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OIL DEVELOPMENT AND SOCIAL CHANGE
IN IRAN SINCE 1953

THESIS

Presented to the Graduate Council of the
North Texas State University in Partial
Fulfillment of the Requirements

For the Degree of

MASTER OF SCIENCE

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Denton, Texas

August, 1982

Haghshenas, Hossein, Oil Development and Social Change in Iran Since 1953. Master of Sociology, August, 1982, 263 pp., 45 tables, bibliography, 109 titles.

This study examines the relationship between oil development and social change in Iran. The research focused on the years since 1953 examining the economic structure through the five development plans which were the major vehicles of social transformation.

Within this framework the importance of oil, industrialization, land reform, the labor force, education and health are discussed. Demographic and stratification changes are covered such as changing population patterns, migration, minorities, social classes, and the distribution of wealth. Cultural and social values are then treated with emphasis on the Shah and arms, social control and social behavior.

The paper concludes: oil revenues were frequently squandered without real socio-economic benefit to the masses. Economic's mismanagement and rigid social control increases pressures in society causing the 1978 revolution.

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CHAPTER I

INTRODUCTION

Purpose of the Study

This study will examine the development of the oil industry and social change in Iran. The oil industry has been the most significant economic factor in Iranian society in this century, and this study will show the relationship between this economic factor and the social change that has occurred in Iran. The quality and type of social change which resulted was related to the fact that outside countries controlled the development of the oil resources. Although the study focuses on the sociological aspects related to oil development and the resulting social changes, some political aspects of these changes will be discussed to show the social changes in proper perspective.

Historical Background

An oil concession was first granted in Iran to Baron Julius de Reuter, a British subject, in 1872. In 1884 a concession was granted to Albert Hotz, a Dutchman working for a British company. Concessions were also granted to Iranians: in 1877 to Amin Maden and in 1894 to Khalatbary. The de Reuter concession was revoked in 1873; the Hotz venture failed as did the Iranian ventures.

Another concession was granted in 1901 to William Knox D'Arcy, an Australian financier. D'Arcy negotiated a 60 year contract with Mozaffar-ed-Din Shah which gave him the right to explore all but the five northern provinces in Iran which were Russian interests. He paid Iran L20,000 cash, L20,000 in paid-up shares of the first company to be formed, and promised Iran 16 percent of the annual net profits. D'Arcy was successful, but the first producing wells were located inland and the oil could not be transported easily. D'Arcy's venture was complicated by financial difficulties, and he merged his company with the Burma Oil Company. The Burma Oil Company represented the British Admiralty's interest in securing oil to convert the fleet from coal to oil use. The new concession resulting from the merger, the Concession Syndicate Ltd., moved its exploration to the Persian Gulf coast in 1905. On May 26, 1908 one of the world's largest oilfields was discovered in Masjed-e-Soleiman. The new location of the oilfields was in tribal territories, and the British created a policy to secure the loyalty of the tribes which took precedence over the relationship with the Iran central government.

More British investments resulted from the Soleiman discovery. In 1909 the Anglo-Persian Oil Company (later Anglo-Iranian) was formed which then became the major company in Iran. By 1920 controversy arose between the Anglo-Persian Oil Company and the Iran government because the 16 percent annual net profits had not been paid to Iran since 1916.

In 1921 the British, concerned about their oil interests, engineered a military coup d'etat bringing Reza Shah to power. However, in 1932 Reza Shah cancelled the D'Arcy concession because the British never complied with the terms of the concession. The British refused to recognize the cancellation, so the matter went to the League of Nations. In 1933 a new concession was negotiated between Iran and Britain which was to be in effect until 1993. Then, in 1941, Reza Shah showed too much friendliness toward Hitler, and Britain removed him from power and installed his son. In March 1951 Mossadegh came to power, the oil industry was nationalized, and the Anglo-Iranian Oil Company was forced to leave Iran.

The National Iranian Oil Company then took control of the oil. An important point about the history of the oil development between the fall of Reza Shah in 1941 and the nationalization of the oil in 1951 was that Britain and the U.S. were competing for control. In the 25 years after the 1953 coup d'etat, which was engineered by the CIA, the oil revenues increased, and considerable socio-economic change occurred but within a dictatorial regime primarily serving its own interests.

Methodology

The methodology used in this study is to examine the historical data related to the oil industry and provide evidence of the relationship between the development of the

oil and social change in Iran. Empirical evidence will be used to show that the oil development has been an instrument of social change in the areas of education, agriculture, internal migration, the redistribution of wealth, and social mobility. The study will show that the increase in the oil production which increased governmental revenues was not accompanied by a corollary increase in social benefits to the majority of the society.

The sources will focus on the period since 1953, emphasizing the most recent decade because the oil revenues increased more in recent years than in the earlier stages of development.

Limitations

The first limitation of the study is that the sources published about Iran during the reign of the late Shah were biased in several ways. First, these sources exaggerated the facts to support the regime. For example, the White Revolution was presented as a real revolution which destroyed the feudal system in Iran, but when the reality of the agricultural situation is examined, the feudal structure is not destroyed. Fred Halliday substantiates this in the chapter on agricultural development in his book Iran: Dictatorship and Development. Second, the facts were distorted because censorship was very strong.

Another limitation is that enough time has not passed since the reign of the Shah to uncover the extent of historical distortion in the presentation of the accomplishments during his regime.

The final limitation is that there are additional sources available in Iran which could not be obtained for use in this study.

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CHAPTER II

DEVELOPMENT OF THE OIL INDUSTRY AND POLITICAL POWER

The Impact of the West

Iran was an important country in the modern world by the nineteenth century because of its strategic location in the East and its natural resources. The impact of the West on Iran changed in nature from the beginning of the nineteenth century. In the first half of the century the West exerted military pressure, as when Britain and Russia attacked Iran in 1813, 1826, and 1856. From the second half of the nineteenth century economic penetration characterized the impact of the West on Iran (11, p. 18). This Western penetration of the economic system of Iran threatened Iran's economic, political and cultural independence. Although Lord Curzon, British secretary of State, said in 1920 that "a peaceful Persia, a stable Persia, a friendly Persia, an independent Persia have been the corner stones of British policy," the British and Russians agreed in 1907 to divide Iran into two spheres of influence and create a neutral zone (14, p. 123). By 1920, when Russia had left Iran, Britain remained. The independence Curzon spoke of was Britain's desire to strengthen Iran against Russian influence and to prepare for Britain's installation of Reza Shah.

The Shahs and the higher classes in Iran also claimed that Iran was independent because they were manipulated by the foreign powers. Reza Shah and his son Mohammed Reza were installed in power by foreigners. The higher classes, composed of large landowners, civilian bureaucrats, merchants, and tribal chiefs were used as allies by the foreign powers to exploit the economy of Iran.

Iran never became a colony because both Russia and England wanted control of Iran, and neither would give control to the other. Iran thought that it could maintain its independence by balancing English and Russian interests, but the balance was really compromise (5, p. 159). The Qajar dynasty compromised to maintain itself in power. Britain and Russia forced Iran to accept unfair treaties and, again, the Qajar shahs accepted such treaties to maintain themselves in power.

Iran became a source for the further economic development of the West but was prevented from developing herself. Her oil resources were exploited for the benefit of England and later the United States.

The socio-economic development of the Iranian people in this period (1921-1977) has been plagued by great power rivalries for hegemony in Iran. To extract the fruits of Iran's natural and human resources through monopoly trade, unequal pacts and rivalries, the foreign powers have transformed the earlier socio-economic foundations of Iran, incorporated her into their world-wide markets, and converted her into a source for their own metropolitan capital accumulation and development (1, p. 87).

In 1957 Ann Lambton wrote that there were three phases in the impact of the West on Persia: the period before the Constitutional Revolution of 1905-06, the reign of Reza Shah, and the period following World War II (11, p. 12). The first period was characterized by the rivalry between England and Russia for military control. The second period occurred under Reza Shah and involved the development of the oil and the introduction of western techniques, capital, and labor. Reza Shah was strongly influenced by the West and tried to eliminate the pervasiveness of Islam and the religious classes. He consciously tried to westernize Persian society by abolishing the veil, making European dress mandatory for men and women, and sending students to Europe. The last period, after World War II, was actually a reaction against the oil exploitation by England and the westernization pushed by Reza Shah. The reaction manifest itself in a nationalist movement.

The West also made its impact felt culturally and socially. Persia had been a feudal and despotic society in the process of change in the nineteenth century before the advent of the Europeans. Instead of being allowed to pass naturally from feudalism to an industrial society, Persia remained feudal and semi-feudal in the hands of the Europeans. According to Nirumand, native Persian industry and production were prevented from developing because goods

from Western Europe and Russia flooded the markets. The Persian upper classes demanded European consumer goods, and because they had greater access to Western culture, they were more influenced by it (15, pp. 20-21). The lower classes remained basically the same and had little to do with the West while the upper classes began to see Persian society as backward.

The Role of England and Russia

In the eighteenth century, France, England, and Russia were involved in a political drama which included Iran as a central figure. The increasing influence of Napoleon in Western Europe led to the defeat of Russia's allies and Russia, as a result of this, decided to unify with Napoleon to gain control of India. However, by the early 1800's Russia changed her mind when Alexander came to power, and instead, Russia allied with England against Napoleon. France was still trying to gain access to India, and England was afraid that Iran would become allied with France. Russia's interest in Iran was stimulated by the desire to gain a warm water port. Under Peter the Great, Russia attacked the northern provinces of Iran, and in the 1813 Treaty of Gulistan and the 1828 Treaty of Turkomanchai, Iran was forced to give Russia part of its land, including Armenia, Karabagh, Georgia, rights to the Caspian Sea, and all the land between the Caucasus (10, pp. 85, 96). England watched these events uneasily and feared that

Russia was moving toward India. Iran tried to maintain its independence by balancing the interests of Russia and England, but by 1856 Iran lost its independence and became a semi-colony of England and Russia. Anglo-Russian rivalry was very strong and prevented Russia from dominating Iran completely. By 1906 Russia had an economic hold on Iran. Russia made such economic gains as the ownership of a powerful bank, mining and communications concessions, customs revenue, and the sugar and fishing industries (5, p. 161).

Tensions between Russia and England continued, and when their international interests called for a lessening of this tension in 1907, the two countries signed the Anglo-Russian agreement dividing Iran into two spheres of influence with a neutral zone in between. "More than any other factor; including the intellectual impact of the West, the anger and humiliation aroused by these foreign economic inroads led to the rise and triumph of Iranian nationalism which was a consequence of their economic rivalry that neither power anticipated" (5, p. 160).

England's early interest in Iran was strategic and political but later also economic. England was afraid that Russia wanted to move toward India through Iran, so she wanted to balance Russian influence in Iran (8, p. 4). The Anglo-Russian Treaty professed to control the further infiltration of both countries. But as Fesharaki states, "although both countries agreed to respect Persian sovereignty and independence, neither party in fact did so" (8, p. 4).

England's economic interest in the development of Iran was expressed in various concessions and capitulations. In 1889 a Treaty of Capitulations granted British businessmen impunity from Persian law which, of course, gave them unfair advantage. "One of the most hated symbols of foreign influence in Iran was the system of 'capitulations,' that is, extraterritorial privileges granted to foreign nationals resident in Iran. These privileges included the right of foreign nationals to be tried by their own consular courts" (17, p. 91). A Tobacco Concession was granted in 1890 which created strong reaction from the Persians, causing the concession to be rescinded in 1892. A railroad concession was also granted which gave England monopoly over the railroads. H. J. Whigham wrote in The Persian Problem that "such a government cannot much longer escape the salutary rod of foreign control. It is merely a question of whether the rulers will be single or many" (20, p. 391).

After the Anglo-Russian Agreement of 1907, British and Russian policy in Iran was geared to maintaining their agreement. "The ideal internal situation for Anglo-Russian objectives would have been an Iranian government strong enough to maintain internal security but not so strong as to challenge the privileged Anglo-Russian position in the country" (5, p. 168). But in 1905 a constitutional revolution began which lasted until 1911. The first period was from 1906-1908 when Britain

supported the constitutional government because Russia opposed it, not because of England's belief in the constitutional form of government. Mohammed Ali Shah had welcomed the 1907 Anglo-Russian Agreement because he wanted to weaken the constitutionalists and keep himself in power. In 1908 the Majlis building was burned at Mohammed Ali's orders. The country rebelled, and with Anglo-Russian support Mohammed Ali was deposed in 1909. The second period of the constitutional revolution lasted from 1909 to December 1911 when Russia attacked militarily, defeating the constitutionalists. The British government was in accord with the Russian military intervention. In England's State Papers Sir Edward Grey wrote, "The solution of the present crisis must be such as to secure a government in Persia which will conform to the principles of the Anglo-Russian agreement, and not disregard the special interests which the two powers respectively have in that country" (5, p. 181).

Persia and World War I

Iran was a pawn on the chessboard of World War I political events. She declared herself neutral in the conflict but was occupied by the Ottomans and Germans fighting the English and Russians. In 1915 the Ottomans attacked Azerbaijan and occupied Tabriz. "Persia had declared herself neutral in the war which had broken out,

but she was in no position to enforce or to defend that neutrality. Northwest Persia soon became a battleground between the Russians, operating from the Caucasus, and the Turks, operating from Asia Minor. During 1915 and 1916, the tribes of southwest Persia, mainly as a result of the activities of Wassmuss, the "German Lawrence," succeeded in making much of that area into a battle-front against the British. Before the war the Germans "had been assiduous in developing their commercial interests, and in cultivating contacts with the Persians, when war broke out they were in a favorable position for subversive activities against the Allies" (13, p. 44). During the war in 1915 Britain and Russia negotiated the Constantinople Agreement in which Britain gave Constantinople and the Turkish straits to Russia in exchange for the neutral zone of Iran. (12, p. 44).

Immediately after World War I Russia occupied the north of Iran, but after the Russian Revolution the new Soviet government renounced the former treaties and pulled all Russian troops out of Iran. "The rejoicing approached abandon in the mass celebrations that were held in Tabriz and Tehran when, in January 1918, the new Soviet regime renounced the old treaties of the Tsars, including the infamous agreement of 1907, and ordered Russian troops to return home. (5, p. 181).

But Iran's rejoicing was to be short-lived because England moved to fill in where Russia departed. In 1919

the Anglo-Persian Treaty was proposed which was to make Iran a protectorate while pretending to be in the interests of Iran's independence. The treaty was to abrogate the Anglo-Russian agreement of 1907, use British personnel to reorganize the Persian army and Persian finances, and grant Britain the right to construct railroads (13, pp. 56-57). Making Iran a protectorate would have aided British interests because it would have established a real safety zone for the Empire. "One of the principal arguments advanced by British imperialists of the Curzon school was the necessity of creating a strong, British-protected cordon in the Middle East against the future possibility of Bolshevist expansion in the direction of India and Africa" (13, p. 58).

On December 30, 1918, Britain's Eastern Committee of the War Cabinet met and decided that Persia should be evacuated and left to deal with Bolshevism on her own, but Lord Curzon dissented that "such a policy of unrestrained evacuation would be 'immoral, feeble, and disastrous'" (14, p. 132). The purpose of the treaty was to make Iran part of a chain of British protectorates which were to stretch

from the Nile to the Indus, from the Taurus Mountains to the Indian Ocean, linking up at its eastern end with the great British Indian Empire. It would, in the eyes of Lord Curzon and of those who thought like him, have been the culmination of all those patient years of Empire-building... and a decisive refutation of any suggestion that the British Empire was falling into decay or the British race into decadence (13, p. 57).

The treaty was never ratified by Iran because the people were against it. Four factors, including popular sentiment against the treaty led to uprisings which contributed to a change in English policy, causing England to support a strong central government. The other factors were the British fear of the Russian revolution, the Persian oil, and other British interests in the East.

This new policy culminated in the 1921 British military coup d'etat which brought Reza Khan to power and caused the collapse of the legal but weak Qajar government. Thus came the end of

... the weak and irresponsible Kajar kings, who bartered away Persian sovereignty bit by bit and were an easy prey for foreign speculators. Persia drifted into a dependence on the great powers from which it has never been able to free itself, except for the two-year period of Mossadegh's administration (1951-1953) (15, pp. 19-20).

The Oil Concessions

The Australian financier William Knox d'Arcy negotiated the first commercially successful oil concession with Mozaffar al-Din Shah on May 28, 1901. The contract paid to the Persian government 20,000 pounds in cash, 20,000 pounds in shares, and 16 percent of the annual net profits of the company. The Shah kept the cash payment of 20,000 pounds for himself; another 20,000 pounds, not mentioned in the contract, was paid to three members of the Shah's government (15, p. 27).

The first oil was actually discovered in 1903 when the First Exploitation Company was formed with 600,000 pounds capital. In 1905 d'Arcy liquidated the original company and joined with the British Burma Oil Company in the Concessions Syndicate as joint stockholders. The British government was stimulated by new oil discoveries and eventually bought out d'Arcy in 1908, forming the Anglo-Persian Oil Company in 1909. The oil sites, existing on Bahktiari lands, necessitated yearly payments of 30,000 pounds to the Bahktiari sheiks to settle the conflicts. "Without knowledge of the Central government of Iran, separate treaties were concluded with the various tribal chiefs, considerably weakening the central power and adversely affecting parliamentarism and the emancipation of the peasants" (15, p. 27).

By 1912 the refinery at Abadan had been constructed, and 250,000 tons of oil per year were exported (13, p. 81). The oil concession in Iran became more significant than before for England in 1914 when World War I broke out and when the British changed from coal to oil for fuel. At this time the British government increased its shares in the Anglo-Persian Oil Company and passed a decision granting a special discount to the British navy, reducing Iran's share of the profits. When Iran protested such an arrangement, the Anglo-Persian Oil Company (APOC) denied that such a decision had been made (15, p. 28).

Oil exports continued to rise with 897,000 tons in 1918, 1.1 millions tons in 1919, and 2.3 million tons in 1923 (13, p. 82). With such a dramatic increase in output Iran became steadily more aware of the value of the oil and the lack of benefits she was receiving. Between 1916 and 1920 Iran received no payments of profits from Britain, and prior to 1916 the profits had not been properly calculated. The conflict "came to a head" during the time when Britain was trying to negotiate the Anglo-Persian treaty with Iran. When the APOC presented its claim for 600,000 pounds for damages to the oil pipelines during the war, Persia countered with a claim that it had not been paid its due profits. The 16 percent profit due to Iran was to be calculated on the total net profit, not the discounted profit made to the admiralty. The conflict was resolved by payment of one million pounds to Iran and agreement to calculate Iran's profits more honestly. However, this settlement was not carried out because by 1933 when the APOC had made a 200 million pounds profit, Iran had received only 10 million pounds of the 32 million pounds she was due. And Iran was importing oil from Russia for domestic use because the APOC levied transportation taxes.

The economy and people of Iran did not benefit from the oil output. By 1930, Abadan employed 20,000 workers of which 4,000 were brought from India and most of the remainder from

Britain. The living necessities, including all food and clothing were imported. Even the bricks, gravel, and cement used for construction were imported while they could have been supplied more cheaply by Iran and, in turn, benefitted Iran's economy.

The policies of the Anglo-Persian Oil Company, wholly under British control, aimed at constituting an island within the undeveloped Iranian economy, leaving the latter to stagnate. . . . It wanted to prevent any growth of Iran's economic strength, for a boom in the Iranian economy would have resulted, sooner or later, in the industrialization of the country, with an increase in Iran's petroleum consumption, which would, in turn, have imperiled the existing property relationships (15, pp. 29-30).

In addition to the unfair distribution of profits, two other major areas of conflict arose between the Persian government and the APOC. The first was that the APOC had a monopoly on oil pipelines to the Persian Gulf, and the second was the APOC's payments to tribal sheiks which undermined the efforts of Reza Khan's government to establish central control (13, pp. 83-84).

Besides these three major areas of conflict there were other highly unfavorable elements in the operation of the concession. The APOC was totally exempt from Persian taxation while the APOC taxed the Persian people for their domestic consumption of oil. Also, great employment and social inequality existed in the oil field communities where the British had the best positions, housing and medical facilities, importing everything for their use from England. In 1949,

approximately 39,000 out of 51,493 Persians or 5/6 of the Persian workers at Abadan were not supplied accommodations by the APOC. There were no other housing facilities at Abadan because the area had not been populated prior to the building of the refinery, and there were no nearby villages in which to live (6, pp. 94-95). And yet the APOC "prided itself on the high quality of the accommodations and amenities provided for its staff" (6, p. 93).

Persian dissatisfaction with the outcome of the d'Arcy concession resulted in the government notifying the British on November 27, 1932 that the concession was cancelled. Britain refused to recognize the cancellation and threatened Iran. The matter was then taken to the League of Nations which did recognize the Persian claim and recommended negotiations of a new concession. On May 28, 1933 the new concession was ratified by Reza Khan and the Majlis. The new concession was really no improvement for Persian interests. Financial gain for Persia was to be calculated on a royalty basis in lieu of taxation, which "looked good on paper but, in reality, was not good." For example, in 1947 the total royalty sum paid to Persia in lieu of taxation was 540,389 pounds out of 40,561,817 pounds APOC total profits. The British income tax amounted to 14,848,082 pounds out of the 40,561,817 pounds. Therefore, the British government benefitted through taxation on 36 percent of the APOC total profits while Persia

received only 1 1/2 percent of the APOC total profits through the new royalty payments. This discrepancy becomes particularly striking when one realizes that in the same year companies operating in Saudi Arabia and Venezuela were paying 50 percent of the profits. In Iran's case, a 50 percent share would have meant 20,000 pounds instead of the 7,000,000 pounds total payment in 1947. The figures for 1947 show how this sum of 7,000,000 pounds was derived:

Oil tonnage sold or exported	18,328,692
Royalties at 4/- per ton	3,665,738
Adjustment for gold price	1,596,123
Royalty in lieu of taxation	308,217
Adjustment for gold price	232,271
20 percent of profits	1,074,000
Other payments	225,000
	<u>7,101,250</u> pounds
	(6, p. 83)
Total APOC profits	40,561,817

Besides losing money on the new method of royalty calculation, Persia was also losing money on British exemption from custom duties and export taxes.

Persian oil was more expensive in Iran than in Britain, being sold at a 500 percent profit (15, p. 33). Because of this situation, Persia imported oil from Russia which meant that Persia was forced to pay for a commodity which should have been virtually free.

A final point regarding the disadvantages of the new concession was that it annulled the Persian claim to all of

the Company's assets at the termination of the 1901 agreement. Renewal of the contract until 1993 meant that the assets still belonged to the APOC. Furthermore, the APOC was able to calculate the quantity of Persian oil reserves and by 1950 had increased production to five times what it was in 1933. At the rate of extraction in 1933, the reserves would last approximately 200 years while at the 1950 rate, the reserve would last only 30-40 years. In other words, the oil reserves could easily be exhausted before the contract ran out, the Company assets being of no value without the reserves (6, pp. 86-87).

The best provisions of the new concession were that they terminated British monopoly of the oil pipelines and restricted areas for new markets and investments.

Reza Shah had cooperated in writing the new concession and supported the British until World War II when he showed receptivity to Hitler's ideas and thus aroused the suspicion of the British. On September 17, 1941 Reza Shah was forced to abdicate his throne and was succeeded by his son Mohammed Reza.

The fact that the 1933 British concession limited England's territorial and pipeline monopoly hastened the advent of other foreign enterprise in Iran's oil industry. The United States had been indirectly involved prior to 1933, when Iran had engaged the services of financial expert Morgan Shuster in

1910 and Dr. Millspaugh in 1922. Through these financial experts, the United States became familiar with the economic situation in Iran and had even suggested that Iran's share of the oil profits was too low for its domestic needs. The United States became involved in Iran again in 1941 when the Allies occupied Iran during the war. After the war the United States and Britain withdrew their troops, and in 1947 the United States gave Iran a \$25 million credit to purchase arms from the United States and later another \$10 million credit. In 1944 the Anglo-American Oil Agreement was signed which concerned British and American cooperation in developing future oil industries throughout the world. Iran and the United States concluded an agreement in 1947 whereby the United States could establish military bases to protect Persian Gulf oil from Soviet aggression. The United States also continued to support groups which opposed British control of the oil industry and in 1947 Standard Oil of New Jersey negotiated a 20 year contract with the Anglo-Iranian Oil Company (the APOC was changed to the AIOC in 1935) for the sale of oil. In 1949 the United States introduced its Four Point Program which was to provide technical aid, capital, refugee relief, and encourage cultural and commercial relations to the Near East countries. Under this program, Iran received another \$25 million from the United States for its Seven Year-Plan (15, pp. 36-41).

Nationalism

Nationalism had been an element in the Persian experience long before the advent of Mossadegh and his attempt to discard the chains of foreign domination, but the National Front took on special characteristics in the early 1950's under Mossadegh's inspiration. "The National Front . . . was the vehicle by which Mossadegh rocketed to power in 1951, enunciates such principles as liberalism, constitutionalism and nationalism" (2, p. 412). The concept of nationalism has been interpreted differently by different factions within Iran throughout the various periods of history. This study will focus on the various interpretations of the word since 1950. The definition favored in this study is the one which includes the destruction of British influence in Iran, the destruction of powerful families and their control in Iran, and the support of Dr. Mossadegh (5, p. 211).

Constitutionalism was important in helping to shape public acceptance of Mossadegh's idea of nationalism by increasing the social and political awareness in the masses of the value of democratization, freedom, and independence.

Mossadegh's definition has been called "negativism" by the Shah who favored his own interpretation which he called "positivism." The Shah's idea of nationalism was to cooperate with one superpower while being against the other superpower. Mossadegh's idea was labeled "negativism" by the Shah because he was against Britain controlling the oil in the south and Russia controlling the oil in the north. The Shah and his

forces called his approach a negative balance because Mossadegh refused to cooperate with either power. Another element of Mossadegh's so-called "negativism" was his reduction of the military budget in order to increase the budget for education and health services, changing the title of the Ministry of War to the Ministry of Defense. He felt that the military was necessary only to handle border incidents not to fight the superpowers because Iran could never win against the superpowers. Mossadegh's concept of nationalism has evolved into the present day policy of "No West-No East". Although the Shah tried to cast Mossadegh's interpretation in a bad light by labeling it "negativism," the fact that it has remained the idea with strongest support in Iran's present policy shows that it has the support of the people.

Nationalization of the Oil

Socio-economic Situation

From 1941 until the end of the war allied troops occupied a neutral Iran and brought economic disaster to her. Allied troops controlled the railways, roads and harbors.

But the main impact on the individual Persian was economic. In a matter of months he saw the value of his money fall and the cost of living rocket by 1,000 percent - driven upwards inexorably by the vast sums spent by the Allies on transport expansions and complacently issued to them by the National Bank of Persia (6, p. 106).

After World War II, the international scene was changed. Britain and France were weaker militarily and economically while the United States emerged more powerful economically and militarily. Because of these changes Britain and the United States began to compete for control of Middle East oil resources and then cooperated with each other in Iran when Western interests became threatened by the idea of nationalization of the oil. During the years from 1951-1953 when the nationalization law was in effect in Iran, Britain was at the mercy of United States influence in the situation, and by 1953 United States influence was definitely the controlling factor. When the United States finally agreed with Britain that Mossadegh's government had to fall before a favorable oil and contract could be negotiated, it was the United States CIA who engineered the coup d'etat which ended the Mossadegh era.

