

**Continuity and Change:
A Study of Shia Islam and
Modernisation
in Iran**

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**Abstract of PhD Thesis
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and Modernisation in Iran**

This study examines the processes of continuity and change in modern Iran, covering the period before and after the 1979 revolution, analysing the changing character of Shia Islam historically to explain Shia thinkers' perception of and response to the modern world. In making this assessment, elements of the history of Shia Islam are examined. This is to illustrate its relationship with modernity, not as a historical treatment of Islam. In explaining its relationship to modernity, this study identifies the nature of the development of the Iranian political economy – from pre-capitalism to modern capitalism – as having taken an uneven form. This unevenness is largely a consequence of the incorporation of the old mode of production into modern capitalism. The key area in this process has been the modern oil industry and its relation to the state – which emerged as a rentier state (a state which receives a huge amount of income without the need to impose high taxation), and continues to play a vital role in Iran's political economy.

The uneven development is reflected in social and cultural areas, where there has not been uniformity in the integration to the world economy; rather the adaptation to new developments has been uneven. Shia Islam as an ideology has not been immune from this process: the original ideas and beliefs may be presented anew but the core survives, in the *Koran*, *Hadith* (sayings of Prophet) and traditions. Religious leaders have had to concern themselves with the transformation occurring within the community, whether at local or global level. The role of Shia thinkers becomes vital in explaining major transformation in their perceptions, promoting an understanding of modern institutions such as the nation, state and constitution. The establishment of the Islamic Republic in 1979 showed elements of both continuity and discontinuity in the perception of Shia thinkers and these are examined, in particular, concerning the role of the state and the oil industry. This continued to play a vital role after the revolution, as the state still had to obey the dictates of the world market, for the export of its oil and import, not only of necessary raw materials and capital goods for the operation of the nationalised industries, but also to provide the supply of arms required to fight its war with Iraq. Forced by these economic and political constraints, Shia thinkers' perceptions relating to modernisation continues to present itself in diverse forms.

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Glossary

- Abbasid** – Descendants of Abbas al-Hashemi, Mohammed's uncle – founded an Islamic dynasty from 749-1256.
- Ahkam awaliya** – Primary commandments. Rules of the sacred law that are obligatory.
- Alim** – learned religious authority.
- Akhbar** – Traditions and sayings of Mohammed and the Imams. Plural of *Khabar*. This is made up of *Asnad*, names of those who transmit the Traditions, and *Matn*, the text of the Traditions.
- Akhbari** – Traditionalist School established in 1624 in Shi'ism that advocated strict adherence to the *Akhbar* and rejects *ijtihad* and rational jurisprudence.
- Anjoman-e Daneshjoian-e Islami** – Islamic Student Society, founded in the mid-1960s by, amongst others, Abol Hassan Bani-Sadr.
- Ansar** – Helpers. The first converters from Medina and its population, who gave the Prophet asylum.
- Aql** – Reason, one of the four sources of Shia law.
- Ashab** – Companions. The people who accompanied the Prophet.
- Ashura** – Tenth day of *Moharam*, the anniversary of martyrdom of Hussein, son of Ali.
- Ayatollah** – 'Sign of God', high ranking Shia clergy.
- Bahais** – The followers of Baha Ullah, religious leader who they saw as a manifestation of God on earth. Broke with Shi'ism in 1860s.
- Bonyad Mostazafin** – The Foundation for the Disinherited, established in Mar, 1979 to administer the expropriated property of the Shah's family.
- Caliph** – Successor to Mohammed.
- Dar al-Islam** – Moslem territory.
- Faqih** – Jurist expert in Islamic jurisprudence, pl. *fuqaha*.
- Fatwa** – Decree in Islamic law.
- Fedayyan-e Khaleq** – Marxist Leninist organisation, founded in 1970 by ex-members of the *Tudeh* and the National Front, including Bijan Jazani and Masoud Ahmadzadeh.
- Fedayyan-e Islam** – Islamic militant organisation. Led by Nawab-e Safavi, it was suppressed in 1955.
- Hadith** – The traditions and sayings of Mohammed.
- Hajj** – Pilgrimage to Mecca.
- Hikmat-e Allahi** – Divine theosophy, or philosophy in Ishraqi school of religious thought.
- Hizb-e Iran Novin** – New Iran Party, established in 1963 out of the National Party.
- Hizb-e Mardom** – Peoples' Party, established in 1963 out of the National Party.
- Husseinya Ershad** – Religious centre to commemorate the martyrdom of Hussein, founded in 1965 by Mohammed Homaion.
- Ijma** – In Moslem law, consensus of legal scholars or of the community as a whole.

- Ijtihad*** – Jurist's ability to derive the rules of Islamic law from religious sources.
- Imam*** – Descendants of Ali and Fatima, who are leaders of the Shia community.
- Imamat*** – Shia concept that the Imams are the rightful successor to Mohammed and administer divine justice.
- Imam Jume'h*** – Leader of the Friday prayers.
- Ismailiya*** – Shia sect who follow the Seventh Imam, Ismail.
- Jebhe-e Meli*** – National Front, founded in 1949 by Mohammed Mossadeq.
- Jihad*** – Holy war.
- Jihad-e Sazandagi*** – Construction Crusade, established Jun, 1979 to restructure the rural areas.
- Khoms*** – Religious tax of one fifth of individual's surplus wealth. Originally paid to Mohammed (and to the Imams by Shia). Now paid to the *Marja-e Taqlid*.
- Khosneshin*** – Peasants with no land.
- Komiteh*** – Revolutionary committee.
- Koran*** – The Holy Book.
- Madreseh*** – Religious seminary.
- Mahdi*** – The Messiah or hidden Imam. For the majority of Shia this is the Twelfth Imam.
- Majlis*** – Iranian parliament.
- Maktab*** – Elementary religious school.
- Marja Taqlid*** – Source of imitation. The highest religious authority in Shia Islam.
- Mojahedin Islam*** – Islamic organisation, founded by Abu al Qasim Kashani.
- Mojahedin-e Khaleq*** – Islamic revolutionary organisation founded in the mid-1960s by Mohammed Hanifnezhad, Said Mohsen and Ali-Asghar Badizadegan.
- Mojtahed*** – Practitioner of *Ijtihad*.
- Mostazafin*** – the weak or disinherited.
- Mullah*** – Term for clergy.
- Nahjol-balagheh*** – Collection of sermons, sayings and speeches attributed to Ali.
- Nasagh*** – Peasants with cultivation rights.
- Pahlavi*** – Dynasty that ruled Iran from 1925-79.
- Pasdaran*** – Forerunners of the Revolutionary Guard Corps.
- Qajar*** – Dynasty that ruled Iran from 1792-1925.
- Safavid*** – Dynasty that ruled Iran from 1501-1722.
- Salat*** – Ritual prayer, one of the five pillars of Islam.
- SAVAK*** – Shah's Secret Police, established in 1957.
- Sawm*** – Obligation to fast during the month of Ramazan, one of the five pillars of Islam.
- Sazeman-e Uqaf*** – Administration offices of the *Waqf*.
- Seyyed-ol Shohada*** – 'Master of the martyrs', refers to Hussein.
- Shahad*** – Obligation to bear witness to the Unity of God and Mohammed as his Prophet, one of the five pillars of Islam.
- Sharia*** – Islamic law.
- Sheikh*** – Honorary title for a wise man.
- Shura*** – Council.
- Shura-e Nigahban*** – Council of Guardians, established in 1980 as a constitutional body in charge of reviewing/vetoeing on religious grounds Parliamentary Bills.
- Sunna*** – Primary source of law, comprising Mohammed's teaching, practice and

example of Koranic principles.

Tasowa – Ninth day of *Moharam*.

Tawhid – The oneness and unity of God.

Timurid – Dynasty which ruled Iran from 1375-1499

Tudeh – Iranian Communist Party, founded in 1941.

Toyoula – Land held conditionally on the basis of a grant on state or royal domain.

Ulama – High ranking clergy.

Umma – Islamic community.

Ummyad – Islamic Dynasty, 661-750.

Usuli – Rationalist movement in jurisprudence which advocates *Ijtihad* and was dominant within Shi'ism after 1770.

Velayat – Authority to hold office.

Velayat-e Faqih – The jurist's authority to rule on behalf of the Hidden Imam.

Waqf – religious endowment, often known as charitable lands.

Zekat – Religious tax paid on a certain category of property and wealth, used to assist the poor.

Chronology

- 622 Mohammed migrates from Mecca to Medina – the *hejra*.
- 630 Mohammed conquers Mecca.
- 632 Death of Mohammed, succeeded by first *Caliph* Abu Bakr.
- 637-642 Persian defeat at Qadisiya by the Moslem Arab conqueror.
- 644 Uthman becomes *Caliph*.
- 656 Uthman is murdered and Ali becomes *Caliph*.
- 661 Assassination of Ali marks the beginning of *Umayyad* dynasty.
- 670 Death of Hassan, third Shia Imam, son of Ali; it is believed he was poisoned by his wife in order to ensure that his son Yazid became *Caliph*.
- 680 Martyrdom of Hussain, Mohammed's grandson at Karbala.
- 750 *Abbasid* dynasty begins.
- 874 Occultation of the Twelfth Imam of Shia.
- 1258 The *Abbasid* capital, Baghdad is captured by Mongol invaders.
- 1501 Shah Ismail takes over in Iran and declares Shi'ism the state religion. This marks the beginning of the *Safavid* dynasty (1501-1747).
- 1597 Shah Abbas moves his capital to Isfahan.
- 1722 The collapse of *Safavid* dynasty.
- 1747 Death of Nader Shah.
- 1750 *Zand* dynasty begins.
- 1796 *Qajar* dynasty begins (1796-1926).
- 1801 Treaty of Alliance between Iran and Britain.
- 1811-1821 Iran loses two wars (and land) with Russia.
- 1892 Nasser al-Din Shah cancels tobacco concession to British company.
- 1901 William D'Arcy acquires 60 year oil concession from *Qajars*.
- 1905-1911 The Constitutional Revolution in Iran.
- 1906-07 Constitution of Iran and *Majlis* created.
- 1906-07 Secret treaty between Britain and Russia divides Iran into their spheres of influence.
- 1908 Anglo-Persian oil company founded.
- 1924 The Caliphate is abolished and the last *Caliph* is sent into exile.
- 1925 Reza Khan become Shah, beginning of *Pahlavi* dynasty.
- 1941 Allied forces occupy Iran.
- 1941 Reza Shah is forced to abdicate, succeeded by his son.
- 1949 Establishment of the National Front.
- 1951 Mossadeq becomes Prime Minister of Iran.
- 1951 Nationalisation of oil.
- 1953 Ayatollah Kashani splits from the National Front.
- 1953 Shah of Iran briefly flees the country but is reinstated with the help of the CIA and M15.
- 1957 Shah's Secret Service, *SAVAK*, is created with the help of the CIA.
- 1963 Shah declares his 'White Revolution'.
- 1963 Uprising against the Shah, violent demonstrations in major cities.
- 1964 Ayatollah Khomeini sent into exile, first to Turkey then to Iraq.
- 1965 *Fedayyan-e Islam* assassinates Hasan Ali Mansour.
- 1967 *Majlis* passes Family Protection Laws which grants women the right to instigate divorce.

- 1971 Price of crude oil increases.
- 1971 Iran occupies three strategic islands in the Strait of Hormuz.
- 1971 *Fedayyan-e Khalq* and *Mojahedin-e Khalq* (People's Mojahedin Organisation of Iran – PMOI) established.
- 1973 In Geneva a group of western oil companies agrees to increase the posted price of crude.
- 1973 Shah refuses to join the Arab oil embargo of Israel and its supporters.
- 1973 In Tehran the Gulf states agree to double their price of oil to \$11.65 a barrel.
- 1975 Shah attacks shop-keepers for price-rigging.
- 1977 May. A group of leading intellectuals protest against the Shah.
- 1977 Jun. Protest of shanty-town dwellers against the slum clearances.
- 1978 Jan. Shah attacks Khomeinie in newspaper article.
- 1978 Jan. Theology students riot in Qom.
- 1978 Feb. Mass demonstrations in Tabriz.
- 1978 Mar. Spread of mass demonstrations to other urban areas.
- 1978 Aug. First wave of industrial strikes.
- 1978 Sep. Ayatollah Shariatmadari calls for constitutional reform but Khomeinie calls for overthrow of the Shah.
- 1978 Sep. National Front demands reform programme falling short of the overthrow of the Shah.
- 1978 Sep. Martial Law declared in Tehran and 11 other cities.
- 1978 Sep. Black Friday: hundreds of protesters are killed by police in Tehran.
- 1978 Sep. Telecommunications and other workers go on strike.
- 1978 Oct. Khomeinie forced to leave Iraq and goes to Paris.
- 1978 Oct. Oil workers go on strike.
- 1978 Nov. Shah appoints military government led by General Azhari.
- 1978 Nov. National T.V. employees go on strike.
- 1978 Nov. National Front declares the Shah's regime unconstitutional.
- 1978 Nov. Khomeinie calls for Islamic Republic.
- 1978 Nov. Bank workers go on strike.
- 1978 Dec. Millions protest on the streets against the Shah.
- 1978 Dec. Military government collapses.
- 1978 Dec. Bakhtiar, member of National Front agrees to form a civilian government.
- 1978 Dec. General strike brings the economy to a halt.
- 1979 Jan. Shah flees the country.
- 1979 Jan. Formation of Committee for Co-ordination and Investigation of Strikes, whose members includes Bazargan and Rafsanjani. They call for a return to work.
- 1979 Jan. Carter announces US support for Bakhtiar.
- 1979 Feb. Khomeinie returns to Iran and appoints Bazargan as Head of the Provisional Revolutionary Government.
- 1979 Feb. The Shah's Imperial Guard attack the Tehran garrison but is defeated by revolutionaries who seize weapons.
- 1979 Feb. Army declares its neutrality and Bakhtiar goes into hiding.
- 1979 Feb. Evin prison is stormed and Revolutionary Courts begin executing Shah's officials.
- 1979 Feb. Islamic Republican Party (IRP) is formed.
- 1979 Mar. Khomeinie suspends Family Protection Laws and bans co-education.
- 1979 Mar. Thousands of women demonstrate against imposition of Islamic dress.
- 1979 Apr. A referendum decides Iran is to be Islamic Republic.
- 1979 May. Creation of Revolutionary Guards.
- 1979 Aug. Government cracks down on the left, Kurds and other ethnic minorities.
- 1979 Sep. Khomeinie declared *Velayat-e Faqih* by the Assembly of Experts.

- 1979 Nov. Over 50 hostages are taken from the US embassy. Bazargan resigns.
- 1979 Dec. The Islamic Constitution is ratified despite opposition by Shariatmadari and the National Front.
- 1980 Jan. Bani Sadr is elected president.
- 1980 Apr. Iraqi government executes Mohammed Baqr Sadr, famous Shia thinker.
- 1980 Apr. US imposes economic sanctions and makes failed attempt to free hostages.
- 1980 Apr. Closure of the universities for 'clean-up' operation.
- 1980 May. Elections for the first *Majlis*.
- 1980 Jun. Attack on National Front headquarters and their newspaper is shut down.
- 1980 Jul. The Shah dies in Egypt.
- 1980 Jul. The IRP candidate, Rajaie, becomes Prime Minister
- 1980 Sep. The beginning of Iran/Iraq war.
- 1981 Jan. The last of the US embassy hostages are released from Iran.
- 1981 Mar. Bani Sadr is dismissed as Commander-in-Chief of the Armed Forces and goes into hiding.
- 1981 Mar. Bani Sadr and PMOI set up National Council of Resistance and call for overthrow of regime.
- 1981 Jul. Rajaie elected President of Iran.
- 1982 Attacks by security forces on guerrilla groups.
- 1982 Council of Experts set up to decide successor to Khomeinie.
- 1982 Khomeinie announces his eight-point liberalisation decree.
- 1983 Veiling for women made compulsory.
- 1983 Khomeinie opposes nationalisation of trade.
- 1984 Iraq uses chemical weapons in its war with Iran.
- 1984 Saudi Arabia shoots down Iranian phantom aircraft, following delivery of anti-aircraft missile to Saudi from the US.
- 1985 Iraqis attack Kharg Island oil terminal.
- 1985 Iran receives US-built missiles in a secret arms-for-hostages deal.
- 1985 Following OPEC's decision to increase their market share Saudi production peaks at 5.7m b/d.
- 1985 The price of oil falls to \$10 a barrel (compared to \$34 barrel in 1981).
- 1986 Iran continues to export 1m b/d of oil despite the war.
- 1986 Colonel Oliver North and Robert McFarlane (former US national security adviser) visit Tehran in an attempt to free the US hostages in Lebanon (later became known as 'Irangate').
- 1986 Reagan admits that profits from arm sales to Iran were illegally diverted to finance the contra rebels fighting the *Sandinista* government in Nicaragua.
- 1986 OPEC cuts production to increase price of oil, which reaches \$13 a barrel.
- 1987 Khomeinie dissolves Islamic Republican Party.
- 1987 Iraqi warplane hits US frigate Stark, killing 37 of the crew.
- 1987 The US allows Kuwaiti tankers to sail under US protection.
- 1987 OPEC agrees to increase production by 5% and maintain \$18 a barrel price.
- 1987 Mehdi Hashemi, relative of Montazeri, executed for his role in exposing (through a Lebanese newspaper) Iranian rulers' secret deals with the US – 'Irangate'.
- 1987 The US bans imports from Iran and restricts US exports as the war in the Gulf continues.
- 1988 Khomeinie authorises state to take harsh measures to combat economic crisis, for example, punishing price-riggers without going to courts. He states that the Islamic Republic *'takes precedent over all religious practices ... the government can stop any religious law if it feels that it is correct to do so'*. (letter to Ali Khamenie).
- 1988 The US warship, Vincennes, shoots down civilian Iranian air-bus, killing 290 passengers.

- 1988 Iran accepts UN Security Council Resolution 598, for immediate ceasefire.
- 1989 Khomeinie issues *fatwa* against Salman Rushdie and his publishers for his novel, *The Satanic Verses*.
- 1989 Iran breaks off diplomatic relations with Britain over the Rushdie affair, the first time this has happened since 1951.
- 1989 Montazeri is forced to resign as successor to Khomeinie.
- 1989 Khomeinie dies (3rd June 1989).
- 1989 Hashemi Rafsanjani, *Majlis* speaker, elected as President.
- 1990 Iranian President defends his policy of encouraging foreign investment.

Introduction

This study is a contribution to the field of political and economic development in less developed countries, focusing on the continuity and changes in Shia Islam and modernisation. While there are extensive and specific writings on economic development and Islam in Iran, there is no major work which discusses the interaction between Shia Islam and modernisation, covering both historical and contemporary developments, following the 1979 revolution. The relevance of this project is to contribute to the body of knowledge analysing the character of modernisation in Iran and the role of Shia Islam. This work is not a history of Shia Islam in Iran, although elements of its history are examined; it is concerned with Shia Islam in its perception of and response to the modern world, from both a domestic and an international perspective. In particular, the thesis uses a case study of the role of the oil industry in Iran's modernisation in order to analyse the Shia thinkers' response to the political economy - specifically the development of the oil industry, and Iran's resulting global interaction - to show how these developments mediated their views.

The term modernisation is used to mean the development of capitalism in Iran. This is characterised by showing the changes in the economy and society under the capitalist mode of production, compared to pre-capitalism. This transition, from pre-capitalism to capitalism, began in the west and later influenced the rest of the world, including Iran. Pre-capitalism, broadly speaking, is characterised by an overwhelmingly rural society in which feudal lords had political and judicial power. The mass of peasants were tied to the land: they worked on their own land and provided forced labour for the lord or paid rent in terms of produce. Towns were few and trades were carried out by peddlers who also provided essential goods which were not produced locally. The aim of production was consumption not accumulation. Modernisation - which I equate with capitalism, in contrast, is a system in which urban life dominates, such that even owners of agricultural land are based in towns. The majority of the population work in industry or services. Money plays an important role, as people are involved in selling anything - including their labour power, to obtain their means of livelihood. The development of capitalism with accompanying industrialisation, consequently leads to the growth of modern classes of the bourgeoisie and working class. The capitalist class, bourgeoisie, owns and controls the means of production. They are involved in hiring and firing of the labour force, who become wage labourers under capitalism, and also oversee the choice of modern techniques, output, the work environment and sale of the output. The crucial part of capitalism is that there is no limit to accumulation of wealth. What drives the system forward is not the consumption of the rulers but self expansion of capital (Hilton, 1976).

Modern capitalism is also identified with changes in the attitudes of the people i.e. their worldview over social, political and cultural issues. Under pre-capitalism there was very little expectation to move physically, or socially and no idea of the

nation. The state was whoever exercised physical power over the people and that could change every so often. In contrast, under the capitalist system, the modern nation state is an important part of both society and economy and, above all, everyone is born into a nation and speaks a language shared by millions of other people. The emergence of the modern state also involves the growth of a bureaucracy who deal with national economic planning and provide services and an army. It may also include universal education, greater technological communication networks to reach the population, and the rise of national goals as opposed to regional or local cultural orientation. Finally, modernisation may also include political institutions such as parliament based on some form of representation, under the framework of bourgeois democracy.

Continuity and Change in Iran

The post-revolutionary government in Iran exemplifies the apparent contradiction of a religious authority replacing secular state rulers in the modern world. The formation of the Islamic Republic was an unexpected phenomenon in the 20th century. This development of a theocracy created a paradox: that it appears to be anti-western and religious - founded on the ideas of 7th century Islam, and a pre-capitalist mode of production - yet appears in the context of Iran as a modernising economy, which functions within the international capitalist system. The aim of this study is to explain this apparent contradiction by identifying aspects of continuity and change within both the modernisation process, capitalism and Shia Islam in Iran, particularly in the character of the state, its institutions, the role of social classes and religious institutions.

In chapter one I analyse the context in which capitalist transformation in Iran has occurred, concentrating on the 20th century. During this period Iran underwent remarkable modernisation and by the 1970s was a developed country under the aegis of the capitalist system. It was able to expand its productive forces, in terms of output and income and this accelerated the growth of the bourgeoisie and the working class, through economic expansion. I argue that although the development of capitalism in Iran certainly took place, its major characteristic has been its unevenness, mainly due to the integration of Iran's economy, at a different time and stage of development, into the capitalist mode of production. The incorporation of aspects of the old mode of production into modern capitalism is a feature which continues even today. The uneven development has expressed itself not only on a global level, but also on a national and regional level, reflected in cultural, economic and political contradictions. The three main characteristics of uneven and combined development can be described as follows. Firstly, the mass of the population have been separated from the means of production and therefore, in order to live, have to sell their labour power to the minority of the population who own these means of production. Secondly, despite the fact that industrialisation in Iran has taken a remarkable step, it remains on the peripheral formation of the world economy, importing most of its capital goods and dependent on foreign exchange mainly earned through the exports of its oil. Thirdly, the pre-capitalist institutions such as religion, monarchy and *bazaar* have continued to influence the political economy even though capitalism has established itself fully in the country.

The uneven impact of capitalism on Iran was apparent as early as the 19th

century, which witnessed the emergence of modernisers such as Amir Kabir, who succeeded in establishing a few industries and a secular school in a largely pre-capitalist society. Such ideas gained influence amongst sections of the population and these views came to be expressed in the form of national independence and anti-imperialism against Britain which had major interests in the south of Iran. Of particular importance was its proximity both to India, and the emerging power of Iran's northern neighbour, Russia. The struggle for national independence and against imperialism was a modern phenomenon which expressed itself in the Constitutional Revolution 1905-1911 - a struggle to establish a parliament and modern institutions in Iran. Again this occurred in the context of a society which was largely agrarian. The defeat of the constitutional movement, assisted by the involvement of foreign powers did not, however, mean an end to the modernisation of Iran.

Iran witnessed further change in its political economy with the coming to power of Reza Shah who established a new dynasty, Pahlavi. Although monarchy continued to rule, modernisation continued apace. The development of the modern state, bureaucracy, army and industries accelerated under Reza Shah. The process of modernisation was only interrupted when the allied forces intervened militarily in Iran during WWII, to support Russia against Germany. Post-WWII, especially during the late 1960s and 1970s, Iranian society has shown a new dynamic in the process of economic and political change. This began in the 1950s with the nationalisation of the oil industry, a struggle which involved the working class, national bourgeois, and modern political parties, themselves the result of economic changes in the earlier period, notably under Reza Shah.

Modernisation continued on a large scale, and the changes in the economy and society from the late 1960s and 1970s were remarkable by any standard. The country's population increased from 13 million in 1941 to over 36 million in 1979. Of the total population 29% lived in the urban sector in 1941, a figure which increased to over 50% by 1979 (see Table A.1). The great majority of the population at the turn of the 20th century were either nomads or working in the agricultural sector, and there were mainly crafts and very few industries. This situation was transformed with the growth of modern industries, a banking system and the modern working class which stood at over 2.5 million in 1979. By 1979 Iran was a developed capitalist country which had to operate according to the tempo of the world economy.

Chapter two discusses the contribution of the oil industry to economic and political development. It analyses this key area in the process of modernisation: the oil industry and its relation to the state - which emerged as a rentier state and has continued to play a vital role in Iran's political economy. The huge oil income received directly by the state, as rent from the international capitalist system, enabled it to embark on a significant modernisation programme. The economic changes in Iran, particularly after the 1960s, were helped significantly by revenue from oil. This increased as the oil exports stood at \$18.5bn, a figure which represented 96% of total exports in 1973, compared to \$6bn, or 77% of total exports in 1964, (Central Bank of Iran, 1967-1980). Iran became integrated to the world market as an oil supplier and importer of raw materials, capital and consumption goods in the period following WWII. By the 1970s Iran was not a pre-capitalist society as capitalist development had established itself in the country.

The transformation from pre-capitalism to modern capitalist development did not, however, mean an end to the role of the pre-capitalist institutions such as religion, monarchy and *bazaar*. Iranian economy and society still carried elements from the past which continued to influence the political economy. Nonetheless these institutions were themselves affected by the modernisation of the country and adapted accordingly. For example, although the *bazaari* still handled a large part of the retail sector - they continued to control two-thirds of the retail sector in the late 1970s - but operated under a different mode of production, capitalism, by this time. Some of the *bazaari* had become transformed into industrial capitalists and some were involved in both the *bazaar* and industry.

As for the monarch and the religious establishment, they were also affected by the impact of capitalism. The institution of the monarchy before the revolution of 1979 may appear pre-capitalist, but its character and ideology has been and continues to be subject to change. The same applies to the religious establishment, as the state has survived by taking different forms, whether monarchy or the religious establishment after the revolution, but in both cases its character is vastly different from that of pre-capitalism. The states of both Mohammed Reza Shah and that of the post-1979 theocracy state have been capitalist: both regimes have operated as modern nation states, with control of national territories, a modern large army and bureaucracy.

Chapter three assesses the role of religion in the political economy of Iran. This chapter demonstrates the response of Shia Islam to the development of capitalism in the 20th century. It suggests that Shia Islamic thinkers have been able to respond to socio-economic and political development both at local and global level. Their response has taken diverse forms and styles but has also been able to maintain the tradition and, in this way, to reaffirm Shia Islam in modern world. Religion is part of the popular culture and, as such, is not independent of other social factors. The religious community may be rooted in a particular culture, but this community changes and evolves. In the case of Shia Islam, the original ideas and beliefs may be presented anew but the core survives, in the *Koran*, *Hadith* and sayings of the Imams. In the same way as the community does not act independently, so too the religious leaders have had to concern themselves with the transformation occurring within the community, whether at local or global level. The role of *Mojtahed* and Shia thinkers becomes vital in explaining major transformation in their perceptions, for example promoting an understanding of modern institutions such as the nation state, parliament and republic. Their responses will vary: sometimes expressed as being against modernisation and the emergence of industrial society, whilst at other times religion may serve to legitimise the political authorities.

The process of modernisation of Iran's economy, was not able to uproot the role of Shia Islam. Throughout its history - especially since the establishment of Shia Islam as Iran's national religion in 1501 under the *Safavid* dynasty - it has been able to meet the challenges of social and historical change, although there is an underlying continuity of belief and practice. In the 20th century, these challenges have been very great and led to diversity in the forms and style of Islam. The transformation of Iranian society in the period following post-WWII intensified the debate over issues of modernisation. Chapter four illustrates the diversity of views amongst Shia Islamic thinkers, but concentrates on themes directly related to an understanding of Shia Islam and modernisation. It examines the views of influential

Shia thinkers such as Ayatollah Khomeinie and Ali Shariati in order to emphasise their ability to act as a bridge between Islam and modern world. For example, Khomeinie's view of government by those learned in jurisprudence, was an important part of his theoretical development of the Shia explanation of the state and society in the modern world. Shariati's attempted fusion of Third Worldism, Marxism and Islam aimed to challenge secular political thinkers and offer an alternative in Islamic form in the context of a modern world.

The Iranian revolution showed the continuing role of Shia Islam in modern Iran which is discussed in chapter five. This chapter argues that the Iranian Revolution cannot be explained only by looking at the society in terms of belief in Islam. The modernisation of Iran was one of the important factors behind the Iranian revolution which sprang out of the unevenness and deeply-rooted contradictions within the society. The expansion of the working class and the bourgeoisie, assisted by the state's use of oil revenues, has increased the contradictions in the society such as inequality between the rich and poor, and rural and urban sectors. Contradictions amongst the bourgeoisie, and between this sector and the working class who had conflicting interests, could be held in check under conditions of relative economic stability. By the late 1970s, however, the state, despite having been able to modernise significant sectors of the economy, was facing a period of economic instability which it found difficult to control. This created the conditions for other grievances to come to the fore. During 1978-79 the overwhelming popular demand was for change from the previous economic and political rule. Yet as such, it was not necessarily against modernisation per se, or for any return to 7th century Islam. The revolution contained varied ideas such as demands for universal suffrage, parliament and a republic. Although these demands were secular it was Shia thinkers who were able to articulate clearly their vision of the future society. They successfully combined both new and old ideas to good effect in order to win the support of the majority of the population. The revolution emerged out of specific social and economic conditions, i.e. it was a result not of religious feeling alone but, in the course of the revolution, Islam's strength as a part of the popular culture enabled it to help determine people's reactions to economic crisis and political upheaval. The continuing role of Islam was illustrated by the influence of Shia thinkers on the revolution, as well as the political skills and organisational abilities of the religious establishment who came to place themselves at the head of the state.

Finally, chapter six analyses the character of the state and social classes in transition from the Pahalavi regime to theocracy from 1979-1989, to evaluate the extent to which uneven development continues to shape Iran's political economy. I will examine what elements has been persistent and continuous and where the process of transformation have been discontinuous. With the establishment of the Islamic Republic, the theocracy's perceptions were influenced by the revolutionary movement which brought it to power: at first it formulated radical policies concerning economic, political and social issues, both nationally and internationally. But once economic and political difficulties increased, elements of discontinuity emerged with the reversal of some key policies. The state and the oil industry played a vital role in Iran's political economy before the revolution, and continued to do so after 1979. The most striking feature of the Iranian political economy before the revolution was its unevenness and this continued under the new regime.

The Political Economy of Iran – Transition to Capitalism

1.1 Introduction

The nature and development of capitalism in the world, in particular in the Third World, has been the subject of growing debate and controversy for many years. Although the development of capitalism and its impact on the Third World was experienced long before WWII, the rapid transformation in these countries came in the post-1945 period. The transition from pre-capitalism to modern capitalism is accompanied by many features including the expansion of productive forces. As pre-capitalism was destroyed, it was replaced by the generalisation of commodities, growth of wage labour, bourgeoisie, modern state and its institutions such as army, national integration with national goals and language and some form of political representation. Industrialisation, a process which lies at the heart of capitalism, has taken place in the Third World. This utilises modern technologies with complex machinery and has produced a relatively large-scale production; technical divisions of labour within units of production and a diverse range of skills within the workforce (Wield, 1983). As a consequence of this both the capitalist class and working class have grown in the process of economic changes.

Iran has been part of this process i.e. it has been integrated into the capitalist system, albeit at a different time and speed to those western countries that developed first. The emergence of the modern state in the 1920s, under Reza Shah, the intensification of capitalist development in the post-WWII period, and integration of the country to the world market have been part of this process. The transformation of the economy and society, from agrarian to capitalism, and the nature of the capitalist development in Iran has been the subject of some controversy. The debate has intensified recently with the establishment of the Islamic Republic in 1979, after the Revolution. The first major issue is the possibility that a regime whose ideas are based on 7th century Islam and pre-capitalist could replace the secular regime of the Pahlavi state, whose state was instrumental in the rapid transformation of Iran in the pre- and post-war periods. The second important issue is the nature of the development in Iran i.e. if development has taken place, what is its form and features. It may be argued that because of the role of traditional institutions such as monarchy and religion in the economy and society, there has not been any transformation in the political economy. The fundamental point which has to be examined is the degree to which Iran has been able to integrate into the world community, not just economically but in the political, social and cultural sphere. The transformation of Iran can not be explained in isolation from the world system nor can any analysis ignore the internal character of the economy and society. The change from pre-capitalism to capitalism in Iran was influenced by external factors but still required its internal forces in the

process of development. An important feature of Iran's socio-economic development is the continuing role of the 'traditional sector' such as monarchy, *bazaar* and the religious establishment in a 'modern' capitalist country. If the definition of modernisation is what is up to date in a particular place and time - capitalism compared to pre-capitalism - it poses a question of the role of traditional institutions in the contemporary world. If modernisation has already established itself in the society, then the question becomes to what extent has there been persistent continuity in the character of the traditional institutions during the transformation of the economy. Although this chapter does not deal with post-1979 capitalist development, it provides the ground work for later chapters including analysis of the state, economy and society in post-revolutionary Iran in chapter six.

The aim of this chapter is to assess the political economy of Iran in the light of its incorporation into the capitalist world economy. I suggest that capitalist development has taken place but in a combined and uneven form in which 'traditional' and 'modern' sectors and institutions have coexisted. In particular I show that the traditional sector such as the *ulama*, *bazaar* and monarchy, although continuing to exist under the capitalist mode of production, have changed both in terms of their form and their role, through the process of modernisation. In order to analyse this I begin by examining some of the general theoretical assessments of capitalist development in Third World countries such as Iran. In the light of this I shall trace Iran's political economy from pre-capitalism to capitalism. The concentration is on the 20th century, because this period witnessed remarkable transformation in the economy and society. I mainly focus on the Constitutional Revolution of 1906, the development of the modern state under Reza Shah in the 1920s and 1930s, the nationalisation of oil in the 1950s, and anti-imperialist movement, and finally, land reform and industrialisation in the post-WWII period.

1.2 Capitalist Development - A Theoretical Assessment

Analysis of the development of the Iranian economy has provoked much debate. Some represent Iran in terms of its shared characteristics with medieval Europe in that it had a feudal system. It is argued that western and non-western societies experienced the same pre-capitalist mode of production. As a result, some schools of thought such as the Marxist writers, Pigulovskaya and Atighpour, view history as a process of unilinear development, which began in primitive communism and will end in fully-fledged communism (Pigulovskaya, 1967). For them, Iran has to be studied in the light of its transformation from feudalism to capitalism. An opposing view on the other hand suggests that what existed in Iran was not feudalism: instead, the state owned the land and water whilst individuals had no rights to ownership of land. Such an argument portrays Iran as very close to what Marx (1818-1883) referred to as the Asiatic Mode of Production (AMP). The role of the state becomes the key here and is the main structural difference between Iran and the feudal system as it occurred in western Europe: the ownership of land in Iran was bureaucratic rather than feudal (Lambton, 1969). Some writers point to the centralised, bureaucratic nature of Iran in the 17th century, arguing it was the despotic power of the state which held back the development of the bourgeoisie (Ashraf, 1970; Katouzian, 1981).

The theory of the AMP (whether acknowledged or not) has provided tools for

much of the analysis of the political economy of Iran today. This theory was also developed by Marx, based on European sources that were coloured by Orientalism.¹ Marx, in his early writings, explained the development of capitalism as a mode of production but the evolutionary unilinear view did not satisfactorily account for the unevenness apparent in the global system. His attempts to come to terms with the evident lack of capitalism outside of western Europe led to his characterisation of the Asiatic societies as stagnant and ruled by Oriental Despotism (Melotti, 1982). The Asiatic mode was defined by environmental and social characteristics: state monopoly over land and labour, with self-contained rural communities paying tribute to the state. Because these societies (which included China, India, Persia and pre-Columbian America) lacked an inbuilt mechanism for social change, Marx suggested capitalism would act as a progressive force by bringing them into the arena of history.²

Marx appeared to endorse the privileged position of Occidental over Oriental history and this may be similar to that of traditional notions of Oriental Despotism³ which argues that the western Christian culture is dynamic, uniformly progressive and evolutionary, compared to the east. Marx's thesis presents a number of reasons for eastern society being static: lack of private property, slavery, and rule by despotic government. All power is in the ruler's hands and no autonomous institutions can develop; the state is overdeveloped and civil society is weak. Such a theory may consequently justify colonialism as external intervention, which, albeit unfortunately, is seen as necessary to bring about internal changes.⁴

Max Weber (1864-1920) like others of his time, also seemed influenced by the same line of thought when he argued that Islam did not generate the necessary 'spirit of capitalism' compared with the Protestant ethic. In attempting to explain why it was that industrial capitalism successfully developed in 19th century England, he identified the Puritan work-ethic as a contributory factor. This laid the way for rationalisation of power into the hands of the ruling bureaucracy rather than traditional leadership based on charismatic and hereditary factors. Although he pointed out that early Islam had some features which might have encouraged the growth of capitalism, such as asceticism, emphasis on the individual's religious life and monotheism, Weber believed the end product of Islamic societies did not develop a rational spirit of capitalism. His reasons for this are two-fold. Firstly, early Islam in the *Koran* held to monotheism but became corrupted as it spread throughout Arab societies. Secondly, he described Islamic societies as patrimonial: this was different from feudalism because the right to land was held by the state (not landlords) and this led to more centralisation with the nobles less able to challenge for power. The state's powers were widespread, controlling not only the land but the army and trades too, as the Islamic guilds were controlled by state officials. Under Islamic law there was no protection of merchants' property. Therefore they preferred to invest in *waqf* (religious land), which offered rent rather than capital. Weber thus stresses the spirit of enterprise as being responsible for the growth of western European capitalism and ultimately lays the blame for economic stagnation in the east on their internal religious values (Turner, 1984: 73).

The above explanations for the character and development of Asiatic societies can be criticised for focusing on their supposedly unchanging nature. As Iranian history shows, there was development and change in the Middle Ages, for example, the growth of cities like Tabriz, a provincial town in the north of Iran, which was a

market for Malaysian spices, Sri-Lankan minerals and other goods in the Mongol period (Sodagar, 1979: 61). The emphasis on a static 'Asiatic' society fails to account for important facts: in the case of Iran there are documents that prove the existence of private property in both ancient and modern Iran (Lambton, 1967: 41-50). In reply to Weber's argument, Rodinson demonstrates that Islam as a religion did not inhibit the rise of a rational capitalist character. He shows that the prohibition on profiting from certain kinds of usury did not seriously affect investment and trade (Rodinson, 1977).

The AMP and Orientalist theories have been used to describe modern Iran in the contemporary world and this has promoted considerable discussion. For example, the state's dominance in the political economy and the arbitrary use of power by the Shah underly elements of continuity with the AMP. It is argued that even though these features are in decline they are still influential (Alavi, 1973). The role of the state in the political economy of Iran - especially after WWII - has expanded but there is nothing unusual about this. Like other capitalist states the Iranian state was actively involved in guaranteeing the security of private property and the capitalist class. Although the monarchy's role, shows some continuity with the past, this does not necessarily mean there has been no change in the state institutions, army and bureaucracy. The state under both Mohammed Reza Shah and the new regime is capitalist with modern institutions such as bureaucracy and army with full control of the national territories. This stands in contrast to pre-capitalism under the *Qajar* dynasty (1795-1925), which was an overwhelmingly agrarian society with peasants tied to the land and landlords wielding significant influence. The state did not have full control over the national territories and was less able to promote economic development.

In response to the socio-economic changes in the post-WWII period those who were influenced by the Orientalist thesis came up with new theoretical developments.⁵ Smelser, a sociologist, looked at effects of economic growth on 'traditional' society which results in a process of change from, (a) simple to complex technology, (b) subsistence farming to cashcrops, (c) animal or human power to industrialisation, and (d) rural to urban based population. He saw variations of (a) to (d) occurring at different times not simultaneously, according to the level of their culture, development, modernisation. The effect of these changes on the social structure would lead to decline of family influence, separation of the economic arena from domestic or religious sphere, increased stratification, and the rise of new social currents such as welfare, trade unions and political parties. Smelser applied a theory based on the pattern of western development uncritically to the Third World countries (Smelser, 1969). Rostow,⁶ following from Smelser and in the orientalist mode, blames its lack of development on the internal character of Third World countries: if traditional barriers can be overcome, they too can experience economic growth. Rostow suggests that all societies can be placed in one of five stages of economic growth (Rostow, 1960). In the first stage the traditional society's output is limited due to lack of technology and science, and the political power lacks centralisation. In the second stage ('the pre-condition for take off') new ideas facilitate economic progress and with them education, business enterprise, improvement in infrastructure, raw materials, and as a result commercial expansion. Despite the development of some modern manufacturing, traditional social structures and production techniques remain. The third stage is 'the take-off' where

traditional barriers to economic growth are overcome and with the establishment of new political organisation the modernisation of the economy becomes a priority. In the fourth stage ('the drive to maturity'), the economy becomes integrated into the world economy and the usage of technology becomes more complex. The final stage is that of high consumption, with the leading economic sector specialising in manufacturing durable consumption goods and services.

Modernisation theory in general and Rostow in particular, appears to justify colonialism in common with their predecessor, Orientalists. Rostow believes that European powers '*often included modernisation . . . as one object of colonial policy*' (Rostow, 1960: 112). This plus modernisation theory's response to the establishment of the Islamic Republic in Iran raises a number of questions. The notion of 'traditional society' is vague and its view of the transition to modernity is inadequate. As becomes clear later in this chapter the traditional role of institutions like the *bazaar*, religious establishment or monarchy before the revolution continues in the modern society such as Iran, albeit in a different form. Furthermore the 'traditional society' or institution may vary in different countries. There is a mechanical view in which the process of transition is supposed to happen by successive changes without analysis of social relations and class interest in the society. Modernisation theories reduce the socio-economic and historical process to build an abstract of universal applicability, and argue that modernisation and industrialisation are inevitable in Third World countries.

Theories of modernisation have been attacked by the 'world system theory', writers such as Frank and dos Santos. They have developed various dependency models which seek to explain the apparent underdevelopment of the Third World as a result of their historical and geographical position within the global division of labour. Frank argues that the division of the world system into metropolises and satellites resulted in the misuse and squandering of resources throughout the system. In particular, the expropriation and appropriation of a large part or even all of the economic surplus of the satellite by its local, regional or national metropole.⁷ Frank believes that capitalism is incompatible with economic advance in the Third World as he argues that without a break from:

the capitalist structure or the dissolution of the world capitalist system as whole, the capitalist satellite countries, regions, localities and sectors are condemned to underdevelopment. . . No country which has been tied to the metropolis as a satellite through incorporation in the world capitalist system has achieved the rank of an economically developed country except by finally abandoning the capitalist system (Frank, 1971: 36).

While the followers of the AMP thesis concentrate solely on the internal character of the society in order to assess development without a theory of imperialism, the dependency theorists' treatment of global capitalism assumes that internal class relations of society arise from external, capitalist cause. Frank equates capitalist relations of production with commercial relations of commodity circulation. He fails to provide a satisfactory analysis of class forces and relations of economic domination within peripheral societies (Brenner, 1977). The economic dependency theory needs to provide an account of the logic of the mode of production within a social formation. The articulation of these modes of production occurs within a set of constraints which arose out of the growth of a global capitalist system.

The advancement of capitalism, especially in the 1970s, in Third World countries such as South Korea, Taiwan, Hong Kong, Brazil, Singapore (and at times Iran was included in this), proved otherwise against Frank's argument. It appeared possible to achieve real capitalist development without breaking from the system. The dependency theorists gave the external factors as the cause of underdevelopment and claimed that capitalism could never develop any new part of the world. Warren challenges the dependency school and argues that in fact the spread of productive forces in both industry and agriculture has already taken place in the LDCs. Concentrating on the post-WWII period, he argues that the growth rate in many parts of the Third World has been higher than in the developed countries. The indigenous capitalist class has been active in the modern industries and the expansion of the market and urbanisation has been very rapid, especially in Latin America. Jazani, although influenced by the arguments of the dependency school, also describes the process of development in a Third World country such as Iran and suggests that post-war we have witnessed the end of feudalism and rapid growth of capitalism. Jazani postulates that the development of 'dependent' capitalism in Iran since WWII increased the level of production, particularly in the industrial sector and this has resulted in real economic and social improvements. Unlike Warren, he suggested that the character of dependency is inseparable from the capitalist system, foreign exploitation and imperialist domination in Iran. The dependent capitalist is found in the form of the 'comprador bourgeoisie', the agents of imperialism who are cooperating together to exploit Iran (Jazani, 1980). Warren in contrast does not express such ideas; in fact he argues that colonialism '*acted as a powerful engine of progressive social changes*' and has played a positive role in the Third World (Warren, 1980: 9). Warren does not take into consideration the other side to capitalism - its often brutal nature, creating inequalities which continue until today.

In my view, the analysis of Iran cannot start from the premise that it is the external forces of imperialism, or the internal character of the society that are the cause for the underdevelopment of Iran. I suggest that pre-capitalism has been transformed in Iran into the capitalist mode of production, albeit in uneven form. The expansion of the European capitalist mode of production and its impact on Iran in the 19th and early 20th centuries, promoted the transition from pre-capitalism to modern capitalism i.e. generalisation of the commodity market, growth of wage labourers, capitalist class, urbanisation, modern nation states with modern bureaucracy, army, educational system, adaptation to new technology and development of political institutions such as parliament.

This transformation is based on a view of the mutual causality of the internal logic of pre-capitalist Iran and the external impact of western capitalism. Hence there is no simple correspondence between imperialism and the progressive erosion of pre-capitalist economic and social relations. The process of capitalist development cannot be explained by taking just one factor but both internal and external relations should be considered. The impact of Europe's capitalist mode of production was not very rapid and made a slow advance in Iran to begin with. The changes in the economy and society have emerged as a result of capitalist influence over time. This was recognised by Marx in his analysis of the impact of capitalism on India:

English millocracy intend to endow India with railways with the

exclusive view of extracting at diminished expenses the cotton and other raw materials for their manufactures. But when you have introduced machinery into the locomotion of a country which possesses iron and coal you are unable to withhold it from fabrication. You can not maintain a net of railways over an immense country without introducing all those industrial processes necessary to meet the immediate and current needs of railway locomotion, and out of which there must grow the application of machinery in those branches of industry not immediately connected with railways. The railway system will become, in India, truly the forerunner of modern industry (Marx, 1976: 84).

The development of capitalism has been an uneven process, involving great contradictions. This was analysed by Marx in his late writings ⁸ and later by Trotsky who argued that capitalism reacts in both positive and negative fashion on the less developed countries:

By drawing countries economically closer to one another and leveling out their stages of development, capitalism operates by methods of its own, . . . sets one country against another, one branch of industry against another, developing some part of the world economy while hampering and throwing back development of others (Trotsky, 1970: 20)

Capitalism develops at a different speed throughout the world, in different nations and sectors, but not in isolation from each other. This development does not necessarily need to take the same form in every part of the world. For example, the capitalist development in Iran was concentrated around the oil industry and this may be different to those countries without oil. Uneven development is the striking feature of capitalist development, a result of the way that capitalism can incorporate even the remotest area into the world division of labour. This development occurs at different times and with a different dynamic, which inevitably creates contradictions in the economic, political and cultural areas of the society. Capitalism has different features in different parts of the world and some of these features, which I go on to discuss in this chapter, have survived from pre-capitalism to modern capitalism. The form and role of the state, social classes, traditional institutions such as *bazaar*, religious establishment and monarchy are not static but dynamic and change under different circumstances. It is in this context that I look at Iran's political economy in the pre-capitalist period and its transformation to capitalism. The theory of combined and uneven development allows an examination of continuity and change in Iran since it focuses on both pre-existing conditions and its interaction with modern economy and society, under capitalism.

1.3 Iran – Pre-Capitalism

Before the impact of western capitalism Iran was predominantly an agrarian society, as the majority of the population lived in the countryside and 90% of the work force were dependent on agriculture or a nomadic life style. Most of the land was held by absentee landowners whilst industries were not very developed. The *bazaar* was an important place not just for its merchant activities, but for the landowners and craftsmen who made and sold their goods there. It was a workshop, bank, religious

centre and a place where merchants, craftsmen, moneylenders, pedlars and religious figures organised themselves (Abrahamian, 1985: 128). Outside the urban centres of the *bazaar* were those who practised a nomadic life: it has been estimated that they made up half of the population and were comprised from tribes speaking different languages maintaining relative independence from the central authority (Issawi, 1971: 20).

The rise of the *Safavid* dynasty to power (1501-1736) opened a new chapter in Iran's history, although a continuation with the monarchical dynasty. Before this period Iranian people mostly believed in Sunni Islam and the country was either part of the some large empire or divided into a number of dynasties. The *Safavid* proclaimed Shia Islam as the new state religion which distinguished Iran from its Sunni neighbours, the Ottoman, Monghal, Uzbek empire in Turkey and the Arab world, India and Central Asia. The new rulers portrayed themselves as an incarnation of the hidden Imam (the twelfth Imam of the Shia Islam who disappeared in 868) and the shadow of God on earth. They gained the support of most of the *ulama* who know and interpret the religious law of Islam, based on the *Koran*, *Sunna* and *Hadith*. Their existence goes back to the early days of Islam when learned men played an important role in choosing a successor to Mohammed. The *ulama* were not a cohesive and unified force, but rather were riven by internal factions, conflicts of interest and different religious views.

The *Safavid* dynasty was able to bring relative centralisation to the country and some order to the economy (Minorsky, 1980). They promoted trade, especially with the west.⁹ But this did not last, as the decline of the empire in the mid-18th century saw a reduction of 40% in the production of silk due to intense competition from abroad and lack of state support. *Safavid* territorial expansion caused difficulties for central government as its officials broke up the regions in their control to such an extent that they became independent of the central administration. This resulted in the disintegration of the country and the state. The internal upheavals, accompanied by invasion by the nomadic tribes resulted in the restructuring of political authority (Lambton, 1953).

Political authority regulated private property in the following ways. Land ownership generally fell into different categories: the *toyoula*, was assigned to the military officers and tribal leaders in lieu of services, and to the royal family. The owner of *toyoula* land had absolute power over several villages, provided the government with its soldiers, and collected taxes from the peasants. They could also pass on land to their heirs (Issawi, 1971: 221). *Khaleseh* was crown land, usually private property confiscated by the state. *Khaleseh* lands which were utilised by the state, were assigned to the military personnel or temporarily rented to individuals. *Khaleseh* lands were thus the main source of income for the state and monarch (Lambton, 1953). *Waqf* land mainly belonged to the religious authorities and gave them considerable power by giving them financial independence from the government.¹⁰ The main aim of *waqf* landowners was to make it a public institution and so to protect their land from confiscation by the state or powerful tribal leaders.

Many of the big landowners lived in the towns as absentee landlords. They managed their estates by employing people to look after their property and collect taxes. The peasants, on the other hand, paid the burden of taxes, carried out the bulk of the hard work and dealt with the representatives of the absentee landlords and government officials. The basic units of rural socio-economic life were the

village and the tribal community of the herdsmen. They had relative autonomy and a degree of jurisdiction over their internal affairs. The village was divided into two groups, those who had cultivation rights, referred to as *nasaghdaran* (divided between the rich peasants, middle peasants and a large group of poor peasants); and the landless peasants, moneylenders, peddlers and craftsmen, collectively referred to as *khoshneshinan*.

The peasants were fragmented, such that the rich peasants were the natural ally of the landlord. Also, the sanctity of private property was reinforced by religious authority and, perhaps most significantly, in order to survive poor peasants were forced to leave their land for periods of time and travel to towns to find paid labour. This created the contradiction that, on the one hand, the peasants' organic link to the land was constantly interrupted, whilst on the other, they were not fully integrated into town-life (Keddie, 1980).

In contrast, the situation in the towns was one of increasing merchant activity without development of a strong bourgeoisie. The cities were centres of flourishing economic activity and the seat of political authority. The heart of the cities and towns was to be found in the mosque which was located next to the *bazaar*. Other component parts of the cities were the representatives of the Shah, Crown officials, the absentee landlords, some tribal Khans, and the religious hierarchy, which together comprised the ruling class. The merchants paid taxes to the state as well as religious dues, which was a sign of their close connection to the *ulama* – very often they had close family ties as well. This link with the religious establishment gave the merchants some protection by the *ulama* against the demands of the state. Merchants held some power and were organised through guilds, the heads of which were appointed by the Shah, and played a mediating role between the interests of the merchants and the state. The weavers and the moneylenders were two key guilds, the former being connected to the manufacturers and the latter lending money even to the state. The state sometimes responded to the needs of the merchants, protecting their commercial interests from competition from imported goods. The state also sometimes used its power in an arbitrary fashion by confiscating the property of the *bazaar* (Adamyat, 1976). The presence of landlords and the Court in the cities, the lack of security for private property, due to frequent warfare created instability and discouraged the traditional bourgeoisie from developing into a modern bourgeoisie. The influence of capitalism was thus already felt in the country but on a very small scale.

1.4 The Impact of the West

The 19th and early 20th centuries witnessed an important transformation in Iran's economy and society, under the impact of the west. The foundations of the traditional state were undermined and a modern state with new institutions established. The growth of capitalist development began in this period and continued rapidly in the late 20th century. The most profound factor in this process was the integration of the Iranian economy into the world market which radically affected the position of different social classes.

The impact of the west on Iran's political economy was part of a wider process of change in the world economy. European capital increased its domination of world trade through expansionist commercial policies (Wallerstein, 1979). In the

Gulf, as in other parts of the world, the English displaced the Portuguese and Spanish merchants and early colonialists. Especially after the English Civil War of the mid-17th century, the English state and its navy in particular protected the activity of English merchants abroad.¹¹

The growth of commerce, the necessity to export, and other technological changes formed part of the reason for the decline of feudalism. This transition from feudalism to capitalism¹² began in the west and soon made an impact on the rest of the world. That such a transition did not emerge in Iran may be due to a number of reasons, such as the presence of the landlords and kings in the city, lack of security for private property (Fraser, 1825). Other reasons may be as a result of the decline of the transcontinental caravan trade after which political chaos led to a real decline in foreign trade and a significant fall in the population (Lambton, 1970; Issawi, 1970). This was in contrast to the favourable conditions in the west such as the growth of the market due to the increased population resulting in the rise of consumption and demand. This process saw the emergence of the modern state, first in dynastic form then as the nation state became more coherent and centralised politically with improved communications (Kemp, 1978).

Capitalist development in Iran was a by-product of, on the one hand, the need of the European capitalist market to import Iranian goods, and on the other, the export of European manufacturing goods into Iran (see Table 1.1). The growing expansion of the imperialist countries, particularly Britain, in the region especially in India increased Iran's strategical position as a buffer against Russian advance towards India.¹³ The rivalry between Britain and Russia helped Iran to maintain its independence and it was never colonised in the sense of being formally ruled from abroad or with white immigrant settlers transforming a substantial part of the economy to meet the economic requirements of the colonial countries (Tabari, 1983: 53). Capitalist development in Iran was shaped by the political, economic and strategical requirements of Europe.

The influence of western capitalism coincided with the weak and fragmented rule of the *Qajar* dynasty (1796-1925) and as result Iran became more open to the influence of European capitalism in its imperialist form.¹⁴ This impact was not a positive influence at the beginning as the old industries were destroyed through trade and imports of foreign goods. The military power to gain strategical position provided the ground for the commercial interest of Britain in Iran. By the 1850s, Britain was one of the leading trade partners of Iran and accounted for over 50% of exports and even more of Iran's imports (Issawi, 1971: 71). From the mid-19th to the beginning of the 20th century a number of concessions were given which enabled foreign subject to exploit raw materials, and carry out infrastructural development in Iran.¹⁵ In 1872 the Shah agreed to give a 70 year concession to a British subject, Baron Paul Julis de Reuter to build railroads, install telegraph lines, exploit mines and forests and construct irrigation works and regulate river navigation, open a bank, build roads, mills and factories was given in return for a £40,000 payment to the Shah. Other important concessions were also given to British subjects for the exploitation of tobacco and oil.

In addition to the profits generated by concessions, British trade continued to increase with Iran. Total trade between Iran and Britain increased from £1.7m in 1875 to £3m in 1895 and to £4.5m by 1914 (Foran, 1993: 111). The Russians also increased their commercial and political hegemony after the 1850s, which further

generated demand for agricultural goods. Russia, like Britain, gained concessions in fisheries, road building, telegraphs, railroads, and banking.

**Table 1.1 Composition of Foreign Trade, 1850-1913
(percentages)**

	1850s	1880s	1903	1911-13
Imports				
Cotton cloth	43	48	38	30
Woollen and Silk cloth	23	15	7	5
Total cloth imports	66	63	45	35
Tea	9	2	4	6
Sugar	2	8	21	24
Metal goods	2	2	3	—
Paraffin	—	1	1	2
Others	21	24	26	33
Total	100	100	100	100
Exports				
Silk and products	38	18	8	5
cotton and woollen cloth	23	1	4	1
Total cloth exports (including raw silk)	61	19	12	6
Cereals	10	16	—	—
Fruits	4	6	12	13
Tobacco	4	5	—	1
Raw cotton	1	7	11	19
Opium	—	26	8	7
Total of primary exports	19	60	31	40
Carpets	—	5	7	12
Others	20	15	50	42
Total	100	100	100	100

Source: Adapted from Katouzian, 1981: 41, and *Etelat-e Ektesadi Va Siasi*, no. 39, 1992.

**Table 1.2 Iran's Trade Partners, 1913-1914
(Rubles and percentages)**

	Imports	%	Exports	%
Russia	64000	55.5	54371	71.7
Britain	32032	27.8	10280	13.3
Turkey	4021	3.5	6637	8.8
Germany	5468	4.8	531	0.1
France	3533	3.1	826	1.1
Italy	1008	0.1	2614	3.4
Others	5245	4.6	705	1.4

Notes: 'Others' include Belgium, Hungary/Austrian empire and Afghanistan.

Source: Foran, 1989 in *Etelat-e Ekhtesadi va Siasi*, 1992: 38.

As Table 1.2 shows Russia's trade dominated, comprising around 54% of Iran's imports and 71.7% of her exports by 1914. The second country after Russia was

Britain with 27.8% of imports and 13.3% of exports. Iran's trade had increased nearly twice over between 1860-1914. The composition of trade also changed in this period, towards the colonial pattern: for example, in the case of textiles, in the 1850s a major part of Iran's exports consisted of hand-made cotton, wool and silk textiles but by the early 20th century this had fallen to less than 12%. This was replaced by traditional manufacture - carpets - 12% in 1911-13. Iran's imports in the 1850s were 75% manufactures against 32% for her exports; in 1903 imports were over 60% manufactures but manufactured exports were down to under 25%; in 1913 imports were more than 73% manufactures (including refined sugar), while Iran's manufactured exports stood at around 13%.

The increase in trade between Iran and the rest of the world brought Iran closer to the world economy i.e. exports of opium, cotton, rice, wheat, tobacco, dried fruits, nuts, silk and wool and imports of manufactures, mainly from Europe.

The impact of the west and expansion of foreign trade and the development of an exchange economy resulted in higher growth of the urban population ¹⁶ as well as the relative growth of non-agricultural activities. With the rise of commercial agriculture came changes in agrarian relations. Throughout the 19th century the large landowners managed to consolidate their position so that by the end of the century they had turned the traditional land assignments - *toyoola* - into unconditional private property. The old village economy and the landlord-peasant relations that had accompanied it were eroded as a result of the penetration of cheap imported textiles and the emergence of cash-crop cultivation. The state was losing its mediatory role between the peasants and the landlords, whilst the landlords were gaining power through their overseeing of cash-crop production (Lambton, 1953).

