruling wing (bureaucratic) comprador bourgeoisie to accept some reforms. Therefore, to form a new government, slogans were put forward for some reforms such as land reforms and administration reforms and "As had been the case during the oil nationalisation movement, [the wing of comprador bourgeoisie favoring the reforms] was not powerful enough at the beginning to impose its will. This was why the support of the North Americans for Mosaddeq, together with the support given him by their Iranian Friends, had helped secure the government for the national bourgeoisie. This time, however, the movement and its North American supporters secured the government for the comprador bourgeoisie."⁽¹²⁾ As a result, facing the pressures as well as the future developmental outlook, drove the main wing of the bureaucratic bourgeoisie (the Court) to change its position and accept the land reform. The comprador bourgeoisie, actually, captured its unity on the issue of land reform and destruction of feudalism.

The Strengthness of Working Class:

The socio-economic developments of the late 1950s and early 1960s led to a rise in the number of urban dwellers. In the course of 1956-66, as the public census presents, the total population growth rate was 3 percent per annum, albeit not the same for urban centers and rural areas. More specifically, the annual growth rate of 5.5 percent for the former, indicates the more rapid growth of city centers stemming from their natural growth as well as increasing migration from rural areas particularly to the largest towns. This phenomenon, in itself, is a reflection of the effect of capitalist development on the process of proletarianization.

Originating from previous decades, the industrial working class increased rapidly through the 1950s and 60s. During the period 1941-56, the number of industrial workers engaged in large establishments (hiring 10 or more workers), changed from 40000 to 70000. In the subsequent decade, the change was even faster, tripling during 1956-66 and amounting to 215000 in 1966.

According to the 1956 public census, the number of employed people classified as wage earners totaled 2.25 million (see table 2.13). Of that, among the commodity producing sectors, the agricultural sector formed the major part, accounting for 919000 workers. The second place was occupied by the manufacturing sector with 456000 labourers. Construction sector, which employs mainly unskilled labour, engaged 280000 workers. In this manner, the industries and mines group, encompassing manufacturing, mines, construction and utilities (power,

water, etc.), employed a quarter of the overall number of wage earners in the economy.

Table 2.13 Wage-earners classified by major industry in 1956 and 1966

Major industry	1956	1966
Agriculture	919004	795496
Mining	10176	18238
Manufacturing	455937	732942
Construction	280367	454914
Electricity, etc.	6410	13216
Commerce	62358	125238
Transport, etc.	108541	113772
Services	329848	311911
Others	73138	69879
Total	2245779	2635607

Source: (i) Plan and Budget Organization, Iran Statistical center, public census, 1966, published in 1967.

(ii) Interior ministry, public census, 1956, published in 1961.

During 1956-66, the total labour force increased by 17.4 percent, reaching 2.64 million in 1966. The agricultural wage earners declined by 13.4 percent. This could be attributed to the stagnation in the agricultural sector coupled with the implications of the land reform programme and an industrial development strategy resulting in a transformation of the rural wage earners to urban destitute.

The number of industrial workers increased at a medium rate (60.8 per cent). This should be ascribed to the expansion of the manufacturing sector especially because of the import substitution strategy adopted in the early 1960s. Numerically, during the period 1964-67 (almost

covering the third five-year plan period, 1963-67), the number of the industrial units rose from 112594 to 160723. Out of this 48129 increase in the total number of industrial units, 47303 units were small sized ones (hiring less than 10 workers) and the remaining 826 were large scale units of over ten workers. In other words, 98 percent of the increase in the number of units was accounted for by the former class.

The number of workers engaged in the industrial units increased by 179530, from 501797 to 681327. Of that increase, around 131 thousands were employed in small units while 49 thousands were in large-sized units.

Interestingly enough, even though 98.3 percent of the increase in the number of industrial units, and 72.8 percent of the increase in the number of industrial workers were accounted for by the small-sized units, only 25.6 percent of increase in the value added came from them. This shows that most of the existing industrial units are labour-intensive, with low level of productivity. In fact they are engaged in light industrial activities with an average of 3 workers per units. This fact leaves its impact in the form of a low level of concentration of labour force in the manufacturing sector.

Furthermore, a glance at the domain of the industrial activities shows the limited development of heavy industry. Simultaneously, the large units, enjoying capital-intensive methods of production, neither promoted high concentration of the labour force nor contributed to the absorption of surplus labour. In 1967, only less than 600 units (out of more than 156000) operated with more than 50 labourers. While the first factor (the dispersed

labour force) limited the political capacity of the workers; the second one (lack of absorption of labour reserves) increased the number of poor either wandering between villages and cities or residing in the shanty houses mushrooming around the cities. To earn their livelihood, the workers were absorbed in the construction field as unskilled labourers or acted as street vendors, servants and load carriers. This situation led to a 62 percent rise in the construction wage earners during a decade, totaling 455000 in 1966. According to a report published by the international labour office, only in the 1960s about 400000 job seekers transferred from rural to urban areas.⁽¹³⁾

In the aftermath of the Dr. Mosaddeq's period, all the unions were suppressed by the regime and were banned later in 1957. Then, the regime's programme towards the workers become clear through, firstly, the 1959 labour law which made the setting up of the unions subject to the recognition of the ministry of labour; secondly, the 1960 special insurance; and, thirdly, the 1963 profit-sharing law in the context of the "White Revolution" or "the Shah-people's revolution". In this manner, although selected workers enjoyed a system of benefits, their right to collective bargaining and strike was undermined by the 1959 labour law which also prescribed participation in politics by state-recognized unions. Besides forming fragmented unions, the state also took some measures to increase the income of the workers of some selected industries, and this had the effect of dividing the working class movement. Exempting oil, railway and tobacco industries, the profit-sharing scheme covered all enterprises of ten or more workers. According to their seniority and wage level, the workers

were to receive 20 percent of the firm's profit, which had been agreed upon with the management.

In the period following the *coup*, when the labourers were not allowed to establish their independent unions, labour assertiveness suffered greatly, with some 30 inactive officially registered syndicates. In 1963, when the state decided to let the formation of the unions under the supervision of the ministry of labour, there were only 16 unions, which later increased to 512 in a decade. To control these unions, in 1967, the government established an umbrella organization, the workers' organization of Iran.

In the 1960s, the purchasing power of the industrial as well as construction workers witnessed two distinct phases: decline in the first half of the decade and a gradual recovery thereafter.

The years of economic crisis of the early 1960s were marked by a general decline in real wages. Although the plan targeted the external imbalance, the deflationary effects of the stabilization programme left heavy impact on the domestic economy, particularly on the living standards of the workers. Exercising limitations on foreign imports, credit control and the resulting downturn in the pace of the economic activity led to the decline in the demand for labour, squeezing the purchasing standards of the urban workers. The situation became worse, owing to the influx of the rural people to the urban areas, who had been released from the land because of the implementation of the 1960s land reform programme. Consequently the general condition of the labour market deteriorated for the wage-earners resulting in declining real wages. But the purchasing power of the

industrial workers recovered quickly, as their real wages increased by 17 percent between 1962-67.

The situation for construction workers was totally different from that for manufacturing workers. Despite dramatic overall changes in the nominal construction wages, the purchasing power of the construction workers was squeezed during 1960-63. It was in 1968 that their real wages reached the level where they had already touched nine years ago.⁽¹⁴⁾

On the whole, the decade of the 1960s witnessed significant fluctuations in the real wages of construction and industrial workers. By 1964, the average purchasing power was declining. In the subsequent years, the recovery was slow and rather insignificant until the beginning of the major industrial projects in the second half of the 1960s. This helped raise the real wages of construction as well as industrial workers.

Focusing on the nationalization of the oil industry as the main strategy to solve the remaining minor problems, the nationalist state did not pay attention to the other internal economic problems: issues relating to trade unions were generally neglected. This neglect was strengthened by a prevalent attitude, which tended to view unions as privileged ones. In fact the regime of Dr. Mosaddeq viewed the workers only as a potential source of political support, no different from any other segment of the Iranian society; it had no special concern for them.

Although some promonarchical unions as well as left extremists criticized Dr. Mosaddeq's policies, he tolerated criticisms, instead of suppressing it as his predecessors had done. It is the critics who marginalized because of their reluctance in backing the state, which was

involved in a life and death struggle against the British. Meanwhile, the state was not successful enough to establish its preferred organizations. Nonetheless, it seems that the state enjoyed the support of the labourers since they refused from resorting to harmful strikes against the state. Before the nationalist state come to power, the Shah's state had claimed that it backed the independent unions, and that its opposition was just confined to the politically motivated ones. After the *coup*, the state restored the previous autocratic atmosphere, suppressing the entire labour movement. Since, the labour question was regarded from the internal security point of view, the concentration of power in the hands of the court led to a deterioration of the labourers' position.

The existing labour law and the established institutions did not take care of the labourers' interests, and the labour constrains were totally dependent upon the benevolence of the employers. The problems of the labourers were not taken seriously and the management, regardless of the law, imposed some sort of feudal relations. They never let trade unions be established in the factories. Hence, their perception about labour relations, together with the prevailing low levels of the wages, acted as counter-productive factors and as impediments against increasing productivity. There are several reports from the U.S. embassy in Tehran as well as the U.S. government's annual labour report on Iran in various years of the 1950s and 1960s which reveal how the factory owners mistreated the labourers.⁽¹⁵⁾ They promoted the traditional, low-productivity labour intensive methods while the American management applied automation in the Iranian modern factories.

The private sector was not alone in suppressing the labourers' rights. A considerable sector of the industrial workers was engaged in enterprises, which were either owned or controlled by the public sector. Since the collective bargaining of the labourers was considered as a sort of sabotage, deserving quick suppression, the establishment of trade unions in these types of enterprises suffered even more.

Thus, after the 1953 *coup*, the state-initiated security measures ruined, at least temporarily, the labour movement. Therefore, the weakness of the unions and the conservatism of the labourers should be interpreted while keeping in mind the destitution of the labourers, on the one hand, and the oppressive role of the security forces on the other.

In early 1949 the C.C.F.T.U. was outlawed. Although it became active in the era of the nationalist government, it again faced severe repression under the *coup* regime and a considerable number of its leaders were arrested. Hence, after 1957, there was no independent trade union to back up the workers. Even the leaders of the existing few officially recognized unions, had no ties with the labourers. Therefore, the Iranian workers, who had been active in their participation in the unions in the 1940s, now showed political maturity and refused to join the unions.

The ever-increasing autocratic nature of the regime, the unenlightened factory owners and the lack of unions, contributed to a sharp deterioration in the labourers' position. But, while their unions were banned and their leaders were imprisoned, the workers were not vanquished for ever and began to protest whenever possible. In the second part of 1957, there were at least 8 spontaneous protests against the violation of

labourers' rights, (4 of them in the oil industry) while some more protests were prevented.

After the *coup*, the impossibility of open mobilization on political issues led to the labourers' confining their demands to economic issues, and more especially the wages. The minimum wage, determined in 1947, was fixed in spite of the exorbitant increase in the costs of food, clothing and house. In 1947, the index of the cost of living was 780 (1937 = 100). In 1961, the index rose to 1718. According to the surveys of the ministry of labour, in 1961, the minimum living cost of a household was 178 Rials per day while the minimum wage in Tehran was set at 50 Rials. In the other parts of the country, the minimum wage was frozen at the 1947 level of 35 Rials per day. Based on some reports from the surveys of the U.S. embassy in Tehran, even these low level of wages were not paid, since male labour was often substituted by female and child labour. Detailed surveys on wages and living condition reveals that 22 percent of the labour force in Qazvin was paid 10-29 Rials per day. In Yazd, many labourers earned just 6 Rials per day. Meanwhile, 21000 seasonal workers protested several times for higher wages and succeeded in increasing their wage to 80 Rials per day. The highest wages were paid to the workers of the Iranian National Oil Company, who earned at east 99 Rials per day. Interestingly enough, the low levels of the wages were not the only anxiety of the labourers. Sometimes, they could not receive their wages for up to 6 months. Even in the public sector it was delayed by up to 2 months.

The Land Reform and The Erosion of the Landlord Power

Structure:

The tradition of agrarian landlord-tenant (*arbab-ra'yati*) relations, continuing from the earlier days, existed and even expanded during the decades up to the 1950s. The great landlords, actually, played an ever rising active role in the local as well as national politics after a setback to their social status in the early period of Reza Shah. In other words, occupying more and more seats in the parliament (*Majles*), and gradually acquiring the majority of the seats, provided them with the background to possess and exert control over the local power by influencing the local authorities upto the late 1950s.

During Dr. Mosaddeq's premiership, two separate attempts were made, concerning the agrarian question. Of these, the first one was the initiative of the Shah in distributing the crown lands among the peasants, and the other comprised two governmental decrees. One of the two important decrees concerned the appropriation of 10 per cent of the share of the output of the landlords for the peasants, and the other one was about allocating another 10 percent of the landlords' share to a fund for rural development and cooperation. After the *coup d'etat*, in 1955, the decrees were changed in favour of the landlords and against the interests of the peasants. Namely, the share going to the peasants was reduced to 2.5 percent and the latter one, earmarked for the rural development fund was decreased to 5 percent. The first attempt of the 1960 land reform was,

however, not enforced, even though it was passed through parliament, because of the strong power of the landlords.