There is no doubt that the U.S. government, and specifically the CIA, played an active part in organizing the coup of 19 August 1953 that ousted Mossadegh, and that this intervention was the fruit of the build-up of the U.S. presence in Iran that had been underway since the war (9, p. 25).

. . . Throwing aside any pretense of noninvolvement, American Ambassador Loy Henderson openly orchestrated coup efforts. The unconcealed American involvement in the removal of Mossadegh, who had come to symbolize Iran's search for national dignity, denied the successor regime any legitimacy. The widespread awareness of the American role in aborting nationalist leadership is the basis for the distrust of U.S. policy in Iran today. (4, pp. 6-7)

Also refer to Roosevelt (16, pp. 119-123, 207-210), Tully (18, pp. 88-99), and Wise (21, pp. 111-114) for further documentation of CIA involvement in the coup d'etat.

After World War II the domestic socio-economic situation in Iran was very bad. More than 80 percent of the people suffered from malnutrition. Hygienic conditions were terrible and disease was rampant, with malaria and trachoma occurring in epidemic proportions. The illiteracy rate was 90 percent. The average rural life expectancy was 27 years.

A 1949 survey of 1300 villages showed that 60 of the families were landless, 25% owned less than one hectare (2.5 acres), 10% owned 1-3 hectares, and that 95% of the families with from 0-3 hectares owned 17% of the land. The average annual income of a rural family was 7,750 rials; of a landlord family 75,000 rials. [Official rate 32.5 rials to \$1.00. Free market rate about 49 rials to \$1.00. Figures are for 1949] It is estimated that at least half the claimed land is owned by large, often absentee, landowners numbering about 100,000 (7, p. 239).

From July 1946 to August 1949, the cost of living rose 36 percent which was due to poor crops in 1947 and 1948 and also to increases in oil company expenditures (19). Examples of statistics for several crops are included in Table I. Wheat and barley production were down significantly in 1949 from their production in 1945. Living conditions for the lower classes were highly undesirable. "In May 1951, The New York Times, reporting on housing conditions in the south

of Teheran, stated that 200,000 persons were living in underground caves and overcrowded mud huts that were like rabbit hutches" (15, p. 44).

TABLE I

WHEAT AND BARLEY PRODUCTION FOR SELECTED YEARS
(In millions of quintals. One quintal = 100 kilograms)

Crop	1934-38	1945	1949
Wheat	18.7	21.0	16.3
Barley	7.9	12.5	6.5

Source: Review of Economic Conditions in the Middle East, Supplement to World Economic Report, 1949-50, United Nations, p. 47.

The disproportion between the economic situation in Iran and her people and that of the APOC was striking. During the years 1938-1950, when Iran's economy steadily worsened, the oil company's production tripled. In 1950 the APOC made a profit of 180 to 200 million pounds, while Iran received only 16 million pounds or 9 percent. Table II shows that the British government was paid more in taxes alone than Iran received as a contract partner.

TABLE II

OIL PAYMENTS

Year	Share of Iran Government (millions of pounds)	Taxes Paid to British Govt. by the APOC (millions of pounds)
1948	9	28
1949	13.5	23
1950	16	50.5

Source: Bahman Nirumand, Iran: The New Imperialism in Action, New York, Monthly Review Press, 1969, pp. 44-45.

The Events of Nationalization

On May 25, 1951 Mossadegh made the basic point of the drive for nationalization of the oil industry when he said in a press conference that "nationalization is the right of every nation; it is a unilateral action and cannot be anything else. Do they imagine that the Persian people would seek permission from another government to nationalize its oil industry" (6, p. 229).

The reason why Iran nationalized her oil industry was to gain economic independence and to purge the feeling of national humiliation which the people suffered as a result of the economic exploitation by the British. The consciousness of the Persians slowly came to realize that the oil, the fruit of the land of Persia, was being raped by the Anglo-Persian Oil Company. The people were not receiving

the benefits of the oil sales; their living conditions were not improving while their precious resource was being steadily drained like "sand through their fingers".

The events began to unfold in January 1951 when Dr. Mossadegh proposed the nationalization of the oil industry to the majlis. The proposal read as follows:

In the name of the prosperity of the Persian nation and with a view to helping secure world peace, we, the undersigned, propose that the oil industry of Persia be declared as nationalized throughout all regions of the country without exception, that is to say, all operations for exploration, extraction and exploitation shall be in the hands of the government (6, p. 203).

Mossadegh's proposal received more attention than any other proposed solution to the oil question, and Mossadegh was subsequently elected Prime Minister on April 30, 1951, even though he had been in the minority in the parliament. Mossadegh accepted the position with the provision that the oil industry be nationalized, which it was on May 1, 1951. According to the law which embodied nine principles: A committee of Persians was to be formed which would implement the nationalization; the APOC was to relinquish control of the industry immediately; the company's accounts were to be audited; the new National Iranian Oil Company was to be created; the foreign experts were to be replaced gradually as Persians became educated; all oil customers were assured of the availability to purchase the same quantities at the international price; and the APOC was to be compensated for

financial loss. The last point was highly significant because it showed Iran's willingness to compensate and proved that Iran did not intend to expropriate.

However, the nationalization act was prevented from going into effect as it should have because the British government was absolutely opposed to it. She first threatened Iran with the withdrawal of all British oil experts and sent naval ships into the Persian Gulf area. The New York Times of May 26, 1951 reported that battle-ready British troops were to be moved to the eastern Mediterranean within ten days. In July 1951 Britain went to the International Court of Justice at the Hague to plead her case and won a temporary injunction to maintain the status quo. Iran did not recognize the injunction because she felt the issue was a domestic matter and not an international dispute. The Hague Court later ruled in Iran's favor on the rationale that nationalization was an internal affair. Besides rallying for international support against Iran, Britain tried to break Iran economically by imposing an oil boycott and severe economic sanctions, hoping also to bring the downfall of Mossadegh. Before the Court actually ruled on the case, Britain went to the United Nations Security Council on March 22, 1952 in an attempt to gain support. When Iran was informed of this, Mossadegh himself went to New York to appear before the Security Council and won their sympathy,

much to Britain's distress. In his appearance at the United Nations Mossadegh stated that

The petroleum industry has contributed practically nothing to the well-being of the people or to the technical progress or industrial development of my country. The evidence for that statement is that, after fifty years of exploitation by a foreign company, we still have not enough Iranian technicians and must call in foreign experts. . . . The Iranian nation is determined to use this vital resource, which is part of its national patrimony, to raise its standard of living and thus to promote the cause of peace (6, pp. 261-262).

While in the United States, Mossadegh requested financial assistance from the United States but was refused. American policy was becoming more aligned with British needs because Britain had proposed that an international oil cartel be created to exploit Iranian oil. The cartel would then negotiate a new oil contract with Iran. This is what eventually did occur, but only after the overthrow of Mossadegh. Initially, the United States had supported Mossadegh because they thought that a nationalist regime would be the best defense against Soviet aggression in Iran and that Mossadegh would later compromise with the United States. However, the Tudeh party became more active under Mossadegh, not because he was pro-communist, but because he allowed freedom of speech. As a result, the United States was convinced by Britain that Mossadegh was not a safeguard against communism. As the United States position gradually became closer to the British position, Mossadegh's government was endangered.

Mossadegh had broken diplomatic relations with Britain in October 1952, and all British personnel were to leave Iran; the British gave up the hope of re-establishing the AIOC in Iran. Not only were both Britain and the United States against Mossadegh by 1953, but internal opposition had developed by this time. The privileged classes were threatened by his regime because he was trying to redistribute the wealth and the land more equitably. The Tudeh party, supposedly communist but more liberal and parliamentary, was a major opponent. Many of Mossadegh's initial supporters broke with him over his United States policy. Ayatollah Kashani, Hossein Makki, Bagai, and others opposed Mossadegh and influenced others. All of these groups had their own personal interests and feared the changes in the social structure which were the basis of Mossadegh's policy. These internal opposition groups allied with the United States to bring an end to Mossadegh's government.

Agricultural reform was the most important program of Mossadegh's government after he nationalized the oil. He wanted to improve the lives of the peasants and to reduce the gulf between the wealthy landowners and the landless peasants. And he recognized that for the land reform to be meaningful, the peasants had to be educated in the knowledge required to operate a farm (5, p. 271). According to Nirumand, Mossadegh made the mistake of not implementing

his land reform program at the same time that he was fighting foreign powers. Had Mossadegh done this, Nirumand suggests that he would have weakened his opposition and definitely gained support from the peasants who, in reality, knew little of his reformist ideas (15, p. 90). Such a judgement is perhaps accurate, but it should be remembered that Mossadegh had such a short time in which to accomplish his goals. His ultimate aims were to change the social structure and liberalize the public life through the nationalization of the oil industry.

Mossadegh's enemies were becoming stronger by 1953. The Shah's power had been restricted to its constitutional limits; the army generals had their privileges reduced when Mossadegh took control of the Ministry of Defense; and the large landowners were worried about their property. These groups were ripe for Mossadegh's overthrow. The Americans and British were poised for action and had decided that "the only alternative was a military coup d'etat. The Shah and his supporters were quite willing to seek United States help in such an undertaking. . . . If, as seemed inevitable, Mossadegh had to go, it would be better for all parties concerned that he should be turned out by a military coup rather than a communist uprising" (6, p. 310).

The CIA was actively involved in the plot to overthrow Mossadegh and had planned the overthrow for some time.

General Schwartzkopf of the CIA, who had built up Iran's security forces from 1942-1948, returned suddenly to Iran in August 1953, supposedly to renew old acquaintances with the Shah and General Zahedi, a colonel in the Iranian army who had been imprisoned by the Allies for being a Nazi sympathizer during World War II. The United States ambassador in Iran, Ambassador Henderson, met with Schwartzkopf when he arrived and then left immediately for Switzerland to meet CIA director Dulles and the Shah's sister, Princess Ashraf. Within days of this meeting, on August 19, 1953 Mossadegh was overthrown and Zahedi became premier. Arrangements had been made for the Shah to be out of the country in an attempt to make the coup look like a popular uprising (5, pp. 227-230).

Many credible sources substantiated that the CIA engineered the coup. The New York Times Magazine of May 21, 1961 stated, "The CIA played a dominant role in the overthrow of Premier Mossadegh in Iran in August 1953." The Saturday Evening Post of November 6, 1954, pp. 66-68 published part of a series entitled "The Mysterious Doings of the CIA" by Richard and Gladys Harkness. Le Monde on September 17, 1953 reported that the mullahs had distributed \$500,000 to a pro-Shah mob in Tehran on August 19 of that year. Later, when Mossadegh was on trial, he produced a check cashed by Americans at the Iran Melli Bank for

\$390,000 (15, p. 94). Fred Cook reported in his article "The CIA" published in The Nation, Volume 192, No. 25, 1961, pp. 548-551, that the CIA spent \$19 million on the overthrow of Mossadegh.

"The coup of August 19, 1953, or as the Iranians call it, 28 Mordad, will long stand as the most important date in the history of Iranian nationalism" (5, p. 226). Shah Mohammed Reza Pahlavi's reign of terror thus began on this date, and Iran's two year breath of freedom was ended.

After the fall of Mossadegh the oil nationalization laws were ignored. The British and the Americans were eager to re-open the oil industry in Iran and did so under an international oil consortium. The countries and their percentages in the consortium were The British AIOC -- 40 percent, a group of American companies -- 40 percent, a British Dutch Company-- Royal Dutch Shell -- 14 percent, and the Compagnie Francaise des Petroles -- 6 percent. The American share was first owned by five companies, each of which purchased 8 percent: Gulf Oil, Socony Vacuum (later Mobil Oil), Standard Oil of California, Texaco, Standard Oil of New Jersey. Later this group of American companies each gave up 1 percent of their shares, and another American group, IRICON, purchased this remaining 5 percent. IRICON was composed of American Independent Oil, Atlantic Richfield, Charter Oil, Continental Oil, and Standard Oil of Ohio (3, pp. 150-151).

Negotiations for the new oil contract were underway by early 1954, and in October 1954 the agreement was ratified by the Iranian majlis. The cartel members received all control over the oil fields and oil installations and set the guaranteed minimum production level. Iran had to pay Britain 25,000,000 pounds for disrupting the AIOC business during the two years of nationalization as part of this new agreement. The agreement was to last until 1979 with the possibility for extension until 1994. There were to be two operating companies; one for exploration and production, and the other for refining. The companies were to be controlled by the cartel in the ratio of five cartel directors to two Iranians. The NIOC was to provide all services and facilities not directly involved with industry operations. The housing, education, health services, transportation, etc. all had to be paid for by the NIOC which was to be reimbursed "to reasonable extent" by the cartel (6, pp. 320-325).

The cartel members were to pay 50 percent of the net profits to Iran in the form of taxes. And not only was Iran to make compensation to Britain, but the new cartel members also paid Britain compensation totalling \$600,000,000 for their shares in the consortium. \$510,000,000 of this payment was to be made by adding a .75/ton payment to Britain. This .75/ton was to be deducted from the net profits before

Iran's 50 percent in taxes was calculated, causing Iran to actually pay the share of the cartel members' compensation to Britain. Nirumand estimates that Iran lost \$100,000 between 1954-1961 because of this arrangement (15, p. 102).

The 1953 coup d'etat was effective politically and economically again for foreigners and the Shah; Iran had a new master, and the drama of the people was to continue.

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CHAPTER III

THE CHARACTERISTICS OF SOCIAL CHANGE SINCE 1953

Introduction

This chapter examines the major aspects and catalysts of social change since 1953 by focusing on the governmental policies which pressured the change, the status of the economy as it was undergoing social transformation, and the changes which resulted in primary areas of society.

The five development plans, the foundation of the Shah's social and economic planning, were the channels for change and will be discussed first. The economic ramifications of the development plans are then discussed in the sections on Imports and Exports: The Balance of Trade, the Importance of Oil, the Effect of the Development Plans on Gross National Produce, Industrialization, and Foreign Investment. These sections are all discussed in relation to social change and are crucial to understanding the social conditions in Iran since 1953 because the economy functions as the gears of the society, putting everything else in motion. The other sections discussed will be directly involved in the social sphere: Land Reform, the Labor Force, Education, and Health. The Land Reform program involved many sociological dimensions and is given in-depth treatment. The Labor Force section

reflects the employment situation resulting from the rural migration stimulated by land reform and the increase in national oil income. The sections on Education and Health examine the success of two major programs included in the White Revolution and general advancement in these crucial areas. All subheadings in the chapter are related to the policies created under the five development plans which were attempted to catalyze tremendous social change in Iran to modernize and industrialize a previously traditional society.

The Development Plans

The drama continued with the utopian dream of the Shah to make Iran the "fifth most industrialized country in the world," the "Japan of the Middle East," the "Great Civilization." The Shah called himself "Shahanshah," king of kings, and the Shadow of the God. All of his dream was based on oil as the means of finance. We will now examine the dream to which he dedicated himself. Five development plans, spanning the years 1949-1978, became the structures within which the Shah intended to accomplish his dream.

The most important factor in looking at the development plans and their effect on the Iranian economy is that they were financed by the oil revenues. Several authors stress this point. According to Halliday, "oil has only one substantial effect; it provides the state with an income, which can, for all intents and purposes, be treated as a form of

rent. What further effects oil has depend on what is done with the rent--i.e. on the class character of the state and on the development programmes it initiates." Oil does not help the economy to develop itself. It employs little labor, establishes no significant links with other sectors of the economy, requires foreign technology, and is exported. All it does is provide the state with income (18, p. 139).

Katouzian expresses a very similar idea:

Oil revenues accrue to the state directly as a large and independent source of finance: the state does not even have to depend on the domestic means of production for this revenue. ... Therefore, oil revenues are in the nature of a pure collective economic rent (in the technical sense of this term) which is directly paid out to the state (28, p. 245).

The Shah's great development plans were then made possible by the fact of the oil revenues, and the emphasis which the plans took was a result of their financial source.

From the first of the post-Second World War plans to 1977 there was an intimate link between oil income and planning, with from 55 to 90 percent of Plan Organization funds coming from oil. ... By 1974, 88 percent of the government's receipts came from oil, and the percentage for plan funds was even higher (30, p. 18).

The first plan spanned the years 1948/49-1955/56, beginning just a few years after the end of the Second World War. During the allied occupation of Iran, the British, Americans, and Russians were basically running the economy. When the war was over, the idea of planning came into focus. In the First Plan the state spent 15.6 percent of the national

income. The First Plan

...was heavily influenced by the American engineering consultant firm, Morrison-Knudson Co. and by Max Thorburg, an American oil man. It emphasized agriculture, private enterprise and infrastructure and, like later plans, foresaw no major socio-economic transformations. It was largely vitiated by bureaucratic and private interests even before the loss of oil revenues... In the late 1950's a Plan Organization Economic Bureau was set up, aided by a group of foreign advisers, under the auspices of Harvard University. The only general evaluation of planning in Iran from this bureau was almost totally negative. It noted that the main economic advances experienced by Iran in the past half century occurred not through planning but because of nationalism, such as the increasing control over oil, tariffs, relations with foreigners, etc. (30, p. 19).

The first plan allocation included 25 percent of its funds for agriculture, 32 percent to social welfare and communications, and 24 percent for industry and mining. The oil revenues and World Bank loans were to finance 69 percent of the plan projects and domestic sources of capital were to finance 21 percent (28, pp. 202-203). The total cost of the first plan was expected to be \$350 million or 21 billion rials (34, p. 130). Because the era of Mossadegh and the nationalization of the oil industry occurred during the years covering the first plan, the oil revenues amounted to only 7.6 billion rials, far less than the total projected to finance the plan. This factor restricted the amount actually spent on the plan to 6.7 billion rials. The accomplishments made by the first plan were limited to six industrial factories, road and railway construction, and some development in irrigation. "What had started out as a 'big push' to attain economic self sufficiency thus ended as a

feeble puff" (6, pp. 89-90). The state had also planned to build dams, an airport, and a road network, but only one-seventh of the planned projects were to materialize. Table III shows the breakdown of revenue sources and planned expenditures for the First Plan.

TABLE III

PROJECTED REVENUES AND EXPENDITURES OF THE
FIRST PLAN, 1949-56*
(in billion rials)

Revenue	Amount	Percent of Total
Oil.	7.8	37.1
Sale of Government property. .	1.0	4.8
Private participation.	1.0	4.8
Borrowing - Bank Melli Iran. .	4.5	21.4
World Bank	6.7	31.9
Total	<u>21.0</u>	<u>100.0</u>
<u>Expenditure</u>		
Agriculture.	5.3	25.0
Roads, railways, airports. . .	5.0	23.8
Mines and industry	3.0	14.3
Establishment of Iran Oil Exploration Co	1.0	4.8
Post, telegraphs, telephone. .	0.8	3.6
Social welfare works	6.0	28.5
Total	<u>21.1</u>	<u>100.0</u>

*Source: Julian Bharier, Economic Development in Iran 1900-1970, London, Oxford University Press, 1971, p. 89.

As the table indicates, the revenue was to come largely from loans, but this will not be the case with the later plans.

The development plans were to fall short of their intended results, and consequently, Iranians questioned the value of

planning on this basis as well as the fact that the Harvard Advisory Group was working on the plans. "Iranians appear to agree that the planning process is so closely linked to the whole question of national sovereignty that it must be kept firmly and obviously in Iranian hands" (16, pp. 115-116).

The Second Plan has also been criticized on the grounds that it was just a list of projects, not a researched approach to improving the economy.

The word "plan" is somewhat misleading. The Second Seven Year Plan is simply a listing of projects on which funds presumed to be available are to be used. Neither the planning document approved by the Parliament nor the reports supporting that document are concerned with a systematic examination of the functioning of the Iranian economy... (7, p. 633).

The Second Plan, operational from 1955/56-1962/63, allocated 75-80 percent of the oil revenues. The plan was to focus on the construction of hydro-electric dams, transportation, agriculture, and the import of consumer goods and food products (27, pp. 352-354). In reality, plan expenditures amounted to only 54 percent of the oil revenues, 34 percent of the total foreign exchange receipts. "In fact, the total actual plan expenditures were less than the amount of foreign aid alone, as if there had been no revenues from oil at all" (28, p. 205). Table IV lists expenditures for the Second Plan.

The results of the Second Plan show that the total expenditures were 3-1/2 times greater than expenditures for the first plan. Actual expenditures of 87.2 million rials were

TABLE IV

THE SECOND PLAN 1955-1962: PROJECTED
AND ACTUAL EXPENDITURES*

	Projected Expenditures		Actual Expenditures	
	'000m. rials	% of total	'000m. rials	% of total
Infrastructure	41.3	59.0	42.1	48.0
-Transport & Telecommunications	(22.9)	(33.0)	(30.4)	(35.0)
-Public utilities and other services	(18.4)	(26.0)	(11.7)	(13.0)
Agriculture (includes dam construction)	18.3	26.0	18.9	22.0
Industries and mines	10.6	15.0	6.7	8.0
Regional programmes	...	...	12.2	14.0
Unanticipated costs	...	...	7.1	8.0
Total	70.2	100.0	87.2	100.0

*Source: M. A. Katouzian, The Political Economy of Modern Iran, New York, New York University Press, 1981, p. 203.

greater than the projected expenditures of 70.2 million rials. Even though actual expenditures were larger than projected, money allocated to public utilities, social services, industry and mines was significantly less than planned. The allocation to agriculture was mostly spent to construct the hydroelectric dams which were not completed in the plan period and which did not really benefit agriculture (28, p. 204).

Bharier points out that the actual expenditures were greater than projected due to the repayment of foreign loans and the interest on these loans. While \$475 million was

received in foreign loans during the years 1958-1962, \$454 million was spent to pay back loans plus interest, averaging \$3.5 million per year. Inflation, which was roughly 45 percent for 1955-1962, also accounted for the difference between actual and projected figures (6, p. 94).

The Second Plan achieved results in transportation by constructing a rail line from Tehran to Tabriz and Mashad (38, p. 118). Also, 3,700 kilometers of asphalt road were constructed and harbors were enlarged. The construction of the Tehran-Mashad railway has been criticized on the grounds that improvement of the existing road system around the towns and villages between Tehran and Mashad would have been more beneficial and less costly (28, p. 204).

Development of industry was deceptive because the money was used to develop montage industry rather than building the infrastructure for the creation of primary industry which would have helped Iran become self-sufficient (38, p. 118). The montage or assembly industry benefitted the multinational companies operating in Iran rather than bringing about a true industrialization of Iran's economy (5, p. 26). By 1962, the end of the Second Plan, the Iranian economy was in a recession. Non-oil exports of \$135 million had been greater than imports of \$106 million in 1954, before the plan was begun, but by 1962 imports (\$551 million) far exceeded non-oil exports (\$113 million). By 1959 imports were six times greater than

in 1954, and after 1954 non-oil exports declined below previous levels. Table V illustrates this change.

TABLE V
COMPARISON OF IMPORTS TO NON-OIL EXPORTS 1954-1972
(in million dollars)*

Year	Oil Revenue	Non-oil Exports	Imports of Goods	Balance Excluding Oil Revenues	Balance Including Oil Revenues
1954	10	135	106	25	35
1955	88	106	143	-37	11
1956	146	104	345	-241	-95
1957	167	109	429	-320	-153
1958	291	104	610	-506	-215
1959	323	101	656	-555	-232
1960	364	110	693	-583	-219
1961	395	126	620	-494	-99
1962	443	113	551	-438	-5
1972	2600	440	3161	...	...

*Source: M.A. Katouzian, The Political Economy of Iran New York, New York University, 1981, pp. 206, 325.

As seen in the table, the trend of imports exceeding non-oil exports continued after 1962, and by 1972 imports were over seven times greater than non-oil exports.

Another interesting fact is that a 12 percent savings in national income is enough for an underdeveloped country to grow. Iran averaged a 17 percent savings between 1955-1962 but "by 1960 hardly anything had been achieved and the country was bankrupt" (28, p. 206).

The oil revenues grew by the annual rate of ten percent from 1960-1962; manufacturing and construction grew 5.6 percent,

agriculture grew 1.6 percent, and services grew 0.8 percent. The construction growth rate was the highest with two-thirds of the money spent on construction itself and one-third on machinery. The private sector invested twice the amount invested by the state, although of all the sectors, construction received the greatest investment by the state. The point is that the oil revenues were received by the state but not used to improve the country and its economy. In 1960, oil revenues and foreign credit totalled 41,200 million rials (\$549.3 million) of which the state invested only 18,400 million rials (\$245.3 million). (One dollar = 75 rials exchange rate) (28, pp. 229-230).

In summary, between 1960-63

the Iranian economic situation was conditioned by the political conflict and power struggles which it had helped to actualize and intensify. The previous boon, inflation and balance of payment deficit had forced the state to lighten credit, impose import surcharges, reduce public expenditure, and go begging abroad. These policies radiated through to the business sector and led to a number of bankruptcies and bank failures... Unofficial interest rates in the urban business sector rose to 30 percent, and urban land values, which at the time were almost the only speculative assets, fell sharply by 500 percent (28, p. 228).

The Second Plan relied more on the oil revenues because the 1954 agreement insured Iran a greater percentage of the oil receipts. But the economic situation was not improved. The projects undertaken in the Second Plan resulted in greater benefit for the multinational companies operating in Iran and selling imports to Iran.

The Third Development Plan, September 1962 - March 1968, was also financed by the oil revenues and foreign loans. The oil revenues were to provide 65 percent of the total plan funds or \$1,925 million (\$2,135 million including money paid to the Plan Organization group). A total of \$3,043 million was spent on the Third Plan, with the oil revenue percentage increasing from 65 percent to 80 percent by 1967/68, and a total of \$518.6 million was drawn from foreign loans (34, p. 139). The Third Plan allocated 25.6 percent to transportation and communications, 21.5 percent to agriculture, 15.8 percent to power and fuel, and 12.3 percent to industry and mines; basically the same emphasis as the previous plan (4, p. 46). The following table shows the progressive increase in oil revenue allocation to the Third Plan.

TABLE VI

ALLOCATION OF OIL REVENUES TO THE PLAN
ORGANIZATION 1962/63 - 1967/68*

Year	\$ Million	Percent of Total Oil Revenues
62-63	45.2	...
63-64	216.6	65
64-65	296.4	70
65-66	500.1**	75
66-67	457.0	75
67-68	545.4	80

*Source: Keith McLachlan, "The Iranian Economy 1960-1976," 20th Century Iran, edited by Hossein Amirsadeghi, New York, Holmes and Meier Publishers, 1977, p. 139.

**Includes oil bonuses.

The Third Plan was drafted by a group of foreign experts as were the previous plans. "The plan frame was based on assumptions... which bore little resemblance to reality; there was, for example, no reference to an imminent land reform. The regime's intention was not serious; ...and the plan was never adhered to, either in the letter or in spirit" (28, p. 231).

The major industrial projects begun in the Third Plan were bilateral agreements between Iran and the East European countries, including the Soviet Union, Czechoslovakia and Rumania. The major projects were a Soviet steel mill built in Isfahan, a Soviet machine-building plant in Arak, a Czechoslovakian machine-building plant in Tabriz, and a Rumanian tractor assembly plant in Tabriz. Other agreements included an aluminum smelting unit with Pakistani investment and petrochemical plants (34, pp. 145-146).