Merchants constituted the most powerful urban class in the *Qajar* period. Apart from dealing with trading, they were engaged in money-lending, part of the landed class and actively involved in the attempt to establish industry. Some of the merchants benefited from the increase in foreign trade between 1800-1914. Despite the strong position of the *bazaari* in the urban sector there was considerable tension between them and the state and foreign capital. Whilst a few large merchants could compete directly in foreign markets and make substantial profits, others could only act as middlemen.

Urban productive activity continued to be the province of the country's artisan class. There was a decline in manufacturing in the area of handicrafts in the 19th century. One of the responses to this decline was a transition to large-scale factory type workshops, although in many ways artisans were still involved in the labour process. Units of 10-15 workers were established in leather, opium, henna and tobacco processing. Industrial production with mechanised equipment also occurred in the late 19th and early 20th centuries. In the late 1850s and 1860s, some private entrepreneurs constructed small factories producing items such as paper, glass, gunpowder, sugar-refining and cotton-spinning. That many of these concerns were not profitable is hardly surprising given the small size of the market, insufficient infrastructure, competition from outside and failure of the state to protect these factories from outside competition (Floor, 1984). The effects of capitalism as a modern system compared to pre-capitalism was thus very limited and uneven, not just in the area of the economy, but too in the slow growth of the working class and bourgeoisie. However, these small changes in the country also generated

enthusiasm amongst a section of the intelligentsia who called for changes in the economy and society.

1.4.1 The Emergence of Reformism

A growing sense of urgency was being expressed amongst some of the Iranian state bureaucrats, who came to resent both the insecurity of private property and foreign domination. They called for rapid modernisation, promoted by the state, to provide the conditions for development of the country. In the early 19th century Prince Abbas Mirza, based in Azerbaijan, encouraged diplomatic and trade missions, whilst Mirza Mohammed Taqi Khan Farahani, better known as Amir Kabir, pressed for modernisation including army reforms. With very little finance and insufficient administration he succeeded in establishing an arms factory, a few small industries and the first secular high school (Ghods, 1989: 19).

However, the call for modernisation was not always welcomed by other social forces such as the religious establishment. Most of the Iranian *ulama* had already gone through a major change in the late 18th century, namely the division between *Usula* and *Akhbari*. The latter school argued that there was no need for the religious scholars to exercise independent judgement of religious interpretation in the absence of the hidden Imam. In contrast, the *Usuli* used their increasingly dominant position to give extra legitimacy to the role of *Mojtaheds* - religious scholars exercising independent judgement. This laid the foundation for the enhanced authority of the highest-ranking *ulama* who were independent of the state, a development whose political repercussions became evident in the 19th and 20th centuries. In the context of increasing changes both locally and globally the role of the *mojtaheds* became vital in their response to the impact of western capitalism. They were not united in their response to the capitalist reforms but the one factor uniting them was the fear of their own declining position under the impact of modernisation. The *ulama's* position in the society included collecting religious taxes, serving as religious leaders, judges, educators, and guild leaders, all of which could have been under threat if reforms went ahead.

But the religious institutions could not remain aloof from the changes that were affecting Iran. On the one hand they were opponents of the liberal reformers and on the other defenders of the nation against foreign influence. Their alliance with the bazaar and tribal leaders made them a strong force against both the Shah and the reformers but they had to give support to those merchants who wanted more state protection for their goods against their foreign competitors. Some of the *ulama*, along with a section of the bazaar and tribal leaders, considered the reforms as foreign interference in Iranian society, but they failed to resist the rising European economic and military influence.

There were some Shia thinkers who became influenced by the capitalist development in the west but attempted to articulate the view that Islam was adaptable to the modern world. Sayyed Jamal al-Din Afghani (1839-97), a Shia intellectual, attempted to integrate Islam to the new developments in the west. He had travelled widely, was familiar with modernisation in Europe and advocated political reform and adoption of western technology. Afghani argued that Moslem countries should strengthen their leadership so that they could catch up with the developed nations of the world. He recognised the appeal of nationalism but

focused primarily on Islam as the ideological basis for an anti-imperialist movement (Keddie, 1972). Afghani encouraged religious leaders to fight actively against the Shah's concessions to foreign powers. He condemned the 1890 tobacco concession to a British company which gave them exclusive rights to sell and export tobacco. The alliance of the *bazaar*, some of the *ulama* and the modern educated Iranians was thus a 'marriage of convenience' which reappeared during the Constitutional Revolution.

1.4.2 Constitutional Revolution – 1905-1911

The Constitutional Revolution had many causes, most importantly the role of external factors both for the cause of the revolution and its outcome. These included: the declining profits of a section of the *bazaari* and artisans because of cheap foreign imports; the suffering of the working class due to the increase in food prices and a decline in the standard of living of poor peasants as a result of changes in the cultivation from food staples to export crops; rising land values; decline in the economic and political position of the tribes due to urbanisation.

Revolution began with protests by merchants against the involvement of foreign officials in the government administration. An alliance was forged between the *bazaar*, some *ulama*, secular intellectuals, landlords and tribal leaders: despite their different economic and political interests, all saw the need to unite against the monarchy and foreign powers.¹⁷ The impact of the west on the economy, political order and cultural values had intensified the already existing contradictions in Iranian society. In part it had introduced new patterns of thought which were sometimes in contradiction to the socially accepted norms. Western domination in Iran was rejected by almost all the social forces, but not their strength in the important areas of technology, law and constitutional reforms. The *bazaari*, who initially benefited from the growth in foreign trade, increasingly faced competition from abroad which restricted their own economic interests.

The *ulama* were divided: some of them accused the Shah of being corrupt and a means for foreign control of Iran. Others, such as Ayatollah Sheikh Fazlulah Nuri, argued strongly against the reforms and believed the *Sharia* should not be watered down. Ayatollah Tabatabai (1841-1918), on the other hand believed in adaptation, even in the context of religion. Others like him believed it was in their own interests to accept the inevitable spread of ideas, firstly from Europe and then from Russia; Tabatabai admitted in 1907: *We do not know much about constitutional government ourselves, but we had heard that constitutional governments provide security and prosperity...* (Ghods, 1989: 13).

This was an example of the many contradictions arising from western impact on Iran. The increasing contact with the west gave an opportunity for some Iranians to learn about western development in areas such as economics, politics and society. The inevitable rise of western ideas could be a double-edged sword. For example, the idea of parliament, although western, came to be used not just against the authority of the Shah but the western domination of Iran too. The *ulama* accepted the idea of *edaltkhaneh*, a house of justice (parliament), in accordance to Shia law and believed this could be used to defend Islam. Competing groups such as secular intellectuals recognised the power of the *ulama* and gave them recognition in order to maintain the support of the majority of the population.

Some of the *ulama* called for the adoption of *Sharia* (Islamic law) as the law of state instead of a western-style constitution. Contradictions within the class alliance supporting constitutional reform were highlighted by the fact that when the secular reformers called for land reform, the *ulama* and the landed deputies refused to accept it. This infighting amongst the modernising intellectuals and the traditionalists encouraged the Shah to regain his position and dissolve the National Assembly in 1911. The *Qajar* regime was saved by the weak character of internal forces as well as the intervention of external forces, namely the Russians. The Constitutional Revolution ended in defeat, but it stands out as a revolutionary movement that attempted to challenge the ruling authority and change the balance of power. The participants were from both emerging modern social forces such as working class and bourgeoisie, and from traditional institutions. The institutions they created such as *majlis* (parliament) and trade unions were all new in the history of Iran.

In summarising the impact of the west on the Constitutional Revolution it is clearly necessary to identify major changes in the political economy. Capitalist development had a contradictory impact i.e. it opened Iran up more to the world market and helped to weaken the traditional ways of producing wealth. Sometimes, through their military power western capitalism was able to impose their economic and political will as during the Constitutional Revolution. But by destroying the patterns of traditional production, modern capitalism made room for capitalist exploitation, albeit on a very small scale. The form of capitalist development was beginning to show itself and it was not possible to stop this completely, either by internal or external factors. One of the main characteristics of this process was the extreme unevenness of the capitalist form of changes occurring in the economy and society and that this was not enough to undermine totally the pre-capitalist mode of production. The process of capitalist development and the changes in the economy and society intensified greatly in the next decades.

1.5 The Rise of the Pahlavi Dynasty and the Modern State

The *Qajar* dynasty came to an end when the outside forces of Britain and Russia occupied Iran during WWI. Until 1921 Iran was subject to a situation of immense political and economic crisis. This period also witnessed the revolution of 1917 in Russia as well as the development of the oil industry in Iran, both of which had a major impact on the political economy of Iran (Miroshnikov, 1964). Reza Shah (1878-1944) came to power, through a *coup d'état* in 1921, backed by conservatives in the parliament – an alliance of clergy, merchants and landlords – who feared that growing communist strength in the north had to be countered. Reza Khan originally wanted to abolish the monarchy and establish a republic with himself as its president. It was opposition from the *ulama*, who associated republicanism with the secular reforms implemented by Mustafa Kamal in Turkey, which forced Reza Khan to keep the monarchy as the head of the state.¹⁸ The irony is that although republicanism was rejected by the *ulama*, seventy years later they supported the establishment of the republic in following the revolution of 1979.

Although he did not formally disband the *Majlis*, Reza Shah built up his autocratic rule, developing a strong army which by the mid-1920s exercised control over virtually the whole country. The defeat of the tribes led to the integration of

the oil-producing provinces in the south into Iranian national territory. The British came to see in him the strong man who would protect 'their' oil and contain any Soviet threats.¹⁹ The state, based on military and bureaucratic power, was thus able to overcome parochialism by promoting national interest and modernisation. Reza Shah's state was able to bring relative stability to the domestic economy after the ravages of war and competing imperial interests.

Once he had established his power, Reza Shah deliberately promoted the idea of pre-Islamic and Persian nationalism in an attempt to counter the influence of the *ulama*. Like other leaders of modern capitalist states Reza Shah promoted the development of the economy in the framework of nationalist ideology. This was different to the previous dynasties: the idea of national independence was a modern phenomenon which emerged under capitalism. Reza Shah's nationalism was cast in secular rather than Islamic terms. He emphasised the glory of old Persia combined with the strong state but in the context of a modern world. This did not alter the theoretical views of Shia Islam regarding theology and politics, which rested on the basic principle of the *imamat* (the institution of rule by the Imams) and the vital role of *mojtahed*. The *ulama* could do little to oppose the modernisation programme of Reza Shah, who was able to rely on the army to force his reforms through, as well as support from sections of the population who believed reform was necessary for Iran's future (Bill, 1972).

The state was the major agent able to enact modernisation in Iran and to build up the country's armed forces. Unlike previous states, that of Reza Shah was not only a tax collector on behalf of the Royal Family but became directly involved in the development of roads, infrastructure and industries through its larger levels of investment. Measures were also taken to regulate the civil service, introducing fixed hierarchical promotion. Financial services were unified too, resulting in the establishment of the National Bank in 1927 which dealt with the state accounts and took over the interests of the British Imperial Bank. The guilds were weakened as the government set up its own monopolistic control of essential imports – tea, cotton, rice, sugar – and used quotas to restrict other imports. A comprehensive building programme changed the face of the country's infrastructure, including the setting up of the Trans-Iranian Railway (paid for by a levy on tea and sugar) and the road network extended dramatically, from 1,286 miles in 1921 to some 16,000 miles by 1938 (Ashraf, 1970: 326).

Those two important pillars of the state, the army, and the bureaucracy expanded enormously under Reza Shah. The army increased from several thousand Cossack members in 1920 to 400,000 troops by the early 1940's. In the same period the bureaucracy stood at around 90,000 civilian employees (Foran, 1993:221).

Another major development which began to have an impact on the state was the discovery of oil in 1908, a significant event which was to have a great impact on Iran's political economy. For the period 1911-1919 the state received a total of £335,000 in oil royalties, a figure which increased dramatically to £10.5m for 1920 to 1930 (Amuzeghar and Fekrat, 1971: 16). Its direct impact on Iran's political economy was very insignificant in the period before WWII, but the oil industry was to become the centre of attention for both the national and international bourgeoisie. It increased the already existing contradictions between these two social groups and its control became a major political issue between the oil companies and Reza Shah, who understood its importance as a means to finance his

planned reforms.

Oil was beginning to dominate the economy and, whilst imperialism had pillaged Iran, it had not left the country undeveloped. The small-scale operations of the industrial capitalists had been boosted by gradual integration of Iran into the world system. Industrial capitalists did not dominate the whole economy but the advancement was significant. Although quite small, production using modern techniques and employing a substantial workforce was beginning to spread to the major cities. The development of capitalism in Iran compared to the capitalist countries was not advanced and the bourgeoisie was very weak. The relative changes, however, were enough to produce the social forms such as working and capitalist class associated with capitalism. These developments occurred at the same time as the *majlis* continued to be dominated by the landlords and most of the cabinet were born into titled aristocratic families (Abrahamian, 1982).

The allied troops' occupation of Iran during WWII showed once more the vital role of Iran within the world.. The occupation of Iran marked the beginning of another period of instability and change, culminating in the nationalist movement of the 1940s and early 1950s. Significant political and economic change in these decades was reflected by the rapid growth of the *Tudeh* Party²⁰ and later the National Front.²¹ The *Tudeh* gained support from the urban working class and lower middle classes whilst traditional tribal allegiances and the dominance of the landlords still held sway in the countryside. As before, social change within Iran was affected by a change in the global balance of power.

1.6 Superpowers and the Rise and Fall of the National Front

With the end of WWII the US replaced Britain as a major superpower in the world. The US, as the dominant economic power, represented itself not just as the major capitalist force in the world but an ideological superpower too – fighting for the ‘free world’. The rise of the USSR against the US resulted in the Cold War as the two superpowers competed over geographical, strategic, economic and political spheres of influence.²² One of the main factors which made the US interested in bringing Iran under its sphere of influence was its oil. Related to this was the fact that the US was already involved in the production of Saudi Arabian oil and Iran was a neighbouring country to both the USSR and Saudi Arabia, which gave it a strategic importance. Iranian rulers themselves also preferred the US to Britain. The US had operated a military mission inside Iran since 1942 and had since increased its intervention, providing military and economic aid as well as political support to the Shah. As in Turkey and Greece, the US was also concerned to counter the perceived threat of communism by supporting a regime like that of the Shah. In 1946 the US assisted the Shah's army in its anti-communist mission to defeat the two autonomous regimes set up in the Azerbaijani and Kurdish Republics. The growing role of the *Tudeh* Party in Iran and its influence among the growing working class was a major concern for the US.²³

1951-53 saw the second mass social movement to take place in twentieth century Iran. Like the Constitutional Revolution, struggle for oil nationalisation challenged the power of both the monarchy and foreign powers in Iran, and after its initial success faced both internal difficulties and external intervention. The movement was in some ways different to the Constitutional Revolution though,

notably because of the involvement of the urban working class and capitalist class which had grown in the past decades. The National Front which consisted of groupings of constitutionalist and nationalist politicians and opposed the increasing power of the Shah and demanded electoral reform. Not long after its establishment, it called for the nationalisation of the Anglo-Iranian Oil Company (AIOC) in 1944 (Bashiriyeh, 1984: 17). The National Front attracted wide support and became a coalition of parties such as Iran Party, the Iranian Nation's Party, the Society of Islamic Combatants, and the Toilers' Party. The alliance brought together a broad set of interests, mainly representing *bazaari* allied to the *ulama* and the parties of intelligentsia. The attempt to nationalise Iran's oil was the goal that maintained unity amongst these disparate groups.

Mossadeq, the leader of the National Front, tried to gain a concession from the British by proposing a fifty-fifty share of the oil profits. The response of the British was predictable and unambiguous. As a top civil servant stated:

I feel absolutely sure that we cannot reach an agreement with Mossadeq which would not have disastrous effects, not only on all other British interests all over the world but on all other enterprises and trading activities in foreign countries on which the standard of living of the people of this country, and our ability to maintain our freedom and independence abroad depend... In the case of a mineral like oil they [the Iranians] are of course morally entitled to a royalty. But to my mind the Asiatic idea ... that morally they are entitled to 50% ... is bunk (Bill, 1988: 7).

Mossadeq's main political platform centred around three interrelated issues such as nationalisation of oil, parliamentary democracy, and internal reforms to ensure economic improvement. After becoming prime minister in 1951, Mossadeq, although he had hoped for economic and political changes, faced a crippling economic embargo by Britain and other major powers against the country which brought Iran's oil production – and its exports – to a halt. The effect of AIOC's refusal to pay the royalties it owed Iran, and the Bank of England freezing her Sterling assets, meant that Iran's development plans were effectively curtailed. The sharp drop in oil revenues led to a balance of payments, fiscal and monetary crisis (Katouzian, 1981).

The economic measures taken to counter this and the ensuing financial squeeze made Mossadeq's government more and more unpopular with the landlords and some of the bourgeoisie, leading to internal divisions within the National Front. A major figure, Ayatollah Kashani, the speaker of the 17th *Majlis*, defected from the Mossadeq camp and, according to some observers, joined ranks with the Shah's supporters to overthrow Mossadeq (Akhavi, 1988: 110). In contrast to this view the US administration suggests that the CIA withdrew their involvement with the *ulama* because they were asking for too much money (Roosevelt, 1979: 71).

The difficulties for Mossadeq increased when he failed to win the US support.²⁴ Instability in the country and fragmentation of Mossadeq's social base finally led the US and Britain to organise a military coup in 1953 to oust him.²⁵

The events of 1953, as during the Constitutional Revolution of 1905-1911, brought a coalition of secular and religious interests over their shared opposition to western domination. In both cases, although foreign powers were involved in the

the breakdown of the movement, domestic social forces such as the Court, retired and active army officers, conservative *ulama*, wealthy merchants and landlords also played a vital role. Mossadeq's secular government could not firmly establish a co-ordinated political movement because of the competing social forces which had different interests. As in the Constitutional Revolution the *ulama* continued to play an important role both in supporting Mossadeq and ultimately helping the opposition to overthrow him. Traditional forces could not act as a barrier to the capitalist development which had begun more than half a century before. The imperialist forces of the US, Britain or the Soviet Union were not operating in the same way as before, and did not mean to support the traditional ruling class against the modern bourgeoisie, but rather to encourage industrialisation, even though this support caused contradictions for them.

1.7 The State and Capitalist Development, 1953-1979

When Mossadeq was overthrown in 1953, capitalism was relatively developed i.e. widespread commodity production existed as the precondition for the establishment of local industry such as a local market, sufficient infrastructure (transport, utilities and financial system), and the working class. Iran's role in the world economy was undergoing substantial transformation, most importantly its relationship with the US. Whilst pre-capitalist relations continued to have a role in the economy and society of Iran, the capitalist mode of production was beginning to impose itself. Some of the traditional ruling class such as *bazaar* and landowners had joined the ranks of the capitalist class.

The continuing strategic role of Iran in the world and the development of the Cold War meant Iran was of major importance for the superpowers, in particular the US. This fact convinced the US to provide the Shah with the necessary aid to establish his regime. The first priority was to rebuild Iran's state and institutions, most importantly the army. The US support for Iran was vital to the Shah for both economic and political reasons, organising the local economy and challenging the *Tudeh* Party and their Russian backers.

The Shah's state was also helped by the oil revenue once Iran resumed its oil exports in the wake of the western oil boycott in the early 1950s. The income from oil gave the state an opportunity to finance the planned programme of reforms. Between 1955 and 1957 nearly 60% of the oil income went towards the planning programme, a figure which increased to 80% from 1957 onwards. By 1978 oil accounted for 38% of GNP, 77% of the state's total income, and 87% of foreign exchange (Razaqi, 1989: 169). This was a gift in a crucial period enabling the regime to consolidate its power. The relation between the state and oil became so close it was impossible to break. This relationship is described as the rentier state: a state which relies heavily on the income from oil.²⁶ Oil revenue is external, unearned income not generated by productive operations of the national economy and, as a result, the state does not depend on internal sources of revenue and subsequently on internal social classes.

Due to oil revenue the Iranian state was able to transform itself from a weak player in the world economy to a powerful dynamic force after WWII. The oil income was enough to sustain the economy without a strong productive domestic sector, at the same time placing the Iranian state in a stronger political position as it

did not have to impose high taxation on the people.

The lack of sufficient foreign exchange caused problems and the International Monetary Fund (IMF) and the World Bank imposed a stabilisation programme, which came into effect in September, 1961. The government forbade the imports of luxury goods and increased duties on non-essential goods. The overheating of the economy, an increase in the money supply and high inflation, resulted in a Current Account deficit of 33.6bn rials (Karshenas, 1990: 95). There was complete stagnation in the economy by the early 1960s. Opposition²⁷ grew from both the working class, the *bazaari* and small landowners who were adversely affected by the economic crisis (Amuzegar, 1991: 174). The traditional forces of the *bazaar* and landowners with the help of their allies, the *ulama*, mounted a challenge to the Shah but failed to make any impact. The regime managed to defeat the threat from its opposition, firstly through sheer repression and secondly, by introducing social, political and economic reforms.²⁸ The new US administration promised substantial aid - \$85 m loan on condition that certain reforms were implemented (Abrahamian, 1982: 422).²⁹ This was to stave off the threat of political unrest and was consistent with the US' anti-communist policies. The Shah's land reform, industrial development, spending on education and social services, votes for women, literacy movement and profit-sharing for workers, became known as the 'White Revolution'. This was the cornerstone of the capitalist development under the Pahlavi dynasty.

1.7.1 Agricultural Transformation

Before land reform, Iran was semi-feudal: absentee landlordism was dominant, with 55% of the cultivated land owned by only 1% of the population who lived in the cities. The pre-capitalist social structure was rigid, with landlords controlling the social and economic life of the peasants (Karshenas, 1990: 145). Most of the total population of 19 m lived in the rural sector in the 1960s and over half the working population of 6.1 m worked in the agricultural sector. Even though capitalist development had expanded over the last fifty years, the traditional ruling class such as landlords continued to play a major role in the society. A small group of the landowners controlled much of the land: about 15,000 villages (out of 45,000 to 60,000 villages in Iran) were owned by landowners with more than 5 villages each, and according to government estimates, around 400 to 500 large landlords owned 57% of all villages in Iran. In contrast, out of the total population of 15 m in the rural sector, 10 m belonged to the poorest class, those who had less than four hectares or else no land at all (Keddie, 1969: 79-83).

The 1962-1971 programme of land reform had the following general aims: to increase agricultural production, extract the surplus and invest it in the industrial sector; to provide price stability by introducing new technology; to improve the standard of living of the peasants through a rise in per capita output; and finally to eliminate the power of the landlords. As a result of land reform many poor peasants became rural wages labourers or left the villages to find work in the cities. The peasants who were affected by the land reform were *nasagh*-holders (peasants with cultivation rights). The peasants with no land, *khoshneshinan*, continued to be deprived of land ownership (Abrahamian and Kazemi, 1978: 169-270).

Land reform went through four phases, the first attempt (1962-1964) was restricted to one village owned by a large landlord, *deh-e shesh dong*, (an equivalent

of one village in different estates owned by the landlords). Mechanised land, groves, plantations, orchards, and homesteads were exempt from the redistribution programme. According to the law landowners had to sell their land to the peasants based on the previous year's tax paid to the government. In return, the government would provide compensation to the landowners within 15 years with 10% interest. The first stage effectively reduced the power of the landlords in the village and replaced it by that of the state (Katouzian 1974: 236). Its effects were not far-reaching, though as the number of families who gained from the first process made up less than one fifth of the total population, whilst many landlords were able to evade the division of their lands.

The second phase of land reform (1964-1968), sought to deprive the landlords of their rights to orchards, plantations and woodland above a maximum holding (again with compensation). Just as the first phase was designed to redistribute land from a relatively few large landowners, the second phase continued this process with middle-sized owners. This weakened the opposition to land reform by dividing the large from the medium landowners. Capitalist relations were encouraged in that the owners above the limit could form joint-stock companies with the former peasants whilst there was considerable selling of land by peasants. This made for a two-tier structure in agriculture: on one side, peasant ownership and tenancy – almost half a million medium and small land owners retained their original holding although there was encouragement to use wage labour – facing, on the other, large- and medium-scale mechanised farming.

The third and fourth phases (1968-1971) laid the basis for the establishment of farm corporations through credit from the agricultural bank and the growth of agribusiness. Increased centralisation in the country brought closer integration of the rural and urban areas: on the one hand, the new bourgeoisie was comprised of civil service appointees who took control of the corporations; on the other, labour transferred to the modern sector as incentives for rural families to stay on the land declined.

As a result of the land reform capitalist forms of agricultural production became more widespread. The traditional landlords gradually lost their power, beginning with the largest families but continuing through to the medium, small landowners, as well as *waqf* administrators. The state had become the most powerful economic force in the rural sector in Iran and land reform removed the barriers to the state's full control over the countryside. This was carried out through the state's policy of rural co-operatives and agricultural bank. The rural co-operatives, run by the state, were in charge of providing seeds, fertilisers, agricultural machinery, and short-term loans to the peasants. The agricultural bank provided short- and long-term loans which were in many cases given to the rich peasants who had links with government officials. The state was also involved in the building of infrastructure which took a major part of agricultural investment.

The process of land reform was able to break down the pre-capitalist social formation and introduce a new method of production in the countryside. This was achieved by a relatively autonomous, centralised state. Conditions in the rural area changed but the land reforms did not solve many problems which had existed before. For example, the remnant of the landlord class continued to possess large amounts of land whilst, in contrast, those peasants who did not gain any land moved into the major cities to look for work. Just as the reform transformed the old

landlord class into a modern bourgeoisie so too the working class grew in size. The commoditisation of labour power was accelerated by the massive migration of the dispossessed peasantry to the cities in the 1970s. During this period an increased number of small proprietors were forced to abandon their land and move to the cities. In 1971, a total of 67% of all peasant families who were able to gain legal rights to land held plots of land that were less than 6 hectares, a size insufficient to feed a family of five at subsistence level (Hoogland, 1982). The result was an increase in the proportion of the population living in the urban sector, which grew from 31.4% in 1956 to 46.9% in 1976 (Pesaran, 1985: 30).

Iran's role in the IDL was no longer the same as it was i.e. it could not rely totally on its own agriculture to feed the growing population. This forced the state to promote subsidisation of the import of agricultural products in an attempt to keep the wages stable through cheapening foodstuffs. The increase in food imports and inability of small peasants to compete with the cheap price of imports forced more peasants into cities. This plus population growth and an increase in consumption of food led to the increase in agricultural imports shown in Table 1.3.

Table 1.3 Selected Agricultural Imports, 1973-1978
(**'000 tonnes**)

	1973	1974	1975	1976	1977	1978
Vegetables	7.5	11.4	7.8	16.5	59.3	39.7
Fruit	58.2	75.5	241.2	377.7	471.6	208.9
Grain	965.8	6843.1	2053.8	2076.5	1227.1	2660.0
Sugar -- sucrose	162.6	287.2	220.1	597.4	266.2	458.0
Cooking oil	—	133.8	256.2	268.2	277.6	258.9

Source: Statistical Centre of Iran, 1979.

Although this process intensified the commoditisation of labour power, it made Iran more dependent on the world market to feed its population. It is important to note that the agricultural share of GNP (in constant price) continued to increase from 88.8 bn rials in 1963 to 339.9 bn rials in 1978, an increase of 282% (see Table 1.6). The agricultural sector, beside providing the urban sector with its food supply, also contributed to the growth of the economy by providing a supply of labour to the urban areas.

The availability of foreign exchange, mainly in the form of oil income, enabled the state to implement its land reform smoothly. It also alleviated the pressure on the supply side through imports and kept the price of food stable through large subsidies. In terms of agricultural development Iran appeared to follow the path of capitalism i.e. increased differentiation between the large and small landholding peasants and decline of labour force in the rural sector. The land reforms created the necessary pre-requisite for capitalist transformation by abolishing the pre-capitalist relations of production. Some of the landowning class became either rural or urban bourgeoisie.

1.7.2 Industrial Development

This period of land reform laid the foundation for Iran's industrialisation and although an earlier attempt had been made before, the new initiative was encouraged by the US in order to establish capitalist relations in the country. The state implemented a policy of import-substituting industrialisation (ISI) - production of local goods which had previously been imported, using foreign technology and machinery. The aim was to reduce Iran's dependence on imports and oil exports: in an attempt to reduce the economy's vulnerability to fluctuation in the balance of payments through domestic production of imported goods, the state imposed restrictions on imports of essential goods. This policy had already been adopted since WWII by many less developed countries, especially in Latin America (Bagchi, 1988). This policy had political implications, derived from its nationalist aims i.e., that local companies should be owned by local people, profits should be invested at home, not overseas, promotion of local innovations and use of domestic rather than imported technology where possible. This policy gave the state a large role, in particular, overseeing external trade and financial transactions. This strategy was intended to give the country a specialist role, not independent of, but integrated into the world economy (Harris, 1986).

Table 1.4 The Composition of Imports, 1973-1978

	(US\$ million)					
	1973	1974	1975	1976	1977	1978
Raw materials and intermediate goods	2274	4466	6212	6713	7910	5350
Industry & Mining	1912	3224	4337	4773	5679	3919
Building	238	376	917	987	1186	650
Services	76	444	718	805	788	617
Agriculture & Animal Husbandry	48	122	240	148	257	164
Capital Goods	906	1331	3489	3803	4019	2908
Industry & Mining	560	770	1760	2244	2588	1858
Services	273	465	1439	1325	1227	642
Agriculture	73	96	290	234	204	108
Consumption Goods	557	1017	1995	2250	2697	2114
Total	10372	3737	6614	11696	12766	14626

Source: Central Bank of Iran, 1976-1984.

The policy of ISI in practice did, however, require imports of certain technology and machineries and therefore the state had to encourage certain exports. Iran relied totally on her oil exports to earn the necessary revenue to pay for the required imports of capital and intermediate goods. Along with Iran's capitalist

transformation, its position in the IDL was changed to one of supplying oil to meet the accumulation needs of industrialised countries, in return absorbing productive capital from the world market.

The rise in oil revenues in 1973 made it easier for the state to import the necessary technology and carry out its import substitution strategy. As with land reform the state relied heavily on one industry – oil, to develop the economy. In 1972 alone, oil financed 53% of the growth of total imports. Dramatic improvements on the industrial front through increasing output of industries was only made possible through integration into the world market rather than by breaking totally from it. As Table 1.4 shows the policy of import substitution led to a growth in Iran's imports, rather than a decline: in 1970s most of this rise was attributed to foodstuffs, intermediate and capital goods. The relative share of capital goods imports increased annually by 11% between 1960-1973, while consumer goods imports rose by only 1% between 1973-1977. During the same period the relative growth of intermediate and capital goods was almost three times faster than the growth of consumer goods imports. As in the agricultural sector Iran's dependence on the world economy increased. The results of ISI and the growth of capitalism added to the unevenness in the economy: despite the large imports of productive capital and accelerating development, the economy relied heavily on oil revenue throughout the 1960s and 1970s. As the world economy became more and more dependent on Iran's raw material so did Iran's increasingly rely on the world market to import its machineries and food to survive within the world system.

The import of capital and intermediate goods was the main factor behind the replacement of artisanal production. In a short period the new industries grew, absorbing the most advanced technology. Although the growth was a continuity from the previous decades, the rate at which this occurred from the mid-1960s onwards was very impressive: industry grew at an average rate of 15% between 1965-1975. By 1977 there were an estimated 2.5 m workers employed in industry, with 250,000 manufacturing establishments of which 6,000 employed more than 10 people and were categorised as modern industrial establishments. In 1974, the National Iranian Steel Company estimated that annual steel production would reach 14 m tons in 1983.

Table 1.5 Selected Output of Major Industries, 1973-1977

	1973	1975	1977
Refined Sugar 000 metric tonnes	697	770	690
Cigarettes million tonnes	13,449	15,314	14,901
Paints 000 metric tonnes	25	36	46
Cement 000 metric tonnes	3,489	5,145	6,323
Refrigerators 000	257	437	536
Television sets 000	242	356	303
Heaters 000	216	336	—
Kitchen stoves 000	313	327	1,150
Radio 000	281	345	242
Vehicles 000	77	140	189

Source: Adapted from Halliday, 1979 and Central Bank of Iran, 1981.

Table 1.5 shows in the 1970s the increase in the industrial output across many

industries. These goods were produced for the local market which was growing rapidly and local production could not respond to the rise in demand. Again, this is a feature of capitalist development.

Apart from petro-chemical industries which were the most developed in the country, there were other major industrial units such as steel mills in Isfahan, car and truck industry and electronic assembly plants. As Table 1.5 illustrates, there was a wide range of industrial establishments varying from sugar refining to producing radios and refrigerators, with output of many increasing between 1973-1977. The total number of industrial establishments increased from less than 1,000 in 1957 to 6,200 in 1974, by which time they accounted for 75% of industrial output. The impact of the policy of rapid industrialisation resulted in sustained growth in the economy, in particular the manufacturing share of GNP grew from 57.8 bn rials in 1963 to 684.3 bn rials in 1978, increasing by almost 12 times (Table 1.6). Total GNP also grew (at market price) from 324.2 bn rials in 1963 to a staggering 1284.9 bn rials in 1978, an increase of 32 times. The largest share of GNP belonged to the oil industry which stood at 40 bn rials in 1963 and rose to 1284.9 bn rials in 1978 (at constant price).

**Table 1.6 Sectoral Distribution of GNP 1963-1978
(billion Rials, constant price)**

	1963	%	1968	%	1973	%	1978	%
Agriculture	88.8	27.4	111.1	22.6	271.0	10.3	339.0	9.2
Industry ^a	57.8	17.8	106.3	20.7	333.0	12.6	684.3	18.5
Services	119.8	40.0	187.0	36.4	629.4	23.9	1281.3	34.6
Oil	40.0	12.3	92.4	18.0	1333.3	50.6	1284.9	34.7
GNP at market price	324.2	100	513.8	100	2635.7	100	3702.4	100

Note: (a) includes manufacturing, mining, construction, water and power.

Source: Statistical Centre of Iran, 1964-1980.

This rapid growth in the industrial sector was achieved through a high level of investment in construction and imported machineries and equipments. It is estimated that the average annual growth of gross domestic fixed capital formation reached 16% between 1964-67. In the same period the fixed investment in machineries and equipments was around 20%. Without the necessary funds being available the speed of development would have been very different. Since the state was the recipient of the oil income it was placed in a strong position in the process of capitalist development, both getting directly involved in the economy and through providing funds for the capitalists to develop. The *bazaar* in its role as the traditional centre for money-lending did not have the available finance for such development. This provided a new role for the modern banking system in providing the finance for the growing industries and meant that they increasingly became an important part of the economy, for example, through the development of new institutions such as the Industrial Credit Bank, the Industrial and Mining Development Bank of Iran and the Industrial Guarantee Fund. Through these institutions the state encouraged the development of the capitalist class which grew and benefited from the process of development.

Like other capitalist states the Iranian state provided the private sector with fiscal concessions, tariff protection, easily available loans, credit subsidies, industrial grants and tax exemptions. Between 1961 and 1975 the Industrial Credit Bank's loan to the private sector increased from 20m to 20bn rials (Bashiriyeh, 1984: 39). The government's development expenditure was another factor contributing to the profitability of private investment. For example, the government invested in roads, transport, communications, energy, and irrigation, as well as social overheads such as education and health which all have positive effects on the economy. As a result investment by the private sector came second, after the state, contributing 24.1% of total investment in industry for the decade 1965-75 (Gasirowski, 1991: 142-144). The government's promotion of land reform and industrial development involved a significant section of the bourgeoisie who were willing to participate in the economic development. The elite section of the new bourgeoisie (around 150 families) came from the *bazaari*, Pahlavi family or major landlords and owned 67% of industries and financial institutions between them. The largest 370 private industries were owned by just ten families, whilst some of the companies which belonged to them were yielding 50% to 80% net profits annually (Bashiriyeh, 1984: 40-42). By the mid-1970s the top 10% of the population held much of the wealth of the country in their hands (Halliday, 1988).

Another important feature of capitalist development is foreign investment, which accordingly increased in Iran. Before the 1950s the only significant foreign investment had taken place in the oil industry, or in the form of aid from the US. However, the situation changed as the necessary conditions for industrialisation had been provided. High tariff barriers were erected on products previously imported which resulted in an increase in foreign investment increased, mainly in the most technologically advanced and potentially profitable sectors. For example, by 1974 183 foreign firms had invested in the area of rubber, chemicals, building materials, mining, automobiles, steel production, armaments and agri-business. In the 1973-78 Plan foreign capital was scheduled to invest \$2.8 bn in Iran, a figure which contrasts sharply to the state investment which was set at \$46.2 bn and the private sector's \$23.4 bn (Halliday, 1979: 154). Foreign firms were under state restrictions i.e. they were allowed to operate only through joint ventures with national capital and could only have only a minority of shares in these ventures.

The relationship between the state and private sector both at domestic and overseas level was not always a smooth one. The national bourgeoisie were happy to be subordinated to the state as long as their own interests were protected. The antagonism between the state and bourgeoisie continued to exist as it had during the 1950s nationalisation of oil and again in the 1970s when the state enforced anti-profiteering laws against the *bazaar*. During this period the state went as far as to arrest major industrialists - such as Iraj Sabet and Habib Elghanian, when the economy faced difficulties. Oil income was a dual-edged sword, providing both harmony and conflict for the state and private sector: so long as the income from oil continued to pour in, so the state could continue to promote their interests. Any fall in oil price or production would consequently damage the economy, resulting in difficulties for both the state and private sector. This situation also applied to overseas firms: faced with economic difficulties foreign firms were less willing to invest in the country or even ready to pull out altogether.

A final feature of the rapid development of capitalism was significant growth of

the working class, in particular the industrial working class which as the largest urban class in the 1970s (see Table 1.7). Some of the labour-force in the urban sector originated from rural areas and had moved to the cities in the wake of the land reform programme hoping to improve their standard of living. The growth of the cities, as a result of capitalist development and greater concentration of the labour force was a very significant event in the 1970s. In 1978 the working class employed in industries and manufacturing had increased from 2 m in 1956 (out of a total population of 6 m) to 5.7 m (out of a total population of 9.9 m).

**Table 1.7 Sectoral Distribution of Employed Population, 1956-1978
(millions and percentages)**

	1956	%	1966	%	1976	%	1978	%
Agriculture	3.3	56.0	3.4	47.5	3.0	34.0	3.2	32.0
Industries	1.2	20.1	1.9	26.5	3.1	35.4	3.3	33.2
Manufacturing	0.8	13.8	1.3	18.2	1.8	20.2	2.3	27.1
Others ^a	0.4	6.3	0.6	8.3	1.3	15.2	1.0	6.1
Services ^b	1.4	23.6	1.8	26.0	2.7	30.6	3.8	34.0
Total	6.0	100	7.1	100	8.7	100	9.9	100

Notes: a: includes mining, construction, electricity, gas, water and health.

b: includes wholesale, retail, transportation, storage, communications and social services.

Source: National Census of Population and Housing, 1956-1981 and Statistical Centre of Iran, 1979-80.

Without the major growth of capitalism in the last decades this rise in the industrial working class would have been impossible. Most of the working class underwent a break with the conditions of their past economic and social life and had to adapt rapidly to a new way of life in the cities. Many worked in the towns but continued either to live in the villages or maintained some economic and social contacts with them. This gave them a taste of life from both the past and the present, existing as they did in the mid-point between the old and new ways of life. The contradictions were great: consumer goods in the shop windows may have fascinated them but remained largely unobtainable, a situation in stark contrast to the wealthier people who lived in the leafy suburbs and consumed luxurious imported goods. Although the standard of living for some of the working class had improved during the period of economic expansion, this did not apply universally. It is not the case that capitalist development always results in benefit to the working class. In countries where trade unions are severely suppressed and state policy does not allow for working class organisation, the standard of living would not increase in a way that might accompany economic development.

The growth of the working class was potentially a serious threat to the bourgeoisie. The working class in Iran had already played an important role in the 1950s nationalisation of oil. The state acknowledged the potential power of the working class by only allowing unions which were created and controlled by the state itself (Bayat, 1987). This move was intended to widen support for the regime at its base, rather than dealing with the problems of the workers against the employers. The state went so far as to create branches of SAVAK (secret police) in the factories which aimed to suppress any 'anti-state' activity. The state also ran a

profit-sharing scheme designed to increase output by legally requiring the owners of manufacturing units with ten or more workers to share 20% of annual net profits with them. Insurance for workers and the establishment of a minimum wage were political actions intended to discourage labour unrest.³⁰

1.8 Conclusion

The focus of this chapter has been on the form and development of modern capitalism in Iran. Capitalism did not emerge in Iran as a result of internal factors but was influenced by the west because of the nature of capitalism i.e. its ever-expanding capital accumulation, which encourages capitalists to make the whole world their market. Thus the internal dynamic of capitalism results in the development of capitalist production throughout the world. I suggested that this outward expansion of capitalism did not result in stagnation and underdevelopment in Iran. Rather, the country's transformation from pre-capitalism to capitalism has been tied to world capitalism but, as in other LDCs, has developed its own character, different to that of the west. Its particular form has shown itself in uneven development, both at national and global level. I have summarised this in three areas:

The first feature of the uneven development was that, despite the expansion of capitalism, Iran remained part of the peripheral formation of the world economy. It was through its integration to the world market that Iran became one of the fastest growing economies in the world in the 1970s, although this development was not on the same scale as that of NICs such as Taiwan and South Korea. But the potential was there for greater expansion within the capitalist system. Oil income was the key contributor to Iran's capitalist development, especially in the period following the 1960s, and the state - as a recipient of the oil income - became another important factor in this process. But to reach this stage it had to rely on importing most of its capital goods from the west. Thus, the capitalist development in Iran did not mark a break from the world market, to achieve development independent of the western imperialist powers. Rather it was closely linked to the world system, as I have shown. Iranian capitalist development was supported by the western industrialised countries, especially the US which had both economic and political interests in Iran and throughout the region. The expansion of capitalism in Iran created a large market for the west to export its modern machineries into Iran, some of which came from the US. These imports included arms; indeed, military purchases by Iran increased from \$77 m in 1970 to more than 7.8bn in 1978 (World Military and Social Expenditure, 1986). The army became an important instrument nationally as well as operating in the region, although not to the same degree as the imperialist countries such as the US. The army were equally important in the process of the capitalist development at home i.e. employing a large section of the workforce, some 300,000 people or 3% of the working population in 1976.

The second feature of uneven development is that the development of capitalism did not lead to the end of the pre-capitalist institutions such as *bazaar*, religious establishment and monarchy. These institutions were not static but had a dynamic of their own. For example, the institution of the monarchy under both Reza Shah and his son was very different to that of previous rulers under the *Qajar* dynasty.

While the latter existed under a pre-capitalist mode of production, the former promoted intense capitalist development. Changes in the economy led these institutions to either play a vital role in the capitalist development or to adapt in some way to the system. Some elements of the pre-capitalist forces from the *bazaar* and landlords were able to join the capitalist class but even those who continued to trade in the *bazaar* had to operate under the capitalist mode of production. The *bazaar* remained strong in the traditional sectors of the economy, despite the establishment of the modern banking system and commercial activities. Although the *bazaari* continued to survive, their position declined relative to the capitalist class, for example, handling only 30% of total imports and 15% of private sector credit in 1977 (Foran, 1993: 335). This was largely due to the modernisation of the banking system and the rise of new shopping centres. The *bazaar* also continued its close relations with the religious institutions, providing finance to religious schools and mosques, thereby maintaining and promoting their values and influence in the society.³¹ This co-existence of institutions of the *bazaar* alongside modern institutions is typical of a society which has undergone tremendous transformation and forms part of the peculiarity of capitalist development in LDCs. The transformation of Iranian society preserved some of the values of the pre-capitalist society, such as religious beliefs but these have also had to change in order to adapt themselves to modern capitalism and its institutions such as the state and its bureaucracy. After all the religious institutions had little choice but to accommodate to the new conditions in the face of such rapid development. Even when their members criticised the state and its development, the alternative they advocated was itself in the framework of capitalism, although controlled by the *ulama*³² While individuals from both the religious and secular opposition were repressed or even eliminated, the mosque as an institution continued to maintain a degree of immunity from the encroaching power of the state. The modernisation of Iran and the state's brutality did not lead to the end of religion as a major force in the society. On the contrary, there was a strong underlying continuity in the influential role of Islam.

The third feature in the process of uneven development is the separation of most of the population from the means of production. Under capitalism the working class has to sell their labour power to the capitalist class who become the owner of modern means of production. The transformation of pre-capitalism in Iran has changed the nature of exploitation, as before WWII the majority of the population were peasants. Even in the city the industries were restricted in scope, leaving an urban population typical of pre-capitalist societies in which artisans and traders played an important role. This picture had changed by the 1970s, with the Iranian working class estimated at around 880,000. These workers were located in modern industries comprising manufacturing plants, railways, docks, electrical, gas and power works. More than 300,000 were employed in modern banks, hospitals, offices and as shop assistants (Abrahamian, 1983: 434). The size and composition of the working class was a dramatic change from previous decades (see Table 1.7) At the same time, the spread of market relations in the countryside has replaced pre-capitalist by capitalist forms of exploitation, with the creation of a large class of agricultural workers. Wage labour is now the biggest source of value in Iran. In the urban sector some of the working class are no longer illiterate and the development of capitalism itself makes them aware of the world situation. By the 1970s most of

the Iranian working class had T.V. sets or radios in their homes, informing them of world events and influencing their culture.

These three features arise out of the many contradictions which developed as a result of the capitalist development in a country like Iran. They will be fully explored in the form of specific areas of the state, the religious institutions and the social classes, which are the subject of the next chapters, beginning with the oil industry and its contribution to capitalist development.

The Making of Modern Iranian Political Economy: The Contribution of Oil

2.1 Introduction

In the previous chapter I analysed the political economy of Iran under pre-capitalism and its transformation to capitalism, under the influence of the west. I showed that this transformation has been a process of uneven and combined development i.e. the modernisation that has occurred continues to carry with it elements from the past such as the religious establishment, albeit in a new form. The aim of this chapter is to continue the theme of continuity and change and to examine the extent to which oil has contributed to the political economy. It demonstrates that the development of the oil industry by western companies did not have linear effects i.e., it neither simply caused underdevelopment nor led to the development of productive forces, paving the way for national capitalist development. Rather, my contention is that the west's impact on Iran was of a contradictory nature: the development of capitalism in Iran, although influenced by the west, also depended on the development of internal class forces.

The organisation of the chapter is as follows: I first analyse the theory of the 'rentier state' because it explains the nature of the relationship between the state and oil income. Rentier state theory shows that the state in the oil-producing countries emerged as the only agent able to carry out economic development due to its direct receipt of the oil income. I concentrate on the period of modernisation from the 1960s when, with the huge oil income at its disposal, the Iranian state embarked on rapid modernisation of the economy in a very short period. Analysis of the character of the oil-producing state is necessary in order to explain the phenomenon of oil in a country like Iran. This theory allows for both the modernisation of the state, growth of the working class, the bourgeoisie and industrialisation, and the continuing role of traditional forces such as the religious establishment and the monarchy as the head of the state.

I relate this theory to the political economy of Iran, contrasting the period before and after the 1960s. The rentier state theory is more applicable to the period after the 1960s due to the huge oil income received by the state and its impact on modernisation. However I examine the early development of the oil industry too, focusing on the nationalisation of oil in the 1950s. This is to bring out its impact on the political economy: the growing importance of oil in the world, the rivalry between the imperialist powers to bring Iran under their influence, and the internal struggle for the nationalisation of oil. The increased importance of oil as a major resource after WWI, combined with the changes in domestic class forces due to limited economic development, led to conflict, played out among the imperialist powers – which wanted hegemony over oil resources – and between them and the oil-produc-

ing states. The result of the failure of the nationalisation movement under Mossadeq was a return to monarchical continuity but the nature of the state had changed, as had its relationship with imperialism.

By looking at the period from 1953-1979 I concentrate on the process of modernisation – led by the rentier state and financed by oil income, the growing role of the state in influencing the economy and social classes and, finally, the response to it by Shia thinkers.

2.2 Oil and Rentier State

The link between the state, the economy and oil has become so strong that it is impossible to separate them. Although not very strong when oil was first discovered, this link grew as the oil-producing nations increased their share of rents. The substantial increase in the oil income of the producing states, especially in the second half of the 20th century, has revitalised the concept of rentier economies. These states have been characterised as a 'rentier economy' because of the large windfall income they receive from oil. The theory of 'rentier state' is able to explain the oil phenomenon and its relation to the state, which accounts for the large role the state has played in the economic, political and social life of Iran. Although in this chapter my concern is to unravel the relationship between oil and the state before the Revolution in 1979, the validity of the theory will also be assessed in chapter 6, which deals with the period after the Revolution.

Oil revenues may be treated as rent.¹ The economic rent from oil production is the difference between the market price of a good and its opportunity cost which accrues to the central government (in the Gulf this may be as much as the difference between \$1.5 and \$14 per barrel).² This gives the state relative political freedom in its actions although, over time, other parties become involved such as local contractors, agents and those who receive subsidies, all of whom have their own interests to advance. If the amount of rent that a country receives is stable and high this enables that state to pursue its development programme unhindered. As Gulf oil is the cheapest to produce in the world this provides those countries with the ability to considerably expand their economies, based on their large oil rents. For example, in 1985 the cost of producing a barrel of Gulf oil was less than \$1 compared to \$7 in the US (Alaska) and \$8 for North Sea oil (Richards & Waterbury 1990: 16).

The concept of rentier state refers to those states which are able to gain an income from their mineral deposits, and in recent years, the term has been commonly applied to the oil-producing countries such as Iran, Saudi Arabia and Kuwait. However, in defining the rentier economy the following factors must be considered: firstly, a pure rentier economy does not exist; secondly, external rent exists which can, if strong enough, sustain the economy even without a strong domestic productive sector; thirdly, in the case of rentier states such as oil-producers only a small percentage of the workforce are engaged in generating this income, with the majority involved in distributing or utilising it. Thus the creation of wealth in such an economy hinges on a minority of society, a fact of relevance to the role of the government in receipt of these revenues: political power follows from this economic power, whether in the redistribution of wealth or because political control is in the hands of only a few.

Mahdavy (1970) in his analysis of the rentier state argues that oil revenue should

be viewed as external proceeds which accrue to the states in return for leasing their land to the oil company. Oil income is seen as external because it is unearned (except as rent) and not generated by productive operation within the domestic economy. Rentier states are:

those countries that receive on a regular basis substantial amounts of external rents... revenues received by the governments of the oil exporting countries have very little to do with the production process of their economies (Mahdavy, 1970: 428).

The important characteristic of a rentier state is its ability to reduce its dependence on internal sources of revenues and subsequently on internal social classes. The oil revenue allows the state some immunity from socio-economic pressure and the need to impose severe taxation and fiscal policies. By taking the case study of Iran, Mahdavy shows that the state:

receives 70 per cent of its revenues from oil exports and customs duties alone [1954-65 figures].... [it] can expand its services without resorting to heavy taxation... In political terms, the power of the government to bribe pressure groups or to coerce dissidents may be greater than otherwise. By the same token, this power is highly vulnerable since the stoppage of external rent can seriously damage the government finances (Mahdavy, 1970: 453-366).

The contribution of oil revenues has been to enable the state to finance a large public expenditure programme without imposing a taxation burden or relying on heavy overseas borrowing. The rentier state does not depend directly on petroleum i.e., the state or public spending becomes a conduit extracting oil revenue.

The rentier state has embarked on public spending and this has taken different forms. Firstly, state capital outlay which includes all aspects of expenditure for labour and materials for the production of goods and services sold to the people. Most of these goods and services are subsidised (or offered at nominal prices), including hospitals, education, transport, electricity, water and telephones.

Government expenditure in the rentier economy although it stimulates demand does not always create a response by the other sectors of the economy. This usually leads to the pumping in of large amounts of capital without any diversification of the industrial base of the economy. The result is an increase in demand for consumption goods which are imported from other countries. Although the state may give the impression of a strong commercial base, the dynamic sectors of the economy such as import/export and construction, depend so heavily on state backing that this leaves them very vulnerable to any reduction in the level of public spending.

As the state possesses a large surplus of capital its influence grows in the economy through monopolising the finance, establishing and guaranteeing most of the industrial and commercial enterprises.

The rentier state's budget consists of public transfers: this is an aggregate of large sums paid from the public budget in the form of interest on public debt, food price support and other subsidies. This in some way damps down the potential for political outburst. Furthermore it provides its social base with a share of the oil incomes. The large benefit usually goes to the ex-landlords, rich merchants, industrialists, army and state elites, including the Royal Family. These groups have a

common interest to support the state as long as their interests are protected.

The army which is a major support of the rentier state is singled out for special attention. With the huge oil income at its disposal, the state is able to increase its spending on arms to combat both internal political opposition and any external challenge which may arise. The expenditure on arms and regional security is directly linked to the geo-politics of the region. The massive oil reserves of the region gives the major world players a reason for their involvement; their political support and arms exports to the oil-producing states is one way of extending their sphere of influence against other contenders. This is not to argue that the Iranian state is totally dependent on the support it receives from the west. Although the Shah's state was closely linked to the west and the monarchy's return to power was made possible with the help of the west, the state still had relative independence. The Iranian state had to fight its own corner many times against the interests of the west, whether over the price of the oil or to further its desire for regional hegemony. Furthermore the ruling authorities exploited the imperialist countries' competition with each other over oil resources, using this as a means to play one off against another. Reza Shah's co-operation with Hitler, and Mossadeq's willingness to have close relations with the US at a time when Britain dominated Iran, are examples of the Iranian ruler attempting to shield Iran from the effects of the major powers' domination.

Oil revenue has helped to transform the oil-producing state from a weak economic and political position into a powerful, dynamic and relatively autonomous actor. In the period of their development these states were able to take initiatives and embark on major economic policies. Although the modernisation in the oil producing states has been very impressive, it has not been an even process. The pre-capitalist structures of the society have not been totally transformed. On the contrary the modernisation of some natural resources and industries is mainly confined to a few cities which appear to enjoy relative overall prosperity. This is reflected in the society where both new and traditional economic and political formations exist side-by-side. Two examples of this which illustrate the continuity of the pre-capitalist institutions alongside the modern developed industries are the monarchical and religious establishment. As I have already shown in chapter 1 these societies are sometimes referred to as Asiatic or oriental society as if a state like that of Iran still lives in the past, its political system unchanged. Although the monarchy has ruled Iran for 2,500 years, the modern Iranian state emerged under Reza Shah in the 1920s and its character has changed since then, especially after the 1960s. As for the role of Islam in Iranian society – which I will concentrate on in chapter 3 – it is mistaken to separate Islam or any other religion from the economic and social structure of the society. The Shia scholars have always been capable of adapting their interpretations of religious texts according to circumstances in order to maintain their social position (Voll, 1982).

The rentier economy functions with the tempo of capitalism i.e. it requires the world market to sell its raw materials and buy the necessary technology and food-stuff for its modernisation and to feed a growing population. Any changes can have direct impact on its economy and politics. The danger that faces the rentier state lies in its heavy reliance on oil income: although contributing significantly to providing economic and political stability, it is very vulnerable to any fluctuation in oil income, arising from production or prices.

2.3 Oil Concession and its Impact in the Early Period

During the oil discovery the socio-economic structure of the country was based on a large nomadic population which the central government found difficult to control, and required a devolution of power to local governors, landlords and nomadic chiefs. They held and administered territories in return for a duty of military service. The other important groups were the *ulama*, merchants and the royal household. The *ulama* had considerable political, ideological and financial independence, and closely tied to the merchants and played important political roles (see chapter 1).

The impact of the west in the 19th century led to changes in the political economy, notably the emergence of political movements – against the tobacco concession given to a British company in 1890, and the Constitutional Revolution 1905-1911. It is in the context of these events that the oil concession was granted by Iran to a British subject, William D'Arcy, in 1901,³ giving him the right to develop, explore, produce and refine oil in an area of about 480,000 square miles of land (or four-fifths of the country, excluding the five northern provinces) for sixty years. In return, the Iranian state received £20,000 in cash, an additional £20,000 worth of paid up shares and 16% of the company's annual net profits (Sampson 1975: 70). The Anglo-Iranian Oil Company (AIOC)⁴ shareholders invested £21,656,252 (£5m of which came from the British government) and received an average of £16m profit per year over fifty years of operation (Amuzegar & Fekrat, 1971: 13).

The impact of oil on Iranian economy and society was little in the years immediately following the discovery. Its economic effects were negligible, both indirectly in terms of backward and forward linkages⁵ and directly through the state's receipts (see Tables 2.1 and 2.2). The royalties paid to Iran rose steadily in the first decade after the discovery of oil e.g. between 1911-1919 royalties equalled only £335,000; this amount rose to £10.5m in 1920-1930 and over the next ten years the figure rose to £26.9m. Most of the profit from oil was exported and did not end up in the government's hands. In fact only about 10% of the value of oil exports for the period 1911-1951 stayed in Iran (Statistical Centre of Iran, 1974: 163). In the pre-war period around two-thirds of government revenue came from taxes such as excise tax on sugar and tea, customs duties and road tax.

Most of the wealth was appropriated by the oil company and only a small percentage went towards improving the standard of living of the local workers. The company's policies were typically colonialist; segregation of the foreign and local workers in housing and transport. There was also disparity in the area of health: while the foreign employees were provided with hospital facilities, the local workers were not (Elwell-Suton, 1955: 96-100). The minimum wage stayed constant for over four decades, whilst many of the workers lived in shanty-towns. The result of this was tension between the oil companies and the local workers: when the latter agitated for improved conditions including a wage increase, the oil companies' response was to use foreign – British – troops against the local workers.

Tension also existed between the state and the oil companies. Reza Shah's government attempted to change the original oil concession in order to increase the state's rent from oil. In fact it was replaced in 1933 by an agreement which gave AIOC monopoly in distribution of petroleum products.⁶ This did not lead to an

increase in oil revenue. On the contrary it declined from £1.44m in 1929 to £1.29m in 1930 and dropped further to only £310,000 in 1931 (Statistical Centre of Iran, 1974: 166). An increase in its share of the oil profits was vital for the state which had already embarked on a programme of rapid economic and social modernisation. Under Reza Shah's reign roads, railways, modern schools, universities, education for girls, unveiling of women and new legal codes were all introduced.

Table 2.1 Oil: Net Production, Exports and Revenue, 1912-54
(£ million, million barrels and metric tonnes '000)

Year	Net Production (m/b)	Exports (000, Metric Tonne)	Revenue (£m)
1912	—	37	1.3
1915	4	172	—
1919	10	936	0.5
1922	22	2604	0.5
1926	36	4519	1.4
1930	46	5738	1.3
1934	58	7063	2.2
1938	78	9090	3.3
1942	72	8030	4.0
1946	147	17919	7.1
1950	242	29274	16.0
1951	128	14032	7.0
1953	10	—	0.1
1954	22	—	7.4

(—) No figure available for the net production 1912, revenue 1915 and exports 1953 and 1954.

Source: Statistical Centre of Iran, 1974.

Table 2.2 Employment in Iran's Oil Industry, 1939-1975

Year	Total	Iranians	Non-Iranians	Not specified
1939	17783	15060	2723	—
1949	52898	32011	4477	16410
1959	62310	8240	781	53289
1969	41963	12011	1174	28778
1975	47444	14393	1698	31353

* The figure for this year was included under Iranian workers.

Of the unspecified countries, those whose nationalities were included came mainly from India.

Source: Statistical Centre of Iran, 1974,

Central Bank of Iran, various reports.

As Table 2.1 shows, oil revenue was not very large but Reza Shah used it effectively to pursue military modernisation. This was important in his successful attempt to bring the whole of Iran under the direct control of central government. The government gained exclusive rights over the oil revenue and took away the existing financial arrangement between Britain and some of the tribal leaders in exchange for their co-operation in oil production. Reza Shah's government then attempted to suppress the independent power of the *ulama*, the landlords, urban

classes and political organisations (Abrahamian, 1983). Although the Shah needed the support of the *ulama* when he took over the power, he later stripped them of their position in society by introducing economic and social reforms (see chapter 3).