Before the enforcement of the land reform, in 1960 the total area of the arable land was estimated at about 11.3 million hectares, of which 6.2 million hectares (55 percent) was attributed to sharecropped tenure, 844 thousand hectares (7 percent) was under rented tenure, 2.9 million hectares (26 percent) was cultivated by the owners, 1.3 million hectares (11 percent) was characterized by a combination of the above mentioned tenures. Since the most part of the sharecropped and rented tenures as well as a part of owner operated and mixed tenures were exploited by *nasaq-holder* peasants, it could be concluded that 7.5 million hectares should have been distributed among peasants (See table 2.14).

Table 2-14 Number and area of landholdings by the type of tenure in 1960

Type of tenure	Household		Area	
	Absolute 1000	Percentage	1000 hectares	Percentage
Sharecropped	814	43.3	6222	54.8
Owner-operated	624	33.3	2976	26.2
Rented	235	12.5	844	7.4
Sharecropped- rented	79	4.2	563	5.0
Sharecropped- owned	72	} 6.2	402	3.5
Owned-rented	48		300	2.6
Sharecropped- owned-rented	3		47	0.5
Grand Total	18772	100.0	11375	100.0

Source: Ministry of Agriculture, Agricultural Census, 1960.

In 1960, according to the agricultural statistics, around 40 percent of households (749 thousands) used to cultivate plots with area less than 2 hectares. These peasants owned 5 percent of the total cultivated land. The other 43 percent of households (814000) exploited 35 percent of the lands with plot area between 2 and 10 hectares. The other 16 percent of the families (300000) held 46.5 percent of the land area ranging between 10-50 hectares. The remaining 1 percent of the households (13000) controlled 13.5 percent of the land area in plots, each of which exceeded 50 hectares (See table 2.15). There is another estimate which believes that "one third of the total agricultural land held by large proprietors was controlled by 0.2 percent of the agricultural population."⁽¹⁶⁾

Table 2-15 Estimates of the distribution of the number and the area of landownership classified by classes of exploitation in 1960

size of tenure	Household		Area	
	Absolute 1000	Percentage	1000 hectares	Percentage
< 1 hectare	492.3	26.5	199.0	2.0
1-2	256.5	13.5	371.8	3.0
2-5	474.5	25.0	1553.9	14.0
5-10	340.0	18.0	2413.0	21.0
10-50	301.5	16.0	5263.7	46.5
50-100	8.4	0.5	563.8	5.0
>100	4.1	0.5	991.0	8.5
Grand Total	1877.3	100.0	11356.3	100.0

Source: As for table 2-14.

To put it differently, at the time of the beginning of the land reform programme, members of the royal households, some 100 large landowning clans and tribal chieftains, a few hundred other families owned almost two-thirds of the agricultural land; charitable endowments (*Vaqf*) and the state domains (*Khaleseh*) comprised another 18 percent; and about 750000 small landowners and peasants owned less than 20 percent of the total land. The implementation of the land reform programme brought about the elimination of the landlord class as well as its traditional patron-client relationship in the countryside.

Prior to the 1960s land reforms, the existing landholding could be classified as follows: "Crown lands comprising 2000 villages or 4 percent of all villages; state lands (*Khalesejât*) comprising 3000 villages or 6 percent of all villages; endowment lands (*Ouqâf*) comprising 6000 villages or 12 percent of all villages, and private lands comprising 40000 villages or 80 percent of all villages. Of the latter, 19000 villages were owned by landlords (*'omdeh-mâlekin*) which comprised 37 large families. Medium landowners owned 7000 villages, and the remaining 15000 villages were owned by small landowners (*Khordeh-mâlekin*) and peasant proprietors. The latter owned 10 percent of all the villages."⁽¹⁷⁾

The nobility comprised the *'omdeh-malekin*. During 1943-60, the landed class enjoyed a good amount of power, occupying more than 40 percent of parliamentary (*Majles*) seats and 15 out of 17 premierships. Therefore, the power bloc, actually, was concentrated mainly in the hands of landed nobility (including the royal family). With 61 percent of the parliament deputies being landed magnates, the court was not powerful

enough to bypass the influence of landed magnates. In other words, landlords were the Shah's main opponents, challenging his arbitrary power through their parliamentary representatives. They obtained their legal power through the votes of their peasants. The Shah was well aware that cutting off their relationship with the peasants will deprive landlords of their means of political power (parliament). All this was at the pledge of their access to land property. On the other hand, the increasing oil income as well as other sources of industrial capital had become more important for royal family, so that the land as a source of wealth ceased to matter much for them.

Hence, being assured of foreign support as well as having monopoly over the means of coercion, the court could overcome the entrenched interests, by mobilizing the masses, to transform the power bloc. Therefore, the Shah agreed to implement a series of reforms called "the White Revolution" of which the most important was the land reform. Before that, in the 1950s, the crown lands were distributed and then during several phases in 1962-66, land reforms ruined the traditional institution of landlordism. During ten years, 2100 villages belonging to Shah, were distributed among the peasants. It is worth noting that more than 20 percent of the crown lands were, actually, sold to the pro-Shah wealthy people and tenants could not get that much. The land reform was, actually, implemented after a considerable period of private property in land, therefore, creating severe reactions among landlords.

The situation exploited by the court was the product of both external pressures and internal causes. Externally, this period of time

corresponds to the era in which several states in the peripheral capitalist countries confront severe economic crisis and political instability, attempting to carry out some sort of socio-economic reforms actively initiated by the IMF and the U.S. The result was the emergence of new developmentalist states striving to deepen the capitalist economy. In the case of Iran, the Kennedy administration, while providing the American financial aid to Iran, demanded more attention to economic development. Internally, the discontentment of the people stemming from economic crisis in the second half of the 1950s and the resurgence of political opposition in early 1960s helped the Shah to proceed with the reforms. "From 1955, with the reactivation of the oil industry and the advent of foreign grants, imports increased heavily (fivefold between 1955 and 1960) and the credit market expanded sevenfold. The result was trade deficit and inflation. In 1957, the government devalued to restore the balance of trade, but that caused more inflation. Between 1957 and 1961, at least twenty major strikes occurred. In the same period peasant unrest took place in several areas especially in Gilan and Azarbaijan."⁽¹⁸⁾

Defeated in controlling the parliament through nominating dependent clientele in electoral maneuvers, the Shah attempted to reform the cabinet by which to embark upon a campaign against feudalism. The main points of the Shah's attempt were, first, land redistribution through which it sought to get support for the regime among small-holding peasants; and, secondly, to establish a shift in the power bloc through formulating a new economic policy. It appeared to bring about a new

alliance between the state and the high modern bourgeoisie to develop the economy.

The power struggle and events surrounding the land reform led a prominent scholar to conclude as follows which seems very reasonable. "The account admittedly makes western history stand on its head. The so-called 'bourgeois' revolution (of 1906) which in the west would have been associated with peasant support was won with the assistance of the landowning class. Instead of overthrowing 'feudalism' it brought down despotism and strengthened the ownership of property. The land reform that was launched 50 years later did not lead to the foundation of a bourgeois democracy; it resulted in the consolidation of total bureaucratic power over all social classes. In these later events the role of oil revenues as the independent financial agent to the state was, of course, of great significance."⁽¹⁹⁾

The channeling of feudalists toward capitalist relations began several years prior to the land reform, when investment in the form of the establishing mechanized farming started in the suitable lands. Courtiers and military personnel were among those setting up the new farmings. This, actually, was the beginning of the creation of the agricultural bourgeoisie.

The land reform of Iran in the 1960s was carried out in several phases. The first stage of the land reform in 1962 transferred the whole arable lands of a village collectively to the cultivating peasant households – i.e., the *nasaq-holders* (those having the right to cultivate). The land was valued and their value was paid to the landlords by the state; and it was

repaid back by the peasants to the state on a yearly installment basis. Some exemptions were taken into account. Putting aside the orchards and mechanized farms, the law authorized the landlord to retain a whole (*six-dang*) village or its equivalent scattered among different villages. According to the initially declared definition, a household had been regarded as one person, which was later revised, considering the wife and each dependent child of the landlord as one person. This led to retaining more villages for the landlords. Besides, the lack of precise definition of a mechanized village could lead to the retention of more villages for the landlord. More importantly, by the right of retaining several scattered lands equivalent to one village, the landlords could preserve their superior position as the biggest holder in each village. Hence, it could be concluded that the target of the first stage was to distribute the lands of the absentee landlords and confine the size of the land property to one whole village. The target was not the large-scale distribution of land to peasants, a fact that became obvious from the decrees of the second stage of land reforms.

According to the second phase, any of the following five possibilities could be realized in the remaining villages which was not covered in the first phase: Landlords could (i) lease their lands to the peasants; (ii) divide it with peasants based on the ownership of the five inputs; (iii) sell it to the peasants; (iv) establish private corporations with peasants regarding the five input rule for receiving shares or (v) buy the peasants' right and employ them as wage labourers. Moreover, the charitable endowments (*Vaqf lands*) were required to be offered as thirty-year leases to the peasants. Covering over two-thirds of the villages, the

second stage, actually, revealed itself to be largely a tenant reform. Alternatively, the main objective of this stage was not land distribution but eliminating the share-cropping system and converting it to lease-hold or capitalist farms. "It should be viewed mainly as an attempt to prevent the power-base of the landlords from being occupied by a strong independent peasant, while the landlords themselves had been sufficiently weakened."⁽²⁰⁾

In the years after the land reform, the growth of the agricultural sector lagged behind the other booming sectors of the Iranian economy. The official position was that the slow growth rates were the inherent characteristics of the peasant owned land. The remedy was to transform the small sized lands to large-scale farms enjoying modern irrigation systems, mechanised methods of cultivation, modern system of management as well as integration with industry on the single farm. Furthermore, the official aim was to demolish some 70000 villages and independent farms and substituting them by about 8000 large-scale forms, where all peasants would be transformed to either share holders or wage earners.

The third stage in 1969 decreed that previously provided lease holds should either be divided in accordance with provision (ii) above, or sold privately. Besides, according to a supplementary article, the establishment of the agricultural corporations was authorized, which in nature was the extension of provision (iv) above. Then, the conclusion of the land reform programme, concerning land distribution, was officially announced.

The fact of the implementation of the land reform in several stages stems from the intention that the reforms should pave the way to transform the feudalists to compradors. This substitution of capitalist relations for the feudal ones, however, would further the establishment of dependent capitalism in Iran. The developments, stemming from the land reform, did promote a comprador bourgeoisie. From the beginning, mechanized farms were excluded from land reform. This fact helped some of the feudalists to move towards capitalist relations by holding a proportion of their lands in the form of mechanized farms. Moreover, it was a way to transform the feudalists into a new class of capitalists in the emerging new relations, who have already been debilitated by losing a part of their lands. Valuing the lands on the basis of their market price, actually, was a way to preserve partially the landlords' socio-economic position. Based on the plan, the money derived from land sale was directed to buy the state-owned factories in return for the sale of land to the peasant. This was, in effect, a complementary way to promote the capitalist relations through channeling the resources of feudals towards industrial capitalism.

For the first stage, finished in 1964, the latest data refer to the distribution of the equivalent of about 11300 whole villages.⁽²¹⁾ This corresponds to about 15 percent of the total of 7100 villages which were to be covered. Alternatively, the official data reveal that the total households receiving land amounted to 780000 out of 3.2 million households, or about 25 percent of the total.

According to the released data, through the application of the second stage of the land reform with the coverage of 55000 villages and

22000 hamlets, about 1.2 million households became lease-holders and 0.2-0.4 million were affected by alternative articles. Only 57000 households could buy land from landlords. On the whole, 210000 tenants could become land owner which is a much lower figure in comparison to the first stage.

Putting together the previously mentioned figures, the total picture is that out of 3.2 million peasant households, less than one-third received or bought land, or acquired shares in agricultural corporations, about 40 percent were given tenancies and around 25 percent continued cultivation under the old system. It is estimated that around 1 million households of *Khoshneshins* and the rural proletariat, wandering between villages and towns, were completely excluded from land reform.

In the third stage, 740000 tenant households received land, 27 agricultural corporations were set up with members totaling 9170 shareholders. On the whole, as a result of the three stages of the land reform programme, 1.7 million households obtained land, constituting 58 percent of the total rural households.

It should be emphasized that the main aim as well as outcome of the land reform was the expansion of (dependent) capitalist relations in the economy while preserving the position of the feudalists, but in the new form of the comprador bourgeoisie.

Several factors made it possible that the contradiction between comprador bourgeoisie and feudalism could be resolved peacefully. Some of them could be summarized as follows:

(i) The support of the different fractions of the bourgeoisie to two imperialist powers (North American and British) impeded the solution of their contradiction. Later, following the superiority of the North American imperialism, this barrier was removed.

(ii) The absence of peasant movement in the society meant that the contradiction within the feudal system (between peasant and landlord) could not take an antagonistic form. Alternatively, conflict among the ruling strata was highly unlikely to give rise to peasant uprisings.

(iii) The assumption of leadership by the comprador bourgeoisie in the struggle against feudalism was due to the general feebleness of the liberation movement. Therefore, the whole land reform programme was implemented in the context of the interests of the comprador bourgeoisie and imperialism.