The list of projects looks impressive, but closer examination of the fruits of these projects makes them far less spectacular. For example, the Soviet-built steel plant in Isfahan was supposed to earn Iran \$600 million in exports by 1969/70 but made only \$4 million. The machine tool plant purchased from Czechoslovakia in 1970 operated at ten percent capacity because it lacked managers and technicians. Another wasteful venture was a project run by Rumanian advisers organizing vegetable oil production which was hoped would become an important export market, linking modern manufacturing techniques

and domestic agricultural materials. Instead of selecting a plant suited to the climate which would be economical and easy to grow in Iran, sunflowers were selected because their prestige value was high (28, pp. 278-280).

The Fourth Development Plan, operating from 1968 - 1973, had a planned expenditure of \$6,034 million, later increased to \$7,320, over twice the planned allocation for the Third Plan. Again 80 percent of the oil revenues, \$1,176 million in foreign loans, \$1,050 million in bank credits, and \$75 million from other sources provided the capital resources. The plan actually cost \$6,690 million, just over 91.4 percent of the allocated funds. The Gross National Product increased by 11 percent annually during the years of the Fourth Plan. The disbursements for the Fourth Plan are in the following table:

TABLE VII
DISBURSEMENTS FOR THE FOURTH PLAN
BY SELECTED SECTORS*

Sector	Percentage
Industry & Mines	20.9
Transport & Communications	15.2
Oil and Gas	11.1
Agriculture	8.4
Telecommunications	8.4
Water	8.2
Housing & Construction	7.8
Education	3.4
Health	2.8
Rural Development	1.9
Urban Development	1.6

*Source: Keith McLachlan, "The Iranian Economy 1960-1976," 20th Century Iran, edited by Hossein Amirsadeghi, New York, Holmes and Meier Publishers, 1977, pp. 148-149.

Agriculture's share in the development was greatly reduced from 23.1 percent in the Third Plan to 8.4 percent in the Fourth Plan. The share to industries and mines had grown from 8.4 percent under the Third Plan to 20.9 percent in the Fourth Plan. Yet one of the goals of the agricultural sector was to reach at least a five percent annual increase in gross output to meet domestic food requirements and provide exports. The agricultural sector did not perform well during the years of the Fourth Plan, and much food was imported, including 500,000 tons of wheat and 23,000 tons of cotton in 1973-74 (43). Meat imports in 1969 were 13,297 tons and in 1972 increased to 16,522 tons (42). The share of the agricultural sector in economic growth from 1963-67 was 1.1 percent but declined to .6 percent in 1970 (41). Agricultural production and fishing declined by five percent between 1970-71 and 1971-72 (20, p. 214). According to the Iran Almanac (20, p. 214), from 1968-69 to 1970-71 the cost of living increased 2.2 percent, in 1971-72 the increase was 5.5 percent, and in 1972-73 the increase was six percent. Land prices increased 60 percent in one year during the Fourth Plan (44). Food prices increased tremendously at the end of 1973. Rice increased by five rials/kilogram in just one week, butter by 12 rials/kilogram, and eggs by five rials/kilogram in one week (45).

Writers who exhibit a Pro-Shah bias have stated that the Fourth Plan was among the most successful of the development

efforts, bringing great industrial progress to Iran, raising the standard of living, and generally modernizing the society. Their conclusions are based on official statistics and documents which were not always accurate, wanting to show greater improvement than really existed. Later, this paper will criticize the basis on which these optimistic appraisals are founded.

The Fifth Plan, spanning March 1973-78 originally allocated \$36 billion (Fourth Plan allocated \$7,650 million) and

TABLE VIII
TOTAL FIXED INVESTMENT 1973-78
(BILLION DOLLARS)*

	Original	Revised	% Share Of Revised Budget	% Increase On Original Budget
Industry & Mines	8.18**	12.53	18.0	53
Agriculture & Natural Resources	2.67	4.58	6.6	72
Transporta- tion & Communica- tions	2.79	7.29	10.5	161
Housing	5.96	13.70	19.7	130
Oil and Gas	6.83	11.72	16.8	72
Others	10.41	19.77	28.4	90
TOTAL	36.84	69.59	100.0	...

*Source: Robert Graham, The Illusion of Power, New York, St. Martin's Press, 1978, p. 81.

**Conversion based on \$1.00 = 67.50 rials.

forecast that national income would increase by more than 15 percent. The original plan emphasized industry (allocating \$8.18 billion), then housing (\$5.96 billion), oil and gas (\$6.83 billion), transportation and communications (\$2.79 billion), with agriculture receiving only \$2.67 billion. When the oil prices rose in late 1973, the oil revenues were expected to increase five fold, and the revised allocation was raised to \$69.59 billion. Table VIII shows the original and revised allocations.

The fifth plan was to be financed largely by the oil revenues which were expected to earn \$98 billion during 1973-78. The Shah was now free to increase development-spending because the constraint of requiring high foreign loans no longer existed. Projected foreign loans for the years 1973-78 were \$2.2 billion. Table IX is a list of the projected overall finances for 1973-78. Despite the high income revenue, agriculture, transportation, and communications did not receive very significant allocations. Outside the total figure for the Fifth Plan, the defense budget was the largest allocation from the general revenues. Also, repayment of foreign loans and investments abroad together totalled more than the combined allocation for agriculture and communications and transportation.

The ministers of the Plan and Budget Organization were aware of the dangers of attempting tremendous growth and rapid

TABLE IX

PROJECTED OVERALL FINANCES FOR THE
FIFTH PLAN 1973-78
(Billion Dollars)*

A. Receipts

Oil and Gas	98.2
Direct Taxes	8.1
Indirect Taxes	9.1
Other Receipts**	3.7
Foreign Loans	2.2
Sale of Bonds	0.7
TOTAL	122.0

B. Payments from General Revenues

1. Current Expenditures	50.2
a. general affairs	(6.7)
b. defense	(29.2)
c. social affairs	(11.1)
d. economic affairs	(3.2)
2. Fixed Capital Formation	(42.2)
3. Repayment of principal of foreign loans	6.0
4. Other payments	13.4
5. Investments abroad	11.0
TOTAL	122.8

*Source: Robert Graham, The Illusion of Power, New York, St. Martin's Press, 1978, p. 82.

**Includes \$2 billion revenue from public sector investment in, and loans to, other countries.

spending of large sums of money on the economy in the revised Fifth Plan years, but the Shah wanted the increase, and no one would argue with him (17, pp. 78-79). Serious economic pressures arose by 1974 when the gap between supply and demand increased. The Central Bank of Iran mentioned this in its July 1974 annual report:

Shortages of building materials, the low rate of agricultural growth (as compared to other sectors) and scarcity of imported raw materials, combined with the infrastructure bottlenecks, created limitations in the supply of commodities and broadened the gap between aggregate supply and aggregate demand (17, p. 83).

National income was increased so dramatically with the rise in oil prices that a euphoria swept through the Plan and Budget Organization, breeding a carefree attitude reflected even in the printed plan document, which in its original copy approved by Parliament contained a number of mathematical and literal mistakes.

By 1975-76 the country's financial position worsened due to reduction in its real oil revenue and high expenditure. By mid-1975 the economy moved into deficit. Robert Graham, Iranian correspondent of the Financial Times during 1975-77, who had inside sources for information and official documents, has stated in his book:

By early 1975 the Iranian economy was almost out of control. During the first quarter of the Iranian year (Mid-March to Mid-June) government spending was up 208 percent on the same period the previous year. Over 40 percent of the planned allocation of the commercial banks had been used up.... Money supply was still increasing at 60 percent per annum. Meanwhile imports, running at \$1.2 billion per month, were almost 100 percent up on the same period in 1974.... Less and less was being achieved at greater and greater cost (17, pp. 86-87).

The Fifth Plan, on the average, spent 18 percent over its budget. The government recognized that the revised plan would cause high inflation. The 1976/77 government deficit was 37.8 billion rials, in 1977/78 was 414.0 billion rials (25, p. 20).

According to official sources, inflation reached 11.2 percent by 1973-74; 15.5 percent by 1974-75. But official figures for inflation altered the real figures to be more acceptable. For example, from March to August 1975 consumer prices were officially reported to have risen on the average 28 percent while "the real rate was probably near 35 to 38 percent" (17, p. 91).

The cost of imports from industrial countries rose 28 percent in 1974-75 with the consumer paying 11.9 percent and the government paying the rest (17, p. 85). Wholesale prices went up 13.1 percent by 1974 because of the high cost of imported food. Food imports, including live animals, comprised 6.5 percent of all imports in 1970-71 at a value of \$110 million, and by 1974-75 food imports reached 16.5 percent, at a value of \$1,092 million (34, pp. 158, 165).

Land prices skyrocketed, increasing weekly. Land in Tabriz in 1971 was 5,000 rials/square meter, and in 1974 land was 45,000 rials/square meter. Land in the center of Kerman rose from 2,000 rials/square meter in 1959 to 15,000 rials/square meter in 1974. Land in the industrial area of Rasht increased from 20 rials/square meter in 1969 to 2,000 rials/square meter in 1974 (17, p. 88). Although per capita income increased from \$501 to \$821 in 1973-74, according to official figures, workers spent up to 60 percent of their earnings on

rent. In 1974 wages rose, on the average, 30 percent in 21 major industries encouraged by the Shah to increase his support (17, pp. 83, 89).

In the industrial sector, a number of agreements with foreign countries were concluded to build industrial plants in Iran. Most of the projects were never completed, if begun at all. However, the industrial and mining sector raised its output by 18 percent during 1973-74, causing an 81 percent increase in iron and steel imports (to satisfy industrial needs) which totaled 15 percent of the non-military imports. Another improvement was a 48 percent increase in the industrial use of electricity (17, p. 83).

The revised Fifth Plan was supposed to "maintain rapid, balanced and sustained economic growth, together with minimum price increases." A description of the inadequacy of the port facilities shows the unbalanced growth. The ports were unable to handle the increased volume of imports. Physical facilities were not large enough, procedures were too involved, labor was insufficient, and transport resources lacking. Up to 28 signatures might be required to clear goods through customs. By mid-1975, at Khorramshahr, more than 200 ships were waiting to unload, waiting 160 days and longer just to enter the harbor. Once unloaded, the goods would lie around on the docks because warehouse space was inadequate. At Khorramshahr 12,000 tons were unloaded per day, but only

9,000 tons were warehoused. The most startling example occurred in September/October 1975 when over one million tons of goods were lying on the docks. The reasons why it took so long to clear the docks were that 50 percent of the goods were government imports, and the bureaucratic measures involved took six months to complete. Also there was a shortage of trucks and drivers to transport the goods, and it was difficult to find laborers to work in the heat of the warm months (17, pp. 87-88).

The development plans were not successful in making Iran a truly industrialized and modernized country as the Shah desired because the plans were not properly integrated with the already existing economic sectors. Especially in the Third, Fourth, and Fifth Plans, Iran became more and more dependent on foreign materials, manufactured goods, foreign loans, and foreign capital.

Imports and Exports: The Balance of Trade

The overall effect of the development plans on the Iranian economy can be seen in a comparison of the non-oil export and import figures. Before 1952 the balance of trade was not good; imports exceeded non-oil exports 7,405 million rials to 4,391 million rials. The balance of trade was healthy after the oil was nationalized by Mossadegh; in 1952/53 imports were 503 million rials and exports were 5,721 million rials. In 1953-54 imports were 5,324 million rials and

exports 8,318 million rials. Imports were about two-thirds the total of exports in Mossadegh's last year of office. Exports declined a year after Mossadegh was overthrown despite massive American aid. In 1954 non-oil exports totaled \$135 million, and imports were \$106 million. The increase in imports was not equipment to build a primary industry in Iran but luxury goods which saturated the market, causing domestic production to weaken (38, pp. 110-111). In 1955 the non-oil balance of trade reversed, and imports exceeded non-oil exports \$143 million to \$106 million. The trend continued and by 1962 imports totaled \$551 million while exports were only \$113 million. By 1972 imports were \$3,161 million and non-oil exports were \$440 million. The balance of trade was seriously out of adjustment, according to Table X.

Table XI examines in detail the growing imbalance during the years 1963-1974. Imports increased much faster than non-oil exports. Over the eleven year period imports increased over twelvefold. By 1974 imports were over six times greater than non-oil exports.

There were industrial agreements which affected the balance of trade, such as a 1965 agreement signed with the Soviet Union for the construction of a steel plant, an auto plant, and a tractor plant in exchange for the export of Iran's natural gas to the Soviet Union. Iran received loans of \$286 million from the Soviets and \$725 million from the

TABLE X

THE BALANCE OF TRADE 1954-1962
(Million Dollars)*

Year	Oil Revenue	Non-oil Exports	Imports of Goods	Balance Excluding Oil Revenue	Balance Including Oil Revenue
1954	10	135	106	25	35
1955	88	106	143	-37	11
1956	146	104	345	-241	-95
1957	167	109	429	-320	-153
1958	291	104	610	-506	-215
1959	323	101	656	-555	-232
1960	364	110	693	-583	-219
1961	395	126	620	-494	-99
1962	443	113	551	-438	-5
1972	2600	440	3161		

*Source: M.A. Katouzian, The Political Economy of Modern Iran, New York, New York University Press, 1981, pp. 206, 325.

West to finance the project. From 1966 to 1973 the cost of exporting the gas totaled \$464 million while the income from the export totaled \$199.4 million. Iran incurred a loss of \$264.6 million on the project and still had to repay the loans plus interest. The Soviet Union purchased gas for 18.7 cents/1000 cubic feet in 1973 and then sold it to the European countries for .40 cents/1000 cubic feet, making a profit of \$51 million. After 1973 the Soviets paid Iran 24.1 cents/1000 cubic feet while the international price was \$1.70/1000 cubic feet. Very poor planning was involved in this export venture (8, p. 8). As already mentioned, the Soviet built steel

TABLE XI
 VALUE OF IMPORTS AND EXPORTS
 1963-1974*
 (Million Dollars)

Year	Imports	Non-oil Exports
1963	513.5	128.2
1964	742.3	153.1
1965	898.5	180.8
1966	963.7	157.5
1967	1,190.3	181.8
1968	1,389.2	216.9
1969	1,542.7	244.7
1970	1,676.6	272.6
1971	2,060.9	334.6
1972	2,570.1	439.8
1973	3,737.2	634.7
1974	6,615.5	610.0

*Source: Iran: Past, Present and Future: Papers and Proceedings from the Aspen Institute, Persepolis Symposium edited by J. W. Jacqz (New York), Aspen Institute for Humanistic Studies, 1976, p. 50.

mill produced only a fraction of its export potential by 1970.

By 1975-76 imports reached \$18.45 billion while non-oil exports totalled only \$700 million. In 1959 the non-oil exports equalled 22 percent of the imports; in 1973 non-oil exports equalled 19 percent of the imports; and in 1975 they equalled five percent. In 1976-77 imports increased by 42 percent and non-oil exports by only six percent.

In 1974-75, 72 percent of the non-oil exports were from the traditional economic sector while only 28 percent were

from the new industrial sector which was supposed to transform the economy. The non-oil exports did poorly because the state protected and subsidized the domestic industry too much so that it could not compete internationally. Also, domestic demand rose to absorb the increase in output. For example, in 1976-77 1.0 million tons of steel were produced and by the end of 1977 1.9 million, but demand required 5.5 million tons in 1977 as opposed to 2.2 million tons in 1974. Iran had to import the balance required (18, pp. 160-162).

The new industrial sector had no real incentive to become self-sufficient. Machinery and spare parts could always be imported, so Iran did not need to produce these things. Importing was made very easy with the availability of foreign credits (38, p. 145).

Meanwhile the traditional economic sector provided 85 percent of the non-oil exports. This included agricultural products, carpets, domestic animals, and minerals. Because the balance of trade favored imports, the traditional sector of the economy was weakened. The deficit balance between the total of imports and exports from 1964-1970 reached from \$58 million to \$574 million, the deficit compensated by foreign loans and credits, usually from the United States. The loans and credits have been used as tools to keep Iran economically dependent. "There are few doubts that the longterm development of the Iranian economy is eventually dependent on the

building of a non-oil export sector capable of meeting the future import requirements" (46, p. 719).

The Importance of Oil

The balance of trade deficit has been created indirectly by the oil revenues.

The oil industry is not tied to the growth of the Iranian economy: oil exports respond only to the energy needs of the developed countries. Oil gives the industrial world the possibility of increased industrial production, and so the possibility of exporting more manufactured goods; by the revenue thus procured it offers the Iranian economy the possibility of buying manufactured goods, and thus offers the dominant economies the possibility of finding expanding markets in Iran. In sum, oil indirectly favors a growth in the demand for imported goods; and in this way, it increases dependency (5, p. 25).

The significance of the oil cannot be overstated.

Iran would be a different country without oil; the oil has shaped the economic and political policies with the surrounding countries and with the super powers.

The use of oil revenues to finance general operational expenditures of the Iranian government has been the subject of frequent criticism by informed Iranians. One financial authority has maintained that not only does such utilization of oil revenues place the Iranian government in a dependent position on payments by oil companies to Iran, which could foreseeably once again be suddenly cut off, but also that such revenues should not be squandered by the present generation on non-productive purposes that do not contribute to an increased level of economic development of benefit to future generations (37, p. 252).

And oil development, while increasing state revenue, had a devastating effect on the agricultural development of the country, reversing its self-sufficiency to dependency.

The Shah, still called the oil industry "nationalized" after Mossadegh was overthrown and the 1954 Consortium agreement was concluded. The price of oil, oil output, and distribution were controlled by the international consortium while the National Iranian Oil Company (NIOC) controlled only non-basic operations. When the 1971 OPEC agreement was concluded, oil production was decreased and the prices increased, the Middle East countries regulating oil prices instead of the consortium countries regulating them. Oil prices rose from \$1.79/barrel in 1971 to \$11.65 in December 1973. Iran renegotiated the 1954 agreement after this 1973 price increase, and in the new agreement the oil companies were confined to the role of purchasers and technical providers. This sounds impressive, however, Iran still did not control distribution. After 1973, Iran claimed to operate under an independent oil policy, but the consortium still controlled distribution and the technical expertise (18, pp. 141-142, 144). Table XII lists the oil revenues and production from 1938-1978.

Besides the problem that oil revenues do not directly develop the rest of the economy, the problem exists that the oil resources are finite. In 1976 there were 30 major oil wells, and oil reserves were estimated at 60 billion barrels, which meant that at 1975 rates of production there were 30 years left to produce oil (18, p. 140). The question is: how will Iran develop the economy after the oil runs out? Halliday

TABLE XII

IRANIAN OIL REVENUES
(SELECTED YEARS) *

Year	Output Barrels/day	Income \$ million
1938	203,900	17
1945	336,809	23
1950	635,000	45
1960	1,020,000	285
1965	1,770,000	513
1969	3,044,000	908
1970	3,845,000	1,093
1971	4,566,000	1,870
1972	5,067,000	2,308
1973	5,896,000	5,600
1974	6,021,000	18,523
1975	5,350,000	18,871
1976	5,899,000	20,488
1978	**4,900,000	***17,000

*Source: Fred Halliday, Iran: Dictatorship and Development, Great Britain, Penguin Books Ltd., 1979, p. 143.

**Estimated output allowing for fourth quarter disruption.

**Estimates in July put income at \$21 billion.

views Iran as having three related income sources: oil, petrochemicals, and gas. Iran can continue as a major oil producer until the late 1980's, but then needs to look elsewhere to generate income. Petrochemicals are a possibility. Investment in petrochemical plants was high in the Fifth Plan, but the cost of these plants is 50-80 percent higher than in the countries that buy the products--such as Japan. The

competition is too great to make petrochemicals a viable income source. Gas export is another possibility, but estimates indicate that potential income from gas can only amount to 25 percent of the oil income. The cost of marketing gas is great because the cost of gas transport is up to ten times higher than oil transport. Holland or Algeria can provide gas more cheaply to the European market than Iran would be able to do (18, pp. 145-46).

Effective income planning is the only solution to Iran's problem. The planning exercised until 1978

has been to develop large enterprises rapidly, using as much modern and labor-saving technology as possible. This has involved the encouragement of foreign investment and the heavy use of foreign components.... Very large profits have been encouraged for both domestic and foreign companies, while relatively little has been done for those on the bottom rungs of the economic scale" (30, p. 19).

The Effect of the Development Plans on the Gross National Product

An examination of the Gross National Product (GNP) figures during the plan years provides evidence of their questionable success. Between 1963 and 1972, the GNP grew at an average annual rate of eight-nine percent, per capita GNP at 5.6 percent. A breakdown of the GNP rate shows how unevenly the economy grew. Oil revenues increased twenty percent; manufacturing, construction, and non-oil mining increased ten-eleven percent; services by eight-nine percent; and agriculture by only two-three percent (28, p. 256). This

growth rate of only two-three percent occurred during the years of the land reform when the farm corporations and agri-business were to transform agricultural production. Agricultural production needed to increase annually by three percent just to cover the annual population increase of three percent. Increased demand must also be considered. "By the mid 1970's demand for agricultural produce was rising by 12.5 percent per annum and it is scheduled to reach 14 percent over the following decade as incomes rise over a wider spectrum" (18, pp. 126-217).

Construction was next to highest in growth following the oil revenues. What was being constructed?

Figures for a thorough analysis of the growth and distribution of construction activities are not available; it can only be pointed out that a high share of construction must have been claimed by unproductive state projects (generally for military purposes), palatial and luxury private housing, modern hotels, restaurants, holiday resorts and similar investments (28, p. 277).

After the spectacular rise in oil revenues in 1973, the GNP percentages were altered significantly but their absolute values are not as important as their relationships to each other. Services increased more than any other sector, followed by industry, then construction, then manufacturing, and agriculture at the bottom. Table XIII shows the breakdown.

In fifteen years the GNP increased over tenfold from 324.2 million rials (\$4,323 million) in 1962 to 3,702.4 million rials (\$49,365 million) in 1978. The oil revenues experienced the greatest change; from a 12.3 percent contribution to GNP

TABLE XIII

SECTORAL DISTRIBUTION OF GNP 1963-78 (SELECTED YEARS)*
('000 Million Rials
75 rials= 1 dollar, constant prices)

Sector	1962-63		1967-68		1972-73		1977-78	
	Amount	% of GNP	Amount	% of GNP	Amount	% of GNP	Amount	% of GNP
Agriculture	88.8	27.4	111.1	21.6	271.0	10.3	339.0	9.2
Industry	57.8	17.8	106.6	20.7	333.0	12.6	684.3	18.5
Manufacturing								
and mines	41.5	12.8	72.5	14.2	224.4	8.5	468.2	12.6
Construction	14.1	4.3	24.9	4.8	91.4	3.5	179.5	4.8
Water & Power	2.2	0.7	8.9	1.7	17.2	0.6	36.6	1.1
Services	119.8	40.0	187.0	36.4	629.4	23.9	1281.3	34.6
State Services	24.7	7.6	48.6	9.4	207.8	7.9	402.3	10.9
Oil	40.0	12.3	92.4	18.0	1333.3	50.6	1284.9	34.7
GNP at market prices**	324.2	...	513.8	...	2635.7	...	3702.4	..

*Source: M. A. Katouzian, The Political Economy of Iran, (New York) New York University Press, 1981, p. 257.

**This is not the exact sum of rows 1-4 because it includes indirect taxes, and non-oil net factor income from abroad.

in 1962 to a fifty percent contribution in 1973 because of the oil price increase. The percentage contribution of oil declined to 34.7 percent in 1978 after oil revenue had a chance to affect the rest of the economy. But by 1978 services grew to equal the percentage of oil at 34.6 percent; 10.9 percent of this figure went to state services, believed to be an area which provided a cover-up for the SAVAK budget and some military expenditure. The state services figure almost equalled the total manufacturing output for the same year. The remaining 23.7 percent included areas such as transport and communications, banking and insurance, foreign trade, and housing. The higher classes were making money from the banking and insurance businesses; the high imports stimulated the growth in foreign trade; and housing was largely for the wealthy (28, pp. 257-258, 292-293). A description of Teheran at this time illustrates the non-productiveness of the service sector.

Urban transport everywhere, and especially in Teheran, was so bad that it would be impossible to describe; housing conditions, except for the state's clientele and the trading community were either terrible or terrifying; most towns and cities, including Teheran, lacked a workable sewerage system; medical and hospital facilities for the rich were extremely expensive and hazardous, and, for the poor, were expensive and dangerous (28, p. 275).

Industry was providing 18.5 percent to the GNP by 1978, the next largest sector after services. This figure is impressive but an understanding of the type of industry involved is important. Iran had montage industry, not primary industry, which will be discussed in the next section.

Another area where the GNP is useful in measuring progress is the comparison between the rural and urban sectors. There is a great difference between the standard of living. The average village income was \$250.00 while the average urban income was \$1,830.00 in 1976. The following table shows how the rural and urban sectors shared in the GNP.

TABLE XIV

DISTRIBUTION OF GNP, OUTPUT PER CAPITA
AND POPULATION BY SECTOR, 1976*

	% Share in GNP	% Share in Popul.	Output per Capita	
			1000 rials	U.S. \$
1. Rural	9.4	56.0	17.6	251.40
2. Urban	53.6	44.0	128.1	1830.00
3. Oil	37.0	...	...	...

*Source: M.A. Katouzian, "Oil Versus Agriculture; A Case of Dual Resource Depletion in Iran," The Journal of Peasant Studies, No. 5, July 1978, pp. 356-357.

Half of the population, the rural 56 percent, has been affected by the changes in the economy to a much smaller degree than those in the towns and cities, causing a serious imbalance. Greater income inequality has been the result of rapid, so-called industrial development which relies on foreign technology and experts, thereby also creating unbalanced growth (25, p. 96).

Part of the cause for the difficulties of Iranian industrialization must lie in the character of the state machine and in its own weakness. Decisions are rarely planned and executed in an efficient manner: many of the

sums allocated to specific projects are never spent- during the Fourth (1969-1973) Plan only sixty percent of all allocations were disbursed. Nor is there even any proper planning machine: in the words of one expert "the only kind of planning in Iran is what the Shah wants." The same expert pointed out that many of the statistics are exaggerated; those for industrial output are less so, but those for price changes are considerably understated whilst those for agricultural output are magnified by over 100 per cent (18, p. 157).

"The Shah's dictatorship turned Iran's balance of trade into a growing deficit, in spite of the rapidly growing oil revenues; and put her balance of payments, too, into deficit, in spite of substantial American and other grants, loans, and investments" (28, p. 184).

Industrialization

Iran has three types of industry. First, there are the industries which import both production machinery and materials, which are for consumer goods production. Second, there are the industries which import only the machinery and equipment; the materials provided in Iran-such as the dairy industry. Third, there are the home industries, the traditional industries which do not require imports-such as the carpet industry.

There are three basic sources of support for Iranian industry. The state played a major role through the oil revenues support and investment. The bourgeoisie class, made up of ex-landowners, civil servants, and the bazzaris, also supported industry in the housing and light industry sectors. In 1974, 85 percent of the industries in Iran were controlled by 45

families. The third source of capital came from foreign countries (18, pp. 151-152).

Industry grew mainly since 1965, at an average annual rate of 15 percent to 1975. By 1977 there were 25,000 manufacturing establishments, but only 6,000 could in any sense be called modern industries employing ten or more people. The major industrial units included the petrochemical industry, the steel mill at Isfahan, motor-vehicle assembly plants, machine-tool factories, and electronic assembly plants. Table XV gives a breakdown of the industrial output.