The characteristics of the rentier state did not apply to Reza Shah's state which relied mainly on taxation to build up the modern state. Oil existed in total isolation from the rest of Iran's economy and society. British imperialism was not interested in transforming the Iranian economy from a relatively traditional society to a fully-fledged capitalist one (Warren, 1980). By 1950 Iran's economy remained mostly agricultural-based with a few light industries set up by the government. However it is equally inaccurate to blame only imperialism for this lack of extensive modernisation (Baran, 1973). Although limited modernisation occurred under Reza Shah, he still held back from promoting land reform. This was mainly because of the political strength of the landlords and the influence on politics in the society which they continued to wield.

Modernisation was limited to some isolated cases in industries and cities. Oil was one of the few dynamic industries but had very little linkages to the domestic economy. Despite the fact that the oil industry was capital intensive, it was one of the principle employers in the country (see Table 2.2). This uneven development was also noticeable in the society as the traditional forces of the landlords, *bazaar* and the clergy, although silent during Reza Shah's modernisation, were still an influential force in the society (see chapter 3). However, the relative change which had occurred in the economy and society was to be key in the forthcoming struggle against the external forces and for the nationalisation of the oil industry. This coincided with the advent of WWII and increased competition between the major powers over hegemony in the region.

2.3.1 World War Two and Oil.

Oil was a key factor behind the Allied occupation of Iran which began in 1941,⁷ lasting for sixteen years. Iran's location in the Persian Gulf and the huge oil reserves were vital for the imperialist countries. Iran was occupied by British, Soviet and American forces and throughout the war the country became an important bridge to supply food and ammunition to Soviet troops (who were under German attack from the west). The US was to emerge from the war as the strongest force in the world and, as it saw its interests growing in the area, it became the biggest contender to influence Iran. This is clearly expressed in the words of the then US Secretary of State, Cordell Hull, who in 1943 told Franklin D. Roosevelt:

from a more directly selfish point of view it is to our interest that no great power be established on the Persian Gulf opposite the important American petroleum development in Saudi Arabia (Bill, 1988: 19).

The US had had a foothold in the region since the 1920s when their oil companies first started to seek concessions. The increasing role of the US and the Soviet influence in Iran in the 1940s disturbed the British who wanted to retain their hegemony in the region. Competition over Iran's oil between the US and the Soviet Union in the 1940s is seen by some as the origin of the Cold War.⁸ The US aimed to penetrate Iran's oilfields; the Soviet Union was interested in the north of the country, and the British intended to keep both out of Iran. After the abdication of

Reza Shah in favour of his son, Mohammed Reza, an active parliamentary regime was reinstalled. Although the great powers, Britain, the Soviet Union and later the U.S. had influence on Iran's political economy, this did not mean the imperial powers held total control of Iran .

Following WWII US hegemony in the world was indisputable and the geo-political importance of Iran – especially as it neighboured the Soviet Union – made it a prime target for US attention. This, combined with the increasing power of the Soviet Union and anti-imperialist struggle in the region made the US ensure that its oil companies played a big role in the area. This became clear with oil's rapid penetration into the world energy markets, especially in Europe where international oil companies were aided by US loans. Under the Marshall plan agreement the European powers had to accept the principle of the US having 'free and equal' access to all raw materials in their colonies.⁹

Although the US wanted to challenge the British monopoly, it was anxious that complete weakening of British interests could lead to a vacuum which might be filled by either the Soviet Union or radical nationalism. Thus the US had no interest in seeing a democratic process in Iran or in backing up Iran against Britain over the issue of oil nationalisation. Rather, they had to think of their own interests not only against the Soviet Union and Britain but also any other threat from local nationalists.

2.3.2 Nationalisation of Oil

In the 1940s Iran entered the age of mass politics. Development of the oil industry and the modernisation initiatives of Reza Shah led to the growth of different social classes (working class, and capitalists) who became more conscious of their collective class interests. Whilst each had their own interests, they were united against foreign domination of the country, especially of its oil. Resentment against the foreign powers – especially Britain, was helped by openness in Iran's political situation following the war and the growth of many political parties such as the *Tudeh* (left wing Pro-Soviet communist) organisation, as well as other secular and religious organisations – mainly confined to the urban areas. The *Tudeh* had already been involved in an umbrella organisation called the United Central Council of the Unified Trade Unions of Iranian Workers (Zabih, 1966).

The traditional forces such as the clergy who had largely remained quiet since Reza Shah's rule gave their support to the nationalisation of oil (Akhavi, 1988). Even though the concept of the nation state was a modern and contradictory phenomenon for the *ulama* (given the Moslem ideological attachment to the Islamic community rather than a specific nation), they still emphasised the importance of the nationalisation of the oil. The rise in anti-British sentiment amongst the bourgeoisie, working class and merchants in the country persuaded some of the clergy to make a swift response: in 1951 they issued a *fatwa* supporting nationalisation of AIOC (Dihnavi, 1984). Amongst the clergy, Ayatollah Kashani and his organisation – the Society of Moslem Warriors, composed mainly of young and sections of the *bazaari* – openly agitated for the nationalisation of oil. They joined the National Front, established in 1949, which was a coalition of nationalist groups and parties from a broad spectrum of political viewpoints (traditional, secular and religious).¹⁰ The single issue of nationalisation of oil was the key to maintain the unity of both

the secular and religious establishment. Kashani's role was important both to revive Islam and to inspire Moslems to join with the rest of the population in the movement.

Oil became a symbol of resistance against western imperialism which the *ulama* could not ignore. Kashani and *Fedayyan Islam* were often critical of the political quietism of the major *mojtaheds*. They wanted a more active role for the clergy politically and in society generally. They continued to adhere to the ideological principles of Shia Islam but their support for the nationalist movement went beyond its traditional format. Reza Shah's modernisation of the country and the struggle to nationalise oil helped to create new forms for the expression of the Islamic faith in different eras.

The attempt to nationalise oil in Iran was also helped by global developments concerning oil: following from Venezuelan nationalisation of oil, the first fifty-fifty agreement was signed in 1948, with knock-on effects reaching Saudi Arabia in 1950 in a deal with ARAMCO (Arabian and American Oil Company). This situation gave confidence to the Iranian government to demand the same royalties from AIOC. In 1951 Mossadeq, the leader of the oil protest movement, became Prime Minister. The National Front eventually managed to nationalise the Iranian oil industry in 1951, but this met with an angry reaction from the British who led a boycott of her oil (Odell, 1986 and Yergin, 1991).

In the early days of the nationalisation attempt, the British government went as far as considering military intervention against Iran; they only changed their minds because of the serious political crisis in Egypt in which British interests were also severely threatened.¹¹ The establishment of the state of Israel in 1948 resulted in anger amongst the Arab states and war against the new state. The ensuing defeat of Egypt and the other Arab nations made the situation more delicate for the British as the anti-imperialist struggle grew. Britain was unable to deal with all these problems at the same time (Terzian, 1985: 15).

Britain continued to pressurise Iran and the organised boycott of Iranian oil had worked very effectively as the consuming countries were able to use other Gulf countries' oil instead of Iran's. The shortfall in Iran's oil production was compensated for by an increase in production by Iraq, Kuwait and Saudi Arabia. Britain therefore imposed severe economic pressure on Iran leading to a virtual standstill in her oil operations and exports. They also refused to pay any royalties owed to Iran prior to nationalisation whilst the freezing of Iran's sterling facilities led to massive economic difficulties (Katouzian, 1981).

2.3.3 From Oil Boycott to Fragmentation of the National Front

The Iranian government's oil revenues declined from £16m in 1950, (before the nationalisation of oil) to £7m in 1951 and again to only £100,000 in 1953. The exports of oil also declined from 242 million barrels (m/b) a year in 1950 to only 10 m/b in 1953 (see Table 2.1). Although increased exports of the non-oil sector helped the economy, these were not sufficient to overcome its economic and political difficulties.¹²

The impact of the loss of oil revenues on Iran's economy was noticeable. It meant a drop in foreign exchange and a rise in economic hardship which posed a political threat to Mossadeq's government. In the year 1952-53, the economic crisis

became very serious, and in order to deal with the shortage in foreign exchange, the government introduced a new trade policy under which imports were divided into necessary and luxury goods. Necessary goods could be imported against more marketable exports. Also there was a halt in the import of many items such as meat, poultry, military weapons and rubber (Katouzian, 1990: 149).

To make up for the loss in public revenues due to the decline in oil income, the state increased taxation which had a direct effect on the population who were already experiencing economic difficulties. The state failed to raise much income because of the lack of an efficient administration to collect it. Mossadeq's government then increased the price of basic goods such as sugar, tea and tobacco. The government was in a desperate position and had to postpone salary payments to state employees, borrow from the public, and print money to run the economy.

Mossadeq tried every political avenue in order to overcome these economic difficulties, attempting to gain US support against Britain and the Soviet Union. The US first played a mediating role between Iran and Britain in an effort to bolster their own influence, but this did not last. President Truman never actively supported Mossadeq, and the later President Eisenhower began covert activities against Mossadeq. Under the influence of Britain, the US administration came to believe that Mossadeq's persistence with the policy of nationalisation would adversely affect western interests in the oil-rich Persian Gulf and beyond.¹³ The result of these political considerations was that they went along with the British boycott of Iranian oil (Bill and Louis, 1988).

Mossadeq failed to deliver his reforms and, realising the extent of the economic pressure he was under, resorted to turning on the wealthy families – demanding repayment of taxes that had previously been ignored, threatening to imprison or seize their property. The clergy and *bazaaris*' anxiety at the situation increased as they feared both for the country's economic stability and that the *Tudeh* may seize power if Mossadeq stayed in office. The conflict of interests was apparent not just between the clergy and the *Tudeh* but the clergy and the nationalists, including Mossadeq. The clergy worried about their position and attacked Mossadeq as a powermonger: for example, an important Tehran cleric, Hojat al-Islam Mohammad Taqi Falsafi, publicly criticised Mossadeq. Kashani, a member of both the National Front and parliament refused to condemn Falsafi. Other clergy and *bazari* even sent a message of support to Falsafi, arguing that he had merely been ... '*preserving the country's independence and the concerns and greatness of the monarchy*' (Akhavi, 1988: 98).

The *ulama* changed their position from being against the Shah at the beginning of the struggle for the nationalisation of the oil, to open support of him. This became clearer as Ayatollah Kashani distanced himself more from Mossadeq and began to make contact with the military. He then gave refuge to General Fazlollah Zahedi, recently released from prison and wanted for alleged murder. He too attacked Mossadeq, accusing him of having played along with the nationalist movement simply to gain power. In late July 1953 the break was final when Kashani accused the government of acting against the *Sharia* (see chapter 3). The whole episode thus demonstrates the *ulama*'s willingness to change their line of thought when it threatened their own interests and those of their supporters in the *bazaar*.

Fragmentation of the National Front and the apparent threat from the *Tudeh* gave impetus to the British government to gain the support of the Americans who

feared Iran could go towards the Soviet camp. In fact despite their success at organising workers in various industries, the *Tudeh* Party had itself refused to organise workers independently and failed to amount resistance against the Shah's army in the forthcoming coup. Although they co-operated with the National Front after 30 *Tir* 1332 – 22 July 1952, (in the early period the *Tudeh* had accused Mossadeq of being an American agent), they could not effectively mobilise enough forces to resist the attack.¹⁴

By early 1953, Britain and the US seized on the disintegration of the National Front and, with help from a splinter group, an attempt was made to oust Mossadeq. This was at the time when the crisis ran deep and the government was incapable of dealing with social difficulties: even many of the supporters of Mossadeq had become disillusioned. The leading coup organisers – Norman Schwarzkopf, then American New Jersey Police Chief and Roy Henderson, the American ambassador to Iran – acted together with the heads of both the CIA and MI6 to overthrow Mossadeq's government (Milani, 1988). The clergy's role in the plan was very important, as they backed the Shah and some of them called for public shows of support for him. Finally, on the 19th August, 1953, Mossadeq was removed from office and arrested and the Shah returned to Iran (Cottam, 1979; Azimi, 1989).

More than four decades after the Constitutional Revolution, foreign powers once more involved themselves in Iran's internal affairs to bring a halt to the national movement. Although domestic social forces such as the landlords, *bazaar* and the religious establishment continued to play an important role in the politics of the 1950s, there were differences with events earlier in the century because of changes which had taken place, both domestically and globally. Relative change had occurred in the economy not only in the oil industry but the development of industries had produced limited transformation in the social composition of classes, including the growth of the working-class and organisations such as the *Tudeh*. In fact the role of the *Tudeh* and the threat of working class mobilisation was one of the reasons that persuaded the traditional forces to break from the National Front and give their support to the military coup. The result was the return to monarchy, assisted by the west and sections of domestic social forces such as the clergy and landlords. This alliance between the traditional and imperialist forces did not, however, signal an end to the rapid transformation in Iranian economy and society. The growing importance of oil in the world market and a new deal struck between the oil companies and the oil producers marked the beginning of a new era in oil-related economics and politics, both nationally and internationally.

2.3.4 Oil, Regional Developments and Emergence of the Rentier State

The return of the Shah on 29 October 1954 marked an end to relative openness in the political life of Iran. The Shah, like his father when he first resumed power, relied upon the support of a conservative coalition of merchant bourgeoisie from the *bazaar*, high-ranking clergy and landlords (Bashiriyeh, 1984). He was also supported by – and in close contact with – the US (Milani, 1989). The formalisation of a new oil agreement and lifting of the boycott gave Iran a substantial increase in government oil revenues which went up from £0.1m in 1953 to £7.4m in 1954 (Statistical Centre of Iran, 1974: 162). This helped 'normalisation' of the political economy and ended the economic crisis that had so seriously afflicted Iran during

the period of oil nationalisation.

The resolution of the oil dispute marked a significant change in that nationalisation of the Iranian oil industry was now recognised by all the major powers. The National Iranian Oil Company (NIOC) authorised the consortium – of which AIOC was a principal member, to continue exploration, refining and marketing operations on its behalf. Under the agreement, there was an end to the British role as a monopoly controller of Iranian oil, and its replacement by multi-national companies. The US and Britain agreed to arrange compensation to AIOC for its loss and transference of its facilities to the government. The Consortium Oil Agreement provided for the following participation in Iran's oil industry: a 40% share for the British, American companies also with 40% share and French and Dutch companies with a total share of 20%.¹⁵ This consortium was set up to produce and market Iranian oil for twenty-five years.

The new oil agreement indicated two major achievements for Iran: internal political change, in the form of gaining some control over its oil and the ability to impose some of its demands on the international companies. The oil companies came to accept that it was impossible to continue with their previous policy. This was a reflection of the changes taking place both in Iran and in the wider world politics. One of these important changes after WWII was the US support of the Iranian regime and an end to British domination. The US support of the Shah was primarily based on the vital role that oil began to play in the western world and Iran's strategic position in the region.

Profound changes took place when Iran joined the Organisation of Petroleum Exporting Countries (OPEC).¹⁶ The primary reason behind this formation was the wish by oil exporting-countries to stabilise their sources of income. OPEC aimed to organise the oil-exporting countries to challenge the oil companies in a collective manner. It was born of a new economic and political environment in the world, specifically the increasing role of the Middle East as the major oil-producing area. Both production and consumption were increasing in the world and the Middle East's share of production in 1960 stood at 4.6 m b/d, an increase from 3.3 m b/d in 1955 (see Table 2.3). Thus, the oil industry provided growth and profits incomparable to other industries.

Co-operation among the oil-producing countries existed not just for the increased revenue that they could gain but also as a matter of national pride. To the oil companies, negotiation of price was a legal matter but to the producing countries it represented the issue of sovereignty. The increasing level of dependency on oil by producers had increasingly made them vulnerable to any fluctuation in its price. This had a direct affect on foreign exchange revenue and was potentially destabilising for the regimes.¹⁷ The increase in oil consumption deepened the conflict between the western companies and the oil-producing states over their share of economic rent. Taxes were levied on the basis of either the posted price or realisation price of crude oil.¹⁸ A new agreement between the oil producers and oil consortium companies was on the way. The profit-sharing ratio at the time stood in favour of the oil producers, for example, the division of net profit stood at 75:25. Iran also received a payment of \$185m as a bonus. As well as this the necessary capital was supplied interest free by the foreign oil companies and fixed assets became the property of NIOC.¹⁹

Table 2.3 Oil Consumption and Production, 1950-80
(million barrels a day)

	1950	1955	1960*	1965	1970	1975	1980
Consumption							
US	6.5	8.5	9.5	13.4	15.9	15.9	18.3
W.Europe	1.3	2.3	3.5	7.1	12.5	13.2	14.0
Japan	0.1	0.2	0.5	1.6	4.0	5.0	5.0
USSR	9.9	1.6	2.6	4.5	7.4	8.6	10.0
Production							
US	5.9	7.6	7.9	10	12.5	12	12
Middle East	1.8	3.3	4.6	28	40	47	52
USSR	0.7	1.4	2.6	20.5	26	28	33

* From this year, USSR includes central Europe.

Source: British Petroleum 1960, 1967, 1987 and 1991.

Iran's vital position in the region after the 1960s increased due to the greater importance of oil (see Table 2.3). Iran occupied a vital strategic position in the region and in relative terms Iran was the strongest capitalist economy with greater military capacity compared to Saudi Arabia, Egypt or Turkey, these latter two lacking economic resources such as oil. Also significant was the continued rivalry between the superpowers with Iran's long border with the Soviet Union potentially threatening Western interests.

The threefold increase in the price of oil in 1973 was a remarkable achievement for Iran and the other oil-producing states. This provided the Shah with sufficient confidence to become one of the strongest states in the region both economically and militarily. The Shah's regime attempted to assert regional hegemony in the Gulf. This was a different regime compared to the Iran of the pre-1950s. It was possible for the Shah's state not just to defend its own territory but to extend its ambitions in the world. The US, one of Iran's closest western allies, maintained its influence in the region but the relationship between Iran and the imperialist country changed as a result of the oil boom and the significant rise in the rent paid to the Iranian state. The centrality of oil had created a new dimension since 1945, namely, the increasing ability of the Iranian state to impose its terms in the area of economic relations with imperialism. For example, in 1976 in response to President Carter's warning that OPEC should not increase the price of oil, the Shah replied angrily: *'we can hurt you as badly if not more than you can hurt us'* (Milani, 1988: 162).²⁰ The Shah's state needed all the oil revenue it could get to continue its modernisation programme, whilst the US wanted stable prices for oil. This conflict of interest between the US and Iran did not mean Iran was totally independent and able to challenge the US any time it wished. Nor did it mean that the Iranian state was totally under the control of the US. It would be more accurate to say that Iran's relations with the west, and in particular with the US, has never been static but has altered over the years.

The increase in oil prices provided Iran with tremendous financial assets. The result was rapid transformation in the Iranian economy from the 1960s. The impact

of the oil boom made Iran's economy more dependent on oil revenues. In 1967 oil constituted 17% of Iran's GNP; by 1977 this proportion had risen to 38%. Oil accounted for 77% of the government's budget in 1977 and 87% of its foreign exchange (Central Bank of Iran, 1959-1977). This enabled the state to receive enormous sums of money without engaging in production. The oil revenues gave the Iranian state a relative degree of autonomy and independence from the social classes whilst the government became a major agent in the development of the economy in the 1960s and 1970s.

The increase in oil revenue made the state a rentier economy, providing it with a new dimension in its economic, social and political dealings. The oil income gave the regime economic power in the sense of controlling most parts of the economy and society. This included banning all independent political activity, and having a major role in the cultural and ideological life of the country. The Shah's regime became patrimonial i.e., his rule was based on his ability to control the oil income and use it to maintain his political position. The great concentration of wealth, capital and power in the hands of a few regions and the elite classes was at the expense of the relative impoverishment of other regions and classes. The productive forces expanded under the aegis of the state, supported by the US who recognised that a stable regime was vital in a region riddled with instability. The Iranian regime could also see the need for modernisation of the country to prevent political unrest. The flow of oil revenue was a gift for the rulers which enabled them to soften the blow to their opponents and introduce economic reforms.

2.4 The State and Modernisation

The rapid increase in oil revenues after 1954 and the military and economic aid from the US, enabled the state to promote modernisation through a series of development plans (see chapter 1). The influence of oil was noticeable in the first development plan (1956-62) and those that followed. Land reform was the centrepiece of a wide-ranging reform programme which became known as the 'White Revolution'. The White Revolution was not purely economic: it was an attempt to change Iran's old land relations in the countryside and break the landed class' political links with the clergy. This was not a smooth process as this traditional ruling class voiced their anger and opposition in 1962. The regime could contain the threat from its opposition through repression and was able to build some support for its reforms. The process of land reform increased the expectations of the peasants for greater freedom from their oppression (Lambton, 1969: 186-190).

The launch of the 'white revolution' put the state at the centre of Iran's modernisation. The old class structure was dismantled and the landlords faded from the political and economic scene. Oil gave much-needed financial support to the rural cooperatives, paid for mechanised agriculture and opened the way for the rapid penetration of capitalism into the villages. The old alliance of the traditional ruling class, landlords and the *ulama* were disrupted as some sections of the former became incorporated into the capitalist class.

Oil gave the state overall power over the economy and this in turn provided it with political power. The state's political control operated through its redistribution of the oil wealth in the society. The Iranian bourgeoisie was happy to submit to the regime's policies as long as they were benefiting from it. The oil wealth was distrib-

uted in the form of payments to landlords whose farms had been purchased by the state under land reform, providing credit to capitalist investors, and public spending on food subsidies, infrastructure, education, and health.

One of the characteristics of the rentier state, as I discussed above, is a larger role of the government in the economy both as a distributor of favours and in embarking on the modern function of providing public goods and services. The Iranian state provided the industrialists with the income they required in order for them to enhance its industrialisation efforts. The two organisations which divided the share of the oil revenue to the industries were the Plan Organisation and the Pahlavi Foundation (established by the Shah as a charity organisation). The state also used protectionist economic policies including subsidies and tax exemptions for industrial development.

2.4.1 Oil Revenue and Modernisation

The modernisation of Iran depended mainly on the revenue received from oil. This enabled the state to enlarge public expenditure in the area of industries, defence, national security, education, health, social security, employment, infrastructure etc without the need to extract the necessary resources from the domestic economy. This had important political implications: it put the state under less pressure to force the population to make up its necessary income (through taxation); it damped down political threat to the regime, and it built up support for the state. The oil price increase in 1973 consequently led to the rise in oil revenues and this outpaced the increase in non-oil revenues. In 1964, oil revenue accounted for 77% of total exports and this has increased to over 90% after 1973 (see Table 2.4). The most striking feature of oil and economic development in Iran is the increase in government earnings from oil.

Table 2.4 Oil Production and Export Earnings, 1964-1978
(US\$ million and percentages),

Year	Production (m b/d)	Total Exports	Oil Exports	%	Non-Oil Exports	%
1964	1.5	788.3	607.5	77.1	180.8	22.9
1965	1.9	873.3	715.8	82.0	157.5	18.0
1966	2.1	1032.0	857.4	82.5	181.8	17.5
1967	2.6	1175.4	958.5	81.5	216.9	18.5
1968	2.8	1343.7	1099.0	81.8	244.7	18.2
1969	3.4	1541.0	1262.4	81.9	272.6	18.1
1970	3.8	2448.6	2078.0	84.9	334.6	15.1
1971	4.5	2899.8	2399.0	82.7	439.8	17.3
1972	5.0	5579.7	4858.0	87.1	634.7	12.9
1973	5.9	19235.5	18523.0	96.3	581.5	3.7
1974	6.0	19666.3	18817.1	96.0	592.2	4.0
1975	5.4	21210.6	20477.7	96.6	539.9	3.4
1976	5.9	21529.9	20713.5	96.2	625.2	3.8
1977	5.7	17658.5	17867.7	95.8	542.8	4.2
1978	5.2	20198.0	19315.7	95.6	811.8	4.4

Source: Central Bank of Iran, various reports.

Table 2.5 Government Budget and Expenditure, 1967-77
(billion Rials)

	1967	1969	1971	1973	1975	1977
Revenue						
Taxes	40.3	58.3	84.0	132.0	273.0	449.0
Oil	54.0	76.4	171.0	311.0	1246.0	1590.0
Total	190.5	217.2	333.0	552.0	1811.0	2574.0
Expenditure						
Defence	36.3	45.0	68.2	134.9	318.1	560.5
General Services	11.3	25.8	37.2	76.1	525.5	200.8
Social Services	32.4	48.5	55.6	118.2	423.0	689.0
Economic Services	55.9	81.4	99.5	126.0	112.7	1205.9
Total*	217.2	330.4	429.2	785.2	2445.1	2935.9

* includes Others.

Source: Statistical Centre of Iran, various reports.

Central Bank of Iran, various reports.

Unlike the conventional role of the state as public goods provider raising finance through coercion – mainly taxes – the role of the state in Iran was unclear. The state's revenues from oil was at a higher level than total taxation throughout the period 1967-1977 (see Table 2.5). The government relied less on taxation, both direct and indirect, without harming public sector spending.

Total taxation – mostly made up of customs duties, went up by 200% between 1967-73 and this was followed by a more than 100% increase between 1973-74 (Gasirowski, 1991: 144). The rise was mainly due to the increase in oil revenue which financed the imports of goods. The low level of direct taxes in the state revenues reduced the distributional power of fiscal policy. Only 15% of Iranian firms paid any taxes, whilst taxes provided only 3.5% of GDP in 1975. The dependence of the economy on oil revenues and the regime's reluctance to antagonise its social base was one reason for the low level of taxation. This prevented the development of a regular taxation system, and one significant outcome of such a policy was the uneven income distribution throughout the society. The redistribution of the income is a reflection of the rentier character of the state which exacerbated the inequality between rich and poor. With the increase in oil price in 1973 this inequality continued to widen: although the poor's income rose, the rich gained even more from higher oil revenues. Although this policy was politically expedient for the state, which needed to continue getting the support of the bourgeoisie, it created further contradictions as the income gap became wider.

The spending power of the government thus increased after 1973, and the fifth plan (1973-78) was approached in a more confident fashion. There was a threefold increase from the original \$37bn estimated size of the fifth plan: on the basis of a newly estimated \$98.2bn oil revenue between 1973-78, public sector fixed investment was revised upwards to \$47bn. The share of investment by foreign capital was \$2.8bn and the private sector invested \$23.4bn, of which \$2.7bn was a loan from the state (Halliday, 1979: 154).

The government could only act through the expenditure side, even to stabilise

the economy. As a result of an increase in the oil revenue, the government expenditure rose from 217bn *rials* in 1967 to 2445.1bn *rials* in 1975. The government was able to improve all public services just through its actions on the spending side. As the figure above shows Social Services, such as health and education, received an increase from 32bn *rials* in 1967 to a staggering 689bn *rials* in 1977. The government's total expenditure increased by 260% between 1967-1973 and continued to rise by 200% in the years 1973-79 (Table 2.5).

With the economy at full stretch unemployment stood at only 1%. The state provided subsidies for basic food such as wheat and sugar (the price of sugar was 25 *rials* a kilogram whereas the price of importing it was 100 *rials*). In 1972 imports of wheat stood at around 770,000 tons, this increased to 1,430,000 tons in 1974. Education was made freely available from primary school to university level and the government also promised a comprehensive health programme and state housing (Central Bank of Iran, 1975-6: 35).

Table 2.6 Arms Exports by Supplier, 1964-1977
(US\$ million)

	1964-1973			1973-77		
	Total	USA	USSR	Total	USA	USSR
Iran	2044	1310	438	7005	5425	390
Iraq	874	18	724	3740	—	2600
Saudi Arabia	537	348	—	1440	671	

Source: Stockholm International Peace Research Institute Yearbook, 1978.

The state's spending on arms was also very high, with the need for internal and external security and transformation in the region given as some of the main reasons for the military spending. Alongside the other oil-producing countries in the region, Iran increased levels of arms spending as oil revenues went up.²¹ Iran's geo-political position intensified the amount of military hardware amassing in the region. Iran's military purchases increased from \$77m in 1970 to more than \$7.8bn in 1978. By 1975 Iran was one of the world's major arms buyers after the US, Soviet Union, China, West Germany, France and the UK (World Military and Social Expenditure, 1986).

As Table 2.6 shows, all the major oil-producers in the region spent huge amounts on arms. These states held ambitions not only to defend themselves from any perceived outside threat but also to have hegemony in the region. Competition between the major powers – the US and the Soviet Union – was another important factor behind the arms build-up in the oil producing countries. They were interested in promoting the exports of the arms as well as the continued safe passage for oil onto the world market.

Domestically, Iran's arms expenditure was part of the wider process of economic and political change. The army assisted the country's modernisation programme, as under the White Revolution project when it was used effectively organising the Literacy and Health Corps sent to the rural areas (see chapter 1). The development of capitalism and increasing centralisation of the state required a relatively strong bureaucracy and army in order to control and defend the country's national boundaries and its bourgeoisie from outside and inside opposition. Finally, the army was

one of the main institutions supporting and sustaining the regime internally.²²

2.4.2 State and Society

The transformation of the Iranian economy and society from the relatively underdeveloped, agriculturally-based capitalism of the early 1950s to an increasingly industrialised, oil-based, rentier form of capitalism in the 1970s produced tremendous changes in the society and class structure of Iranian society. Oil revenue has helped to transform Iran from its weak economic and political position into a dynamic and relatively autonomous player in the society. Its oil income enabled the Iranian state to take initiatives and embark on major economic policies. The modernisation that took place in the society was very impressive, albeit uneven. The pre-capitalist structures in the society were not totally transformed. The modernisation of some natural resources and industries was mainly confined to a few cities which appear to reflect a situation of relative overall prosperity. This was reflected in the society where both new and old economic and political formations existed in the society side-by-side. The role of the monarch as head of the state and the influence of religion continued to survive in the period of modernisation. These institutions operated, however, within a changed system: the unevenness in the character of development produced various forms of explanation by the Shia thinkers concerning these changes in domestic and international issues. Shia Islam was able to survive because it related itself to the changes occurring in the late 1960s and 1970s.

Oil helped the monarchy to strengthen its social position in the society although the context in which the Shah ruled was very different from that of his father. As the state emerged from the crisis of the 1950s the Shah grew in confidence. He compared Iran's economic development to that of a western nation and proposed that:

In the next 25 years... we will be among the five biggest powers... in the next 12-13 years, we will find an infrastructure in every area which will put Iran on the level of progress reached by Europe today (Karanjia, 1977: 243).

The external rent received from oil was sufficient for the Shah to promise that this wealth would be distributed fairly, to increase the average per capital of all Iranians. In the mid-1970s he claimed victoriously that there would be no need for belt-tightening or hard work to bring about the promised paradise (Amuzegar, 1991: 206). This confidence rested on oil revenue and had some basis in truth. Indeed by the 1970s, per-capita income in Iran had reached over \$2,000 p/a and industrial output stood at over 15% a year (Halliday, 1988: 39).

Oil wealth was vital for the survival of the monarchy and the Shah used it effectively not just to put his modernisation plan into practice but to challenge any opposition to his rule. Modernisation was able to eradicate some of the power held by traditional social elements, for example the policy of enforced sedentarization weakened the tribal leaders: by the 1970s, nomadic peoples constituted less than 5% of the population, a decline from 25% at the turn of the century (Statistical Centre of Iran, 1978).

With the external rent from oil running at such a high level, this gave the state enough income to impose only a low level of taxation on the population. This is a very different situation from that of non-oil producing countries which are generally forced to broaden their tax base to finance their spending programme. With rela-

tively low taxes and a large amount of goods and services, most people benefited from it. The vast amount of wealth created by the oil money went to the capitalist class, amongst them industrialists, army officials and top civil servants (Bashiriyeh, 1984: 40). This was distributed in a number of ways, for example through the Pahlavi Foundation, which had at least \$2.8bn assets by the late 1970s (Graham, 1980: 157). The Foundation had shares in 207 companies, including 8 mining firms, 10 cement firms, 17 banks and insurance companies, 23 hotels, 25 metal companies, 25 agribusinesses and 45 construction companies (Abrahamian, 1982: 438). The Foundation had three functions: to provide funds for the Royal Family, exerting influence on key sectors of the economy, and as a channel to reward its supporters.²³

The impact of the oil wealth upon the working class was also noticeable, though the income difference with the upper class was marked. The working class – whose size increased because of the development of modern industry, state bureaucracy and institutions in the period after the 1960s and 1970s – now held new aspirations. As a result of the modernisation and centralisation of the country, and the penetration of the state bureaucracy into rural areas, it was easier for peasants to move to the cities. In 1955, more than 55% of the employed population were engaged in agriculture. This percentage decreased first to 47.5% in 1966 and to 34% in 1976. Employment in the industrial sector stood at around 2.5m by 1977 of whom 250,000 were in manufacturing establishments (Table 1.7). The Shah and his advisors were only too aware of the potential power of the working class and, given the substantial oil income at his disposal, was prepared to offer subsidies to industry to keep wages relatively high. For example, in 1974 the High Council of Labour (a state organisation) announced a new minimum wage, increasing the daily industrial wage from 100 *Rials* to 204 *Rials*. In the car industry wages increased by 400% between 1971-75. The state also used its secret police to effect in the major factories and offices to maintain control over working class activities. These measures discouraged industrial militancy, the level of which was very low, for example, between 1971-1973 there were less than ten reported strikes (Nima, 1983: 51).

The oil-based growth was very uneven. Almost total reliance on oil income was evident and the government was dependent on the level of external rent it received, any change to which could seriously damage the state's financial plans. Whilst the Iranian economy was transformed, this took place on the back of the oil revenue. Much of the country's technological needs had to be imported and this was paid for by the revenue received from the oil, which was itself dependent on the world market, both in terms of its production and price.

Economic modernisation was concentrated in a few cities and did not embrace the country as whole. High expectations and the hope of a better life encouraged rural migration to the cities. By 1971 some 2 m. people had moved from rural areas to the major cities, in particular, Tehran. The rural migrants faced many difficulties such as inadequate and expensive housing (Kazemi, 1980: 84). Although the rural migrants admired the prosperity of the cities, they resented the rich's monopoly of wealth. Inequality between rich and poor continued to grow as oil wealth increased. The majority of the population, around 90%, accounted for only 60% of expenditure in the society, whilst the urban poor sometimes had to spend more than 70% of their income on rent (Halliday, 1979: 43).

The wealth from oil brought relative stability. However, the profound transfor-

mation presided over by the Shah created a multitude of tensions and contradictions in the society. The state failed to completely break Iran's traditional society. The modern industrial projects existed alongside the old sectors of the economy such as the *bazaar*. Politically, the Shah's rule continued many of the measures seen under his father: repressive and relying on the army to put down any political challenge to his regime. The state was relatively successful in secularising the society but fell short of diminishing the power of the *ulama* in the society altogether.

The Shah attempted to legitimise his power by identifying the Iranian monarchy with the traditions of the pre-Islamic Persian Empire. This was a deliberate attempt to present the idea of monarchical continuity in particular that of 'Persia' independent of the Islamic institutions. He supplemented the monarchical ideology with the claim that he had a divine mission to rule.

Although the state attempted to repress and where possible, eliminate both secular and religious opposition, the latter as it operated through the network of mosques, continued to maintain a degree of immunity from the encroaching power of the state. Modernisation of the country and state brutality did not lead to the end of religion as an influential social force. On the contrary, the underlying continuity of the oppositional role of Islam in Iran remained strong. The state even financed many religious projects such as building a large hotel in Mashhad, the holy city in the north west of Iran, whilst the Royal Family visited holy cities and opened religious ceremonies. The monarchy's adaptation in the form of religious actions did nothing to lessen the hold of most of the Iranian people from their religious beliefs.

The *bazaar* and religious establishment held considerable influence in the society, were able to operate through the mosques and were thus one of the most important forces against the Shah's regime in the late 1970s. The religious establishment could do little after the 1960s although the *ulama* largely opposed the Shah's reforms. With the oil revenues running high the state was able to incorporate some sections of the *bazaar* and landlords into the modernisation process. This had a major impact on the alliance of clergy, *bazaar* and landowners. The Shia thinkers either became quietist or advocated an Islam which was active against the state; in this way Shia Islam's influence on the political economy continued but with different forms and styles.

Repressive measures by the state created the conditions for the religious groups to become heroes to at least some of the people. Members of the *ulama* such as Khomeinie and Talaqani presented themselves as guardians of the religious and traditional aspects of the society. They equated the Shah with western imperialism and corruption in the society, as an enemy of Iranian society and Islam (Khomeinie, 1981). Many of the clergy, such as Khomeinie, expressed their opposition to the Shah apparently in defence of both the nation and the values of Islam. Khomeinie focused his criticism of the regime on the corruption, inequalities, and squandering of oil resources created by the Shah's regime.

... it is your oil they [the west] are after ... They are after our minerals, and want to turn our country into a market for their goods. That is the reason the puppet governments they have installed prevent us from industrialising, and instead establishing assembly plants, our industry is dependent on the outside world (Khomeinie, 1981: 39).

Oil was a political issue which historically linked Iran to western imperialism.

Khomeinie, along with other Moslem thinkers, used the oil issue effectively to argue not against the wealth itself, but rather that it should be used to provide for the poor masses. He was highly critical of the state which used the oil income mainly to support the rich and western interests (Khomeinie, 1985 and 1986). Clergy like Khomeinie recognised the character of the rentier state; his attack was rather against the amount of the country's wealth which was going directly to the state. This was again a reflection of the changes that had occurred in the relationship of oil and the state.

With the beginning of economic instability in the late 1970s the Shia Islamic thinkers gained momentum and gradually gathered support against the Shah's state. Islam was far from a dying force in modern Iran but appeared as the influential institution in a society which had gone through tremendous changes.

2.5 Conclusion

This chapter has examined the extent to which oil has shaped Iran's political economy. I have argued that with the discovery of the oil industry in 1908 the character of the Iranian political economy significantly changed. The thrust of this chapter was that the outward expansion of capitalism from Europe has not been a continuous, linear process: it has gone through a different development in different parts of the world. This development was based on the requirements of accumulation for capitalism, for example the demand for mineral resources such as oil, which was the major reason for the development of the oil industry in Iran. This took place in an area which was already important geo-politically, and oil as a resource increased the conflict between the major powers. I demonstrated that the development of the oil industry was by western companies, but it neither simply caused underdevelopment nor led to the development of domestic productive forces; rather the west's impact on Iran was contradictory. I showed that whilst the development of capitalism in Iran was influenced by the west, it also depended on the development of internal class forces.

I have also argued that the increasing importance of oil in the world market created deeper contradictions between domestic social forces and international oil companies for the control of natural resources. The limited changes in economic development which took place during Reza Shah's reign in the 1920s and 1930s had a knock-on effect which showed itself during the 1950s i.e., in the growth of the working class and bourgeoisie who were willing to fight for the nationalisation of oil, and against foreign oil companies. This struggle was a significant political event which united most of the domestic social classes and groups: despite their contradictory class positions they all supported the calls for nationalisation, even the clergy.

Iran, after the 1950s continued to be a major player in the region and the world, due to its location and its huge oil reserves. Imperialist countries such as the US maintained an influence on Iran, but the Iranian state became a more independent actor in the international capitalist system: it had its own interests to protect which included overseeing the import of goods and arms into Iran, and gaining a good price for oil.

A major part of this chapter examined the relationship between the state and modernisation in Iran during the 1960s and 1970s. The theory of the rentier state

was applied as it is key to understanding oil's contribution to the political economy of Iran. The Iranian state as a rentier state took on a new pattern of behaviour, namely, the way in which it could gain a large amount of income without the need to impose high taxation. The consequences of this have been dramatic, both economically and politically: oil gave the state a high degree of autonomy and the power to carry out its economic development.

The increase in oil revenue in the late 1960s and 1970s gave the state massive income and a great opportunity to modernise Iran. This economic modernisation, led by the state, produced an extensive transformation in the society. The state became isolated from society both in economic and political decision-making and the social classes made subordinate to this process. This was largely because a section of the social forces such as landlords and *bazaari* – encouraged by the state and handsome handouts paid for by oil – joined the capitalist class in the process of modernisation. Although there was opposition to land reform in the early 1960s, especially by the clergy, it failed to make any headway and the regime came out as a dominating force to continue with its modernisation programme. The role of oil income was important in the process as the landed owners were given options to reintegrate their holdings into more favourable industrial or commercial projects.

The state-led modernisation produced uneven development in the sphere of economics, politics and social values. The injection of petrol-dollars into the economy, alleviated some of the contradictions in society but produced new ones in different forms. This process did not eradicate features of the old Iranian society, as modern industries existed alongside the *bazaar* and the mosque. Just like the monarchy which had to accommodate to the changes in the modern world, so did the religious establishment, which presented diverse forms of Islam in reaction to the changes. During the early part of the 20th century Shia thinkers had, not for the first time, shown their ability to respond to changes in society around them. Islam continued to influence society throughout the modernisation of the 1960s and 1970s. This attempt to reaffirm Islam in the context of the modern world is the subject of the next chapter.

Islam and Political Movements in Iran, Pre-1979

3.1 Introduction

I have already analysed the political economy of Iran in both pre-capitalism and under capitalism. I have argued that this process was one of uneven and combined development i.e. pre-capitalist social forces such as the religious establishment continued to influence the political economy under modern capitalism. The religious establishment existed alongside of modern industries and the working class. The aim of this chapter is to study the development of Islam, in particular the Shia branch, and its relation to the state, social classes and political movements. Although this touches on pre-capitalism in relation to these issues, the main focus is on Shia Islamic thinkers' response to the development of modern capitalism prior to 1979. This demonstrates that Shia Islam in Iran has been able to respond to socio-economic changes both at local and global level. This response has taken diverse forms, as I shall show, but has also been able to maintain the tradition and, in this way, to reaffirm Shia Islam in the modern world.

I begin by taking an overview of the role of religion in general and its relationship with the community. This locates the discussion of Islam in a wider context and shows the link between society and religion as a social phenomenon, not just in traditional but also in modern society. I go on to look at the rise of Islam, in particular the development of Shia Islam in Iran. Islam – like other religions – is an ideology whose form depends on the specific input of local classes and social forces and how they have been mediated by global factors. This is illustrated by examining Shia Islam's diverse attitudes towards major political developments of the 20th century, notably the Constitutional Revolution of 1905-1911, the rise of the modern state in the 1920s, the rise of nationalism in the 1950s – including the struggle for the nationalisation of oil and, finally, the rapid modernisation in the 1960s and 1970s.

3.2 Religion and the Community

The cultural and religious beliefs of Iranian society, like that of other societies, has evolved under specific socio-economic and political conditions. Such beliefs in a supernatural power, maybe a god, gods or spirits of the dead, or nature, occur because it is believed that these powers in some way govern our lives. Religion is a social phenomenon and, as such, did not emerge or exist independently of the outside world: it has evolved, changed and related to the transformation in social conditions that has occurred in every society. The positions that religious individuals or leaders have had to adopt is not laid down by the religion as such, but by other forces in the society that condition the impact of religion at any particular time. For example, in the development of Islam and Shia Islam in Iran one can

identify certain aspects of pre-Islamic philosophy and spiritual ideas apparent in the continuity of language and cultural heritage.¹ These internal cultural identities continued to exist even after Islam and Shia Islam were introduced to Iran.

Religion can dominate the whole social being of individuals in a society: it contains not only daily ritual practices that have to be obeyed by the believers, but:

It also defines a community which reacts as a community. For the believer, the dogma and the faith may be the only things that count, along with their external manifestations, the rites. But from the standpoint of the role in social life, it is the religious community that is paramount (Rodinson, 1981: 12).

This community acts collectively in that it has leaders, and it defines and changes its internal structures, as well as its external relations. The unifying aspect of religion is that it can bring together into one community individuals from different classes and tribes, who do not know each other and practise different habits. Such a religious community unites them, giving them a sense of brotherhood which is very similar to national feeling. Anderson describes this as an '*imagined political community*' (Anderson, 1986: 15). It is imagined because the individual members of even the smallest tribes and clans will never meet all their fellow members, yet they are sure that a unity between them exists. The feeling of belonging that this promotes is similar to that experienced by nationalism and can lead to the same kind of self-sacrifice and devotion. The religious community may coincide with a culture or aspects of a culture, but just as it is created, this community changes and evolves: the original ideology² may be re-interpreted and revised but the core survives, often in a written form as a sacred text.

Religion takes many dimensions: it gives hope to those whose real situation is hopeless and may serve to reinforce the conditions which generate it; it can also become a weapon for the ruling establishment to sanctify their laws as God's laws (Marx, 1981). It preaches to the community of believers to submit to divine authority and, by extension, worldly power. However, religion is not simply the ally of the rulers: it can only sustain the class society on which it rests if it can maintain its hold on the minds of the people. Historically then, religion has not only acted as a bulwark of the social order, but under some circumstances can act as a revolutionary force, motivating and organising a community against the ruling authorities.³

The changes in the community and the re-interpretation of the ideology is not only determined by internal social factors. As I have already shown in chapters 1 and 2, social and economic change in Iran has not occurred in isolation from the rest of the world. Islamic leaders have been involved in the broader interactions of modern global history. Just as the community does not act independently, so too the religious leaders have to concern themselves with the changes that occur in the community. Their responses will vary: sometimes expressed as being against the growth of capitalism, the emergence of industrial society itself presented as the creation of the west; at other times religion may be used as way to legitimate or challenge the political authority in conditions caused by the modernisation. For example, the Constitutional Revolution showed diversity in the views of the clergy i.e. accommodating to the change, rejecting the changes and finally supporting the ruling authorities (Adamyat, 1976). The process of adaptation in Iran is also

noticeable with the development of nationalism, anti-imperialism and capitalist development. The approach of various religious thinkers has not been in the same form, even though they all referred their argument to the *Koran* and traditions. Both views, consensus or conflict, have to be seen in the context of society as whole and in relation to the other social forces in a historical period. The common themes in all these approaches is the capacity of religious leaders to combine the Islamic tradition with the modern community and institutions.

In concentrating on the issue of the impact of modernisation and religion, analysts sometimes attempt to superimpose the Islamic experience onto the western model of society. For example, it is argued that Islam has not experienced significant change, unlike the sort experienced by Christianity and, in particular, Protestant Reformation in Europe. Islam is then presented as not as dynamic or evolutionary as Christianity (Waines, 1976). This view does not allow for actual change that has occurred in Islamic societies. Islam cannot be separated from the social and economic conditions given by the society. The role that Shia Islam has played in Iran is in many ways different from the role of religion in other countries, but it is also the case that the degree of its influence nationally has varied over time. As I will argue below, the influence of Shia Islam was less in Iranian economy and society during the late 1960s and 1970s and only in the late 1970s did some of the *ulama* begin to renew their activities. Within the broader perspective of Shia Islam, the vitality of the faith has assumed a variety of forms as a result of changes in historical conditions. I will also demonstrate that, contrary to the expectation that religion would decline with modernisation, Shia Islam in Iran continued to survive from pre-capitalism through the modernisation of the 1970s.

3.3 The Rise of Islam

Before the emergence of Islam, the Arabian peninsula was divided between nomadic tribes and one's individual loyalty belonged to a specific group. Honour, marriage, social status and friendships were determined by one's position in the tribal hierarchy. Different tribes were in warring factions and had no religion as such; instead they had a code of conduct based on the tribal collectivism of nomadic society. The majority engaged in pastoral or agricultural pursuits. A major international trade route operated along the western side of the region, linking India with Syria and Byzantium. This also connected the tribal society with the rather different values of commercial society. Mecca was also along an important trade route, and its inhabitants were urbanised Bedouin (ex-nomads). It was an important religious centre which provided sanctuary for different tribes to meet on safe ground and conduct their trade. Mohammed himself came from a family of traders and his great-grandfather was a tribal chief from the *Quraysh* tribe which had gained dominance in Mecca from the end of the 5th century. Thus he already enjoyed prestige as a tribal leader before converting to Islam (Lapidus, 1989).

Arabian society was run on a patriarchal nomadic system and land was collectively owned. This tribal structure was breaking down in the urban areas as clans disintegrated into smaller family units. Mohammed's⁴ religion arose out of a state of flux where tribal rule was weakening but no centralised state was being developed. The pagan worship of spirit and tribal gods – the greatest of whom was known as Allah – was becoming inappropriate in the urban areas whilst both

Christianity and Judaism were gaining influence among townspeople⁵ to try to edge out the rival Persian Empire. Judaism was introduced by the last Saudi Arabian king to try to prevent the spread of the invading Christian Abyssinian empire (Engineer, 1987).

Mohammed preached his new religion in Mecca, spoke of brotherly solidarity amongst Arabs and attempted to overcome tribal divisions. His religion in some way was similar to the other already existing religions: belief in one God and that God spoke through prophets, belief in the Day of Judgement, belief in hell and paradise, and condemnation of idol worship. Mohammed emphasised these similarities but added that he was the last prophet in the line. He appealed at first to the poor and slaves whilst some of the richer tribal leaders resented any new kind of political authority. Meccan merchants had built their comforts in life by trading, independent from both the Persian and Roman empires and they therefore feared Mohammed's belief in Arab unity (Petrushevsky, 1985: 13).

A religion which cut across tribal lines succeeded in growing and created opposition to it. Mohammed's message was not received in isolation from the social condition of his times. A key element in his revelation was the declaration that there was no god other than Allah; in a town that was a religious sanctuary for polytheistic tribal cults, this belief in one God was a direct challenge to the prestige and position of local leaders. Other revelations such as advocating social responsibility towards the poor also caused opposition in Mecca as the wealthy merchants resented it.

The strength of the opposition forced Mohammed to move from Mecca, first to Yathrib and then to Medina.⁶ The majority of the population in Medina were settled, mostly Jews and Christians who already believed in one God. Unlike the Meccan merchants, the people of Medina had nothing to fear from him: the economy of Medina was based on agriculture and the traders were Jews who were not threatened until later when Mohammed consolidated his power (see below). In the beginning his method was conciliation with the followers of Judaism and Christianity. In order to strengthen ties between his followers and the people of Medina, Mohammed asked each of his ex-Meccan followers, *Muhajerin* – the emigrants – to adopt one of his new followers in Medina, *Ansar* – the helpers – as a blood-brother. This was a significant act in terms of unifying his supporters and protecting the *Muhajerin* and himself from internal attack from other tribes.

Mohammed gradually came to a political agreement and formed a political group with the clans of Medina. This was called an *umma*, a word which is still used to describe the community of Moslems (Engineer, 1987). Mohammed set up a confederation of each tribe which included immigrants, Christian and Jews who were allowed to follow their religion and retain their property. He gave certain obligations to Moslems such as taking the side of Moslems in disputes, whilst non-Moslems should similarly help each other. He appeared to give independence to the tribes, i.e. in establishing a confederation, but in fact this undermined tribal leadership by setting up a central community rather than relying on the traditional role played by tribal leaders. It was the Moslems which became the new powerbrokers under this central authority. This process instilled a sense of community amongst the various clans, establishing Mohammed's own authority and prestige, and ultimately converting political followers into religious believers. It is important to note that this was possible because of political conditions in Medina highly favourable for such a transition, namely the division between many clans,

without unity or effective leadership, meant that the people were threatened by continuous feuds. The opposition to Mohammed was too divided to resist the consolidation of his power. Thus, over time the pagan clans yielded to his primacy and were converted to Islam.

Mohammed was a consummate political as well as religious leader who successfully became a legislator for the whole of Medina, an act going beyond tribal loyalty. He built a bridge between rival factions and made allies of them, the better to fight their enemies. Jews were included in this alliance, as he never lost sight of himself as a prophet sent by God to all Arabians, whether Christian, Jewish or pagan. He incorporated some of their specific religious practices such as a day equivalent to the Jewish Day of Atonement as well as their tradition of praying facing towards Jerusalem. In this way, Mohammed showed a tenacious adherence to the old under new conditions. His willingness to compromise was vital in overcoming division within the community (Petrushevsky, 1985).

The Christian and Jewish leaders grew concerned that Mohammed's religion was a negative influence on their trade since the Meccans did not want to come to Medina any more to trade. This became a cause for conflict with the Jews and increased the unity of the Moslems in opposition to other religious groups. Finally, Mohammed ordered his community to exclude Jews and Christians and to become a distinct religious community. He attacked the Jewish clans in Medina and seized their property for his community. Thus he made Medina a specifically Moslem community under his rule (Guillaume, 1987).

Mohammed constructed his ideas to create the Moslem community based on religious belief, ceremonies, ethics, and laws. He set up ritual social laws such as: *Salat* – ritual prayer; *Zekat* – a religious tax; *Hajj* – the pilgrimage to Mecca; *Sawm* – the fast during the month of Ramadan,⁷ as well as describing *Shahad* – the obligation to bear witness to the unity of God and Mohammed as his prophet. These five pillars, still relevant in the Moslem world today, were public rituals derived from Arabian, Christian, and Jewish precedents, which united Moslems in their collective practice (Lapidus, 1989: 28).

In Medina Mohammed put into practice the ideals of the new community: the *Koran* strengthened the patriarchal clans at a time when tribal obligations were breaking down. In order to maintain the new unity of a religious community and cut across old ties of clan, a smaller family unit was encouraged and divorce was discouraged.⁸ Mohammed's teaching advocated settling feuds financially rather than by blood conflicts between the clans, a system which gave more peace and security. This was followed by the granting of property rights and inheritance to women as individuals in their own right, although not on an equal basis to men. Over time this process reinforced the idea of individuality rather than the collectivity of the clan. This laid the basis for moral principles dealing with business transactions such as honouring contracts, being a true witness and not taking excessive interest.⁹

After many wars,¹⁰ in 628, Mohammed made a pilgrimage to Kaba – the religious centre of Mecca – again adopting pre-existing ceremonies as a part of Islam. The significance of this process lies in Mohammed's ability to adapt Islam to aspects of pre-Islam, for example he accepted the pilgrimage rites to Mecca as a continuation from the pagan rites existing before. It is also not insignificant that Mecca benefited financially and commercially from the pilgrimages to the shrine.

These benefits were multiplied by the institution of the *Hajj* as an annual event which no doubt helped to convince his enemies that they were not going to lose their economic position.

Mohammed finally returned in triumph to Mecca as a leader of the community. For the first time the Moslem believers were beginning to act in unity, defending themselves as a community based on a few key tenets, the most important being the idea that Islam was founded for the Arabs by God, who sent Mohammed as their prophet. Under his leadership and through his religion and socio-political organisation, the disintegrating society of the clan system became united under a confederacy built on the basis of religious loyalty. He built a state structure through which both political and economic functions could be achieved. Under his ministry disparate and feuding tribes were welded into one nation, a union that overrode the ties of kinship and the enmity of blood feuds. This unity could stand against the might of Byzantium and Persia, and within a generation it was able to conquer territory stretching from Tunisia to India.¹¹

The unity of the Arabs was threatened by the death of Mohammed in 632 which created a vacuum which was difficult to fill, as he was not only the head of the state but also prophet, law-giver, and spiritual leader. The successor was to be chosen either by the community or the previous ruler. This reflects the Moslems' view that Mohammed established the Islamic community based on the *Koran*, and the *caliph* – successor – should come from among its leaders. The consequences of this was a schism that has developed into Shi'ism and Sunnism which has continued to the present day.

3.3.1 Succession to Mohammed and the Emergence of Shia Islam

The crisis of succession was solved when leading members of the community accepted Abu Bakr, the father-in-law of Mohammed and, as such, a respected early believer.¹² This was in fact the traditional way of choosing the leaders of the community. The Shia – the group who supported Ali's claim to succession – rejected the principle of electing the *caliph* from among Mohammed's followers. They argued that the prophet's kin had more right to become the community's leader.¹³ The Shia believe that the succession to the caliphate by the first three *caliphs* (the second, Omar and the third, Uthman) was illegitimate, although they did not openly challenge the prevailing order at that time.¹⁴ Ali became the fourth caliph during the civil war. During the reign of the first three caliphs the ruling elite gained and controlled increasing wealth, commerce and trading. Their indulgence in extravagant spending compared to the poverty of labourers and landless peasants resulted in uprisings which culminated in the assassination of Uthman in 656.

This left the way clear for Ali to succeed as caliph, but he was opposed by Muawiya.¹⁵ When Ali took over power, Muawiya was the governor of Syria and argued that Uthman's death had to be avenged. Muawiya had an independent base in the army and was therefore in a good position for a leadership challenge. He also gained the support of the prophet's companions (Talhah, Zubayr and others) who were worried that Ali would threaten their interests. The consequence of this was war between Muawiya and Ali and, in the course of battle, Ali showed signs of a willingness to negotiate with the *Umayyad* leader. This was opposed by some of his supporters who deserted when they realised that the question of succession to the

caliph was to be decided by negotiation. Hence they gained the name *Kharijites* or seceders.¹⁶ Ali was finally assassinated by *Kharijites*, two years later in 661.

The power-struggle continued with the *Muawiya* being proclaimed *caliph* in Jerusalem and Hassan (625-670), Ali's eldest son, being proclaimed *caliph* in Kufa. Hassan was outmanoeuvred by *Muawiya*, finally being poisoned, after which the caliphate passed into the *Muawiya* dynasty, with the *Muawiya's* son, Yazid, taking over. Ali's other son, Hussein (625-670), refused to accept this but his troops were heavily out-numbered in the battle of Karbala (9th *Moharam*) where he had expected but failed to win the support of the local people of Kufa. His attempted negotiation with Yazid's troops also came to nothing. The 10th of October, 680 became known as *Ashura*¹⁷ in which Hussein's death is commemorated every year in the same month, *Moharam*. Hussein's death gave added justification to the Shia claim to legitimate rule against the unjust rule of the caliph. From this point on the Shia appealed to the oppressed because they started from defeat themselves and regarded Mohammed's family as the link between them, the prophet and god. According to Shia tradition Hussein's assassination has provided the condition for salvation of the faithful. He has become a symbol of resistance against oppression and is referred to as the *Seyyed-ol Shohada* – master of the martyrs of all times (Fischer, 1980: 104). The martyrdom of Imam Hussein and his followers is glorified by the Shia as the necessity of sacrifice for the sake of freedom and the creation of justice in society (Shariati, 1972: 30).

The concept of *Imamat* thus became stronger amongst the followers of the Shia: only Imams – descendants of Ali and Fatima – could rule on behalf of Allah. The Imams therefore are divinely guided and, as such, infallible. Like Sunnis, the Shi'ites hold to the three basic beliefs: in Allah as the One God, Mohammed as his prophet, and in resurrection; but the Shi'ites also believe in the *Imamat* – that the Imam is the successor to the prophet, and administers divine justice (Tabatabai, 1977).

Shia Islam became a sect only after the *Abbasid* dynasty came to power following the defeat of the *Ummayyads*. The *Abbasids* – descendants of Abbas al-Hashemi – appealed to Shi'ites by promising that Ali's descendants would attain to their rightful position of power on their succession. This proved not to be the case: although the movement overthrew the *Ummayyads* in 749, the new caliphs were not of Ali's line and many rebellious Shi'ite movements were suppressed. The *Abbasids* ruled until 1256, during which time schisms within Shi'ism took place that still exist today.

The largest Shi'ite sect to form was the Twelvers¹⁸ who believe Ali was the only legitimate successor to Mohammed and so follow a line of twelve religious leaders descending from him. The line ends with Mohammed al-*Mahdi*, who disappeared in 880 and the Twelvers are waiting for him to return. The *Mahdi* represents the Hidden Imam and Shi'ites believe legitimate authority rests with him. Although different sects are waiting for a different hidden Imam, (e.g. the *Isma'iliya* who follow Isma'il as the Seventh Imam in Ali's line), they all share the belief that the hidden Imam will one day return and restore justice in the world (Tabatabai, 1977: 211).

While the last Imam is in occultation, religious duties including interpretation of the *Koran* and *Hadith*, collection of religious taxes, and so on are delegated to the *ulama*.¹⁹

No significant Shia organisation, institutions or political theory developed after the occultation of the Twelfth Imam. Although Shia states were established in Egypt in 969, Tunisia in 909 and Bahrain in the 900's, these never carried the same weight of ideas or practice as the caliphate had. Unity within the Shia was further eroded through the activities of revolutionaries in India, Iran and Spain, for example, the Seveners.²⁰ Egypt was an Ismaili state between 969-1171 and Yemen followed the *Zaidi* form of Shi'ism in the 9th century.