The Declining Position of the Peasants:

Although scattered, and existing either in its pure form or mixed with other kinds of tenure, peasant proprietorship could be found in different parts of Iran. This type of holding was confined to the less fertile and more remote parts of the country. One reason of the spread of the peasant proprietorship was the distribution of the *Khaleseh* among the local peasants. Bad year or a series of bad years, along with money-lending of merchants and others at exorbitant rates of interest to the peasants, often, resulted in the loss of the peasant proprietorship to merchants, speculators and others; nonetheless peasant proprietorship persisted. The other reason could be selling the land to the neighbouring landlords or peasants. Normally, the peasant holdings were too small to cover the living expenditures unless supplemented by some types of income from outside, such as labour on the roads, weaving or keeping of flocks. Peasants were slightly better off where they could grow crops, such as cotton, which enjoyed stable prices. Besides, growing garden and orchard crops gave rise to more prosperous economic conditions in comparison with the other peasants who were involved mainly in cultivating the main crops (grains). The inability to provide the adequate livelihood to the family because of the small-holdings led the tenants to leave the villages to go to the towns.

In villages characterized by peasant proprietorship, there were a few families owning larger lands who worked on the basis of crop-sharing or by employing labourers. Although such large peasant proprietors resembled the large land-owners in hiring in labourers, they enjoyed none of the latter's social, economic and political power. That was why this group was

classified along with the peasant proprietors rather than large-landed proprietors.

According to table 2-15, the peasants could be classified under the three following groups: first, the poor peasants who held up to 2 hectares; second, the middle peasants whose holding was between 2 and 10 hectares; and third, the rich peasants who owned more than 10 and less than 50 hectares.

As the table presents, 40 per cent of the *nasaqdars* held 2 hectares or less who allotted only half of it for cultivation and the remainder as fallow. Since the average production per hectare of grain, as the chief crop, was at most 800 Kilograms in rainfed land and 1700 Kilograms in irrigated land, and two-third of the cultivated land accounted for rainfed land, none of the peasants cultivating up to 2 hectares could provide adequate livelihood to their households. Hence, this group of poor peasants had to hire themselves out either in the village or in the city to earn subsistence.

The second group encompassed those whose belongings ranged between 2 to 10 hectares. It covered 43 percent of the *nasaq-holders*. Around 25 percent held between 2 to 5 hectares and only about 18 percent owned more than 5 hectares. Hence a considerable part of the peasants were placed in this group. Actually, considering regional differences from the point of view of the rainfall, they resembled the poor *nasaqdars*. While hiring themselves out, most of these peasants also worked their own land with the help of their family members, sometimes in the harvest time they hired in a few labourers as well. Hence, the vast majority of the peasants were unable to earn an adequate livelihood without hiring themselves out.

At last, the rich peasantry could be found in the third category, which consisted of 16 percent of the *nasaq-holders* cultivating 10-50 hectares arable land.

The above-mentioned three categories, however, were not likely to be found in every single village. The poor and probably the middle peasants were the only constituent of the most remote villages; but the rich peasantry could hardly be found in such villages. Some surveys reveal interesting results. According to a sample survey carried out by the plan organization in Tehran (the capital city) in 1949, out of 1300 villages, 60 percent of the households were landless; 25 percent owned less than 1 hectare, and less than 10 percent controlled between 1 to 3 hectares. In other words, 95 percent of the rural households held only 17 percent of the land. Only 1 percent of the households enjoyed the possession of 20 hectares or above, of which one-fifth possessed at least 100 hectares, while owning 34 percent of the area as a whole.

Furthermore, as table 2-14 presents, 26 percent of the landholdings was owner-operated. This category included not only the peasant holdings, but also the large-estate lands belonging to the landlords who worked the land themselves. Having in mind the figures of the small-holdings in table 2-15, some researchers have been led to conclude that "very few of the sharecropped holdings were small peasant farms"⁽²²⁾. Besides, in spite of vagueness of the statistics on landownership, some specialists believed that peasant holding played little role in the village economy. Ann Lambton states that "peasant proprietorship is not, insofar as its extent is concerned, an important form of landholding in Persia."⁽²³⁾ Also, other scholars

stressed the peasant holding as one which was too small, remote and did not provide adequate income, in a manner that, according to some estimates, only 5 percent of the cultivated land belonged to peasant cultivators.⁽²⁴⁾

These estimates were backed by some sample surveys such as one carried out by research group of Tehran university in 1963 which showed that out of 154 villages located in 7 different provinces of the country, only 4 belonged to peasant cultivators.

The factors contributing to keeping the size of the peasant holdings small, could be listed as follows: first, the lack of adequate amount of rainfall and the expensive cost of the irrigation system; second, the social importance of land-holding and the riskiness of the alternative investments projects channeled some urban dwellers (such as merchants as well as civil servants) into investing in land, subjecting the peasants to unequal competition; third, the Islamic law of inheritance which fragmented the holdings; and fourth, the transformation of few successful middle class peasants to rich ones who gave up working on land. In this manner, because of pervasive poverty, the majority of the peasants were economically and socially dominated by the landlords. Hence, the heterogeneity among peasants and the subjection of the majority of them to poverty led them to their marginal position in which the peasants felt too powerless to assert their political will as an independent social class.

Notes:

- (1) *Although I will define and cover the different sectors of the bourgeoisie in detail in the third chapter, since the terms comprador bourgeoisie and national bourgeoisie will be extensively used in this chapter, it seems necessary to clarify them here itself.*

In Iran, as in the other countries, the bourgeoisie is usually divided into two general sub-categories; namely, the comprador bourgeoisie and the national bourgeoisie. The first one is that section of the bourgeoisie, which enjoys the support of imperialism and whose interests are tied up with the expansion of the political and economic influence of imperialism. In other words, the comprador bourgeoisie, as a by-product of imperialist domination, engages in economic relations with imperialism, whose ultimate outcome is to the benefit of those countries and to the loss of national economy. Hence, the comprador bourgeoisie serves the interests of imperialism and acts against the national interests. On the contrary, the national bourgeoisie consists of those who are involved in the commercial or production sectors, exploiting the internal potentials to deepen further the independence from metropolitan countries.

In Iran, the comprador bourgeoisie has acted as a base for imperialism by dissolving the feudalists, polarizing the petty bourgeoisie, and channeling the national (commercial or industrial) bourgeoisie towards comprador capitalism. This transformation established the system of dependent capitalism in which an imperialist capitalist relationship developed further.

The point here, however, is that in Iran, this term is used generally for those elements who are involved, in one way or

another, in strategic ties with imperialism. Therefore, the concept of comprador bourgeoisie covers not only those who are engaged in commercial relations with imperialism, but also the industrial bourgeoisie, agricultural bourgeoisie, financial bourgeoisie, and bureaucratic bourgeoisie.

The industrial comprador bourgeoisie are those who establish dependent factories and transfer abroad a considerable amount of the value added through imports of intermediate goods and machinery while weakening the total independent industrial potential. In fact, the import of consumer goods is partly substituted by the production of manufacturing commodities in the dependent industries. These factories could be owned and run by private sector, public sector or foreign joint-venture. Even a part of the production of these establishments could be exported as raw material and semi-finished goods (such as steel, copper, petrochemicals, and oil products) to import new technology for dependent industries (assembly plants). Putting it differently, the production of simple consumer and intermediate goods is allocated to the dominated countries while the new technology is still monopolized by advanced economies. Thus, the production system is very limited, which guarantees the continuation of dependence on the dominant economies. The industrial bourgeoisie which presides over this dependent production systems and submits to, and benefits from, a continuation of this dependency relationship is characterised as comprador. Furthermore, the commercial comprador bourgeoisie consists of those who have specialized in the import of the foreign consumer goods, and are engaged in a competitive struggle with national bourgeoisie to control the internal markets.

- (2) *The share of the industries and mines (including the construction and energy) in the G.D.P. rose from 8.8 to 10.5 percent in the same period.*
- (3) *Interior Ministry, Public Census Statistics of 1956, P. 356.*
- (4) *Statistical Center of Iran, Public Census Statistics of 1966, P. 68.*
- (5) *Pesaran, (1985), P.29.*
- (6) *Interior Ministry, Public Census of 1956, and Statistical Center of Iran, Public Census of 1966.*
- (7) *Sodagar, (1358), P237.*
- (8) *The first stage had previously started in the Reza Shah reign.*
- (9) *Baldwin, Planning and Development in Iran, P.110, quoted by Sodagar, (1358), p. 193.*
- (10) *Looney, Economic Development of Iran, P. 109, quoted by Sodagar, (1358), p. 197.*
- (11) *According to an estimation, the rural-urban migration rate was 1.4 per cent per annum during 1952-63. Alternatively, every year 190000 villagers migrated to the cities. For further explanation see E'temad, PP.91-97.*
- (12) *Jazani, (1980), P.56.*
- (13) *Quoted from Moaddel,(994) P. 123.*
- (14) *Hakimian, (1988), P.12.*
- (15) *LadJevardi, H., Labour Unions and Autocracy in Iran, Chap. 9.*
- (16) *McLachlan, (1968), P.687.*
- (17) *Bashirieh, (1984), P.12.*
- (18) *Ibid. P. 20. As table 2-8 shows, between 1955 and 1960, the import of foreign goods and services increased from 10.9 to 52.7 billion Iranian ails. During this period, while the non-oil export remained almost intact (changed from 8.0 to 8.4 billion Rials), the resumption of the oil export resulted in more than sixfold increase in oil income from 9.4 to 53.4 billion Rials.*

It is noteworthy to add that the existing data on the credit market does not approve the mentioned sevenfold expansion. According to the official data issued by the National Bank of Iran and the Central Bank of Iran, while the credit provided for private sector increased by less than five times (from 9.2 to 42 billion Rials) the total credit rose by less than three times (from 28.3 to 75.2 billion Rials). See Soldagar, (1358), PP. 378, 397, 385.

The other point to note is that during this period the living costs were increasing rapidly. The living expenditure index (inflation index) rose from 992 in 1953-54 to 1692 in 1960-61. (1936 - 37=100). Index for house rent jumped up from 1771 to 3860 during the same period. See Ivanov, (1977), P. 202.

- (19) *Katouzian, (1974), P.228.*
- (20) *Ibid, P.228.*
- (21) *For more detail of this estimation, see Ibid P.229.*
- (22) *Mahdavi, H., Iran's Agrarian problems, Paper Presented at Harvard University, April 1965, PP. 20-22. Quoted by Kazemi and Abrahamian, (1978), P.269.*
- (23) *Lambton, (1991), 1991, P. 280.*
- (24) *Kazemi, and Abrahamian, OP. Cit., PP. 269-70.*

CHAPTER III: FROM 1968 TO 1979

Period of Economic Growth and Crisis:

The decade of 1968-77 encompasses Iran's fourth five-year (1968-72) as well as fifth five-year (1973-77) development plans. During the decade, dramatic changes happened in the socio-economic arena of Iran.

Beginning from 1950, the oil sector has played crucial part in the socio-economic development of Iran, even though other sectors have expanded during the period. The total oil income increased from \$7.1 billion in the fourth plan to \$ 84.2 billion during the fifth development plan. Furthermore, it constituted 74.6 per cent of the government's total income, 37.0 per cent of the gross domestic product as well as 76.3 per cent of the total export between 1973 and 1977 (see table 3-1).

The increase of oil revenue from its projected level of \$26.8 billion during the fifth development plan, to the actual \$84.2 billion, would have helped to eliminate the then existing financial bottlenecks, since the existing demands of various sectors could have been met owing to this increase. But the very availability of larger oil revenue gave rise to extra demands for resources as sectors competed against each other to grab these new resources.

Through providing an independent source of revenue, the oil billions created the basis of the autonomy of the Iranian State. Having little to do with domestic economic processes, the oil income acted as an external rent on a regular basis. Thanks to this source of revenue, the

Table 3-1 Per centage share of oil sector in government revenues, gross domestic product and foreign exchange receipts

Year	Oil production '000 barrel per day	Oil income in Dollars	In government income	In G.D.P	In total exports
1968	-	940	42.7	15.2	54.1
1969	3044	908	42.0	16.2	52.6
1970	3845	1093	44.2	17.4	55.7
1971	4566	1870	57.5	21.6	64.5
1972	5067	2308	56.2	21.3	59.7
1968-72	-	7119	48.5	18.3	57.3
1973	5896	5600	64.2	33.6	48.5
1974	6021	18523	84.9	46.6	81.5
1975	5350	18871	77.1	38.3	86.6
1976	5899	20488	74.2	35.4	74.3
1977	5662	20735	72.5	31.3	90.7
1973-77	28828	84217	74.6	37.0	76.3

Source: The first two columns from: Sodagar, (1980), P. 551, 554. The remainder columns from: Plan and Budget organization, (1997), PP. 4, 5, 8 and 30. Calculations by the author.

regime became able to expand its public expenditure without relying on resources from the domestic economy through high taxation. In this way, without any need to curtail private or public consumption through fiscal and monetary policies, the large governmental expenditures were financed.⁽¹⁾ In fact, the increasing dependence of the state on oil revenue, reduced the tendency to develop a regular and efficient taxation system to mobilize internal resources. Hence the taxation system remained arbitrary and did not bother to ensure that revenues grew alongside the expansion of government expenditures. Numerically, while the contribution of the tax income to total government budget had been 34.3 per cent in 1968, it

dwindled almost continuously during the subsequent decade; its share had become 20.2 per cent in 1977 (see table 3-2). In fact it was from 1964 onwards, with ascendancy of royal power, that oil's contribution to the economy became more pronounced: oil revenue formed the basis of comprehensive planning (contrary to the previous planning experiences which had been no more than merely the allocation of public revenues by the government) as well as of vastly increased governments recurrent and developmental expenditures. During 1968-77, the total spending of the government increased from 162.7 to 2174.9 billion Rials.