Consumer goods such as passenger cars, television sets, and beer were produced in large quantities while only 6,500 tractors were produced in the first nine months in 1975.

In industry, government policies have favored the production, or often just the assembly, of relatively expensive consumer durables that have a large foreign parts and/or investment component and a market in Teheran, and have led to the concentration of economic enterprises in or near Teheran. Among products assembled are a wide variety of passenger cars, refrigerators, television sets, stoves, and other consumer goods. ...Government policies included preferential high tariffs to reduce competition, low interest loans to large industries, tax holidays, licensing of only a few industries in each field, and preferential treatment for foreign capital. ...A bewildering variety of unneeded automobiles are assembled and partially produced, profiting both large foreign car companies and their Iranian partners, while many goods that could be made for popular use are either imported or handmade in insufficient quantities (30, p. 20).

Table XVI shows the output of twenty-one selected modernized industries developed since 1964. In 1975-76 the total value of these industries was 207.8 million rials or less than \$2,900

TABLE XV

INDUSTRIAL OUTPUT FOR SELECTED YEARS*

Items	Units	1969	1971	1973	1st 9 months 1975
Glass Plates	1,000 tons	17.7	30.6	86.9	59.5
Passenger cars	1,000 units	28.3	38.9	49.8	68.0
Trucks, Pick-ups, Station Wagons	units	5,089.0	12,313.0	23,258.0	33,580.0
Buses, mini-buses	units	3,161.0	3,008.0	5,007.0	3,482.0
Trailers	units	961.0	586.0	1,133.0	978.0
Tractors	units	399.0	3,833.0	7,124.0	6,500.0
Refrigerators	1,000 units	176.8	192.5	324.0	332.8
Electrical outlets (switches, etc.)	1,000 units	832.0	6,374.0	25,237.0	25,336.0
Television sets	1,000 units	87.3	150.0	218.8	230.4
Coolers	1,000 units	64.1	112.7	139.4	126.3
Water Heaters	1,000 units	42.9	55.6	83.7	98.0
Cement	million tons	2.3	2.8	3.3	3.8
Paint	1,000 tons	14.1	16.9	22.4	24.0
Cardboard	1,000 tons	10.1	13.1	12.9	10.5
Beer	million litres	25.8	29.7	39.0	41.2

*Source: Fred Halliday, Iran: Dictatorship and Development, Great Britain, Penguin Books Ltd., 1979, p. 149.

million which is 57 percent of the total manufacturing and non-oil mining output. The remaining percentage was split between 35 percent for traditional industry and eight percent for non-oil mining. The modern manufacturing sector contributed only 14.5 percent of what the oil revenues contributed to the GNP.

The modern manufacturing industries were comprised of import substitution consumer goods, some modernized, traditional industry such as textiles, and heavy industry such as motor vehicles and appliances. Table XVI shows how the production emphasis in industry changed from 1971-1976. In 1971 textiles were the largest producers, but motor vehicles were the number one category in 1976. The sugar, tobacco production, and vegetable oil industries all declined from 1971-1976, whereas motor vehicles; basic metals; home appliances; and radio, television, telephone production increased. This shift in production illustrates how priorities changed during those years. The new industries were largely in the assembly industry, the first category of industry in which machines and materials are imported. "As all machinery and spare parts can be imported, Iran does not need to develop industry, especially since foreign credits are always available to make up for the large import quotas" (3, p. 17). This is, of course, an ironic assessment of the situation. The problem always exists as to what will happen in an emergency situation or when relations with foreign countries are in conflict, such as in the hostage

TABLE XVI

OUTPUT OF 21 SELECTED MODERN INDUSTRIES
(Thousand Million Rials) & Percentage*

Industry	1971-72		1972-73		1973-74		1974-75		1975-76	
	Rials	%	Rials	%	Rials	%	Rials	%	Rials	%
Textiles	19.7	17.8	22.2	17.0	25.0	16.4	26.8	15.0	28.0	13.5
Motor Vehicles	16.2	14.6	20.6	15.8	26.3	17.3	35.0	19.5	44.8	21.6
Sugar	11.3	10.2	11.4	8.7	11.9	7.8	12.9	7.2	13.2	6.3
Basic Metals	9.8	8.8	12.8	9.8	14.1	9.3	16.0	8.8	19.5	9.4
Tobacco Products	9.6	8.6	9.5	7.3	9.9	6.5	10.9	6.1	12.0	5.8
Home Appliances	7.0	6.4	8.7	6.7	11.4	7.5	13.5	7.5	17.3	8.3
Vegetable Oil	7.0	6.4	7.6	5.8	7.8	5.1	9.7	5.4	10.7	5.1
Cement	4.0	3.6	4.8	3.7	5.0	3.3	6.6	3.7	7.8	3.8
Radio, TV, Telephone	3.8	3.5	4.8	3.7	6.4	4.2	9.2	5.1	10.0	4.8
Petrochemicals	3.6	3.2	4.8	3.7	5.9	3.9	5.7	3.2	5.9	2.8
Toiletries	3.3	2.9	3.9	3.0	4.3	2.8	5.3	3.0	5.8	2.8
Other	15.5	14.0	19.3	14.8	24.2	15.9	27.6	15.4	32.8	15.5
Total	110.8	100.0	130.4	100.0	152.2	100.0	179.2	100.0	207.8	100.0

*Source: M. A. Katouzian, The Political Economy of Modern Iran, New York; New York University Press, 1981, p. 281-82.

crisis. The shipment of parts and supplies can be stopped, and immediately the industry is crippled. The new industries have never reached export level, and since the revolution in 1978 they have been in difficulty because, under the Shah, most of the materials had been imported.

The fact is that Iran must industrialize because the oil supply is finite and the oil revenues will cease in the not distant future. But industry under the Shah had serious problems. There was a high degree of waste in the way industry was conducted. A 1976 United States government report concluded that there was a 40 percent waste factor in the Iranian economy as a whole.

The Iranian units are much less efficient than those elsewhere: in 1976 it took 45 hours to assemble a GM Chevrolet in Iran, whilst the same process could be done in 25 hours in West Germany... Even the modern industrial sector suffers from serious drawbacks, for most of the plants producing finished goods are assembling rather than making the components in question. Iran has no independent technology and relies on foreign firms for this (18, p. 159).

Another example of waste in the economy occurred in 1975 when ships waited over 100 days at Bandar Abbas and Khorramshahr to be unloaded, and then the goods remained on the docks for weeks causing some to decay (18, p. 163).

Another problem with industry is the lack of management and skilled workers due to the inadequacy of the educational system. This problem has worsened under the Khomeini regime which has had the universities closed for two years while implementing a so-called cultural revolution.

Another fault with industry is that it did not contribute to the economy through taxation. "In 1975 the finance minister revealed that of Iran's 20,000 registered companies only 9,362 were sending in tax records and... 43 percent declared losses. The result was that only a quarter of Iran's firms paid any taxes." The taxes amounted to only 3.5 percent of the GNP rather than the 20-25 percent the government expected (18, p. 164).

Another serious problem with Iran's industry is that it is not competitive. An official West German report, published in 1974 stated:

Iranian industry produces at too high a price and is not internationally competitive. The reasons for this lie in the high dependence on imports, low level of value added, inappropriate plant size and inadequate project planning. Whereas the intention was to replace imports and to save on foreign exchange, the establishment of enterprises that are restricted to the technologically relatively simple final stages of production, such as the assembly of cars, radios, and electrical domestic appliances, has led to a disproportionate increase in the need to import the necessary components (18, p. 160).

In conclusion, Iran's industrialization was not genuine because it was not self-sufficient; instead it brought greater dependence on foreign manufacturers and multinational companies.

"What took place in Iran was not social and economic progress, not modernization, but pseudo-modernism fuelled by the oil revenues" (28, p. 275).

Foreign Investment

The late 1950's saw the beginning of multinational corporate investment into the industry, trade, banking and contracting

establishments in Iran. From 1955-1976 foreign companies from the United States, Germany, Japan, Holland, Britain, Belgium, France, Sweden, Denmark, Pakistan, the Phillipines, and others invested 23 billion rials, earning far greater profits than the sums of their investments. According to the Iran Almanac, by 1976 there were 193 joint ventures arranged with companies from 18 different foreign countries. In 1970 foreign investment in Iran totalled \$5.5 million; in 1972 foreign investment was \$500 million, and by 1974 it was \$2,000 million (21, pp. 171-172). Significant foreign investment was evident in the development plans; Table XVII shows this pattern of investment.

TABLE XVII

FOREIGN INVESTMENT IN DEVELOPMENT PLANS*

Plan	Period	Foreign Investment
1st 7-Year Plan	1949-56	\$ 67,999,000
2nd 7-Year Plan	1956-63	\$ 78,533,000
3rd 5-Year Plan	1963-68	\$ 2,727,997,000
4th 5-Year Plan	1968-73	\$ 7,698,667,000
5th 5-Year Plan	1973-78	\$ 30,000,000,000**

*Source: Iran Almanac 1976, p. 170.

**Projected.

Foreign companies have been encouraged to invest in Iran. Special incentives for investment were created under the Shah.

Companies were given five years exemption from taxation, allowed to transfer profits into their own currency, and were exempt from import duties. However, foreign firms were supposed to operate only through joint ventures with an Iranian partner and allowed to control only 49 percent of the venture.

By 1974 the United States had 43 firms investing in Iran, but Japan took over by 1975-76, holding 43 percent of the foreign investment projects, most in the petrochemical industry. In the 1960's most foreign investment went into petrochemicals, rubber manufacturing, pharmaceuticals, electronics, and mining (18, pp. 153, 155). Table XVIII lists the countries investing in Iran from 1968-1976 and the size of their investments. The United States investment was greatest in 1969-70, and after 1973 declined well below Japan, who by 1975-76 invested three times the amount of the United States. France actually had greater investment in Iran than the United States in 1975-76, having increased her investment over ten times its size in 1974-75. Table XIX shows the industries penetrated by the major investors and their percentages. The major industries of foreign investment were petrochemicals, the automobile industry, the rubber manufacturing industry. Agroindustry was investment in the agribusinesses and ranked along with pharmaceuticals, metallurgy, and electrical and electronics industry.

TABLE XVIII

FOREIGN PRIVATE INVESTMENT IN IRAN THROUGH THE CENTER FOR THE
 ATTRACTION AND PROTECTION OF FOREIGN INVESTMENT BY
 COUNTRY OF ORIGIN (Million Rials) *

Country	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76
U.S.A.	855	2,696	560	502	349	1,090	797	589
W. Germany	178	125	720	295	131	662	130	238
U. K.	242	118	331	288	29	25	52	135
France	67	99	117	127	102	23	61	629
Japan	...	10	129	55	221	1,659	2,867	1,707
Belgium	60	4	32	11	59			
Italy	6	3	122	2	5			
Sweden	25	25	23	24	32			
Holland	33	29	41	18	5	585	593	678
Pakistan	...	16	28	...	...	
Denmark	24	2	1	8	3			
Philippines	...	6	6	9	...			
Other	93	131	208	153	400			
Total	1,583	3,264	2,318	1,472	1,336	4,044	4,500	3,976

*Source: Fred Halliday, Iran: Dictatorship and Development, Great Britain, Penguin Books Ltd., 1979, p. 153.

TABLE XIX

PRIVATE FOREIGN INVESTMENT IN IRAN
BY TYPE OF ACTIVITY AND COUNTRIES
1975-1976*

Activity	Percentage	Country	% Overall Investment
Agroindustry	6.6	U.S.	14.8
Mining	0.3		
Food	0.3	U.K.	3.4
Rubber	16.4		
Pharmaceuticals & Chemicals	6.4	Germany	6.0
Petrochemicals	22.9	France	15.8
Metallurgical	6.9		
Electrical & Electronic	6.3	Japan	42.9
Auto Industry & Transportation	17.0	Others**	17.1
Building materials & Construction	4.2		
Hotels	0.4		
Other	12.3		
	100.0		

*Source: Fred Halliday, Iran: Dictatorship and Development, Great Britain, Penguin Books Ltd., 1979, p. 154.

**Includes mixed companies.

Exchange between two countries should be equal, but the foreign investors in Iran benefitted more than Iran did from the exchange. The multinational companies had the advantage of coming to a country in which the bourgeoisie was westernized, re-export of profits was allowed, cheap labor was available, and the markets were wide open (5, p. 26). Another point is that this heavy foreign investment made Iran more dependent on the industrialized world.

Related to the foreign investment was the Shah's increasing political stronghold on Iran. The Shah owed his position to the American CIA (see Chapter 2), and it was the American multinational companies as well as the other foreign companies who benefitted from the 1953 coup. The American political interests in the Middle East and the capitalist interests of its companies came together in the Shah's Iran. Richard Cottam points out that "...the Shah was careful to protect United States interests... and the Shah was of vital importance to the United States as a regional stabilizer" (11, p. 9). The Shah himself acknowledged this in his famous interview with Italian journalism Oriana Fallaci: "...The United States understands us better for the simple reason that it has so many interests here. Economic and therefore direct interests, political and therefore indirect interests...." (15, p. 280). The point is that the Shah could not have consolidated his power and wealth, nor could the higher classes have engaged in their lavish lifestyles without the help of the foreign companies. "At the end of the Shah's regime, there were 500 United States firms in Iran which had \$700 million of direct capital investment. Multinational corporations, the royal family, and the dependent bourgeoisie controlled nearly all of the modern economy" (33, p. 15).

Land Reform and Agriculture

On the advice of the Kennedy Administration (28, pp. 213-214; 18, p. 103) in 1961 the Shah began to shape a "modernization" program, and in 1963 the White Revolution began. "The White Revolution," as Graham describes it, "merely marked the end of a Western-style parliamentary democracy and the beginning of absolute monarchy" (17, p. 7). The land reform program, the literacy corps, and the health corps were the major programs of the White Revolution.

The land reform begun in January 1963 and officially completed in 1971 has been referred to as a political decision by a number of authors (17, p. 208; 27, p. 357; 31, p. 388; 32, p. 134). The Third Development Plan begun in September 1962 made no mention of land reform. The Shah tried to create a political base out of the peasants without alienating the landlords. As a supporter of the policy put it, "It had always been the hope of His Imperial Majesty the Shahanshah that the private landlords would... not confuse the land reform policies with unjust expropriation and doctrinaire philosophies of imagined or manifest class struggles" (18, p. 134).

Rural life in Iran prior to the land reform was semi-feudal. Production relations dominated the economy with the result that agricultural production now competed in the marketplace. Consequently, production went to the cities instead of benefitting the rural sector. The presence of such

technology as tractors and other machinery also had a profound impact on the rural social order. "For various reasons, related to differences in climate and social structure between the Middle East and the West, there was no indigenous evolution of capitalism in Iran, no agricultural or industrial revolution" (31, p. 365). The feudal structure in rural Iran exhibited a pronounced stratification system in which there were as many as fourteen different strata, every village having four to seven of these strata. Table XX is a list of this stratification scheme developed by Nikki Keddie. There were basic groups in this stratification system: the landlord and his local representative; the gavbandan or middlemen owning various means of production, such as oxen; and the two peasant categories--the nasagh and the khoshneshin. The nasagh had the traditional right to cultivation and might own a few head of livestock, and the khoshneshin had only their labor to offer. In the pre-reform system there were two basic ways in which business was conducted, variations occurring from village to village. Basically, the village operated on unpaid labor or the sharecropping system. The sharecropping arrangement made use of the stratification system within the village because the crop was divided five ways according to the five inputs to production: land, water, seeds, oxen, and labor. The landowner always claimed the first two (land and water), the middleman or the landlord claimed the third share (seed) and the fourth

TABLE XX

STRATA OF ADULT MALE AGRICULTURALISTS
WIDELY FOUND IN IRANIAN VILLAGES*

Non-Cultivators

1. Absentee Landlord, including the State, Crown and Vagf trustees.
2. Large-scale renter, often absentee.
3. Village officials: headman, landlord's agent, water official, field-watcher, etc.
4. Non-cultivating small owner.
5. Non-cultivating small renters from strata 1 or 2 (one village or less).
6. Non-cultivating leaser of productive instruments, usually cattle, sometimes water.
7. Non-cultivating head of work-team, providing at least one instrument of production.

Cultivators

8. Cultivating small owners.
9. Cultivator paying a fixed cash rental.
10. Cultivating head of work-team.
11. Sharecropper with some productive instruments, usually oxen, not head of a work-team.
12. Sharecropper with only his labor to sell, but with a regular position on a work team or on land.
13. Laborer with regular wage in cash or kind.
14. Casual laborer, without a place on work-team or land, often hired by the day only in peak seasons.

*Source: Nikki Keddie, "The Iranian Village Before and After Land Reform," Contemporary History, No. 3, 1968, pp. 74-75.

(oxen), while the peasants, the nasagh, and sometimes the khoshneshin, claimed the fifth share (labor), (18, p. 107; 26, pp. 226-227; 31, pp. 381-382). The social structure which developed from the sharecropping system was known as the boneh or work team, which was destroyed by the land reform without being replaced.

Other characteristics of the rural sector prior to the land reform were that there was no real system of taxation and no stimulation to produce cash crops for export. The only agricultural product exported was cotton and 40 percent went abroad. Villages cooperated with each other because of their mutual dependence on the water sources. This cooperation plus their geographical distances made any organized opposition to the Shah difficult. The peasants were tied to the land and completely dependent on the land-tenure system (18, p. 108). The peasant could never raise his status without owning land, and even if he managed to gain land, the landowner or kadkhoda, the village headman, could take it away illegally. The peasants were treated like animals by these two groups; they had to buy gifts for the landowners at harvest time in thanksgiving for being allowed to work the land. Peasants could be dismissed at the whim of the landowner for such a reason as neglecting to say hello, that is how deeply entrenched was the stratification (31, pp. 382, 385).

Rural Iran was socially and institutionally immature because of this "city-feudalism" which utilized "social repression of the rural labouring classes" (34, p. 133). Because the landowners lived in the cities, all the agricultural surplus traditionally went to the cities with no interest shown in improving rural conditions. A 1954 study done by the Iranian Ministry of Agriculture and the Ford Foundation stated that

"...nearly every village was relatively overpopulated. There was generally disguised unemployment and many redundant laborers eked out the barest existence..." As Nikki Keddie concluded, nothing short of a social revolution could change the conditions of rural Iranian society (31, pp. 378-379, 385). Life in rural Iran before the reform was difficult for most, and the question is whether it was really improved by the reform.

Iran's total land area is 164.8 million hectares or 628,000 square miles, 55 percent of which is unusable desert, mountains or swamp area. Thirty percent is forest and pasture land, and only 12 percent is cultivated. Half of this 12 percent lies fallow at any one time, leaving around five percent or eight million hectares permanently cultivated. Only 4.5 percent of the eight million hectares can be irrigated, and 500,000 hectares are completely irrigated (18, p. 105). These figures do vary somewhat from source to source (6, p. 136; 31, p. 379).

There are no accurate statistics on the number of villages which existed before land reform; closest estimates are between 48,000 to 71,000. The Minister of Agrarian Reform, Arsanjani, stated in 1962 that there were 15,000 villages which needed total redistribution, but government statistics only show that there were 3,920 villages needing total redistribution (18, p. 106).

Table XXI is a breakdown of village ownership before reform:

TABLE XXI

ESTIMATES OF THE DISTRIBUTION OF LANDOWNERSHIP
IN THE PERIOD BEFORE THE LAND REFORM*
(January 1962)

Type of Ownership	% of all Land Owned	Number of Villages	% of Villages
Large Proprietors (of whom those owning over 100 hectares)	56 33.8	13,569 ...	34.43 ...
Small Proprietors	10-12	16,522	41.93
Royal Domain	10-13	812	2.06
Religious Endowment	1-2	713	1.81
Tribal Holdings	13.0	...	...
Public Domain	3-4	1,444	3.67
Other Holdings	...	6,346	16.10

*Source: Keith McLachlan, "Land Reform in Iran," The Cambridge History of Iran, I, Cambridge, 1968, p. 687.

The landowner class had consolidated their holdings since the 19th century and included court members given land by the Shah, tribal leaders, and wealthy merchants. The most powerful landowners were a group of 400-450 families, some of which owned up to 300 villages. Reports indicate that 37 families together owned 19,000 villages or 38 percent. Medium landlords owned 1-5 villages apiece, totalling 7,000 villages or 14 percent. And Reza Khan bought 2,100 villages for the Pahlavis (18, pp. 106-107).

The land reform was conducted in three phases: 1st phase: January 1962-January 1963; 2nd phase: January 1963-1968; 3rd phase: 1968-1971. Under phase one 690,000 families received land; under phase two 210,000 families; and under phase three 738,000 families received land, totalling 1,638,000 families receiving land from 1967-1971. This 1.6 million families was less than half the total number of peasant families in Iran (18, p. 112).

Phase 1 of the land reform emphasized ownership; phase 2 emphasized tenancies, later allowing unlimited ownership of mechanized land; and phase 3 converted tenancies back to ownerships under corporations.

Phase 1 included four provisions: 1). Ownership limited to one village or 6 dangs (1/6 of a village) in separate villages. Exempt were orchards, tea plantations, and mechanized cultivation; 2). Landowners compensated by the state over 10-15 year period based on their previous tax payments. Peasants receiving land were to pay the land value plus ten percent over 15 years. Land was dispossessed if payments were defaulted for three years running; 3). Land was to go to those farming it in priority order according to their status in the boneh unit. Everyone had to join the cooperative; 4). In villages retained by landlords, the peasants could no longer be dismissed arbitrarily. Sharecropping percentage raised five percent on irrigated land and ten percent on non-irrigated land (18, p. 110).

Katouzian based his analysis of the effectiveness of Phase 1 on the total figure of 71,000 villages. Only 15 percent or 11,300 whole villages were affected by Phase 1. Under 780,000 households out of 3.2 million received land (26, p. 229). Mahdavy's figures were based on a total of 48,592 villages, and of this total, 5,000 or ten percent were distributed in Phase 1, with 13,904 villages eligible for distribution. The crown lands were supposed to be distributed during Phase 1, but by Phase 2 this had not yet been done (32, p. 138). According to Halliday's figures, based on 50,000 villages total, the law covered 14,646 villages or 30 percent, and of this figure less than ten percent or 3,920 were totally redistributed. The total number of families receiving land was 690,466 or one-fifth out of 3.5 million families (18, pp. 110-111).

A number of loopholes existed in the Phase 1 law which allowed landowners to circumvent distribution of their properties. Landlords had known since 1959-60 that such a land distribution might occur and so transferred ownership to relatives (31, p. 389). When the reform law was actually passed, each member of the family could retain one whole village, because in the law an individual was considered a household, and the landowners could keep the number of villages corresponding to their family size (26, p. 228). Under the mechanization clause, 850 landowners claimed exemption, and 1,500 landowners transformed their lands into orchards, raising pistachio and

apple crops by 600 percent from 1960-1968. Bribery of officials also occurred (18, p. 111).

"...The carefully worded text of the law left the most fertile areas in the possession of large landowners.... The land reform actually involved only some 1.5 to two million hectares of the poorer soil, or 15-20 percent of the total cultivated land" (38, p. 129). The poorest classes of the peasants who did not own oxen or tools were not recognized when the villages were "distributed". They received no land. Two-thirds of the peasants are in this category (32, p. 140). Keddie reports that 14-16 percent of the villages came under the provisions of Phase 1 but only 7-8 percent received land. "Probably no more than ten percent of Iran's peasants received enough land to support them and enable them to make necessary improvements" (31, p. 392).

In January 1963, the second phase of land reform began which was to cover lands not affected by Phase 1. Landowners were given the choice of five alternatives:

1. To rent the land (80.08 percent peasants affected.)
2. To sell land to peasants (3.67 percent affected.)
3. To divide the land according to the old share-cropping scheme (10.04 percent of peasants affected.)
4. To create joint stock companies where both landlord and peasants are shareholders (5.35 percent affected.)
5. To purchase the land from peasants (86 percent affected) (18, p. 111).

The second phase clearly emphasized tenancy while the first phase had emphasized ownership. Far fewer peasants were affected by this phase. Bank Markazi of Iran claimed that

55,000 villages were affected by Phase 2 by March 1972, and that "the legal position of 2.5 million households was clarified" (26, p. 230). However, the language does not explicitly state that the peasants received land. Katouzian's statistics, based on total of 71,000 villages, show that 1.2 million households became leaseholders under Phase 2, and 57,000 households actually purchased land from the landlords. In Phases 1 and 2 combined, "out of 3.2 million households, less than one-third received...land, or acquired shares in agricultural corporations, about 40 percent were given tenancies, and around 28 percent still cultivate under the old system." That 3.2 million figure includes the one million khoshneshins (lowest class of peasants under the old system) and those peasants who were excluded from the land reform in the beginning (26, p. 231).

Nirumand breaks the figures down into four basic categories and shows land ownership before reform and after reform, as of February, 1964 in Table XXII.

Private Property had been reduced by only nine percent. So-called small landlords still owned 60 percent of the villages by the end of Phase 2. As a Kurdish peasant points out, the size of the landlord's holdings does not make much difference. The peasant still has to pay rent and be at his mercy (32, pp. 139-140).

Of course, the landlords were going to take the option to lease their lands rather than sell them, so the second stage

TABLE XXII

LAND REFORM*

	Before	After
Privately Owned	65%	56%
State Owned	5%	4%
Religious Owned	15%	15%
Small Peasant Owned	15%	25%

*Source: Bahman Nirumand, Iran: The New Imperialism in Action, pp. 130-131.

avored the landlords' position. The second stage did not work well; agricultural production went down. There was an economic crisis, discontent among the groups against the Shah, and discontent among the peasants. According to Doreen Warriner, a successful National Congress of Peasants was held in Teheran in January 1963. During the spring and summer of 1963 violent anti-government demonstrations broke out in Teheran, and a large number of people were shot down in the streets (31, pp. 392-393). Observers say that 6,000 people were killed in Teheran. The demonstrations were a reaction against the White Revolution of which the land reform was a part.

The third phase of land reform began in December 1965/January 1966, emphasizing farm corporations with shareholders. The new corporations were supposed to increase agricultural production, relying on mechanization rather than manual labor

and using modern methods of farming such as chemical fertilizers (2, p. 176). In November 1966 the Fourth Phase was initiated in which the peasants were forced to sell to the agribusinesses, followed one month later by an official declaration that the land reform had been concluded (26, pp. 228-229). The farm corporations were modelled on Israeli cooperatives. The peasants were forced to give their lands to the corporation in exchange for a percentage of the shares, with the corporations run by state-appointed managers. Any peasants refusing to join the corporations had their land expropriated and controlled by the Regional Agricultural Development Organization. Agricultural production went down after Phase 2 was initiated because the peasants who received land had only very small plots - 68 percent had only five hectares while seven hectares was the survival minimum (18, p. 113).

Ann Lambton stated in a 1969 article that the corporations "would appear to be a reversal of the original reform, which because it gave the peasant security of tenure, stimulated agricultural development" (31, p. 396).