The Twelvers of Shia Islam eventually succeeded in Iran and began to develop a political structure during the *Safavid* period (1501-1722). The Shia Twelvers managed to survive for so long because of their quietism in the face of threat from the ruling elites. They allowed their followers to obey unjust rulers and even hide their belief. It was not until the 16th century that Shia Islam came to play a significant role in Iran.

3.4 The Growth of Shia Islam in Iran

The role of religion in Iranian society pre-dates Islam. There were a number of religions, some of whose social content continued to be relevant in Islamic times, and were adopted by it. Zoroastrianism – originally known as Mazdeanism – included an ethical system, a highly developed ritual, and dogma. It was the major religion before Islam and played a significant role in the social and political life of the people. The class structure in Iran which was one of a traditional caste division into priests, warriors, scribes and artisans soon came to be challenged by the emergence of Islam. There are various documents concerning the spread and conversion of Islam in Iran.²¹ The prevailing conditions – economic instability, corruption of the rulers, cooperation of existing religious leaders with the ruling authority, inter-tribal warfare, and external wars against Byzantium, the imposition of heavy taxation and poverty – made it relatively easy for the invading Arab Moslems to conquer the country around 637 AD. Islam as a religion, however, was still evolving from the time when Mohammed had declared himself the Messenger of God (Fryer, 1988).

Shia Islam was explicitly identified with the Persian cultural tradition from the rise of the *Safavids* to power in the 16th-century. A small sect of Shi'ite Sufis began by fighting for justice and ended up as rulers when they overthrew the *Timurid* dynasty (1375-1499) in Iran. The *Safavids* began as quietist, embracing both Sunni and Sufi in their beliefs²² but developed into a warrior dynasty, which adapted Twelver Shi'ism and gave it a militant twist. In this period the majority of Iranians followed Sunni or Sufi orders, and *Sheikhs* – a title for wise men – controlled much of the religious life (Nasr, 1974: 273). The *Safavids* were Turkic tribespeople who preferred the symbolic simplicity of Sufism to a richer and more sophisticated way of life. Their brand of extremism was useful in conquest, but once they had control of Iran the *Safavids* encouraged the spread of the more orthodox Twelver Shi'ism. This process involved the inflow of Arab Shi'ite theologians and jurists to train Iranian *ulama*. Shi'ism was forcibly imposed as the state religion in a country where most of the theologians were Sunni. Even Sufism was suppressed, although the *ulama* were careful to incorporate aspects of it into their own Iranian brand of Shi'ism. This process was successful and the Iranian people were more strongly controlled by the religious leaders than in other Islamic countries, as the rival Sufi

Sheikhs lost their influence (Arjomand, 1989: 12). The Shi'ite clerical hierarchy inter-related with the centralised *Safavid* state, performing a specific judicial and administrative role.

One significant factor of the *Safavids'* move to marry the state and Shi'ism was their intention to use religion as a uniting factor to stand against the Sunni Ottoman empire which was threatening Iran. The *ulama* were also glad to see the authority of the *Safavid* extend to Iran and beyond, as they believed that the Shah would bring order to a society after a long chaotic period of foreign *Mongol* and *Tamerlane* invasion.²³ The dominance of the *Safavids* helped the Shi'ites by giving them special power. For example, the monarch appointed clerics who controlled the *waqf*; this constituted a source of income which enabled them to build religious and educational centres throughout the country. Thus, Shi'ism became part of the structure of the dynasty: the *Safavids* were able to claim religious legitimacy and that they were the representatives of the hidden Imam and the shadow of God on earth (Akhavi, 1980: 10). In this way there was continuity in kingship from pre-Islamic times when religion was similarly used to legitimise the king as a ruler. In contrast, the Sunni *caliphs* were already legitimised by tracing their heritage back to Mohammed's rule.

Under the reign of Shah Abbas (1587-1629) Shi'ism became a major school of thought. Intellectual development during this period reached full flowering in the reign of Shah Abbas II (1642-1666); for example, the development of *Hikmat-e Allahi* – divine philosophy or theosophy, under what has come to be called the *Ishraqi* – Illuminationist school.²⁴ By the end of the *Safavid* empire the *ulama* had a much firmer power base within the country and thus felt secure enough to take an increasingly independent stand regarding the state. Some of the leading *ulama* whose independent interpretations had been accepted by the majority of the population became a major religious force, competing with the Shah for power.

Mohammed Baqir Majlisi (d. 1699) was a key player not only in religious matters but also in the political system (indeed his work continues to be used even today by many Shia *ulama*). Majlisi established the doctrinaire, formal version of Shi'ism by emphasising Shi'ite rituals like *Ashura*, and visiting shrines. The role of Imams in general was encouraged as mediators between Shia believers and Allah. The collapse of the *Safavids* led to greater independence of the Shia *ulama* from the monarchical institution. In the absence of effective central control, Shia Islam became the basic way of expressing Iranian identity and there was no longer much reference to a specific monarchical structure. The 18th century saw the Shia *ulama* and its institutions emerge as the main challenger in a period of social decay (Algar, 1977: 299).

Invasion by Sunni Afghans in 1722 meant that Iran entered a further period of chaos and tribal warfare (Morgan, 1988). Under Nader Shah (1736-1747) the Shi'ite clergy lost much of their power: many were prosecuted and fled to Najaf and other sanctuaries. Nader Shah attempted to integrate and redefine Shi'ism into the Sunni tradition. He rejected the idea of *Imamat* but accepted the Ottoman recognition of Twelver Shi'ism as a fifth Sunni school of law, to be called the *Jafari* school after the sixth *Imam*. Both Sunni and Shia clergy rejected Nader's redefinition, even though some came to accept it through military force. Nader failed to break the continuing role of the Shia tradition based on the role of the *Imamat* and the *Mojtahed*.

A significant dispute also emerged amongst the Shia thinkers over the reaffirmation of a series of doctrines. This conflict had long-term impact: the development of two major schools of thought *Akhbaris* – which contested the clerical prerogative of *Ijtihad* (interpretation of reason, carried out by learned theologians). The opposite view was taken by the *Usuli* school which favoured theological speculation and believed in the jurisprudence of the Twelfth Shi'ite *Imam* (Tabari, 1983: 48). They therefore represented a challenge to the power of the *Mojtahed* because they sought to establish jurisprudence based on traditions of Shi'ism (*Akhbar*) rather than rationalist principles (*Usul*) followed by *Ijtihad* (see chapter 4). The *Akhbari* movement reached its height in the late *Safavid* period but at the beginning of *Qajar* rule the *Usuli Mojtahed* triumphed.²⁵

The *Usuli* position reaffirmed the role of *Mojtahed* as the guide for the community, in the absence of the hidden *Imam*. This was vital given the changing conditions as the *Usuli* asserted that only learned scholars were capable of making independent judgements which everyone should accept. The leaders of the *Usuli* school realised that it was possible that various interpretations might be given by different *Mojtaheds* in response to changing conditions. Although the *Mojtahed's* judgement must be followed by his followers, it established no precedent. The believers are forbidden to follow the rulings of a deceased *Mojtahed* instead of the present one (Keddie, 1972: 235). By the 18th century, the importance of the living *Mojtahed* as a guide for all believers was affirmed. This had major political implications for Iran's modern history. The doctrine of *Mojtahed* covered all areas of the social life and treated the monarch like his subjects: at least in theory he had to obey the *ulama's* authoritative guidance. This in effect made the state the executive branch of *ulama* authority and enabled the *ulama* both to co-operate with and challenge the monarchy when necessary (Algar, 1972: 235).

By the 18th century the vast majority of the Iranian population followed Shi'ism and its specific characteristics were as follows: the *Imams* played a necessary guiding role in the application of the *Sharia*; they were thought to prevent instability and tyrannical rule by providing a just authority; these *Imams* were ordained as the ideal rulers by God and therefore were on a different level to those rulers chosen by mere human beings; the revenue received in the form of *zekat* goes to the *Marja-e Taqlid*,²⁶ unlike the Sunni where it accrues to the state – a significant factor which gives financial security to the Shia clergy. The Shia also pay *khums* – one-fifth of net income – half of which is taken on behalf of the *Imams* by the *Marja-e Taqlid*. The *Usuli Mojtahed* transmitted the traditions of the *Imams*, reacting to the changes occurring in society by building a body of jurisprudence embracing four elements: the *Koran*, the *Hadith*, *ijma* and *akl* – reasoning (Momen, 1985). The emergence of new doctrines emphasises the fact that Shia Islam in Iran was not stagnant. These adaptations were the result of changes that were occurring both internally and externally. The impact of the newly industrialising countries of the west was making itself felt in the society. This in turn led to more vigorous interpretation by the Shia clergy.

3.4.1 The Impact of the West and Response of Ulama

Under the *Qajar* dynasty the *ulama* increased their role in Iran. The *Qajar* were from the Shia sect and this strengthened the *ulama's* control of the administration of

the *waqf* and collection of religious taxes. The clergy were involved in administering day-to-day justice and used the *Sharia* courts to deal with family and personal cases. They had relative independence and at times used this to gather support from the socially discontented as a bargaining chip against the *Qajar*. The *Qajar* in turn manipulated the *ulama* by granting offices to some of their members and choosing the *ulama* to administer the endowments. Other social forces, notably tribal leaders and major ethnic minorities also resented the Shah's monopoly of power. Another important social group were the merchants who followed Shi'ism and were closely linked to the *ulama* because of their background. The *bazaar* still held control over the traditional economy and resented the central government's expansion of state supervision over the *bazaar*. Thus an alliance of the *ulama*, tribal and ethnic groups, and *bazaar* merchants was a significant power bloc, restraining the Shah from implementing policies unfavourable to them and their social position.

During this period this *ulama* were also faced with challenge from western Europe whose states and economies came to play an increasing role in determining events in the world, including Iran. The process of capitalist modernisation in a western society like England was qualitatively different from feudalism and it was able to impose its domination on the world. The impact of the west on Iran was very significant, as modern elements came to interact with the old-style ideas. Some *ulama* came to accept western development in the economy and society but this was not an easy process. Although some were willing to adapt, many saw increasing western influence as a surrender of Islamic ideas. In the face of growing dominance of the west there was therefore much effort spent on redefining Islam in order to meet the challenges, both from outside and the emerging secularists at home (Algar, 1969).

Imperial expansion by western powers in the 19th century, in particular the challenge from its neighbour, Russia, posed a major threat to the *Qajar* state. In response they sold off state lands and offices in order to buy western arms to defend themselves, a process which saw the power of the landed class, merchant bourgeoisie and clergy grow (Issawi, 1971: 45). Pressure from the world economy and imperialism eventually brought the *Qajar* state to the point of total disintegration. With the weakness of the state and political domination by outside powers, the *ulama* came into direct conflict with the state. The clergy represented itself as the defender of the national interest and stood out against interference by outside forces. The *ulama* advocated *Jihad* – holy war, during the war between Iran and Russia²⁷ at the beginning of the 19th century (Algar, 1970). However, the *jihad* was not successfully executed because the *ulama* underestimated the strength of the outside power. Although the state's position became weaker as a result of wars, the influence of the clergy in the society continued. Fath Ali Shah (d.1834), realising the weakness of the state after the war, believed the clergy could help stabilise his authority and so encouraged religious teachings and assisted in the building of new religious schools, in particular the *Madrash-e Fayzya* – the foremost college in Qom.

The combined strength of the clergy, landed class and merchants, on the one hand, and the weakness of the state, on the other, meant that 19th century attempts at socio-economic and political reform in Iran were not effective. However the expansion of European military and the domination of its economy was not to be halted and was already having an impact on Iran's economy and society. Reformers

such as Abbas Mirza, the crown prince, tried to reform the military despite a lack of adequate administration and financial organisation. Although he had some success, the defeat of Iran at the hands of the Russians pushed back his reforms. He was also challenged by some of the *ulama* who regarded his reforms as foreign and unwelcome interference in Iranian affairs. Other reformers such as Amir Kabir and Mirza Taqi Khan, also attempted to push for reforms in the administrative and legal area. The *ulama* opposed them, fearing their success would undermine their own social position (Voll, 1982).

By the end of the 19th century, a group of Iranians who had studied in the west and became familiar with these countries' attempts at modernisation began to play an important role in the society. Their writings and speeches influenced many Iranians from both the secular and religious sides. Secular individuals and the *ulama* could agree on the issue of limiting the power of the Shah but many of the *ulama* still remained aloof from adapting to modern ideas.

The secular reformer Malkum Khan (1833-1908), through his newspaper called *Qanun* introduced the modern concept of government to Iran. Some of the *ulama* were willing to utilise ideas such as the constitutional assembly, although disagreeing with him on many issues. The *ulama* and secular westernised intellectuals were prepared to exchange ideas and sometimes worked together to limit the power of the Shah. This interaction enabled the *ulama* to become a focus not only for nationalist sentiment but for political reform too. Amongst the *Ulama*, Hussain Naini (1860-1936) defended the constitutional cause with very little reference to that cause's modern ideological implications. Similarly, modernisers such as Malkum Khan were content to continue their alliance with the *ulama* against the monarchy, and to set out their reforms.

Amongst the religious scholars, Sayyid Jamal al-Din al-Afghani (1839-1897) attempted to integrate Islam and western ideas. He was familiar with the western development as he had travelled in Europe. Afghani was an anti-imperialist agitator and attempted to find a fusion between popular religion and political action. Hindering modern development, he argued, were the political structures imposed by the west which deliberately kept Moslem countries backward. Afghani did not try to deny the modernisation in the imperialist countries, on the contrary, he argued that the Moslem countries should learn the western methods in order to better conduct a struggle for national independence and, eventually, to create an independent Islamic bloc. Islam was a vital part of these countries' history and identity and therefore in his eyes became very important to an anti-colonialist struggle. Afghani gained a reputation as a Pan-Islamist revivalist but did not stop short of attacking the traditional clergy as a barrier to development:

It is possible to ask oneself why Arab civilisation after having thrown such a live light on the world, suddenly became extinguished, why this torch has not been lit since, and why the Arab world remains buried in profound darkness. Here the responsibility of the Muslim religion appears complete. It is clear that wherever it became established, this religion tried to stifle science and was marvellously served in its design by political despotism ... Caliph al-Hadi put to death in Baghdad 5,000 philosophers in order to extirpate sciences in Muslim countries ... I could find in the past of the Christian religion analogous facts. Religions – whatever

names they are given – all resemble one another. No agreement and no reconciliation are possible between these religions and philosophy. Religion imposed on man its faith and its belief, whereas philosophy frees him of it totally or in part (Abrahamian, 1982: 63).

Afghani was radically different from the other Islamic thinkers at the end of the 19th century. This was mainly because of the rapid influence of capitalism in the world and its partial impact on a country like Iran. The secular intellectuals were too weak to lead the anti-imperialist and nationalist struggle. The clergy, with the backing of the *bazaar* and landed class, were leading the struggle against outside forces. Afghani thus had to cloak his anti-imperialism in the guise of Islam but his ideas were very much affected by the influence of secular intellectuals at the time. Afghani's ideas and influence amongst Moslem thinkers, both Sunni and Shia, remains very strong, notably in putting forward the ability of Moslems to overcome European domination by uniting and a return to the traditions of the *Koran* (Keddie, 1972).

Afghani later became involved in the Tobacco Movement against the Concession of 1890 which had given the British a monopoly of production, sale and export of tobacco in return for a fixed payment of £25,000, an annual rent of £15,000 to the state and 25% of the profits, an agreement to last for 50 years (Nima 1983: 5). This unpopular deal led to mass opposition and the anti-imperialist struggle resulted in a successful boycott of tobacco forcing the state to withdraw the concession. Afghani organised Moslem reformers and modernisers arguing they should mobilise '*the religiously motivated anti-foreign feeling of the ulama and the masses*' (Irfani, 1983: 23). He was forced into exile but mass demonstrations against the foreign concession continued. Although some of the *ulama* tried to maintain a silence on the issue, worries about the outcome of the Iran/Russia wars and under pressure from the popular uprising, the *ulama* issued a *fatwa*, forbidding Moslems to use tobacco as long as the British company held the monopoly. This led to a successful boycott even practised by the Shah's wives. More militant anti-Royalists issued another *fatwa* arguing that if their demand to end the concession was not met within 48 hours the people would launch a *jihad* against the monarchy. The extent of the discontent and demonstrations forced the state to cancel the concession.

The Tobacco Movement occurred as a result of the impact of capitalist penetration on Iran and its effect on local crafts and industry. The domestic merchants suffered from the competition of foreign goods and resented their domination. As a result, the *bazari* and the clergy made a strong challenge to the state. The leading role of the clergy during the Tobacco Movement increased their influence in the society. They represented a force to reckon with, which could be allied with, manipulated, even combated, but never ignored (Keddie, 1962). The alliance between *bazaar* merchants and the clergy became an important force during the *Enghlab-e Mashruteh* – Constitutional Revolution.

3.4.2 The Clergy's Participation in the Constitutional Revolution, 1905-1911

The Constitutional Revolution was born out of a combination of factors: economic crisis in the country, the increase in the prices, the inability of the *Qajar* to maintain their rule, a growing nationalist movement against imperialist countries, changes in

the international political economy, and most importantly, the influence of the Russian Revolution in 1905. The merchants, traditional landlords and the new industrial, commercial and financial bourgeoisie were all making competing demands upon the state to protect their interests against foreign competition. The leadership of the revolution consisted of landlords, *ulama*, *bazaari* and intelligentsia whose interests were not necessarily the same. The *bazaari* and landlords both wanted to see greater security for private property, the *ulama* naturally wished to protect their social base in the *bazaar*, even though they did not have any particular desire for Constitutionalism. The *bazaari* wished to see the protection of private property and believed this could be achieved through parliament. Some of the intelligentsia, influenced by the apparent achievements of western political economy, wanted to adopt their form of political rule.²⁸ Despite their differences, the alliance agreed on the common goals of limiting the power of the monarchy and elimination of foreign influence.

The revolution began in December 1905 when merchants started to protest against the Shah's foreign advisers in the finance department and at the government's fiscal policies. They closed the *bazaar*, supported and led by Sayyids Mohammed Tabatabai and Abdulah Behbahani who took sanctuary in Shah-Abdol Azim, a shrine near Tehran. In response to their demands the Shah promised to establish a parliament, *Majlis*, but this did not materialise without further protest. The *Majlis* was finally set up in 1906 with a majority of its representatives coming from the *ulama*.

The westernising reform efforts in the 19th century had already had an impact on a group of Iranians who had themselves received a modern education. Reformers wrote extensively on the concept of modern government and constitution but these reforms had not occurred in tandem with the modern institutions necessary to support them. Furthermore, the monarchy was weak and the state was unable to provide an effective focus for the modernisation (see chapter 1).

Although the clergy at times articulated the grievances of the *bazaari* and even led the struggle against the monarchy, they were not all consistent and united. In the main they were worried about increased western influence believing this would decrease their own power and position in the society; but they could not remain aloof from the protests as there was strong popular support for change, especially in the urban areas. The anti-constitutionalist faction led by Sheikh Fazlulah Nuri argued that sovereignty does not belong to the nation but is rather in the hands of God and only comes to men via the prophet, the *Imams* and the learned men who can give judgement in the matter of law. Opposing this view were Tabatabai, Behbahani and Hassan Mudarris who believed sovereignty was a gift from god passed on to the people to the Shah, i.e. the emphasis was the other way round – the Shah relies on the people for his support.

Among the one hundred political papers and magazines that sprang up in the wake of the Constitutional movement, some called on the clergy to lead the struggle, in the same way that Father Gapon did in Russia in 1905. As in the French Revolution of 1789, the call for a national assembly pulled some of the religious leadership behind it. The rise of the Constitutional Revolution became a challenge to the Shia clergy and they were forced to take some stance towards a new political development. Most of them saw it as in their own interests to accept the inevitable spread of ideas from Europe, and now Russia (Ghods, 1989: 13).

The pro-constitutionalist clergy's position was that a just Islamic government was impossible in the absence of the infallible *Imam*, but in the meantime believers should try to achieve the best possible state. Thus the ideal government would be one which encouraged the participation of the entire Shia community. This was a significant change in the attitude of some of the clergy compared to their earlier approach to reforms. Although Iran's constitution was based on that of the secular Belgium state, it still had an Islamic context. For example, Ayatollah Naini (1860-1936) attempted to challenge those clergy who were against the constitution and expressed the view that Shia theology should recognise the legitimacy of a parliamentary state: the constitutional system could be considered lawful under Shia Islam if the *Mojtahed* gave approval to it (on behalf of the hidden Imam).²⁹ He thus demanded that the Shia clergy issue a *fatwa* to make parliament religiously legitimate. Naini's formulation of a Shia form of parliament was an attempt to keep pace with the increasing penetration of secular ideas in the country. Naini used his authority, as a religious leader, to legitimise the constitution; in the same way he saw the necessity of participation by the people in elections and referred to this as a way to prevent '*the tyrant from exercising oppression*'.³⁰ Thus the franchise was an obligatory duty by which every citizen could express their rights. Naini's view was not an exposition of a new Shi'ism: on the contrary, it was a reaffirmation of traditional Shia political theory in response to a changed context. The pro-constitutionalist *ulama* remained conservative in their outlook but showed some willingness to adapt.

Those clergy, such as Nuri, who rejected the constitution did so because they believed that there could be no dilution of Islamic law. These *ulama* joined forces with the opposition, including the Shah, to try to bring down the constitutional institutions. The constitution came under threat after the death of the Shah when his son, Mohammad Ali Shah (1907-1911), refused to ratify parliamentary laws until forced to do so by public demonstrations. Britain and Russia were afraid for their own interests and so, in 1907, divided the country into their own spheres of influence. With help from Russia, the Shah started to build some support from tribal leaders and the clergy but he could not defeat the constitutionalists who mobilised their forces from Tehran and Tabriz. Ayatollah Nuri's support for the Shah became crucial when he successfully mobilised the urban poor and peasants onto the streets of Tehran in 1908 to demand the maintenance of religious law, and protest against the constitution (Amjad, 1989: 39). Other clergy, notably the *ulama* from Najaf (then the centre of the Shi'ite hierarchy) opposed him, declaring the *Koran* urged action against oppressors and encouraged local people to withhold their taxes. The same religious hierarchy later approved Nuri's execution by a revolutionary court in Tehran (Martin, 1989). In desperation, the Shah mounted a coup to dissolve the *Majlis* and declared martial law in June, 1908. The Civil War lasted until 1909 when the strength of the constitutionalist side persuaded the Shah to abdicate in favour of his twelve-year old son, Ahmad. The second *Majlis* soon collapsed in the face of the Russian threat to invade Iran, and this signalled the end of the revolution.

The Constitutional Revolution was an attempt to fight against foreign penetration and domination, mobilising a genuine radical force to establish parliamentary democracy. As Keddie argues:

The sudden entry of masses of people into a modern type of politics had a decisive effect on the political developments in Iran in the period 1905-1911, and helped provide a political education for the country (Keddie, 1980: 76).

In 19th and 20th century Iran different strands of Shia Islam developed in response to the economic and political transformation taking place both globally and domestically. The expansion of a European imperial presence in Iran did not produce stagnation in Shia Islamic thinking or in the society at large: rather, the dynamic of change was slight but noticeable. The expansion of the west and its influence in Iran led to the revival of activism which involved both western reformers and Islamic modernisers. The *ulama* could not easily remain uninvolved in the Tobacco and Constitutional Movements, even though they may not necessarily have approved of the nationalist – or proto-nationalist – character of the political struggle. The Constitutional Revolution also showed the significant transformation that was taking place in Iranian society and the influence of western modernisers. The ideas and the impact of modernisation on Iranian society was very uneven; much of the society continued to live a traditional way of life. This unevenness was caused by the development of capitalism and its impact on Iranian society. The expansion of European powers in Iran acted in a contradictory way, both to encourage and ultimately prevent the reform efforts. Both the reformers and most of the *ulama*, although holding very different views as far as modernisation was concerned, were however prepared to co-operate politically if not intellectually. This in itself was a way to adapt on the part of most of the *ulama* and the modernisers but the unwillingness of the former to co-operate intellectually paved the way for those *ulama* who did not desire a western-style of modernisation. This was noticeable throughout the Constitutional Movement in which the fundamentals of Islamic ideas were at the heart of the resistance against the west and for national independence.

3.5 The Clergy and Reza Shah's Modernisation, 1925-1941

In the wake of the Constitutional Revolution a new development in Iranian history emerged: namely, the evolution of nationalism and increasing importance of the structure of the state in society. The nation and state in Islam theoretically embraces all Moslems under one community – *umma*. Moslem nations may exist under separate national boundaries but the idea of *umma* was still key, even within Shia Iran. Although the idea of an Islamic community was still relevant in the 20th century, this had to be combined with the interests of nation and state. These three elements – the nation, state, and the Islamic community – have sometimes been in competition and sometimes in co-operation in Islamic countries, depending on the economic and political conditions at the time.

The occupation and intervention in Iran by foreign countries continued and neither the modernisers nor the *ulama* could prevent it during WWI and the discovery of oil by a British company in 1908. Iran entered a period of foreign domination until the commander of the army, Reza Khan (1878-1914), joined forces with a group of modern-educated intellectuals coming to power in a military coup in 1921 and deposed the *Qajars* in 1925.³¹ He suppressed regional revolts and

quickly became Commander of the Armed Forces and then crowned himself Shah, ruling Iran until 1941.

Reza Shah pursued a number of aims: encouraging economic modernisation, development of a strong military force and state industries, freeing Iran from the grip of external forces and, above all, promotion of his own career (see chapter 1). When he came to power the clergy's role was still important enough for him to attempt to build his power base by gaining their support. Reza Shah also could not risk antagonising the British who still had vital interests in Iran and the region. The *ulama* were concerned before he became king that Reza Shah, like Kamal Ata-Turk, would call for a republic – which they equated with westernisation – but they backed the monarchy. Reza Khan was well aware of the *ulama*'s influence in society and so made efforts to placate them. For example, going to Qom before he took the power. Although at that time the *ulama* refused to give him their full support, the Najaf clergy did give him backing. Reza Khan allowed Sayyed Abol Hassan Isfahani and Mohamed Hassan Naini to return after having been expelled from Iran by the British. On their return to Qom, Reza Khan immediately went to see them and gave this message against republicanism:

My only personal aim and method from the beginning has been, and is, to preserve and guard the Islamic majority and the independence of Iran... And [the ulama and I] ultimately saw it necessary to advise the republic [in Iran] to halt the use of the term, republic (Cottam, 1979: 152).

Reza Shah in order to win the support of the *ulama*, banned gambling and the sale of alcohol. Unlike Ata-Turk, he could not establish a republic in Iran because he realised the rapid mobilisation of opposition, especially the *ulama*, against it. He unleashed a series of administrative and economic reforms in an attempt to centralise the state. He built a national army and used it to crush the tribal forces and bring in effective national unity. This was followed by expansion of transport, roads, modern education, government administrative structure, and he initiated a large number of social and legal reforms. The Shah used coercion to impose his programme of reforms and attacked any opposition from liberals, communists and, finally, the clergy.

Reza Shah, although a secular leader, did not attempt to bring religious institutions under state control. The basic religious theology and political theory, principles of *Imamat* and the role of *Mojtaheds* remained as before. Instead of taking these on he gradually reduced the religious power in society by introducing reforms in the economy, the law and education. The Shah attacked the religious establishment by forcing the clergy to sanction counting state tax payments as part of *Khums* and *Zekat*. A law passed in 1934 gave the state increasing involvement to control the religious schools, but the most striking attack was on the religious endowments – *waqf*: the state henceforth had the right to administer the Department of Endowment which was set up by Reza Shah: it charged 10% of the revenue from property (and 3% for administration costs if it were a hospital or school). If the endowment lands were without adequate documentation, then the state took them over altogether and redistributed the revenue in the following proportions:³²

Table 3.1 State Disposal of Waqf Revenues during Reza Shah's Reign

Secular primary schools	40%
Needy students – supplies	10%
Public welfare	20%
Public education	10%
Publishing useful books	10%
Other expenses	10%

Source: Akhavi, 1980: 58.

Table 3.2 Religious and Secular Schools* and Students, 1928-1941

Secular schools	6562556
Secular students	64600317300
Religious schools	301270
Religious students	56421010

Note: * This includes primary and secondary schools and colleges. The colleges merged with universities after 1928 and by 1941 had 3,300 students.

Source: Adapted from Abrahamian, 1989: 12, and Akhavi, 1980: 190-195.

Secularisation, especially in education, was a process begun before Reza Shah but the restrictions on the *ulama's* power intensified this process during his rule. Shi'ism was still the state religion and this was reflected even in secular schools e.g. Islamic sciences were taught whilst no separate provision was made for religious minorities.

In the legal field the Shah attempted to curtail the *ulama's* influence in a number of ways. For example, in 1926 he restricted the *Sharia* law to dealing only with cases of marriage, divorce and guardianship. A law passed in 1928 decreed that men had to wear European-style hats which many rejected as the cumbersome shape interfered with their praying, leading to disturbances in some places. The erosion of the *Sharia* courts continued: in 1932 the state court was given authority to decide cases that used to be handled by the *Sharia* law, and four years later, another law made it impossible for the *ulama* to be judges, by barring those without certain legal qualifications. By 1936, his reforms included opening public places and educational centres for women, outlawing the veil and banning traditional Islamic rituals during the remembrance ceremonies of *Ashura* (Fischer, 1980).

The *ulama* responded to the Shah's onslaught with silence, with the exception of Sayyed Hassan Modares³³ and Mirza Rida Quli Shai Sanglaji. They demanded from the *ulama* that they abandon what they termed their: '*reactionary and superstitious attitudes*' and use *ijtihad* to interpret and modernise Islam (Momen, 1985: 251). Those clergy who grudgingly supported Reza Shah at the end of the 1930s and in the 1940s did so because they felt threatened by communist ideology which was finding some support in the urban areas. For example, Ayatollah Hossain Qommi, the *Marja-e Taqlid* living in Najif, gave his full support to Reza Shah, believing his rule to be a major obstacle against communism which he feared.³⁴ For Reza Shah, the spectre of communism became a means to justify his strong rule over the *ulama*, and those who criticised his secular policies. Reza Shah's reign came to an end with the occupation of Iran by British and Soviet Union forces and he was

succeeded by his son, Mohammed Reza Shah Pahlavi, in 1941.

By the time Reza Shah's reign ended, Iran had made major advances in both economic and social areas, notably with the emergence of the modern state and its initiation of the development of industries, growth of the bureaucracy and the working class. The growing middle class – doctors, lawyers, teachers and engineers – was increasingly influenced by western-style education and ideas. This was paralleled by the growth of the modern bourgeoisie, who were originally from the traditional class and became interested in the industrialisation of the country. These developments were very uneven as the traditional methods still employed in agricultural and trade left productivity very low. The agricultural sector employed 90% of the working population in Iran during Reza Shah's reign (Keddie, 1981: 111). Politically, Reza Shah's modernisation programme did not include changing the monarchy's rule itself: indeed, the patrimonial structure of society – the main source of the Shah's power, continued in autocratic fashion. The state's modernisation programme did, however, have a major impact on the role and influence of the *ulama* in areas such as education and the law.

3.6 The Clergy and the National Movement – 1941-1953

During the period between 1941-1953 Iran witnessed an increase in political activities on all sides – both from the new and the traditional groups who struggled for power. Much of this political activity was possible as a result of the development in education and communications during Reza Shah's reign. Major political activists came from a variety of sources: the activist clergy, liberal nationalists, well-organised secularists, a group associated with the monarchy and army and, lastly, *Tudeh* Party members (who aimed to organise amongst the workers). It is significant that during this period 75% of the industrial labour force in Iran were unionised (Zabih, 1966: 153). The rapid growth of the more secularist, educated class and the appeal to the emerging unions provided potential support for the *Tudeh* Party.

The main political issues in the post-war period were: rising anti-imperialism, calls to nationalise oil, increasing secularisation in the country, and support for the Prime Minister, Mossadeq. There was a continuing row within the clergy over the challenge posed to them by social issues such as votes for women, the influence of the *Bahai* sect,³⁵ publications of the anti-Islamic press and the growing strength of communism. In response, overt political activism by sections of the *ulama* only increased after the overthrow of Reza Shah in 1941. The activists were not from amongst traditional conservative elements and they were more interested in the radical form of Islam. The *Fedayyan Islam* and Abu al-Qasim Kashani (d.1962) were often critical of the political quietism of the major *Mojtaheds*.

The *Fedayyan Islam* was a militant organisation, formed in 1945, aimed to challenge secularism and enforce the rule of faith. Their leader Nawab-e Safavi (1923-1955) had had a secular education and had worked for the Anglo-Iranian Oil Company. He was not a religious scholar but used religious references as a basis for opposing foreign influence. The supporters of *Fedayyan Islam* came from the lower-middle-class and lower-class of the urban population and were organised into an effective urban guerrilla corps, with the aim of creating an Islamic state and society (Bashiriyyeh, 1984: 13). *Fedayyan* carried out a number of assassinations, including the killing of one of the most prolific secular writers, Ahmad Kasravi, in 1946.

Kasravi was an important historian who began his career as religious teacher but soon became a lawyer, judge and history teacher. He stood out against the clergy's role in society, accusing them of being reactionary, fanatical and corrupt. He supported representative government and a co-operative style of capitalism based on social welfare. Kasravi presented his ideas as a continuation of the themes of Islam (Abrahamian, 1987: 177-206). His methodological approach of combining Islam, modernism and elements from the Persian tradition were later taken up and elaborated by other non-clerical Islamic thinkers such as Sayyed Hussain Nasr and Ali Shariati (see below).

The *Fedayyan*, like the Moslem Brotherhood in Egypt, believed in the universal and comprehensive validity of Islam. They argued that only Islam was able to regulate human affairs and solve the problems which the world was facing. The *Fedayyan* was suppressed in 1955, and their leaders executed, but their theme of militant Shia Islamic organisation had been firmly established in Iran.

The most prominent clergy in the revival of Islam in the post-war period was Abu al-Qasim Kashani. He established his Islamic organisation, *Mojahedin Islam*, which had some base in the *bazaar*. Kashani often defended the *Fedayyan* and the two groups sometimes worked together. He built up his support by his vigorous opposition to imperialism and his defence of Islam. He was educated in Iraq and involved in anti-British activity there during and after WWI. Kashani was familiar with the work of Afghani, Abduh – an Egyptian Moslem scholar, and the traditional religious disciplines. Like Afghani, he believed that Islam and modernisation were compatible and rejected secularist approaches as an imperialist way of weakening Islam.

The *Mojahedin* and *Fedayyan-e Islam* came under attack after the failed attempt made on the Shah's life in February, 1946; the response from the court was to arrest many of the clergy including Kashani who was forced into exile in Lebanon.³⁶ From there he railed against the poverty and injustice existing in Iran. He attacked the Shah for giving away free oil to the imperialist countries (Richard, 1983: 109). The more conservative-minded clergy like Ayatollah Behbahani and Ayatollah Burujerdi were more concerned with consolidating the Shia clergy's role in Iran than involvement in political life.³⁷ Some of the *ulama* were anxious about the outcome of the Shah's fall and publicly condemned the attempted assassination; Burujerdi even sent a message of condolence to the Shah, saying '*May God Almighty preserve [your] kingdom*'.³⁸

Not long after these events, senior *ulama* warned the clergy not to join any political organisation or engage in politics. This completely distanced them from the struggle for oil nationalisation or votes for women. This left the intelligentsia and communists free to continue their agitation against the Shah.

A change in the attitude of the clergy was under way as social pressure grew for the nationalisation of AIOC. In March 1951, Ali Razmara, the Prime Minister was assassinated whilst attending the funeral of a member of the clergy. His death was welcomed by many people, and although he had many friends among the clergy, none of them were prepared to give the public support of delivering a sermon at his funeral. He was replaced by Hussein Ala whose premiership only lasted until 1st May 1951, and the Shah finally accepted the nationalisation of oil as inevitable and appointed Mossadeq as his Prime Minister (he had previously been a deputy for Tehran). Kashani became one of Mossadeq's most influential supporters in the

Majlis but rejected the *Fedayyan's* demand to be included in Mossadeq's government. By June 1951 the Mossadeq government had imprisoned all the *Fedayyan* leaders and shut down their newspaper (Richard, 1983). Despite the strength of the anti-imperialist movement some of the *ulama* still gave their support to the Shah: Ayatollah Behbahani was even prepared to mediate between him and Mossadeq. Behbahani was concerned about the clergy's position as the secular organisations were gaining greater influence. Other clergy, such as Kashani, tended to emphasise the closeness of religion and politics, for example, when he argued:

Islam wants its adherents not to submit to a foreign yoke. This is the reason why the imperialists are trying to confuse the minds of the people by drawing a distinction between religion and government and politics (Cottam, 1979: 152).

Kashani seemed more aware than some of his fellow clergy of the strength of anti-imperialism and anti-monarchism; he thus adopted a strategy of keeping religion close to politics. Unlike Behbahani he was not interested in supporting the Shah – at least during the nationalisation of oil, given the popular support for nationalisation. Mossadeq preferred political quietism from the clergy and was anxious about the close relationship between some of the *ulama* and the Shah, fearing no doubt this could have a negative effect on his reform programme and premiership.

Mossadeq was pressurised by internal and external forces: internally, he had to bring the country into some sort of order and see through a number of economic and political reforms. Mossadeq's main aim was the nationalisation of oil and transfer of power to the nationalists, with himself at their head. The oil boycott by major international companies created enormous difficulties for the government. This led to growing discontent among a large section of the population, fuelled by the government's economic difficulties. Although Mossadeq still had the support of the people, it was becoming difficult for the economy to function or to deliver any reforms. The *Tudeh* Party organised a demonstration of over 30,000 in Tehran, after the British withdrawal of the £2m royalties, a significant show of strength which posed a threat to the clergy and their supporters in the *bazaar* (Mostyn, 1991: 18). Amongst the *ulama*, Kashani came out at the beginning with a public expression of support for Mossadeq, and threatened to call a *jihad* in the event of British military attack on Iran.³⁹

The domestic economic crisis deepened, hitting the working class and poor as Iran's oil revenues declined sharply,⁴⁰ and prices increased. The clergy seized this opportunity to direct an assault on Mossadeq: in a sermon in one of the most important mosques in central Tehran – the *Masjed-e Shah*, Shah's mosque, Mohammad Taqi Falsafi criticised Mossadeq. This led to such a crowd protesting against Falsafi that security had to escort him to safety. According to Akhavi, even though Kashani was opposed to Falsafi's statement, he did not try to condemn him. Other clergy and some of the *bazari* sent a message in defence of Falsafi, arguing that he had merely been '*... preserving the country's independence and the concerns and greatness of the monarchy*' (Akhavi, 1988: 98).

Mossadeq, in the face of these great difficulties, asked the Shah to relinquish the title of Commander-in-Chief of the Armed Forces in return for the position of War Minister. The Shah refused and Mossadeq resigned in protest on the 18th July,

1952. The Shah appointed Ahmad Qavam al-Saltaneh as Prime Minister, a move which was followed by widespread demonstrations and calls for vengeance against Qavam including the National Front's call for his execution. The police were sent to disperse the demonstrations but there was chaos when junior officers refused to take orders from their commanders. Faced with such upheaval Qavam's government was forced to resign and Mossadeq victoriously came back to office as acting Prime Minister and Minister of War.

This uprising, known as 30 *Tir* (22 July, 1952) increased the confidence of Mossadeq, something which further antagonised the clergy. Although Kashani had supported Mossadeq in the 30 *Tir* uprising, a rift opened up when he refused to back many of the ministers in Mossadeq's government.

In January, 1953 Mossadeq's emergency powers were extended for a year but this time he faced opposition from amongst the *ulama*, notably Kashani who argued this was unconstitutional behaviour.⁴¹ Those who opposed him in parliament were mainly supporters of the clergy, ranging from landlords to *bazaari*. Mossadeq's support from sections of the *bazaar* and the *Tudeh* Party helped him to ride out these criticisms, but by this time even Kashani had distanced himself from Mossadeq.

The Shah, on the advice of the British, announced that he was going to leave the country. Behbahani, Burujerdi and Kashani, worried about a communist takeover, appealed to the Shah to reconsider. Kashani complained that the Shah's trip abroad '*could possibly have a profound and undesirable impact throughout the country...*' (Akhavi, 1988: 109). Later, in an interview with an Egyptian reporter he pointed out:

The thing is that the Shah's trip, with those conditions which Dr. Mossadeq wanted to lay down, would have caused dissidence and corruption in Iran... The Shah of Iran is neither corrupt nor capricious like Faruq, nor is he a dictator and a tyrant. The Shah is an educated and reasonable man (Akhavi, 1988: 110).

Kashani, and some other members of the clergy, began to make contact with supporters of the Shah including his supporters in the military. On August 16th, 1953, the CIA and MI6, attempted to overthrow Mossadeq's government, and although the first coup failed, the next one on the 19th August did not. The clergy's backing for the Shah was crucial as some of them called for a public shows of support for the monarchy. Kermit Roosevelt, who directed the whole operation, went so far as to claim that the CIA gave up trying to involve the *ulama* in the coup because they were asking for too much money (Roosevelt, 1979: 71).

Mossadeq's period in office was in many respects similar to the period of the Constitutional Revolution in 1905-11. In both cases the secular-religious coalition based on shared opposition to western domination crumbled when the *ulama* realised how different their own goals were from those of the secularists. Also, in both cases the *ulama* were sharply divided. In both movements a great imbalance in the society and economy was visible: the traditional sectors maintained their hold over society and the modernisers had to co-operate with them in order to implement reforms.

3.7 Shia Thinkers and State Reforms, 1953-1979

The re-establishment of monarchical power in Iran in 1953 brought an end to the second major episode of religious activism and also laid the foundations for the third. Mohammed Reza Shah, like his father before him, realised that he needed the support of the *ulama* to maintain his rule. He therefore started to attack what he termed the '*main enemy of Islam*' – the Communist Party and the *Bahais*. This was a satisfactory move from the point of view of both sides and strengthened the Shah's position. Later on he extended his attack to the *Fedayyan Islam* and still the clergy kept quiet. This followed the *Fedayyan's* unsuccessful attempt to assassinate the Prime Minister, Ala, after which the Shah's police arrested many *Fedayyan Islam* supporters, including Kashani. He was later released after publicly distancing himself from the *Fedayyan*. Many of the clergy withdrew from political life at this time, judging it wiser instead to concentrate on religious teaching. The Shah gave a number of concessions to the clergy in return for their help in the 1953 coup and their continued quietism: for instance, allowing religious instruction in secular schools, shutting down public entertainment during religious festivals and building a new mosque.

When Iran joined CENTO – the regional defence alliance involving Turkey, Pakistan and Britain – the *ulama* remained quiet. Behbahani's nephew, the speaker for the *ulama* in the *Majlis*, even came out in support of CENTO and argued that an Islamic country such as Iran needed it to sustain itself (Akhavi, 1980: 89). In this way, they legitimised the increased US involvement in Iran.

In 1963 when the Shah proclaimed the 'White Revolution', religious leaders again became politically active (see chapter 2). After the death of leading *Mojtahed*, Ayatollah Burujerdi (1909-1961), the emerging religious leaders were more willing to assume an active political role in opposing the monarchy; some of the leading figures were Ayatollah Ruhollah Khomeinie and Ayatollah Shariatmadari. The White Revolution included reforms such as land reform and the introduction of voting rights for women, which caused concern even amongst the quietist *ulama*, with some members of the clergy beginning to question their position. The share of religious foundation land in the 1960s was 500,000 hectares, made up of 4,800 villages and totalling 12% of the land in the country (Parvin and Taghavi, 1988: 170-171). No doubt some of the clergy were concerned about their personal source of income. Arguments from the landlords for the sanctity of private property ultimately forced Burujerdi to express their protest against it. In a letter to Behbahani he argued that this reform was unconstitutional and against the Sharia:

I verbally pointed out to His Excellency, the prime minister, the incompatibility of this [restriction on ownership of land] with the laws of the sacred religion of Islam . . . I am surprised that in this matter there is evidence of haste in approving the bill without your Eminence informing the two houses of parliament in any manner you consider appropriate to refrain from approving [the bill] (Floor, 1983: 78).

Ayatollah Behbahani responded by sending a letter in turn to the government officials expressing the *ulama's* disquiet at this reform, declaring it illegal even if approved by the *Majlis*. The religious pressure led the government to amend the bill so much that it became non-effective. The result of this was the resignation of

Manuchehr Eqbal as Prime Minister who was replaced by Sharif-Imamai. The new Prime Minister faced growing economic difficulties as bankruptcy among the merchants increased and living conditions for the people declined. The growing discontent and demonstrations, starting with the students and teachers, eventually led to the fall of Sharif-Imami in May, 1961. Ali Amini was appointed the new Prime Minister with the blessing of the US. He attempted unity by including in his cabinet Darakhshesh – the leader of the teachers' strike, as Minister of Education; Alamouti – a former *Tudeh* Party member as Minister of Justice, and Hassan Arsanjani, as Minister of Agriculture (Milani, 1988: 84).

Amini's premiership collided head-on with the continuing protests, as he ordered the police to attack demonstrations and arrest the leaders of the National Front. Conflict between Amini, the National Front and the *ulama* continued with the introduction of land reform, in the form of an amended law on 18th July, 1962. Although this time Arsanjani tried to make it acceptable to the religious establishment, the clergy still openly decried it.

Amini's premiership came to an end in April 1962 due to his inability to carry through his reforms, the failure to reduce Iran's \$70m budget deficit, as well as the continuing political unrest amongst the university students.⁴² The new Prime Minister, Asadollah Alam, was determined to push for reforms especially on the question of land reform. Although he tried to win the support of religious figures by going to see Behbahani, the clergy continued to oppose the reform.

The extent of the discontent among the clergy was not wholly due to the land question: an issue like land reform highlighted the threat of state jurisdiction increasing its hold on the social affairs of the people. This was something which would reduce the role of the clergy in society and as such the *ulama* viewed reform as a threat to their social position. There were, however, some members of the *ulama* who came to formulate a different version of the land question in accordance with the tenets of Shia Islam. Talaqani,⁴³ for example, condemned the state for taking over *waqf* land, viewing it as a conspiracy with the greedy landowners. He argued that Islam does not sanction the landlord/peasant relationship, rather its only concern is with the right of a man to develop his land in the way he wants. Talaqani defended his argument by reference to the *Koran*; in his book, *The Islamic View on Land Ownership*, he says '*Thanks be to God ... He sent down the rains and provided us the fruits of livelihood and brought the earth into being for all of us*' (Talaqani, n.d: 45).

Talaqani's formulation of the land question shows the extent to which some high-ranking clergy rated its importance. However, this cannot be separated from the continued social pressure upon the government to give reform, as the same forces acted on the clergy who were expected to be able to explain how the question could be solved. Land reform bills were passed in 1960 and 1962 but the latter excluded the *waqf* as a concession to the strong opposition from the *ulama*.

When the Shah announced in February 1963 that women would be allowed to vote, the *ulama* organised demonstrations and the *bazaar* merchants closed their shops in all of Iran's major cities. The government responded by an attack on the *Fayziya Madrasa*, seminary in Qom, which soon became the centre of Islamic opposition, and it was during this period that Khomeinie voiced out-spoken criticism of the government. He rejected extending the franchise to women, arguing that this would lead to corruption, chaos and disruption of family life and as such was against Islam. The *ulama* continued to mobilise the people, calling on them to

resist the new law. The government finally withdrew the bill of rights which would have allowed women to vote but Arsanjani went ahead with land reform and, for the first time, included the *waqf* properties, which were to be rented out to peasants. This had the effect of gaining much-needed support for the Shah from the landless peasants.

The opposition movement came to a head following the Shah's referendum, held in 1963 to approve his reforms. Khomeinie, in Qom, openly criticised the Shah for failing to call new elections within a month of the fall of parliament. This led to Khomeinie's brief arrest, after which he described the Shah as a tyrant, and also criticised the conservative clergy for their dealings with him. Khomeinie declared his allegiance to the constitution by referring to those who had died in the struggle for reform, arguing their sacrifice will not be wasted: *'we shall not let the government suppress the Constitution... we want ... the implementation of the existing laws'* (Elmiyeh, n.d: 46).

It is interesting to note that the majority of the *ulama* directed their attack on the issue of the constitution. Khomeinie was eventually arrested and sent to prison for two months and was only released following pressure from high-ranking members of the *ulama*. Not long afterwards, Khomeinie launched an attack on the Shah's close relations with the US *'...The government has sold our independence, reduced us to the level of a colony, and made the Muslim nation of Iran appear more backward than savages in the eyes of the world!'* (Khomeinie, 1981: 182).

The Shah, in an attempt to justify his reforms and in response to these attacks appealed directly to the people by painting the clergy as *'a black reaction opposed to the prosperity being created by white revolution'* (Shomer, 1982: 33). Then the Shah took the decision to exile Khomeinie and the Ayatollah was flown to Turkey on November 4, 1964. This action provoked no public protest, unlike his previous short period of exile the year before.

The relationship between the state and clergy soured further during 1963 as the Shah imposed substantial restrictions on the clergy, following his success in defeating the opposition. Unlike during the 19th century Tobacco Movement, the clergy were unable to assume the leadership of opposition to the monarchy. Although the state's reforms appeared to be increasingly successful in the 1960s, the forces of radical Islamic militants were at the same time gaining organisational experience and gradually began to emerge as a political force after a long period of quietism. The events of the 1960s showed that the very process of modernisation itself, could create new forms for expression of Islamic faith, as with Talaqani's response to land reform. The state's attempted modernisation from the 1960s did not put an end to the religious leaders' role in Iranian society.

3.7.1 Diversity Within Shia Thinking, 1964-1979

After 1963, Iran witnessed a period of rapid modernisation throughout the economy and society, primarily helped by the income from oil revenue. Although the institution of the monarchy was itself from a pre-capitalist era, the form of state under Mohammed Reza Shah was in rapid transformation, and became a rentier state (see chapter 2). Oil had become a major gift for the state enabling it to carry out its reforms. The oil income provided the monarchy with an opportunity to bring itself out of the economic and political difficulties it experienced in the 1960s.

The opposition at the turn of the decade (1960s-1970s) were in such a weak position, that even the Shah's opponents spoke of the need to liberalise the monarchy rather than abolish it. The liberal nationalists and the majority of even the radical clergy feared the threat of communism more than the continuation of monarchy. Thus the religious and liberal nationalist opposition groups built links in the 1960s through organisations such as the Freedom Movement. It was established in 1961 by liberal nationalist followers of Mossadeq, and Mehdi Bazargan (b. 1907) was amongst the founders. This organisation provided continuity in the opposition of Islam to the regime; the opposition had common goals such as the reduction of the monarchy's power and foreign influence, and was similar to the earlier Constitutional Movement in that it consisted of religious leaders, modern educated groups, traditional merchants, tribal and ethnic groups. The leadership of this opposition group became directly involved in the revolution of 1979.

The Shah relied on oil revenue to build up his support among the army and modern bourgeoisie. The army and SAVAK were effectively used to arrest, imprison and execute any opposition forces. The state also used its oil wealth to get potential rivals to come over to its side; for example, many of the landlords became industrialists themselves and came to support the Shah as the oil money was able to help them set up profitable industries. The Shah was very successful in dividing his opposition. Like his father he was aware of the *ulama's* power and religious influence in society, so preferred to accommodate Islam as long as it wasn't a radical Islam. This led him to follow an apparently contradictory path; for example, describing his White Revolution as propagating true Islam, yet at the same time, undermining the religious institutions by replacing religious institutions by civil courts and secular schools. The state won over some of the religious establishment towards itself. Examples include the *Imam Jume'h-e Tehran* – Friday Prayer leader, as well as Ayatollahs Mahdavi, Mohajerani and Vahidy who all stressed cooperation with the state. This situation continued until the revolution in 1979.

The regime was content to see continuity in ritual and religious beliefs, hoping it would neutralise the influence of communist ideology, especially amongst the young. In the period of economic expansion of the 1970s, the number of mosques built in the country stood at more than 5000 whilst many others were renovated. The number of pilgrimages to the holy city of Mashhad rose from under 500,000 in 1970 to more than 10m in 1978, and the number of people who went to Mecca increased by sixfold over the decade (standing at 55,000 in 1978). Religion's hold was also apparent in art and literature (Taheri, 1991: 236).

Even the ruling elite showed obedience to Islam: the Shah's frequent visits to holy places was an attempt to show himself as a true believer. He wished to be regarded as '*God's shadow on earth*' – one of his official titles, and stated that he was a '*sincere believer*', a true spiritualist, faithful to the power of prayers and an admirer of miracles (Pahlavi, 1980: 26). At the same time he denounced some of the clergy such as Khomeinie who opposed his rule as being '*agents of black reaction*' (Taheri, 1991: 246). The Shah had an ambivalent attitude towards Islam: on the one hand, he wanted a religion which did not attempt to mobilise people against his rule and, on the other hand, he needed to place himself at the head of religion to add legitimacy to his rule. In order to neutralise the radical sections of Islamic clergy, he used propaganda returning to pre-Islamic history, emphasising the great civilisation and history of Iran.⁴⁴

The majority of the *ulama* lamented the Shah's glorification of Iran's pre-Islamic past, and the increasing westernisation – in tastes and habits: the presence of the US seemed to be everywhere, whether through its military, businesses, clothes or music. In many countries of the region which had recently gained political independence, it seemed as if the traditional hold of Islam over the people was losing out to the influences of the west. Some of the *ulama* argued that the corruption of a modern 'permissive' lifestyle (particularly with respect to women's dress, T.V. and materialism) was responsible for the demise of traditional values. The traditionalists also lamented the reduced role of Moslem education in schools and warned of the dangers of mixed-sex education. For Moslem purists, Islam was not a subject to be studied as an optional extra but a total theology regarding the conduct of a Moslem's whole way of life and, as such, should be integrated throughout the school curriculum (Khomeinie, 1981).

The traditional Shia *ulama*, such as Ayatollahs Shariatmadari and Golpayegani followed Burujerdi's line by arguing for co-operation when possible rather than confrontation, although even they could not always escape arrest. Shariatmadari was relatively liberal in his affirmation of the Islamic tradition: he believed that the *ulama* should act as a guide for the government but not necessarily involve themselves directly in political affairs. In contrast to Khomeinie, he argued that in Islam there is no provision that the *ulama* must interfere in matters of state (Akhavi, 1980). Shariatmadari did not see a contradiction between Islam and modernisation, and in 1978 he believed the people were demonstrating not against the Shah's views on modernisation but against dictatorship (Voll, 1982: 289).

Shariatmadari was very influential within the section of Mossadeq's supporters represented by the Freedom Movement. This group synthesised the religious and liberal opposition to the Shah. Their goals included restoration of Islamic values, which directly linked them to the fundamentals of Islam even though they were liberal nationalist in their outlook. Like Shariatmadari they believed that the government should be in the hands of professionals under the spiritual guidance of the major religious leaders, i.e. the Ayatollahs would not be directly involved in the political process.

Ayatollah Talaqani was another senior and influential religious figure involved in the Freedom Movement. In contrast to Shariatmadari he urged the clergy to become actively involved in social affairs. He was very concerned about the role of *Marja-e Taqlid* because the secular government had in the past exerted influence on this key clerical figure. Ayatollah Talaqani believed that a council of high-ranking clergy should replace it.⁴⁵ Talaqani gradually gained respect amongst the people, in particular those youth who were increasingly coming under the influence of Marxist ideas. He argued that materialism was attractive to people and blamed the inappropriate religious response for this, i.e. he confronted the argument that Islam is not compatible with modernisation (Talaqani, n.d.).

Ayatollah Khomeinie was the most prominent religious leader to emerge out of the 1979 revolution. In order to understand why, one must go back to his period of exile in 1963 when he was one of the most vocal opponents of the Shah, representing the militant Islamic side to the traditional clergy. Like Talaqani, he advocated an active role for the *ulama*. Khomeinie employed anti-imperialist rhetoric, condemned women's right to vote and argued for the violent overthrow of the regime (Khomeinie, 1981). He attacked the Shah from exile and expounded his

version of Islam which was published in the late 1960s under the title *Velayat-e Faqih: Hokumat-e Islami* – The Jurist’s Trusteeship: Islamic government. In it he argued that the ultimate sovereignty in all matters, especially in politics, rests with the *ulama*. In public utterances he used increasingly radical-sounding arguments: that Islam belongs to the poor, slums are not Islamic, Islam has nothing to do with class society and that Islam will eliminate the landlords and capitalists. He rejected the Shah’s constitution because it was devised out of a combination of French and English laws which he suggested were fundamentally opposed to the basic tenets of Islam. Instead he proposed that the legislative function of the Islamic government be performed by a planning council instead of parliament, which would be responsible for determining the specific functions of the various ministries.

Khomeinie separated himself from the traditional conservative clergy whose main wish was to get on with religious matters rather than involve themselves in politics. He appealed to those sectors of the society who were ready to fight against the Shah’s regime. Khomeinie was especially concerned about the interpretation of Islam which could show the true Islam:

You must address yourselves to the university people in particular, the educated class. The students have had their eyes opened. I assure you that if you present Islam and Islamic government to the university accurately, the students will welcome it and accept it. The students are opposed to tyranny; they are opposed to the puppet regimes imperialists impose; they are opposed to theft and plundering of public wealth; they are opposed to this consumption of what is forbidden and this deceitful propaganda (Khomeinie, 1981: 129).

Khomeinie’s ideology and programme emphasised the fundamentals of Islam in the traditional sense: he opposed gambling, alcohol, and the corruption of luxury, modernisation of the role of women in the society, and stood for the full implementation of Islamic law. He was adamant in his belief that Islam was not against industrialisation or development as such (Khomeinie, 1981).

Apart from Khomeinie there were other religious scholars such as Ali Shariati (1933-77) and PMOI (People’s Mojahedin Organisation of Iran) who called for the overthrow of the Shah’s regime in the 1970s. By affirming the literal truth of the *Koran*, Shariati developed an ideology promoting social revolution. He came from a religious family, as his father, Mohammed Taqi Shariati was a well-known religious scholar, who provided his son with a strong grounding in religious studies. Both Shariati and his father were supporters of Mossadeq and continued to work within the movement after 1953. Shariati spent some of his life in jail or exile, and died in England under suspicious circumstances. Part of his education was in France and so he was familiar with western scholarly thought, as well as being committed to the Shia Islamic tradition. Shariati was politically active and gave a number of politically motivated lectures, the most famous of which were delivered at the *Husseinya Ershad*. Literally ‘a place to mourn for Imam Hussein’s martyrdom’ this was a private institution founded in 1965 by philanthropist, Mohammed Homaion, who was inspired by the monthly religious society, *Goftar-e Ma* – Our Sayings. The founders of the *Husseinya* included Ayatollah Motahari and Sayyed Hossein Nasr (the Dean of the Faculty of Literature at Tehran University). By judicious selection and emphasis they represented Islam as a progressive, dynamic and revolutionary

ideology. The *Husseinya Ershad*'s impact was widespread in the country and it enjoyed substantial support amongst the children of the traditional class.

Shariati's analysis revolved around the concept of *tawhid* – oneness, and in his interpretation he articulated the foundations of a thoroughly Islamic radical ideology. For him *tawhid* meant regarding the whole world as a unity and this implies that acceptance of social contradictions (discrimination, division amongst humanity) should be opposed. Shariati believed that men are not only equal but they are brothers. Whilst this equality is a legal contract, the brotherhood has a uniform nature: the disposition of all human beings originated from a single source, whatever their colour (Shariati, 1979: 77).

Shariati developed his ideas as a combination of history, philosophy and social science. He attempted to build a modern ideology on the basis of the *Koran* and Shia tradition, arguing the return to a progressive form of Islam or an 'Islamic Renaissance' would be led by the intelligentsia rather than the *ulama*. Shariati was careful to differentiate 'his' Islam from that of the conservative clerics and argued it was not enough to be concerned about the poor. Instead, he argued '*True Islam is more than "concerned". It instructs the believer to fight for justice, equality, and the elimination of poverty*' (Shariati, n.d: 14-15). For him, the value of Islam was in its presentation and he proposed a strategy to revitalise Islam. In order to emancipate and guide the people it was necessary to make them aware of true Islam, as opposed to the '*ignorance, superstition, cruelty, and degeneration in contemporary Islamic society*' (Shariati, n.d. : 25).