Table 3-2 The contribution of tax income to the government total income

Year	Per cent	Year	Per cent
1968	34.3	1973	27.1
1969	36.3	1974	11.1
1970	36.4	1975	16.7
1971	30.4	1976	19.1
1972	32.4	1977	20.2

Source: Plan and Budget organization, (1997), P. 30.

The gross domestic product (G.D.P) at factor cost and at constant 1982 prices, rose from 5104.2 in 1968 to 12851.3 billion Rials in 1977, an increase of about 170 per cent in just a decade. This marvelous expansion accelerated the previously changed orientation of the economy towards a semi-industrialized/services economy (see table 3-3), leaving impressive effects on the number of urban dwellers as well as the size of the labour force.

Table 3-3 Per centage share and annual growth rate of the major sectors of the Iranian economy in the G.D.P in 1968 and 1977

(In constant 1982 Prices)

Sectors	Per centage share in G.D.P.		Average annual growth rate
	1968	1977	(%)
Agriculture	20.6	12.8	5.4
Oil	41.6	34.3	8.0
Industries and Mines	11.2	18.1	16.2
Manufacturing	(6.1)	(8.6)	(15.2)
Mining	(0.3)	(0.5)	(14.4)
Public Utilities	(0.5)	(0.8)	(16.7)
Construction	(4.3)	(8.3)	(18.3)
Services	27.6	37.5	13.8

Source: As for table 3-2, PP. 6-7. Calculations by the author.

According to the national census of population and housing, during the period from 1966 to 1976, the population increased from 25.8 to 33.7 million. The urban population rose sharply from 9.8 to 15.9 million. Assuming that in the absence of rural-urban migration, the pace of growth of urban population would have been analogous to that of total population of the country, it becomes obvious that the annual number of rural-urban emigrants increased by 78 per cent during 1966-76 as compared with preceding decade. Putting it differently, the rural migrants comprised 50 per cent of the increase in the urban population during 1966-76. Consequently, the degree of urbanization increased very fast to 47.0 per cent in 1976 (see table 3-4). The relatively low productivity of agriculture in comparison to all the other sectors accelerated the rural-urban migration, leaving many villages deserted. In 1975, the inhabitants of 8000 villages had all left for the cities.

The economic expansion left its impact on the number of the employed population. While in 1966 there were 7.1 million persons constituting the employed population, owing to the fast economic growth which provided more employment, the total employed population increased to 8.8 million in 1976 (see table 3-4). Besides, although there was relative stability of wages in the fourth plan, but later, the high demand for labour in the subsequent years pushed the wages up. During 1968-72 the wages of industrial workers increased by an average of 8 per cent per annum (1967 = 100) and those of non-industrial workers by an average of 9.5 per cent (1967 = 100), the general index of wages (1975 = 100) jumped up from 35.5 in 1972 to 351 in 1978.

Table 3-4 Iran's population by urban and rural areas
(In thousands)

Year	Total	Urban	Rural	Degree of urbanization (%)	Economically active	Employed
1956	18955	5954	13001	31.4	6067	5908
1966	25789	9794	15995	38.0	7842	7116
1976	33709	15855	17854	47.0	9796	8799

Source: As for table 3-3, P. 54.

As mentioned earlier, in this period, the contribution of rapidly increased oil income, the stability of prices as well as the political stability provided appropriate circumstances for economic growth. The real annual average economic growth was 12.4 per cent and 8.4 per cent, respectively, during the fourth and fifth development plans. These high rates of growth were achieved by considerable increase in the real gross fixed capital formation. The figure changed annually by 13.4 per cent and 20.8 per cent in the above-mentioned plan periods.

Employing 19 per cent of total labour force in 1976, the manufacturing sector had a value added whose share in the G.D.P rose from 6.1 per cent to 8.6 per cent between 1968 and 1977.⁽²⁾ Correspondingly there was a decrease in the share of the agricultural sector both in total labour force as well as in G.D.P: it accounted for 12.8 per cent of the gross domestic product and 34 per cent of the total labour force in 1976. As table 3-2 shows, there was a remarkable shift from agriculture to industries and services.

In the endeavor to industrialize the country, not only was a significant portion of the state's financial resources allocated to the development of industries, but the state also helped industrial investment by the private sector through providing financial incentives such a low interest rate and easy loans and credits. Of \$1.2 billion approved for loans in 1973, \$ 967 million was granted for industrial sector.

The expansion of the credit system resulted in a substantial rise in the role of the private sector in the banking system. The value added in the banking system by the private sector was \$ 157 thousand in 1962, it rose to \$ 672 million in 1976. Partnership with foreign capital also increased in the Iranian banking sector. Value added in banking by foreign countries increased from \$5.6 million in 1970 to \$420 million 1976. Along with the growth of manufacturing and foreign banking, the rate of the foreign capital inflow increased as well. While foreign investment and loans flowing into Iran amounted to \$304 million in 1971, it increased to \$804 million in 1977.

The close relations between Iran and the western states led to the signing of several important economic agreements. Among them, two important ones are worth mentioning. First, a ten-year \$7.8 billion developmental agreement between Iran and France for the sale of two, 900-megawatt nuclear reactors to Iran in 1974. Second, a \$ 15 billion economic agreement between Iran and the United States involving the sale to Iran of \$5 billion arms and eight, 1000-megawatt nuclear reactors in 1975. While, according to a 1955 economic agreement, the US investment was protected against nationalization, its private investment in Iran reached \$1 billion only in 1975. There were 400 US firms with stakes in Iran's economy, and some 44000 Americans were resident in Iran in connection with the arms industry and other business. In the 1970s, Iran was the largest client for the US arms. Certainly, US involvement in Iran formed a major basis of the Shah's power.

The increasing oil income and the ambitions of the Shah led the state to provide foreign assistance. Such increased assistance from \$4 million in 1970 to \$3.3 billion in 1974 which constituted 6.9 per cent of the G.D.P. Besides foreign low-interest loans were provided to the advanced industrialized countries including \$1.2 billion to the government of Britain and \$1 billion to the government of France.

Along with foreign penetration into the Iranian economy, the economic dependence of the new Iranian industrialists deepened. The imports of capital and intermediate goods increased from \$89 million in 1963 to \$889 million 1977. Hence, the dependent industrialists of Iran, had

become the junior, but subordinate, partners of the elites of the metropolis countries.⁽³⁾

The abrupt increase in oil revenues provided the state the opportunity to revise the fifth development plan, doubling and later tripling the plan expenditure from \$49 billion to \$100 billion and ultimately to \$145 billion. To understand its impact on Iranian economy, it should be compared with the \$11.3 billion budget of the fourth development plan.

A proportion of petrodollars was allocated to economic affairs including road construction and modernization of old factories. As a result, during the fifth plan, state expenditure on economic affairs amounted to 2128.4 billion Rials. Interestingly enough, simultaneously, the open defence budget of Iran showed a jump up and by absorbing 2109.1 billion Rials (28 per cent of the total government income), reflected the attitudes of the state on the relative ranking of economic affairs with defence: the expenditures per capita for economic and defence purposes were nearly equal. Putting it differently, Iran's defence expenditure rose 500 per cent during the fifth development plan. It turned Iran to the world's number one buyer of military equipment and the world's seventh largest military spender, behind only the United States, the Soviet Union, China, Germany, France and England.

Indeed, with the advent of the oil billions, particularly in the early 1970s, the military was expanded at a pace unprecedented till then. Between 1975 and 1979, the regime purchased \$6.6 billion worth of US arms. US military sales to Iran rose from \$10 million in 1950, to \$100 million the 1953-57, and to \$3.9 billion 1974. A part of these transactions were accomplished through the use of US grants and loans. While before

1953 the total US economic and military loans and grants to Iran did not exceed \$59 million, it amounted to \$ 500 million between 1953 and 1957, and expanded to \$2.3 billion during 1953-70. Of the latter figure, more than \$1 billion were only in military aids and grants.

During the fourth development plan, hasty industrialization continued along with balance-of-payment problems; the current account of the balance of payments went into a deficit in the early years of the plan (see table 3-5). A part of imports contained agricultural products. The value of food imports grew more than four times from 1973 to 1976. To finance the current account deficit, long-term loans were contracted. In other words, the situation was getting worse over time. Indeed in the absence of the dramatic changes in the oil prices beginning from the early 1970s, the state would have had no alternative but to launching a sort of economic stabilization programme. The OPEC agreement and later the quadrupling of the oil prices in 1973-74, raised the Iran's oil income from \$0.98 per barrel in January 1971 to \$9.32 in January 1974 (see table 3-6). Although this increasing fund helped overcome Iran's foreign exchange problems overnight, the ambitions of the regime did not allow it to seize this opportunity to put in place an alternative development strategy in the place of the ill-considered strategy that had been followed till then with mounting social inequalities.

Table 3-5 Export and import of Iran during 1968-77

(In billion Rials)

Year	Imports	Exports	Balance
1968	120.4	114.3	-6.1
1969	139.6	133.2	-6.4
1970	158.4	153.7	-4.7
1971	199.3	240.6	41.3
1972	251.1	298.5	47.4
1973	345.4	642.4	297.0
1974	675.6	1470.0	802.4
1975	1127.1	1440.0	312.9
1976	1236.9	1787.8	550.9
1977	1500.5	1753.6	253.1

Source: As table 3-4, P.8.

Table 3-6 Iran's average income from per barrel of oil during 1912-1977

(In Dollars)

Year	Income
1912-32	0.17
1932-51	0.23
1963	0.77
1964	0.80
Jan. 1971	0.98
Jan. 1972	1.42
Oct. 1973	3.08
Jan. 1974	9.32
Nov. 1974	10.22
Feb. 1976	11.40
Jan. 1977	12.49

Source: Sodagar, (1980), PP. 596 an 574.

The oil price increase led to a situation where the private sector's economic activities as well as the government's revenues became even more dependent on the oil income. According to the released official data, the direct proportion of oil income in the total government income expanded in an escalating trend; from 48.5 per cent on average in the fourth five-year

development plan to 74.6 per cent during the fifth one ⁽⁴⁾ (see table 3-1). Consequently, the share of oil revenues in the total export increased from 57.3 per cent to 76.3 per cent during the same spans of time.⁽⁵⁾

This increase contributed to the disappearance of the importance of the non-oil exports. It is noteworthy that the share of the non-oil merchandise exports in the total foreign exchange revenues of the country was only 1.8 per cent in 1977. Besides, while the share of the manufacturing export in the manufacturing value added was 11 per cent for all developing countries in 1970, the figure for Iran decreased from 3.4 per cent in the year preceding the launching of the fifth development plan (1972) to 2.0 per cent in the final year of the plan (1977).⁽⁶⁾

Following the expansion in the government's revenues because of oil price increase, the total expenditure of the fifth five-year development plan was tripled. Indeed, the decision was made in spite of the objection of the economic experts and warnings about facing the coming shortages of skilled manpower and infrastructural bottlenecks. The shah's answer was that provision of all the requirements of the rapid economic growth should be provided through importation. In this manner, under the rubric of reaching the alleged "Great Civilization" of the shah, the impact of rapid industrialisation and urbanization through increasing dependence upon western culture and technology, was to undermine various aspects of the social, cultural and political life of Iran.⁽⁷⁾

The rise in government spending, through tripling the fifth plan's expenditure, was welcomed by the United States for two reasons: firstly, the expansion of the export market of the western industrialised countries

was accompanied by a drain on Iran's foreign exchange reserves, which ensured that the regime could never curtail the oil export. This would diminish the threat of the shortage of the oil supply to the west (which would also lead to higher world oil prices). Secondly, the political and military vacuums created by the withdrawal of the British forces from the Persian Gulf in 1971, would be filled through Iran's increased expenditure and, without any further cost for the Western Alliance, lead to the realisation of the Nixon's Doctrine.⁽⁸⁾

Indeed, it did not take long before the various bottlenecks and shortages left their negative impact on economic activities. The average waiting time for up to 200 ships at a time to unload their cargoes increased to 160 days. Hence, Iran had to pay well over \$1 billion as demurrage charges for delays of the unload of ships during 1974-75. Besides, the electricity shortages led to serious disruptions of industrial production and manpower shortages resulted in an increase in wages, as well as, and inflow of the foreign workers. At last, the lack of proper and competent bureaucracy to handle all the developments led to the aggravation of the weaknesses of the Iranian administration heightening the public's dissatisfaction.

Along with the revision of the fifth development plan, the loans and credit channeled to the private sector were increased. The loans provided to the private sector rose by 20.7 per cent per annum during the fourth plan, they increased even faster in the fifth plan, by 38.7 per cent per annum, changing from 364.7 billion Rials in the last year of fourth plan to 1868.8 billion Rials in the final year of the fifth plan (see table 3-7). This rise

in the loans to the private sector resulted in a rapid growth of the private sector's liquidity as well as in the total demand. The liquidity (money and pseudo money) increased from 399.4 billion Rials in 1972 to 2097.0 billion Rials in 1977. This rapid increase in loans increased substantial excess demand in the Iranian economy, which in future caused a large inflow of imposed foreign goods. Hence the value of the imported goods and services rose from 251.1 billion Rials in 1972 to 1500.5 billion Rials in 1977. A portion of the imports was agricultural products including wheat and meat, which reflected the decline in Iranian agriculture.