Table XXIII shows membership in the village cooperatives which had been compulsory under Phase 1 for any peasants receiving land, the cooperative unions which involved more than one village, and the corporations which made them mere shareholders. This table shows that although the membership in

TABLE XXIII

DISTRIBUTION OF FARM CORPORATIONS
AND RURAL COOPERATIVES 1976*

	No. of Units	Membership	% of Total
1. Rural Coops	2858	2,685,000 (households)	98.9
2. Rural Cooperative Unions	144	2,846 (coop units)	
3. Farm Corp.	85	32,506	1.20

DISTRIBUTION OF FARM CAPITAL BY SECTOR
(Thousand rials) 1976

	(1) Total	(2) Per Unit	(3) Per Members
1. Corporations	2,883,000	34,000	800.
2. Cooperatives	5,690,000	2,000	2.0

*Source: M.A. Katouzian, "Oil Versus Agriculture: A Case of Dual Resource Depletion in Iran," The Journal of Peasant Studies, No. 5, April 1978, p. 360.

corporations was very small, 1.2 percent, the corporations received 400 times more capital per household. One-third of the total capital was owned by 1.2 percent of the landed peasants. The corporations did cover more land area, ten percent of the cultivated land.

The farm corporations were set up normally against the will of the affected peasantry, and they were run by state

bureaucrats, agribusinesses were founded on the expropriation and eviction of thousands of peasants in narrow villages, who then supplied the migrant wage labor for these factories; and they were managed by foreign technocrats who did not even understand the language of the employees, let alone know anything about...Iranian agriculture (28, p. 311).

The agribusinesses were a further development in 1968, and were essentially large capitalist businesses. These were created where the land was most fertile and irrigation available, and they were financed by domestic and foreign private capital, using mechanization and only wage labor. An agribusiness was developed in the Dez Dam area, appropriating and liquidating 58 villages with a total of 50,000 acres of cultivated land.

Fifty-five thousand peasants were forced to sell their land and move elsewhere. "Apart from its cost to the affected peasantry, the agribusiness gamble was a dismal failure-the only agricultural policy which is even officially regarded as having been misconceived" (27, pp. 360-361).

Because of the use of mechanization and emphasis on agribusinesses and corporations, unemployment in rural areas was 40 percent in 1973. They employed five times less persons than the national average, cultivating only 1.5 percent of the agricultural area with 0.3 percent of the agricultural labor force (18, p. 130), and eight percent of the irrigated land was owned by agribusiness by the end of 1978 (18, p. 114).

The agribusiness was supposed to improve production, but an unpublished study comparing the performance of the agribusinesses, the farm corporations, and small scale peasant farming found that in nearly all indices of performance, such as labor productivity, land productivity - the peasant farms have done the best, farm corporations second, and agribusinesses ranked lowest in success (27, p. 361).

The oil revenues were spent very unevenly on the rural sector. As already mentioned, the corporations and agribusinesses received much more capital than was available to individual peasants; in fact, it was extremely difficult for individual peasants to secure credit. Later the fifth plan (1973-78) showed no generosity to individual peasants by excluding all villages with population of less than 250 from the development programs, with at least 33,000 villages in this category (34, p. 165).

The third and fourth phases of land reform emphasized corporations with the result of destroying the village as a social unit, redefining ownership of land to shareholding, consolidating control of the shares under the State's management thereby again creating an absentee landlord arrangement with rural society under government control (27, p. 358).

The effectiveness of the land reform can be measured in terms of agricultural production. In 1961 the country was still largely agricultural, with the Gross Domestic Product

deriving equally from agriculture, oil, and manufacturing (34, p. 132). As already mentioned, agricultural production increased 2.5-3 percent per year since the early 1960's, but sometimes only 1.0 percent. Since population increase alone was three percent, agricultural production was not quite enough to break even and rise in per capita income caused increased demand for agricultural products, making that 2.5-3 percent increase more inadequate. Increased demand made possible by rise in per capita income was ten percent a year. So agricultural output needed to increase by ten percent per year, not three percent to be self-sufficient (18, p. 127; 27, p. 362).

In 1971-1972 "aggregate agricultural output amounted to 172.3 thousand million rials while aggregate peasant consumption was 179.6 percent thousand million rials. That is, total peasant consumption was 7.3 thousand million rials more than total agricultural output" (28, p. 307).

There was no change in output even with greater investments in the means of production and inputs such as fertilizers in the agribusinesses. In the case of wheat, from 1963-1974 production reached 1950 levels in only four years. For barley, production reached the 1950 level only one year during 1963-1974. Table XXIV shows the production figures. As the table indicates, wheat production was up very slightly in 1974 from 1963 levels of production, and barley production was actually lower.

TABLE XXIV

LAND PRODUCTIVITY (KILOGRAM PER HECTARE)
1963-1974*

Year	Wheat	Barley
1950	900	1010
1963	750	830
1964	700	750
1965	750	830
1966	760	830
1967	1050	1360
1968	900	830
1969	820	950
1970	710	640
1971	700	650
1972	900	721
1973	920	659
1974	820	645
Net Change 1963-1974	+70	-185

*Source: M. A. Katouzian, "Oil Versus Agriculture: A Case of Dual Resource Depletion in Iran," Journal of Peasant Studies, No. 5, April 11, 1978, p. 365.

Considering that population increased three percent each year, the supply of these grains declined considerably by 1974.

Table XXV shows the application of three different fertilizers and the increase in the number of tractors used in production. Of course, these materials were concentrated in the farm corporation and agribusiness holdings areas. The fact that the agribusinesses were admittedly failures, despite the use of improved techniques, indicates that other factors

TABLE XXV

THE APPLICATION OF TECHNICAL INPUTS TO
IRANIAN AGRICULTURE (1963-1974)*

Year	Nitrogenous Fertilizers (100 Metric Tons)	Potash Fertilizers (100 Metric Tons)	Phosphate Fertilizers (100 Metric Tons)	Tractors (1000 Units)
1950	1.0	1.0	...	...
1963	73.0	18.0	86.0	7.5 (1962)
1964	77.0	23.0	93.0	...
1965	127.0	17.0	141.0	11.3 { ...
1966	155.0	20.0	150.0	16.0
1967	330.0	13.0	280.0	17.5
1968	460.0	19.0	269.0	20.0
1969	490.0	20.0	300.0	20.0
1970	652.0	42.7	293.0	21.0
1971	1072.9	47.3	693.0	21.5
1972	1238.0	86.5	758.2	23.0
1973	1940.8	240.0	1333.4	106.6
1974	2485.7	250.0	1731.2	500.0

*Source: Katouzian, "Oil Versus Agriculture," The Journal of Peasant Studies, V, April 1978, p. 365.

were operative that were highly significant in affecting production, such as the destruction of the boneh and the village.

In 1975 Iran imported about one-third of its sugar requirement, one-fourth of its wheat, one-fifth of its rice, one-eighth of its barley, and four-fifths of its maze requirement (23, p. 44). Table XXVI shows Iranian production and import totals for selected food commodities.

The rapid increase in the oil revenues allowed the government to import food needs not met because of agricultural

TABLE XXVI

AGRICULTURAL PRODUCTION AND IMPORTS
1974-1975 (metric tons)*

Commodity	Iranian Production	Imports
Red meat	510,000	24,000
Chickens	112,000	200
Eggs	143,800	8,000
Wheat	4,700,000	1,485,000
Barley	900,000	178,000
Rice	950,000	176,000
Jute	3,000	10,000
Silk	3,200	8,700

*Source: Fred Halliday, Iran: Dictatorship and Development, Great Britain, Penguin, 1979, p. 128.

shortages, and the imports helped to inflate food prices despite government subsidy to reduce the inflation. Food prices increased as much as thirty percent a year during this period (18, p. 165). Per capita red meat consumption was 28 kilos in 1960 and increased to 47 kilos by 1975. Livestock production was rising nine percent per year, but demand was over twelve percent. The government imported livestock for breeding at great cost to meet the increased demand (17, p. 116).

Land Reform--Conclusion

Land reform could have been initiated primarily for economic reasons, to redistribute land to increase agricultural productivity and raise the rural standard of living, or,

primarily for social and political reasons (12, p. 141). The Shah enacted land reform in Iran largely for political ends; this has been noted by numerous writers (17, pp. 208-209; 18, p. 103).

The White Revolution, land reform being the major program, was a political victory for the Shah because he reformed the social structure in 1963, but it was only a temporary victory because land reform "...created a host of new social and economic problems which subsequent programs of the White Revolution did not resolve" (12, p. 153).

The political victory had external and internal dimensions. The external dimension was concerned with the Shah's relation with the United States, and the United States viewed the reform a success, the Shah thereby emerging stronger in American eyes (18, p. 104). Internally, the program saw the Shah successfully eliminate the nationalist and religious opposition and weaken the power of the old landowners, enabling the Shah to further consolidate his power. The Shah gained personally and economically through the lands he acquired indirectly through the agribusiness operations and through businesses related to the food import industry (10, p. 8; 18, p. 104).

The reform reduced the influence of the large landowners, but they were rewarded as "privileged clients of the oil revenues" in their new lives as city bureaucrats. With the old absentee landowners eliminated from the village power structure, power was given to the State and the small

landholders, but the peasants were still powerless.

There can be little doubt that the winners were the State bureaucracy. The landlords lost a considerable part of their socio-economic power base; but this was not handed over to the peasantry. For the first time in the history of the country the State became the direct patron and overlord of the mass of the peasants" (26, p. 236).

The State became the most powerful economic and political force (18, p. 122). All of these factors contributed to a growing political consciousness on the part of the peasants.

The land was distributed unevenly, changing the appearance of village life but not the reality. A new capitalist class structure emerged which was as stratified as the previous class system with 40 percent of the rural population, the old khoshneshin laborers, totally excluded from the reform (18, p. 122). According to a United Nations study in 1966, entitled Progress in Land Reform:

The land reform measures have, however, by no means solved the problems of Iranian agriculture. In the first place, it is not clear that they have solved the social and political problem of landlord dominance... It is, indeed, the explicit intention of the reform not to establish equality but to create an extended tenure ladder" (31, p. 394).

The disenfranchised laborers were left with nothing and many migrated to the city which was part of the Shah's plan. The peasant population was 65 percent of the total population in 1963, and in 1978 it was 53 percent. The Shah wanted the peasant population reduced to seven million or 5-6 percent of the total population. Such an ordeal is an example of how unrealistic the Shah was and how the land

reform was intentionally designed to exclude a large percentage of the peasant population (28, p. 259).

Sociologically, the land reform caused significant changes in Iranian rural life, but whether these changes were improvements is questionable. The program was successful in weakening the feudal structure of rural society but, in its place a new structure emerged which was just as limiting. The greatest accomplishment was the destruction of the old absentee landowner, once referred to as the "Arbab" or "Master" by the peasants. Whole villages of peasants were no longer at the mercy of one man; this change was the single factor which most weakened the feudal structure. However, the peasants still did not gain control of their own lives because the State and its government officials moved in to simply fill the vacuum which the old absentee landlords created.

In all villages in Iran, whether incorporated into farm corporations or not, the state has replaced the landowner as the dominant power (18, p. 119). The landlords lost a considerable part of their socio-economic power-base; but this was not handed over to the peasantry... The peasants as a whole neither gained in income nor in political power. But their social consciousness has increased enormously (26, p. 236). If the present trend in government policy continues, it can be safely predicted that small landlordism will take the place of big, feudal landlordism, without substantially changing the fate of the mass of the peasantry. The shift... has extended the power and influence of government and petty officials in the rural areas. This suggests that, although the peasants may not be ruled directly by the new class of landlords, they will be just as powerless vis-a-vis the government officials, who do not owe their office to the peasants'

vote. The manner in which the peasants were forced to vote for government candidates during the elections of 1963 left no doubt that the peasants are not to be masters of their own villages (32, pp. 141-142).

Another major sociological change was the alteration of social class stratification. Under the old feudal structure, a rigid stratification system had existed in which as many as fourteen different strata had been identified by Nikki Keddie. Because the land was not distributed equally, stratification remained after 1963. The character of the classes changed, but the basic inequality remained at the foundation of the class system, polarizing the social structure even more. Refer to Table XX for Keddie's identification of the fourteen strata under the old system. She concludes that strata one and two were only partially eliminated and

below that, stratification remained, and in some cases became more acute. The 1962 land reform law gives priority in receiving land to those who hold a recognized right to cultivate a share of village land, and who own some instruments of production; it calls them cultivators, but does not insure that they actually work the land themselves either before or after reform. In practice this has generally meant that non-cultivating classes 5, 6, and 7 got land, while cultivating classes 12, 13, and 14, who probably comprise 40 to 50 percent of the villagers, did not (31, p. 381).

In this class transformation the large landowners usually became state bureaucrats and big capitalists. The former small landlords who survived became the new rural petty bourgeoisie, and their children became bureaucrats, changing their class. A new group of landed peasant proprietors was created largely from the old gaybandan or middlemen, and a class of peasants

who either owned or rented small plots of land was created from the nasagh, while the khoshneshin were still left as landless wage laborers (12, p. 153; 2, p. 176). The plight of the khoshneshin has been tragic. Comprising over forty percent of the rural population, they had not gained any security or protection from the government. They were not guaranteed a minimum wage, received no unemployment compensation, had no gleaning rights on the new private fields, and had no land. "The khoshneshins were left outside the entire plan, and as a result their situation has steadily deteriorated while that of the new peasant proprietors has to some degree improved" (2, p. 176). The old feudal structure weakened, a dependent capitalist structure emerged, with pre-capitalist features remaining, such as old cultivation methods and old social attitudes. "But the predominant relations are commodity ones and the social structure of the village is now becoming capitalist" (18, p. 118). The impact of capitalism has been felt on the village level, with the new proprietors renting oxen, etc., for cash, or loaning surplus capital at high interest to the peasants who lease or own only small plots of land ; these new relations being referred to as the "oxen and cash capitalism of the new system" (31, pp. 390-391). The agribusinesses were examples of capitalism on the macro-scale, making some of the khoshneshin rural proletariat who used machines to produce what they would not benefit from directly.

The foreign capitalists, the dependent bourgeoisie, and the Pahlavis were the ones to benefit from these enterprises. The khoshneshins remained a national problem because the agribusinesses were largely mechanized, and few khoshneshin were able to work in relation to the number of hectares involved. The "land reform remains an essentially bourgeois reform, favoring both the large capitalists, who farm reform-exempt plantations and fields with hired labor, and the more prosperous villagers, who can now profit from more rational investment and agricultural techniques" (31, p. 392).

Migration to the cities, mostly by the khoshneshin, to join the urban proletariat or the unemployed has been another social consequence, stimulated by the speed of the reform. The village migrants in some cases could gain employment more easily than their urban counterparts because, new to urban life, they were more easily exploited and would often work at lower wages. This swelled the ranks of the unemployed urban proletariat. The nomads were also forced to migrate to urban areas. When the pasture lands were nationalized during the White Revolution, the nomads had nowhere to go to feed their livestock and were forced to abandon their nomadic lifestyle (33, p. 14). The migration of both these groups created problems for the proletariat already living in the cities.

Village life was definitely changed by the land reform. The old social unit, the boneh, of the sharecropping arrangement

was gone, replaced by a capitalist arrangement. Living conditions were not much improved. In 1966 less than four percent of the rural households had electricity and less than 19 percent had piped water. Almost 80 percent of the houses had three rooms or less, with 90 percent still built of the traditional material, sun-dried brick (6, pp. 139-140). There were no assistance programs to teach the peasants how to improve their farming methods. The extension agents who were supposed to do this were doing clerical work instead of field work. "By mid 1964, of the 640 extension agents at work, in all Iran, 44 percent were transferred... for clerical work" (32, p. 141). The peasants continued to live this way while the oil revenues were swelling the GNP and the pockets of the Pahlavis, the foreign capitalists, and the bourgeoisie.

Land reform was not an economic decision, and the outcome has demonstrated this. Agricultural production declined from 36 percent of the GNP in 1962 to 23 percent in 1972. The average rate of increase per capita has been zero or negative considering the three percent annual population growth. The fact that the third and fourth development plans (1962-67, 1967-72) virtually ignored agriculture makes them bear heavy responsibility. Before the reform Iran had been self-sufficient in agricultural production and was changed "to a net importer of 70 percent of its foodstuffs." The agribusinesses were an economic as well as a social failure.

"The deep well system introduced in big agribusiness projects like the one in Khusistan, as well as much of the 1975... strategy forcing small growers into sub-regions of irrigation, had the effect of drying up the traditional watering system of Iran's agriculture--shallow wells and canals" (10, pp. 6-7).

The United States was, however, able to benefit from Iran's sagging agricultural economy.

Seven United States agricultural experts joined Iran's Ministry of Agriculture. As Dan Morgan has observed (Merchants of Grain, New York, Viking, 1979): "a virtual agricultural protectorate of the United States... a quarter of all the grain used in the country originated in the United States; new agribusiness methods had been introduced that required machinery and chemicals from the United States; large poultry and dairy industries relied on American corn and soybeans, and wheatbread had become more popular." (10, p. 9)

The foreign agribusiness investors and the largest landholders, the Pahlavis and the State bureaucrats, were the ones to prosper from the agricultural sector. The government imposed a ceiling on domestically produced food prices thereby undermining profits for the new land recipients. Per capita agriculture was down in 1976 from its level in the 1930's (10, pp. 7-8). Government policy was not stimulating greater production which it could and should have done.

All of these dimensions: the political, sociological, and economical have their final and greatest impact in the psychological effect on the peasant. The feeling of insecurity generated by such rapid change, forced migration to the cities, new capitalist relations, disappearance of the old social unit

must have had a staggering effect on the peasant. Katouzian expresses this idea with great poignancy:

The peasant whose bogus "lack of response" is so often blamed for so much in fact responded very well to this bewildering situation: this socio-economic excommunication of a whole rural society as a paradoxical result of the providence of the oil revenues. Like any good "rational economic man" he marched on the towns in multitudes at great socio-psychological costs in order to "maximise his material satisfaction." But, to use another piece of good economic jargon, the arguments in his "utility function" were based on an incorrect set of expectations. He was a good neo-classical economist, but "lack of perfect knowledge" defeated him. At the gates of the city, dispossessed of his land, deprived of his cultural identity and social framework, subjected to uncertainty and harassment for the whole of his life, he arrived, demoralised and exhausted, looking for streets paved with oil. And he was turned into a disguised beggar. This sums up the contribution of oil revenues to rural society in Iran (27, p. 367).

Labor Force

In the late 1970's Iran's population was predominantly youthful, 46 percent being under age 15, 51 percent between ages 15 and 64, and only three percent age 65 or older. This pattern has resulted from high birth rates and relatively low death rates and is significant because the largest segment of the population is involved in working, and the second largest segment are their dependents (24, p. 139). Table XXVII shows general categories of employment for the years 1956 and 1966.

Insignificant change has occurred during the 1956-1966 period. Of the unpaid family workers, 71 percent were males. Most employed males (88.3 percent) were agricultural workers, and the remaining 11.7 percent were in production, services, or

TABLE XXVII

GENERAL CATEGORIES OF EMPLOYMENT
FOR 1956 and 1966*

Class of Worker	Percentage Employed	
	1956	1966
Employers	1.2	2.2
Self-Employed	41.2	38.8
Government Employees	7.6	9.7
Wage Earners	38.0	38.4
Unpaid Family Workers	10.1	9.9
Unpaid Apprentices	...	.3
Not Reported	1.9	.7
All Classes	100.0	100.0

*Source: Edward R. Swan, "Highlights of the 1966 Census of Iran," The Population of Iran, edited by Jamshid A. Momeni, Shiraz, Pahlavi Population Center, 1974, p. 34.

sales. Of the 29 percent female unpaid family workers, 49.2 percent were in production, 47.3 percent in agriculture, and 3.5 percent in services or non-classified occupations. During the 1960's the urban labor force was largely engaged in handicrafts, construction, industry, sales, transportation, government services, or as shopkeepers or servants.

Overlapping of occupations is common. An artisan may be a businessman or an employer as well; an absentee landlord may be an army officer or government official. Only 20 percent live well by Iranian standards... the absentee landlords, high government officials, senior army officers, large businessmen and importers, industrial managers, and professional people. The rest have incomes which barely provide the minimum necessities of life (3, p. 297).

Table XXVIII shows a distribution of the labor force in more recent years according to the three major areas of

TABLE XXVIII

SECTORAL DISTRIBUTION OF THE TOTAL LABOR FORCE (THOUSANDS) 1963-78*

Sector	1962-63		1967-68		1972-73		1977-78	
	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total
Agriculture	3672	55.1	3861	49.0	3600	40.9	3200	32.2
Industry	1372	20.6	1947	24.7	2550	29.0	3300	33.2
Services	1584	23.8	2020	25.7	2600	29.5	3379	34.0
Oil	36	0.5	46	0.6	50	0.6	60	0.6
Total	6664	100.0	7874	100.0	8800	100.0	9939	100.0

*Source: M. A. Katouzian, The Political Economy of Modern Iran, New York, New York University Press, 1981, p. 259

employment: agriculture, industry, services, and the oil industry. Although the oil sector brought in almost one-third of the national income, it employed only 0.6 percent of the labor force. The relative and absolute totals of the agricultural sector declined significantly (especially when considering population increase), from 3,672,000 or 55.1 percent in 1962-63 to 3,200,000 or 32.2 percent in 1977-78. The rural labor force, comprised of agricultural workers and the rural handicrafts and trade workers, totalled 5.5 million in 1977-78. The agricultural portion used only 3.2 million of those laborers. The rural handicrafts sector, which has declined in recent years, could not have used the remaining 2.3 million, indicating that rural unemployment must have been very high. Halliday cites that in 1966 there were 1.2 million employed in rural handicrafts (18, p. 185). This leaves 1.1 million unaccounted for and probably unemployed.

Both industry and services increased, but the growth in services employment was not commensurate with its share of the national output, excluding oil. In 1977-78 the services sector contributed 55.6 percent while employing only 35.6 percent of the labor force. Meanwhile the agricultural sector contributed only 14.7 percent to the total national output (minus oil), using 33.3 percent of the labor force. Industry was well-balanced, contributing 29.7 percent to output using 31.3 percent of the labor force. Table XXIX shows these figures.

TABLE XXIX

CONTRIBUTION OF THE NON-OIL ECONOMIC SECTORS
TO OUTPUT AND EMPLOYMENT, 1977-1978*

	Output '000 m. rials	% of Total	Employment Official Millions	(Excluding Unemployment) % of Total
Agriculture	339.0	14.7	3.0	33.3
Industry	684.3	29.7	2.8	31.1
Services	1281.3	55.6	3.2	35.6
Total	2304.6	100.0	9.0	100.0

*Source: M.A. Katouzian, The Political Economy of Modern Iran, (New York) New York University, 1981, p. 260.

Labor productivity can also be examined for these sectors as shown in Table XXX.

TABLE XXX

ABSOLUTE AND RELATIVE PRODUCT PER WORKER
IN VARIOUS ECONOMIC SECTORS*

	1962-1963		1977-78	
	Product per Worker '000 rials	Relative Product per Worker	Product per Worker '000	Relative Product per Worker
	1	2	3	4
Agriculture	24.2	0.60	105.9	0.45
Industry	42.1	1.00	267.3	0.88
Services	75.6	1.90	380.3	1.62
Total Non-Oil Output per Worker	40.2	1.00	233.6	1.00

*Source: M.A. Katouzian, The Political Economy of Modern Iran, New York, New York University Press, 1981, p. 261.

The obvious point is that worker productivity in agriculture is less than industry and much less than services. One reason would be that agriculture uses less machinery, but then industry should use as much, if not more, machinery than services. Yet worker productivity in industry is significantly lower than in services. The inefficiency in Iranian industry has already been cited as one cause of its low productivity. But Katouzian suggests that there is still another reason why the services sector is significantly higher, and this reason is the substantially higher incomes for this privileged class of the Pahlavi state. More people are employed at higher incomes, some of whom had been placed in their positions as a reward by the state. When the secondary education was expanded higher career goals were fostered, and the state created bureaucratic positions to accommodate the increased number of people with higher expectations (28, p. 208). State services is also included in the services sector. There must in fact be much disguised unemployment, i.e. overemployment, in this area.

We can look at each of the main sectors in greater detail. The industrial sector includes mining, manufacturing, and construction. One-quarter of Iran's labor force by 1978 was involved in manufacturing. Almost half of this group was concentrated in Teheran with the remainder in Isfahan, Tabriz, or Khusistan. Most work in very small businesses, making a

product like textiles or shoes, for a very small income. Ten percent are engaged in modern industry, such as construction, steel, auto assembly, or oil, at a modest income level. Another estimated 800,000 are in modern factories, and one million are unskilled construction workers (10, p. 10).

The total work force in twenty-one modern industries, which comprise 57 percent of the total manufacturing and mining output, was 129,000 in 1971-72 and 170,000 in 1975-76. The total manufacturing and mining sector employed around 2.5 million since 1971. The modern industries have employed only six percent of the whole industrial labor force, showing that they are capital intensive. About sixty-five percent of the total industrial labor force was still employed in the traditional and semi-traditional manufacturing sector (28, p. 283). The following is a list of the major industries included in the modern sector (28, p. 282):

1. Textiles
2. Motor vehicles
3. Sugar
4. Basic Metals
5. Tobacco Products
6. Home Appliances
7. Vegetable Oil
8. Cement
9. Radio, television, and telephone
10. Petrochemicals
11. Toiletries

From 1972-1977 total manufacturing employment rose by 680,000. Workers in industrial locations numbered 580,000 and the remaining 100,000 were self-employed. In 1972, 219,000

out of 225,000 enterprises were small-scale operations employing less than ten people. According to 1968 statistics, eleven percent of the establishments employed more than 50 people, six percent employed 10-50 people, and 83 percent worked in enterprises employing ten or less. And in 1977, 72 percent or 1.78 million workers were still employed in enterprises of ten or less, and only seven percent or 700,000 were in enterprises of 10-50 persons. Less than 200,000 would be employed in genuinely large enterprises (18, p. 181).

Construction during the years 1972-1977 absorbed much of the unemployed labor and would have employed more if there had not been a cement shortage during the boom. In 1956 construction employed only 336,000, and in 1977 it employed over 900,000 workers, representing ten percent of the labor force. From 1972-1977 construction employment rose 6.7 percent a year, faster than any other sector.

There were different strata of workers in construction. The skilled workers included plumbers, electricians, and carpenters whose wages in 1975-76 may have increased by 48 percent. The skilled workers earned up to 15 times the amount earned by the unskilled in 1969. The unskilled workers, which comprise the majority, besides making low wages, do not have secure employment and must endure poor living conditions. Workers from the poorest areas, such as Baluchistan and Sistan are exposed to degrading conditions. The peasants around

Isfahan are only employed seasonally in construction, and when their income is averaged, they make little money. These seasonal workers live in temporary quarters while employed, which are probably worse than their own homes (18, p. 184).

Seventeen percent of the total labor force, or 1.2 million, were employed in the rural non-agricultural sector, and 70 percent of these were artisans in carpet and cloth weaving. Much of the textile industry is still carried on in the rural areas.

The Iranian government is the largest employer, and the oil industry is the second largest employer; however, it employs only one percent of the total economically active population. The oil industry contributes more to the economy than any other sector while using the least labor (18, p. 175).

One of the distinguishing features of oil as a primary product is that it does not provide many jobs, either directly or indirectly. It employs very few people in the direct processes of oil production-in exploration, production, refining, loading. Moreover, in underdeveloped countries it establishes few linkages with the local economy, since it brings in its technology and capital goods from abroad; it therefore fails to create jobs elsewhere in the economy (18, p. 180).