He put forward the notion of '*two revolutions*' which should happen simultaneously, the first being a nationalist movement against imperialist domination, which might also stimulate the country's cultural and national identity. The second was a social revolution to end exploitation, eradicate poverty and capitalism, at the same time modernising the economy in the name of a just, dynamic and classless society. The intelligentsia should carry these two revolutions forward since they alone are qualified to:

... grasp society's internal contradictions, particularly class contradictions, increase public consciousness by pointing out these contradictions and learn lessons from the experience of Europe and other parts of the Third World (Shariati, n.d. : 20).

There were contradictions apparent in his attitude to Marxism, which he sometimes borrowed from and sometimes attacked. He took up some of Marx's theories in order to understand society and history but could not accept Marxist conclusions as to the role of the working-class, the party or its criticisms of religion. Although he accepted that human history was a history of class struggle, in his own writings he always refers to '*the public*' or '*the people*' without any class analysis. He even accepted the Marxist distinction between base and superstructure⁴⁶ and that most religions were part of the ideological superstructure since they '*drugged*' their followers with promises of a better life in Heaven. Despite this, he continually argued for a return to Islam in order to liberate Iran from western domination (Shariati, 1969).

Shariati was able to meet a wide range of people, especially when he lectured at *Husseinya Ershad*. Shariati sat alongside Sayyed Hussain Nasr board of directors, who also agreed with Shariati's concept of *tawhid* but not with his analysis of the

social implications of *tawhid*. Another senior member of the *ulama* on the board was Ayatollah Morteza Motahari, a reformist religious teacher and active supporter of Khomeinie. Motahari later became a member of the ruling Revolutionary Council after the overthrow of the Shah. It is suspected that Motahari's assassination was carried out by the extremist group, *Forghan*, who were inspired by Shariati's anti-clerical stand to oppose the emergence of a religious state. (Akhavi, 1980: 172).

Although Shariati was not the leader of a political organisation, he influenced the PMOI: like him they referred to the fundamentals of Islam. The organisation was set up by young members of the Freedom Movement who became convinced, in the wake of the repression of 1963, that the Shah's government should be fought through militant means. Their founding document reiterated their fourfold role as:

Moslems because we refuse to divorce religion from politics and because Shi'ia Islam is an integral part of our popular culture; Iranians because we respect our national heritage; Constitutionalists because we want political freedom and separation of powers; and Mosaddeqists because we intend to free Iran from foreign exploitation (Abrahamian, 1989: 83).

They defined their position in 1979 by arguing that only Islam, Shi'ism in particular, will play an important role in inspiring the people to join the revolution. They believed that Shia Islam, based on Hussein's historic act of resistance, held out a revolutionary message within Shia popular culture. They were involved in the *Husseinya Ershad* and read Shariati's writings. Like Shariati, the PMOI criticised the conservative clergy and promoted their vision of a classless society by referring both to the *Koran* and the *Nahjol-balagheh* – collection of sermons, sayings and speeches attributed to Ali. For the PMOI Islam was a political force against imperialism, despotism, exploitation and religious hypocrisy, looking to the revolutionary struggles of the 20th century (in Russia, China, Cuba and Palestine.) Like Shariati's, their theory fused elements of Marxist economics with Islam, arguing that '*organic unity*' existed between them: '*Islam and Marxism teach the same lessons, for they fight against injustice*' (Mojahedin Organisation, 1975: 11).

By using Shariati's work an organisation like PMOI represented a significant development in the fundamentalist overview of Islam in the modern world, bridging the gap between secularist radicalism and traditional Islam. Both Shariati and PMOI marked a significant break for modern Iranian society but maintained the ideology of Islam (although in a different form) as a guiding principle from which they developed their sociological, critical and historical analysis.

3.8 Conclusion

This chapter examined the role of religion in society, in particular Shia Islam in Iran. The major theme of this chapter was to show that religion is an ideology which evolves within the community and responds to changes that occur, both at local and global level. In the case of Iran, the religious establishment, although itself a pre-capitalist phenomena, continued to survive under modern capitalism. I have argued throughout that this was because of the ability of religious ideology to respond to economic and political changes which took place. I showed this by looking at major events in Iran in the 20th century – notably, the 1905-1911 Constitutional

Revolution, the nationalist movement of the 1950s and the rapid modernisation of the 1970s.

The second proposition of this chapter was that the responses of Shia Islam have been varied in terms of style and form of expression. I argued that this was because of the nature of capitalist development i.e. uneven and combined development. The changing conditions ushered in by the impact of the west in the 18th century provided Shia Islam with new challenges: these changes sometimes came from within, such as the *Akhbari* school, or from outside e.g. the ideological challenge of Marxism in the 1960s and 1970s (this will be developed further in the next chapter). There was continued interaction of different styles within Shia Islam, ranging from radical adhering to fundamentals and conservative adhering to fundamentals but, despite the continued use of traditional religious texts, adapting in the form of new interpretations became the dominant mode of Shia Islam in order to survive under new conditions.

Contrary to the view that Islam may decline as modernisation takes place, I have demonstrated ways in which Shia Islam in Iran was able to continue its influence in society. During the rapid modernisation of the 1970s Islam was by no means a dying force. The rapidly changing conditions provided the context in which reaffirmation of Islam occurred in a variety of ways, ranging from the views of Khomeinie and Shariatmadari, to that of Shariati and PMOI. The next chapter will illustrate further the growth of varying styles within Shia Islam, by concentrating on different interpretations by major thinkers as they responded to the changed conditions of modernisation.

Shia Islam and Modernisation

4.1 Introduction

In the previous chapter I assessed the history of Islam – in particular that of the Shia branch, relating it to the role of the state, social classes and social movements in 20th century Iran. I showed that religion is a social phenomenon which evolves as society undergoes change. The basic tenets of Shi'ism remained the same but economic and political transformation has led to diversity: the ideology of Shia Islam has not assumed a uniform style but has, rather, presented itself in different forms. These have developed through a process of interaction between ideology and discourse, according to specific local and global conditions.

This chapter continues to analyse the process of continuity and change at work within Shia Islam and concentrates on the themes directly related to an understanding of Shia Islam and modernisation. I begin by assessing the debate on Islam, Orientalism and Modernisation Theory. Contrary to the theses that Islam is either a static force, or that it is declining in the modern world, Shi'ism in Iran has continued to survive. This was because of the response by the Shia thinkers who concerned themselves with the transformation occurring within Iran and in the world. The discourse between the *Akhbari* and *Usuli* schools is analysed to show the theological development which occurred within Shi'ism. The triumph of the *Usuli* school allowed the Shia *ulama* in Iran to extrapolate and interpret according to religious principles, which gave them considerable freedom to respond to 19th and 20th century developments. This was important as it enabled the *ulama* to involve themselves politically in the context of the imperialist domination of Iran. The later emergence of the modern state, and the development of the oil industry, including the rise of nationalism in the 1950s, forced the Shia thinkers to articulate their views on these changes. Despite differences in their presentation of the state and society, Shia thinkers all continued to rely on Islam as a means to legitimise their views.

This chapter will show that uneven development of capitalism was the main reason for the diverse response from Shia thinkers, clerical and non-clerical, which enabled Shia Islam as an ideology to continue to survive. The transformation of Iranian society, especially in the 1960s, intensified these debates over issues of modernisation. I examine the views on the state and modern society developed in the thought of two influential Iranian Shia scholars – that of Ayatollah Khomeinie, leader of the 1979 revolution, and Ali Shariati, an influential non-clerical sociologist. These two scholars had differences in their views on Islam, but both were able to make a bridge between Shia Islam and the modern world, in order to maintain the influence of Islam at a time of great economic and social change. Khomeinie's view on the concept of government by those learned in jurisprudence, was an important part of his theoretical development of the Shia explanation of the state and society in the modern world. In his writing Khomeinie argued that God's

law was not limited to the 200 years during which the *Imams* were alive but also had to be imposed in the absence of the Twelfth Imam. His views were widely debated and influenced a layer of Shia thinkers in the 1960s and 1970s. Shariati's role was equally important in the context of the modernisation which took place in Iran, as his influence among the new generation showed an important attempt to keep step with the socio-economic transformation in Iran. His radical theory developed as a mixture of Third Worldism, Marxism and Islam, and aimed to challenge both secular arguments and the political quietism of the conservative clergy. Both Khomeinie and Shariati rejected western modernisation and believed Shia Islam could provide a better solution than the present system in Iran and the world.

4.2 Islam, Orientalism and Modernisation

Said argues that the Orientalist thesis is a set of generalisations, structures, relationships and texts which together make up a discourse which defines the Orient from the western point of view (Said, 1987). It makes certain assumptions, namely that the Orient fails to meet western standards of rationality, development and civilisation. This leads to generalised abstractions, concerning the supposedly inferior ways of the Orient, whilst the study itself is presented as scientific and objective. Said traces the development of Orientalism to the rise of European colonialism and notes that it came to justify the domination of what were obviously different societies. The Orientalist view of Islamic society perceives it as sterile and reactionary. Islam is described as being opposed to modernisation which is seen as being contrary to its religious ideology (Kienan, 1969). It is believed that Islam stands for a medieval legal and social order and as regards international relations, Islam is simply not concerned with the modern state and modern political and cultural diversity; instead Islamic leaders are portrayed as wishing to revive the early community of *umma* as the primary political unit.

Islam, in particular Islamic fundamentalism, is usually considered as being deeply affected by a view of traditional Islam which supposedly wants a return to the old ages, opposes western ideas and modern beliefs, and desires an Islamic community based on the *Sharia* law which relates to all aspects of life. For example the idea of the *umma* – which predates that of the nation state – is one of the fundamentals of Islam projecting the concept of an Islamic community, embracing all Moslems. In the modern world this is paradoxical as the world is divided by national boundaries with each nation state deciding about its own affairs within the context of an internationalised world economy (Holt, Lambton and Lewis, 1988).

The term 'fundamentalism' is very often used as synonymous for radicalism, extremism, fanaticism or traditionalism. Some even go further to argue that these features are inherent to the Eastern world and that the Moslem world is static, irrational, and backward. The term 'fundamentalism' however, may mean strictly following orthodox beliefs; for example, it has been used to refer to that belief in Protestantism which literally interprets the Bible. This does not exactly match any Arabic or *Farsi* word but often refers to the practice of certain 'fundamentals' which Moslems must practice. The difficulty is that for all Moslems the *Koran* is indisputably the word of God (and not to be questioned) whereas only 'fundamentalist' Protestants take such a literal view of the Bible: logically this means that all Moslems are fundamentalist.

Islam is sometimes seen as a static religion, suggesting that Islam has retarded the process of development. It is believed that Islamic tradition is anachronistic, incompatible with modernisation (Halpern, 1963). Such a view often has its root in the Orientalist thesis of those who look to the emergence of a Shia Islamic-based government in Iran as proof of the innate character of Eastern societies. This kind of analysis has not disappeared, as is shown by the over-simplistic analyses which equate the Islamic regime in Iran with a return to the values of 7th century Mecca. It has been argued, for instance, that the emergence of such a regime is a major threat to '*western civilisation*' (Laffin, 1979: 170).

The 1979 revolution and the establishment of the Islamic Republic has similarly issued a challenge to the modernisation theorists' position that economic reform and modernisation will be accompanied by secularisation, and that urbanisation will lead to the strengthening of modern rather than traditional class forces in society. The modernisation thesis is based on an assumption of universal progress i.e. that all societies are moving towards the same point and, as such, implies that western societies are the vanguard.

With the development of industrialisation in the 19th century, western sociologists tried to come to terms with a rapidly changing world. Faced with the contradiction between the model of the developed west and the backwardness of the Third World, a common response has been some form of modernisation theory. Modernisation therefore is defined according to what is 'up-to-date' in a given society at any given time. This usually comes out of a process of westernisation, encompassing economic, political, social and cultural changes which contrast with the previously existing stability (Harrison, 1988). Modernisation theories usually relate to an economic and socio-political system based on industrialisation, secularisation, a western-style legal system, urbanisation, modern communication, political democracy and integration into the world culture. This could be influenced by the media, leading to certain behaviour such as a more cosmopolitan outlook.

Modernisation theories have been modified by the reality post-war of the colonies' increased demands for national independence and economic development. As with the modernists of the 19th century, the fact that western societies experienced economic growth and prosperity is seen to arise from their rational, scientifically-based system. Therefore the less developed countries have to emulate this by incorporating western technology to ensure a rise in the standard of living, a more complex urban-centred organisational structure and a change from the implied 'backward' values of predominantly rural societies (Huntington and Nelson, 1976). Later the modernisation theorists added the concept of a (western-educated) military elite as a new middle class able to bring modernisation to the society.

In the face of socio-economic change, later modernisation theorists modified their view arguing that traditional societies should not be treated as homogenous: modernisation does not necessarily imply westernisation, and should not assume a static tradition in LDCs. This view is one that allows for continuity and change in the LDCs, as the path for economic and political development is no longer seen as a reflection of that which occurred in west. Although there are influences from the west upon these societies, there are also continuities in the pre-capitalist social, economic and political structure. Both Orientalist and modernisation theories centre on the internal structure of LDCs and explain economic stagnation in terms

of religious values. They appear to give no attention to the peculiarities of the Islamic societies' world situation. The internalist model, whether Orientalist or modernisation, assumes that it is possible to write the history of development without a theory of the global impact of capitalism, particularly imperialism and its relation to the LDCs.

The development of capitalism in the Moslem world needs to be examined on its historical and political merits and cannot be taken in isolation from its history and links to the rest of the world. External factors such as imperialist rivalry and domination of the region have had an enormous impact on the political shape of Iran. It is also important to take into account related internal aspects such as culture, customs and class differences, into which traditional practices, including religion, have had to be incorporated in order to survive. As I have argued in chapters 1 and 2, every society develops according to its individual social and cultural forms, and there is no reason why they should evolve through the same stages. It is therefore mistaken to expect LDCs to follow the same pattern of development as that of western European development. The impact of capitalism on the LDCs has been experienced in the form of combined and uneven development: they have adapted to modern industrial capitalism by developing industries, bourgeoisie and working class, yet parts of the country and people's lives have not changed as a result. In such circumstances religion continued to respond to both grievances and modern changes. As a result there is interaction between ideology and discourse in its response to economic and political change.

It is in this context of changes in the modern world that some Islamic writers attack the role of capitalism, imperialism and the 'socialism' of the ex-Soviet bloc. They instead argue for a society which is neither capitalist nor socialist but an Islamic economic and political system. They suggest as much when they argue that a state based on Islamic ideology, such as that of Iran, does not have to overtly relate to either of the bipolar terms we are accustomed to – capitalism or socialism. They point to the influence of Iran throughout the Moslem world presenting a third way which is uniquely Islamic and rejects the corruption of capitalism and the atheism of socialism.¹

Rodinson challenges both the internalist view and those who advocate the theory of the third way. He believes there is nothing inherently anti-capitalist about Islam, as it actually developed in a commercial setting. This is illustrated by the language of the *Koran*, concerned as it is with the rights of private property, commerce and wage labour. For Rodinson, Islam is able to adapt itself to existing conditions: early Islam was able to unite various tribes and build commercial centres. According to Rodinson, Islam has not been a barrier to the development of capitalism: on the contrary, Islamic societies are even able to catch up with the west, whilst capitalism under Islam is just as ruthless and exploitative as any other capitalism. For Rodinson then, Islam is an ideology with political significance. Its form depends on the specific impact of local class and social forces and how they have been mediated by the international dimension. It is not a third way: the choice for Rodinson is either capitalism or socialism (Rodinson, 1977: 233).

My own view is that the role and influence of the religious establishment in the process of modernisation, albeit uneven, has been presented in different forms and style in Iran. This is because Islamic thinkers, whether members of the clergy or not, could not ignore the impact which global capitalism was having on the

economy and society of Iran. This in fact has been an essential part of the evolution of the Islamic community i.e. its relation to the local classes and social forces has determined its form in the society. Throughout its history Islam has met the challenge of social and historical changes, responding with the development of certain themes which has provided the foundation for continuity in the Islamic world. These themes have been presented in different ways and the challenge of change has been met by different styles of the Islamic experience. For example the *ulama's* involvement in the Constitutional Revolution of 1905-1911 saw them expressing different views, many supporting the movement for change and some rejecting it. Another example is the *ulama's* changing view on the concept of a republic. Whilst they rejected Reza Shah's attempt to make Iran a republic, believing it to be a western secular concept, seventy years later the clergy established an Islamic Republic. The *ulama* have not always rejected the modernisation programme. The active Islamic movement or so-called 'fundamentalism' has been involved on the broad stage of modern world history. They have facilitated the interaction of the Islamic tradition with the ideas and institutions of modern society. The development of major theoretical propositions pertaining to the role of Islam, the state and society in the 20th century by scholars such as Ayatollah Khomeinie and Ali Shariati shows change can be incorporated into Shia Islam. Although the forms and style of their propositions may differ, all such writers have maintained a continuity that bridges the gap between traditional pre-modern time and the modern period. The vitality of any ideology including Shia Islam lies in its ability to develop certain themes to meet the challenge of the modern world, at the same time retaining its vital link to the *Koran* and religious traditions. These themes have sometimes developed from within as with the emergence of the *Usuli* and *Akhbari* schools.

4.3 Akhbari and Usuli Schools

The major division between the Shia and Sunni in Islam is over the issue of the nature of the *umma* and the full meaning of Mohammed's revelations. The Shia tradition developed an alternative philosophy which arose from that divergent experience. In the early period of Islam, Shi'ism presented a basis for opposition to the emerging establishment, and revolutionary movements such as the *Abbasids*. By the 10th century, Shi'ism was strengthening as the imperial system began to crumble and the period saw the creation of a successful Shia movement such as the *Fatimids* Empire. The establishment of the system of Sultans under the Ottoman empire reasserted Sunni dominance in the Islamic world (Lapidus, 1989).

The Shia branch of Islam is significantly different to the Sunni on a number of basic issues, particularly in terms of the question of leadership of the community. The Shia's position stresses the idea of the *imamat*, which has implications for their position on the nature of God, the *Koran*, Mohammed's role as prophet and the nature of community itself. The Shia believed that Mohammed, before his death, designated Ali as his successor and they deny the validity of the first three *caliphs*. The necessity to follow Ali as a leader relates to an interpretation of the nature of the revelation in the *Koran*: It is argued, that this is in two ways, the literal reading of the *Koran* and an internal meaning which can be understood only by the designated *imam*, or leader. Therefore the community requires an *imam* in order to

explain fully the word of God. God is believed to have designated an *imam* for each specific period. The *imams* have been descendants of Ali and Fatima (Mohammed's daughter). There is diversity between Shia schools because different branches identify specific *imams*. The majority follow the line of twelve, the last of which (the twelfth *imam*), went into hiding leaving a spiritual vacuum from which he will one day return to lead the community as a messianic guide or *Mahdi* (Tabatabai, 1977).

The followers of the twelfth *imam*, or twelvers, are the most widespread form of Shia Islam in the modern world. This is mainly as a result of its adoption by the Safavid state in Iran during the 16th century. By the time of the Safavids the *ulama* had codified the Traditions of the Prophet and sayings of the *imams* to use as a source of authentic guidance. In the area of political theory and community guidance, the twelvers believe that since the true and legitimate ruler is the *imam*, any other government is only a temporary expedient until the return of the *imam*. The *ulama* believed that in the absence of the twelfth *imam* only his representative – those religious teachers whose knowledge and piety give them the ability of independent judgement in matters of faith – should rule (Momen, 1985).

By the end of the 18th century an independent group of Shia *ulama* had emerged and their independent judgement was accepted by the majority of the population. This was in the wake of the collapse of the *Safavid* dynasty and invasion of Iran by Sunni Afghans, all of which posed a major threat to the social position of the *ulama*. A growing number of Shia *ulama* advocated the doctrine that all Shia should be guided by leading religious scholars, or *Mojtaheds*. The term *mojtahed* derives from the notion of *ijtihad*, an independent judgement. Twelvers must obey the decrees of a particular *mojtahed*. This is based on the belief that *mojtaheds* are deputising for the hidden *imam* until his return from occultation. The Shia twelvers accepted the idea that believers should be followers of a particular *mojtahed*. The Shia *mojtaheds* have been able to exercise judgement with authority more freely than the Sunni *ulama*. In addition, the idea of a *Marja-e Taqlid*, source of imitation, evolved in the early 19th century, as someone to whom even other *mojtaheds* should defer. A *Marja-e Taqlid* is a religious scholar renowned for his writings as well as his piety. He emerged by virtue of a consensus amongst the high ranking Shia *ulama*.

The evolution of *Marja-e Taqlid* followed the emergence of the two major schools of Shia thought, the *Akhbari* and *Usuli*. The followers of *Akhbari*, emerged as a type of Shia fundamentalism, i.e. looked to the *Koran* and *Hadith*, and the *imams* as providing enough guidance for the community. The function of the *ulama* should be searching through the religious sources to find solutions to contemporary problems. The *Akhbari* believed there was no need for independent judgement and religious experts were not allowed to make their own judgements until the day of the Hidden *Imam's* return. They believed that any form of government was illegitimate in usurping the role of the Twelfth *Imam*. The *Usuli* school, on the other hand, believed that it was wrong to have no religious guidance during the long period until God deemed the Hidden *Imam* should return. Therefore they promoted the role of *Mojtaheds* qualified to give authoritative opinions in the meantime (Lapidus, 1989: 301). The *Usuli* school recognised that it is possible that there might be a variety of interpretations among the *mojtaheds* as a result of changing conditions or different points of view.

The political implications of the development of *Usuli* school in modern Iranian history was very significant. Because the message of Islam covers all area of life, the

political guidance of the *mojtahed* is as binding as his social and doctrinal guidance. This put even the monarch, at least in theory, on the same level as his subjects in submission to the authoritative guidance of *mojtaheds*. In effect this made, 'the state the executive branch of *ulama* authority' (Algar, 1972: 235).

The victory of the *Usuli* school was helped by the messianic strand within Shia Islam and opened the way for the Shia *mojtahed* to interpret Islam; it gave *mojtaheds* enough power to judge independently over matters of law and reason. In addition to this there was the emergence of those Shia *ulama* who became known as Ayatollahs – literally the sign of God, during the 20th century (Keddie, 1972: 220).

Before the emergence of the *Usuli* school the Shia believed that in the absence of the Hidden *Imam* all governments were unjust and usurpatory and therefore the Shia *ulama* refused to legitimise even an Islamic state during the *Imam's* occultation, although in practice they did little to oppose them. With the development of the *Usuli* school, an avenue was opened for the active involvement of the *ulama* in politics and *mojtaheds* were now able to govern because of their religious scholarship.

The *Usuli* school allowed Shia *mojtahed* the room for manoeuvre to interpret religion as they required. They emphasised the link between Islam and modern world which had already had a major impact on Iranian society. The impact of the west on Iran in the 19th century was already noticeable and this gave an impetus for greater social involvement by practitioners of the *Usuli* school, as they raised their voices against imperialism and western intervention in the country. The leadership and judgement of *mojtaheds* on issues such as imperialism, the rise of the modern state, constitutional reforms, democracy, bureaucracy and economy became vital. Islam, in this case Shia Islam, continued to survive only by adapting to the changes in the socio-economic conditions, arising from both the domestic and the international situation.

4.4 Shia Islam, State and Nation

The modern nation state usually refers to the development of political unity, extension of communications, the establishment of an exchange economy – with markets and a single acceptable currency, standardisation of law and language and the development of a bureaucracy and army to defend its boundaries from external forces. This is tied to the idea of sovereignty of the people as a nation, with the state as a representative of all its citizens under the constitution.²

In the political history of Iran the clergy has always been uneasy about the concept of the modern state and nation (see chapter 3). Shia scholars have responded in diverse fashion – both in style and form – to developments such as the modern nation state. Shia thinkers' reactions have varied: either rejecting them as purely western phenomena, presenting them as anti-Islamic ideology or a combination of both these approaches. Yet the development of a modern state, system of law and order, and capitalist economy in a country like Iran has given the clergy little choice except to adapt to it (Akhavi, 1980). The *ulama* have never been against law and order as many Shia accepted the role and authority of the state, arguing that strong state machinery is necessary in order to prevent chaos:

Without the formation of a government and the establishment of

executive and administrative organs to ensure that through enactment of the law, all activities of the individual take place in the framework of a just system, chaos and anarchy will prevail and social, intellectual, and moral corruption will arise (Khomeinie, 1981: 42).

The *ulama* have accepted and worked politically with past rulers whether the state has been in the form of a dynastic or modern nation state. It is possible to find evidence for the *ulama's* conciliatory view before the development of the modern state. For example during the the period of western imperialist domination of Iran, members of the *ulama* such as Afghani and Naini argued that there could be no Islamic unity without reform and independence from western colonialism. Afghani believed that the ultimate aim was Islamic unity, but the most important immediate goal for him was the fight against imperialism. During the Tobacco Movement and the Constitutional Revolution the *ulama* had to present themselves as upholding the integrity of the nation state against imperialism and the Shah (Martin, 1989). When they deemed it necessary, religious figures built a bridge between the local and global modern developments and Islam. The interpretive freedom given to the *mojtahed* after the development of the *Usuli* school was important in developing the ability of the *ulama* to adapt.

The context in which the Shia thinkers have had to respond during both the 19th and 20th centuries was one of the expansion and increased influence of modern capitalism i.e. the new western ideas and techniques were seen as being in competition with the Islamic ideas. The Shia thinkers did not want to adapt totally as this would have meant surrender to imperialism. With the rapid economic and political changes occurring at the end of the 19th and the beginning of the 20th century many Shia thinkers came to adapt their ideas, not losing sight of Islam. Western powers and growth of the modern ideas and institutions were stronger than those already existing in Iran. Efforts were made to redefine Islam in order to meet these challenges. For example, radical reformers or nationalists sometimes looked to Islam to strengthen its ideas. As result of this, diversity emerged within Shi'ism.

Two of the most important Shia figures in the late 20th century were Afghani and Naini. They recognised the threat from imperialist powers and believed that there could be no Islamic unity without reform and independence from western colonialism. Although Afghani believed that the ultimate aim was Islamic unity, the most important goal for him was to rid Moslems of imperialism: thus for him religious unity was less important than national unity. The *ulama* had to present themselves as upholding the integrity of the nation state against the Shah's follies during this period.

The west had a major impact on the thinking of Iranian clergy on issues such as the constitution and an elected assembly. The majority of the *ulama* accepted the role and importance of institutions such as parliament, believing that through the constitutional assembly they could voice the ideas of Islam. This allowed them to reconcile the themes of Shia political theory with the existing reality (Algar, 1972). There were opposing views in the development of Islam in Iran during the Constitutional movement. Some of the *ulama*, such as Ayatollah Nuri, opposed the adaptionalist approach of the majority of the *ulama* and regarded the Constitutional Revolution as a western phenomena (see chapter 3).

The development of the modern state and institutions in the 1920s and 1930s,

was an indication of the changes occurring at both local and global levels. In the period of western intervention and economic and political instability, it was accepted by many sections of the society that the development of the modern state would be beneficial. Reza Shah's rise to power was supported by the clergy (and their social base in the *bazaar*) who sent a message thanking the Shah for saving the 'Islamic Empire of Iran' and challenging anarchism in the country (Abrahamian, 1982: 131). Without the clergy's support and in particular that of the middle class, Reza Shah's modern state may have faced difficulties (Akhavi, 1981). With the development of Reza Shah's modern state a new secular educational system was built, and the new secular legal system supplanted traditional Islamic law, except with respect to family law. These reforms stripped the *ulama* of many of their most important social roles. The role of *mullahs* during this period was substantially reduced, but the *ulama* could do very little to prevent it. The clergy became antagonistic to the Shah's reforms but could do very little once Reza Shah had consolidated his power: they ended up either by co-operating with his rule or by staying away from politics altogether. Meanwhile Reza Shah continued with his reforms (Al-Ahmad, 1981).

The evolution of nationalism and increasing importance of the state in the society were the major developments in Iran in the 1940s and 1950s. The two were linked and the independence of the nation state became a goal for many intellectuals and political activists. Religious activists had to combine the Islamic concept of *umma* with the competing interests of the nation and the state. The idea of the *umma* sometimes has had to compete with and sometimes complemented the idea of nation and the state. With the increasing breakdown of traditional society, and the growth of nationalism, anti-imperialism and the *Tudeh* party, the pressure to re-affirm Islam through presenting it in a different form and style became overwhelming. Secular reformers also grew in importance at this time, including the *Tudeh* who began to influence Iranian society. Many secular reformers, such as Ahmad Kasravi, accused the clergy and popular religious practices of being the main block to progress in Iran. Kasravi stressed that his ideological presentation was a continuation rather than rejection of Islam (Abrahamian, 1988).

In post-WWII society, nationalism emerged as a powerful force throughout the Moslem world. The call for the nationalisation of Iran's oil by the liberal nationalists and the growth of the *Tudeh* Party presented a new challenge to the *ulama*. Many of them, such as Burujerdi intended to keep away from political involvement, but found that internal pressures forced them to get involved in the movement. Amongst the *ulama* Kashani emerged as the most active. He became the speaker of parliament in 1952 and built substantial support through his anti-imperialism and his support for the nationalisation of oil.

The acceleration in the development of modern ideas through education merely served to accentuate the relative backwardness of vast areas of the country in the eyes of the intelligentsia. Some Islamic theorists too began to redefine their ideas and challenged the belief that Islam could not respond to the modernised world. They looked for ways to further development within the nation state, comparing Iran to western systems of economy, politics and so on, which many of them had not even experienced at first hand. If this involved a critique of the west, it was based more on political grounds i.e. that Iran had suffered past domination under imperialist influence, rather than outright rejection of new technology and

development. Some of them, like Al-Ahmad (1923-69) clearly laid the blame for Iran's backwardness and failure to industrialise on imperialism. He then attacked the intellectuals for orienting themselves around the western model and turning their back on Islam.³ He advocated unity between the intellectuals and the *ulama* thus: '*Wherever the clergy and intellectuals have moved shoulder to shoulder, they have a better impact upon the social struggle*' (Al-Ahmad, 1981: 271).

Al-Ahmad's view was a combination of Third Worldism, nationalism and anti-imperialism and this was a common trend amongst Iranian intellectuals and politically active clergy, including Khomeinie. The latter attempted to reaffirm Islam in the context of the political movements of the post-war world. They accused the regime of being corrupt and dependent upon imperialism. These ideas fitted with nationalist and anti-imperialist movements at the time and the rise in class struggle in the 1940s, 1950s and the beginning of the 1960s.

In the the 1960s and 1970s Shia Islam entered a new arena in which it reaffirmed itself by combining elements of continuity with its past with changes relating to the modern world. The modernisation of Iran in the 1960s and 1970s did not lead to the decline of religion in the society, for example, religious centres and publications increased. More than 5000 new mosques were built in Iran between 1970-1978; the number of pilgrimages to the holy city of Mashhad increased from less than 500,000 in 1970 to over 10m in 1978. The number of people who went to Mecca also increased from around 8,000 in 1968 to 55,000 in 1978. Despite the oppressive measures taken by the regime the publication of religious literature became more easy to obtain through the religious channels of communication (Taheri, 1991).

The society moved away from its traditional pre-capitalism but even under modern capitalism despite expectations to the contrary the modernisation of education actually led many students to re-affirm their religious faith and its relevance to all aspects of life. This new generation of religious reformers such as Mojahedin *Khalaq* or People's Mojahedin Organisation of Iran (PMOI), were mainly organised amongst students, and attempted to bridge the gap between past and present through religion. PMOI and others such as Ayatollahs Montazeri⁴ and Motahari,⁵ as well as Ali Shariati confronted Marxist ideas in order to put forward the strength of Islam to deal with modern social and political issues.

4.4.1 The Ulama's Vision of State and Society

In the Post-war world the *ulama's* response to the changes in state and society varied. The repressive and autocratic nature of Mohammed Reza Shah's regime put the *ulama* in a difficult position. Many continued to follow Burjerdi's lead by staying away from politics but some, like Khomeinie, began to challenge the state and its modernisation. Economic and social changes occurring in Iran were profound in the 1970s. The oil wealth not only shaped the character of the state – which became a rentier state receiving the huge income from oil – but also had social and political implications (see chapter 2). The oil-led modernisation produced imbalance in the society i.e. concentration of productive forces in a few cities and most of the wealth concentrated in the hands of a few. The process of modernisation had not solved the problems of the majority of the Iranian people. Furthermore the traditional social forces such as religion continued to have influence in the society. The

transformation in the society could not be ignored by the Shia thinkers as they attempted to present Islam in a different form to suit the context of the 1970s.

The *ulama* were divided into three groups, which either co-operated with the regime, stayed quiet or advocated a radical form of Islam. Khomeinie, the most important figure in the latter group, who emerged as the prominent figure in the 1979 Revolution, began to develop his ideas on the state and society in his lectures on Islamic government (Khomeinie, 1981). He based his argument on an examination of the traditions and sayings attributed to the Prophet and the *imams*, relating them to the modern world. Aware of the importance of the changes taking place in the country Khomeinie advocated activity on the part of his followers, and that Islam should be presented:

properly to the people, the religious teaching and institutions must be improved. The syllabus and methods of propagation must be improved; apathy, laziness, despair, and lack of self-confidence must be replaced by endeavour hope and self confidence ... We must therefore strive to reform, intellectually and morally, the members of the religious institutions (Khomeinie, 1981: 136).

Khomeinie then attacked the Shah, for his characterisation of Islam as reactionary. He argued that Islam had been mis-represented and condemned the Shah for reducing Islam to the sidelines of ritual life. Rather, he saw Islam's relevance to contemporary society:

Islam is the religion of militant individuals who are committed to truth and justice. It is the religion of those who desire freedom and independence. It is the school of those who struggle against imperialism (Khomeinie, 1981: 28).

He argued vigorously that Islam is not against modernisation but against imperialism and western powers. The latter, he went on, had installed a puppet government to 'prevent us from industrialising' (Khomeinie, 1981: 39). He believed that both 'east' and 'west' had been conspiring against Iran for centuries and could not be trusted; only Islam could provide humanity with a better life (Khomeinie, 1985, 1986). Khomeinie thus wished to argue that his Islam was very different to that projected by some others. He separated himself from the traditional conservative clergy whose desire was to pursue purely religious matters rather than involve themselves in politics. He urged the clergy:

You must address yourselves to the university people in particular, the educated class. The students have had their eyes opened. I assure you that if you present Islam and Islamic government to the university students accurately, they will welcome it and accept it (Khomeinie, 1981: 129).

This appeal to the intelligentsia was aimed at those sections who were being influenced by communist ideas in the fight against the Shah's regime and was intended to show that Islam could accommodate itself to the scientific way of life. Motahari as the head of theology at Tehran University in the 1970s was in direct contact with the younger generation, and criticised the clergy for their lack of scholarly work:

We haven't written enough books in the various fields of Islam in everyday language. If we had given them pure enough water people would not have turned to polluted water (Motahari, n.d: 92).

Both Khomeinie and Motahari, concerned about the decline of Islam in the modern world, argued that Islam is capable of responding to the changes that were emerging in Iran. Khomeinie believed that: *'the educated class – university students and also many students of religious teaching – have failed to understand Islam correctly'* (Khomeinie, 1981: 28). Motahari followed a similar theme when he said: *'Iranian intellectuals should not have illusions that because religion does not play any role in Europe ... its religious role has ended in Iran'* (Motahari, n.d: 83).

In order to widen his appeal, Khomeinie combined religion, nationalism and anti-imperialism. Imperialism was a blanket-term used to equate everything bad with perceived western values. For example, he saw modernisation in the society *'as dependent upon women's going naked in the street'* (Khomeinie, 1981: 171). During the revolution Khomeinie continued this theme trying to appease the legitimate fears of modern-educated women that an Islamic government would forcibly veil them. He denounced such speculation as anti-revolutionary, arguing rather that Islam was *'progressive'* in its ideas towards women and national minorities⁶, and that:

all the claims made by the traitors concerning Islam – concerning the rights of women and the religious minorities ... are nothing but cheap lies and poisonous propaganda trumpeted over the Shah's propaganda loudspeakers at home and abroad in order to confuse people and in the hope of arresting or defeating our movement. (Khomeinie, 1981: 236).

Shia thinkers presented a role model for women which allowed for an active role in society, although different to that of men. For example, Fatima, one of Mohammed's daughters who was married to Ali, was presented as an ideal woman – as was Zeinab, the daughter of Ali and Fatima.⁷

The same theme of anti-imperialist sentiment was used when Khomeinie talked about the nation, its wealth and people. In his writings, Khomeinie often used concepts such as *'melat'* (people) and *'keshvar'* (nation):

We say this. These people who are sitting around this table and plundering this place which is called Iran have come from different countries and plundered its resources; they leave our people starving. We say we have a country which has oil and other resources. Our country is a wealthy country – leave this country to us, who do everything this country requires. If we want experts we can bring them ... we will create our own experts... (Khomeinie, 1985: 50)

Such a view contains nationalist sentiments applicable to the modern nation state: the arena in which the people can constitute a political force – even to overthrow the ruler. This argument is only applicable to the characteristics of a modern centralised state for the following reasons: firstly, unity of the people could not fit with the pre-capitalist state where tribal rule left large areas virtually autonomous; secondly, to reclaim Iran's resources holds strong nationalist appeal, since the main source of state revenue and foreign exchange is oil. Furthermore Khomeinie was aware of the importance of the oil income and its relation to the

rentier character of the state (see chapter 2) – as shown by his attack on the state for wasting the natural resources. Khomeinie strengthened his criticisms of the Shah by reference to the *Koran* and traditions of Islam, stressing that true Islamic government is not the same as any other government, even those in existing Islamic countries:

Islamic government is neither tyrannical nor absolute, but constitutional. It is not constitutional in the current sense of the word i.e. based on the approval of law in accordance with the opinion of the majority. It is constitutional in the sense that rulers are subject to a certain set of conditions in governing and administering the country, conditions that are set forth in the noble Koran and the Sunna of the Most Noble Messenger (Khomeinie, 1981: 51).

Khomeinie is saying that the Islamic government is not like any other government whether dictatorship, elected representative or popular republic; for Khomeinie, the criterion for Islamic government is that the divine law is applied by a competent ruler and only the *Velayat-e faqih* can be judged competent to exercise adequate knowledge of the law and justice and hence establish 'a government of universal justice in the world' (Khomeinie, 1981: 62).

Khomeinie and his followers such as Montazeri and Noori believed that this meant priority should be given to the mobilisation of the people by the Islamic ruler as the emergence of such a reign would bring about a just society. This is what all the mainstream Shia writers mean by *the just society* i.e. that Islamic rule inevitably brings justice compared to the unjust society of both past and present. This just society requires institutions to prevent a threat from within and without, which entails maintaining an army and bureaucracy which would be able to safeguard the Islamic state from disturbance. Like Mohammed's community, the modern state needs to defend its law and order in order for Islamic rule to function effectively (Noori:1985).

As the name of the book indicates, in the *Velayat-e Faqih: Hokumate-e Islami*, 1981 (The Jurist's Guardianship: Islamic Government), Khomeinie follows from the *Usuli* school's doctrine and emphasises the role of *fuqaha* as the sovereigns of the Islamic community. They receive this authority directly from God, irrespective of whether or not they are actually allowed to exercise it, as they may be prevented by tyrannical rule. Secular rulers are deemed unsuitable to implement Islamic laws which require submission to *fuqaha*. According to Khomeinie, although an individual *faqih* has no absolute authority over other *fuqaha*, the one who is the most learned can become the acclaimed leader of the community. For him, the Islamic principle of *Aql* (reason) justifies the rule of *fuqaha* based on the fact that the Prophet told his followers to teach his ways to the people, something which is the duty of the clergy. Thus he refers to the clergy as the trustees or heirs of the Prophet.

Khomeinie aimed to establish an Islamic regime based on the *Koran* and the Shia traditions, run by the *ulama*. Khomeinie believed that religion should play a political role in guiding the people, something which would embrace control of the state in particular in the fields of education and bureaucracy. He focuses on traditional practices to support this i.e. that the Prophet and *Imams* were at the forefront of their communities acting as the ruling authority in the government. The

right to be in the Islamic government falls to those who have the most complete knowledge of the *Sharia* law and show justice in applying this law. The Shia *ulama* have the mandate to do this because the Twelfth Imam is still in hiding, therefore instead of anarchy or usurpatory government there should be a just *faqih*.

In Khomeinie's theory there is a continuity from the Twelfth *Imam* to the present time, when he argues firstly, that rule should be by Islamic government and secondly, that sovereignty accrues only to *fuqaha* rather than specific family members such as the king. That *fuqaha* are entitled to sovereignty is a re-affirmation of the Shia tradition, as he suggests that the sovereign ruler should be selected from amongst the clerical leaders.

Both Noori and Khomeinie emphasise the continuity of the functions of the modern state as practised under the previous regime of the Shah, except that under an Islamic regime the clergy should exercise overall control. Khomeinie accepted that in order for the economy of this state to function, it would require a continued high revenue; he used religious texts to advocate collecting religious taxes to fund the government's large expenditure on public services relating to health, education, defence and economic development. He is clear that religious revenues should be administered by the state when he says:

Khums is a huge source of income that accrues to the treasury ... it applies equally to the greengrocer with his stall outside this mosque and to the shipping or mining magnate. They must all pay one fifth of their surplus income ... to the Islamic ruler so that it enters the treasury (Khomeinie, 1981: 44-45).

Ayatollah Montazeri agreed with Khomeinie's view on the state, society and bureaucracy. He explicitly stated that Islamic government would be like any other government with an army, parliament, and official ministries. It would be an Islamic state '*which would fit into the current developed world*' (Montazeri, n.d: 63). This theory was an attempt to bridge the gap between the Shia tradition and the modern world and this was taken up by other Shia thinkers such as Mohammed Baqir Sadr⁸ who argued that all the state's involvement in the modern society may not be covered by Islamic law:

In the legislative sphere, the state will intervene to fill the gaps left by the Islamic enactment of laws according to changing circumstances. This will guarantee the general aims of the Islamic system and will realise the Islamic picture of social justice ... Islam does not offer its principle of legislative enactment of the laws of economic life fixed, nor a stage by stage system which history passes through.... It is therefore necessary to give this form completeness and comprehensiveness to reflect changes of ages [historical period] with the dynamic element ... the capacity to adapt in accordance with diverse circumstances (Sadr, Vol II, Part II, 1982: 179).

The themes that were developed on the state and society by members of the *ulama* such as Khomeinie, Montazeri, Motahari, Noori and Sadr closely incorporated the traditions of Shia Islam as well as paying attention to the changed social and economic circumstances. Non-clerical thinkers were also concerned in their discussions and writings to elaborate their own version of Islam. Among them,

Shariati, Bazargan⁹ and PMOI actively tried to present an Islamic vision for the future by relating it to the current local and global conditions.

4.4.2 Non-Clergy's Vision of the State and Society

Non-clerical Shia thinkers, such as Ali Shariati, Mehdi Bazargan and PMOI, like the radical *ulama*, also attempted to reaffirm Islam in the context of the modern world. They also argued that their Islam was the literal truth of the *Koran* and traditions. These groups had their roots in the Freedom Movement of the 1960s, but Shariati and PMOI soon moved away and introduced their own style of Islam. While Shariati and PMOI continued to promote a radical form of Shia Islam, Bazargan's view was more moderate in style.

Bazargan emerged as one of the most important figures during the 1979 revolution and became the first Prime Minister of the Islamic Republic. In his inaugural address he stressed that the new government under the Islamic Republic was democratic because Islam is based on true democracy; and the government does not belong to any particular class (Bazargan, 1983).

Bazargan, Shariati and PMOI used religious figures such as Mohammed, Ali, Hussein and Afghani as a model to present their version of Islam. They attacked those who suggested that Islam and the *Koran* were a static force. PMOI, in particular, argued that: '*For us these texts are not static and dogmatic commands, but rather guides and inspirations for dynamic change and revolutionary action*' (Mojahedin Organisation, 1980: 10).

While Shariati and PMOI tended to emphasise a revolutionary form of Islam, Bazargan generally presented a more moderate style of Islam. He combined the operation of western institutions such as parliament with the Islamic tradition. For example, he emphasised the role of parliament, the people and the political role that religion could play in society. People should decide about their rulers and government, he argued, and conversely an Islamic government was responsible for taking care of matters that concerned the people. The role of the people as sovereign is key to his analysis: '*The participation of the people through a system of council and their self-sovereignty is a well-documented fact in the Koran*' (Bazargan, Vol I, 1983: 73).

Like clerical leaders, Bazargan cited religious texts as a source to back up his argument and wanted to adapt state institutions such as those to do with the law, welfare and security of the country. Bazargan departed from the clergy, however, in his emphasis on the sovereignty of God with less role for the *faqih* to intervene (Bazargan, n.d.:148). He argued even Mohammed was bound by God to follow the wishes of the people who were themselves bound to participate in rule by this democratic process. This is precisely what he regarded as freedom:

If the ruler or the government is to be appointed by God or high-ranking, religious, scientific or political authority and the people are not consulted about the rule of their own country, then the principle of freedom and individual responsibility will be negated and distorted (Bazargan, Vol 3, 1983: 117).

Bazargan believed that Islamic democracy was better suited to Islamic society:

One thousand years before the emergence of the notion of democracy in the west, the government of the people represented by the people was exercised in the days of the Prophet (Bazargan, Vol 3, 1983: 117).

The role of the people was also taken up by Shariati who used a mix of both western and traditional sources and believed that the people have to play an important role in the revolution which could establish an Islamic government. In order to achieve this, he argued that the educated, not just knowledgeable clergy but other enlightened thinkers¹⁰ should be able to lead the people. Their role is to stimulate the mass of the people, raising their consciousness to promote change. Shariati, like Bazargan, places emphasis on the role of people in the society:

The responsibility of leadership lies with those who hail from the people and are elected by the mass of the people... although the rule of the Prophet and the Imams was designed by God, in the period of occultation, rule should be based on reason, designation, election and consensus of the people (Shariati, n.d.: 273).

He warns against over-reliance on the religious knowledge of experts as, according to him, anyone can practice *Ijtihad* which is not just an intellectual matter. In this sense, he goes beyond Khomeinie as he promotes a specifically active role for believers in shaping their society and even in overthrowing tyrannical rule. His argument also goes beyond the borders of one country by calling on all Third World countries to fight against imperialist oppression.

Shariati had this theme of anti-imperialism in common with the clergy (see above). He was influenced by Third Worldism,¹¹ but phrased his anti-imperialism, in contrast to them, in Islamic terms, sometimes presenting it as a third way: '*the middle ground between the two corrupt systems of capitalism and communism*' (Rahnema and Nomani, 1990: 54). In his view, neither west nor east could respond to the problems of humanity in the modern world. Shariati accused the west of having an imperialist attitude to the Third World and stressed the role of Islam in the 1962 Algerian revolution. Shariati presented Islam as dynamic and revolutionary. His ideas of anti-imperialism and anti-capitalism appeared to have borrowed something from Marxism, and he was certainly aware of the influence of Marxism in Third World countries including Iran, especially on the younger generation. He argued that the socio-economic system of Islam is the same as scientific socialism except that Islam is based on faith in God.

Divergence between the thinking of Shariati and Bazargan is apparent in their views on the role of social classes in the society. While Bazargan and clergy such as Khomeinie and Motahari distanced themselves from the argument over classes and society, Shariati and PMOI attempted to take them on. Shariati believed that history is the evolution of human development and the determining factor in this process is God's will. He added the concept of human's ability to consciously act on society and considered the division of society into classes: the two main classes have rival religions, the ruling class use it to legitimate their oppression of the ruled whose sense of right and wrong is expressed through their religion. Shariati believed though that a truly Islamic society could become classless:

The infrastructure of the umma is the economy because 'whoever has worldly life has no spiritual life'. Its social system is based on equity and

justice and ownership by the people ... the society of human equality and thus also of brotherhood – the classless society (Shariati, 1979: 119).

Shariati emphasised the important role of Shia Islam which embraces all parts of life, including the political. Shi'ism inspires true believers to fight oppression and exploitation both at national level and to act against imperialism. Shariati argued that Mohammed's aim was to establish not only the doctrine of one God but also *Tawhid* based on equality in the means of production and the creation of a classless society in the world (Shariati, 1979: 119). The PMOI followed the same themes and argued that Islam under Mohammed was *tawhid* society which could be recreated when all '*oppression and exploitation will end ... an Islamic brotherhood will come about*'.¹²

Like Bazargan and Khomeinie, Shariati believed that the rule of *caliphs* other than Ali was unjust and betrayed Islam. The only Islamic leaders who continued to keep the faith with their religion were the Shia *Imams*. They showed the whole world that not only had they fought against the *caliphs* but stood out against oppression and for social liberation. Although *Imam* Hussein had been defeated and killed at *Karbala* (see chapter 3), his martyrdom had kept the true Islam alive among the oppressed. For Shariati, Hussein's message to believers was to fight against oppression at all times:

[Every] one has responsibility to oppose oppressive absolute rule which determines the fate of humanity, because responsibility is born from awareness and faith, not from power.... Whoever is more aware is more responsible and who is more responsible than Imam Hussain? (Shariati: n.d: 54).

Shariati, like al-Ahmad, attacked conservative elements amongst both the clergy and intellectuals, the former for its cooperation with the ruling class throughout history i.e. retreating to the mosque rather than engaging in an intellectual movement within the society. He also opposed those intellectuals who merely imitated the west and forgot their roots. Shariati, again like Al-Ahmad and Khomeinie, incorporated nationalist sentiment into his version of Islam. He did this when he wrote of '*protecting our values*' and in advocating Islamic principles as something specific to Iranian culture as against the all pervasive westernisation (Shariati, n.d: 273). Shariati asserted that the intellectuals should refrain from all the 'isms' and look for a refuge in their religion. To challenge western cultural imperialism, they should embrace the principle of '*return to the self*' (Shariati, n.d: 132-133). Islamic figures such as Mohammed, Ali and Fatima must be studied and emulated as role model for men and women and the lessons of their lives applied to the contemporary world.

4.5 Conclusion

Iran has experienced dramatic change under the impact of the west and since, in particular during the 1970s. This chapter has discussed the ways in which the Shia thinkers have been forced to relate to changes in socio-economic conditions, presenting itself in a variety of forms. This built on the argument advanced in chapter 3 regarding Islam as an ideology which has to respond to changes within the

community and its relations with the outside world. Orientalism and Modernisation theory do not sufficiently take into account this ability of Shia Islam shown in Iran. I argued that one of the major developments that has occurred within Shi'ism arose out of theological changes in the 18th century. The triumph of the *Usuli* school allowed the Shia clergy to give their ideas on political and social issues. This was important for the *ulama* to be able to give their independent judgement on contemporary issues and helped the *ulama* to relate to the changes occurring both nationally and globally. Furthermore the followers of the faith – were obliged to imitate the *mojtaheds*, and thus follow their interpretations. This was crucial at the beginning of the 20th century, as it enabled the *ulama* to not only maintain their links with the society generally, but specifically to legitimise the role of religion in a rapidly changing country. Islam's potential to political activism was apparent during the Constitutional Revolution, the demands of which many *ulama* supported, and again during the 1950s' nationalisation of oil.

Shia Islam continued to show its validity, through its appearance in different forms, from radical opposition to co-operation with the ruling establishment. On the domestic front rapidly changing socio-economic conditions provided the context for the reaffirmation of Islam, in a variety of forms. This came about as a result of Iran's uneven development with the impact of 20th century capitalism. This chapter focused on the theoretical response of both the *ulama* such as Khomeinie, and important non-clerical thinkers such as Ali Shariati. They combined new ideological developments in the world, such as nationalism, anti-imperialism and Marxism with Islam, and their responses took place in the light of the growth of a radical secularism in Iran, which I discuss in chapter 5. As I have shown, the response of these thinkers took place in the context of the modern world, to the extent that some of them present their ideas as a 'third way', neither capitalism nor socialism. Despite their differences, both groups attempted to reaffirm Islam in the modern world. The work of Khomeinie became the cornerstone shaping the Islamic Republic, in particular the role of *velayat-e faqih* – the rule of jurisprudence (see chapter 6). The theoretical work of Shia thinkers, such as Khomeinie and Shariati, at the same time maintained their links to the tradition of Islam and showed their ability to respond to change. This provided the basis for Islam to become a rallying ideology for the majority of the people involved in the revolution.

The 1979 Revolution – Modernisation and Shia Islam

5.1 Introduction

The aim of this chapter is to investigate the development of the Iranian revolution of 1979, and how Shia Islamic figures were able to assume the leadership. As I have already shown in previous chapters, Shia Islam was able to present diverse forms in response to the modernisation taking place in Iran especially in the 20th century. These arose through interaction between ideology and discourse in relation to the economy and society. In this chapter my concern is to examine continuity and change in the ideology of Shia Islam in the events leading up to the revolution. The fact of the revolution is a measure of the forces of both continuity and change at work in modern Iran: continuity, because the clergy was using religious texts, symbols and the organisation of the mosque in order to assume state power; change, because it used modern themes such as national independence and anti-imperialism in order to win the support of large sections of the society.

The fact that the revolution carried Islamic symbols and ideas may appear to present a return to the ideology and practice of the 7th century, against the modernisation that occurred in the 1960s and 1970s. This has led to contrasting views on the nature of the Iranian revolution. I begin with a review of the major theories and, in the light of this, I analyse the economic and political context in which the revolution developed, concentrating on the state and social forces before the revolution. This is followed by an analysis of the opposition forces prior to the revolution, including the role of the religious leadership which, as events unfolded, emerged as the new rulers of the Islamic Republic.

5.2 The 1979 Iranian Revolution – Contrasting Views

The Iranian revolution in 1979 was one of the most popular and widely based revolutions of the 20th century. Compared with other contemporary uprisings, the Iranian revolution was notable for the role played by Islam. The Iranian revolution took almost everyone by surprise, particularly in the west. Observers ranging from western social scientists to government intelligence sources had been largely united in their belief that the Shah's regime in the 1970s was relatively strong, with opposition forces fragmented. Many scholars believed that there was little possibility even of instability, let alone revolution. They based this analysis on their understanding of improvements in the economic arena (see chapters 1 and 2), the growth of a strong modern state machinery and more political stability compared to the period before WWII. Although, as events unfolded, it was possible for commentators to come to terms with the overthrow of the Shah's regime, very few indeed expected to see religious leaders at the forefront of the movement. The

possibility that religion could head a radical movement in an industrialised country was rarely taken on board. For example, a writer such as Enzensberger could argue that Islam would not release revolutionary energies (Benard & Khalilzad, 1984: 17).¹ As a result of the fact of the Iranian revolution, however, various explanations have developed to explain why and how Shia Islam could play such a role.

There are many different interpretations of the Iranian revolution. It has been referred to as violent upheaval, and destruction by Islamic forces which threatens western civilisation (Laffin, 1979).² Like this, the Orientalist thesis stresses the superficial aspects of the revolution: claiming the Iranian revolution is fundamentally different to modern (post-1789) revolutions because it rejects what they strove for in terms of historical progress, material improvement, national assertion, historical legitimation and democratic sovereignty or peoples' rights³

In contrast to this view, it is argued that the Iranian revolution was an attempt to restore the rightful role of Shi'ite Islam in Iranian society by rejecting the western secular culture and reclaiming a vision of Islamic purity (Algar, 1983). Such commentators believe that the revolution was the direct result of the anti-Islamic nature of the Shah's regime and this view is backed by statements from some of the leading figures. For example, not long after the revolution Khomeinie confirmed that '*The recent religious movement was one hundred percent Islamic and was founded by clerics alone*' (Khomeinie, 1979: 33). The supporters of this view argued that the majority of the Iranian people believed in Shia Islam and demanded the replacement of the secular, pro-American monarchy with rule by true Islam.

This emphasis on religion and its ideology is taken up by others, such as Arjomand who identifies the break-down of traditional values and structures as the cause of the revolution:⁴ during the Shah's modernisation programme, rapid social change led to dislocation and dis-integration. Arjomand gives a special role to Shia Islam, arguing that during the revolution, all of the clergy opposed the Shah's state which was undermining their own position. Thus, under conditions of growing social disintegration the clergy could legitimise its authority moving from the religious to the political sphere and taking hold of power (Arjomand, 1981).

Arjomand highlights the role of ideology as a mobilising force for revolution in Iran and discuss the specifics of Shia symbolism and imagery such as the martyrdom of Hussein, the third Imam. Hodgkin too has argued that Shi'ite ideology made the revolution because of its '*authentic, ancient, but also living revolutionary tradition in Islam*' (Hodgkin, 1980).

Whilst there is no doubt that Shia Islam was an important factor in the Iranian revolution, it is inaccurate to elevate the role of religion to that of the prime mover in the revolution. Most religions (including Shia Islam) act not as mere opium nor as a revolutionary fighter against injustice, but are rather changing ideologies which sometimes serve to strengthen, and at other times to weaken, the established order. The religious institutions have never carried fixed ideas; there have always been conflicting views on religion itself as well as on political, economic and social matters. Religion in Iran has been one part of the wider culture, of which the monarch was another and religion has, at different times, been both legitimiser of the ruling elite and a challenge to it (Fischer, 1980, Keddie, 1983).

The role of the clergy in Iran has reflected both their social position and, at times, the public outcry for justice, freedom and independence. For example, most of the clergy involved themselves in the Constitutional Revolution, not because it

fitted into their ideological thinking but because it was a popular urban demand which could not be ignored. In fact when Sheikh Fazlollah Nouri, a leading *mojtahed*, refused to cooperate with the constitutionalists and was hanged, there was little anger shown from his fellow clergy, who did not wish to alienate themselves from the widespread popular support for the constitution (Martin, 1989). The pattern was repeated during the 1950s in the struggle for the nationalisation of oil when some clergy avoided political activity until the height of the anti-imperialist movement.

The period of 1963 is also significant because it is often regarded as Khomeini's bid for a political challenge to the regime but, at that time, he could not attract wide support in the society, and his following was restricted to some of the *bazaari* and landlords. Despite their use of the symbols of Shia martyrdom, religious leaders were unable to mobilise workers, students, professionals and peasants in the 1963 protests and were ultimately defeated by the Shah (Bakhash, 1986). Arjomand, by locating the revival of Islam from the mid-sixties, focuses on ideology and presents a rather static picture of the clergy's role. In fact this period marked the growth of what Arjomand terms the urban poor and middle-class – due to the transformation in economic conditions. It was these changes that provoked the clergy to alter their own responses, to meet these new socio-economic conditions (see chapters 3 and 4). It would be mistaken to argue that in 1978-79, the Iranian people were mainly concerned with religious morals and ethics or that they actually asked for a return to conditions of the 7th century. In fact, the popular movement held a combination of demands including the secular goals of economic prosperity and political freedom. On the other hand, neither did it reject religion altogether.

There are other approaches such as that of Skocpol who first attempted to fit Iran's revolution into the schema of 'modern' revolutions in history. She argued that, despite the differences between the French revolution of 1789 and Iran in 1979, there are remarkable similarities in the overall political and geo-political dynamics of the revolution. But she believed that French revolutionary political culture was a secular alternative to the divine right of the king and aristocratic privilege. In contrast, the revolution in Iran was against a 'modernising' absolutist monarch and resulted in a theocratic regime. Skocpol argues that the Iranian revolution appeared to be a product of excessive modernisation in the 1960s and 1970s (Skocpol, 1989).

Skocpol emphasises the Shah's attack on the clergy as the traditional leaders of the *bazaar* and his attempt to exclude them from many of their traditional educational, legal and welfare activities. She argues that it was the Shi'ite beliefs – specifically the tradition of Hussein's martyrdom – which enabled the clergy to gain authority during the revolution and in this way they used Islamic symbols for political mobilisation. She however points out that this could only occur under specific historical conditions:

if a historical conjuncture arises in which a vulnerable state faces oppositionally inclined social groups possessing solidarity, autonomy, and independent economic resources, then the sorts of moral symbols and forms of social communication offered by Shia Islam in Iran can sustain the self-conscious making of a revolution (Skocpol, 1982: 75).