Table 3-7 Banking Loan Provided to the Private sector during 1968-77
(In billion Rials)

Year	Loan amount	Year	Loan amount
1968	167.2	1973	494.2
1969	198.6	1974	704.6
1970	230.2	1975	1092.5
1971	278.4	1976	1516.6
1972	364.7	1977	1868.8

Source: As table 3-5, P. 18.

Increased imports strengthened Iran's dependence upon western countries and the existing infrastructural bottlenecks accelerated the inflation. The expansion of consumption far beyond the potential productive capacity of the economy and the fact that imported goods could not be distributed rapidly owing to infrastructural bottlenecks, led to an increase in the inflation rate. According to table 3-8, representing general consumer price index (1990=100), the average inflation rate confined to a relatively modest 5.7 per cent per annum in the fourth development plan. During the fifth plan, the average inflation rate jumped to 9.3 per cent annually, despite

the adoption of a more liberal import policy, and an increase in the share of consumer goods in total imports (see table 3-9). The price index of housing as a component in the general index of the consumption prices rose by 15.4 per cent per annum during the fifth development plan. This impinged heavily on the livelihood of the people.

Table 3-8 Consumer price index in the urban areas of Iran during 1968-77
(1990 = 100)

Year	Index	Year	Index
1968	5.3	1973	6.9
1969	5.5	1974	8.0
1970	5.5	1975	8.8
1971	5.8	1976	10.2
1972	6.2	1977	12.8
Average growth	5.7	Average growth	9.3

Source: As for table 3-7, P. 51.

Table 3-9 Commodity composition of Iran's imports classified by their use
(In per centage)

Type of use	1969	1972	1977
Consumer goods	10.9	12.9	18.6
Intermediate goods	64.0	62.1	54.2
Capital goods	25.1	25.0	27.2
Total	100.0	100.0	100.0

Source: Central Bank of Iran, Annual Reports, quoted by: Pesaran, (1985), P. 28.

Instead of tightening monetary and fiscal policy, the regime embarked upon an anti-profiteering campaign in the hostility of the *bazaar* and reinforcing the alliance between the *ulama* and the *bazaar*. During the first 10 months of campaign, more than 250000 business units were fined

and closed down in Tehran and around 8000 merchants were sent to jail for two months to five years.

The fact that the anti-profiteering campaign did not produce the expected results led the government later to tighten the credit and money supply to overcome the rising economic problems. The minimum reserve requirement of the commercial banks with the Central Bank was increased, while foreign borrowing was forbidden. Consequently, the rate of increase in the loans to the private sector decreased from 55.1 per cent in 1975 to 23.2 per cent in 1977. This however had the effect of reducing the rate of investment in the economy. The real fixed capital formation declined by 2.9 per cent in 1977 in comparison to 1976, after several years of fast increasing rates during the third, fourth, and fifth development plans (see table 3-10).

Table 3-10 Real fixed capital formation in the Iranian economy during 1968-77
(In constant 1982 prices)

Year	Investment	Year	Investment
1968	748.4	1973	1415.3
1969	793.2	1974	1633.8
1970	886.9	1975	2453.0
1971	1042.6	1976	3328.8
1972	1256.5	1977	3231.0

Source: As table 3-8, P. 10.

This decline was due to the cut back in the public sector's investment on construction (which has tripled during the fifth development plan) by 7.5 per cent in 1977 compared to the preceding year, in the effort to reduce the rate of inflation.

The deflation of the economy, apart from curtailing investment, led also to a general decline in the gross domestic product in several sectors, e.g. including agriculture (by 3.9 per cent), oil (by 7.8 per cent) and construction (by 7.0 per cent), in 1977.

The sharp decline (by 48.6 per cent) in the investment in housing and indeed the negligible growth in that of manufacturing could be partly due to the dissatisfaction of the private sector about some of the government's policies such as increasing minimum wage or forcing the manufacturing establishments to sell 49 per cent of their shares to their employees and the public according to the 1975 share participation scheme. Subsequently, the complete relaxation of the restrictions on foreign exchange transactions in 1974, paved the way for capital to fly out of the country in an unprecedented manner. According to Business Week (no. 17, 1975), within one year, \$2 billion worth of private funds were transferred abroad.

The result was the aggravation of the economic stagflation from mid 1977. Therefore, the real gross domestic product at factor cost decreased by 2.1 per cent in 1977 while simultaneously the inflation rate jumped up by 25.5 per cent. The stagflation of the 1977 worsened during 1978 onwards.

On the whole, as long as the oil sector was constituting a reasonable part of the G.D.P.⁽⁹⁾ and enjoying a balanced position from the inter-sectoral equilibrium point of view (although still having major role in providing foreign exchange), its socio-economic implications could be relatively controlled by the government. As the pace of increase in the oil

income was accelerated, and the value added of the oil sector rose much more rapidly compared to that of the other sectors, the government became unable to absorb its shocks and adjust its outcomes. Ever-rising dependence of the national economy upon the world economy via the oil income, subjected the economy to the world economic cycles, and transformed it to a parasite one.

Indeed, the economy faced disaster when two phenomena happened. First, when the oil export not only could not increase, but even dwindled after the oil price shock.⁽¹⁰⁾ Secondly, the oil price did not increase as was expected by the planners. This phenomenon was reflected in the budget deficit doubling in 1977, in comparison to 1976, in which foreign borrowing was to compensate for the lack of increase in oil revenue.

Hence, in the aftermath of the abrupt oil price increase, oil income acted as a powerful factor in dismantling the politico-economic structure of the existed regime. Gradually, the fragile structure of the government weakened, and chaos overwhelmed all the administrative and other institutions. Furthermore, the economic order got disarticulated, the feebleness of the regime in meeting the rising public expectations aggravated, and ultimately, the regime lost its credibility among the people.

The perpetual political suppression, the torture of political prisoners, the presence of several thousands of U.S military personnel and their dependents with diplomatic privileges -capitulatory right- (granted by the shah in 1963 at the price of 2 hundred million dollars) further aggravated the discontent of the people.

Hence, the intelligentsia, waiting for proper moment to strike against the autocratic regime; the *bazaar*, badly undermined during the preceding couple of decades and humiliated after the anti-profiteering campaign; and the clergy, angry with the Shah's pro-western and anti-Islamic tendencies, joined each other. Indeed, the financial strength of the *bazaar*, the religious power of the clergy and the influence of intelligentsia among the university students, came together to mobilize the masses to overthrow the regime.

The Expansion of Comprador Bourgeoisie:

The growth of the comprador bourgeoisie during the few decades preceding the 1970s has already been discussed. It was mentioned that the final stage of the growth was the conversion of the national bourgeoisie and of feudalists towards comprador relations. The result was the rapid growth of comprador bourgeoisie in the fields of industry, finance and agriculture.

The commercial comprador bourgeoisie, involved in import of foreign consumer goods, continued competition with commercial national bourgeoisie for the control of internal markets. The growth of industrial bourgeoisie has decreased, to a large extent, the relative importance of the commercial bourgeoisie through substituting a major part of imported commercial goods by importing capital as well as intermediate goods to produce internally the consumer commodities. Hence, the commercial bourgeoisie sought to penetrate into the internal market to distribute the goods produced by dependent industries. From 1960s onwards, this effort placed the comprador commercial bourgeoisie in direct contradiction with the interests of the national bourgeoisie, and sections of the small petty bourgeoisie, marginalizing them more than before. In this effort, the big commercial bourgeoisie was helped by the financial bourgeoisie (the banks and insurance companies) to drive the small and petty bourgeoisie out of business. In fact, the factors such as: importing goods, and being exclusive agent to sell and distribute, forming a consumer class, and its reciprocal relation with financial comprador bourgeoisie and with the government, contributed to give a comprador character to the commercial bourgeoisie.

Among various sections of comprador bourgeoisie, the industrial bourgeoisie grew faster than any other section. Its compradorial characteristics arose from its dependence on imperialist monopolies. The activities of industrial bourgeoisie were in the two basic fields of mining and consumer goods manufacturing, although the former lagged far behind the latter. The government, engaged in heavy industries, was also a partner of foreign capital to produce and export raw materials and semi-finished goods. Therefore, the most important area of activity for industrial bourgeoisie was the consumer manufacturing such as food, clothing, household goods, toiletries, metal works and medical supplies. These industries grew rapidly from the point of view of the investment, employment and production. This process led to the formation of a consumer class and exorbitant profits accumulating in the hands of the comprador bourgeoisie.

The dependence of the industrial bourgeoisie on imperialist monopolies took various forms, of which the most important were:

- Capital dependence: its simplest form, as direct capital dependency, was the partnership between internal and foreign capital. However, the other industrial companies, formed with official internal capital borrowed from an internal bank whose bulk of sources had been provided by foreign banks, constituted the indirect capital dependency.

- Machinery dependence: due to the heavy dependence of the vast majority of Iranian industry on foreign suppliers for its machinery and spare parts, a considerable portion of Iran's foreign earning was handed

back to the metropolitan countries for import, maintenance and renovation of factories and machineries.

-Technological and technical dependence: This is realized through the determinant role of foreign advisers in economic and industrial planning, the assembly of various machineries and constant production supervision. In fact, thousands of foreign advisers accompanied the dependent industries into Iran and got employed at high salaries to install and supervise the industries forming a considerable part of total cost of production.

With the expansion of the comprador industrial bourgeoisie, the small bourgeoisie, who were engaged in producing consumer goods in their workshops, faced an overwhelming rival which was to dominate the whole market. In the early stages, the population growth provided some demand for their products, but, later, along with the rapid increase in imports as well as the establishment of dependent enterprises, they put the workshops under heavy pressure. Hence with the growth of factories producing home appliances, the furniture workshops closed down, with the setting up of shoe-making factories, shoe makers were forced to go out of business.

The other section of the comprador bourgeoisie, namely the financial bourgeoisie was created with the establishment of commercial banks as well as insurance companies in the aftermath of the 1953 coup d'etal. These banks were initially limited to financing foreign imports and internal commerce. Later, industrial and specialized banks expanded. The

following factors contributed to the comprador characteristic of the financial bourgeoisie:

- The banks provided financial resources to the various sectors of the bourgeoisie. Hence the existence of this organic relationship constituted the most general aspect of its comprador characteristic.

- The financial bourgeoisie sought to participate directly in the industrial and commercial activities through investing in them.

- The direct dependence of financial bourgeoisie on foreign monopolies was effected through their capital and financial activities.

The agricultural bourgeoisie is the most recently created section of the comprador bourgeoisie. The basis for its formation was permitted by the developments after the coup. The capitalist system of production prevailed on the richer farms grabbed by the courtiers and big bureaucrats farming on a mechanized basis. Some of the landlords, being informed of the coming land reform in advance, turned their lands into mechanised farming. Hence, the number of mechanised and semi-mechanised farms, being exempted from land reform, increased. These farms formed the basis for the establishment of the agricultural comprador bourgeoisie. Parallel to these developments, the system of modern orchard farming expanded. There was no share-cropping in this component of agriculture and agricultural workers as well as landless peasants worked on mechanised and semi-mechanised orchards as wage labourers or on a seasonal basis.

The most important aspect of the agricultural bourgeoisie was the creation of large mechanised farms as well as meat and dairy farming corporations. The agri-business sector was the true representative of the

big bourgeoisie in agriculture. The privately-owned agricultural enterprises were lavishly helped by the state vis-a-vis the small capital and petty landowners which faced the same fate as happened to small urban businessmen.

The setting up of joint-stock agricultural enterprises and creation of forming capitalist relations were another aspect of the growth of a bourgeoisie in the rural areas. In this case, production was managed by the bureaucratic bourgeoisie, although lands had been divided amongst the peasants. Having been in the process of paying installments for the lands, the peasants were deprived of them and in turn received shares of the enterprises, not on the basis of their work but according to the size of their lands. However, still the most important fields for the growth of the agricultural bourgeoisie were the large mechanised farms, large agricultural units and livestock farming corporations.

The other section of the bourgeoisie is bureaucratic bourgeoisie. As the industrial and commercial firms, mines, stores, banks and other private institutions provided the grounds for the growth of the bourgeoisie in the private sector, so the court, the government, the army, state-owned commercial and industrial institution and government-sponsored agricultural and reform programmes provided the ground for the growth of an administrative (i.e. bureaucratic) bourgeoisie. For two reasons the section which headed these public institutions was part of the bourgeoisie. First, because it represented the interests of other parts of the comprador bourgeoisie; and secondly, because it exploited the society's resources and the labour force, thus confirming bourgeois character. The special feature

of the Iranian administrative bourgeoisie was summed up in the political and administrative role of the court and courtiers. Their exploitation took place through the following channels:

- Misuse of political, administrative and military positions. The administrative corruption was at a high level; in all activities, which involved money, the higher strata of government administration, state institutions and the military hierarchy pocketed a share of transaction.

- Exploitation of the country's resources by the administrative bourgeoisie heading the industrial and commercial enterprises belonging to the state. The government's activities in heavy industries and its joint ventures facilitated the growth of the other sections of the bourgeoisie.