Abadan is a city where the whole population is dependent directly or indirectly on the oil industry. Workers in the industry are either unskilled, skilled, technical or clerical, or managerial labor. In the 1920's there were 7,000 imported personnel who worked at the highest positions and 20,000 Iranians in lower positions. In 1949 there were 2,440 salaried

foreigners and 989 foreign artisans, but by 1956 there were only 480 foreign personnel. The oil industry has continued to employ 40,000-45,000 personnel, and their productivity has increased greatly, raising output and revenues (18, pp. 177-178). "Between 1961 and 1966 alone the number of employees required to produce 111 barrels of crude fell from 8.5 to 3.5. In 1975 output per worker was 20 times higher than in the 1950's" (18, pp. 178-180).

Services employed 34 percent of the labor force while its share in non-oil output was 55.6 percent. State services, including the bureaucracy, the army, SAVAK, the police, and the gendarmerie had an important role and a large percentage of the budget. Education and health were other important services, education receiving nine percent of the total plan budget after 1973. These services will be discussed in the next section. Transport and communications, banking and insurance, housing and urban property were all modern services which thrived after 1973. Roads and ports were built, some dictated by military considerations. Banking and insurance grew as a result of the increase in oil revenues and expansion of the economy, and also because they offered the upper classes the opportunity to greatly increase their wealth. Private services, such as hotels, restaurants, resorts, and clubs increased (28, pp. 286-88, 292-293). The Pahlavi Foundation owned a large percentage of these enterprises, including

complete ownership in 22 hotels, 3 casinos, and 4 resorts, banking investments, insurance, residential and international property (17, pp. 214-215). The domestic wholesale and retail trade, involving the merchant and petty trading community prospered with the rest of the services sector. This group was sociologically outside the state organization and was a traditional sector of the economy (28, p. 293).

Foreigners have also been employed in sectors other than the oil industry, usually at higher paying positions. From March 1975 to March 1976, 8,000 foreign experts arrived in Iran, bringing the total to 30,000. Seventy-nine different countries had nationals working in Iran, most notably the United States, Britain, West Germany, France, the Phillipines, Pakistan, India, the Soviet Union, Japan, and Italy in that order. Table XXXI shows a profile of the sectors using foreign nationals.

Iran suffers from a labor surplus and a labor shortage. The shortage is in managerial and technical personnel, the areas dominated by foreigners. The unskilled and the illiterate are meanwhile left unemployed. According to official statistics, which are probably low, 158,000 were unemployed in 1956; 320,000 in 1972; and 375,000 in 1977. The statistics are not accurate because they are only taken from the number of people who look for work each week. Unemployment is greater in certain sections of the country and in certain age groups. In 1972 unemployment

TABLE XXXI

PERCENTAGE OF FOREIGNERS IN
IRANIAN LABOR FORCE

Sector	Percentage
<u>Government Service</u>	26%
Technical and Vocational	50%
Manufacturing & Tool-making	23%
Administrative and executive	14%
Others	13%
<u>Earnings</u>	
Less than 20,000 rials per month	7%
20,000 - 40,000 rials	19%
40,000 - 60,000 rials	21%
60,000 - 80,000 rials	17%
80,000 - 100,000 rials	8%
100,000 - 150,000 rials	7%
More than 150,000 rials	21%
<u>Location of Employment</u>	
Teheran Province	70%
Khusistan	12%
Other Provinces	18%

*Source: Iran Almanac, 1976, p. 325.

in the age bracket of 15-24 years was nine percent of the total in Teheran and Isfahan shanty towns but only 4.6 percent elsewhere (18, pp. 187-188). The most disadvantaged are the ones most affected. There is chronic underemployment in the rural areas. Some rural agricultural workers face seasonal unemployment. Non-agricultural workers, such as seasonal construction workers, are employed only part of the year (39, p. 24). According to a 1973 survey, 14 percent of the rural population work only 28 hours a week; 40 percent work less than 42 hours a week in the off season. The regular work week can

be as much as 72 hours a week. The average number of days worked in the early 1970's was 108 (18, p. 188).

Illiteracy is a factor which has affected the labor force, making a large percentage of the population unable to fill certain employment qualifications. Those who are literate have some chance of securing better employment because "there is probably a high correlation between literacy and membership of the top sector of the labor force" (18, p. 182).

Those who are fortunate enough to be employed in the proletariat received little or no effective protection from the law and live in poor physical conditions. The average work-shift is twelve hours and sometimes more, even though government labor laws have declared an eight hour work day. Usually there is no overtime pay for extra hours worked. The boss has complete control over the work hours, changing them when advantageous to production, such as during peak seasons or low seasons. An official minimum wage is supposed to exist. In the early 1970's the minimum wage was 50 rials per day, and in 1976 it was raised to 90 rials per day, but there is no evidence that it was enforced. A study done by the Plan and Budget Organization assisted by Maclin Institute and Stanford University concluded that 73 percent of the total working class receives less than the minimum wage (18, pp. 189-190, 335). In the manufacturing sector, the workers in the modern industries earn twice the amount or higher than workers in

the traditional industries (18, p. 183). Unequal distribution of income is a major problem even among the lower classes.

The majority of workers with large families live in single-room dwellings resembling shacks. Their houses are made of tin drums and mud. There are areas within cities, like Teheran, where neighborhoods of workers have developed, such as Shoosh, Javadieh, Doolab, Khazaneh, and Ghar. In Ghar the people live in underground caves. No sanitation facilities exist, floors are made of dirt; the rooms are damp and muddy. The presence of garbage and lack of sanitation bring disease. More than ten people live in each room; at night they squeeze together to sleep, unable to move because of hunger and weakness. These people are peasants who, due to poverty and unemployment, have left their villages to come to the cities for work.

While a large number of the unskilled are unemployed, a manpower deficit exists. Statistics on the deficit are not really accurate. For example, the 1976 Iran Almanac states that for 1975-76 the demand for medical personnel was 8,200 while actual supply was 6,380, the deficit being 1,820 (21, p. 326). The medical personnel would include at least doctors, nurses, and a variety of technicians. The 1979 World Almanac reports that in Iran in 1975 the ratio of doctors to population was 1:2,649 while in the European countries it was far less (48, p. 546). With a 1975 population of 33.3 million, Iran

would have needed far more than 8,200 doctors alone to more nearly approximate the European ratio, and this is not including nurses and technicians. Likewise the statistics for "other professionals," which lists a surplus of +600, cannot be accurate.

The White Revolution included a pro-labor aspect which was supposed to include profit-sharing and a workers' share program. In the profit-sharing, introduced in 1963, factory owners employing ten or more workers were to divide a fixed percentage of the company profits (up to 20 percent, but in practice 15 percent) among qualified workers. The oil, railroad, and tobacco industries were excluded. The purpose was to increase worker income and stimulate productivity. In reality, workers were "qualified" if they were informants, refused to participate in strikes, and joined yellow unions. Statistics showing just how much profit the workers shared were in several factories were published by the major newspaper Etela 'at in May 1964. Workers in the city of Yazd received \$21.00 a year or less than six cents per day when \$65,700 was distributed to 3,000 workers. According to another report in 1972 the Bouton company distributed \$17.00 per year or less than five cents per day to 350 workers when \$6,000 was shared. In June 1977 the Imperial Commission published a fiscal report on the Iran National Auto Plant, jointly owned by the Khayamis and the Pahlavis, which reported

a 91,000 net profit for 1976-77. The auto plant refused to pay "profit-sharing" bonuses to its workers, declaring that their profits were not high enough. The company paid only \$13,625,000 in wages to 8,739 workers, with wages averaging \$5.00 per day. The company profit was \$10,000 per worker, yet they claimed their profits were too low (9, p. 10).

In 1974, ...a quarter of Iran's 20,000 companies submitted tax returns, and of these only 53 percent admitted to any profit.... The books of the enterprises were therefore closed, and in some cases firms gave an extra month's salary to their employees rather than disclose their true profits (18, p. 194).

The workers' share program of 1975 was designed to stimulate worker saving and productivity, and involved selling of 49 percent of a company's shares to its employees. Not all companies were obligated or allowed to participate. The only eligible companies were those which made a profit, were in production for five years, and which either had fixed assets of 200 million rials, registered capital over 100 million rials, or whose turnover was 250 million rials. By March 1978, 320 companies were supposed to sell their shares. Ninety companies had transferred shares to 45,000 workers by August 1976. The company owners were at first frightened by the implications of the program, but in fact, the workers would still not control the companies, and the general public would probably receive more shares than the workers. There is no indication that profit-sharing or the workers' share program have accomplished their goals (18, pp. 195-196).

The workers in Iran had no power under the Pahlavi regimes to legally express their dissatisfaction and demand their rights; in 1928 trade unions were abolished. In 1936 the first comprehensive labor law was passed which dealt with industrial working conditions and did not mention the right to form unions or to strike. The 1959 labor law allowed for state-run unions, much like those in fascist states. The Ministry of Labor must recognize all unions. The unions function

to conclude collective agreements; to purchase, sell and acquire movable and immovable property, on condition that it is not for commercial purposes or with a view to profit; to defend the occupational rights and interests of their members; to establish cooperative societies to meet the requirements of their members. No mention is made of the right to strike.... (18, p. 203).

The unions were forbidden by the labor law to engage in political activity, that is, endorsing political parties. But, in fact, the unions were used as a political pro-Shah force, being mobilized to appear at demonstrations and show the proper support. SAVAK officials had offices in some factories and actually directed the union organizations. During the revolts in the spring of 1963, labor leaders directed by the regime organized their workers into pro-Shah demonstrators. The 2,000 Teheran bus drivers were organized by Shoya ed-Din Malayeri for this purpose. Such mobilization also occurred in 1978 (18, pp. 205-206).

The unions were supposed to increase worker security, monitoring the benefit packages, administering the profit-sharing and workers' share programs. They were encouraged to emphasize these benefit programs rather than demand wage increases.

Brief strikes occurred in single factories since around 1971, usually focused on economic issues--overtime benefits, higher wages, working hours. The strikes would last only a few hours or days, the demands being met quickly or violence ensuing to end the strikes (18, pp. 205-207). In 1978 the widespread workers' strikes brought the country to an economic halt and were instrumental in bringing the Shah's demise.

The trade unions were not organized on an industry-wide basis. Separate factories might have their own unions. In 1971 there were reported to be 397 unions, and in 1978 there were 1,023. The fragmentation caused by not being industry-wide greatly reduced the effectiveness of the unions as forces for workers' rights. Table XXXII is a list of the unions in operation for various industries in 1971. The fragmentation is obvious. There were 42 workers' unions in the transport industry, 68 in the food industry, 43 in the textile industry, etc. Nationalized industries would have been in the workers best interests, but not the regime's.

TABLE XXXII

STATE-RUN TRADE UNIONS IN IRAN IN 1971*

Kind of Activity	Number of Organizations	
	Workers	Employers
Auto	7	--
Metal-working	13	5
Textile	43	7
Transport	42	64
Water and power	18	3
Leather and intestine	9	2
Oil	26	--
Chemistry	5	1
Printing	4	3
Services	56	30
Food	68	22
Abattoirs	20	--
Construction	24	10
Art, cinema, theatre	6	--
Clothing	13	3
Communication	2	--
Glass and crystal	2	1
Banks	7	--
Paper Manufacturing	2	--
Health Services	4	9
Carpet Weaving	10	2
Miscellaneous	16	6
Total	397	168

*Source: Fred Halliday, Iran: Dictatorship and Development, Great Britain, Penguin Books Ltd., 1979, p. 204.

Education

Education under the Shah had been dedicated largely to the elimination of illiteracy, especially through the Literacy Corps, a program of the White Revolution established in 1963. Education beyond the level of literacy was largely unable to

meet the demand of the school-aged population, especially at the university level. The urban population had a greater chance of being educated than did the rural population.

In 1900 the literacy rate for the adult population was only five percent, in 1956 it was 15 percent, and in 1970 literacy was between 30-35 percent. The literacy rate is an average for the entire country, with the rate for the rural population probably being lower (18, p. 13). Literacy for the total population was seen as a major step toward modernization of the country. The corps used secondary school graduates who had been conscripted for the 18 month military service. The graduates went through a 4-1/2 month training program and then were sent to the various villages which wanted to belong to the program. In 1962, before the program began, only 14.9 percent of the 12,784,031 Iranians over ten years of age could read and write. Out of this literate 2,000,000, only 514,480 were from the villages. The total rural population was 14 million, so only four percent were literate (38, p. 153). From 1963 to 1971, a total of 62,730 graduates served in the corps. The corps members had the option to continue as rural teachers upon completion of their military duty. During the years 1966-1977, 15,000 elementary schools were set-up in 25,000 villages (17, p. 29). Enrollment increased from 675,000 in 1963 to 1,830,000 in 1971, but still only 15 percent of the rural population was being educated in 1971 (18, p. 120). The

Literacy Corps educated children only through the second primary grade and was included in the statistics for primary education. Katouzian reports that in 1973, 3.2 million were enrolled in primary schools and 4.8 million were enrolled in 1978 (28, p. 287). By 1978 it was figured that 80 percent of the school-aged villagers would be enrolled in the corps schools. The International Labor Office in 1973 stated that "despite the remarkable achievement of the Education Corps enrollment in primary education is only 39 percent in rural areas against 90 percent in urban areas" (17, p. 29). In 1978, only 65.6 percent of the population between ages 6-29 were literate: 81.9 percent from the urban population and 48 percent from the rural sector (28, p. 288).

Graham calls the Literacy Corps a "reasonable success" but Katouzian sees it otherwise. The statistics differ, making it difficult to evaluate solely through statistical evidence. For the money spent, the return was probably not great enough. The Literacy Corps had operational problems. The young conscripts were put into rural situations to which many could not really adjust. Some treated the villagers with contempt and exploited them. Also the standards for literacy were not very high because the corpsmen educated only through the second primary grade. The level of literacy which can be achieved at that point is not spectacular.

Gains were made in the secondary schools, colleges, technical schools, and the universities, but need still remained. In 1962, secondary schools enrolled 260,000, in 1972 enrollment was 1.4 million, and in 1978 it was 2.3 million (28, p. 287). In 1973, after the oil price rise, the Shah declared education free up to the 8th grade, and free higher education for those willing to serve an equal number of years for the government (17, pp. 17-18). However, the chances of being admitted into a school of higher education after secondary school were extremely limited. In 1973 only eight percent of those wanting admission to higher education succeeded. In the early 1970's Teheran University enrolled one-third of the university students (36, p. 99). Higher education increased 250 percent, from an enrollment of 59,000 in 1968 to 154,000 in 1978. In 1977, 55,000 were believed to be studying abroad in the United States, France, Germany, and England (18, p. 13). In 1977 Iran had one of the lowest percentages of university students in the Middle East (1, p. 23).

Students in the universities before 1978 were disproportionately from the upper classes. Table XXXIII shows the results of a sample survey done by the Ministry of Education which was reported in June 1973. The urban working class and the peasantry comprised 85 percent of the population while only three percent of their children were in the universities. The imbalance in the system is evident.

TABLE XXXIII

SOCIAL CLASS BREAKDOWN OF UNIVERSITY STUDENTS 1973*

Social Class	Percent of Students
Bureaucratic Families	48%
Industrial and Commercial	35%
Landlords and Independent Farmers	7%
Urban Working Class	2%
Peasantry	1%

*Source: M.A. Katouzian, The Political Economy of Modern Iran, New York, New York University Press, 1981, p. 289.

Iran needs to educate people in crucial areas such as medicine, agriculture, and engineering to fulfill its continuing manpower needs. The percentage of university students pursuing degrees in these areas has not been sufficient. For example, in the academic year 1967-68 only three percent of the students were studying agricultural engineering, and eight percent were in industrial engineering, while 50 percent were in the humanities and social sciences. At the time, more than 65 percent of the population were engaged in agriculture, yet only three percent of the students were specializing in that field (19, p. 197). Table XXXIV shows the expected number of graduates in different subjects for the years 1973-1978.

Learning materials were not existent in sufficient quantities. Only 50,000 non-textbook titles were printed in Iran from 1942-1976. After the fall of the Shah, thousands of books and journals were published. "According to UNESCO, the number of book titles per million heads of population in 1970 was 55,

TABLE XXXIV

GRADUATES EXPECTED FROM INSTITUTIONS OF HIGHER EDUCATION
IN IRAN AND RETURNING FROM ABROAD DURING THE FIFTH
PLAN PERIOD BY LEVEL OF DEGREE AND SUBJECT GROUP*

	Associate Degrees	Bachelor Degrees	Masters Degrees	Doctorate Degrees	Total Iranian Institutions	Returning from Abroad	GRAND TOTAL
Social Sciences**	4,380	24,940	1,870	---	31,190	1,500	32,690
Humanities	28,460	13,180	620	80	43,330	850	44,180
Engineering	17,070	10,330	550	---	27,950	5,550	33,500
Medicine	900	4,920	650	3,460	9,930	1,300	11,230
Physical Sciences	15,360	15,090	1,010	---	31,460	2,100	33,560
Agriculture	2,260	4,590	370	360	7,580	430	8,010
Fine Arts	380	1,300	1,030	---	2,710	1,560	4,270
Education	2,410	1,660	360	---	4,430	250	4,680
Law	---	3,080	830	---	3,910	480	4,390
TOTAL	71,220	79,090	7,290	3,900	162,490	14,020	176,510
	44%	49%	5%	2%	100%		

*Source: Walter Elkan, "Employment, Education, Training and Skilled Labor in Iran", Middle East Journal, Spring 1977, p. 184.

**Note: The categories in this table must be treated with care. Thus "Engineering" covers all types and levels from technician upwards. "Medicine" includes nurses, midwives, pharmacists and dentists as well as doctors. Only those with doctorates are doctors as ordinarily understood. Associates are graduates of Junior Colleges who have reached an intermediate (technician) level of education--between second level education "graduates" and those with a bachelor's degree.

compared to Sweden's 958" (21, pp. 125-126, 118). Libraries were not used regularly partly due to their chaotic conditions and cold, impersonal atmospheres. Space was at a minimum; there were only a total of 8,000 chairs in all university libraries which are to accommodate 140,000 university students. In 1975, the average time spent by Iranians on reading books was only two seconds a year. In 1976 there were 700,000 copies of newspapers printed in Teheran daily and 20,000 for the provinces. Weekly magazines numbered 550,000 (21, p. 118). This was not many considering that Teheran alone had a population of four million and the total population was 34.4 million.

The universities were closed frequently during the Pahlavi regime to silence dissent; consequently, higher education has suffered. Unfortunately, under the Khomeini regime, the universities have been shut down since 1979, another staggering blow to the student-aged population. Academic freedom has never been allowed in Iran. Learning was tolerated under the Shah provided that it did not threaten the regime, and the SAVAK (Sazman-i-Amniyat va Etelate Kishvar or Organization for State Security) were ever-present to insure that. "At the universities, especially in Teheran, there are probably two to three informers per class." Teachers were not allowed to discuss politics. Textbooks in history and sociology were changed (17, p. 146). The quality of university education was sacrificed to political stability. SAVAK controlled the

universities. Many students sent abroad for their education were financed by the regime in exchange for acting as informers. In October 1977, a dissident lawyer wrote to Prime Minister Jamshid Amuzegar:

You are certainly aware that for the last twenty years as a result of successive governments abusing individual freedoms, our universities - the nation's most valuable educational resource - have ceased to be places of learning. Instead they have been transformed into military fortresses with the setting up of iron barricades, the disposition of armed security guards and inadmissible interference by the security forces. This can only incite anger and disgust among young free thinking people.... Not surprisingly the universities of Teheran and the provinces have been in a state of closure or semi-closure most of the time (17, pp. 201-202).

The universities are the only places which can produce the educated minds needed in the medical, technical, and other professional fields. The sabotage of higher education over the last decade has seriously harmed Iran. For example, the country needed 40,000 new teachers each year, but during the Shah's regime Iran could provide only 20,000. Consequently, the student/teacher ratio increased to 100/1 (17, p. 202). At present, since the universities have been closed for two years, the only manpower being educated are out of the country, many of whom never return home.

Health

Education for health was undertaken by the Health Corps in 1964. The corps was to teach the villagers ways to prevent disease and also treated certain ailments. More paramedical

than full medical staff were involved, and services were not as frequent as needed. Again the statistics differ on the activity of the Health Corps. One source reports that by 1967, 500 medical units were set-up throughout the country (18, p. 120). Another source reports that by 1972, 300 clinics and 400 medical teams were operating (47, p. 178). Neither statistic is very large when considering that the total number of villages was around 50,000, and land reform had not been completed. The Health Corps had the same social interaction problems faced by the Literacy Corps. Members sometimes treated the villagers with contempt because of their ignorance, and reports existed of physical exploitation of young girls. The Health Corps was better than no program at all, but measured against its cost, the major health problems were not resolved.

Health care in general was also supposed to be expanded from 1973-1978, but the quality was not high. For example, laboratory test results were frequently confused or falsified; patients with neuroses were subject to physical treatment or even surgery. Medicine has remained at the ports for long periods of time. There have been reports of illegal activity in medicinal drugs involving the highest government circles. Facilities and personnel are extremely inadequate. In 1976 the patient/physician ratio averaged out to 3000/1 (28, pp. 291-292). At best estimates, there were five thousand doctors in Teheran, 3000 in other cities, and 1,500 in the rural areas

(18, p. 120). Patient/dentist ratio was 19,000/1; patient/hospital beds ratio was 711/1, and again half were in Teheran.

After 1963, infant mortality was still high in urban and rural sectors. In 1975, the ratio was 160/1000 for children under one year. Disease is still extant because the living conditions are very poor for the majority of the people, and many are undernourished. Most of the cities and all of the villages have no sewerage system, so diseases contracted through contact with human waste are common. The public baths in the villages are highly unsanitary; however, the city baths have improved significantly. In the cities, the poor people wash their dishes in the gutters, and the children play there. Diseases such as typhoid fever and dysentery, usually transmitted through contaminated food or water, are common. Trachoma is widespread (47, pp. 210-211).

Some of the disease is related to poor general health from poor nutrition. According to the Iran Almanac, in 1973 the international standards for daily caloric intake was 3,200 calories, while Iranians were receiving only 2,100. The protein standard was 65 grams, but Iranians were receiving only 56 grams (20, p. 229). Azimi, who has conducted research on undernourishment, has found that there is more undernourishment in the towns, among the population which had migrated from the villages where they had grown their own crops. The unemployed, landless peasants still in the villages were the most

undernourished of all. Azimi also found that in the tribal areas more serious undernourishment existed, such as in Khusistan, Kerman, Bakhtiyari, and Kurdistan. The standards for undernourishment are: undernourished receive 90-99 percent of the minimum caloric requirement; severely undernourished receive 75-90 percent of the MCR; dangerously undernourished receive less than 75 percent of the MCR. Table XXXV shows the aggregate provincial figures for 1972-73. Based on Azimi's research there are 13.5 million people, 44 percent of the population who are undernourished, 20 percent severely undernourished, and three percent dangerously undernourished.

Health conditions in the villages were worse than in the towns or cities. Halaby-Abad is a town of 10,000 just west of Teheran, where 120 out of every 800 people have tuberculosis. The people live in shacks made of tin cans and have no sanitation facilities. An unofficial survey reported that 40-50 percent of the population over fifteen years of age are drug addicts. The only medical facility is a double-decker bus attended by a physician once a week, and staffed by the bus driver, a medical amateur, the rest of the week. The driver reported that most of the people have tuberculosis or cholera (8, p. 6).

According to a 1968 study, by the Economic Research Group in Iran, in a village located in Southeast Sanadaj with a population of 851, 44 percent of the khoshneshin were landless

TABLE XXXV

UNDERNOURISHMENT IN IRAN: 1972-1973*

Category	Millions	Percent
Undernourished (most in towns)	6.5	21%
Severely undernourished (most in towns)	6	20%
Dangerously undernourished (most in villages)	1	3%
TOTAL	13.5	44%

*Source: M.A. Katouzian, The Political Economy of Modern Iran, New York, New York University Press, 1981, pp. 271-272.

and 60 percent had tuberculosis. In other villages there were no schools or the schools were closed because the children were needed for labor to help the family survive. One village had no public bath, while the public baths were extremely dirty in the other villages (13, p. 4). Reports such as these show how little rural life changed as a result of the Shah's programs. The people who had always suffered received little relief from the White Revolution, which was at best a cosmetic program. The media in the West have not endeavored to understand this point as well as they might have.

Conclusion

The oil revenues financed the so-called change evidenced in Iranian society during the Shah's reign. Uneven development

of the economic sector, especially in agriculture, lead to increased spending on imports and increased dependence on foreign goods. The land reform created a social upheaval in rural society by destroying old social structures without replacing them with functional new structures, by stimulating urban migration without providing a new social urban niche for the migrating peasants. Urban social problems multiplied with the population influx, and the social classes began transformation. The cultural traditions and community relations were destroyed without being replaced by effective substitutes. Modern material goods were introduced for consumption to stimulate Western tastes. The state became the main purveyor of culture and policy, regulating all business, social intercourse, and social progress. The Shah created a "revolution from above" to make Iran appear modernized to the West, to aggrandize his personal status, and to attract investment. A great gulf existed between the Shah and his elite at the top of the pyramid and the majority of the people. And underneath the "pseudomodernist" change financed by the state oil revenues, real social change was fermenting and beginning to destroy the Shah, his theory, and his elite.

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CHAPTER IV

DEMOGRAPHIC AND STRATIFICATION CHANGES SINCE 1953

Introduction

Demographic trends and changes in the social stratification systems in Iran are discussed in this chapter. Selected topics include: Population, Migration, Minorities, the Distribution of Wealth, Social Classes, and the Position of Women. The size and composition of the Iranian population changes with the land reform, and the Shah's treatment of national minorities are discussed. The Distribution of Wealth, the disapportionment of the revenues and the economic stranglehold of the Pahlavi Foundation are described. The Position of Women as reflected by the Iranian world view is discussed. The economic and political structures have been responsible for the status of these areas in Iranian society, some of which are desperately in need of radical alteration.

Changing Population Patterns

The geography of Iran has not been conducive to an easy way of life for the majority of the population. The country encompasses within its borders a wide range of climatic conditions, most of which are unfavorable for agriculture. Water and temperature are the two most

important factors determining population distribution in Iran. "The center of the country is largely empty and life has been driven either towards the exterior to towards the interior of the mountains, to the points where there is adequate water supply" (6, pp. 469-470).

Iran's population in 1956 was estimated as 19,441,189; in 1966, as 26,047,000; and in 1976, as 34,703,000. The projected estimate for Iran's population in 1979, based on figures from the Statistical Center of Iran, was 37,430,000. There were 41 births per 1,000 population and 11 deaths per 1,000 population in 1978 (45, pp. 200-201). University of Tehran researchers reported that life expectancy at birth was 45 years in 1956, 47.5 years in 1961, and 50 years in 1966 (24, p. 3). According to the Statistical Center of Iran, the average life expectancy at birth from 1973-76 was 57 years (45, p. 200). The World Almanac reports that in 1975 life expectancy for males was 50.7 years and for females 51.3 years. The average annual rate of population growth for 1973-76 was 3.0 percent; the 1978 estimate was 2.8 percent (48, p. 546). The 1976 census revealed that 53 percent of the population were younger than 20 years, and 45 percent were below 16 years of age (20, p. 11).