Skocpol's strength lies in her acceptance of continuity and changes within an

ideology such as Shia Islam (Skocpol, 1982: 275). She criticises those who polarise Iran's revolution as anti-modernising compared to other revolutions. The argument that religion is wholly against the process of modernisation seems not to take into consideration the changing character of Shia Islam in Iran. In fact, and as I have already discussed in chapters 3 and 4, Shia Islam during and after the 1960s was in rapid transformation itself in response to the changes occurring in the society. Many of the Shia thinkers were among the most ardent nationalist proponents of strong independence for Iran in the economic and political arena. The process of modernisation and the requirements of western technology created contradictions in the society, also amongst religious and conservative groups who resisted modernisation because of their own social position. But even among them, many came to accept land reform and industrialisation when they realised that they could improve their own position as a result of modernisation.

In contrast to Skocpol, Nasri argues that the modernisation post-WWII was not fast enough to respond to the aspirations of most groups in the society. The government failed to respond to the people's increasing expectations resulting from development and modernisation (Nasri, 1983). This view is also advanced by Halliday when he argues that the Shah's fall was not because *'he went too fast for his people'* but that the regime *'did not go fast and far enough in the right direction'*. He believes income inequality, neglect of the agricultural sector and lavish arms expenditure were some of the reasons for the Shah's fall (Halliday, 1979: 2-15).

Abrahamian challenges the view that the role of either modernisation or the clergy was the main factor for the revolution: *'In fact it was a mass movement against deep-seated economic and social grievances with the more anti-regime religious authorities acting as public spokesmen'* (Abrahamian, 1978: 3). This view is shared by Pesaran when he argues that the Iranian revolution came about:

not because of a sudden and dramatic Islamic resurgence, but mainly as a result of deteriorating socio-economic conditions, ever-rising inequalities and political suppression by the old regime that became intolerable as soon as the masses realised that it was possible to avoid them (Pesaran, 1985: 16).

Keddie argues that rapid modernisation was one of the important reasons for the revolution. However, she goes on to point out that, despite genuine anti-western feeling, many Iranians did not reject the modernism of the west: rather they wanted to achieve something like it for themselves. This explains why migrants wanted to move from the rural to the urban sector – seeking improvement in their living conditions (Keddie, 1982). Keddie believes rising expectations due to the government's rapid development policy was a reason for the upheaval. Like Halliday, she argues that the improvement in economic conditions did not reach many Iranians and that it was this inability to fulfil expectations which resulted in the political conflict witnessed during the late 1970s (Keddie, 1983). The significance of such an argument is its emphasis on individuals' desire for better economic and political conditions rather than the ideology – Shia Islam – behind the revolution.

Keddie attempts to apply the Davies J-Curve⁵ – the theory of rising expectations – to Iran in 1979. She suggests that rapid economic growth followed by a sharp downturn laid the conditions for revolution as the effects of recession were

especially felt by urban migrants and the clergy – important social forces during the revolution itself. However, the explanation that when oil revenues fell sharply people's increased expectations were not fulfilled, leading to social struggle and revolution, leaves out important collective actions. The increase in oil revenues brought benefits but these were not felt evenly throughout society, especially one as stratified as Iran. Moreover a revolution requires both solidarity action and organisation, resources that build up over a period, and is not mechanically arrived at as the J-curve implies. The revolutionary process takes complex forms and the outcome is not always predictable. The sharp decline in economic activity may provoke a collective response but this is only one possible reaction and depends on the development of consciousness – by individuals and classes – as well as the role played by social organisations at key moments.

Undoubtedly economic expansion during the 1960s-70s created tremendous change in the socio-economic aspects of the society, assisted by the oil income and Iran's rapid industrialisation. This created contradictions at both an economic and a political level. Iran became reliant on oil income in order to continue with industrialisation and this was possible only by depending on the world economy to supply the necessary technology and food for its growing population. These contradictions were combined with a lack of any political openness in the society. The development of capitalism in Iran was relatively new, compared with the experience in western countries. It also tended to be more uneven in its impact and have a greater dependence upon the world market. A consequence of this was that any shift in the global economic order quickly had to be responded to by many in Iran.

My own view is that under these conditions of economic and political unevenness, religion became a force to be reckoned with: insecurity and lack of satisfaction of those whose needs were not met in the community led them to seek refuge in religion. That was partly because religion became an important weapon in the fight against privileged groups and it was also because of the political skills and organisational abilities of different elements in the clergy. The factors affecting revolutionary change are rooted in economic, social and political conditions and do not arise from religious feeling alone: religion is an integral part of popular culture and is not independent of other factors in the society.

The revolutionary process contains conflicting ideologies – as the dominant rationale is called into question, so the ability of the new vision to appeal to the hopes and desires of those who make the revolution is tested, as well as the participation and activity of individuals who no longer accept a passive role in society. For example, during the Iranian revolution, the clergy – although its social base was especially in traditional sections of the society, the *bazaar* and landowners – widened its appeal to other sections of the society such as those members of the working and middle classes who originally had reservations. This gave them the real possibility to compete with the ruling ideology and win over greater support throughout the society. Without the backing of substantial numbers from major social classes the revolution cannot succeed i.e. the triumph of the revolution necessitates the joining of several classes. That Khomeinie understood this was clear on the eve of taking power when the unity of social forces was vital:

I offer my thanks to all classes of the nation: to the religious scholars ... to

the students ... to the merchants and traders ... to the youth in the bazaars, universities, and madrasas of the country ... to the professors, judges, and civil servants; to the workers and peasants. You have triumphed because of your extraordinary efforts and unity of purpose (Khomeinie, 1981: 252).

The ability to articulate class unity is only one factor in making revolution successful. Revolutions arise as a result of class conflict, a crisis of hegemony and the failure of the ruling blocs⁶ to continue to operate in the face of the strength of oppositional forces. These factors are only part of the reasons for the revolution; in order to succeed the revolution must have effective organisation, leadership and ideology (DeFronzo, 1991).

In the case of the Iranian revolution, the Shia ideology had to relate to the existing socio-economic and political conditions in order to win support from the social forces. The community does not act independently, so the religious leaders have to concern themselves with the changes that occur in the community. Their responses have always been different: sometimes expressed as being against the growth of capitalism with the emergence of industrial society itself presented as the creation of the west; at other times Islam has been used as way to legitimate or challenge the political authority under conditions caused by the modernisation.

The revolution of 1978-79 carried many different ideas; for example, the demands of the revolution, as I will discuss below, contained many secular elements such as calls for universal suffrage, parliament and a republic rather than a monarchy. The Iranian Revolution, nearly 200 years after the French Revolution, nevertheless shared many characteristics with it, particularly in its political demands. In order to understand how this came about, it is necessary to examine the context in which the revolution arose.

5.3 Moving Towards Revolution

There are three key periods in Iranian 20th century history before the 1979 revolution: the Constitutional Revolution of 1905-6; the 1940s, which saw the increasing influence of the *Tudeh* Party leading to growing workers' and national struggle; and the 1950s, which witnessed the nationalisation of Iran's oil industry. It is important to examine these periods as the context in which the Iranian revolution of 1979 occurred. Without this historical understanding it is impossible to give an accurate picture of the events that led to the revolution (see chapters 1 and 2). The failure of the Constitutional Revolution and the domination of Iran by the major powers before and during WWI brought instability. Reza Shah Pahlavi's modernisation and a more stable situation in Iran did not counteract growing popular dissent against the ruling authority of the Shah and the continued imperialist domination. An increased desire for economic and political change brought the clashes of the 1940s in which the working class played an important role alongside the intelligentsia. This was reflected in the size of the membership of the *Tudeh* Party which stood at 275,000 in 1945 with 186 affiliated unions and 335,000 members by the following year (Abrahamian, 1982: 20).

Growing dissatisfaction led to the rise of autonomous national movements in Azerbaijan and Kurdistan which set up republics with the backing of the USSR (see

chapter 1). The intervention by the US after WWII forced the USSR to withdraw their troops from Iran and this helped Mohammed Reza Shah to put down the rebellions of national minorities (Halliday, 1979). This marked the beginning of the Cold War and showed the importance of Iran in the eyes of the superpowers.

The significant role of imperialism could be seen when, following the military coup which overthrew Mossadeq's nationalist government, Mohammed Reza returned to power in 1953 with the help of both the US and Britain. From this date until the mid-1970s, the state witnessed very little opposition and nobody predicted the scale of the opposition which was to topple the Shah. Indeed, he portrayed himself as a great leader who was going to transform Iran to the same level as western countries in a matter of decades (Taheri, 1991). Iran had by this time become a major power in the region and the Shah was the main ally of the west in order to protect his – and western – interests from both internal and outside threat. He was helped by a rapid increase in oil revenues and economic expansion, especially in the first half of the 1970s. For example, oil revenues rose from \$45m in the 1950s to \$1.1bn in 1970 and, following the price increase of 1973, they stood at \$20.5bn in 1976. By the late 1970s income per head was over \$2,000 with industrial output rising at more than 15% per year (Halliday, 1988: 39).

By the 1970s its economy was one of the fastest growing in the world and Iran entered the ranks of developing capitalist countries. Iran's economic development was based on the supply of oil to the industrialising countries, in return, importing productive capital, manufactured and consumer goods. Adapting to new methods of production, Iranian industry modernised and absorbed the most advanced technology. The uneven development of capitalism was evident as large industrial developments:

were built in a very short period. By 1977 there were 250,000 industrial units, of which 6,000 were large establishments (Fekrat, 1976: 77). The major actor in the economy was the state because it was in receipt of the principal sources of wealth – oil, other minerals and energy sources, all large modern industries, most of the finance, some farms and agri-business, transport and communications (Parsa, 1989: 65-67).

The modernisation of the economy was reflected in the size of the industrial labour force which increased from 1.9m in 1966 to 3.2m in 1978 (see Table 1.8). This potentially increased the vulnerability of the state to attempts by workers for economic and political change.

Reliance on oil, although helping to finance the development, also created problems as Iran became more dependent on the world market. The economy could only function at the same rate as long as the inflow of oil income continued. With the high level of oil revenue the government could subsidise foodstuffs and import the food necessary for the population's consumption. On the political front, the oil money gave extra confidence to the Shah to embark on prestigious projects such as developing the chemical industry, without relying on heavy taxation (see chapters 1 and 2). The income from oil increased from 76.4bn Rials in 1969 to 1246bn Rials in 1975 (see Table 2.5).⁷

Following the oil price increase in 1973 the state revised the fifth five year plan (1973-77), replacing the original \$36bn development budget with a new \$69bn one. Total expenditure of \$120bn was allocated, of which \$100bn was to come from oil.

This was a massive increase on the fourth plan (1968-72) expenditure of \$10bn (Bashiriyeh, 1984: 86). Oil rent meant that the state did not need to rely on heavy taxation and it gave the Shah considerable economic and political autonomy internally. This state is sometimes referred to as 'rentier' or 'neo-patrimonial'. Such a state is very fragile because any economic change in the world could potentially create political difficulties for the ruling authorities (see chapter 2 and Eisenstadt, 1978).

The oil-led economic expansion increased the wealth of the upper echelon of industrial owners, comprising 150 families. This elite owned 67% of all industries and financial institutions (Bashiriyeh 1984: 40). In 1974, 47 wealthy families controlled 85% of all firms with a turnover of over 10m Rials (Halliday, 1979: 151). In addition, it is estimated that the Pahlavi Foundation had at least \$2.8bn assets by the late 1970s (Graham, 1980: 157), with shares in 207 companies, including 8 mining firms, 10 cement firms, 17 banks and insurance companies, 23 hotels, 25 metal companies, 25 agri-businesses and 45 construction companies (Abrahamian, 1982: 438). The Foundation had three functions: to provide income for the royal family, exerting influence on key sectors of the economy, and as a channel to reward its supporters.⁸

This was in the light of rapid change in society in many areas. For example Iran's population in 1956 was about 19m and this increased to 25m in 1966, and again to 33.6m in 1976. In 1956, 31% of the population lived in urban areas and this figure increased to 47% by 1976. The central provinces had the highest concentration of people, containing nearly 7m of the total population in 1976. Tehran's population in the same year was 4.5m (Statistical Centre of Iran, 1976). This urbanisation came about as a result of economic expansion and peasant migration, creating pressure of demand on housing in the urban areas: in 1972 it was estimated that at least an extra 1.1m units were required to match the need. By 1977 in Tehran an estimated 3500 hundred families were searching daily for rooms, apartments, and houses for rent. The housing shortage was followed by an increase in rent and it has been estimated that in some parts of Tehran rents had increased by 1000% by 1977 (Parsa, 1989: 77).

A consequence of the housing problems was the springing up of shantytowns on the outskirts of the urban areas. In Tehran alone there were around 24 large shantytowns with hundreds of families occupying them (*Payam-e Mojahed*, 1977). Kazemi estimates that the population of shantytowns in Tehran stood at between 500,000 to 1m or above (Kazemi, 1980: 3). The conditions in the shantytowns were poor with no running water, electricity, public transportation, rubbish collection or other services. In contrast to this the north of Tehran absorbed 80% of the city's budget for services provision. The government used all the means available to 'clean up' the shantytowns including sending in bulldozers to demolish them in large cities.⁹

Health and education were other important areas affected by the expansion of the economy, but in an uneven form. The provision of education in the 1960s and 1970s expanded; for example, only 29% of the total population were literate in 1966 (this figure breaks down to 40% of men and 17% of women). This total increased to 48% (59% men and 35% women) in 1977. There was thus a disparity in literacy rates, both between men and women and between regions. In 1973 in Tehran 76% of the adult population were literate, compared to 38% in the rest of

the country (Parsa, 1989: 80).

Uneven development was apparent between the regions, on a number of different counts. In 1976 out of a total of 7,500 large manufacturing establishments, employing 10 or more, 2,934 (about 40%) were concentrated in the central provinces such as Tehran, Isfahan, and Tabriz (Statistical Centre of Iran, 1976: 11). The actions of the government through its expenditure was the key to this uneven development: government expenditure in Central Provinces, Isfahan, Yazd, Azerbaijan was between 10-20%, while for Kurdistan, Kerman, Sistan and Hamedan it was only between 1-5%.¹⁰ This inequality between the social groups and classes increased. According to the International Labour Office in 1969-1970, the Gini Coefficient – a measure of income inequality – was higher in Iran than in any country in the Middle East or western Europe. In the period between 1959-74 the share of expenditure among the top 20% of urban households increased from 52% to 56%, while the bottom 40% declined from 14% to 11% (Walton, 1980: 275-280). Although real improvement was made in the area of education and health – the number of medical personnel increased by three times, infant mortality fell from 20% to under 12%, and the number of universities and schools increased – it was also the case that Iran had a high ratio of patients per doctor and an inadequate number of hospital beds, one of the lowest rates for the Middle East (Abrahamian, 1982: 447).

Rent from oil also had an impact on the politics of the country. The state used the oil revenue for political means: maintaining its modernisation programme and resisting political unrest such as that experienced in the 1950s and early 1960s. The state continued to use repressive measures in order to maintain its rule. This meant that the rapid growth of modernisation in Iran was not matched by an increase in political participation. As the Shah continued to rely on the armed forces, police and internal security as its central support, the military establishment grew from 200,000 men in 1963 to 401,000 in 1977. The annual budget of the military organisation increased from \$293m in 1963 to \$1.8bn in 1973, and following the oil price increase to \$7.3bn by 1977 (Abrahamian, 1982: 437). In 1975 the Shah dissolved the country's only two parties and announced a single party called *Rastakhiz* (Resurgence).¹¹ The Shah argued that a single party would be more efficient and act as '*a great political and ideological school, able to engender the civic spirit necessary for administrative reform*' (Pahlavi, 1980: 124). By forming a single party, the Shah was attempting to create an active base of support for his regime. The main reason behind it was to legitimise his traditional political authority in the face of modernisation of the country. The *Rastakhiz* became another component of the growing state administration.¹²

Rastakhiz opened a number of branches in the *bazaar* and accused the clergy of being backward-looking. Following from this the Shah introduced the old imperial calendar (dating from 2000 years before) with the intention of harking back to the empire of Cyrus the Great. In this way he attempted to cover his reign in the glory of nationalism and the peacock throne. However, these efforts did not mean a total break from Islam. At the same time the Shah continued to maintain financial support for the clergy, which reached \$40m by 1977 (Taheri, 1991: 219).

The state only, however, had relative autonomy to act given that its economic and political developments were linked to the wider global economy. In particular the Iranian states' reliance on oil made it especially dependent on the world market.

Although it was able to obtain a huge amount of rent from oil, immediately following the 1973 price rise, this did not last. In 1975 there was continued world recession, and a mild winter in Europe, factors which led OPEC to increase the price of oil by only by small amount. This meant that, by the end of that year, Iran's oil production was 20% lower than it had been the previous year. As a result the oil exports fell e.g. from \$20.5bn in 1975 to \$17.9bn in 1977 (see Table 2.4). Total imports also rose from \$2.5bn in 1972 to \$14 1bn by 1977 (Central Bank of Iran, 1977). The economy was now in serious difficulties: rising prices was causing increased hardship, whilst government spending (notably on arms and ambitious prestige projects) was not being met by revenues. This resulted in a large budget deficit: 37.6bn Rials in 1976, followed by a massive 388.5bn Rials in 1977 (Central Bank of Iran, 1977). The Shah was ready to blame the Iranian people for living beyond their means. He argued that for the last three years:

we have covered them in soft cotton wool. Things will now change. Everyone should work harder and be prepared for sacrifice in the service of the nation's progress (Taheri, 1991: 239).

In an attempt to blame the merchants, shopkeepers and industrialists for the growing economic problems, in 1975, the Shah had declared a war against profiteers, arresting big industrialists such as the Vahabzadeh brothers, Iraj Sabet, Mohammed Madani, Habib Elghaniyan, and Sabet Passal who were fined and jailed (Milani, 1988: 169). The state's campaign to jail *bazaari*, businessmen and shopkeepers accused of 'corruption' continued for two years.

In 1975 the government had asked the private sector voluntarily, to lower its prices and rents. When this failed to produce any effective result the government consequently set restrictive price guidelines for hundreds of items. The government also introduced new measures to enable major manufacturing units to bypass the middlemen (as a part of the attack on the *bazaari*), instead selling their goods directly to retailers and to the state. The state also introduced a new committee for the protection of consumers and employed the young zealots of the *Rastakhiz* party to identify those who put up their prices. It imposed prison terms of up to five years and confiscation of property for those who violated the fixed prices. These measures did not help the economy though, which was still facing difficulties. By 1977, the shortage in energy supplies led to daily power cuts in parts of Tehran. The Shah's ambition to create stability and his vision of returning Iran to a once-great civilisation was doomed (Amuzegar, 1991).

Desperate to save the ailing economy in mid-1977 the Shah replaced the Prime Minister Amir Abba Hoveyda with Jamshid Amuzegar.¹⁴ The new Prime Minister began by imposing an austerity programme and, unlike the Shah, tried to improve the state's relations with the private sector. He announced the end of state price controls and the anti-profiteering campaign. He also moved his attack towards the working class by calling for a wage freeze. The free price policy led to increased inflation which created more discontent among the working class and migrant poor.

Amuzegar suspended the development programme and reduced arms spending (see chapters 1 and 2). Total fixed capital formation by the public sector declined (at current price) from \$12.2bn in 1977 to \$7.6bn in 1978 (Central Bank of Iran, 1978: 78). Cuts in social services were introduced which had adverse effects on low income earners. For example, state expenditure for low-cost housing budgets were

reduced from \$4.1bn in 1977 to \$90.5m in 1978 (Central Bank of Iran, 1979: 123). The decline in the activities of the public and private sector led to a decline in demand for labour and, consequently, increasing unemployment. The government limited real estate transactions to one per year per person, in order to control the land speculators and lower the price of land and rent. This was a direct attack on the interests of the landowners.

The Shah's anti-profiteering campaign had widened the gap between the state and the private sector, with the result that more and more entrepreneurs came to condemn its attitude. One industrialist, Ali Rezai, condemned the interference in the economy when he criticised the Shah for wanting to '*determine the prices, wages, profit, and customs duties. Wouldn't it be better if you run the industry yourself?*' (Mojahedin Organisation, 1979: 52).

As long as the oil income stayed high, the Iranian state was able to maintain its role in the region and domestically. But as soon as the oil boom burst due to the reduction in the export of oil, the regime quickly had to alter its policy, reducing arms spending and announcing austerity measures. The image of the Shah as a powerful world leader was shattered both domestically and internationally. The regime began to lose its support, even from loyalists. The government's strategy of increasing taxation, attacking the rich, and cutting social spending created political crisis for the regime. Such policies, taken under desperate conditions, created strong discontent amongst the population at large and caused a rift between the state and the industrialists, the *bazaar* merchants and the working class. The state was losing its control over the society and the bourgeoisie were suffering from the economic difficulties.

Political instability was not the only prerequisite for revolutionary development. It still required the activity of opposition groups that could successfully mobilise dissatisfied people. The revolution required effective organisation and leadership in order to exploit the opportunity to replace the existing political power. This leadership could only succeed by relating to the needs of the people who were themselves affected by the economic and political circumstances of the 1960s and 1970s. The next section examines the forces ready to offer leadership at this time, to show how they operated in regard to the modernisation that had occurred.

5.3.1 Oppositional Forces

The urban areas provided the arena for important opposition groups based around the working class, *bazari*, and the intelligentsia. Out of these the *bazari* were the best organised due to their cohesive social and ideological milieu, with strong political influence through their links to the mosque. Since 1963 *bazari* leaders had been restricted in their activities and only came to voice their criticism against the Shah when the economic boom turned sour and their financial interests came under threat. The threat to the *bazari* brought a closer relationship between them and other opposition groups. The *bazaar* still continued to hold economic power, controlling over two-thirds of domestic wholesale trade, accounting for 30% of all imports (Graham, 1980: 224). This fact is characteristic of Iranian capitalist development i.e. uneven development and illustrates the continued strength of the traditional sector of the economy in a modern society.

The main opposition to the Shah centred around the *ulama*, guerrilla

organisations, political parties and members of the intelligentsia. The Shah's modernisation and his autocratic regime gave very little space for open activity on the part of the opposition. The two most important parties which had played an important political role in the past were the National Front and *Tudeh*. The latter was formed in 1941 and won relatively high popular support after WWII because of the anti-imperialist movement and nationalisation of the oil (see chapter 2). In its early days it followed the pro-Soviet line of communism, but in 1961 changed its tactics and became involved in the regime's parliamentary elections. The *Tudeh* Party's activity was relatively low in the 1970s mainly due to suppression by the Shah's regime. The leadership of the party came largely from professionals and other members of the intelligentsia such as university lecturers, but its rank-and-file was made up mostly of urban wage labourers. The actual size and influence of the *Tudeh* during the 1970s was not as significant as it had been in the 1950s.¹⁵

The National Front – *Jebhe-e Meli*, was the competing opposition group to the *Tudeh*. It was established in October 1949 by a group of intellectuals, headed by Mossadeq. They were nationalists and believed in the application of the Constitution of 1906 (see chapters 1 and 3). Like the *Tudeh*, it played a significant role during the movement for the nationalisation of oil. By the beginning of the 1960s, however, the National Front had lost much of its support. Most of the activities and propaganda work of the National Front took place outside Iran until the events of 1977-78. The Liberation Movement – an offshoot of the National Front, founded in 1961 by Bazargan and a number of Shia thinkers such as Talaqani – was the only organisation that continued to be relatively active in the 1970s.¹⁶

After 1963 in the face of state repression the oppositional organisations became involved in underground activities. They attracted support from the new generation, mainly university students, whose numbers increased with the rapid modernisation of the 1970s. For example, the numbers attending secondary schools increased from 508,959 in 1967 to 2.3m in 1979; whilst the number of university students increased from 37,000 to 174,217 in the same period (Statistical Centre of Iran, 1976 and 1981). Many of the students were involved in organising activities such as boycotting classes. The state responded with very harsh measures, imprisonment, torture and executions. Many Iranian students living abroad were also members of organisations which were involved in exposing the Shah's human rights violations. One of these was the Confederation of Iranian Students, in western Europe and the US,¹⁷ an umbrella organisation including all anti-regime activists and students. In the mid-1960s, some of its members split and created *Anjoman-e Daneshjoian-e Islami* – Islamic Student Society (ISS). The ISS was affiliated to the Freedom Movement and later co-ordinated revolutionary activities in Iran and the west on the eve of the revolution. The ISS was an important organisation around Khomeinie in the period before the revolution. Some of its members such as Ebrahim Yazdi and Abol Hassan Bani-Sadr went on to hold important political positions after the revolution: Yazdi became the Foreign Minister of Iran, Bani-Sadr was the first President of the Islamic Republic.

New oppositional organisations also developed in the wake of the defeat of the 1963 uprising. Some of the supporters of the *Tudeh* Party and the National Front grew disillusioned, believing that neither organisations would be able to mobilise people against the regime. Important international events including the victory of the Algerian struggle for independence, the overthrow of Batista's government in

Cuba and the victory of nationalist forces in Vietnam made a major impact on young political activists. The consequence of this was the development of the *Fedayyan* guerrilla organisation and *Mojahedin-e Khalq*. The *Fedayyan* was founded in 1970 by former members of the *Tudeh* Party and the leftist supporters of the National Front. Its founding members included Bijan Jazani and Hassan Zarifi (both members of the *Tudeh* Party's youth organisation) and Masoud Ahmadzadeh (formerly affiliated to the National Front, with a religious background). They criticised the reformism of both the *Tudeh* Party and the National Front and argued vehemently for the overthrow of the Shah's state through armed struggle.¹⁸ *Fedayyan* carried out 'revolutionary executions', explosions, and attacks against selected targets such as military personnel and prominent state officials throughout the 1970s. These attacks were designed to present the party as a 'revolutionary vanguard force' that needed to use violence in order to shatter the army's role in controlling the cities.

Jazani wrote a number of articles including *Tarikh-e See Sale-ye Siasi*, (The History of Thirty Years of Politics) and *Cheguneh Mobarezeh-ye Mossalahaneh Tudehi Mishavad* (How Does Armed Struggle Become a Mass Movement?). He developed his argument that Land Reform had turned the rural area into the base of support for the Shah. Because a peasant revolution was not possible, he urged the party to work in the urban areas (Jazani, 1982). Ahmadzadeh believed guerrilla warfare and armed struggle would enable mobilisation of the mass of the people. Like Jazani he argued the class struggle should begin in the cities but would then spread to the rural areas as well (Ahmadzadeh, 1979).

As the main theoretician of *Fedayyan*, Jazani recognised the capitalist development which had occurred in Iran. He characterised the economy as dependent capitalism. This theory, advanced by the Dependency School emphasises the dependent status of LDCs and the growth of a comprador bourgeoisie with the assistance of the imperialist countries. Jazani applied this to Iran, arguing that the comprador bourgeoisie became dominant in Iran during the modernisation of the 1960s. Under these conditions, foreign-owned firms send profits overseas and the state is controlled by the comprador bourgeoisie who serve the interests of the foreign firms, exploiting the country's resources such as oil and minerals. Unlike other followers of the Dependency School, Jazani argued that dependent countries could undergo limited development.¹⁹

In another major work, Jazani discussed the issue of Islam's role in Iran. He argued that '*religion plays a far less important role*' in modern Iran under the new regime, '*than in a feudal culture*'. The spread of international capitalism in Iran was a '*basis for the enormous decline in the prestige of the clergy in the society as whole*'. Jazani concluded that the religious establishment as a whole was against international capitalism, because it threatened their interests, and supported the opposition against the regime. During the revolution, however, only a section of the clergy, the '*progressive wing will form part of the vanguard of the popular forces and draw away from the reactionary majority*' (Jazani, 1982, 63-65).

In another major work Jazani wrote a critique of PMOI which was an important analysis of Islam. In it he argued that Christianity and Islam fitted well to conditions of feudalism by encouraging the people to solidarity and passivity. Western imperialism prevented the development of a capitalist bourgeoisie in Iran and allowed the clergy to appear anti-imperialist. He showed that the clergy responded

to the socio-economic conditions by developing a militant nationalist Islam but, at other times had collaborated with the foreign powers. Challenging the PMOI and those who wanted to modernise Islam, he countered that a religion like Islam is based on faith and not compatible with scientific reason. The modern thinkers, he argued, distorted the *Koran* which was essentially reactionary and justified women's oppression, feudalism and even slavery. In any case, he believed, the majority of Moslems would be more influenced by reactionary clergy than progressive reinterpretations by the Islamic reformers. Jazani warned organisations like PMOI that their attempt to fuse Marxism and Islam would in the end strengthen the traditional *ulama*. In contrast he proposed that the role of Marxist organisations should be to educate people about the true nature of religion.²⁰ This, and other discussions over the nature of Islam and Marxism influenced many PMOI members to re-examine their beliefs, even to the point of rejecting Islam as their ideological base.²¹

The PMOI organisation in the same way believed in armed struggle but claimed that 'true Islam' was their guide. The organisation was founded in 1965 by Said Mohsen, Mohammed Hanif Nejat and Ali Asghar Badi-Zadegan. They had all been members of the Freedom Movement of Iran who broke away because they thought it was not radical enough to lead a social revolution. They believed that Islam in a pure sense was a form of socialisation of the means of production, elimination of exploitation and the creation of a classless society. They argued that it was possible to believe in God under a classless society. In many ways they tried to fuse Marxism with Islam.

Both PMOI and *Fedayyan* had great appeal to university students and the young. Some of the PMOI supporters came from the *bazaar* and even included several prominent clerics such as Ayatollah Talaqani. Although there were important differences of opinion between the PMOI and the clergy, their influence on young people and the fact that they were able to neutralise the influence of secular Marxists, led some of the clergy to tolerate them and even pledge their support. The diversity in the view of the PMOI and the radical clergy was mainly on the issue of class. Ayatollah Motahari, for example, argued in speeches during the 1979 revolution that it was Islamic ideology which generated militant behaviour, rather than class struggle. Motahari attempted to distance himself from the PMOI and criticised their vision of 'revolutionary Islam' as nothing but the first step to socialist revolution. On the contrary, he presented Islam as appealing to all classes:

Those who believe that it is the material factor that is intrinsic to, and causes, revolution, see them as essentially social ... Islam addresses itself to all social groups and classes, even the well-to-do and oppressing classes (Motahari, quoted in Afshar, 1985: 205).

Although both Motahari and PMOI presented different forms of Islam, the latter had to appeal to those, especially from the young generation who had experienced changes in the economic and political area, and some of whom were familiar with the works of Marx and Lenin. The PMOI attempted to modify the Marxist ideology of classes to fit it into Islamic theory. They followed Shariati's vision of *Tawhid* – classless society, arguing that God had begun the process of historical determinism and the real message of the *Koran* was to eradicate exploitation, oppression and injustice (see chapter 4). They attempted to link the Islamic tradition to the

modern world when they pointed out how to interpret religious texts:

For us these texts are not static and dogmatic commands, but rather guides and inspirations for dynamic change and revolutionary action. Unfortunately the traditionalists have treated these texts as dry dogma, public tranquillisers and hidden the truth about science and technology (Mojahedin Organisation, 1980: 10).

Like *Fedayyan* the PMOI argued that capitalism under the Pahlavi regime, with the leadership of the comprador bourgeoisie and the old landlords had succeeded in taking over from feudalism. These class forces had succeeded in incorporating the country into the world system. These writers tended to blame all Iran's problems on capitalism and the imperialism of the US (Mojahedin Organisation, 1981). PMOI also advocated guerrilla tactics by using the symbol of Imam Hussein's martyrdom. Their subversive activities included the assassination of US military advisors, and detonating bombs, for example, in the Israeli cultural centre in Tehran.

Both PMOI and *Fedayyan* failed to recognise the conditions for the growth of a mass movement, concentrating instead on a small group. Their elitist attitude – common to many guerrilla movements – isolated many people who genuinely turned towards revolutionary ideas during the months of unrest during 1978-79. Instead of reacting to this they overestimated the propaganda value of armed action by an elite group. Their organisations were thus unable to influence the wider social movement which opposed the Shah. The social base of the two groups remained exclusively for students and some members of the middle-class with little working class membership, despite their theoretical recognition of the importance of workers' struggle. There is no doubt that the state's brutal repression was an important factor behind the failure of *Fedayyan* and PMOI to mobilise people against the regime (by 1976, 90% of the founders and original members of both organisations were either in prison or had been executed). Also important though were theoretical weaknesses. For example, PMOI in particular underestimated the strength and influence of clerical organisations which proved to be a popular force. In fact, the radical clergy like Talaqani and Khomeinie pre-empted the PMOI's and *Fedayyan*'s arguments on fundamental issues such as their anti-imperialism. For example, Khomeinie told his followers before the revolution:

.... try diligently to present Islam accurately, and resolve to establish an Islamic government. Assume the lead and join hands with the militant and freedom-loving people ... You have the power, courage, and sense of strategy it takes to struggle for national liberty and independence, you who succeeded in waking the people and inspiring them to struggle, causing imperialism and tyranny to tremble. (Khomeinie, 1981: 137)

Khomeinie's ideological presentation of Islam was very different from those of the *ulama* who either co-operated with the Shah or stayed quietist. Like PMOI and *Fedayyan*, Khomeinie blamed imperialist intervention for Iran's lack of independence and called for the overthrow of the Shah.

The failure of organisations such as *Fedayyan* and PMOI was not because the conditions for workers' democratic control did not exist in Iran. Rather the problem was they did not address many questions that the workers needed answered. They did not present their ideology in a clear and accessible way to the people. This

weakness in the articulation of their political analysis gave more opportunity for other social groups, notably those around Khomeinie and his allies to exert their hegemony in the struggle for the leadership of the revolution.

5.4 Religion and Leadership

The clergy was not in a homogenous form. As I have already discussed in the previous chapters various forms and styles of Islam were presented, particularly during the modernisation of the country in the 1970s. The religious organisations and, in particular the *ulama*, used religion as a mobilising force, presenting it as a moral duty and symbol of resistance against the Shah. The continuing role of the ideology of Islam was presented in terms applicable to the modern world; for example, the Shah was equated with Yazid, who had killed the second Shia Imam, Hussein (see chapter 2). The clergy emphasised the role of martyrdom and resistance against oppression, tyranny, capitalism and imperialism (Khomeinie, 1981). Historical events presented in Islamic form were easily understood by people who welcomed anti-regime slogans voiced in familiar Islamic terms (Keddie, 1981). Furthermore, Khomeinie and many other clergy were already seen as opponents of the Shah, having been imprisoned and exiled for many years. Others like Bazargan, a well-known religious intellectual was at the forefront of the protest movement. Khomeinie and other religious leaders still had to compete with other organisations such as the PMOI and *Fedayyan* in order to assume the leadership.

As the crisis became deeper one group, the *bazaari*, organisation of the mosque and clergy provided them with the opportunity to win wider support in the society. Their success was also due to their ability to relate with the most conviction to those who were in revolt. The clergy appealed to the anti-western sentiment felt by Iranians – stoked by their anger at years of mistreatment at the hands of the Shah. Islamic ideology mixed with revolutionary promises to fulfil people's material aspirations was a very potent force. As Kamrava puts it, there are times when:

... all a revolutionary group needs to do in order to attract popular support is to say the right things and to make the right moves at the right time. This was the case in Iran, where the Ulama's revolutionary propaganda and their ideology (Shi'ism) were not only easily understandable but also appeared to many to offer the best remedy for Iran's social and cultural ills (Kamrava, 1990: 11).

The nature and activities of revolutionary organisations (in this case based around the mosques) were extremely important. Although in any revolution, a charismatic leader arising from out of nowhere or by the spontaneous will of 'the people' is important, it still requires organisation and political articulation to succeed. For example, no analysis of the Russian Revolution of 1917 would be complete without examining the key part played by the Bolshevik Party in the years prior to the revolution. However, it would be one-sided to concentrate solely on this without linking it to the instruments through which the revolutionary parties (most successfully the Bolsheviks) argued their case with the people in revolt: the soviets. These were spontaneous organisations of workers and soldiers which formed in the major cities and came to organise the running of the cities and the infrastructure. They were also extremely open forums for the high level of debate and discussion

generated in periods of revolution, which allowed the Bolshevik Party (although small in number) to gain hegemony (Trotsky, 1977).

Khomeinie's arguments – like those of the other clergy – seemed clear to those who desired change in the society. The popular culture and appeal of Shia Islamic ideology became vital during the uprising. The assumption of the leadership by the clergy was also helped by the role of some religious figures such as Ayatollahs Motahari (a student of Khomeinie), and Talaqani who advocated a greater place for Islamic ideology in society (see chapters 3 and 4). Some of the clergy reacted to the socio-economic transformation occurring around them to modify their ideas. For example, Ayatollah Motahari studied western philosophy in order to formulate a logical and cohesive response to Marxist ideas which were influencing young radicals. These thinkers presented an active form of Islam as opposed to the quietism of Burjerdi in the late 1950s and 1960s. They presented a radical form of Islam and like Ayatollah Kashani in the 1950s, combined nationalism and anti-imperialism with religious symbols.

The shift and transformation in the ideology of Shia leaders (see chapters 3 and 4) was vital for the clergy to widen their appeal before and especially during the revolution. Khomeinie was not the only representative of the clergy and disagreements became apparent with Ayatollah Shariatmadari and other conservative clergy over some political issues.²² Early in 1979, in this volatile situation, Khomeinie (then still in exile in Iraq) believed the time was right for religious leaders to play a greater role in society. He had for many years elaborated his criticisms of the monarchy and gradually increased his support among the high-ranking clergy, by winning support amongst people from broad sections of society.

The clergy were cautious in the delivery of their arguments, since the *bazaari* in the 1950s had not been united behind them, indeed many of them had supported Mossadeq's government. Thus, Khomeinie and the clergy around him stopped short of laying out openly the role of the clergy in the future Iranian society. They gave assurances to the people that the Shah was wrong to portray the clergy as reactionary elements who did not have any understanding of the day-to-day problems of the country. Khomeinie once attacked the Shah for such condemnation and argued that on the contrary it was the Shah who was against civilisation: '*I [Khomeinie] have been writing for fifteen years and arguing for economic development and social prosperity*' (Khomeinie, 1985: 40).

Khomeinie made efforts to extend his support from the traditional sectors of society – mainly *bazaari* – to sections of the working class and middle class. This came about largely from Khomeinie's accommodation with them – arguing for an end to class society under Islam, for free elections and free speech for everyone, even Marxists – once the opposition movement started to take hold (Parsa, 1989). Khomeinie and other members of the clergy were aware that they had to appeal to a cross section of society in order to exert their hegemony.

The Shah's state was facing a crisis of authority where class conflict was at its peak. There were no political organisations which could operate openly in the society. Under such circumstances and in the absence of open opposition organisations, the network of 80,000 mosques run by 180,000 *Mullahs* played a crucial role in mobilising the people against the regime. Some of the clergy reacted rapidly to changing circumstances and began to win hegemony by relating to other social groups. All the classes and social groups involved in the revolution gradually

came to back the clergy and, in particular, Khomeinie as leader. The clergy thus managed to win over a significant sector of the society. This happened through successful presentation of arguments, communication of ideas and the effective organisation essential to a successful revolutionary movement.

5.4.1 Events Unfold

With the economic and political crisis worsening in 1976 and 1977 throughout the country, there was sudden news at the beginning of 1978 of the death of Khomeinie's son, Mostafa. This was followed by criticism of Khomeinie himself in an Iranian national newspaper which created a volatile situation. Violent demonstrations took place between theology students and police in Qom. The confrontation was prolonged because of the cycle of Shia mourning for dead protesters.²³

The clergy's role increased as the mosque became the only safe place to gather information and organise the various protests. The mosque was a key place to express grievances and hold mourning ceremonies. It provided a network for communications across the country and as such was a vital factor for mobilisation. However, the clergy could not initiate political mobilisation at will and had to wait for the appropriate time. When the momentum picked up, some of the clergy started to communicate their message – revolutionary propaganda – in a way which was accessible to the Iranian people at a time of revolt. The clergy became involved in organising demonstrations and protests.

In these unstable political conditions, things escalated quickly for the Shah: in mid-1978 he dismissed several military and SAVAK officials, including General Nasir, and the tense situation intensified in August of that year with the arson of the Rex Cinema in the southern town of Abadan, resulting in the death of four hundred people. The government blamed the religious opposition, whilst the opposition instead put the blame on the Shah. Whoever was really responsible for starting the fire the consequences were costly for the state.

The burning of the Rex Cinema was followed by street protests in urban areas such as Tehran and Tabriz where huge demonstrations gathered momentum as the mass of people gradually became involved. Demonstrations were accompanied by strikes, which marked a vital turn in the course of events: whilst the regime could quell the demonstrations and poetry readings, and seek compromise with the shanty-town dwellers, a spate of workers' strikes was the last straw. The impetus for the strikes was defence of wages and conditions but, as they spread, workers began to make other demands: in Behshahr, for example, striking textile workers demanded both wage increases and free union elections (Abrahamian, 1978: 4). In August, 1978, the Shah was forced to concede labour law reforms, in particular, payment of unemployment benefit, three days extra holiday and paid early retirement.

The Shah's political response to mounting urban opposition was to replace Amuzegar with Sharif-Emami, who had been Prime Minister in 1960 and came from a religious background. The new Prime Minister called for reconciliation, freedom of speech, the press and assembly, abolition of the *Rastakhiz* Party, replacing the Imperial calendar with the Islamic one, as well as closing casinos and liquor stores.²⁴ The government's concessions were not enough, however, to

dampen down the protests, and did little to placate the demonstrators whose slogans became more radical, calling for the release of political prisoners, the return of Khomeinie to Iran, and the abolition of the monarchy.

These token gestures by the state thus failed and the protests continued to mount, involving all layers of society: on 5th of September, 1978, the largest street demonstration in the history of Iran took place in Tehran. Two days later the Shah declared martial law in desperation. Yet this merely accelerated events: 8th September became known as 'Black Friday', a day on which hundreds of unarmed protesters were shot in Tehran. Impressive defiance was shown by the protesters who demonstrated their willingness to fight for change. The state used armed force to quell street disturbances but this merely fuelled the people's anger and led to further mobilisation. According to state figures Black Friday left 300 dead whilst the foreign press estimated the number to be 500 and opposition groups claimed as many as 3000). Whatever the truth, it certainly increased the militancy of the opposition and radicalised the movement (Nima 1983: 69).

The workers increasingly turned their protest against the state's use of arms and martial law. The strike in September by oil refinery workers in Tehran soon spread to other oil refineries and factories. Workers as individuals had joined the street protests, but along with others there, the process of participation developed their consciousness and confidence. Protesting as workers meant they were able to shift the focus of struggle to the workplaces, some of which had been significant in the struggles of the 1940s and 1950s.

The strikes gathered new momentum in October: within a space of three weeks, 40,000 oil-workers, 40,000 steel-workers and 30,000 railway-workers had come out on strike. The strikes spread to all sectors of the economy, including post offices, banks, TV stations and civil servants. The Abadan oil-workers were confronted with shock tactics: troops were sent in and many workers arrested, including the union leader. In response, other oil-fields stopped work and the strike committee put forward a list of demands including an end to martial law, solidarity with striking teachers, release of all political prisoners, national control over the oil industry – with expulsion of foreign workers, an end to discrimination against women workers and the dissolution of SAVAK (Bayat, 1987: 80).

Within two weeks, strikes spread throughout the country. As their confidence grew, workers' demands moved from the economic to the political. The Shah responded by giving more concessions, for instance, from October to November, 1000 political prisoners were released and the striking workers were given a 25% pay rise. Sharif-Emami, at the request of Ayatollah Shariatmadari announced that all the political exiles, including Khomeinie, could return to Iran. Khomeinie, now in confident mood, responded that he would only go back to Iran when the Shah left the country.

Even with these measures the Shah and his new Prime Minister failed to normalise the situation. Finally on November 6, the Shah replaced Sharif-Emami with his military commander, General Golan Reza Azhari.²⁵ On the same day the Shah delivered a nationally televised speech introducing his new Prime Minister. Full of sorrow he pointed to his past mistakes:

I commit myself to make up for past mistakes, to fight corruption and injustice and to form a national government to carry out free elections ...

I too have heard the message of your revolution ... in this revolution of the Iranian nation against tyranny, oppression, and corruption, I am at your side (Bazargan, 1984 : 207-9).

It was, though, too late for the Shah to placate people's anger and many of his close supporters had already left or were on their way abroad. The deserters included Amuzegar, General Ayadi, and Jamshid Alam. By the end of 1978, the Shah's family had left Iran. According to some reports, as much as \$2bn was transferred from Iran between the months of November and December, 1978 (Madany, 1981: 345). With the collapse of the Shah's political authority, the movement was growing in strength and Khomeinie was coming to play a more prominent role. The Shah consequently asked the Iraqi government (where Khomeinie had taken refuge) to deport him.²⁶ Khomeinie was finally deported from Iraq and, with the help of exiled religious students, went to Paris. Paris became the focus for both Khomeinie and the religious establishment to formulate themselves as the true leadership of the revolution. Individuals like Bani-Sadr, Qotb Zadeh and Yazdi, who had lived for many years in the west, became essential players organising the opposition's public relations. The Shah's plan to keep Khomeinie away from Iran and off the world stage had badly misfired.

The military government relied on the army which opened fire on demonstrators on many occasions and troops forced the oil refinery workers to resume production. Although the workers went back after suffering many dead and injured, production never fully recovered.

Bazargan, the Freedom Movement's leader had made an alliance with Khomeinie and in early November the National Front did the same after a visit to Paris by their leader, Karim Sanjabi. In response the regime arrested Sanjabi which caused anger amongst the *bazaari* and increased the general resentment of the people. This was at the time when the strike wave was intensifying, especially the oil workers' strike which was having a crippling effect on the country's economy. The *bazaar* became the main source of finance for those who struggled for daily necessities such as food. The *bazaari* realised the key role of workers and their strike and so, as well as donating £20m to Khomeinie, provided finance for the strikers either directly or by contributing to special funds, set up for this purpose (Graham, 1980: 225).

As the workers became more involved in strikes their political awareness grew rapidly. The development of class consciousness which occurred in a short space of time is comparable to other revolutions which involved workers' participation. The strikes resembled those of Russia 1905 and 1917, but stopped short of developing the independent organisations of workers as in the soviets. In Iran, workers' committees – *Shuras* – played a significant role in organising the strikes inside workplaces, but there was little co-ordination between various factories. The fact that the mosques existed as a network available for dissemination of information and that they had played a role in co-ordinating the street demonstrations, meant they were able to continue this role even after the involvement of striking workers. Collective action by workers, although expressing their independence in the workplace, did not come to exert the same kind of influence outside where the clergy became the acknowledged leadership. Although religious organisations could rely on the support of the traditional middle class, this was not sufficient for them to

take over the power. They needed to influence the working class who only threw their support behind the clergy when they saw that they could rely on the radical sections of the clergy who had become the only force able to replace the Shah. The clergy had by now won the support of many sections in society, from secular liberals to some Marxist organisations. This was shown by their role in forming the Committees for Co-ordination and Investigation of Strikes (CCIS) early in January, 1979. This organisation had a mainly Moslem membership and the ideas of Rafsanjani, Bazargan and Bahonar began to dominate. To begin with the workers viewed any outside interference with suspicion, for example, the Railway Strike Committee continued to rebuff Khomeinie's representatives in CCIS in their request to resume fuel transportation, just as they had rejected the Shah. As with the oil-workers, accepting a return to work for the good of the people was a matter of some negotiation and they did not automatically accept the authority of the clergy by any means (Bayat, 1987: 93).

Whilst the working class by their own activity developed political consciousness they would not have spontaneously developed socialist consciousness: they wanted radical change, and now, but Marxist and other opposition organisations failed to capitalise on their revolutionary potential. However, many of the clergy realised that they now had to present themselves very differently from the 1950s – when the *Tudeh* Party had held considerable authority among the working class – in order to win the wider layer of the people towards them.

The strikes paralysed the economy and the street demonstrations were growing very rapidly. The soldiers began to desert the army and joined the people. Prime Minister Azhari's heart attack in December made matters worse for the regime. Amongst the National Front leaders, Sanjabi and Sadighi refused to fill his post but Shahpur Bakhtiar accepted the job on 6 January 1979, and was immediately expelled from the National Front. The Shah's choice of a National Front leader was made in consultation with his American advisers such as William Sullivan who was evidently beginning to look to the US' long term interests in an Iran without the Shah. President Carter gave his support to Bakhtiar's government.²⁷ At the same time General Robert Husser, a commander of NATO arrived in Tehran in order to keep the army together and encourage the Shah to leave (Carter, 1983: 444). The US was very concerned about possible Soviet Union involvement in Iran if the instability persisted.²⁸

On the domestic front Bakhtiar's government was denounced by the major Ayatollahs such as Qomi and Shariatmadari. They characterised Bakhtiar's government as illegitimate, and the new Prime Minister had a mountain to climb if he wanted to appease increasing political discontent. On the 16th January, 1979, the Shah fled the country for Cairo and, not long after – on the 1st of February, Khomeinie triumphantly brought his exile to an end. He announced the establishment of the Provisional Revolutionary Council (PRC) and Bazargan was named as the provisional Prime Minister, with Sanjabi as the Foreign Minister. This was an important decision by Khomeinie showing his astuteness in trying to maintain some balance with the liberal elements.

Some of the high-ranking military men began intense negotiations with the PRC for a peaceful transition. The Air Force Cadets had joined the revolution in January and on the 24th of that month a group of air force officers, sergeants and cadets had gone onto the streets of Tehran to openly call for the fall of Bakhtiar. This tactic was

repeated in many cities and the regime was losing its control. On 11th February, in a desperate and bloody response, the government's Imperial Guard attacked the air force cadets and the news quickly spread throughout Tehran. Eventually the military leaders realised they could no longer maintain control over the army and thus declared their neutrality. Fighting continued between what was left of the Shah's supporters and the revolutionaries but only for a few days. At last a new dawn emerged as the monarchy's state was replaced by the new state led by Khomeinie.

5.5 Conclusion

In this chapter I have concentrated on two themes: the effects of economic and political development leading up to the Iranian revolution – particularly on the state and social forces; and the role played by Shia leaders which enabled them to assume the leadership. I argued that the Iranian revolution arose out of a period of rapid modernisation, especially during the 1970s, but nonetheless carried within it the ideology of Islam. The Iranian revolution was thus a combination of both the old and the new: it did not contain just the ideas of the 7th century, rather it was an affirmation of Shi'ism but in a new form and style, relating to the modern world. This came about as a result of economic and political changes in Iran's history, particularly in the 1970s, when rapid modernisation occurred. This process was, however, very uneven with a concentration of wealth, capital and political power in particular regions and classes, with relative impoverishment of other regions. Oil was significant in the process of uneven development: it provided the Shah with a huge income and gave the state relative power to monopolise the political economy. The downside of this for the regime was the Iranian economy's dependence on oil and the world market which meant that fluctuation in production or income could result in economic and political instabilities. This was one of the factors behind the revolution, as I have demonstrated.

The second key factor in the revolution was the role of the opposition, in particular Shia Islam and its relation to the existing social forces. Shia Islam, in contrast to the secular organisations, presented its vision of the future in such a way that it became acceptable for the majority of people in the heat of the revolution. It was able to legitimise itself and provide the organisation and leadership for the overthrow of the Shah, not just by using the old traditional ideas of Islam but by relating it to the social forces whose demands were modern in many aspects.

The 1979 revolution marked for the first time in Iranian history the departure of the monarchy and establishment of the clergy as the head of state. This raises the question whether or not theocratic rulers would be able to survive in the modern world. The extent to which the new rulers have dealt with both the domestic and international economic and political order is the subject of the next chapter.

The State and Economy in Transition, 1979–1989

6.1 Introduction

The revolution in Iran marked an important change in the country's political history. After 2500 years the monarchy was overthrown and replaced by an Islamic Republic. The Iranian regime was no longer one of the seemingly most stable and pro-western regimes in the world; on the contrary, Iran appeared to be one of the most virulent anti-imperialist nations, influenced by revolutionary zeal. The political movement leading up to, and the ideological character of, the revolution stated its aims as being against 'westernisation' – viewed as the main enemy and the principle source of social and economic deprivation. Two questions required much attention for the new ruling elite: the regime's ability to handle the domestic economy and its continued relations with the rest of the world, especially the west.

With the economy relatively modernised and integrated with global capitalism, the post-revolutionary government was faced with the legacy of the old regime's socio-economic and political programme. Economically, Iran was already strongly linked to the international division of labour as an oil producer, and importer of capital, intermediate and consumer goods from the rest of the world. Politically, the revolution was the outcome of anti-Shah protests, a broad based social movement which had allied a wide range of classes and groups such as merchants, religious establishment, the working and middle classes (see chapter 5). This alliance thus comprised various social interests but had managed a temporary unity against the Shah and his economic and political programmes. The clergy enjoyed the political and financial support of the merchant class, some of whom had lost part of their economic power under the previous regime due to industrialisation and competition from the growing capitalist class (see chapters 1 and 2).

This chapter analyses the character of the state and social classes under the new regime, from 1979-89, to show the extent to which uneven development continues to shape Iran's political economy. It evaluates what elements have been persistent and continuous and where the processes of transformation have been discontinuous. I begin by highlighting the major ideological perceptions of the Islamic Republic concerning the political economy of Iran. I go on to compare this to actual conditions and the development of the political economy, both domestically and globally, including an analysis of the economic legacy which the regime faced, and the rise of new state institutions. This covers the extension of the role of the state domestically through a nationalisation programme – based on its continued receipt of oil income. I look in detail at the government budget – income and expenditure – to show the continuing rentier character of the new state. I follow this by examining the contribution of oil to Iran's regional economic and political

policies. This was heightened by the Islamic Republic's avowed aim of exporting the revolution. Here too I compare the ideology of the new regime with actual events, notably the eight years of war with Iraq. This analysis of the economic and political situation during the 1980s illustrates the regime's adaptation of Shia Islam as it formulated its policies. The reversal of policies affected not only the international arena but was seen on the domestic front too. I examine specifically the state and society in the period of transformation, looking at how uneven development continues to shape Iranian society and culture.

6.2 Ideology of Theocracy

Before the revolution Shia Islam had presented various forms and styles of Islam according to the historical conditions (see chapter 4). The clergy attempted to reaffirm Shia Islam and legitimise their social position in the society. The new regime came to power in the heat of revolution and presented a radical alternative.

In the area of political economy, various explanations were presented by different Shia thinkers but they are generally vague and without an explicit programme. For example, one of the leading authorities on the subject, Mohammed Baqer Sadr argued that:

Islamic economics is not a social science of political economy. It is a revolution for changing a corrupt reality into a pure and healthy one. It is clearly not an objective analysis of existing reality (Sadr, 1971, Vol I: 403).

Throughout their writing Sadr and many other Shia thinkers present a critique of capitalism and Marxism in order to counter the influence of the latter among the young generation in Iran. They presented this as an alternative to both western capitalism and the socialism of the ex-socialist countries.¹ Rejecting capitalism and socialism, Khomeinie, for example, advocated new economic conditions based on Islam which would enable prosperity to help the majority:

under an Islamic government, economic conditions will change, we will offer a healthy economy ... our concern is real restructuring of the economy which helps the majority, the needy and the poor (Khomeinie, 1985: 100-125).

The Shia thinkers' views on economic understanding leaned towards anti-imperialism and Third Worldism but in an Islamic form and style. Before the revolution the clergy, in particular, argued that under the Islamic Republic Iran will be a '*self-sufficient country*' (Khomeinie, 1986: 49). Because of the significance of oil to the Iranian political economy, the self-sufficiency or dependency of Iran was closely linked to the state of the oil industry. Shia thinkers, including Khomeinie, were aware of the strong link between the state and oil income. He very often presented his argument on the economic and political role of oil, both domestically and internationally. He accused the Shah of squandering the country's resources and allowing the western countries to take it away in return for very little:

... our oil is being plundered; and our country is being turned into a market for expensive unnecessary goods... A number of foreign states

carry off our oil... and the negligible sum they pay to the regime they have installed returns to their pockets... [and] God only knows what it is spent on (Khomeinie, 1981: 115).

Such a view can be fitted in with a more general critique of the Third World's dependency on advanced capitalist countries.² The *ulama* criticised the Shah for squandering the oil wealth on luxury goods and military hardware, alongside the economy's over-reliance on the oil industry and the neglect of other exports (Shirazi, n.d: 97). They rejected the economic policies of the previous regime and the development which had taken place in the 1970s. For example, just after the revolution, Khomeinie emphasised the less developed areas of the country and condemned the previous regime because:

... they have left the country devastated ... the dispossessed and the poor are everywhere whilst their natural resource [oil] has been plundered and wasted. Ahavaz [an oil producing city], with its God-given resources and Khozistan [a province in the oil region] with its wealth, why should it be in such a bad state? (Khomeinie, 1986: 119).

The historical role of imperialism in Iranian politics, especially in regard to the oil industry and the regime's relations with the US, was used to accuse the Shah of committing a crime against his people. Khomeinie went so far as to say: '*They are giving it [oil] away at such a rate that in 30 years, we will have no oil left.*' He promised that with the help of the people and, in particular, religious scholars this could be ended (Khomeinie, 1981: 218-136).

Bani-Sadr, like Khomeinie, also believed that oil had become an instrument for the exploitation and domination of advanced capitalist countries over the LDCs and oil producing countries. He believed that Iran's economic policy under the Shah had turned Iran into a dependent country, forced to export raw materials and to rely on the US and western Europe for necessary manufactured goods. Oil was key in this process as it was vital as a raw material and an energy source for the west. It also provided Iran with revenues with which it could buy western goods (Bani-Sadr, 1977). In order to overcome this problem the new regime advocated expansion of the non-oil sector in the first Islamic Plan (1983-87):³

The fact is this, that the elimination of the country's dependence on oil exports is an important aspect of achieving economic independence. The export of non-oil goods such as traditional, industrial and agricultural is especially important for development. (Statistical Centre of Iran, 31/ Sep/1982: 12).

The plan stated that the oil reserves were exhaustible and hence Iran cannot afford to continue its dependence on oil exports. It argued for the rebuilding of the agricultural sector to ensure its production would become sufficient to meet the requirements of the country and so reduce the need to import food. Similarly, the non-oil industries should become independent and reduce Iran's reliance on foreign countries.

The new constitution of the Islamic Republic, with the blessing of the *faqih* (see

below), stated in Article 43 the creation of economic independence, eliminating unemployment and consumption of luxury goods, providing housing for the poor and rural migrants, as well as expanding non-oil exports, providing self-improvement of individual citizens and increasing their participation in the leadership of the country, preventing profiteering from the labour of others, and prohibiting monopolistic, speculating, and usurious dealings (Islamic Republic Constitutional Law, 1980: 39-44).⁴ In Article 44, the law stated that the 'economic system' consisted of three sectors: government, cooperative and private. The public sector included major industries, foreign trade, major mines, banking, insurance, power production, dams, water supply, radio and television, postal services, telegraph and telephone, air, sea, land, rail and road transportation. The co-operative sector included cooperative companies and organisations in urban and rural areas.⁵ The private sector included parts of agriculture, industry, trade and services and can overlap with the co-operative and state sectors. In Article 48, the law states that private ownership is allowed if it is legitimate as determined by the law (Constitutional Law, 1988: 42). These new laws gave the state a greater role to involve itself in the economy.

In the political arena, the constitutional law which was approved in a referendum in March 1979, gave the ultimate authority to a supreme religious jurist, or *faqih*. It gave the Shia clergy political control and the *faqih* was able to give judgement in economic, political and social issues with more freedom. According to the constitution of the Islamic Republic, the right to rule does not belong to a group, individuals or classes. Everyone is equal under Islam and there are no classes or divisions: therefore everyone should endeavour to work for Islam above everything else.

Morality and responsibility to God became an important issue. For example, just after the revolution in an attempt to bring the country back to 'normality', Khomeinie ordered the workers to return to work and build their Islamic nation:

Today any invitation to strike, or slowdown of work is treason to the country and the Islamic Republic. Today is not like yesterday [during the revolution] when you were invited to strike. Those strikes were the determining factor in our destiny. We asked you to go on strike to get rid of plunderers from the country [which] you did. Today is contrary to then ... to invite anyone to go on strike is going against Islam and harming the country. Therefore you have to be aware ... expel those workers who don't want you to work for your people (Khomeinie, 1986: 183).