- Exploitation through their control over agricultural lands, and implementation of various reform programmes by acquiring vast areas of fertile land without payment. After the land reform, setting up the joint-stock agricultural enterprises, state and joint (foreign-domestic) mechanised farming units, meat and dairy corporations provided them the ground for the possibility of more exploitation.

Hence, it is clear that the administrative bourgeoisie had a wide scope for growth and exploitation. The historical feebleness of the national bourgeoisie, together with the corresponding increase in the economic role of the state, widened the scope for the bureaucratic bourgeoisie.

On the development of the social classes, it should be noted that by the end of the Pahlavi era (Feb. 1979) dramatic changes happened in the social arena of Iran. The modern bourgeoisie, coming out of a small group of factory owners and international traders of the mid 1920s,

developed into a significant socio-economic group, comprising hundreds of great industrialists, bankers and financiers, importers and exporters, and consulting engineers.

Later in 1960s and especially 1970s, the huge increase in the oil price resulted in considerable accumulation of capital in the private sector at least in two ways: first through provision of credits at favourable rate to business managers; and secondly, increase in real income through windfall profits from land speculation and real-estate development. Indeed, the period saw considerable expansion of the construction sector which yielded high and quick rates of return. Therefore, the real private investment in the construction increased on average by 14.7 per cent per annum during 1968-77.

Besides, state incentives and preferences in producing domestically some industrial commodities through pursuing import substitution industrialisation strategy, increased the factories established by the importers of industrial goods.

To prepare the ground of the emergence of a modern industrial bourgeoisie, private initiative was strongly supported in the regime's industrialization policies. The adoption of measures on fiscal concession, tariff protection, easy loans and credits, subsidies, industrial grants, tax exemption, effective protection and monopoly concession, just to name some policies in favour of domestic production and against commercial bourgeoisie.

Up to 70 per cent of the capital of some industries came from low-interest government loans. They were exempted from tax, for five years in

Tehran and for twelve years in the provinces. The rate of effective protection for modern textile plants was as high as 74 per cent and for car assembling it was 86.6 per cent. Interestingly enough, some of the industries yielded 50 to 80 per cent profit.

Hence, the contribution of the private sector to capital formation could increase on an average by 27.8 per cent per annum during the span of time of the fourth and fifth development plans (1968-77). Also, between 1961 and 1975, the industrial credit bank's loan granted to private sector rose from 20 million to 2000 million dollars. Furthermore, the promotion of foreign investment further stimulated the growth of the industrial bourgeoisie while some two hundred foreign firms participated in joint ventures with local companies.

Hence, it was the state promotion, which helped the large industrial bourgeoisie emerge. Gradually the number of large-size establishments increased, producing 75 per cent of the industrial products in 1974.

There are several sources to be referred to for estimating the industrial developments during the period under consideration. According to the data based on the National Census of Population and Housing, the number of people engaged in manufacturing rose from 1.27 million 1966 to 1.67 million in 1976⁽¹¹⁾ (See table 3-11).

According to the data released by the Ministry of Industries and Mines, during the fourth plan (1968-72), the number of large-sized establishments (hiring 10 or more workers), increased from 4666 to 5651

units. Simultaneously, their workers increased from 251.4 thousands to 303.6 thousands.

Table 3-11 Employed population 10 years of age and over, employment status and major industry groups

Major industry	Year	Total year employed	Total Status						
			Employer	Own account workers	Public wage and salary earner	Private wage and salary earner	Unpaid family worker	Unpaid apprentice	Not reported
Mining (1)	1966	26312	334	794	6792	18238	94	9	51
	1976	89888	312	1068	69951	18434	70	-	53
Manufacturing (2)	1966	1267600	40684	305312	54717	732943	112931	18044	2882
	1976	1672059	49885	307722	141440	759416	411249	-	2347
Construction (3)	1966	509788	7382	39653	2499	454914	4099	309	932
	1976	1188730	18840	99057	10500	1055230	4388	-	705
Public utilities (4)	1966	52858	304	218	38526	13216	28	34	43
	1976	61623	137	269	53123	7858	8	-	38
Industries and mining (5) 1+2+3+4=5	1966	1856558	48704	345977	102534	1219311	117152	18396	3908
	1976	3012300	69174	408116	275014	1840938	415715	-	3143

Source: Plan and Budget Organization, Statistical Center of Iran, (1967) and (1980), National Census of Population and Housing.

Relying on the data published by the Statistical Center of Iran, the number of large industrial units expanded from 4125 in 1973 to 5432 in 1976 (of which 96 per cent was privately owned), hiring 290.1 thousand and 403.8 thousand, respectively⁽¹²⁾ (see table 3-12).

During this period, the change in the composition of the parliament deputies, as political elite, continued with considerable pace as well. In fact, the continued challenge of intellectuals and workers on the one hand, and the broad coalition of the new middle class comprising

independent professionals, civil servants, military personnel, private enterprise employees, on the other, against the entrenched oligarchy including old-guard politicians, land owners, great merchants, and influential religious leaders resulted in changes in the 24th session of the *Majles* (1975-79), as the last one under Pahlavi regime.

Table 3-12 Number of the large-size industrial unites, their workers and wage earners, during 1968-76

Item	1968	1972	1973	1976
No. of units	4666	5651	4125	5432
No. of workers	251408	303626	290084	403767
No. of wage earners	(236176)	(289314)	(280362)	(395488)

Source: The figures of the first two columns from Ministry of Industries and Mines, Bureau of Statistics, (1968 & 1972), Iranian Industrial Statistics. The figures of the last two columns from Plan and Budget Organisation, Statistical Center of Iran, (1973 & 1977), Statistics of the large industrial units.

Note: The figures of the two different sources are not comparable.

Hence, approximately three-quarters of the deputies came from the new bureaucratic, professional and entrepreneurial groups. In more detail, the proportion of landlord nobility dwindled dramatically from 23.2 per cent of all deputies in 21st session (1963-67) to a mere 9.8 per cent in the 24th one. On the other hand, the professionals enjoyed a considerable increase in their share, increasing from 13.8 per cent to 21.3 per cent. The other two notable changes relate to the increase in the share of the entrepreneurs (with an increase from 1.7 per cent to 10.2 per cent) as well as of worker's leaders (with a change from 3.0 to 4.9 per cent). However, the domination of the members of the new bureaucratic elite (with more than 40 per cent share), as the most powerful component of the *Majels*, continued. According to the findings of the surveys conducted in the 1960s

and 1970s, the level of education among the new political elite was quite high as well. About 90 per cent of the government agencies, more than 70 per cent of the *Majles* deputies, and nearly all cabinet members had received at least the bachelor's degree. In this way, the change in the power bloc and the shift of power from old landed nobles to the new classes become more transparent (see table 3-13).

Table 3-13 Distribution of occupational backgrounds of *Majles* deputies,
1906-79

(In per centages)

Occupation	1 st -5 th <i>Majles</i> (1906-23)	6 th -13 th <i>Majles</i> (1925-41)	14 th -20 th <i>Majles</i> (1943-61)	21 st <i>Majles</i> (1963-67)	24 th <i>Majles</i> (1975-79)
Landowner	28.5	40.4	40.4	23.2	9.8
Bureaucrat	32.1	26.9	32.6	45.8	40.8
Cleric	17.5	7.8	2.8	0.3	0.3
Professional	8.7	11.4	13.5	13.8	21.3
Merchant or guild member	11.0	11.4	9.2	7.7	6.8
Employee					
Private sector	2.2	2.1	1.4	3.7	3.2
Entrepreneur				1.7	10.2
Workers' leader				3.0	4.9
Others				1.1	2.6
Totals	100.0	100.0	100.0	100.0	100.0
Number of Occupations	801	1477	1293	216	316
Number of Deputies	85	1048	917	192	246

Source: Adapted from Saji'l, 1965. PP. 179, 267; unpublished surveys of the social background of the deputies in the 24th *Majles* by Ahmad Ashraf and Ali Banuazizi.

The upper bourgeoisie constituted 150 families, mostly with a *bazaar* background, owning two-third of all industries and financial institutions. Its members sat on over 1000 boards. Out of the 473 large

private industries, 370 were owned by ten families. According to NewsWeek, 14 October 1974, 10 per cent of everything in Iran belonged just to one of the most prominent entrepreneurial families.

The royal family, having large commercial and industrial holdings in partnership with large industrialists, provided protection and access to capital for entrepreneurs. The royal family owned 80 per cent of the cement industry, 35 per cent of the car industry, 42 per cent of the construction industry, 70 per cent of the hotel industry, 40 per cent of textile industry, 62 per cent of banks and insurance companies and 55 per cent of the steel industry. Courtiers and financial advisers of the shah acted as brokers and held shares in large enterprises on his behalf. Industrialists, to benefit from the power of the royal family, such as credits and tax exemption; offered the court some shares in their industries.

In fact, the representation of interests in Iran was based on clientelism. It constituted the relationships between the regime, being capable of allotting resources, and private interests, with channels of access to public institutions attempting to influence public policy and extract resources. Hence, it was a more informal process based on individual relations between private interests and state institutions. In this way by, distributing the resources in the form of the easy loans, tax exemption, effective protection and monopoly concessions, the authoritarian regime brought the business class within the ambit of its patronage.

In spite of the developments in the socio-economic scene of Iran, not that much freedom was experienced in the political arena. In fact, they

were prevented from establishing autonomous associations, the political aspirations of the modern bourgeoisie remained unfulfilled.

As an example, partly because of the growing influence of the upper bourgeoisie, from 1970, the government's relations with the businesses class changed from that of being a distribution of resources to that of a regulator of business. From 1972, the regime's dissatisfaction with the speedy growth of the upper bourgeoisie grew. Therefore, the court policy began to move towards redistribution of industrial wealth and control of the size of ownership. It was ordered that 5100 large private enterprises should sell 33 per cent of their shares to workers within three years.

To mention another example, the chamber of commerce, industries and mines was organised in 1970. But, firstly, it was done by the Minister of the Economy and secondly, a former Minister of Industries and Mines was appointed to direct it. Hence, this sort of subordination prevented the modern bourgeoisie from playing any significant role as an independent interest group. Besides, lacking a mass constituency, the modern bourgeoisie never enjoyed the political privileges enjoyed by the landowning class.

Industrial entrepreneurs had to obey the seemingly arbitrary policies such as compulsory sale of stock in their companies to employees or on the open market, the formation of capital markets through joint ventures, and state imposed profit-sharing schemes to benefit workers. All these policies were announced without the prior consent or even knowledge of the industrialists. The highly publicized campaign of the government against price increase in the mid 1970s was against the

bazaar merchants, and commercial and industrial bourgeoisie. Hence, the sense of powerlessness vis-a-vis the state regulations and uncertainty about the coming future, led to a flight from responsibility and a desire to realize maximum profits in the shortest possible time. Many great entrepreneurs and traders got involved increasingly in import trade and land speculation, while some others transferred major parts of their assets to western countries.

On the whole, the regime sought to support the upper bourgeoisie while simultaneously controlling it. In other words, the political function of clientelism was to create a dependent relationship between the bourgeoisie and the state. As a result, the bourgeoisie was subordinated and integrated into the government. This acted as a fact that ensured the security of established interests.

Among the dominant social groups, the bureaucratic elite was most directly subject to the shah's autocratic rule. Independent-minded personalities were replaced by weaker and obliging men, usually inexperienced, unable to judge independently and less familiar with political culture of the popular classes. Ultimately, disregard for the political aspirations of the bureaucratic elite and the entrepreneurial class by the monarch, led to the feebleness of the political commitment of these groups to the regime, undermining their desire and ability to support it at times of political crises.

The modernization of the economy through a strengthening of the modern bourgeoisie, put the *bazaar* under the government's industrial and financial pressures, reflecting anti-*bazaar* attitudes to undermine the

“fanatic lot, highly resistant to change”⁽¹³⁾, the *bazaaris*. Hence, the licensing system and credit policies providing subsidized rates of credit below the market price were designed in favour of members of the dependent bourgeoisie. Simultaneously, the small entrepreneurs, shop owners and crafts people, while starving even for unsubsidized bank credits, did not have the time, the knowledge, or the resources to follow the complicated procedures. Relying only on their incomes, the small firms suffered from their limited markets because of the low level of income in agriculture. Besides, due to the deep dependency of the modern industries, there was a weak or even no linkages between small-scale production and the modern industrial sector. This fact was reflected in the dependence of the large industrial establishments on imported intermediate goods, parts and components to a much greater extent than on local materials. Indeed, the balance of choice between importing and buying from local markets was biased towards the former in the large modern industries.

Although still controlling a third of imports and two-thirds of retail trade, the power of the *bazaar* declined by the expansion of the modern commercial sector, in the late 1970s. According to the existing figures, the carpet export, the main non-oil export, declined by 13 per cent in both value and volume in 1977 in comparison to the previous year. In the same year, exports of cotton, the next large revenue earner after oil and carpet exports, fell by 45 per cent in volume and by almost 50 per cent in value. The largest cotton textile mills faced difficulties remaining in business and competing with the cheaper goods imported from other countries. Furthermore, there was even attempts to destroy the *bazaar* physically

through building state schools, new housing and shopping centers outside the *bazaar*. More specifically, the government tried to build a new market in Tehran in 1976, to improve the nationwide food-distribution system.