The rural and urban sectors of the population reflected different growth patterns. In 1956, 70 percent of the population was rural (29, p. 207). After 1963 the rural population began

to decline, so that growth between 1963 and 1978 averaged only 1.2 per cent, whereas growth in the urban sector was as high as 4.6 percent. Urban migration was related to peasant displacement in the land reform policies in the 1960's. The Shah had wanted the peasant population to decline and stimulated this migration. Consequently, the rural peasant sector declined from 65 percent of the total population in 1963 to 53 percent in 1978 (29, p. 258).

While the rural population was declining, the urban population was increasing. In 1956 the urban population was 31 percent of the total population, compared with 38 percent in 1966 (27, pp. 137-138), 43.5 percent in 1973-74, 44.4 percent in 1974-75, 45.7 percent in 1975-76, 46.5 percent in 1976-77, and 47.5 percent in 1977-78 (25, p. 22). Tehran experienced the bulk of this growth, increasing 4.2 percent a year by 1976. From 1960-1970 it had increased 6 percent per year. The male/female ratio in Tehran was 135/100. Fifty percent of all the doctors were in Tehran (18, p. 24). Despite the concentration of population and migration to the city there was little urban planning to handle new social problems created by the influx. Employment, housing, transportation, public utilities, etc. were all subject to great stress, and the state bureaucracy made it difficult to improve the situation (29, p. 259). Urbanization in Iran has not been accompanied by important major changes

on the industrial and social levels. The traditional family pattern has not been altered significantly and employment in industry has not increased. Iran under the Shah was less industrialized and therefore less modernized than countries at a similar stage of development. Paydarfar developed a modernization index in 1968 using urbanization, education, and industrialization as major components. He concluded that Iran had a lower modernization index than Egypt, Turkey, and Brazil and was surpassed only by India (31, pp. 17-18).

Many aspects of the social structure favor high fertility: marriage at an early age, the status importance of many children, the economic asset of children, security for old age, and fatalism-- the will of God. High fertility rates, such as in Iran, are common to under-developed countries and, in fact, existed in pre-industrial Europe (45, p. 403).

Paydarfar conducted a study on fertility attitudes and behavior among the tribal, rural, and urban sub-populations of Fars province. The study concluded that the urban population had the lowest fertility and tribal populations had the highest. The urban population respondents desired 3-4 children while the tribal and rural population left family size to God's will. Educational background and communication exposure were the major factors determining fertility differences in the groups. Modern value-orientation and high socio-economic

mobility are two factors which contributed to reduction in fertility. A slight improvement in socio-economic conditions increases fertility among the tribal and rural populations, improves their nutritional conditions, and reduces child mortality, thereby raising the number of children living (40). Infant mortality rates also contributed to high fertility. In 1955 infant mortality in some villages was as high as 188 per 1,000 live births. In 1958 the rate for the entire population was 170 per 1,000 births while 120 per 1,000 in the city of Shiraz (10, pp. 76-77). By 1973-76 infant mortality was reduced to 112 per 1,000 live births (45, p. 200). The crude death rate declined from 2.22 percent in 1956 to 1.78 percent in 1966, and 1.2 percent in 1975. Data in 1975 indicated 1.5 percent deaths in rural areas and .8 percent deaths in urban areas (27, p. 139). Important causes of death included digestive system diseases, 142 per 1,000 deaths; respiratory diseases, 121 per 1,000 deaths, and infectious and parasitic diseases, 94 per 1,000 deaths (10, pp. 76-77).

Internal Migration

The migration pattern in Iran changed during the 1960's with the increased oil development, the general development policy, and the concomitant social changes in land reform. Migration in the 1940's and 1950's had been primarily from smaller towns to the major cities because these towns had

poor economies (20, p. 186). But after the 1960's the greatest migration flow was from totally rural areas to urban areas, especially to Tehran.

In 1966 about one-fourth of the urban population were migrants. The urban population of 9.7 million lived in 249 towns; by 1972 the 13 million urban population lived in 298 cities (21, p. 210). Tehran received the bulk the migration, accounting for 34.7 percent of the urban population in 1966 and 11 percent of the total population in that year (22, p. 34). During the 1940's Tehran's population was about one million, and by the 1970's it had increased to 4.5 million (20, p. 186). Migration involved whole families. After the principal migrant was settled, the remainder of the family members joined him. During the 1955-1966 period 59.6 percent of the migrants were joining family members (21, p. 212).

"Push" and "pull" factors operated to stimulate urban migration during the 1960's and 1970's. The decline in the rural economy after the introduction of land reform was a major "push" factor as the people migrated to the cities to improve their lives and find greater opportunities. In fact, the "push" of the rural population into the cities brought about over-urbanization in the major centers (22, pp. 30-31).

More specific "push" factors related to the rural socio-economic conditions included population growth accompanying

high fertility rates combined with limited land resources. The introduction of technology and farm mechanization produced high unemployment among laborers. Soil erosion and agricultural decline contributed to rural poverty. Increases in literacy made the rural society more aware of alternatives to their conditions (2, p. 175).

"Pull" factors also existed which drew the rural inhabitants to the cities. Job opportunities, educational facilities, amenities, services, and cultural and social activities were among the "pull" factors. Hemmasi reported that more than 60 percent of the rural migrants sought employment or a better job. Wages for agricultural work were lower and had less social prestige (22, pp. 74, 96). Adibi reported that migrants were attracted to the cities (notably Tehran) by higher wages, which were reflections of the intensification of differential income between city and countryside generated by the oil bonanza (2, p. 177).

The improved standard of living in the cities, including health and education facilities, and the availability of consumer goods, attracted the rural peasants. At the same time that the peasants were moving into the urban centers, the urban centers, primarily Tehran, were witnessing internal changes. The state offered free grants of urban land to army officers and higher civil servants who moved to north Tehran. The incoming poorer migrants settled in the older areas.

Tehran experienced greater internal segregation. The old sense of community was destroyed, and the older areas deteriorated without state support (29, p. 208).

The massive urban migrations in the 1960's and 70's were soon accompanied by urban social problems. The fifth development plan, 1973-1978, set goals for redistribution of the entire population and the control of the population problems in Tehran, but these objectives were not fully achieved (21, p. 220). Problems existed in employment, transportation, sanitation, housing, etc. The existing facilities became taxed by the population influx, and social tension was created between those already settled in the cities and the migrants. Inflation actually reduced the benefits of the higher wages sought in the cities. Land speculation became an inducement for peasants to migrate. The peasants did not know they were better off with their small farms (2, p. 177).

The population shift brought a high rate of urban unemployment and underemployment. The new industrial infrastructure could not accommodate all those seeking jobs. A manpower survey in 1964 reported that 62 percent of the migrating population seeking employment were unable to find work. Many who did work performed menial jobs such as shoe polishing or house cleaning (22, p. 81).

Housing availability was inadequate and shanty towns resulted which were without sanitation facilities. Experts

estimated that Tehran's sewer and water systems would be beyond capacity by the late 1970's (18, p. 22; 22, p. 210). Overcrowded conditions coupled with inadequate food supply and sanitation facilities increased disease among the migrant population. Juvenile delinquency, theft, common crime, prostitution, accidents, mental disorders also increased in the new social environments (21, p. 219). The psychological impact on the new harsh urban environment created feelings of anomie and disillusionment; the people felt a loss of identity (35, p. 24). Their feeling of community identification was lost. Social relations were based less on kinship than on achievement. Much of the migrant population became psychologically and sociologically alienated.

. . . the rural exodus or migration of the population from the secondary towns towards the principal cities, originally caused by economic stringency, today represents a psycho-sociological need. Those migrants who could not adapt to the still-embryonic industries of the cities [became] part of a sub-proletariat, often inhabiting shanty-town areas. . . the cities are simply [masses] of human beings ecamped in the hope of work or of paid activity rather than groups constituting a true society. They [formed] an intermediate stage between the rural and urban populations, belonging to no definite community (6, p. 475).

The rural exodus needed to be controlled by improvement in the standard of living in the rural sector including income, education, general opportunity. Agricultural production needed to be increased. The provision of a decent rural life would have both helped the economy and reduced the pressure on the cities.

Minorities

"Minority" is a general term which covers the various specialized groups living in Iran. A "minority" may be identified by nationality, religious affiliation, or tribal affiliation. The population of Iran is not culturally homogeneous; it is estimated that about 50 percent of the population are minorities. Iranians compose the major population group, but twenty-eight minority ethnic groups also live throughout the country. The major ethnic minority groups are the Turks, the Kurds, the Arabs, and the Baluchis, who live primarily in the border provinces (22, p. 53).

The different nationality groups each have their own language within the Indo-European language family. The languages are basically divided into Iranian languages, Turkish languages and Arabic, Armenian and Syriac.

The tribes may speak different dialects of the major language groups listed in Table XXXVI. A tribe is not the same as a minority or a nationality group. Lois Beck's definition expresses the essence of a tribe.

A "tribe" is a socio-political response to state pressure and, as such, is often territorially based. Tribal membership is defined primarily by political affiliation to leaders. Tribal members often claim to share kinship bonds and common ancestors, and notions of cultural distinctiveness are also a factor (5, p. 14).

A single tribal group may be composed of different ethnic groups, such as the Khamseh tribes who are a mix of

TABLE XXXVI

POPULATION ACCORDING TO LANGUAGE REPRESENTING
APPROXIMATELY THE POPULATION OF SOME
TRIBES AND RELIGIOUS MINORITIES*

Language	1971 percentage of total population	1973 (Estimated)
Iranian Languages:		
-Persia (Farsi)	50.2	17,515,000
-Gilaki	6.1	1,800,000
-Luri	5.7	2,500,000
-Kurdish	5.6	2,000,000
-Mazandarani	4.9	1,500,000
-Baluchi	2.3	600,000
-Pushtoo, Tajik and Taieshi		25,000
Turkish Group:		
-Azarbaijani Turkish	20.6	5,000,000
-Turkomani	1.7	450,000
Others:		
-Arabic	2.0	450,000
-Armenian	0.6	260,000
-Assyrian	0.4	100,000
TOTAL		32,200,000

*Source: Iran Almanac 1976, p. 357, Fred Halliday, Iran: Dictatorship and Development, Great Britain, Penguin Press, 1978, p. 12.

Arabs, Turks, and Lors. All the population of a single ethnic group may not live in tribal societies or live in different tribes. Whereas the term tribe denotes a specific response to the environment, the term national minority refers to the community of individuals who share a common language, territory, economic life, and psychological mood composed from historical phenomena, and religious minority includes all

people who are not in the main cultural group of Shiite Persians. A complete list of the various tribal groups and nationalities in Iran classified by language can be found in Appendix A accompanied by a brief description of their geographical location.

Tribal existence evolved as a response to the inadequate water supply throughout much of the country. Livestock and crops require a regular supply of water for maintenance. Tribal groups were able to sustain their livelihood through seasonal movements from winter to summer quarters, thereby capitalizing on the best agricultural and husbandry conditions (10, p. 82). The tribal groups exhibit variations in political participation. Tribal organization should not be interpreted as "primitive" or "traditional." The tribes have a distinct political organization, leadership system, kinship structures, psychological and cultural dignity (5, p. 15).

A profile of a few of the major ethnic groups and tribal groups will show their lifestyles. The Kurds, the Baluchi, and the Baktiari will be highlighted to present a more in-depth look at their existence.

The Kurds are scattered throughout four countries: Iran, Iraq, Turkey, and Syria. In 1978 there were 3.5 million Kurds, 10 percent of the population, living in Iran. Eighty percent were settled by 1978 and 20 percent remained nomads. The Kurds are related by language and ethnic origin to the Persians,

but they differ in social organization, type of Islam, and physical appearance. They are concentrated in the Zagros Mountains area north of Khusistan Province to the Soviet Border (9, p. 144).

The average population density for Kurds was 44 persons/square kilometer in 1975 compared to 10 persons/square kilometer for Iran as a whole. In 1975 more than 70 percent of the total Kurdish population were illiterate, 80 percent of the female population were illiterate. The physician/population ratio was 1/800. In 1966 more than 50 percent lived in a house of one room which was occupied by five or six members (38, pp. 76-82).

The Kurdish social organization is tribal. More than forty tribes and confederations of tribes are recognized, many feudally organized under a chief clan to which serf clans owe their allegiance. Most Kurds are Sunni moslems, whereas the Persians are Shiite. The Kurds have a very independent spirit with a history of attempts to gain autonomy. Major attempts occurred in 1919 and 1947. The Shah tried to ease the tension created by the Kurdish drive for autonomy by allowing Kurdish language broadcasts, improving educational opportunities, and forcing large landlords to sell their land to the government for distribution. The Kurdish nationalists demand "cultural rights (to speak and write Kurdish in public forums), social rights (to equal employment, housing and health), economic rights (to equal

wealth and income), and political rights (to elect their own representatives, have their own police and military forces)" (43, p. 97).

As Professor Ricks points out, these demands conform to the United Nation's Universal Declaration of Human Rights, however, none of the rights were recognized under the Pahlavi dynasty.

The Baluchis, another major nationality group, live in southeastern Iran. Their population in 1975 numbered 610,000 with most living in villages. The average density was 2.44 persons per square kilometer. Only 17 percent lived in cities. Illiteracy data for 1971 reported urban illiteracy 49 percent, rural illiteracy 86 percent. Seventy-six percent of rural men and 97 percent of rural females were illiterate. Sixty-one percent of urban men and 37 percent of urban females were illiterate. Baluchistan were worse than any other area in Iran in 1972. The population/physician ratio was 7780/1, and the population/hospital bed ratio was 3530/1 (38, pp. 104-106). The productivity of the Baluchis is low. The province in which they are concentrated is a region in Iran. About 20 percent are employed in farming and a few more engage in commerce, but many have been forced into smuggling. The Baluchis were oppressed under the Shah for wanting to speak, write, and read their own language, observe their customs, and wear their national costumes (4, pp. 68-69). The

Baluchis represented a threat because they were so far from the center of the regime and possessed a strong and independent spirit.

The Turks are another large nationality group which was estimated at 6,800,000 in 1977. Two million were living in Azerbaijan province, with an average density of 45.1 persons/ per square kilometer. The population/physician ratio for eastern Azarbaijan was 7720/1 and population/hospital bed ratio was 1235/1. For western Azarbaijan the population/ physician ratio was 9075/1 and population/hospital bed ratio was 1473/1 (38, p. 61).

The Azari Turks were not permitted to published newspapers or books under the Pahlavi regime. If any kind of Turkish literature was discovered by SAVAK, The Shah's secret police, the persons involved were tortured and imprisoned. Illiteracy was higher among the Azari Turks than the whole of Iran, 76.7 percent to 63.1 percent (38, pp. 53-54). Azerbaijan in the twentieth century has been the center of resistance and struggle against Pahlavi oppression. The population has been very active in different movements from the Constitutional Revolution to the 1978 Revolution.

The Bakhtiari are another prominent national group, speaking either a Persian dialect or a Turkish dialect. Although autonomous until 1921 they became targets of the central government because of their control of an oil-rich

province (18, p. 40). The Bakhtiari were pastoralists who maintained their lands through expert riflery. They were not strict Shiite Moslems even though they belonged and probably had developed their own rites. The groups spent three months a year migrating between winter and summer pastures, traveling perilous mountain trails (47, pp. 55-57).

Groups have been singled out as minorities in Iran, for reasons other than language and ethnic affiliation. Religion has been the basis for another minority sector. Some of the religious minorities are settled in the same geographic locations, such as the Zoroastrians in Yazd, the Armenians at Julfa, the Assyrians at Rezaieh. The officially-recognized religious groups were allowed representation in the Majlis and were permitted to run religious schools and to publish. They were forbidden to engage in political activities and were unable to hold important military positions. The Zoroastrians numbered around 36,000 in 1977 and are culturally distinct from centuries of endogamy and isolation from Moslem Persians. The Armenians numbered about 270,000 in 1977. They are urban craftsmen, have their own schools and newspapers, and are usually well-educated. Most are literate in Armenian and Farsi.

The Jewish population in 1977 was estimated at 85,000. The Jews had academic and technical schools and were literate. They had no press and remained an impoverished group arousing

little hostility towards themselves (9, p. 135). During the Shah's regime the Jews were not allowed to accumulate property. In fear that the Moslems would confiscate any valuable goods, the Jews lived a spartan existence, keeping carpets and furnishings to the bare essentials (33, p. 159).

The Assyrian Christians totalled 32,000 in 1977 and lived as farmers, mechanics, oil workers. Most belong to the Assyrian Church of the East, but some are Roman Catholic or Protestant.

The Baha'i movement was not legally recognized in Iran, although it was born there and has attained a world total of more than half million. Pacifism, equality between men and women, universal brotherhood, and respect for law are central to their beliefs. Their movement was derived from Islam, however they viewed the Koran as allegorical and were regarded as heretical. The Baha'is have been strongly condemned by the Shiite clergy (9, pp. 135, 153-154).

Minorities received harsh treatment under the Pahlavi dynasty. They were treated as secondary citizens of inferior status. The Shah's policy was designed to promote "Aryan" culture and glorified the past achievements of the Persian nationality, and, in so doing, repressed minority culture (35, p. 24).

. . . the Shah explicitly insists on the central role of the imperial monarch as a fundamental feature of Iranian culture Indeed the notion of different

communities-- linguistic, tribal, ethnic, or religious-- is one which the current state wishes to play down (16, pp. 171-172).

The national groups were forced to abandon their ethnic costumes, customs, and languages and were made to learn Farsi, the official Persian language (35, p. 24). The Shah also used military and paramilitary means to repress minorities when they attempted to better their economic, political, and cultural situations. The national groups were victims of discrimination and did not benefit from the country's developmental investment, expanded social services, and other opportunities derived from oil development.

The nomadic groups experienced repression because their mobility made them more autonomous and, therefore, threatening to the state. In 1964 a confrontation occurred between the Qashqa'i nomads, a large tribe in the southern province of Fars, and the Shah. The Qashqa'is history was fraught with problems with the Shah and became a test case for treatment of nomads. The State was successful in defeating the Qashqa'i with napalm and other bombs after a year and four months of guerrilla fighting in the mountainous terrain. An Iranian political economist, Nasser Pakdamon, observed that the nomads suffered a more ignominious repression than did the American Indians at the hands of the white men (29, p. 306).

The tribal leaders were the first to receive harsh treatment, subject to imprisonment, execution, exile, and

property confiscation, to serve as an example to the rest of the tribal population. Tribes were forcibly settled and sometimes lived under military control. Their political activities were monitored by SAVAK after 1957. When the pasture lands were nationalized under land reform in the 1960's, the tribal groups lived under economic hardship. Agriculture and livestock breeding had been their livelihood and were destroyed with land reform. Their livestock had provided meat for the population and when destroyed, the country had to import more meat. When inflation soared in the 1960's as agriculture declined and food imports increased, the tribes were impoverished, living a marginal existence. The tribes were "victims of Persian Chauvinism." Their economic situation was destroyed and their culture was diminished (5, p. 15).

Social Classes

As has already been demonstrated, the increase in the oil revenues brought about profound changes in the economic structure of the country. Changes wrought on the economic structure filtered down to the class structures where profound changes occurred. The catalyst, once more, was the oil revenues. The different segments of the class structure did not begin transformation at the same time. The merchant class, the hazaaris, were affected relatively early due to their contact with the flow of foreign consumer goods.

The status of the state bureaucrats was enhanced early in the oil development, however, the rural sector was not greatly affected until the land reform in 1962. Katouzian describes the new social structure and its effect on the class system:

. . . the state has become the exclusive fountain of economic and social power. It tends to accumulate all rights and all obligations, and through this process it affects the form and substance of the class structure. The formal traditional class structure may remain intact, but it loses a large part of its explanatory power in determining social relations, social mobility, and income distribution . . . the most clear line of demarcation between different social categories is not so much their common relations with the means of production but their common relations with the chief supplier of the means of consumption, i.e., the state. Social stratification then becomes a function of economic dependency upon the state (28, p. 349).

The three classes resulting from the state organization based on the oil revenues were the clientele which is the most privileged class gaining greatest benefit, the urban population who were employed, and the peasants who received no benefits (28, p. 349).

The social structure as it existed in the early 1950's had a very small upper class, a small middle class and a large lower class. The upper class was composed of the Shah, the royal family and the court, the landowners, the high military, the comprador bourgeoisie, and the tribal leaders. The traditional middle class included the petty bourgeoisie, which was composed of commercial and service traders, land

speculators, money lenders, officials and landed peasantry. Tenant and migrant cultivators, the laborers and the masses of the nomadic population. Table XXXVII shows this structure.

TABLE XXXVII

IRAN: SOCIAL STRUCTURE IN 1950*

Class	Percentages
Court and Pahlavi Aristocracy (military, security and administration)	1
Large commercial class/comprador bourgeoisie (merchants, bankers, contractors, financiers and landlords)	4
Petty bourgeoisie class/commercial and service (traders, small merchants, teachers, clerk, government officials, military)	10
Skilled labor, Semi-skilled labor, Unskilled labor	15
Landed peasantry/middle peasants	10
Landless peasantry/tenant and migrant cultivators	50
Landless "professionals" (headmen, mullahs, oxen owners)	3
Rural bourgeoisie/sudagaran (Land speculators, money lenders, brokers)	2
Pastoralists	5
Total percent of population	100

*Source: Thomas M. Ricks, "Contemporary Iranian Political Economy and History: An Overview," RIPEH: Review of Iranian Political and Economic History, I, no. 1, (December, 1976), p. 29.

The upper class has been determined by family background, wealth, and power. "The Iranian upper classes have for centuries maintained a near monopoly of power. Their strength has been traditionally bolstered and perpetuated by the ownership of land" (7, pp. 400-401). Based on this requirement, the high ulama or religious elite must be added to the traditional upper class because this religious aristocracy owned considerable land. The landowners had always been dominant in the government; in fact, 90 percent of the members of the cabinets from 1907-1970 were from old landowner families (16, p. 268).

The land reform program had significant impact on the upper classes as the large landowners were divested of some of their property, causing many to invest in commercial ventures and become large merchants, bankers, financiers and industrialists, referred to as the comprador bourgeoisie. By investing their fortunes in business and commerce, the landowners moved from the landed to the industrial upper class.

This industrial upper class, the comprador bourgeoisie, was not however, increased solely by the old landowners. Upward social mobility also occurred, raising some petty bourgeoisie to the new industrial upper class of large merchants (7, p. 403; 8, p. 175). Another group of the old landowners did not invest in commercial interests; instead, they put their money in foreign banks and became landless, non-bourgeois aristocracy.

Bill adds another group to his discussion of the traditional upper classes; the foreign capitalists, who had been a part of the social structure since 1909 when the Anglo-Persian Oil Company was created. The foreign capitalists managed a symbiotic relationship with the indigenous aristocracy and thereby were secure in society (7, pp. 403-404). The foreign capitalists made the development of the comprador bourgeoisie class possible which was later expanded after the land reform. Mahdi explains the relationship between them.

The development of dependent capitalism in Iran gave support to a growing comprador class which had a large share in the accumulation of capital and controlled a major segment of the economy. This class consisted of industrial, commercial and agricultural entrepreneurs and contractors who were basically dependent on both the monarchy and foreign capital. The rapid growth of the comprador bourgeoisie was a blow to the national bourgeoisie. The national bourgeoisie could not have an upper hand because of the competition with foreign monopolies (35, p. 20).

The bourgeoisie sector of the upper class has developed into distinct groups. According to Cockcroft the bourgeoisie have been composed of the following higher classes.

1. Comprador bourgeoisie: highly integrated with foreign capital as exporters, importers, junior partners, etc.;
2. Traditional bourgeoisie: in the bazaar economy, carpet industry and trade, etc.;
3. Pahlavi/state bourgeoisie: by far the most wealthy and consolidated bourgeoisie segment, also integrated with foreign capital and the comprador bourgeoisie; and
4. National "modern" bourgeoisie: small in size but significant for its long political fight for state power and for more independent national economic development under the Shah. This national bourgeoisie was denied control of most modern industry. It did, however, control and develop select areas of industry, e.g., parts of textiles, flour, bricks, cement and soon

moreover, its members overlap with some of the traditional bourgeoisie in the bazaar. . . . The United States and England have prevented the national bourgeoisie from consolidating state power for over eighty years and have periodically been replaced in power with monarchy and brutal dictatorship (11, p. 12).

In the upper classes, family connections were extremely important, and endogamy was understandably the rule. This privileged group really had no class cohesion and were highly competitive and insecure. Marvin Zonis has identified four attitudinal characteristics of these classes: political cynicism, personal mistrust, insecurity, and interpersonal exploitation (9, p. 156). Life for the upper classes has always been centered in Tehran. Marvin Zonis concluded that all but five of the top political elite lived in Tehran; these five were religious leaders (9, p. 154).

At the bottom of the upper classes are some of the religious elite, the ulama. Their wealth and prestige were not as great as the other members of the class, however, they enjoyed much respect by all but the westernized middle class. High religious standing made a respectable match for marriage with the other groups in the upper classes which provided many of the ulama with temporal influence through marriage ties (8, p. 174). The religious community had been autonomous because it was supported only by endowments from the wealthy, not the state. When oil revenues soared, complex changes occurred which reduced the influence of the ulama, such as the increased independence of the state, the growth of the state bureaucracy, and the demand for European education (29, p. 244).

The middle class was very small prior to the growth of the oil revenues and then expanded greatly in the 1960's and 1970's due to the White Revolution. According to James Bill,

The middle class arriving on the Iranian scene has been a recent event. It is important to note that certain observers such as Richard N. Frye, M. A. Ojamalzadeh and Kermit Roosevelt, all writing between 1949 and 1953, made special reference to the fact that an Iranian middle class was either totally or practically nonexistent. . . the recent growth of the Iranian middle class can be attributed to increasing economic development brought about by the rich oil resources and gigantic American Aid program. It has been nourished by the expanding opportunities in education and by increased contacts with the Western world. Modernization, urbanization, industrialization, reform and revolution are some of the common watchwords of this aggressive class (7, pp. 409-410).

The small traditional middle class was composed of the wealthy bazaaris, the religious mullahs, and the independent artisans (9, p. 155). The bazaaris constituted a major group in the traditional sector. They formed the center of Iran's production and distribution of consumer goods. The bazaar itself consisted of a few rich merchants, managers, and industrialists; a large number of traders and shopkeepers; and many artisans, craftsmen, vendors, laborers, transporters and maintenance crews. The bazaar was a "somewhat self-contained society, with its own mosque and internal dynamic. . . ." With the appearance of Western consumer goods, good imports and other business interests, and the Shah's pressure to raise prices, thereby making competitive foreign

goods more attractive, the bazaaris became discontent (11, p. 12). They were a political and social force in addition to operating the markets. They consistently defied the upper classes and the government. Pressure from the bazaar forced many landowners to sell their villages and invest in city property and commercial interests (6, p. 474).

The Shah wanted to "create an urban, 'middle class' as the social base for the regime." The purpose was to placate the traditional middle class and eliminate their political opposition while creating a rival class to the old landowners (29, p. 207). The new middle class was different from the middle class in Europe or the United States in terms of income, social interests, and lifestyle. Groups which were absorbed into the new middle class included the pastoral capitalists, rich peasants, and industrial entrepreneurs (16, p. 194).