Khomeinie used Islam and the idea of the nation in order to direct attention away from specific class interests. Although this may seem very close to secular nationalist sentiment the ideology of Islam was used to legitimise the importance of the nation and to encourage citizens to work hard for Islam.

Combining Islam with nation was not a new phenomenon. Previous religious leaders such as Ayatollahs Tabatabaie and Kashani had already been in the forefront of the nationalist and anti-imperialist activities of the 1906 Constitutional Revolution and the 1950s' movement to nationalise oil. But in 1979, Iran was under the leadership of the *ulama* who argued that the revolution was for the nation and Islam and had to be protected against opposition: the revolution should also be exported

to create *umma*. On coming to power Iranian leaders and spokesmen stressed their view that Iran was at the forefront of a revolutionary movement encompassing all Moslems. This was stated both in the constitution (Constitutional Law, 1980) and reiterated by Khomeinie when he *'hoped that all Muslem nations'* would join Iran's struggle, not only with the US but also between Islam and the infidels. Khomeinie called *'all the Muslim nations, all Muslims, all Muslem armies ... all Muslim countries' presidents to co-operate with our nation'* (BBC, Summary of World Broadcasts, 24/Nov/1979).

Khomeinie also asked the Iranian people to: *'strive to export the Iranian revolution throughout the world'* and argued that Islam does not recognise any difference between Moslem countries (Khomeinie, 1981: 286).

With this ideological vision, including economic self-sufficiency, export of the revolution, increasing non-oil exports and breaking links with the west, the new regime – the Islamic Republic began to organise the political economy.

6.3 Economic Legacy of the Past

One of the striking features of the Iranian political economy before the revolution was uneven and combined development. The concentration of industries and wealth were in a few areas, mainly major cities and most of the wealth was held by a very small section of the population (see chapter 5). Against this background, the new ruling authorities in Iran had to resume economic activities facing acute difficulties.⁶ This was partly due to strikes by workers and the continued flight of some of the old capitalists from the country, matters compounded by a period of world economic recession. The country still needed to maintain necessary imports of food, raw materials, spare parts and capital goods in order to avoid political discontent. To achieve this, a high level of oil output had to be exported to bring in the necessary foreign exchange. The new regime was faced with difficulties on all sides: instability in the immediate aftermath of the revolution, projects left half-completed, under-capacity in many key industries, and unemployment, all combined with increased expectations on behalf of the workers.

Under these circumstances, to continue the old relations with the west was not politically wise, since the regime had come to power by voicing the people's resentment at this. Bringing in foreign capital and much-needed expertise was also not expedient – in fact, entrepreneurs and management were leaving the country, taking with them some of the capital, and leaving the banking system in turmoil: many institutions could not meet the demand for money by depositors. The flight of capital from the country in 1978-79 had already pushed up the price of foreign currencies against the Rial on the black market, and left many factories lacking finance. Foreign technocrats and advisors either fled or had been deported; consequently many industrial projects such as steel-mills, petro-chemical plants and copper works were half-completed and lying idle. The lack of raw materials and decline in markets left firms heavily in debt or even bankrupt.

The major problem for the regime was to provide the necessary raw materials and intermediate goods, the supply of which had been in decline since before the revolution. As Table 6.1 shows, the import of intermediate goods declined by 32.4% in 1978-79 whilst that of capital goods declined by 27.6% in the same period. The impact of this reduction of imports of raw materials and capital goods

was felt directly on the economy as GNP declined by 18% in 1979-1980. The result of this was an unemployment level as high as 2.5m. The outlook was bleak: output per head had increased by a yearly average of 10.2% in the years 1974-78, but this declined in 1979 by 19.4% and continued to decline in 1980 and 1981 by 8% and 10.8% respectively (Central Bank of Iran, various reports).

The government took several immediate measures to try to alleviate the situation. They tried to give some encouragement to the private sector to resume investment, in the process paying contractors as much as \$85m in outstanding claims and promising payment of considerably more. The government also provided \$110m to companies needing to pay for raw materials and wages which were owed. A fund of \$130m was established for unemployed wage-earners to draw on for short-term loans, whilst merchants were let off payment of certain customs duties. This was an important concession in return for the support that they gave before and during the revolution (Central Bank of Iran, various reports).

State involvement in the economy expanded as private sector activity declined. Many factories, firms, and properties of the Shah and the Royal Family were confiscated as the government transferred their assets to form new institutions (see below). The state attempted to restore economic order through its own centralised power. It was decided that oil income would be used as the major resource for the state's reorganisation of the economy.

6.3.1 Nationalisation and New State Institutions

New institutions were established by the state to take over some industries, many of which were privately-owned. Private banks were nationalised. The new director of the *Bank-e Sadrat* believed that: '*... Nationalisation of the banks was inevitable. Without this the private banks were unable to continue their activities...*' (*Peygham-e Emroz* 13/Jun/1979). The law on nationalisation included: exclusion of earning by banks and transfer of capital abroad, the coordination of the banks with the rest of the economy, state protection of the banks and its attempt to direct banking activities according to Islamic principles of administration and profitability.

The law stated that banks can accept two kinds of deposits: *gharz al-hassaneh* deposit (current/saving) and term-investment deposits. Banks were allowed to attract deposits by one or all of the following: non-fixed bonuses in cash; exempting depositors from payment of commissions and fees; and granting priority to depositors in the use of banking facilities. Term Investment Deposits were of two kinds: short-term (three months) and long-term (over three months). Banks could use their resources in investment projects, sharing the profit with the term-investment depositors. In principle, the profits earned as a result of the bank's investment were to be divided amongst the depositors, allowing a reduction for the banks' fees. The bank would also guarantee the return of the principal of these deposits. Banks had to announce details of their profit share every six months and give the depositors their share paid directly to their accounts. Withdrawal of money by the depositors before the term of agreement end would result in a loss of profit to the banks in the early years after the revolution.⁷ Although there was an attempt to reduce the role of usurious practice through *garz al-hassaneh* funds, this does not seem to have succeeded yet.⁸

The imposition of laws against usury was a direct threat to the *bazaari's* source

of income. With the service charge by the nationalised bank standing at 4% on loans, few were interested in borrowing at higher rates from the *bazaari*. The result was withdrawal of money by those with considerable capital, with transactions increasing on the black market for better rates of return or transfer of monies abroad (Afshar, 1985: 228).

This nationalisation of the banks and most of the industries was followed by laws to protect expansion of Iranian industries. A large part of Iranian industry such as oil, gas, petrochemical, steel, copper, and aluminium already came under state control, and this was extended to over 560 other companies through the nationalisation programme. The government promised that it would compensate its foreign partners for this nationalisation⁹ but in fact announced in July that it would give only \$250 compensation (Economist, 28/Jul/1979). By 1980, nearly 80% of the private industries came under the control of the state.

The new regime also decided to nationalise foreign trade in order to control prices and the transfer of hard currencies to the rest of the world. The state had to use credit from the public sector to pay for imports. This was no simple matter, however, as the *bazaar* had strong support amongst some of the clergy. That this represented a threat to the interests of the *bazaar* was clear when Bani-Sadr as the first President of Iran after the revolution pointed out that:

The present condition of foreign trade is just temporary. The domestic trade has not been nationalised and the merchants can take the state imported goods and sell them with a just profit (Ettelat, 24/Sep/1979).

The big industrial sector of the economy including banks was controlled by 15 state organisations such as *Bonyad Mostazafin* (The Foundation for the Disinherited),¹⁰ the Organisation of National Industry (ONI) which took over more than 500 industrial enterprises with a workforce of over 150,000, and the Organisation of Development and Reconstruction of Industries.¹¹

The development of the agricultural sector was another important plank in the regime's policy. In June 1979, the Construction Crusade, *Jihad-e Sazandagi*, was created to develop rural areas. Peasants had already demanded land reforms during the revolution and even taken over some of the land in rural areas in Kurdistan and Turkaman Sahra. However, the new regime reacted swiftly and sometimes brutally and was able to reclaim the land, of which some was returned to the old landlords and some remained under state control. Opposition to land reform came from the big landlords and conservative *mullahs* who called it un-Islamic (Najmabadi, 1987: 200). The *Jihad-e Sazandagi* was in part an Islamic version of the Shah's literacy and health corps, whereby educated conscripts had been sent to the countryside to promote literacy and health (see chapter 1). The new organisation was vital for political reasons: to extend the clergy's social base and to help to improve economic conditions in the rural areas. Its members were originally made up of dedicated Islamic volunteers. *Jihad-e Sazandagi* became very important to the economy of the rural areas and its members often became official employees of the government. By 1982, the organisation had built more than 400 bridges, distributed electricity to more than 1,000 villages and constructed 9,374 miles of roads in rural areas. By 1983, its budget stood at over \$1bn (Ettelat, 18/June/1988). It also became involved in the Iran/Iraq war, both at the front and in mobilising recruits from the village. It has been estimated that by 1993, *Jihad-e Sazandagi* would have as many as 50,000

employees (*Jihad*, 1989: 33).

The Revolutionary Guard Corps (RGC)¹² was another important economic and political institution for the regime. During the first half of the 1980s it helped the state prosecute its war with Iraq. The war helped the new regime establish itself by mobilising the masses in the defence of the Islamic homeland (Hoogland, 1984: 33). The regime also turned the war into an ideological struggle against the 'atheistic' regime in Iraq and, most importantly, it kept the army engaged in war rather than interfering in the political process. The *Pasadaran* (the forerunners of the RGC) helped the regime to survive during a very difficult period. The new regime used them in the same way that the Shah had used the armed forces: by counterposing the old army, which was still influenced by the old regime, they helped the new rulers to mobilise people to the war front, to maintain the security of the ruling elite and it also used them as a labour force in various military industries.¹³ The new state also moved some of the members of the RGC very quickly into the highest-ranking military positions in the country. They were used to crush any economic and political discontent.¹⁴ They also acted like the Shah's special guard i.e. as a highly-trained military force to defend the state institutions and government ministers.

The RGC involved itself in economic activities such as building infrastructure and, together with *Mostazafin* and *Jihad-e Sazandagi*, engaged in the country's political economy. The *Mostazafin Foundation* became the largest landowner, with land valued at about \$10bn (*Iran Times* 24/Feb/1984). These organisations consumed a massive budget and according to Hussain Shahroudi, the director of the committee of Economic and Finance of the *Majlis*: '*The public companies' budget is more than the total government budget*' (*Kayhan-e Havaie*, 20/Jan/1993).

Nationalisation and creation of new institutions such as *Bonyad Mostazafin* gave a line of continuity from the previous regime, as some of these institutions were a replacement of the old institutions, for *Bonyad Pahlavi* under the Shah's regime. Institutions such as the RGC played an important role in putting down groups opposed to the regime and thus became an important pillar for the new state. The state continued to play a major role in the economy, namely to provide finances for these institutions.

The demands of these companies and institutions ate into the state's much needed budget for required imports of raw material to run its industries. Yet, the state and its institutions could not change the structure of the economy. Any drastic transformation in the economy would have resulted in more socio-economic and political crisis in the country since a further cut in the supply of intermediate and capital goods would curtail economic activities, thereby increasing unemployment and creating a shortage of basic supplies in the economy. Therefore, the new institutions offered very little alternative apart from continuing contact with the rest of the world in order to buy raw materials, food and arms.

6.4 Oil and the State

Just as oil was a vital economic and political factor for the previous regime, it became vital for the new ruling authorities too. Oil was a political issue both nationally and internationally. Indeed, one of the main slogans of the revolutionary movement had been criticism of the role of imperialism and its relation to oil. Since

the 1950s, oil had been used by the ruling authorities in Iran to attain and maintain political power. Similarly, the rentier character of the state did not alter after 1979: the oil income continued to have the same political impact as before, giving the state some room to manoeuvre, both economically and politically. The state continued to receive a large amount of external rent and, like the previous regime, plan a large expenditure programme without relying on heavy taxation or overseas borrowing. The oil revenue thus allowed the Islamic Republic some immunity from socio-economic pressure. The state could not rely on investment by private capitalists, some of whom had already left the country. Nor could the government impose heavy taxation on a population whose expectations of economic reward had increased. Nationalisation of industries and the establishment of new state institutions required finance which could only be provided by the state, through oil rent.

This policy was, however, contradictory in the light of the new regime's stated attitude towards the west. The post-revolutionary regime argued for decline in oil production, diversity of exports, and delinking with the west. But it was impossible to break Iran's economic links with the world market. The Iranian economy still needed to import necessary supplies for the operation of its industries, the army and to provide food for the population, and some of its needs were not produced in Iran. The new ruling elite continued to import capital, consumption and intermediate goods after the revolution. Although there has been a decline, at least in capital and intermediate goods, these have not been absolutely cut. Some of the industries were only producing at about 60% of their capacity after the revolution because of the lack of necessary raw materials and spare parts (Central Bank of Iran, 1981: 161).

Table 6.1 The Composition of Imported Goods, 1978-1989
(US \$ million and percentages)

Year	Capital		*Intermediate		Consumption		Total	% Change
1978	4019	27 %	7910	54 %	2697	18 %	14626	—
1979	2908	28	5350	52	2114	20	10372	-29
1980	1835	19	5301	55	2559	26	9695	-6
1981	1738	16	6207	57	2899	26	10.844	12
1982	2149	16	8225	61	3141	23	13515	25
1983	2308	19	6861	58	2676	23	11845	-12
1984	4352	24	10840	60	2911	16	18103	53
1985	3867	27	8310	57	2317	16	14494	-20
1986	2421	21	7411	65	1576	14	11408	-21
1987	2199	23	5461	58	1695	18	9355	-18
1988	2209	23	5498	59	1662	18	9369	0
1989	1869	23	4829	59	1479	17	8177	-13

* Intermediate goods also includes raw materials.

Source: Statistical Centre of Iran, various reports.

The industrial sector had to import nearly 57% of its required raw materials, whilst the dependency on the world market for some of the sectors stood at about 80%. The manufacturing, paper and printing sectors required imported raw materials and spare parts (see Table A.6 and A.7).

**Table 6:2 Imports & Output of Staple Foodstuffs, 1977-1988
(tonnes)**

Year	Wheat		Sugar-beet		Red Meat		Rice	
	Import/Output	Import/Output	Import/Output	Import/Output	Import/Output	Import/Output	Import/Output	
1977	1197	5500	387	1000	182	199	590	1400
1978	1139	5526	736	898	135	176	302	1531
1979	958	5946	851	1399	126	168	372	1271
1980	1747	5744	584	1307	175	125	402	1181
1981	1945	6610	668	1677	160	93	587	1624
1982	1500	6660	412	1810	187	105	487	1605
1983	3031	5956	660	2053	229	229	—	1215
1984	3169	6207	542	2126	198	198	521	1484
1985	2137	6631	573	2413	184	184	541	1776
1986	2860	7556	377	2362	173	173	481	1784
1987	3770	7600	554	1575	195	195	—	1803
1988	3423	7265	265	1299	169	169	—	1419

Source: Statistical Centre of Iran, various reports.

Iran also had to import its basic food requirements. The output of wheat increased by 11.1% between 1979 and 1981. For the same period, imports of wheat increased by 103%. The output of red meat for 1979-80 fell by 25.5% whilst imports increased by 38.8%. The policy of food imports was a continuation from the previous regime, in order to maintain some balance in the economy. This was made possible through oil exports, which provided the regime with the required amount of foreign exchange.

**Table 6.3 Crude Oil Production, Export and Prices, 1978-1988
(million b/d and US \$)**

Year	Crude Oil Production	Export of Crude Oil	* Price per barrel
1978	5.586	4.816	13.03
1979	4.252	3.455	29.75
1980	3.433	2.632	35.69
1981	1.476	0.770	34.32
1982	2.679	1.897	31.80
1983	2.709	2.045	28.75
1984	2.370	1.609	28.07
1985	2.504	1.465	27.53
1986	2.177	1.251	12.97
1987	2.457	1.553	16.92
1988	2.556	1.469	13.22

* The price is calculated on the basis of similarity between Arabian light (ex-Yanbi 34 degree API 1.7 degree sulphur) and Iranian light (34 degree API 1.3 degree sulphur). Arabian light is the marker crude oil from which other crude oils are priced according to (i) API gravity differential i.e. whether heavier or lighter than marker; (ii) sulphur premium if the crude has less sulphur than marker; (iii) freight differential i.e. allowing for transportation costs.

Source: Adapted from Organisation for Budget & Planning, 1990:15
British Petroleum Statistical Review of World Energy, 1991:12.

This meant continued trade with the west was unavoidable, as structural change in Iran's economic relations would have caused further intensification of her economic and political crisis (see Tables A.8, A.9, and A.10). Iran also required continued western expertise to run its food, textile, wood processing, petrochemical, power, manufacturing and electronic industries, which already employed thousands of foreign engineers and technicians.¹⁵ A complete break with the west would merely have compounded the problems of unemployment and the shortage of basic supplies in the economy, including food. Iran continued to import a large percentage of the staple foodstuffs required for the growing population (see Table A.1).

The new regime's policy after the revolution was to keep oil production and exports at a low level. This was possible since Iran had already nearly \$10bn in foreign reserves (Renner, 1988: 185). As soon as the foreign reserves ran out the economic need for oil revenue became more pressing and this altered the regime's oil policy. Oil production began to increase and it was even sold at cost-price during the Iran/Iraq war.¹⁶ The production after the revolution had dropped – to 3m b/d in 1979, compared to 6m b/d in 1977 – although this drop was compensated for by the increase in the price of the oil after 1979: the price increased from \$13 per barrel in 1978 to over \$35 per barrel in 1980 (see Table 6.3). Iran remained heavily dependent on oil, which accounted for over 80% of all government foreign exchanges. Prime Minister Rajaie, in 1980, admitted that '*oil is the life blood of the revolution*'.¹⁷

With the economic difficulties growing the GDP started to decrease by more than 10% in the period 1979-1980. Khomeinie gave a warning that ten years of austerity lay ahead before the country could become productive enough to fulfil its needs. Khomeinie, in one of his speeches, pointed out: '*... What is clear for us is firstly Islam which has everything. We did not have a revolution for our stomach... We revolted for Islam*' (Khomeinie 1986: 163). Islam was in this way an important weapon used by the state to encourage the people to withstand a period of economic difficulties. A change in the attitude of the government seemed inevitable; Khomeinie was realistic enough to acknowledge people's concerns about living conditions when he went on to reassure his followers that: '*Our markets are full of food. Our grain is still available without problem*' (Khomeinie, 1986: 164).

Table 6.4 Total Export Earnings – Oil and Non-Oil, 1978-1989
(US \$ million)

Year	Total	Non Oil	Oil	Oil as a % of Total
1978	25590	4685	20905	82%
1979	22738	4622	18116	80
1980	22659	3272	19386	83
1981	14214	2363	11851	83
1982	14320	1865	12456	87
1983	22082	1625	20457	93
1985	17948	1285	16663	93
1986	15023	1055	13968	93
1987	7145	1163	5982	84
1988	10292	1103	9189	89
1989	8810	1211	7599	86

Source: Statistical Centre of Iran, various reports.

Iran's exports of crude oil faced some difficulties with US sanctions on Iran's oil, imposed during the hostage crisis in 1979 and the later war with Iraq (see below). But the export of oil was maintained throughout at an average 1.5m b/d, apart from 1981 when it fell to 770,000m b/d. The outbreak of the war in 1980 had already had a negative effect on the domestic refineries e.g. output falling by 11% from 1980-1981 and continuing to decline, as Table 6.3 shows. The Iranian economy improved when oil exports and revenue began to increase in 1982, reaching 1.9m b/d and \$20bn respectively (see Table 6.3). This helped GDP (at constant price of 1974) to grow from 2,568.7bn Rials in 1980 to 3,040.3bn Rials in 1982 (see Table 6.5).

Table 6.5 Sectoral Distribution of GDP, 1978-1987
(constant prices of 1974, billion Rials and percentages)

Year	GDP	GR*	Agriculture		Industries		Oil		Services	
			Share	GR	Share	GR	Share	GR	Share	GR
1978	3266.9	-16.7	10.8	3.4	17.0	-14.2	28.5	-31.8	49.6	-7.6
1979	3070.5	-6.0	11.6	1.0	16.7	-7.6	25.0	-17.4	50.8	-3.7
1980	2568.0	-16.4	14.1	1.9	20.3	1.6	12.9	-56.9	57.5	-5.5
1981	2639.4	2.8	15.3	11.3	20.3	2.7	10.4	-17.2	57.0	1.9
1982	3040.3	15.2	14.3	7.9	19.4	10.5	17.3	92.5	50.9	2.8
1983	3417.8	12.4	12.9	-1.6	20.0	15.6	15.5	0.8	53.7	18.9
1984	3421.3	0.1	13.1	4.1	20.6	3.2	13.2	-14.8	54.7	2.1
1985	3376.0	-1.3	14.4	8.9	20.4	-2.8	12.9	-3.6	54.0	-1.3
1986	2974.9	-11.9	16.8	2.6	19.2	-16.4	12.7	-13.5	53.0	-11.9
1987	2954.3	-1.5	17.8	4.0	18.3	-6.3	14.9	16.0	50.8	-1.5

* GR stands for percentage change in growth rate.

Services includes trade, transport, communications, restaurants, hotels, finance and insurance.

Source: Statistical Centre of Iran, various reports.

The link between the state and oil was thus not only not broken but appeared to be stronger. The operation of the domestic economy and continuation of the war would not have been possible without it. The imbalances in the Iranian economy continued from the previous regime. Iran's relation to the world economy remained strong and the state continued to be the major actor in the economy because of its rentier character – large receipt of oil rent. This becomes clearer when we examine the government's expenditure and income.

6.4.1 Income and Expenditure

The new state, like its predecessor, continued to receive a large amount of oil rent with which it influenced the economy, monopolising finance, as well as guaranteeing most of the industrial and commercial enterprises. The state's budget included food price support and other subsidies, industrial projects and military spending. The Iranian economy faced difficulties until 1982 and, only after that was there some growth in the economy, largely due to the petroleum sector: increased sales of crude oil brought in more revenue and resulted in stimulation of economic

activity in other sectors. But the war with Iraq placed an extra burden on Iran's economy as it increased the need for foreign exchange – mainly derived from oil, to finance operations. Although the new regime had at first cancelled the old regime's order for military equipment, the outbreak of the war quickly reversed this policy. Iran again became one of the main importers of weapons (see below), and the war effort absorbed about 40% of the Islamic Republic's government budget. Iran and Iraq between them were spending around \$1bn per month to prosecute the war at its height. The inflow of oil revenues was financing this, to the extent that about 70% of Iran's annual oil income was spent on the war effort alone in 1983.¹⁸

Table 6.6 Government Budgets and Structure, 1979-1987
(billion Rials and percentages)

Year	1979	1980	1981	1982	1983	1984	1985	1986	1987
Revenue	1792	1349	1703	2392	2600	2645	2692	1782	2511
Tax (%)	20	25	32	26	31	34	38	57	43
Oil	68	66	55	65	61	48	44	23	33
Others	11	9	12	9	8	17	17	19	24
Expenditure	206	2252	2707	3167	3672	3378	3351	3167	3965
Current (%)	75	75	56	53	47	56	58	58	61
Development	25	25	25	21	23	19	15	19	4
War*	—	—	19	26	30	25	27	22	35
Deficit	269	903	1004	776	1072	733	659	1385	1345
Loans %									
Domestic	99	76	78	73	65	51	84	93	96
Foreign	1	0	0	0	0	0	0	0	0
Others	0	24	22	27	35	49	16	7	4

Note: Discrepancies exist among figures reported by the various sources.

* This does not consist of total spending on war.

Source: Statistical Centre of Iran, various reports.

The government annual budget was the post-revolutionary replacement for the national plans. Crisis in the economy in the aftermath of the revolution, expansion of the public sector due to economic nationalisation, the war with Iraq and dependency on the oil markets were all cited as the major reasons for the budget. The regime changed its priorities over the ten years. It began with a budget less dependent on oil and more on taxes, paid particular attention to agriculture and rural development, producer-goods industries, electricity and transport i.e. it was intended to help the more needy, small businesses and the least developed regions (*Kayhan-e Havaie*, 5/Dec/1984 and 17/Mar/1987). However, the prolonged war and the decline in oil revenues brought fiscal and monetary constraints as more funds were allocated to war and provision of basic consumer goods (*Ettelat-e Siaisi va Ekhtesadi*, Nov/1988).

Agriculture, higher education, research and development all received greater attention, as did the fight against inflation and corruption. The major part of the

government's budget was given over to the war effort, along with financing the new institutions such as committees, courts and para-military organisations. At the same time, the regime had to subsidise basic foodstuffs in order to maintain its political support during a period of acute economic difficulties. This was especially important during the economic mobilisation for the war and rationing of commodities, available at low cost.¹⁹ Subsidising basic commodities was an attempt to reorganise the pattern of household consumption and reduce its overall level, regarded as excessive by some.²⁰

As the oil revenues fell, the reliance on taxation increased, especially after 1983 (see Table 6.6). Before 1986, the greater part of taxation came from indirect tax and therefore hit the lower income groups disproportionately. For example, in 1984, indirect taxes made up 55% of the total (Statistical Centre of Iran, 1984). Taxation in general was in decline: in 1980, taxes amounted to only 8.7% of gross national income and, by 1986, this figure had declined to only 5%. There are a number of reasons for this: one is that as oil revenue declined so did imports and production. The second reason is the inequality in a tax system which tries to tax the bulk of people who live below the poverty line instead of targeting the richer taxpayers through more progressive taxes. One estimate shows that between 1980-86 about 7,000bn Rials in taxes remained uncollected from the high income earners (*Kayhan-e Havaie*, 18/Jan/1987). Of these groups, undoubtedly the *bazaari* enjoyed the most tax privileges since it had the support of the clergy.

As before the revolution, the Iranian economy continued to rely on oil and the state was the major actor for this. Uneven development within the political economy continued, i.e. the oil revenues provided the state with a dominant role in the economy and society. Oil provided the necessary finance for the state to continue to import required food and raw materials for major industries, without imposing a huge burden of taxation on the population. Despite this, the level of taxation has increased (albeit from a relatively low start-point) for the lower income groups since the revolution. The most important area for which the regime required the oil revenue was to prosecute the eight-years war with Iraq. This was in the context of the regime's ideological presentation, which was defence of the revolution and the need to export it to create an Islamic *umma*, and took place in a region which was extremely sensitive, given the majority Moslem population, and also the extensive oil reserves and exports required by the world market, in particular, the west (see Tables A.10 and A.11).

6.5 The Regional Perspective

The new leadership's main slogans were '*neither east nor west*',²¹ and emphasis on spirituality, religious belief, and the role of the masses. Such views were not specific to Iran, some of which fall into the category of Third World radicalism. But these ideas have not always been put into practice because the regime still has to obey the dictates of the world economy along with the internal interests of class society. The role of oil was vital, not just for Iran but for all the oil-producing countries in the region and for the west as a major consumer. The new regime could not fail to be aware of the importance of oil to the state, both for Iran and for the region in general. The fact was that oil had to be produced and exported in an area which became the centre of political instability. As a result of the 1979 revolution, the second great oil price occurred, as the price rose from about \$18.5 per barrel in

1979 to \$35 in 1981. There was also a threat to the Gulf oil supply and a subsequent decline in Iran's oil output from 5.6m b/d to under 2m b/d (see Table 6.3).

The Iranian revolution and its outcome created great instability in the region which had remained relatively stable under the Shah's regime. Iran became a problem for both the former Soviet Union and the US who were well aware of Iran's key geo-political position, fearing the knock-on effects of the establishment of the Islamic regime, in an area stretching from Saudi Arabia to the Soviet Southern Republics. For the Soviet Union, it opened up new strategic uncertainties, in particular the unstable situation in Iran post-revolution and its potential impact on Afghanistan, then under direct occupation. For the west – especially the US, the Middle East region is extremely vital: it contains about three-quarters of the proven and estimated world oil reserves. The Gulf oil-producing states, together with Iran, account for two-thirds of the total production of OPEC and provide about half the requirements of Japan and the west, in particular the US.²²

For many Iranians, the US was seen as the imperialist country, having supported the Shah's dictatorship since the 1950s (see chapters 1 and 2). Furthermore, the widespread mass movements which succeeded in overthrowing the Shah in 1979 suggested little possibility of resuming a normal relationship with the US. The new ruling elite of Iran had to take this into consideration even if they desired a resumption of relations with the US. The new regime adopted a hostile policy towards the US and its Arab allies, yet the US could not ignore the continued importance of Iran in the region. Similarly, despite its anti-western stance, the Iranian rulers still needed to export their oil through the Persian Gulf to the rest of the world.

The revolution resulted in immediate changes in Iran's regional policy. Tehran broke relations with Israel, Iran left CENTO, withdrew troops from Oman and recognised the PLO. This anti-western attitude continued in November, 1979 when militant students – supported by the clergy including Khomeinie – stormed and occupied the US embassy in Tehran, signifying a halt to its relations with the US.²³ The US response was immediate; Washington stopped the shipment of \$300m worth of spare parts bought by Iran and, on the 14th of November, the US froze \$10,000m in Iranian assets abroad (Mostyn, 1991: 170). The US also stopped its imports of Iran's oil, which then stood at 900,000 barrels a day. By May, 1980 the US had succeeded in convincing Japan, the UK and Royal Dutch Shell to boycott Iranian oil, their imports of which amounted to around 800,000 barrels a day (Fisher, 1990: 454). One of the domestic consequences of the US embassy hostage-taking was the resignation of Bazargan who disagreed with the occupation. Khomeinie and his supporters argued that it was in response to US interference in Iran and in protest at its decision to admit the Shah for medical treatment. The real reason may lie in the fact that radical elements – supporters of Khomeinie, were worried about Bazargan's apparent willingness to see the renewal of relations between Iran and the US (Asnad, Vol 28, April, 1979: 43).

This action encouraged the former Soviet Union to make its relations with Iran closer, but the Iranian ruling elite continued to play one power off against another. It did this in order to maintain its own economic and political interests, avoiding any military conflict with either power. Although this was possible, the Islamic Republic was not able to stop the Iraqi regime entering Iran, and the subsequent war.

6.5.1 The Iran/Iraq War, 1980-1988

Within the region, Iran posed a major threat to neighbouring countries, both ideologically and militarily. But the perceived threat of the spread of the Iranian revolution largely ceased when Iraq invaded Iran.²⁴ Although the post-revolutionary regime had avoided any conflict with the superpowers, it could not prevent Iraq invading its territory on 22 September, 1980 which created more volatile conditions in an already unstable region. The Iraqi regime's stated reason was to create stability in the region and to defend not only their own nation but also their 'Arab brothers' and their homeland:

We cannot maintain the nation's honour by defending Iraqi territory only; our duty extends to every part of the Arab homeland and to everywhere our hand reaches to maintain the Arab nation's honour (Chubin and Tripp, 1987: 25).

Iraq had behind it the support of Arab allies²⁵ in the region, the US, and Iranian ex-generals. Members of the US administration such as Zbigniew Brzezinski, the US national security adviser, came out openly in support of Iraq in April, 1980 when he announced: '*We see no fundamental incompatibility of interests between the United States and Iraq*'.²⁶

The Iran/Iraq war seen in its wider context was in part a continuation of a regional power struggle for the imposition of hegemony. The new regime of Iran continued the policy from its predecessor – although not in the same form – of imposing its hegemony in the region. Khomeinie and many of his supporters consistently proclaimed their ambitions of extending the Islamic *umma* from Iran into the other Moslem countries. Khomeinie hoped that:

the general Islamic mobilisation will become a model for all the meek and the Moslem nations in the world, I [ask] Moslems in various countries in the world, wake up from your sleep of neglect and liberate Islam and the Islamic countries from the clutches of the colonialists and those subservient to them (BBC, Summary of World Broadcasts, 24/Nov/1979).

The revolutionary Islamic message of Khomeinie posed a considerable threat to Iran's neighbouring countries and their allies, both east and west. For the Iraqi regime this provided an opportunity to establish itself as the only country that could stabilise the region. As one observer put it:

The lake of oil seems now to be on the brink of a volcano, and everybody is looking around, fearful for their positions and future – except Iraq, which is strong and confident in itself and its future. And this enabled Iraq to play the main role in stabilising the region... (Gordon, 1981: 154).

Such instability was not a new situation in the Middle East, as chapters 1 and 2 have already shown. The difference now was that the new regime in Iran was advocating an Islamic community in a region where the majority of the population were Moslems. This was a threat to the interests of both the west and the Arab rulers in the area. Iran's foreign policy in the region was to offer support both

financially and physically for 'oppressed Moslem' groups struggling against their governments. For example, Iran helped Lebanese Shia by sending Iranian volunteers and, according to one report, gave them financial assistance amounting to about \$30m during 1985 and more than \$64m in 1987 (*Enqelab-e Islami*, 6/Jun/1988).

Politically, the war helped the Islamic Republican Party to silence any challenge from the opposition, just as it gave a nationalist and religious focus for people to rally around. It succeeded in strengthening the militant clergy who could use the war to justify suppressing any opposition to the government, labelling them 'traitors'. Khomeinie's regime committed itself totally to the war because it really had very little else to offer a people who had fought and won a revolution against the Shah: only by making the 'war' and the 'revolution' virtually synonymous could they continue to send thousands to 'martyrdom'. This was clearly put by Rafsanjani in 1985 as he admitted: '*We have been able to use the war to awaken the people and to fight the problems that threaten the revolution*' (Chubin and Tripp, 1988: 71).

Military power also served as a symbol of national independence and presented the Iranian ruling elite as the defender of Islam against the 'infidels'. The regime was able to mobilise people to sign up for what was presented as a *jihad*. This 'Holy War', however, had to be fought in the modern world with modern weapons which left the new regime to ship in the most sophisticated weapons to Iran to defend Islam and the revolution. The Iranian regime thus engaged in a war to defend the Islamic community in the modern world with modern weapons. The Shah's high level of arms spending had been criticised by Khomeinie and other clergy, but the figure actually began to increase under the new regime. Both Iran and Iraq doubled their arms spending in the period 1984-88 compared with that of 1979-1983. With high oil revenues in the Persian Gulf states, Iran, Iraq and Saudi Arabia were able to continue to import significant quantities of arms.²⁷ Also Saudi Arabia, with the full support of the US, continued to be a main contender with Iran and Iraq for the domination of the region.

**Table 6.7 Regional Military Spending by Major Supplier
(US \$ million)**

	1979-1983			1984-1988		
	Iran	Iraq	Saudi	Iran	Iraq	Saudi
USA	1200	—	5100	10	—	5800
Russia	975	7200	—	5	15400	—
France	20	3800	2500	100	3100	7500
UK	140	280	1900	100	30	2500
W.Germany	5	140	525	10	675	—
E.Europe	45	1290	—	2075	2075	—
Others	380	5810	2100	8220	8370	3730
Total	5365	17620	12125	10520	29650	19530

Source: adapted from *The Middle East and North Africa*, 1990 and 1991.

The new regime in Iran had come to power criticising the Shah for squandering Iran's wealth on arms spending rather than investing in development projects. As Table 6.8 shows the defence burden fell dramatically as a result of the revolution

i.e. by over 50% from 1978-79. This was in line with the incoming regime's promise to cut military spending.

**Table 6.8 Iran's Military Spending as a Share of GDP, 1978-1987
(billion Rials)**

	Military Expenditure	GDP (with Oil)	Share of Defence in GDP (%)	GDP (Excludes oil)
1978	561	4917	11.4	3692
1979	278	6053	4.6	4377
1980	317	6759	4.7	5778
1981	1007	8218	12.3	7288
1982	1300	10621	12.3	8852
1983	1500	13471	11.1	11662
1984	1853	15030	12.3	13182
1985	1295	15306	8.5	14458
1986	1450	17512	8.3	16869
1987	—	2060	—	19711

Source: Central Bank of Iran, various reports.

The war with Iraq ensured that the figure for arms spending, as a percentage of GDP, climbed steadily (except for 1983) and with a sharp decrease in 1985. The 1986 budget significantly increased arms spending – by 12%, at a time when spending in all other sectors was held down. During February, 1986, there was some criticism of the government in the *Majlis* for not taking account of the fall in the price of oil, when having to contend with the deficit on foreign exchange accumulated in the previous year. The hoped-for oil revenues did not materialise (they were in fact as much as 25% down on the expected figures). The escalation of the war ensured that the following year's military expenditure was also high: the budget estimated it would absorb 24% of current expenditure. Throughout this period actual war spending was higher than expected. This was at a time when military hardware had to be imported and therefore much of the foreign exchange (mainly coming from oil) was being allocated to finance the war economy. It is clear that the regime could hardly execute its war effort to the same degree without both its oil revenue and the continued supply of modern arms from west and east. Although the Iranian ruling elite continued to openly attack both west and east, this mattered very little in regard to both their arms trade or oil exports (see Table A.6., A.7 and A.9). The Islamic Republic was thus ostensibly anti-western, arguing for the export of revolution and creation of the Islamic *umma*, but in reality trading with the west.

As the war escalated, Iran continued to threaten the western countries warning that they intended to stop all Gulf shipping if their own oil exports were threatened. As Khomeinie put it, they would make sure: '*not a drop of oil flowed through the Hormuz Straits*' (MERIP, SEP. 1984). Although Iran was able to regain its loss of land and even to take part of Iraqi territory,²⁸ the superpowers – especially the US and its allies in the region – were not prepared to accept Iran's political domination in the area. The common reaction to possible Iranian military success was summed up at the time by the Los Angeles Times: '*the global equilibrium would be fundamentally tilted against Western interests*' (Guardian 29/Jul/1988). Such a prospect

much alarmed both the west and Iran's neighbours in the region.

The situation worsened with the conflict in Lebanon and the ensuing hostage crisis.²⁹ The US tried appeasement by offering Iran arms for the exchange of western hostages in Lebanon as it cultivated a relationship with the new regime, a policy which was to become known as 'Irangate'. This was at the time when Iran was coming under great economic pressure to end the war, with or without victory. In these conditions sections of the Iranian ruling authorities, notably around Rafsanjani and Foreign Minister Velayti were willing to negotiate with the US administration concerning arms for the western hostages. The 'Irangate' affair³⁰ was revealed by Mehdi Hashemi and an organisation in Lebanon. Hashemi was also the leader of a radical faction in Iran, a relative of Ayatollah Montazeri and active in *Hizbolah* in Lebanon. They exposed the McFarlane mission to Iran in 1986 through a Lebanese magazine. The Iranian regime immediately arrested Hashemi with his companions and he was executed (Freedman, 1991). The 'Irangate' scenario showed that Shia thinkers were able to respond to political events in diverse ways. In particular, it highlighted the Islamic Republic's leaders' willingness to make changes in their ideological formations, under different conditions. As a result of 'Irangate', some members of the government came under heavy attack by both radicals and conservatives in the government (see below). Khomeinie had to intervene to silence them (Behrooz, 1991). According to Rafsanjani, Khomeinie knew about the affair and could have decided to arrest the McFarlane group: *'But such action did not fit the Imam's mind, so we decided to let the gentlemen leave in good health'* (*Kayhan-e Havaie*, 24/Dec/1986).

The policy of cultivating a relationship with the west was a change from the early Iranian stand especially with regard to the US. Yet this change must be viewed in the context of economic pressure within Iran and the desperate need for spare parts and arms to continue the war with Iraq. The oil price decrease in 1986 had a major impact on the continuation of the war. After 1985, the price of oil fell dramatically from about \$30 to \$10 a barrel in 1986 and settled at around \$18 in 1987 (Statistical Centre of Iran, 1991). In 1979 Iran was exporting around 5m b/d and this declined by 70% to an average 1.5m b/d.³¹ The fact that Saudi Arabia did not need huge revenues from oil was an ally of Iraq meant that it continued to export high quantities of oil and flooded the market.³² The impact of the oil price fall was a decline in Iran's oil revenues by 59% for the first half of 1986, as compared to the first six months of the previous year. The comparative figures for the same period were a 30% fall in Iraq's oil revenues, 24% for Saudi and only 8% for Kuwait. Furthermore, Iraq continued to argue for higher production in its OPEC quota and received 'war relief' crude from Saudi Arabia and Kuwait (Renner, 1988: 194).

It is a significant fact that Iran has a much larger population than Saudi, Kuwait or Iraq, and hence much higher civilian import needs. This became evident as economic growth began to decline to less than 10% in 1984, and in 1985/86 real GDP was believed to have declined by 0.9%, owing to the reduction in the price of oil (Fisher, 1989: 432). This put pressure on the Iranian regime to end the war, as did the continued US military presence in the Gulf. By 1987, the US came openly to support Iraq, in an effort to make sure that Iran would not harm US interests and those of its friendly neighbours such as Saudi Arabia.³³

This external pressure mounted with the US support for Iraq³⁴ even going as far as shooting down an Iranian Airbus, leading to 290 civilian dead in July, 1988. The

problem for the regime was exacerbated by difficulties at home such as the continued crisis in the economy and that of mobilising people to the war front. This led the regime to alter its policy of expansion to finally accept UN resolution number 598 on 18/Jul/1988. The role of outside forces throughout the war, especially that of the US, shows that although the new regime in Iran broke some of its relations with the superpowers, it could not ignore their interests in the region. Some of the Iranian rulers came to elaborate a different vision over foreign policy, as when Foreign Minister, Velayati, pointed out that the:

objectives of the slogan ['Neither East Nor West'] is the negation of alien domination and not snapping of communication ... Nowadays, negating political relations with other countries means negating the identity of the countries (Ramazani, 1990: 61).

The new regime's attitude has changed since the revolution and a more moderate line has developed towards regional neighbours, mainly due to unavoidable local and global economic and political conditions. Shia Islam in Iran underwent a severe test in the period after the revolution, with war and pressure from outside forces, but continued to survive. That it was able to do so was, however, only possible through changes made in the policies and ideological stance of the Islamic Republic.

6.6 A Reversal in Policies

The end of the war resulted from a combination of internal and external pressure. The regime realised that it was impossible to prosecute a war for years amidst growing pressure from even its loyal supporters. Although some sections of the Iranian ruling elite advocated continuing the war, the dominant section – led by Rafsanjani and supported by Khomeinie, eventually called for its end. They were well aware of domestic economic difficulties and growing pressure on the lower and middle income-earners. Added to this was external pressure in the form of the US and Saudi Arabia's support – financially and militarily — for Iraq. Wishing to respond to these pressures and to maintain its political domination over the country, the regime began to advocate a reformulation of its economic and political strategy. Even the previous radicals such as Rafsanjani who had believed in the export of the revolution and curtailing relations with the west, now began to recant. On 24th of September, 1988 he argued:

We have not been able to clarify for people economic problems as they relate to Islam: we have difference of opinions among ourselves over these issues and we have not arrived at clear ideas for our foreign policy. We have not evolved any new policies regarding social and cultural issues, minorities, and debatable religious matters which differ vastly from the early era of Islam, as we live under new conditions... (Ettelat, 25/Oct/1988).

The shift in policy under circumstances of economic and possible political crisis seemed inevitable. Despite some opposition from among sections of the ruling elite ('radicals' who criticised the regime for taking a pro-western attitude), rapid change was emerging on social issues such as allowing the broadcast of T.V. films in which

foreign actresses appear unveiled. This change was sanctioned by the decree announced by Khomeinie that such programmes are mostly compatible with Islam, and even educational (*Kayhan-e Havaie*, 16/Dec/1987). Although some of the conservative clergy were unhappy with this decree, they maintained their silence in the face of strong pressure to accede to change.

The forces for change in this way came to succeed and the ruling elite has continued to shift in their attitudes to society. For example, there has been a noticeable change in the attitude of the ruling elite to the mosque. In a recent speech by Ayatollah Khamenei (April 1991), in an effort to reverse the declining attendance of the mosque, he emphasised the clergy's plans to modernise:

What ... do we intend to do about the development of the mosque and advancement of the mosque? ... We have to draw up programmes and plans for the mosque ... I do not say that we should definitely use modern publicity equipment and instruments such as films and such like – except if, perhaps on some occasion or other, a prayer leader would want to, and that is a separate discussion. I think we can continue past traditions and methods but make their content better (Iran Focus, April, 1992).

These forces for change carried within them a number of contradictions feared by the ruling elite. For example, the influence of western culture continues to be used as a threat by the regime, and this became a serious issue as debate intensified over the need to accept foreign aid for the sake of the economy. That section of the ruling elite – and they may be in any 'faction' – which is concerned for their own social position will consistently argue for reduced contact with the west, or preferably, none at all. Yet some of those who were in the past uneasy about foreign involvement in the economy and society have come to believe otherwise: the 'conservatives' advocate foreign aid in the economy but are also in favour of the state offering fiscal and monetary incentives to the private sector to encourage them to invest. They are at the same time against price controls, rationed markets and subsidies, but favour wage controls and the devaluation of the Rial to its black market level (*Kayhan-e Havaie*, 31/Aug/1988). The 'radicals', on the other hand, favour a slower pace of rapprochement with the west, more state involvement and improvement of the industrial base and social services. They think the people would still accept short-term hardship in order to see long-term improvement in their economic and social conditions (*Kayhan-e Havaie*, 19/Oct/1988). The 'pragmatists', led by Rafsanjani, want openness to both west and east and believe that the state's involvement in this process is very important. The important link between the factions is that they all recognise the necessity of a change in attitudes on both domestic and foreign matters.

The most important change since the beginning of the revolution was the adoption of a policy of more open relations with the west. This became evident with the old anti-western propaganda no longer being high on the official agenda. Although dropping this from the programme was a serious matter for the Islamic Republic's avowed ideology, some sections of the ruling elite recognised its importance before others: it was vital given the situation of a devastated economy and reduced oil income where restructuring of the economy required investment which was not available domestically. Aware of all the contradictions that such a

situation might create, the regime began to encourage foreign companies to invest in Iran. This policy is now accepted by most of the ruling elite including the *Faqih*, as Ayatollah Khomeini recently gave his blessing to this when he argued:

... in the area of foreign investment the policy-makers have to assess it and then they have to consider the benefits of it for Islam and the people in the country (Ayien-e Ektesad, 19/Sep/1992).

This formulation is very different to that of the earlier period; for example during the revolution (see above), when the majority of clergy rejected such ideas. The Iranian ruling elite have now come to embrace foreign investment in all forms, from west or east, even without restrictions; as one of the policy-makers, Hussain Norbaksh, the Economic and Finance Minister, argued: *'In our law there is no limit for attracting foreign investment'* (Ayien-e Ektesad, 19/Sep/1992). These changes in policy seemed to offer the regime their only way to respond to its economic difficulties. In the period covered by the 1989-93 plan, the government hoped to attract \$25bn from foreign countries. However, in order for this policy to become translated into practice there is a need for relative economic and political stability in the country. This has been confirmed by Rafsanjani who argued on 26/Jul/1992: *'There are foreign companies yet to invest in Iran because of lack of security [in the country].'* (Ayien-e Ektesad, 19/Sep/1992).

Following in this vein, the deputy Commerce Minister, Hashemi Taba, argued that although Iran's image in the world has been tainted, the country can work to change it. He dismissed those who feel too insecure to invest in Iran because of political instability: referring to Islamic practice, he argued that once an individual lays down their contract they have to stand by it. Hashemi Taba and others are urging foreign companies to come into Iran even though it may cause ideological problems. With post-war reconstruction over the next few years expected to cost more than \$100,000m according to Rafsanjani, Iran's leaders have largely accepted that the country cannot possibly raise such a sum domestically. Iran's available revenues are unlikely to be in excess of \$10,000m a year if the price and production of oil remain at present levels. There has been a clear shift from the initial ideology: the much-vaunted themes of self-sufficiency, neither west nor east, and exporting the revolution no longer apply. This change has been publicised by one of the regime's mouthpieces, the *Tehran Times*:

The undeniable factor is that political, ideological, economic and social revolutions are now being conducted on a universal scale ... The days of rhetoric and sloganeering are over. [The government] should see the realities as they are and discontinue the practice of yesterday (Iran Focus, Mar/1992).

Although Iran's links to the rest of the world, especially with the west, both economically and politically have continued, to come out openly embracing them would be something of a U-turn. The role of foreign companies has become crucial as continued economic difficulties at home may have led to deeper political crisis. Different solutions proposed by Iran's rulers were directly related to the levels of social discontent in the country. Although the regime has successfully curtailed the influence of politically organised opposition groups, many of the people, especially among the poor, are becoming more and more discontent. This uneven distribution

of wealth also manifested itself in cultural areas influenced by ideas from outside the Islamic Republic. The following section examines some of these developments.

6.6.1 Society and the State

The revolution and eight years of war with Iraq have resulted in huge sacrifices, both physically and financially, for the majority of the Iranian population. In return they expected material reward rather than empty promises. This dissatisfaction, moreover, has been voiced by supporters of the regime; Revolutionary Guards recently expressed anger:

*We cannot even meet our daily needs. Of course the revolution was glorious and we must continue to maintain Islam and the revolution, but I must also survive.*³⁵

One of the striking elements in Iran's capitalist development under monarchical rule, was the uneven development of the productive forces, the concentration of wealth, capital and power in particular regions and classes. This continued under the Islamic Republic: the dependency of the Iranian economy on the world market continued in both its export of oil and import of raw materials and consumer goods. There was, however, decline in these imports which had a negative effect on the society, especially the most impoverished sections. For example, the import of consumer goods fell by 27% between 1985-87; imports of capital goods also declined by 43%, whilst intermediate goods fell by 34% (see Table 6.1). The consequence of the decline in imported goods was felt by people both in and out of work. The labour force stood at 13.3m whilst, according to the government's own figures, there were nearly 3.8m unemployed in 1987, a figure representing 28.6% of the workforce. Per capita GDP has declined from 133,000 Rials in 1977 to 54,000 Rials in 1987 (Statistical Centre of Iran, various reports).

The widening gap between rich and poor in the country made the situation worse as the impact of the crisis was felt most acutely on the lower income earners. The regime may have promised equal distribution of wealth on the eve of the revolution, but in 1984, 20% of the population were earning 40% of total income (*Kayhan* 31/Apr/1986). This was confirmed by the Member of Parliament who pointed out:

12 million are very deprived, 22 million are badly off, 1.7 million relatively badly off and 1.3 million are affluent people (Resalat, 14/Feb/1987).

Amongst those who gained handsomely in post-revolutionary Iran were merchants and traders. They controlled the country's distribution of goods throughout the country and, as discussed earlier, were protected by their links to some of the high-ranking clergy. Between 1979-85 the imports of goods into the country by the private sector, (mainly controlled by the *bazaar*) stood at about \$60bn. The *bazaari* could obtain foreign exchange (supplied by the state from oil money) at a price of \$1 to 70 Rials, whilst the unofficial price was about \$1 to 1,400 Rials.³⁶ It was reported that in 1987, the lower 10% of population received only 1.3% of the national income while the top 10% received 33.0% (*Ettelat-e Ekhtesadi va Siasi*, Apr/May 1987: 3). The disparity between rural and urban sectors had also

increased after the revolution. By 1985, the urban areas earned 50 times more than the rural sector, much of it earned in the trade sector by the merchants (*Kayhan*, 20/Apr/1986). The average earnings of a rural family in 1984 stood at 377,000 Rials whilst that of an urban family was 757,000 Rials (Statistical Centre of Iran, 1985). Ownership of consumer durables was far lower for rural than urban areas. In 1983, 83.5% of the urban households owned a fridge compared to 32.5% in rural areas. As for public amenities, 92.8% of urban households were connected to the mains water supply in 1984, whilst in rural areas the figure was only 38% (Statistical Centre of Iran, various reports). The result of such inequalities has been a continuing movement of people from rural areas to the cities. The total population has increased from 36m. in 1979 to 55m in 1986 (see Table A.1). The growing population and migration to the cities has put added pressure on economic resources such as health, education, housing and employment. In the population census for 1986, out of the total population of 55m about 38m are aged between 6-14 years. Lack of resources means that many of these children were unable to go to school and an estimated 1.7m were unable to study (*Ettelat Ekhtesadi va Siaisi*, 13/Sep/1988). Of the total population in 1988, only 63% were literate, whilst the proportion for the same year for men alone was 74% (Statistical Centre of Iran, various reports).

The uneven development was not just between rich and poor but also in the cultural influences from outside and the religious response to them. The new regime has tried to enforce a new ideology to curtail the influence of the outside world, but they have failed. For example the new elite responded to the stark conditions in the rural sector and the growing expectations of the people by providing some of the villages with electricity, telephones and road networks linking them to the cities. Today, some Iranian peasants own a colour T.V. and video and there are few even in remote areas who are not aware of such consumer durables and what they represent. Such circumstances can lead to increasing expectations of both economic and political change.

Economic difficulties following the decline of the price of oil in the second half of the 1980s has deepened these contradictions within the society. This has increased the sense of political urgency and level of debate amongst the rulers – from all factions, concerning economic, political and social reforms. The fact that to survive in a changing world they either have to adapt very rapidly or risk losing influence has been recognised by some of the leaders such as Rafsanjani who, realising the contradictions within the religious ideology, attempted to put forward some new interpretations. For instance, in January, 1992 at the Friday Prayers he openly praised the Japanese for their positive approach to discipline and hard work, criticising those Iranians who, he argued, expect to consume more and more without doubling their effort to produce. Part of the problem, he suggested, was a misinterpretation of God's will, as so many people foolishly believe:

God will provide. This is our mentality. This is not the case! This is not what God wants. It is not that he could not provide, he can, but that is not what he wants. The world does not work like this... Prayers will be answered, but not for those who do not create the necessary conditions for this (Kayhan 11/Jan/1992).

Rafsanjani clearly identifies the contradiction between religion and changing

cultural attitudes and behaviour, and in response presents a change in his views. His approach is to turn the argument over to the individual and put pressure on the people to work harder rather than to wait for God to provide. In some ways this is very similar to the idea of the Protestant ethic (see chapter 4). This kind of presentation of the ideology of Islam appears in the context of modern capitalism, which is itself in continual transformation in a changing global world.

Recognising these realities, Khamenie, Khomeinie's successor announced the setting up of a panel of nine Shia theologians to investigate and supply suitable answers to '*current needs of Moslem individuals and society*', based on Islamic law (*Ettelat* 31/Dec/1992). However, although he acknowledged the contradictions existing between the religious code and the everyday life of believers, he continued to resist the erosion of traditional values, for example, on the issue of women's rights. This is in contrast to Rafsanjani who promoted the idea that:

Women must have an active role throughout society by doing more work in the offices, universities and schools in order to speed up the country's reconstruction (Iran Focus, 1/Nov/1993).

Khamenie, on the other hand, stresses the cultural divide between Iran and the west, deriding the concept of women's liberation as nothing more than exhibiting women on the streets and in the workplace for men's sexual pleasure. He condemns this form of 'equality' as exploitation, arguing that young Moslem women should reject the false liberation of the west and follow the Moslem way, including Islamic dress which gives them respect. For him, and other members of the clergy, the danger of Rafsanjani's view is that it may threaten the continuation of traditional family values in 'Islamic form'.³⁷

The debate among the clerical rulers over women's issues is indicative of their attitude to other social questions and, as such, represents a continuity from the period before the revolution. The magnitude and form of these contradictions has changed, however, now that the clergy are in government. Diversity in the style and the formation of Islam has continued as different Shia thinkers try to formulate an 'Islamic' approach to key social issues, even in the face of resistance from some sections of the society.³⁸ The sets of social values that have been advocated by the clergy have changed as part of the general transformation in the thinking of the rulers over other issues such as accepting the end of the war with Iraq and promotion of relations with the west.

6.7 Conclusion

This chapter examined the elements of continuity and discontinuity in the processes of transformation from the previous regime to the Islamic Republic. The major theme developed was that uneven development continued within Iran's political economy, and manifests itself at both local and global level. I showed that the oil industry's relation to the state and society, is one area in which this uneven development persists. By concentrating on the role of the state in the Iranian political economy, I highlighted the continued rentier character of the state in post-revolutionary Iran. I argued that the state was still the major actor in the economy: like the Shah's state it continued to receive huge oil rent without the need to impose high taxation internally. The oil revenue enabled the state to continue a large

programme of public expenditure.

Iran, under the Islamic Republic, continued its role as a major exporter of oil in the international division of labour as well as importing raw materials, capital and consumption goods. The continued revenue was vital for the operation of the industries – mainly controlled by the state, and to pay for necessary imports and food subsidies. A related area analysed was the Iran/Iraq war which shows the continued importance of the oil income – to finance the war and, ultimately, to end it. The rentier character of the state allowed it to conduct its war with Iraq for eight years, until the decline in price and production of oil and subsequent effects on the domestic economy, led to its abandonment. In this way it was the combination of global and domestic pressure which led the regime to change its policies.

Just as before the revolution, Shia Islam as an ideology did not act independently of the community and had to concern itself with the transformation taking place, whether at local or global level. The uneven nature of the development in the society produced variation in the presentation of Shia Islam, apparent as different factions emerged with varying responses to issues such as the war, foreign investment, and social and cultural issues. These changes continued to be legitimised by reference to the core texts – *Koran*, *Hadith* and the sayings of the Imams – enabling the Shia *ulama* to respond to the contemporary world.

Faced with the revolutionary situation which had brought them to power, the new rulers at first adopted radical policies, concerning both national and international issues such as their anti-western stance, economic policies aimed at helping the poor, as well as the avowed export of the revolution. Over time, however, the material difficulties accumulated – income inequality continued to divide not only the poor from the rich but urban from rural, as major industries continued to be concentrated in the main cities. The uneven development economically was also reflected with regard to cultural issues such as Islamic dress code and the influx of western media. As the state's growing inability to meet the basic needs of the majority of the people grew, there was debate amongst the regime as the ruling elite gradually shifted to greater adaptation and compromise, i.e., accepting the end of the war with Iraq, more openness with the western world, the return of the old capitalists to the country, and presentation of changing codes of practice concerning cultural and ethical activities.

What we are witnessing, over a decade after the revolution, is a return to cooperation – rather than conflict – with the rest of the world community. The extent to which the regime will continue to adapt to these national and international development depends on the forces that will be exerted both domestically and internationally.

Conclusion

This study has provided an explanation and understanding of Shia Islam and modernisation in Iran, highlighting themes of continuity and change. It also examined the role of the state and social classes in that process, as well as the development of capitalism that has occurred in Iran. The central theme has been that pre-capitalist forms of production were incorporated into the capitalist mode of production during the 20th century, especially since the 1960s, but that this process has not been uniform. The unevenness was a result of the socio-economic and political impact of modern capitalism and is reflected domestically, at a regional, sectoral and cultural level. The persistent role of Shia Islam as an ideology was examined in this context i.e. its response to social, political and cultural developments. My contention has been that the transformation in the political economy was accompanied by religious responses which varied. The religious response ranged from co-operation to conflict with the ruling authorities, displaying aspects of both continuity and change at different times in history. The following remarks are the main themes and conclusion of this study, and can be summarised in three broad sections: the uneven development of Iran's political economy before the 1960s; economic development and Shia Islam from 1960-1979, and the state and society under the Islamic Republic, 1979-1989.

7.1 Uneven Development of the Political Economy – Pre 1960s

Iran's capitalist development was influenced by the west, as its socio-economic and political system underwent rapid transformation. The prime mover in this process was the integration of the Iranian economy into the world market, which led to the dominance of the capitalist mode of production. Its impact in the form of uneven development was felt even before the 20th century, as pioneers such as Prince Abbas Mirza and Amir Kabir attempted to modernise the society. The adaptation to western style political development did not embrace all the sections of the society, as much of the country's economy and political institutions were still dominated by pre-capitalism. With the continuing expansion of capitalism, Iranian society became more and more influenced by the development in the west. A new style of adaptation to this arose in the late 19th and early 20th centuries, taking the form of nationalism and anti-imperialism.

This was shown in the oppositional movement in the 1890-92 tobacco movement and in 1905-1911, during the Constitutional Revolution. Although these movements appeared in response to western domination i.e. anti-imperialist struggle against foreign intervention, the contradiction inherent within the Constitutional movement was its rejection of western domination yet acceptance of western concepts such as the role of parliament and the constitution in Iran. In the 1890s and again in the early 20th century, the *ulama* played a vital role, emerging as

the leaders of national movements. The Shia *ulama* moved swiftly from their previous position of co-operation with the rulers into conflict with the regime. This process occurred in response to a social movement which grew in strength, especially amongst their social base, the merchants.