As mentioned earlier, the sudden drop in the international demand for oil accelerated inflationary process that had already started earlier. Moreover, internally expanded demand for various goods overwhelming the supply, confronted the country with considerable economic problems. The state's strategy to overcome the difficulties, aggravated its already deteriorated relations with *bazaar*. For instance, in a nationwide anti-profiteering campaign launched to control the rising inflation, the *bazaar*, was particularly condemned for inflation and a major part of the anti-inflation comparing was directed against it.

Moreover, under the accusation that they were less than cooperative with the campaign, 17 top guild leaders from the chamber of guilds of Tehran were dismissed and most of the guilds throughout the country were dissolved. Indeed, the government's imposition of price control over the goods and services could even be interpreted in terms of a campaign against the economic interests of small-scale trade and artisan capital. In the subsequent years, several thousands of small businessmen were fined or directed to court on charges of speculation or violation of price regulations. Nonetheless, the price control failed to have a long-term effect. For six months, the official price indices declined, but, on the other hand, the black-market prices for essential commodities shot up. On the whole, while the campaign proved ineffective, it left behind a legacy of

considerably enhanced hostility of the merchants and guilds towards the state.

The *bazaar* was stratified. Economically, the merchants, although being disturbed through various government regulations, made considerable gains. The condition was not the same for the *bazaar* petty bourgeoisie. Moreover, in the aftermath of the dissolution of the Society of Merchants and Guilds by the post coup regime, which had considerable role in mobilizing the *bazaar* during the Mosaddeq era, the *bazaar* was lacking any nationwide organization. Besides, the existing guild organisation was controlled by the government and monitored by the intelligence organization. Politically, the *bazaar* was divided as well. The merchants and landowners followed the more moderate grand *ayatollahs*, while the members of the petty bourgeoisie and less fortunate *bazaaris* pursued the more radical ones.

The Growth of Working Class:

During the 1960s and 1970s, following the growth of the comprador industrial bourgeoisie and increase in the foreign investment, the working class began to grow rapidly.

The Iranian working class, having achieved considerable economic progress compared to the previous decades, could be divided into various sectors: the industrial workers, workshop workers, and agricultural workers. The latter, actually, is a relatively new element, coming out of the land reform.

Moreover, the workers had been divided into two sections: new and old workers. The old ones were distinguishable by their age, skill, and level of income. Having been through one or two periods of economic and political movements, and in spite of their relative conservatism and lack of recent political activity, they possessed a working-class culture and consciousness. Nevertheless, they were different from the new generation of workers; and due to the impact of the defeats they faced in the previous decades, they had a sense of despair, pessimism and self-centeredness in them, which created a barrier to any exchange of views and experience with the younger workers.

This feeling was especially sharp among the most important section of the working class, i.e. the industrial workers, particularly in the ranks of foremen and highly skilled workers.

The new generation of workers, compared with the previous one, enjoyed a higher level of education. The majority of them had urban working-class or petty bourgeois background, while the previous one was

from the peasantry. The new workers lacked any kind of working-class culture, but had clear socio-economic demands stemming from their urbanised background.

One of the peculiarities of the Iranian society is the relation between the petty bourgeoisie and the working class. While the historical feebleness of the industrial bourgeoisie resulted in a lack of development of the working class, the urban petty bourgeoisie has enjoyed better conditions. Factors contributing to the growth of the latter were the existence and prevalence of the artisan system, the labour-intensive nature of the distribution system, and the general bureaucratic system of the government. Therefore, the socio-economic weakness of the working class has been revealed in the form of its qualitative backwardness vis-a-vis the national and petty bourgeoisie. In fact, the growth in the size of the petty bourgeoisie provided the basis for its qualitative strength.

According to the National Census of the Population and Housing, by 1976, the total wage earners in the private sector amounted to 3.1 million. This figure included the construction sector (1055.2 thousands), the manufacturing sector (759.4 thousands) and the agricultural sector (633.4 thousands). The industries and mining group –including manufacturing, mines, infrastructure (power, water, etc.) and construction– totaled 1835.9 thousands, encompassing the main portion of the total private sector wage earners in the economy. In this way, this group has enjoyed a continuous increase from two decades ago. Numerically, while, the proportion of this group to the total private wage earners was 33.5 per cent in 1956, it increased to 46 per cent and 60 per cent in, respectively, 1966 and 1976.

The interesting point about this group concerns the changes in ranking of the wage earners. While a decade ago, the wage earners of the agricultural sector constituted the major part of the total wage earners, they lost their superiority in 1976, declining to the third place.⁽¹⁴⁾ By way of contrast, the wage earners of the construction sector has replaced the rank of the agricultural workers, with the huge increase of 130 per cent in a decade. This development is attributable to the consequences of the regime's development strategy including land reform programme leading to the exodus of the rural people as well as the boom of the construction sector in the urban areas.

Among agricultural workers, during the 1966-76 period, the only groups which have enjoyed some rise in numerical strength, are the public wage earners (from 3.4 thousands to 38.7 thousands) and the unpaid family workers (from 518.2 thousands to 587.4 thousands). This shows that the ultimate outcome of the land reform programme has been the establishment of the state-owned or state-run agricultural units, hence increasing the number of wage earners, as well as the distribution of small-sized lands involving the members of the family as workers of the unit (table 3- 14).

The major change, as far as manufacturing workers are concerned in the increase in the number of such workers in the public sector, an indication of the establishment of more heavy and large-sized industrial units.⁽¹⁵⁾

Table 3-14 Iranian Private and Public wage earners by industry group in
1966 and 1976

Item	1976			1966		
	Private wage & salary earners	Public wage & salary earners	Total	Private wage & salary earners	Public wage & salary earners	Total
Agriculture	633364	38708	672072	759496	3396	762892
Mining	18434	69951	88385	18238	6792	25030
Manufacturing	759416	141440	900856	732942	54797	787739
Construction	1055230	10500	1065730	454914	2499	457363
Power	2858	53123	55981	13216	38526	51742
Services	580387	1352679	1933066	550921	552775	1103696
Not defined	27238	6691	33929	69879	3879	73758
Total	3071927	1673092	4745019	2635607	662664	3298271

Source: As for table 3-11.

These developments have left their effects on the wage-level of the workers. In the construction sector, the wages doubled in the course of two years between 1973 and 1975. By the end of the fifth development plan (1977), the money wage of the unskilled construction workers were three and half times of their 1973 level (the beginning year of the fifth plan). In real terms, it represented a more than 100 per cent increase.

As for the industrial workers, according to the data provided by the Central Bank of Iran, real purchasing power rose one-third in the span of two years from 1974. By 1976, real wages were double their 1969 level and by 1978, workers' purchasing power in the large-scale industrial

establishment was 50 per cent higher than in 1974. These data on wage trends, places Iran in a more favourable position regarding the experience of the working classes, than most other countries in the world. Needless to say, that because of the wide-ranging differentiation as well as sectoral and geographical disparities, any generalization of the findings on wage rates of the hypothetical average workers should be done with caution.

According to the findings of the survey conducted by the Ministry of Industries and Mines, during the fourth development plan (1968-72), the total number of industrial units located in the urban areas increased from 160777 to 196721. In this period 97 per cent of the units were ranked as small-scale ones (hiring 9 workers or less) encompassing about two-third of the total number of the workers and one-third of the value added (see table 3-15). Hence the dominant peculiarity of the industrial sector of Iran was the existence of small-sized units hiring small number of workers.

Table 3-15 Numbers of units, worker, wage earners and value added of the urban manufacturing sector of Iran in 1968 and 1972

(In billion Rials)

Item	1968				1972			
	No. of units	No. of workers	No. of wage earners	Value added	No. of units	No. of workers	No. of wage earners	Value added
Small units	156111 (97.1)	442172 (63.8)	235231 (49.9)	26.7 (34.1)	191070 (97.1)	562930 (65.0)	328468 (53.2)	46.0 (37.8)
Large units	4666 (2.9)	251408 (36.2)	236176 (50.1)	51.5 (65.9)	5651 (2.9)	303626 (35.0)	289313 (46.8)	83.8 (62.2)
Total	160777 (100)	693580 (100)	471407 (100)	78.2 (100)	196721 (100)	866556 (100)	617781 (100)	121.8 (100)

Source: Ministry of Industries and Mines, Bureau of Statistics, (1974) Iranian Industrial Statistics, 1972, Published in 1974.

According to the surveys which have been conducted by the Statistical Center of Iran for the urban small-sized industrial units for the years 1974 and 1976, dramatic changes have taken place concerning the various variables of these units. The number of units has declined by about 12.8 per cent, the total workers has decreased by 15.1 per cent, and the number of wage-earners has dwindled by 18.5 per cent (see table 3-16). Simultaneously, important changes have also occurred in the large-sized industrial establishments (hiring 10 workers or more). During 1974-76, the number of the units has increased by 8.2 per cent, the number of workers has risen by 4.1 per cent, and the number of wage-earners also by 4.2 per cent (see table 3-16). All these developments indicate that during the fifth development plan, gradually, the concentration of the labour force has started to increase through the accumulation of more capital in large-scale industries, forcing the smaller ones out of business.

Table 3-16 Numbers of units, workers, wage earners and value added of the urban small and large-scale manufacturing in 1974 and 1976

(In billion Rials)

Item	1974				1976			
	No. of units	No. of workers	No. of wage earners	Value added	No. of units	No. of workers	No. of wage earners	Value added
Small units	187844	371160	126965	50.0	163819	315143	103422	74.4
Large units	5021	387890	379840	187.7	5432	403767	395488	298.9

Source: Plan and Budget Organisation, Statistical Center of Iran, (1975 & 1977) Statistics of the large-scale industrial units, 1974 and 1976.

Plan and Budget Organisation, Statistical Center of Iran, (1975 & 1977), Statistics of small-scale industrial units, 1974 and 1976.

While at the top of the labour pyramid, in terms of social and economic status, were workers of the modern large-scale establishments including oil industry, petrochemicals, steel, machine tool, etc., at the lower level, it included the workers of the informal sector and low-paid services, mostly living in shanty houses.

The economic problems of the 1970s, including inflation and the scarcity of some basic necessities, in the context of heightened expectations, encouraged the protest of the industrial labourers. During the seventies, there were a few. Their number reached 27 in 1975 as well as in 1976. In 1977 it increased further, to 49 strikes. Although the strikes began initially because of economic demands, they got later transformed into political action. Out of the 140 strikes there had taken place during the years 1970-77, 83 per cent were in industrial establishments with 100 or more workers. 70 per cent of the strikes were peaceful and in more than half of them the demands of the workers were met. The economic difficulties as well as the way they were treated by the state, facilitated the unity of the dominated classes. But the onset of a revolutionary discourse transformed their economic problems and social discontent into a revolutionary crisis, and mobilized them against the regime.

Agrarian Strata and Social Groups:

The implementation of the land reform in Iran led to a change in the socio-economic stratification within the villagers, dividing the rural population to the wage-earners on the one hand, and the owners of the means of production on the other. The reason for that was the manner of implementation of the land reforms, which excluded a large part of the rural population from acquiring any substantial ownership rights. The result of the land distribution was also a reflection of the existence of such disparities in property holding during the pre-reform period. More specifically, according to a survey conducted by Tehran university, in East Azarbaijan, 11 per cent of the beneficiaries received plots of land less than 1 hectare, 30 per cent acquired between 1 and 5 hectares, 27 per cent obtained between 5 and 10 hectares, 25 per cent received between 10 and 20 hectares, and ultimately, 7 per cent acquired 20 hectares and more. In Khuzestan, 13 per cent of the families received plots of land less than 1 hectare and 5 per cent of the beneficiaries owned 20 hectares and more. Furthermore, the former families owned a mere 1 per cent of the distributed land while the latter could receive 20 per cent of that.

A clear picture of the ultimate outcome of the land reform concerning the polarization of the peasant society of Iran could be revealed by reviewing the results of the Agricultural Census conducted by the Statistical Centre of Iran in 1974. According to the findings of that, out of 18.4 million rural population, 6.2 million (33.7 per cent of the total population) had no land. The remainder constituted 2.5 million households and owned 16.4 million hectares of arable land.

During the sixties and seventies, the number of *Khosneshins* increased. This stems from several reasons. The mechanization of some of the lands before the land reform programme, as well as during the first stage of the reform provided the ground for the landowners to transform the *nasaq-holders* into the agricultural wage earners. By the implementation of the second stage, some other *nasaq-holders* were forced to sell their cultivation right to the land owners. By the third stage of the reform, some others, leasing in the landowners' land, could not buy the lands, hence added to the army of wage earners. The establishment of the modern large-scale farms after the reform resulted in the confiscation of some lands of the peasants, forcing them to leave their lands. When the transfer of the small plots of lands to the *nasaq-holders* happened, these were inadequate for the livelihood of the peasants, and led them to leave their lands.

Because of the dry climate of Iran and the paucity of the water resources, the size of the holding is not a precise measure of the well-being of the peasants. Nevertheless, three peasant groups could be found in a broad generalization. As presented in table 3-17, the first 5 groups, comprising the households cultivating plots of land up to 50 hectares were classified as peasant holdings. The following two groups owning 50 and more hectares were grouped as the landowners.

In more detail, the first two groups comprising the holders of less than 1 to 2 hectares of land, with a population of 1.05 million households, constituted the poor peasants. The holders of these groups were the pre-reform *nasaq-holders*, possessing their land as a result of the land reform. On an average each member of this group owned 0.9 hectares of land,

allotting 50 per cent as fallow. Since cultivating this small-sized plots, and that too mostly rainfed land, was not adequate to provide their livelihood, they sought to migrate to the urban areas either permanently or seasonally. The poor peasants were bitterly exploited by wealthy peasants, landed capitalists and money lenders.

Table 3-17 Distribution of the number and the area of landholding by the size of the tenure exploitation in 1974

(In hectares)

Class of holding	Number		Area		Area of average cultivation
	Absolute 1000	Per centage	Absolute 1000	Per centage	
<1	734.2	29.6	259.9	1.6	0.35
1-2	322.2	13.0	443.7	2.7	1.37
2-5	541.6	21.8	1732.9	10.6	3.2
5-10	427.9	17.3	2953.5	18.0	6.9
10-50	428.1	17.3	7500.8	45.7	17.5
50-100	16.3	0.6	1073.7	6.5	66.0
>100	9.5	0.4	2452.9	14.9	258.2
Grand Total	2479.9	100.0	16417.4	100.0	6.6

Source: Plan & Budget Organisation, Statistical Center of Iran, Agricultural Census, 1974.

The second two groups, holding plots of land of 2 to 10 hectares, constituted the middle-class peasants. According to K. Griffin⁽¹⁶⁾, the peculiarities of the middle-class peasants are: firstly, they earn just a major part of their income from agricultural activities; secondly, they produce in excess of their necessities, and hence supply their surplus to the market; and thirdly, they hire in a few labourers. Among middle-class peasants of Iran, we can distinguish between those who control 2-5 hectares of land, which mostly use family labour, and those who own 5-10 hectares of land which along using with family labour, hire in some seasonal labourers. The

population of middle-class peasants amounted to 39.1 per cent of the total households; they possessed 28.6 per cent of the arable land. Each household, on average, possessed 4.8 hectares of land.

The group of the better-off peasants, owning plots of land of 10-50 hectares, 17.3 per cent of the households, who possessed 45.7 per cent of the arable land. On average, each one owned 17.5 hectares of land, cultivating 11.9 hectares. They normally hire in several wage-earners while using their family labour as well. The better-off peasants, in the pre-reform period, constituted either the *Khordeh-malek* or the tenants, which because of close relations with the landlords as well as their involvement in the reform process, benefited from more *nasaq*.

The last group comprised 1 per cent of the households possessing plots of land of more than 100 hectares. Their holdings amounted to 26.4 per cent of the total land holding, which exploited either by the old methods of sharecropping system (*arbab-raiati*) or by semi-capitalist methods (semi-mechanized cultivation and sharecropping system) or by capitalist methods (hiring in labourers and mechanized methods). Hence the sharecropping system still existed in a small portion of holdings which could be regarded as the remnant of feudalism. The peculiarities of the rural strata in 1970s Iran can be seen in table 3-18.

Comparing table 3-17 with 2-14, we see that in spite of some changes in the pattern of property holding as a result of the land reform programme (such as increase in the number of peasant holders) the land distribution among the holders remained still unjust and unreasonable. From this point of view, the land reform has made the very poor peasants

worse off, benefiting the rich ones and those who operated under capitalist relations. Numerically, while the proportion of poor peasant households, holding plots of land less than 2 hectares in size, has not increased in the total number of households, the share of the total land area they held has decreased from 18.7 per cent to 14.9 per cent. Besides, although the ratio of the plots of 2-10 hectares to the total number of plots has shrunk, the share of such holdings in total arable land has decreased much more faster. The per centage of households with plots of 10-50 hectares in total number of households has, however increased, their share in total arable land has decreased, albeit both marginally. The most notable has change happened for plots of 50 hectares and more. While the ratio of the households with such plots in the total number of households in 1974 was as much as that in 1960 (i.e. 1 per cent), the proportion of the area of such holdings in total arable land has risen from 13.7 per cent to 21.4 per cent.⁽¹⁷⁾ Therefore, even if the declared aim of the regime of making it possible for agriculturalists to become small landlords has been realized, from the equity point of view the rural lower class was ignored in the reform and remained unaffected or even became worse off.

Hence, the land reform of 1960, could not be regarded as a radical measure to abolish the feudal relations, but as a means to provide the ground for gradual transition of the agricultural sector into capitalist relations. The land reform implementation, however, left its impact upon *arbab-raiati* relations, weakening the economic as well as political influence of the landlords. Furthermore, the rural lower class was bypassed by the land reform, the *Khoshneshins* and *barzegaran* could not benefit from the

programme, the recipients of the small-sized lands didn't improve much, while the concentration in the large-sized land was increased.

Table 3-18 Summary of the peculiarities of the Iranian rural strata in 1974
(In hectares)

Rural Strata	Household		Area of holding	Area of average holding
	Absolute	Per centage		
Landless	6220.0	33.7	-	-
Poor Peasants	4571.0	24.7	<2	0.9
Middle Class Peasants	4957.3	26.8	2-10	4.8
Better-off Peasants	2545.6	13.8	10-50	17.5
Land Lords	188.1	1.0	>50	136.7
Grand Total	18482.0	100.0	-	-

Source: Calculated from the Agricultural Census

Compared to the other sectors, the agricultural sector was lagging behind during the sixties and seventies. The official analysis believed that the structural inefficiencies, inherent in the peasant production system, were the main obstacle. The remedy, they thought, would be to transform the small-sized lands to large-sized ones turning peasant proprietors to share-croppers or wage earners, using river dams and deep wells for irrigation, integrating agriculture and industry on a single farm and managing it by a modern corporate system. Gradually, some large-scale farms were also formed. Among these were the following :

- Agro-industry units: were set up by both the public sector as well as by foreign and domestic private capital. Exploiting the suitably fertile regions such as the lands below the dams, on the one hand, and forcing the peasants to leave and sell the lands, on the other, were the chief

means of establishing the agro-industry farms. By the time of the break up of the regime, there were altogether 7 public, 202 private and 4 joint public-private agro-industry farms occupying 237.8 thousand hectares.

- Farm corporation: those were formed by confiscating the property rights of the peasant proprietors, turning them into share-holders, and through consolidation of the fragmentary lands of the peasants. They were totally run by state managers and the peasants were hired as labourers. There were 93 farm corporations in 851 villages covering 411 thousands hectares of land while 35 thousands were the share-holders of the corporations.

- Production cooperative: these were set up to consolidate the fragmentary lands of the peasants, form large lands, to promote the mechanized cultivation method. The land was run and supervised by state management while the peasant worked on land as the members of the cooperative. Altogether, 39 cooperatives were established covering 57 thousand hectares of land and 11200 members.

Most of them suffered from high costs and low productivity. Not surprisingly they caused discontent among the peasants. They led to the breakup of the above-mentioned new holdings immediately after the victory of the revolution.

Notes:

- (1) *During the decade being considered, not only the total consumption did not decline, but expanded rapidly. The figures for annual real growth of private and public consumption, were, respectively, 11.1 per cent and 20.4 per cent.*
- (2) *Simultaneously, the total share of industries and mining (including housing and public utilities) grew from 11.2 per cent to 18.1 per cent.*
- (3) *Milani, (1988), pp. 108-109.*
- (4) *The figure, indeed, reflects the direct impact of the oil sector on the governments income. Since it leaves its indirect effect through, say, tax revenues as well, therefore the figure underestimates the overall contribution of the oil revenues to the governments income.*
- (5) *It is worth to mention that, in 1977, Iran received \$769 million as the interest of its foreign exchange reserves, which was 3 per cent of the total foreign exchange receipts of the country.*
- (6) *Pesaran; (1965), PP. 33 and 46.*
- (7) *By the Great Civilization, the Shah simply meant that the country be ranked among the five great non atomic countries of the world.*
- (8) *The Nixon Doctrine called on American allies to take responsibility for their own defence against communism.*

- (9) *For instance, while during the fourth development plan, the percentage share of the oil sector in the G.D.P was 18.3 per cent, that of agricultural sector was 22.0 per cent and for industries and mining sector was 17.8 per cent.*
- (10) *According to the Central Bank of Iran, the amount of the exported oil changed during 1973-77 as follows: 1973: 1942 million barrels; 1974: 1914 million barrels; 1975: 1686 million barrels; 1976: 1927 million barrels; and 1977: 1758 million barrels. Therefore the average annual decrease during the said period was 2.5 per cent.*
- (11) *During this period, the people engaged in the industries and mining (including housing and public utilities) increased from 1.86 million to 3.01 million (table 3-11).*
- (12) *This note should be made here that, as is obvious from the data, the statistics released by different sources are not comparable. Hence, not the figures per se., but the trends of changes may be used for comparison.*
- (13) *Pahlavi, M.R., (1980), Answer to History, quoted by Moaddel (1994), P. 118.*
- (14) *Moreover, even the number of the agricultural wage earners has declined by about 22 per cent during this period.*
- (15) *While the private wage earners in the manufacturing sector increased from 732.9 thousands in 1996 to 759.4 thousands in*

1976, that of the public sector rose from 54.8 thousands to 141.4 thousands.

(16) Quoted by Azkia, (1986), P. 125.

(17) Even the number of the holdings of this group as well as its area have increased.

Conclusion:

The objective of this dissertation has been to explore the relationship between the state and social classes during the developmental process of Iran and their feedback on one another. Beginning from the nineteenth century, the main characteristic of the Iranian state has been despotism. The chief socio-economic outcome of this form of governance was a set of specific relations concerning landed property. These relations differed from the relations associated with feudalism, insofar as there was an absence of private property. Hence, not only the older social classes, but also the ascendant ones remained debilitated; the ability of these classes to effect social change from below was greatly hampered. These deficiencies, together with the prevalence of absentee landlordism and the poverty and oppression of the peasants, led to disinvestment in the production sphere. With the disintegration of the absolutist state, independent social classes got the opportunity to emerge, but their growth was conditioned upon the weakness of the arbitrary power structure. Hence, the land owners and the mercantile bourgeoisie participated in the Constitutional revolution of 1907 to form the government to counteract foreign domination through democracy and nationalism. A few decades after the Constitutional revolution, in the early twentieth century, the Pahlavi regime came to power. Pursuing modernization, it favoured the modern social classes and undermined the traditional ones. In so doing, the new regime, promoted the modern bourgeoisie and debilitated the bazaar,

which was loyal to the ulama. This tendency continued during the subsequent decades.

We discussed that in Iran the oil income has played a considerable role in capital accumulation, and also in accelerating the disintegration of the landlord-peasant relations and the expansion of the capitalist production relations. Nonetheless, it has left its negative effect on the whole socio-economic structure of Iran. In the reign of Reza Shah (early twentieth century), the oil income was regarded as the main source for capital accumulation. Later, along with its price and production increase, the oil rent played an even more effective part in the process of capitalist development. In the 1970s, with the abrupt oil price increase, the destiny of the whole developmental efforts got tied to the oil income. Therefore, an understanding of the characteristics of the capitalist system and social developments in Iran in the twentieth century is impossible unless the progressive and impeding impacts of the oil income on the socio-economic as well as political structure of Iran is investigated.

In fact, oil income has increasingly strengthened the state's financial independence as well as political power vis-a-vis the social classes. Thus, attempts to search for internal sources of revenue to cover state expenditure were curtailed, and oil acted as a politico-economic power in the formation and expansion of social classes, which depended upon it. Without oil income, the domination of the autocracy would not have been possible, simply because, in its absence, there was no alternative source of income to implement the policies and obtain the cooperation of the various social classes. Although a good part of it was used for

unproductive projects such as arms purchases, they should actually be regarded as the secondary effect of the oil income. The main role of oil income, as the chief source of capital accumulation, has been to facilitate the penetration of capitalist production relations into the Iranian economy. Without oil income, the tenant-landlord structure would not have disintegrated and the implementation of large industrial projects would not have been possible. Using the oil revenue, the Iranian society was placed on the orbit of the capitalist relations and the old social structure was disarticulated.

The implementation of land reforms and the pursuit of the industrialization strategy transformed the social structure of Iran from an agrarian-based economy to a semi-industrial society. It formed a new power bloc, stemming from the alliance between the authoritarian regime and the new dependent industrial bourgeoisie. Nevertheless, it consolidated the bureaucratic power over all social classes, enabling it to exercise its will in different spheres of the society. In the absence of powerful and mature independent social classes, it was the authoritarian state which undertook the responsibilities, discharged by the modern social classes in the western countries, to develop Iran. To weaken landlordism, it approved and implemented the land reform programme, and to encourage modern bourgeoisie, it provided easy loans, tax exemptions, suitable agricultural lands, and joint-venture. Using oil income to import industrial commodities, even the state's pattern of importation has always left its effect on reinforcement of the dependence of the bourgeoisie as well as the deaccumulation of industrial capital.

The oppressed classes and social groups such as workers and peasants never enjoyed much government patronage. The peasants remained scattered and deprived and the concentration of workers in the manufacturing sector remained very low. This led to a constriction of their political capacity, and their inability to assert their political will as an independent social group.

Altogether, the state promoted the hegemony of the modern classes and weakened the traditional classes through its policies. To put it differently, the state enjoyed a relative autonomy in bringing about socio-economic development. However, the autonomy of the state from civil society was due to the huge oil revenues, which were available to the state. The oil income, originating outside the societal structure, provided the ground for the state to operate independently of the social classes.

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