The uneven development in the society led to an uneven response by Shia thinkers, for example Jamal al-Din Afghani – who had a major influence in Iran and throughout the Moslem world – advocated anti-monarchical reform and western-style economic development in order to challenge imperialist domination in the region. On the other hand, some members of the clergy took an opposing view, such as Ayatollah Nouri who argued against the constitution and parliament and accused constitutionalists of being pro-western, himself advocating monarchical rule. The idea of constitutionalism had appeared in a country which was still dominated by pre-capitalism and in which a modern state and its institutions had not yet developed. There were a number of important factors behind the defeat of the constitutional movement: the role played by foreign intervention, as well as the lack of a clear strategy by the social classes involved in the revolution – which was essentially an urban-oriented revolt.

The impact of modern capitalism on Iran continued with the emergence of the modern state which developed under the Pahlavi dynasty. Although Reza Shah paid lip service to the notion of republicanism, his rule marked a period of continuity in Iran's monarchical rule. Reza Shah's assumption of power relied on the support of the *ulama* and landlords. The *ulama* came to support Reza Shah, despite their resentment at his modernisation of the state institutions and army. A combination of economic and political chaos at home and the threat of the spread of communism convinced the *ulama* of the wisdom of Reza Shah's reforms, even when these represented an attack on their social values and position. These developments did not, however, spell the end of religious ideology in Iran or to the influence of the pre-capitalist forces such as landlords, as they continued to dominate Iran's politics and economy. The limited development of capitalism, and political changes globally, introduced a new dimension to Iran's political economy. The impact of the *Tudeh* party, began to increase with the Russian Revolution of 1917, and its growing influence in Iranian society was a new challenge to the *ulama*.

Economic and political change in Iran was a reflection of the transformation which was taking place in the world. The emergence of secular politics in Iran, ranging from nationalism to communist ideology played an important role in Iran during the 1940s and 1950s. Oil was the crucial factor in the anti-imperialist movement in this period. It intensified the unevenness in Iranian society as the modern oil industry existed in a country which continued to be dominated by pre-capitalism. Much of the Iranian population continued to reside in the rural sector, many of them largely untouched by modern developments. This imbalance also appeared in the political arena as different political organisations emerged, embracing a variety of ideas. Despite their differences they all agreed on one issue, the nationalisation of oil and an end to the intervention of imperialist powers. This nationalisation movement in the 1950s coincided with the increasing role of oil as a vital energy source in the world, and Iran's regional importance for the imperial powers – which, by the Second World War, included the US. The move to nationalise the oil industry was supported across all sections of the society even the clergy who, despite their silence for many years, gradually became involved in the

political movement then sweeping the country. Those of the *ulama* who joined it did so as a response both to the demands expressed by their social base in the *bazaar*, and in the face of the growing threat posed by the *Tudeh* party.

The Iranian government in the 1950s appeared in a modern form as a parliament operating with elected representatives, yet the resistance to the Mossadeq government's land reforms showed the continued influence of the pre-capitalist establishment. Mossadeq's failure therefore, did not come only as a result of external factors: in the final coup, the intervention of CIA and MI5, along with internal support from some of the clergy was key. From 1953 until 1960 the *ulama* followed a policy of co-operation with the Shah, continuing to legitimise his rule.

7.2 Economic Development and Shia Islam, 1960-1979

A major development in the post-Mossadeq period was the replacement of Britain by the US as an influential power in Iran. The first phase of modernisation by the Shah's government was encouraged by the US but this was again resisted by the landlords and clergy, particularly on issues such as land reform and votes for women. The opposition failed to stop the reforms, however: land reform was the centrepiece of the 'White Revolution', and significantly altered the economic structure of the countryside. The reforms limited the power of the landlords but did not eliminate absentee ownership of agricultural land. By 1971, the large, powerful landlords had virtually disappeared.

The new relationship between the state and the economy was a prime factor in the land reform and later programme of modernisation from 1960-79. The state emerged as a rentier state, as the link between the state and oil income grew stronger. This theory applied to Iran illustrated the specific character of modernisation in the society. Oil revenue provided the state with sufficient revenue to carry out significant modernisation without having to impose high levels of taxation. This gave the state relative independence from social classes and enormous room to manoeuvre politically. The downside for the Shah though, was the increasing dependence of Iran's economy on the world market in this period, as only the continued receipt of oil revenues would enable the regime to carry on with its modernisation.

Uneven development in the political economy was reflected in society: major industries were concentrated in relatively few cities and – although prosperity as a whole increased – the gap between rich and poor was growing too. The economic modernisation was not being accompanied by political modernisation as the Shah continued to rely on autocratic rule without mass participation in the political process. Political control was restricted to an elite circle, which further increased widespread alienation. After the increase in the price of oil in 1973, a one-party state was introduced and political opposition parties banned. The influence of Islam continued, however, despite the Shah's attempts to legitimise his rule by associating Iran with the glories of its pre-Islamic past. He also presented himself as a true believer in Islam and managed to hold onto the support of some of the clergy.

Shia thinkers since 1963 continued to have diverse views on the state and society but the majority of religious leaders stayed aloof from politics. Those few who engaged in any political activities were challenged relatively easily by the Shah's powerful state. The writings of leading Shia Islamic thinkers did not remain static,

however, and there was a growth in a new vision concerning the interplay between religion and the modern world. This was in direct response to the rapid socio-economic development being experienced, both globally and nationally. During the 1970s, some of the Shia Islamic thinkers presented different forms of Islam to relate to the rapidly changing society but continued to refer to the *Koran*, *hadith* and sayings of the Imams. They had to appeal to a wide layer of people, who were often influenced not only by the secular ideology of the communists and liberals, but also by the modernising approach of the Shah's regime.

The development of secular organisations such as *Fedayyan* in the 1960s and 1970s presented a new explanation of Iran and the world. There was debate over the nature of capitalist development, religion and social issues. These opposition groups were, however, severely repressed by the state and many of their leading members were imprisoned or executed. Their influence on Shia thinkers was noticeable as some tried to challenge them by presenting a new form of Islam, sometimes mixed with Marxism and Third Worldism. This is seen particularly in the writings of Ali Shariati, and the PMOI. Some of the *ulama* also attempted to show the compatibility of Islam to the modern world; amongst these, the writings of Khomeinie on *Velyat-e Faqih* and Islamic rule later became incorporated into the structure of the modern nation state – the Islamic Republic after 1979. These changes took place in the context of transformation of the world and Iran, which the Shia thinkers could not ignore.

7.3 State and Society Under the Islamic Republic, 1979-1989

The Iranian revolution showed the relevance of Shia Islam not just in Iranian society but in the modern world. The uneven development in Iran's society, combined with the economic difficulties in the late 1970s, were some of the reasons for the resurgence of Shia Islam during the revolution of 1979. At the beginning of the 1970s, when Iran underwent rapid modernisation it was predicted that religion could not be an effective force in the society by the end of the decade. Yet the religious institutions such as the mosque combined with the political skills of some of the clergy was vital to the overthrow of the Shah.

The replacement of the secular state with theocracy was thus a major transformation both for Iran and for the world as it showed the continuing role of Shia Islam in a modern society. The Iranian revolution, for many, came to represent the revival of Islam, especially Shia Islam. In many ways it showed both the strength of ideology and the radical style of Islam in active opposition. As with previous mass movements in Iran, the shift in the clergy's approach – from a policy of cooperation to one of conflict – occurred gradually and they always remained in connection with the social classes which provided the base of their support, something which proved vital for them in achieving state power.

The leaders of the Islamic Republic have had to respond to new challenges, both domestically and globally. Modern issues such as the role of the nation and state, which had already been discussed by Shia thinkers before the revolution, moved from the realm of theory to practice under the new regime. The post-revolutionary government, influenced by the mass movement, had proposed radical social change. But under the constraints of the domestic and world conditions, these plans were gradually withdrawn in favour of a return to continuity and adaptation to the

existing capitalist system. The unevenness in Iran's political economy did not change, as the economy and the continuation of the war was heavily dependent on oil income. The rentier character of the state also persisted in the political economy, as the state was still the major actor in the economy: like the Shah's state it continued to receive huge oil rent without the need to impose high taxation domestically. The oil revenue enabled the state to undertake a large programme of public expenditure, including huge spending on arms.

Debate and diversity of opinion on economic and social policies continued and new policies emerged as the pressure grew at home. The radical elements among the ruling elite gradually moved away from what previously were declared purely ideological considerations towards a so-called pragmatic and modernising approach: the export of the revolution and creation of a Moslem community no longer seemed relevant, in the face of severe economic crisis and the threat of political disruption.

Some of these constraints became apparent when the regime announced the end of the war with Iraq, resumption of relations with the west and allowed for relatively more openness in the society. Although these concessions have created more contradictions and conflict, both among the leaders and in society generally, the regime seems to have had little option if it wished to continue its rule. There are currently diverse perceptions and debates concerning issues such as mounting foreign debt, privatisation of nationalised industries and the level of foreign investment. Any failure of the new regime in the implementation of its policies will not, however, signify the end of Shia Islam in Iran. Shia thinkers will continue to develop various interpretations, as has been the case since the origin of the religion, in order to assert its continued validity. Although the style of Shia Islam may undergo important shifts, becoming by turns more pragmatic or radical it still has continued relevance in the 20th century and beyond.

Appendix

Table A.1 Population Figures – Rural and Urban, 1921-1988
(in millions and percentages)

Year	Total Population			Rural (m)	
	Population (m)	Urban (m)	%		%
1921	9.71	2.72	28.0	6.99	72.0
1931	11.19	3.21	28.7	7.98	71.3
1941	12.83	3.77	29.4	9.06	70.6
1951	16.24	4.94	30.4	11.30	69.6
1961	22.37	7.72	34.5	14.65	65.5
1971	30.02	12.40	41.3	17.62	58.7
1976	33.71	15.86	47.0	18.03	53.0
1979	36.65	18.27	49.8	18.38	50.2
1982	40.77	20.47	50.2	20.30	49.8
1985	49.60	26.80	54.3	22.60	45.7
1988	55.00	29.00	53.0	26.00	47.0

Sources: Central Bank of Iran Reports (various reports).

Statistical Centre of Iran.

Razaqi, 1989: 90.

Etelat-e Siasi va Ekhtesadi, No 40, January, 1990: 53.

Table A.2 Birth and Death, Estimates, 1975-1990
(annual average, per 1,000)

	1975-1980	1980-1985	1985-1990
Birth rate	43.1	41.9	42.4
Death rate	11.9	9.7	8.0

Source: U.N. World Population Prospects, 1988.

Table A.3 Employment by sectors and Gender, 1976-1989
(in '000)

	1976	Males	Females	1986	Males	Females
Agriculture, fishing & forestry	2992	2764	228	3209	2946	263
Mining & quarrying	90	86	4	32	315	0.5
Manufacturing	1672	1033	639	1460	1243	217
Construction	1189	1181	7	1207	1198	9
Electricity, gas & water	62	60	2	91	89	2
Commerce	669	656	13	876	861	15
Transport & Communication	431	423	8	631	622	9
Services	1621	1325	295	3165	2740	425
Others	75	60	15	364	316	48
Total	8801	7 588	1213	11035	10048	986

Source: Statistical Centre of Iran.

In the census of 1976 the employment distribution by sector were: service sector (includes services, commerce, transport and communications) 31%; agriculture, forestry, hunting and fishing 34%; mining, quarrying, manufacturing, construction, electricity and water supply 35.3% and finally others 0.8%. Post-revolution the service sector increased to 42.3%; agriculture declined to 29% and industries and mining to 25.3%, with others at 3.3%. According to official figures unemployment in 1986 stood at 1.7m.

Table A.4 Key Indicators in the Corporate Manufacturing* Sector, 1980-1988
(percentages, 1975=100)

Year	Employment	Annual production
1980	137.5	82.6
1981	141.9	89.7
1982	149.4	98.8
1983	157.8	112.2
1984	163.9	112.2
1985	166.1	108.9
1986	162.	89.0
1987	160.1	81.9
1988	160.3	75.2

Note: * Approximately corresponds to factories with more than 50 employees.

Source: Central Bank of Iran, various reports.

Table A.5 Industrial Output of Selected Industries, 1978-1987
(metric tonnes and amount)

	1978	1981	1984	1987
Refined Sugar (000 m.t.*)	628	565	489	511
Paint (000 m.t.)	51	47	70	27
Cement (000 m.t.)	6241	9319	12064	13124
Cigarettes (million)	10565	12549	16154	15239
Kitchen stove (000)	356	285	1,283	938
Radio receivers (000)	80	43	208	245
T.V. receivers (000)	277	346	530	411
Motor vehicles (000)	249	202	365	166

Note: * m.t. : metric tons.

Source: Central Bank of Iran, various reports.

Table A.6 Percentage Distribution of Total raw material Imported by Industries and Country of Origin, 1980-1981
(percentages)

	Imported raw material	Germany	Japan	U.K.	Italy	U.S.A.	France	Others
Manu- facturing	84.8	18.9	16.7	10.0	8.5	4.9	4.6	9.7
Paper & Printing	79.0	15.6	5.6	11.1	—	6.7	5.6	2.9
Chemicals	71.1	16.8	11	09.9	7.8	5.3	6.4	16.6
Textile & Leather	55.7	14.9	14.9	10.8	7.4	—	5.9	1.8
Metal	54.6	15.8	15.8	10.5	—	—	10.5	10.5
Wood/Pulp	35.8	25.5	6.4	—	17.0	—	6.4	6.4
Mining	33.8	27.0	8.0	8.0	13.0	2.0	7.0	5.0
Drink Tobacco & Food	29.1	14.7	5.5	7.4	4.3	10.4	—	6.1
Miscel- laneous	55.4	28.6	28.6	14.3	7.1	14.3	7.1	—
Total	56.7	19.8	12.5	9.1	7.2	4.8	—	—

Notes: Germany excludes East Germany.

Others includes Finland, Sweden, Switzerland and Holland.

Source: Statistical Centre of Iran, 1980-81.

Table A.7 Iran's Imports – Principle Trading Partners, 1978-1988
(US \$ million)

	1978	1980	1982	1984	1986	1988
Australia	209	184	193	292	315	327
Austria	142	140	336	329	250	146
Belgium	340	256	318	417	347	316
France	661	556	456	291	69	91
Italy	809	547	715	839	553	569
Japan	2319	1343	1619	3022	1609	1053
Netherland	464	299	444	404	289	232
S.Korea	139	160	614	503	292	242
Switzerland	444	273	530	356	389	212
Sweden	191	89	256	492	192	89
Turkey	41	23	292	853	898	474
U.K.	971	666	852	1087	677	550
USSR	271	182	194	221	116	198
W.Germany	2742	1750	2252	3443	1900	1795
U.S.	2344	1311	0	0	0	0
Total incl.						
Others	14124	9695	13515	18103	11408	9369

Source: Central Bank of Iran, various reports.

Table A.8 Iran's Non Oil Exports to Selected Countries, 1978-1988
(US \$ million)

	1978	1980	1982	1984	1986	1988
Austria	3.1	1.3	4.4	3.7	8.0	18.2
Belgium	3.9	14.0	3.3	2.3	2.4	11.6
E.Germany	4.2	3.8	8.9	5.8	13.6	10.1
France	16.4	28.1	8.0	7.9	4.3	29.2
Italy	26.3	56.4	46.3	33.0	54.1	116.0
Japan	12.7	14.2	1.2	8.4	3.9	31.9
Netherland	7.2	8.5	2.6	3.8	4.0	—
Kuwait	19.4	14.1	11.8	9.4	5.0	1.9
S.Arabia	23.3	17.0	22.4	4.5	3.7	—
Switzerland	6.5	45.1	26.3	13.2	34.1	94.1
U.K.	17.2	23.6	9.2	16.3	15.3	25.1
USSR	132.7	72.5	39.8	40.0	30.3	90.9
W.Germany	81.5	281.7	108.2	73.4	113.6	355.9
Total incl. Others	625.2	811.8	339.5	356.6	465.0	1160.8

Source: Central Bank of Iran, various reports.

**Table A.9 Geographical Distribution of Iran's Crude Petroleum, 1978-1987
(percentages)**

	1978	1980	1982	1984	1986	1987
W.Europe, US & Canada	56.9	36.4	50.8	49.3	50.9	49.0
Japan	18.0	11.5	14.6	16.7	15.2	12.7
Asia	6.9	33.6	24.3	22.5	23.3	13.4
Africa	6.7	—	0.2	1.4	2.4	—
Australia	0.5	—	—	—	—	—
S.America	2.2	2.8	1.0	1.2	1.7	17.3
Other *	8.8	15.7	9.9	8.9	6.5	7.6

* From 1983-87 'other' is mainly Eastern Europe.

Source: Ministry of Oil, various reports.

**Table A. 10 Proven oil Reserves in Selected Countries in 1990
(thousand million barrels and tonnes)**

	Thousand million tonnes	Thousand million barrels	Share of total %
USA	4.3	33.9	3.4
USSR	7.8	57.0	5.6
U.K	0.5	3.8	0.4
Abu Dhabi	12.1	92.2	9.1
Dubai & North Emirates	0.8	5.9	0.6
S.Arabia	35.0	257.5	25.4
Iran	12.7	92.9	9.2
Iraq	13.4	100.0	9.9
Kuwait	13.0	94.5	9.4
Others	1.8	14.6	1.4
Total	89.5	662.5	65.6
Total World	136.5	1009.2	100.0%

Note: Others include Qatar, Syria, Yemen and Oman.

Source: B.P. Statistical Review of World Energy, 1991.

Table A.11 Oil Production in Selected Countries 1980-1988
(million tonnes)

	1980	1982	1984	1986	1988
USA	484.1	484.5	500.2	486.1	461.9
USSR	603.0	612.3	612.7	615.0	624.0
U.K	80.5	103.4	125.9	128.6	114.4
Abu Dhabi	64.7	42.2	38.9	50.0	60.0
Dubai & North Emirates	17.9	18.1	19.3	22.6	23.2
S. Arabia	493.0	327.9	233.0	251.2	257.3
Iran	73.7	119.8	109.3	94.5	112.5
Iraq	130.2	49.6	60.3	85.4	127.4
Kuwait	71.5	34.9	48.9 6	2.3	66.6
NeutralZone	28.4	16.4	21.1	17.9	16.8
Other	47.8	44.0	52.6	57.1	71.9
Total	927.4	653.1	583.4	641.4	735.7
Total world*	3083.8	2792.3	2845.0	2929.0	3105.5

Note: Others include Qatar, Syria, Yemen and Oman.

* Includes countries such as Russia, US and Britain.

Source: B.P. Statistical Review of World Energy, 1991.

References

Chapter 1

1. Said explains Orientalism as '*a kind of Western projection onto and will to govern over the Orient*' (Said, 1978: 85).
2. See Marx, 1971: 42-4, Draper, 1978, Vol II and Anderson, 1979: 462-549.
3. The idea of Oriental Despotism emerged at the time of the absolutist state in 18th century Europe. The French king was seen as a strong legitimate monarchy compared to the despots in the east. This was promoted by Montesquieu. The argument was revived after WWII by Karl Wittfogel who linked the political system of the old Oriental empires to the contemporary Soviet bloc and China (Wittfogel, 1957).
4. For a detailed study of AMP see Melotti, 1982 and on Orientalism see Said, 1987, and also chapter 4.
5. The Modernisation school is very wide-ranging, embracing different views of the socio-economic aspects of development, see Harrison, 1988, and Larrain, 1989.
6. Well-known among the modernisation theorists, director of Policy and Planning in the US State department during the Kennedy administration and chief adviser on Vietnam to President Johnson.
7. This argument developed after WWII challenging 'modernisation theories'. The Economic Commission for Latin America (ECLA), a regional body of the UN, articulated the centre versus periphery thesis which was taken up by dependency theory. This encompasses different views but agrees on the basic idea that peripheral countries are conditioned by outside forces. See Brewer, 1987, Larrain, 1989 and Warren, 1980.
8. Shanin points out that Marx engaged in debate with the Russian revolutionaries. He criticised the Russian populists who believed that the peasant commune was a sign of backwardness and stagnation, as this led to the argument that Russia had to go through stages, first capitalism and afterwards socialism. Shanin traces this back to the Russian political analyst, Chadayev, who developed a schema which placed 19th century Russia on the stage of capitalism – it too was being proletarianised, and thus afforded the opportunity for a relatively backward, largely peasant economy to make revolutionary leaps. Some of the Russian revolutionaries believed that the bastion of backwardness – peasant communes – could prove an asset in the overthrow of the Tzar. This view was not shared by the 'scientific socialists' a group of Russian emigres including Plekhanov and Zasulich who insisted on the necessity of a capitalist stage in Russia before the successful outcome of a proletarian revolution. For further details see Shanin, 1983: 6-26; Trotsky, 1977: 25-37 and Lowy, 1981.
9. The production of silk increased in some places: in Gilan annual production was 8,000 bales (213lbs equals 1 bale), in Mazandaran and Qarabagh it was 2,000, and in Khorasan and Shiravan it was 3,000 bales. The total was around 192 tons, of which perhaps only a twentieth was used in Iran and the rest was exported. Their imports

were comprised of woollen cloth from Europe, particularly England, Venice, France and Holland. See Ferrier, 1986: 478.

10. By the 1960s, out of 50,000 Iranian villages, 713 belonged to the *waqf* institutions (Keddie, 1981: 17).
11. Western Europe had been witnessing increasing transformation, following the revolution of 1648 in England and later the French Revolution of 1789. This development was felt throughout Western European society, bringing increased technological innovation, the primacy of the growing towns over the rural areas, and the increased role of money and profit relations. Key events such as the Enclosure Acts in England were transforming feudal relations and replacing them with capitalist ones. See Manning, 1991.
12. There is much debate over the transition from feudalism to capitalism in Europe: Sweezy argues the growth of exported trade led to internal transformation of European feudalism and production for exchange replaced production for use. Others like Dobb prioritise internal factors in western Europe, specifically the conflict between petty producers and feudal exploiting classes played out in the numerous peasant revolts and the crisis within the nobility. Brenner also focuses on internal factors, specifically the emergence of capitalist farmers as feudal lords hired out estate lands to farmers who in turn employed wage labourers to work it – it was the struggle between the agricultural producers and exploiters that brought the crisis in feudalism and led to agrarian capitalism. See Dobb, 1947; Hilton, 1987 and Brenner, 1988.
13. With the rise of merchant capitalism and European imperialism Iran became significant as a trade and military route between Asia and Europe, see Deldam, 1984.
14. By the last decade of the 19th century, European powers – notably Britain, France and the emergent force of Tzarist Russia – came to dominate smaller countries, subordinating them to their rule. See Lenin, 1982 and Bukharin, 1972.
15. For details of the twenty major concessions to Britain or its subjects see Issawi, 1971.
16. The proportion of the population which was urban increased from 8% in the mid-19th century to 18% in the early 1900s. See Gilbar, 1976: 149-156.
17. For a detailed study of the Constitutional Revolution see Abrahamian, 1982, and Martin, 1989.
18. A republic was established in Turkey in 1923 which abolished the caliphate and the Islamic legal and education system.
19. For the official British view supporting Reza Shah see Gray, 1926: 29-42. See also Avery, 1965 and Foran, 1993.
20. One of the most important political parties during the 1940s and 1950s. For a long time it remained the only communist party in Iran. It was formed in 1941 and followed an overtly pro-Soviet line of communism, serving as an instrument of Soviet foreign policy in Iran. For a more detailed account see Abrahamian, 1982 and Zabih, 1986.
21. The National Front was established in October 1949 by a group of nationalist intellectuals and political activists headed by Mohammed Mossadeq. They aimed to offer a non-communist alternative to the *Tudeh*. For further details, see Chehabi, 1990.
22. The Cold War is periodised in different phases: 1946-53, the first Cold War; 1953-

- 1969, oscillatory antagonism; 1969-1979, detente; 1979 the second Cold War. See Halliday, 1987: 3-11, Harris, 1983 and Mandel, 1980.
23. The Central Council of Federated Trade Unions was set up by communists and socialists in the early 1920s and helped organise new trade unions throughout Iran. See Ghassemi, 1986.
 24. The US administration did not wish to see British domination in the Middle East, particularly in a strategically important region like Iran. But their belief that Mossadeq would become a vehicle for communist influence in Iran (perhaps a mistaken view, given the fact that he was not a communist and the *Tudeh* Party did not give him open support until the last year of his government) convinced them to co-operate with the British. See Bill, 1988 and Azimi, 1989.
 25. Although there was some resistance by sections of the working class led by the *Tudeh* Party, they were faced with troops ordered by Mossadeq to put down the demonstrations. This gave more impetus to the US and Britain to organise a second coup which brought the Shah back to power.
 26. This is analysed in a detailed way in chapter 2; see also Mahdavy, 1965 and Katouzian, 1989.
 27. The crisis in the state also grew and the Shah chose as his Prime Minister, Ali Amini, the US favourite. He had been an ambassador in Washington during the 1950s where he had won the confidence of the State Department. See Abrahamian, 1982 and Momeni, 1981: 194.
 28. The defeat of 1963 can be put down to a number of factors such as the lack of unity among the *bazaari* to support the clergy, very little support from the working class and the popularity of land reform among the peasants. See Kamrava, 1990, Parsa, 1989, and Bakhash, 1985.
 29. In the US at this time, a new policy was adopted towards Third World countries. The new strategy – ‘flexible response’ – was intended to persuade and encourage the Shah’s government towards social, economic and political reforms. The same policy was pursued in Latin America, encouraging reforms to pre-empt the spread of Cuban-type revolution. This relied on preserving pro-western states by policy reforms, especially land reform. See Halliday, 1977.
 30. For a detailed study on the working class in Iran see Bayat, 1987, Ghassemi, 1986 and Moghadam, 1988.
 31. See chapter 3 of this thesis, for more on the economic, social and political role of the *bazaari*, and Halliday, 1988: 41.
 32. For a detailed study see Khomeinie, 1976, 1984 and 1985, Talaqani n.d. and chapter 6 of this thesis.

Chapter 2

1. For Marx, the concept of capitalist ground rent is based on the social conditions of the development of capital in agriculture. A modern notion of rent was required within the capitalist mode of production. He looked at two kinds of ground rent: an absolute ground rent – the rent charged for the worst land, and differential rent – which arises from differences in fertility or productivity. Using Marx’s theories recent writers have developed the notion of economic rent, relating it to the existing conditions in the oil

industry. See Bina, 1985 and 1989 and Massarrat, 1981.

2. It has been estimated that the opportunity cost of producing Saudi Arabian light stands at approximately \$0.75 whilst the price per barrel of oil is roughly \$18 at the time of writing. There is a high economic rent of \$17.25. Obviously as market price per barrel increases, the opportunity cost stays the same so economic rent rises massively: a price of \$33 per barrel gives an economic rent of \$32.25. Even with the fall in oil prices to around \$8 per barrel in July 1986, more than 95% of price is economic rent. See Richards and Waterbury 1990: 61.
3. The legal basis of the oil contracts was very different from those of leasing contracts of land in other ACCs. In America, leasing contracts arose from the structure of land ownership i.e., the raw material that came from under the ground belonged to the owner of the land. This was due to the nature of US land ownership i.e., in private hands, itself due to the existing capitalist social relations. Bina argues that the duration of early concessions in LDCs shows the lack of private property in land, and the desperate need of pre-capitalist local rulers to gain some steady income (Bina, 1985: 24).
4. The Anglo-Persian Oil Company changed its name to the Anglo-Iranian Oil Company in 1935.
5. Forward linkages' refers to the profit opportunity created for firms and industries to produce goods and services assisted by the low cost of raw materials, intermediate and capital goods and services produced by the leading sector in the economy. 'Backward linkages' to the profit opportunity created for a firm or industry due to the expansion of demand for raw materials and intermediate goods and services generated in the leading sector. See Todaro, 1985: 41.
6. The new agreement included a reduction in the area of the concession to 100,000 square miles; confirmed Iran's original right to acquire the assets of the company as soon as the contract ended; the right to train and employ Iranian personnel in higher positions in the company; a new flat rate royalty of 4 shillings per ton of oil sold in Iran and exported; and the payment of an amount equal to 20% of the annual dividends over £671,250. In total, the company guaranteed to pay the Iranian government a minimum annual amount of £750,000 (Amuzegar & Fekrat, 1971: 15).
7. Iran's occupation by the allies ended Reza Shah's rule after sixteen years.
8. The term Cold War was invented by the 14th century Spanish writer Don Juan Manuel describing the conflict between Christians and Moslems: *'war that is very strong and very hot ends either with debt for peace whereas cold war brings neither peace nor gives honour to the one who makes it'* (Halliday, 1987: 5).
9. The US continued its pressure through the operation of the Marshall Plan, under which a country which received loans had to guarantee American capital equal opportunity with that of its own citizens to invest in the development of raw materials. As a result, the US oil companies increased their foothold in the oil-producing region. See Yergin, 1991 and Bill, 1988.
10. Abrahamian points to three elements in the National Front: anti-court aristocrats such as Amir Alai, the *bazaari* led by Abdul Hussein Haerzadeh, an ally of Ayatollah Kashani, and a third group made up of young western-educated radicals, including Karim Sanjabi (Abrahamian, 1982: 252).
11. Britain occupied Egypt in 1882 and only in 1922 declared Egypt's independence

unilaterally and imposed conditions which meant the continuation of the protectorate. See Hopwood, 1985.

12. For a detailed account of the economic condition and difficulties during the Mossadeq period, see Katouzian, 1988: 213.
13. For a detailed study see Roosevelt, 1979.
14. Keshavarz argues that the *Tudeh*, from their position outside the National Front, tried to divide it and worked to prevent the resolution of the oil crisis in order to radicalize the movement and increase instability and chaos. They hoped that this would give them an opportunity to take over from Mossadeq. See Keshavarz n.p. 1981, in Milani, 1988.
15. See *History and Text of Iranian Oil Agreements*, known as the White Book, published by National Iranian Oil Company, 1966 (Farsi).
16. The countries involved were Iraq, Kuwait, Saudi Arabia and Venezuela. The growth of a nationalist movement in the Middle East and also in countries like Venezuela, played a very important part in the development of OPEC. See Terzian, 1985 and Rouhani, 1971.
17. The three important factors that determined the price were: the *absolute level* from which the amount accruing to the state and concession holder were fixed; the *tax level* which divided the total revenue from oil exports between the state and the concession holders; and the *relative production costs*. Middle East oil production costs were low compared to other areas and this brought high economic rents. As a result the oil producing countries benefited from increased government tax revenue.
18. Posted price began with the expansion of the oil companies in the Middle East through concessions, in return for which the producing countries received fixed royalties (less than 25 per cent) before 1945. This was a fixed amount that did not rise with the market price of oil. Realisation price was the amount actually received when the oil was sold; see Skeet: 1991.
19. The oil price continued to increase in 1971 when OPEC negotiated a 12% increase in the price of oil, based on the devaluation of the US dollar. Agreement was reached with the companies of a price rise of 8.49% in the Gulf. In 1973, the dollar was devalued for the second time by 10% and prices were duly increased by 5.8%, under prior agreement. A second compensation agreement was signed between the oil companies and producers, from which the producers gained 11.9%. Bina (1985) argues that this was the result of three inter-related historical developments: internationalisation of the petroleum industry, recognition of the characteristic of specific property relations – mineral rights and ownership – and, finally, intensification of capital investment within the least productive oil regions. See Bina, 1985 and Odell, 1986, and Vernon, 1976.
20. The Shah's relationship with the west, in particular the US, is described as a domination of the imperialist countries over Iran (Jazani, 1982). Others also present it as a one-way domination of imperialism over Iran, allowing for no relative independence for the state. See Ahmad, 1984.
21. In 1964, Iran spent \$323m – over half of its oil revenues – on arms and this increased to \$9,430m in 1977, at a time when oil revenues stood at \$20,671m. See *Stockholm International Peace Research Institute, Yearly Book* 1978, London, Taylor & Francis.

22. The Pahlavi dynasty historically emerged from and was supported by the army (Gasiowski, 1991).
23. According to Taheri, one of the richest members of the Royal Family was the Shah's sister, Fatemeh, whose wealth was estimated at about \$500m (Taheri, 1991: 233).

Chapter 3

1. For example, the most important celebration for Iranians is new year, *Noruz* (21st March) which has nothing to do with Islam originating before Islam. Its importance has even been accepted by the Iranian Shia *ulama*.
2. Ideology refers to a distinct set of beliefs and ideas which enable a social group to collectively make sense of society. Ideologies serve to legitimise or counteract the ruling social order. See McLellan, 1986 and Eagleton, 1991.
3. One celebrated example of religion as a revolutionary force has been the emergence of 'liberation theology' which emphasises God's demand for social justice and deliverance of the poor. It portrays religion as an active ideology which encourages participation in the struggle of the peasants, landless and the working class in the Third World. See Siegel, 1986 and Witvliet, 1985.
4. He was born in AD 570 in Mecca; his father died a few months after his birth and his mother died when he was six years old. His uncle, Abu Talib – head of the Banu Hashim family and Ali's father – looked after him. For a detailed study on Islam and Mohammed see Holt, Lambton, Lewis 1970, Rodinson 1985, Lewis 1971 and Lapidus, 1989: 27.
5. Christianity and Judaism were both introduced into Southern Arabia for political motives. Christianity was introduced by Roman Emperors (probably around 356 AD).
6. This day is known as *Hejrat* and the fact that the Islamic calendar starts from this day is a point of unity for Moslems from different tribes or races. The word *Hejra* for Moslem has come to mean not only a change of place but acceptance of Islam and entry to the community of Moslems (Lapidus, 1989: 27).
7. *Ramadan* is the ninth month of the Arab and Islamic calendar. The word *Ramadan* originated in the pre-Islamic calendar and means 'great heat'. This month was holy in Arab tradition before Islam and was a month of truce from inter-tribal warfare. See Holt, Lambton and Lewis, 1988.
8. Property was passed through the male line and so to insure legitimate inheritance, women were forbidden to remarry until three months had passed.
9. There is some debate as to the meaning of *Riba* – usury. Engineer, for example, argues it was used ambiguously to mean both interest and money-lending. In Mecca Mohammed condemned the rich and in Medina his attacks on usury appealed to his followers who had often fled from debts in Mecca themselves. The fact that Jews were predominantly the money-lenders allowed him to differentiate Moslems from these usurers. See Engineer, 1987: 112 and Rodinson, 1977.
10. The most important battles were *Badr* (624) *Uhud* (625) and *Ditch* (627).
11. Important factors that assisted the spread of Islam were the fighting power of the Bedouins, combined with the internal contradictions existing in Roman, Byzantine

and Sassanid society. The ideology of Islam may have been rhetorical – it appeared more egalitarian – and the Arab invaders also allowed non-Moslems to keep and practice their own religion as long as they paid *Jizyah* – a tax for civil protection and the upkeep of the army. Sometimes this took on aspects of tribute. For details see, Engineer, 1987, Montgomery Watt, 1961.

12. The first three *caliphs* were related to Mohammed by marriage. Mohammed took more than a dozen wives, largely for political reasons. His first wife was Khadija, a rich merchant, the second was Aisha, the daughter of Abu Bakr and he also married the daughter of Omar – the second caliph who had at first been an enemy of Islam and even attempted to kill Mohammed before his conversion to Islam. See Momen, 1985 and Mirfertous, 1989.
13. Mohammed was brought up in the house of Abu Talib, Ali's father. After Khadija, Mohammed's wife, Ali was the first person to acknowledge the prophet's mission and become a believer. Also, Mohammed's daughter, Fatima married Ali and their children, Hassan and Hussein were the only grandchildren of the prophet to survive to adult life. See Tabatabai, 1977.
14. Amongst Shia thinkers Nasr argues that Ali accepted the method of selecting the *caliph* by majority voice since he himself became the fourth caliph, but did not accept them as Imams i.e. those who possess the power and function of giving esoteric interpretations of the inner mysteries of the *Koran* and *Sharia* (Nasr, in Tabatabai, 1977: 10).
15. They are so named after the son of Abu Sufian who led Meccan opposition to the Prophet. Muawiyah was the leader and founder of the *Umayyad* dynasty (661-749) and became the sixth *caliph*.
16. The *Kharijites* believed there was no rule apart from the rule of God and were for equality amongst Moslems, for example any Moslem could become the spiritual leader if elected by the believers. On the other hand, they argued for Moslem dominance over non-Moslems. They believed that the caliph could be removed by the people, and if necessary could be executed. The *Kharijites* accepted Abu Bakr and Omar as caliph but not Uthman or Ali – because Ali negotiated with Muawiyah. Due to their radical ideas, *Kharijites* came under threat from the ruling caliphs but were more tolerated by non-believers (Mortimer, 1982: 41).
17. *Ashura* had been the Holy Day of Atonement in pre-Islamic and Jewish custom, long before the martyrdom of Hussein on that day. The events of Karbala are immortalized through rituals such as narrating the tragedy through passion plays, wailing, songs, beating on the bare chest, *Seen-e Zan*, and beating oneself with chains on the back, *Zangir zan*. This is done together by gathering in the mosque and marching as a group of *Seen-e Zan*, and *Zangir zan* to other mosques. These rituals were used to effect by the clergy during the month of *Moharam*, 1979 See Momen, 1985: 327 and Amjad, 1989: 34.
18. Different sects developed out of Shi'ism: for example, *Zaidis*, who followed Zaid, the grandson of Hussein and argued for uprising against bad rulers. They believed that the true Imam fights here and now. Other groups were *Ismailiya*, who followed the sixth Imam's son; *Fatimids*, descendants of Fatimeh and Ali; *Naizer* and *Assassin*, splinter groups from Fatimids; *Alavi*, who believed Ali was himself God; and the *Druzes*, who believed the *Fatimid caliphs* are manifestations of God himself. See Mortimer, 1982:

- 45.
19. The word *ulama* means men learned in the religious law. The existence of such leaders dates back to the early days of Islam. When Mohammed died, the learned men among the community leaders played an important role in the choice of successor. The source of their knowledge has been the *Koran*, the *Sunna*, and the *Hadith*. See Akhavi, 1980: 8, and chapter 4.
 20. The Seveners emerged after the death of Ismail the son of the Imam Jafar al-Sadiq which led to the confusion over succession. The result was the development of the sect who believed Mohammed, Ismail's son, was the seventh and last Imam and the rest illegitimate.
 21. Some argue that the exhausting wars with Byzantium led to turmoil among the rulers which was the prime reason for the inability of the Sassanis to resist the Arab armies, see Fryer, 1988, and Morgan, 1988.
 22. The Sufi religious order originated amongst a Sunni order called *Tashayyu* : based on condemnation of Muawiya and Yazid, it put forward the virtues of Ali without going to the extremes of Twelver Shia Islam. It is a mystic, esoteric form of Islam whose followers practise meditation and self-discipline to gain direct experience of God. They have absorbed aspects of non-Islamic culture, and some Sufi communities have survived until today. See Momen, 1985: 104, Mortimer, 1982: 52 and Lapidus, 1987.
 23. The invasions of the Monguls began in 1205 under the formidable *Jenghiz Khan* (died 1227). They conquered China, establishing Peking (*Khan Baliq*) as their capital in 1264 and the *Il-Khanids* dynasty ruled Iran from 1256-1353. The *Timurids* dynasty followed, (1370-1500) founded by *Tamerlane*, a Turkaman Prince from Samarqand (Romer, 1986).
 24. Both Shah Abbas I and II were patrons of this school of thought whose origins go back to *Shahbedin Shahroudi* who was killed in 1191, and believed that to obtain true wisdom it was necessary to develop both the rational and intuitive aspects of the mind. Whilst the former could be achieved through the philosophy of Aristotle and *Ibn Sina* (Avicenna), the latter required the purification of the soul which could be best achieved through asceticism, mysticism and gnosis. The school also brought together Sufism and the esoteric aspects of Shi'ism (Momen, 1985: 112).
 25. Nader Shah was influenced by the *Akhbari school* in his attempt to bring Shi'ism under Sunni law (Momen, 1985: 223).
 26. This evolved during the 18th and 19th centuries as the *Mojtaheds* looked to the guidance of the most knowledgable amongst them – the *Marja-e Taqlid*.
 27. Iran / Russian wars (1804-1813) and (1826-1828) had disastrous consequences for Iran as the latter lost all its Caucasian provinces (Algar, 1970).
 28. The intelligentsia's ideas varied: some believed in nationalism, rejecting Islam and the clergy, others were anti-imperialist and glorified a supposed golden age of pre-Islamic Iran. They blamed Iran's lack of improvement in economics and politics on the Arabs and Islam as the Arab's religion. There were others who wished to reconcile Islam and nationalism with a modern judicial system. For a more detailed study of the Constitutional Revolution and the role of the clergy, see Adamiyyat, 1972 and Hairi, 1977 and Martin, 1989.
 29. Naini, in response to those clergy like Nuri who opposed the constitution, wrote a book on the adaptability of Islam to constitutional reform; see Hairi, 1977: 297.

30. These arguments became an important issue for debate later on and were evoked in the wake of the 1979 revolution; see Hairi, 1977: 297.
31. Iran in this period was divided along tribal lines and the only viable force was the military establishment, organised by Russian Cossacks in 1879. It was this force, with the encouragement of the British, which staged the coup that brought Reza Khan to power.
32. Most of this income was not in fact distributed among the needy, rather it was pocketed by the Shah for his own use; see Akhavi, 1980: 58.
33. Modares's opposition led to his imprisonment and he was finally executed on 14 December, 1937.
34. In May 1937 police arrested 53 men accusing them of organising conspiracy against the state. They were released very soon after, and it was this group, a few years later, which formed the *Tudeh* Party; see Abrahamian, 1982 and 1989.
35. A religious group, an offshoot of the *Babi* sect who themselves broke away from Twelver Shi'ism. The *Babi* split into the *Bahai* and the *Azali Babi* (no longer in existence). After the death of Bab Mirza Ali Mahmmud in 1850, a branch of the *Babi* movement named *Subh-i Azal* – the Eternal Dawn, was later challenged by *Baha Allah* – the Splendour of God, who claimed to be the promised one of the *Bab* philosophies and who founded *Bahaism*. See Lapidus, 1989: 576-578.
36. He was suspected of involvement in the assassination of Abd al-Hussain Hazir, a former prime minister and then minister of court.
37. There were others, like Ayatollah Akbar Burqi who stood up for the right of women to vote and was for greater involvement of the clergy in domestic politics. See Akhavi, 1980: 64.
38. Other Ayatollahs took a similar line, such as Hibat al Din al Shahrestani who, following Burujerdi's line, said '*A curse on every abominable criminal who makes an attempt against this crown, this throne and this young Shah*'. See Akhavi, 1988: 93.
39. He called on Iranians to withdraw their money from the British Imperial Bank in Tehran (Akhavi, 1988: 96).
40. The decline was from £16m in 1950 to £7m in 1951 and £0.3m in 1953 (Razaqi, 1990: 485).
41. In the *Majlis*, 59 out of 67 voted to extend the emergency powers.
42. The reason Amini gave for his resignation was inadequate aid from America to his government; see Keddie, 1981: 155.
43. Talaqani was one of the members of the clergy popular among the radical young students and the left organisations in Iran throughout the 1960s and 1970s.
44. For example, in 1971 the Shah organised the extravagant 'Persepolis ceremonies' to which many world leaders were invited to mark the 25th centenary of the Persian Empire.
45. Talaqani, Bazargan et al, *Bahsi Dar Bareh-e Marjaiat Va Dolat* – A discussion paper on the highest religious authority and clergy, n.d. Tehran.
46. Used by Marx and Engels to explain the concept of the economic structure of society –

the base conditioning the existence and forms of the state, and social consciousness – the superstructure. See Marx, 1971 and Larrain, 1983.

Chapter 4

1. For details of this argument see Beheshti, 1985, Khomeinie, 1985, 1986, and Mokaram-e Shirazi, 1982.
2. On the development of the modern state see Anderson, 1986, and Poulantzas, 1987. For the role of the state in the LDCs see Roxborough, 1985 and Harris 1986.
3. Ironically he was a member of the *Tudeh* Party in the 1940s and later on left the organisation and attempted to rediscover Islam and find a solution to the political and economic problems of Iran.
4. Ayatollah Montazeri, received his his early education in Qom, under Ayatollahs Khomeinie and Burujerdi. He began his political activities before the revolution and was arrested four times and sent into exile once.
5. Ayatollah Motahari, professor of the Faculty of Theology in Tehran University, was from a clerical background and studied under Khomeinie.
6. The truth was, of course, that once established in power, the new government launched an attack on the civil rights of both women and national minorities. For a more detailed study see Tabari and Yeganeh, 1982, Azari, 1983, Mahdavi, 1983 and Afshar, 1989.
7. See Motahari, 1979, Noori, 1985 and Shariati, 1980.
8. Sadr was an influential Iraqi Shia theologian who wrote extensively on philosophy, logic and economics. His books were translated into Persian in 1971 and his political activity led to his execution in 1980 by the Iraqi regime.
9. Bazargan (b.1906) came from a merchant family, and studied in Iran and later in France. During the 1940s he organised the Islamic Student Association both to counter Marxist were influence among the students and to present Islam as a progressive ideology able to respond to the modern political movement. He formed an organisation, the Iran Party, which stated in its programme that it promoted industrialisation and economic independence. The later alliance between the Iran Party and *Tudeh* Party forced him to leave the organisation. After the defeat of Mossadeq he founded the Freedom Movement in 1959. During the 1960s he collaborated with Ayatollahs Motahari and Talaqani,, establishing the Islamic Association of Teachers and, later, the Congress of Islamic Associations. See Chehabi, 1990.
10. Although Shariati tried to distance himself from western ideas, his analysis shows much influence from it.
11. The idea of Third Worldism developed after WWII by suggesting a political alternative to western capitalism and eastern 'socialism'. See Halliday, 1987, Harris, 1986.
12. The PMOI, like Shariati, was branded as Islamic Marxists by the regime in the 1970s. The above quotation appeared in an interview with Rajavi in *Kayhan*, 7/12/1978.

Chapter 5

1. Among the left organisations, the *Tudeh* Party of Iran also did not foresee any role for religion in revolutionary change. See *World Marxist Review*, April 1979.
2. Laffin bases his argument on the assertion that the resurgence of Islam is the most reactionary movement in political history, see Laffin, 1979: 6.
3. The term 'revolution' was first used to mean sudden change in political matters at the end of the 15th century in Italy. See Calvert, 1990.
4. This is representative of the social movement model which gives primary importance to religious ideology and the legitimate authority of the clergy.
5. James C. Davies developed the theory that revolution emerges out of a long period of economic growth followed by a shorter period of economic decline. See Davies, 1971.
6. I use the terms hegemony and power bloc to refer to the system of alliance between several classes and fractions, see Poulantzas, 1979: 71.
7. By 1977, petroleum products accounted for nearly 90% of the annual exports of all goods and services, close to three-quarters of total public revenues, and 36% of the GDP. See chapters 1 and 2.
8. According to Taheri, one of the richest members of the royal family was the Shah's sister, Fatemeh, whose personal wealth was estimated at about \$500m. See Taheri, 1991: 233.
9. Clashes between the government and the shantytown dwellers in 1977 forced the state to withdraw its demolition plan. See Kazemi, 1980 and *Ettelaat*, 24th and 27th Aug/1977.
10. For the total government expenditure see chapter 2, Table 2.5.
11. From 1960 there was a two party system but in 1963 the National Party was replaced by New Iran Party (*Hizb-e Iran Novin*). The other party was the People's Party (*Hizb-e Mardom*).
12. According to some estimates membership of the *Rastakhiz* Party reached as much as 5.4m by early 1977. See *The Documents from the US Espionage Den*, n.d. 185-94.
13. The organisation *Sazeman-e Uqaf* – administrative offices of the *waqf*, was taken into state control.
14. It has been suggested that the US had some influence on the Shah's decision. In June 1977, William H. Sullivan – former US ambassador to the Philippines, became the new US ambassador to Iran. In one of his meetings with the Shah he pointed to Iran's economic difficulties. It was after this meeting that the Shah made a decision to replace Hoveyda. See Sullivan, 1981: 71.
15. For a detailed account of the *Tudeh* party, see Abrahamian, 1982, Zabih, 1966.
16. The Liberation Movement was part of an organisation which formed the Third National Front in the early 1960s. For a detailed study of both the National Front and the Freedom Movement, see Siavoshi, 1990 and Chehabi, 1990.
17. The Confederation of Iranian Students had long existed in the US and was by the 1960s a relatively strong organisation.
18. Jazani believed that the armed struggle should be used as a means to provide the conditions for the hegemony of the working class. This was different from

Ahmadzadeh's argument. See Ahmadzadeh, 1977: 15-45 and Jazani, 1980.

19. See Jazani, 1982, Brewer, 1987, and Larrain, 1989.
20. Jazani's work, *Marixism-e Islami ya islam-e a Marxisiti* – Marxist Islam or Islamic Marxism, has been published in extract by *Jahan* no. 34, Sep 1985.
21. One of the important splits within PMOI was in 1975 when a section of the membership left the organisation and set up an overtly Marxist-Leninist party which, after the revolution, became known as *Sazeman-e Peykar dar Rah-e Azadi-ye Tabaq-ye Karegar* – The Organisation for the Struggle to Liberate the Working Class.
22. This conflict continued until the verge of the revolution. For example, as late as August 1978, when the Shah appointed his new Prime Minister, Ayatollah Shariatmadari asked the people to give the new Prime Minister three months' trial to prove himself. See Parsa, 1989: 203.
23. In Shia Islam when someone dies the 7th and 40th days are important days of mourning.
24. There is considerable irony in the fact that Sharif-Emami was the chairman of the Pahlavi Foundation with interests in the running of casinos. He was on the board of 33 companies and thus very concerned to see the return of normalisation, from both a personal and financial point of view. See Taheri, 1991: 259.
25. There is an argument mainly amongst the Shah's supporters that he made an error of judgement to call on this retired general to save the country from economic and political crisis. Some believe that Oveissi, who had been involved in quelling the 1963 uprising would have been a better choice. For example, Amir Aslan Afshar believes that the choice of Azhari was directed by the US and Britain because they thought Oveissi would cause bloodshed whilst Azhari would seek reconciliation. See Taheri, 1991: 281.
26. The Shah sent a message to Saddam Hussain who, in reply, sent his brother to meet him. According to Taheri Barzan Ibrahim al-Takriti, the half brother of Saddam, at an audience at the Nivaran Palace he told the Shah that Iraq was prepared to '*arrange a suitable accident that would silence Khomeinie for ever*'. He believes that this was agreed by the Egyptian, Jordanian, Moroccan and Romanian leaders. See Taheri, 1989: 268.
27. Sullivan believes that Brzezinski, President Carter's National Security Advisor (1977-79) recommended that the Shah use the army against the opposition in order to try to save the regime; see Sullivan, 1980.
28. There are others who believe the move was pro-monarchy e.g. Anthony Parsons believed that Hussar's arrival was meant to avert any coup against the Shah. See Yazdi, 1984 and Parsons, 1984: 21.

Chapter 6

1. For details of the Shia-Islamic Economy see, Sadr, 1971 and 1978, Talaqani, 1982 and Bani Sadr, 1979.
2. I have already discussed Dependency theory and its relevance to Iran in chapters 1 and 2. For the Shia Islamic writers' viewpoint see Khomeinie, 1985 and 1986, Bani Sadr, 1977 and 1979, and Talaqani, n.d.
3. In November, 1981 the Economic Council had established ten ad hoc committees

within the Plan and Budget Organisation to work towards the draft of the First Plan.

4. The *Koran* explicitly forbids *riba* (usury) which lies at the heart of the problem that Islamic writers have to address under capitalism. This opens up an ongoing debate in Islamic economic theory: some Shia writers argue *riba* is usury in the sense of excessive interest; others say that interest is allowed on loans for trade and production, but not on goods for consumption. See Motahari, 1990, Talaqani, 1983 and Beheshti, 1983.
5. This sector has been recently redefined to mean the same as the private sector.
6. The economic recession began in 1976-77, following the decrease in oil revenues in 1975 and as a result of the mis-management of the economy since 1973-74. See chapters 1 and 2.
7. In 1985, 39.2% of private sector deposits had been transferred into *garz al-hassaneh* – conventional current and savings account – and term investment deposits; the rest were in the form of sight-, non-sight-savings and time deposits. On the asset side, only 16.8% of the new credits to the private sector were in new Islamic facilities, of which 78.4% were allocated from term investment deposits and the rest from *garz al-hassaneh* deposits. In the same year, the commercial banks' share in the new banking facilities, that is, the Islamic contracts and *garz al-hassaneh* loans comprised 73.3% of the total. This shows the concentration of financial resources in commercial short-run activities rather than in long-term productive investment. See Iran: Yearbook, 1988: 260.
8. Between 1985-87, the official rate of profit (or interest rate) for short- and long-term investment accounts stood at 6% and 8.5%, respectively. (Central Bank of Iran, various reports).
9. Foreign companies affected by the nationalisation were mostly the government's partners in industries such as lubricating-oil refineries (partly owned by Exxon and Shell), General Motors and France's Renault (partners in local assembly plants), British Leyland's truck and bus plants, west Germany's Bosch and Mahle and the US John Deere, involved in tractor-assembly.
10. It was established in March 1979 to administer the expropriated property of members of the former Royal Family. *Bonyad Mostazafan* took over the control of 9 oil operators, 250 merchant companies, 140 buildings and contractors, 200 factories, 50 mines – large and small, 500 small production units, and 20,000 buildings under use. Their industrial sector included 19 units, 8 plastic units, 14 textile, 27 building materials, 19 food production and chemical units, and 14 electrical goods.
11. These enterprises included over 200 factories, 100 construction companies, over 150 commercial firms, as well as 91 poultry, live-stock and agricultural enterprises, with a total of 90,000 employees.
12. The RGC was formed just after the revolution in 1979 as a military arm of the political movement. Originally it was a volunteer force to challenge any attack by the old state's army. See *Iran Focus*, November/1991.
13. The RGC is currently a very important force and with 170,000 men and 400,000 reserves makes up an important social base for the state. The military management of the RGC, by 1989, controlled 240 major factories, and some 12,000 privately-owned workshops employing about 45,000 people. See Amirahmadi, 1990: 147.
14. The RGC were involved in putting down the uprising of the Kurdish people who were demanding autonomy following the revolution, as well as the Turkaman Sahara. In 1992, the RGC were involved in crushing the unrest against economic and housing

difficulties in Mashhad and Arak. See *Iran Focus*, July, 1992.

15. The oil industry by 1984 employed some 1,000 Italian, Japanese, British and German expatriates. See Fesharaki, 1985.
16. During the Iran/Iraq war the regime was faced with an extreme need to finance the war and, due to the glut of oil in the world market, offered oil at cut price. See Chubin and Tripp, 1988 and Luciani, 1989.
17. On the debate over the economic and politics of oil see *Ettelat-e Ekhtesadi va Siasi* no 6. 19/*Mehr*/1365, Razaqi, 1989, Bakhash, 1981 and Renner, 1987.
18. We have already shown this in Tables 6.3 and 6.4 above. See also Hoogland, 1984.
19. Food rationing began in 1981 when the state enabled the consumer to obtain basic commodities such as sugar, meat, rice and poultry at a subsidised price. Rationing still exists in Iran but only for some commodities. See Habibi, 1991.
20. According to Mohammed Rajai, the Prime Minister following the resignation of Bazargan in 1979, in a T.V. interview in which he argued that the subsidies ensured fair distribution of consumer necessities and protected the purchasing power of lower income groups. See Habibi, 1991: 7.
21. This was not a new idea, it had already been put forward by Iran's former leaders such as Mossadeq who had pursued a policy of 'negative' balance between east and west, in order to maintain pressure on the rival powers. See chapter 2.
22. The US, although it has considerable domestic oil reserves, has become more and more dependent on cheap oil imports, especially from the Persian Gulf: since 1973, US dependence on imported oil has increased from 2.4m b/d reaching 4.9m b/d in 1979. The oil-producing states in the region have also become an important market for US goods and services, since the oil price increased spending power. US exports to the region stood at \$3.5bn in 1973, accounting for 5% of US foreign trade, a figure which increased to \$12.3bn by 1977, almost 10% of all foreign sales, see Gordon, 1981: 14.
23. Iranian students, who were followers of Khomeinie, occupied the US embassy in Tehran, taking about 62 US citizens and 36 citizens of other nationalities hostage. They were not released until January, 1981. See Bill, 1988.
24. The Iran/Iraq dispute goes back to the days of the Ottoman Empire and a major clash between the two countries occurred in 1930. The treaty of 1937, placed the entire Shatt al-Arab waterway under Iraqi sovereignty apart from the small region for anchorage in the Iranian ports of Abadan and Khorramshahr. The dispute continued in 1959 after Iraq's revolution as the Shah demanded more of the river i.e. to move from the Iranian shore to the middle of the Shatt al-Arab channel which, with its military superiority, Iran ended up keeping. For a detailed study of the Iran/Iraq war, see Chubin & Tripp, 1988, Mofid, 1990, Karsh 1987 and Gordon, 1981.
25. Many times the Arab states supported Iraq, e.g., in November, 1980, when Iraq's main oil export terminal at Mina al-Bakr was destroyed, Kuwait and Saudi 'lent' Saddam Hussain 300,000 barrels of oil a day to meet Iraq's export contracts. MERIP, No 91, Oct/1980. Similarly, 15-17,000 Egyptians served in the Iraqi army whilst Jordan provided 20,000 men as well as arms. MERIP, No 125/6 Jul/Sep 1984.
26. According to Gordon, Iraq had already decided to change its relationship with the superpowers. Under this policy of realignment, Iraq's relation with Moscow was in decline and it accordingly began to improve its relations with the US. (Gordon, 1981:

154).

27. Oil revenues accounted for 87.3% and 88.4% of total government revenue in 1980 and 1981 respectively. For the Iranian government, oil revenue had made up over 80% of total exports since 1979. See Table 6.3.
28. By 1987, Iran had occupied strategic area of the Fao Peninsula. The possibility to overthrow the Iraqi regime seemed very high, see MERIP 125/6: 11, Sep. 1984.
29. One of the Lebanese Moslem groups, *Hizbolah* who were influenced by the Iranian regime held some of the western hostages taken while working in Lebanon in the first half of the 1980s and kept them for over five years.
30. An attempt to bring a section of Iran's ruling elite closer to the west. The US encouraged this by providing much-needed arms to Iran in exchange for hostages. Some of Iran's ruling authorities – including Rafsanjani, had willingly met with US representatives such as Colonel Oliver North, in Tehran. See Freedman, 1991 and Akhavi, 1987.
31. The bombing of oil fields and tankers had a significant impact on Iran's oil exports. See Chubin and Tripp, 1988.
32. Saudi Arabia was producing around 5m b/d in 1986, an increase from 3.5m b/d in 1985. See Central Bank of Iran statistics.
33. There is much evidence concerning American involvement in the Gulf during the Iran/Iraq War, for example, the US destruction of Iran's oil rigs in 1988. Their policy was even admitted openly by Assistant Secretary of Defence, Richard Armitage in May, 1987 when he stated: *We can't stand to see Iraq defeated*. See Stork, 1987: 4.
34. The US intervened twice in the UN, first to prevent an emergency meeting to end the war of the cities and later to oppose a formal condemnation of Iraq for its use of chemical weapons. See Sick, 1988: 22.
35. Taken from an anonymous article, Tehran, 1991.
36. Until 1990 there were two prices for foreign exchange in Iran: the 'official' and 'unofficial'. In 1990 the government announced three different rates for foreign exchange: 'official' – \$1 to 70 Rials, 'preferential' – \$1 to 700 Rials for trade and services, and 'competitive' – \$1 to 1,500 Rials. It is believed that the government provides the preferential exchange for trade and services.
37. For a detailed study on the role of women in Islam see, Tabatabai, 1959, Nuri, 1964 and 1985, Motahari, 1979; and for the role of women in post-revolutionary Iran see Mahdavi, 1983, Afshar, 1989 and Tabari and Yeganeh, 1982.
38. Clashes occur almost daily between the revolutionary guards and people attempting to listen to western music, wear un-Islamic dress and drink alcoholic beverages.

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