The expanded middle class included two new groups, the entrepreneurs and the bureaucratic intelligentsia. The entrepreneurial segment were the property owners, most self-employed in commerce and industry, or the bourgeois middle class roughly equivalent to the middle class of the eighteenth and nineteenth centuries in Western Europe. Another sector of this group were the business owners who employed hired labor. The entrepreneurial segment of the middle class were not as successful as the bureaucrats because the foreign

capitalists allied with the old landowners of the upper classes creating a new entrepreneurial group, thereby replacing the middle class entrepreneurial segment.

The bureaucratic intelligentsia were neither landed nor necessarily wealthy. Their position in the middle class was derived from their talents and skills. The intelligentsia performed a service or a function for the society, including the professional, technical, cultural, governmental services. Junior military officers and sales personnel were also a part of this group.

Although the middle class was divided into several sectors, they were united in their desire for more control over Iranian society. The highest positions in society were unattainable. Favoritism, nepotism, and corruption characterized the means of upward mobility. The middle class pushed for reforms so that they could attain the status they felt their skills deserved, but felt they were denied (7, pp. 408-412).

The rural lower class has always been classified according to land tenure relationships and traditionally composed the largest class in the society. In 1967 Ajami studies social stratification in three agricultural villages and identified three social classes: farm operators, self-producing peasants, and the khoshneshin who still comprised 53 percent of the group. Ajami discovered that land reform created a strong class consciousness in villages from which bitter rivalry

developed, and consequently, a divisiveness existed among classes in the villages. The khoshneshin were still excluded from all the new social arrangements as they had been excluded before the reform. He concluded that there were significant differences in their "socio-economic life chances, fertility ratio, family size and kind and extent of inter-generational social mobility. . ." (3, pp. 62-71). Keddie concluded that the rich peasants became richer while those with less resources remained without (30, pp. 385-386).

The urban lower class included some small merchants, police officers, bazaar porters, street cleaners, car washers, mechanics, servants, peddlers, and unskilled workers, migrants, and beggars. Their special characteristics included traditional dress, high illiteracy, manual labor, certain speech habits, and total exclusion from the political process (9, p. 158). James Bill summarized the condition of the lower classes in eight words: "sickness, poverty, ignorance, exploitation, dependence, indebtedness, hardship and squalor" (7, p. 404).

In conclusion, the class structure was wrenched by the Shah's "modernization," especially the agrarian reform (11, p. 6). The evidence indicates that the growth of the oil revenues increased the rewards of a small elite to the detriment of the majority of the population. The unequal distribution of financial reward and political power were

responsible for the pronounced social stratification in Iranian society and bred social instability. In other words, the rich became richer, and the poor became poorer, as the social classes became more polarized.

The Distribution of Wealth and Income

With the oil revenues increase, the basic pattern of income distribution emerged. Income inequality became more pronounced, and the difference between the urban and rural sectors widened. In addition to the state, only a small percentage at the top of the pyramid benefitted from the increased revenues. The state spent generous amounts of the new revenue on military weapons and in payments for favors rendered. Meanwhile, the majority of the population continued to live a marginal existence. Double-digit inflation was the only gift to the lower classes as a result of the higher revenues (35, p. 22).

Income inequality was greater in rural areas than in urban areas. Half of the population, 53 percent, were still living in the rural sector in 1976. Halliday reported that the urban/rural income ratio declined from 1959 to 1965 and then increased again from 1965 throughout the 1970's. He concluded that this pattern was created by the injection of revenue into the urban economy at the expense of the rural economy, the government-protected classes, and the ineffective system of taxation (20, p. 167).

Besides the rural/urban income inequality there is also regional income inequality. The Fars and Central Provinces are higher income regions which exhibit greater inequality than the poorer regions (34, pp. 47-48). Higher income and expenditure was concentrated in the urban areas because the governmental development projects invested in the urban sector rather than in agriculture or the rural economy (2, p. 177).

No effective system of taxation really existed under the Shah. The last chapter already mentioned how easy it was for businesses to evade taxation, and personal income taxation was no more equal or effective as a source of revenue for the state. The tax law of December 1969, amended in March 1969, November 1973, January 1974, was supposed to ensure more equal distribution of wealth and prevent tax evasion through transfer of wealth to children while the parents were still living. A 10 percent income tax was applied equally to all persons whose income was greater than 60,001 rials (roughly \$833,000). Those who had a much higher income thus were allowed to save more without returning a larger percentage to the state. Firoozi concludes that the 1969-74 tax laws had little to do with their stated intentions. A progressive tax would have helped reduce income inequality, but the highest classes were purposely exempt from higher taxation, suggesting that the Shah was protecting their wealth to eliminate a possible cause for their dissatisfaction (14, pp. 79-86).

The gross inequality in income distribution which existed under the Shah can be demonstrated by looking at the shares of the highest and lowest segments in society. In 1959-1960 the upper 10 percent of the population accounted for 35.5 percent of the expenditures, the top 20 percent for 51.7 percent. The poorest 10 percent accounted for 1.7 percent of total expenditures, the lowest 20 percent for 4.7 percent (1, p. 23). By 1973-74 the top 20 percent accounted for 55.5 percent of total expenditures, while the lowest 20 percent for 3.7 percent, and the middle 40 percent for 26 percent. In 1976, the top 10 percent of the people consumed 40 percent of the total income, up 7.5 percent from 1969, while the bottom 1 percent received less than 2 percent. That "top 10 percent figure" was perhaps 3.5 million people, less than one million families and many sent the money abroad (20, p. 167; 20, p. 20). The International Labor office declared Iran one of the most inequalitarian countries in the world (1, p. 23).

During the 1960's, the average per capital income was estimated to be between \$100-\$165/per year, which was lower than that for Egypt, Iraq, Israel, Lebanon, Syria, and Turkey (7, p. 407).

Table XXXVIII shows the average annual incomes for four income groups in Tehran in 1966. The number of families in the low income group was 278,000, the high income 6,000; the low income group was 46 times larger. The lowest income for the

TABLE XXXVIII

DISTRIBUTION OF FAMILIES AND DWELLING UNITS IN
FOUR INCOME GROUPS OF TEHRAN 1966*

Income Groups	Average Annual Income in 1000 Rials	Number of Families	Percent of Families	Number of Dwelling Units	Shortage (-) and Surplus (+) of dwelling units
Low income	76.7	278,000	44	200,000	-78,000
Lower middle income	76.7-236	278,000	44	280,000	+2,000
Upper middle income	230-500	69,000	11	70,000	+1,000
High income	500	6,000	1	20,000	+14,000
Total		631,000	100	570,000	-61,000

*Source: Mohammad Hemmasi, "Tehran in Transition: A Study in Comparative Factorial Ecology," The Population of Iran, edited by Jamshid Momeni, Shiraz, Pahlavi University, 1977, p. 364.

high income group was about seven times greater than the lowest class income. The lowest class had less than one dwelling unit per family, while the highest class had more than three units per family.

From 1967-1977 "the percentage of families living in one room increased from 36 to 43 percent." Just before the 1978 revolution 42 percent of Tehran's population was inadequately

housed (1, p. 23). A small percentage, 1.2 percent of the rural population, averaged \$1,000 annual income while having an expenditure over \$395, still leaving a surplus of capital. As shown in Table XXXIX this was the only group whose income exceeded expenditures.

TABLE XXXIX

PER CAPITAL RURAL INCOME AND EXPENDITURE 1972
(U.S. \$ PER CAPITA) *

Income Category	Mean Income	Percent of Rural Population
400+	1000	1.2 (farmers with over 50 hectares)
200-400	302	19.2 (Animal herders and 11-50 hectares)
100-200 >	131 } average	32.9 } (3-10 hectares)
< 100	70 } \$96	46.7 } (< 3 hectares and landless)
		<u>100.0</u>
Expenditure:		
more than 395		2.2
296-395 } average		2.2 } 9.1
211-316 } \$303		6.9 }
123-247		30.3
89-148 } \$150		33.6 } 58.4
133 } average		24.8 }
		<u>100.0</u>

*Source: Fred Halliday, Iran: Dictatorship and Development, Great Britain, Penguin Press, 1979, p. 132.

The next group already indicates that average income was roughly equal to average expenditure. The lowest segment of the rural population, encompassing 80 percent of the people, averaged a 96 percent income while 60 percent had expenditures of \$150 annually. Clearly, expenditures exceeded income for the majority.

Table XL shows income for the manufacturing industries in 1972.

TABLE XL

WORKERS WAGES INCOME SELECTED MANUFACTURING
INDUSTRIES 1972 (Rials)*

Industry	Number of Workers	Average Wages (Rials)
Textiles	62,183	66,529
Machine-made shoes	5,880	52,721
Petrochemicals	2,073	145,683
Leather	1,591	57,825
Tobacco	4,910	169,450
Automobile tires	938	106,610
Base Metals	3,089	101,975
Automobiles	8,286	89,669

*Source: Fred Halliday, Iran: Dictatorship and Development, Great Britain, Penguin Press, 1979, p. 198.

The data indicate that great differences occurred among the industries. Textiles employed the largest number of workers and yet paid one of the lowest wages; petrochemicals and tobacco paid more than twice the wage. The automobile tire industry

had the smallest number of workers, much smaller than the auto manufacturing itself and yet paid a higher wage.

The most dynamic industries paid high wages. Food, textiles, and clothing industries were below the modern industries although they accounted for 60 percent of urban employment in 1972. "In 1973, 70 percent of the workers were estimated to be earning less than 240 rials (\$3.20), less than the officially calculated minimum for the simple reproduction of labor power." The average urban family received 9,162 rials (\$122) per month, 43.6 percent of which was absorbed by food, and 70 percent of which was absorbed by other basic needs. Clearly, they had less than they needed (26, pp. 8-9).

According to a study in 1974 of unskilled workers, 13.5 percent of the sample, earned an hourly wage of 16 rials, skilled workers earned 21 rials/hour, foreman earned 43 rials/hour, and technicians earned 69 rials/hour (20, pp. 189-190).

Comparison of wages earned in different professions and industries also indicates the great disparity in wages. For example, in 1974 an unskilled construction worker earned \$5.50/day or \$110/month, the pipefitter earned \$440-\$460/month, a bilingual secretary \$1200/month, a beginning engineer \$2000/month, and a graduate manager \$4,500/month. At the same time in 1973/74, the average per capita income was \$501 to \$821 (18, p. 90).

According to Table XLI wages for modern manufacturing may appear to have risen considerably with the oil revenue increase. However, when the inflation factors are taken into account, the raise is far less substantial. Inflation was not less than 150 percent for the entire five year period and was greater in certain areas. Food and housing experienced a 400 percent inflation rate. The average wages include all the employees in the industry from the top administrators down to the janitors. The earnings of the average worker would have been much less than the figures indicate.

TABLE XLI

OUTPUT PER WORKER AND EARNINGS PER WORKER IN MODERN
MANUFACTURING, DOLLARS (\$1=72 rial)*

Year	Annual Output Per Worker	Annual Earnings Per Worker	Weekly Per Worker	(2) x (1) Numbers
1971-2	11944.4	1222.2	23.5	10.3
1972-73	13100.0	1416.6	27.2	10.8
1973-74	14113.2	1667.0	32.1	11.8
1974-75	15453.4	2066.3	39.7	13.4
1975-6	16943.9	2763.2	53.1	16.3

*Source: M. A. Katouzian, The Political Economy of Modern Iran, New York, University Press, 1981, pp. 283-284.

"Profits have been enormous and concentrated in a tiny minority of the population. Wages, on the other hand, even for the best-paid workers have been rapidly eroded by unchecked inflation" (26, p. 8).

The real wealth of the country was concentrated in the hands of the top elite and the Pahlavi family under the auspices of the Pahlavi Foundation. According to "Miraculous Growth and the Upheaval," an article by B. Montazami and K. H. Naraghi cited in Monthly Review,

In 1972, 56 families owned shares in 177 of the 364 largest industrial firms and controlled 39 percent of them. . . in addition 72 other families were represented in 88 other [largest] firms. . . . All total, 128 families and the Bank for Industrial and Mining Development (a private bank with foreign participation) had shares in 73 percent of the firms referred to (26, p. 8).

Officially, the foundation was a charitable organization begun in 1958 and financed by the Shah's personal wealth. In reality it served three functions. It was a source of pensions for the faithful elite, a means of economic control over society through investments in key enterprises, and a source of general funds for royal needs. According to Marvin Zonis, "After the government itself, it is the most powerful economic force in the country" (18, p. 155).

If the Foundation had supported in full all the charities it was supposed to sponsor there would have been no money left for anything else. The state paid a large part of the charity expenses. For example, the State paid \$80 million or half the budget of the Imperial Organization for Social Services (IOSS) which operated 250+ clinics and 10 hospitals (18, p. 165).

Reza Shah had amassed a fortune for the Pahlavi dynasty to make his system of control and reward. The Shah maintained

the fortune by "blurring the distinction between state funds and royal funds to ensure that, when necessary, the former are at the disposal of the regime." National Iranian Oil Company funds were used as a source for "skimming money" from state income for the royal family. Few had access to the NIOC accounts. "In short, NIOC contributes to a glorified slush fund" (18, pp. 152-153).

The January 1979 issue of The Armed Forces Journal International carried the following statement:

By 1977 the sheer scale of corruption had reached a boiling point. The Pahlavi Foundations had become a blatant method of grabbing wealth for the royal family. Senior officers obtained vast wealth from commissions. Senior officials who ran companies such as Iran Air and the National Oil Company hardly bothered to conceal their extortions. . . . even conservative estimates indicate that such corruption involved at least a billion dollars between 1973 and 1976 (1, p. 23).

"In 1974-75 alone the commander-in-chief of the Navy was found guilty of pocketing \$3.7 million and the commander-in-chief of the Air Force (the Shah's brother-in-law) was implicated in a \$5 million kick-back scheme" (1, p. 23).

The Foundation was a channel for bribes, pay-offs, and subsidies to the elite when they could not be done through the government. Payments were made to foreign officials for favors rendered as well as to Iranian officials. During Senator McClellan's Committee on Government Operations in May and June 1963, Khaiber Khan, former chief of the Bakhtiari tribe, presented photocopied documents that the Pahlavi

Table XLII

PAHLAVI FOUNDATION*
 (Checks Drawn on Account 214895.20 H Cpte \$
 Union Bank of Switzerland, Geneva)**

Date	Recipient	Nationality	Position (1962)	Amount (\$)
2/5/62	Royal Family (10 checks)	Iranian	Shah's relatives	29,000,000
	Mrs. Loy Henderson	US	Wife of former US Ambassador ^a	1,000,000
	Hossein Ala	Iranian	Former Prime Minister	1,000,000
	Henry R. Luce	US	Publisher, Time, Life, Fortune ^g	500,000
	Allen Dulles (sic) ^a	US	Director, CIA	1,000,000
	Seldin Chapin	US	Former Ambassador to Iran	1,000,000
	George V. Allen	US	Former Ambassador, Former Assistant Secy. of State	1,000,000
	R. A. Pigot	UK	British Admiral, Middle East Fleet	1,000,000
	T. W. Piper	UK	Cmdr. RAF Middle East '60-62	1,000,000
	William Warn (sic)	US	Dir. Point Four Iran, '51-55	1,000,000
	Ali Amini	Iranian	P.M. of Iran, 5/61-7/62	2,000,000
4/2/62	David Rockefeller ^d	US	Chm. Chase Manhattan Bank	2,000,000
	Ardeshir Zahedi ^e	Iranian	Former Admin. Deputy, USAID (now Ambassador to US)	3,000,000
	Edwin Thorne	US	Sr. V.P., Mid-East Affairs, First National City Bank	500,000
	Charles M. Cariddi	US	Secy., US Embassy, Teheran	100,000
	Howard W. Page	US	V.P., Standard Oil N.J. ^b Dir., Aramco; Dir. Near East Foundation	300,000
	Adolphe A. Juviler	US	Chm., Thompson-Starrett Co. ^h	300,000
	Lyle J. Hayden	US	Exec. Dir., Near East Found.	500,000
	J. Ward Keener ^f	US	Chm., B.F. Goodrich & Co.	500,000
	Harold E. Gray	US	Exec., VP, Pan Am. Airways	500,000
	James L. Tollion	US	Exec., Bank of America International ^c	500,000
	George Parkhurst	US	VP, Standard Oil of Calif. ^b	500,000
Cleveland E. Dodge	US	VP, Phelps-Dodge Corp.; Chm., Near East Foundation	500,000	
5/22/62	L. G. Davis	US	Exec. VP, Gulf Oil Corp. ^b	500,000

*Source: "The Pahlavi Foundation," Middle East Research and Information Project, MERIP Report No. 40, p. 22.

**Only a partial list of photocopied checks presented by Khaiber Khan.

^aDenotes participant in 1953 coup d'etat.

^bDenotes Iranian Oil Consortium participant.

^cThis is only a partial list of the checks photocopied by Khaiber Khan's agents
^dRockefeller's Chase International Investment Corp. was a fo-founder, with Lazard Freres, of the Industrial and Mining Development Bank of Iran (IMDBI) in 1959. Another Rockefeller investment vehicle, the International Basic Economy Corp. (IBEC) had a real estate project in Iran at the time.

^eSon of General Zahedi.

^fHis company had just completed construction of a tire plant near Teheran, in which the Pahlavi Foundation had taken a major share.

^gThe Chairman of the Executive Committee of Time, Inc., James A. Linen, organized the US-Iranian Investment Conference held in Teheran, May 1970.

^hStarret Housing Corp. of New York City signed a contract in December 1974 with Bank Omran (wholly owned by the Pahlavi Foundation) to build an estimated \$500 million of high-rise condominium in Teheran.

Foundation was skimming money from U.S. aid funds to make multi-million dollar payments to Iranians and foreigners. Table XLIII shows checks to members of the Royal family for \$29 million; General Khatemi, Dr. Amini, Hossein Ala, and Zahedi probably for private pensions. A check for \$2 million to Rockefeller may have been for placement of Pahlavi investments. All the checks written April 2, 1962 were to prominent American businessmen just nine days before the Shah's coming to the United States to seek more aid for his reforms (39, pp. 14-15).

It was common practice for any investor in Iran to give the Foundation a gift of a one percent holding in whatever commercial or industrial venture was involved to insure good profits. Through these "gifts" the Foundation added investments (18, p. 162).

The Foundation owned considerable assets in banks, property development, publishing, insurance, hotels, industry and agribusiness. There was financial involvement in middle and upper-income property development, while publicly the Shah spoke against emphasis on these income groups while ignoring lower-income groups. The Foundation owned the largest share in the publishing industry which includes school textbooks. Material was edited to present the regime favorably, becoming a very important factor in social control. The Foundation ran orphanages which were used to recruit entrants for the police and the gendarmerie.

The interlocking of state funds, the Foundation, and the royal purse was illustrated by foreign investment in the DePinna Building in New York. It was to house Iranian State Agencies which would pay \$5 million annually to the Foundation. Foundation ownership of the building meant it was for charitable use and therefore did not have to pay U.S. taxes and the U.S. government could not investigate its books (18, pp. 157-165).

Appendix B shows the known financial investments of the Pahlavi Foundation in 1977.

Three major conclusions can be reached about the distribution of wealth and income in Iran. Income inequality in all major dimensions, between the upper classes and lower classes, the urban and the rural sector, within the urban sector, and within the rural sector continued to increase in the late 1970's with increased oil revenues (30, p. 174). Secondly, the Pahlavi holdings extended to all the major economic sectors in industry and commerce, showing the personal control the Shah had on the development of the country. Thirdly, vast sums of money cannot, by themselves, build a Great Civilization, especially when the money is concentrated in the hands of a few, thereby creating new problems for the whole society and increasing the disadvantages position of the majority of the population.

The Position of Women

Women are important in a man's life only if they're beautiful and charming and keep their femininity. This business of feminism, for instance: What do these feminists want? . . . You say equality. . . You're equal in the eyes of the law but not, excuse my saying so, in ability. No. You've never produced a Michelangelo or a Bach. You've never even produced a great chef. . . . You've produced nothing great, nothing! (12, pp. 271-272).

The words are those of Shah Mohammed Reza Pahlavi, the champion of women's rights in Iran. The Shah's motivation in declaring men and women equal before the law may not have been to confront the problems which existed for women in Iran's society and solve them but rather to forestall any radical demands. The state of Iranian women before the Shah enacted political reforms must be understood. Two important influences on the treatment accorded women in Iran have been the Iranian culture itself and the Islamic religion. It is difficult to separate the influence of Islam from that of the general culture. The culture has been permeated with beliefs and perceptions that men are superior to women biologically and intellectually. The Koran states that, "men have authority over women because Allah has made the one superior to the others, and because they spend their wealth to maintain them. Good women are obedient" (32, p. 370). Because women are seen as inferior, there were numerous ways in which they were dominated physically, psychologically, socio-economically, politically,

and legally. Paul Vieille's eight-year study of peasants and industrial workers in Iran produced research on Iranian women of these classes, which included the majority of women. Vieille's research illuminated the basic perceptions of the society. Female children are less valued than male children because their virginity must be guarded. The male children may be favored because they can later economically support their parents. Emphasis on virginity involves physical restrictions and confinement and limited male contacts. The female's life is bounded by external controls. Moral control is absent from the modes of restraint because it would mean recognition that the female has free will. The female is devalued as a personality and as a producer for the society; she is a sexual object. Friendship between men and women is conceived as impossible; all behavior between them is perceived as sexual; therefore, women must be controlled by the use of the veil and restricted physical freedom (46, pp. 452-461).

Women are also viewed as intellectually inferior due to their attributed emotionalism and irrationalism. Menstruation is viewed as interfering with their intellectual abilities and "polluting" them. Women have been allowed to study but not to become mojtaheds (interpreters of Islam). "Intellectually, women are not able to learn from their five senses as are men partly because they are veiled and partly because they

have less capacity, and so in law 'the evidence of two women is equal to that of one man'" (15, p. 195). Consequently women were not seen as fit for governmental or judiciary positions.

Economically women were held in bondage to men because, traditionally, women were not supposed to work outside the home. But many in the lower classes did because they needed more money than the husband earned. In modern higher classes, the attitude against women working does not prevail, and many are well-employed. Islam has been heralded as having a systematic framework by which women benefitted economically by inheritance when the rest of the world did not allow women to own property or inherit it. But Islam does not allow women to inherit equally with men. "A male shall inherit twice as much as a female" (32, p. 367).

A number of Persian Islamic intellectuals, notably Tabatabai, Mataheri, Vashnui, and Sheriati, have defended the place of women in Iranian society as far better than that of western women. They criticize the idea that women need liberation beyond what Islam offers to them, arguing that Islam was responsible for raising women from the status of property to the status of full persons. They say that Iranian women do not have the problems of western women, which were rooted in the Industrial Revolution and World War I, and that Iranian women's demands for liberation are "misplaced imitations of the West" (15, p. 193).

Within this cultural context the Pahlavis enacted legal changes; however, the social customs lagged far beyond the legal reforms. In 1936, Reza Shah banned the veil; in 1963 women were given the right to vote and allowed to hold public office; in 1967, the first Family Protection law was passed giving women equal control over divorce and restricting polygamy, which was later repealed and amended in 1975 to further restrict polygamy. Even though women were given power over divorce proceedings through these laws, socially it was not acceptable. Women are still economically dependent upon men and psychologically controlled by men. The family institution is strong, and women are seen as fulfilling their function in the family role.

Change in the status of women would have been disruptive to the traditional family pattern in Iran which was controlled by the Islamic influence.

Equality before the law, increased educational and occupational opportunities would push women out of the traditional role identifications and force significant changes in extended family patterns (31, p. 14).

Even in 1977 in a city as modern as Isfahan with many Western features, women led basically the same traditional domestic lives, marrying early, having little education, seldom employed. Urbanization has not automatically been accompanied by change for women (19, p. 517).

Family life is based on marriage and the enculturation of girls has been directed towards early marriage. In rural

society the female median age for marriage has been 13-15 years, slightly older in urban society, 17-19 years. Fertility rates are high, partially due to young age at marriage (19, p. 509). The woman's major legal rights in marriage are mahriyeh (insurance money) and economic support; the husband has traditionally been "the boss" (40, p. 220). Marriage has been likened to a commercial transaction in which the women are private property exchanged for the mahr, the bride payment, now often symbolic (44, p. 203). Traditionally many marriages were arranged by families, but now many are decided by the individuals themselves. Men and women seek a mate with a good physical appearance and high status. The man should be better educated than the woman (40, p. 222). Husbands dislike their wives to work, and the women take pride in not working. Women under the Pahlavi dynasty were an exchange good, a source of sexual pleasure for man, a source of heirs. Woman is devalued as a person. "Sexuality is not a personal adventure." Only the man has the right to show sexual desire. As Vieille states, "Sexuality is physically isolated from the body as a whole and temporarily isolated from daily life" (46, pp. 456-462). The husband does not trust the wife to be faithful and must apply external controls. Women are seen as weak and unable to resist men. Temporary marriage has always been allowed in Islam and is, in fact, an institutionalized form of extra-marital sex. The 1967 Family

Protection Act banned the practice. Temporary marriage was not practiced by the lower classes, but was occasionally practiced by the traditional middle class. Adultery was common in certain liberal social milieus under the Shah, especially among officials (46, pp. 454-467).

Girls marry young in rural society and receive little formal education. In villages in Fars province in 1971 only 19 percent of the girls aged 6-19 were educated while 57 percent of the boys in the same age group were educated. In the cities, 75 percent of the girls and 84 percent of the boys aged 6-19 were educated (40, p. 218). Halliday reported that in 1975 illiteracy for women in rural areas was 90 percent. Education of women has increased along with education for men, but it has not been consistent for all classes. Only the higher classes have made significant increases with the women attending universities and becoming professionals (31, p. 14). Iran has always been a patriarchal society. The Imams, the Shahs, and the Ayatollahs could only be men; the father figure has always been revered. The patriarchal ideology was indirectly based on the assumption that biological differences forced women into a limited role in society; the socialization process, educational curriculum, and social beliefs supported this idea (36, pp. 61-62). The economic system has always witnessed the participation of women. In rural society, the women have assisted in agricultural activities and have been important in the home industries, such

as the textile industry and carpet weaving. In nomadic societies, the women have historically participated in the economic life of the tribe. However, women have been in the inferior position earning low wages. Even after the increase in the oil revenues, women remained in the economically subordinate positions working at lower skilled jobs for less pay and longer hours. According to official statistics in 1972, 13 percent of females over age twelve, 1.4 million, were employed; 64 percent in industry, 22 percent in services, and 11 percent in agriculture. Sixty-eight percent of the males over 12 years were employed (20, pp. 16, 191).

A discussion of Iranian women must include the women of the pastoral nomads whose lives differ from women in both the urban and rural sectors. Men and women tend to be more equal in nomadic societies because their roles are more interdependent than in modern societies. Survival demands equal participation of both sexes. Increasing sedentarization of the nomads has led to greater restriction for the lives of the women. They lose the complementarity of life as nomads, men and women sharing work of equal importance, and are forced into the same pattern of immobility as urban women; the nomadic women must take up the veil which was not worn in their societies. The veil was really an urban creation (5, pp. 351-369).

Research of the Lur tribes also indicates that women have occupied more prominent positions in nomadic societies.

The Boyr Amad women of the Lurs have had control over the means of production and allocation of economic resources in their households (13, p. 87).

In the traditional literature of Iran the women have been portrayed as weak, obedient, without real identity; this is a reflection of what has been forced upon them. According to Good, 80 percent of Iranian women have nervous conditions in response to their restricted and unhappy lives. They have no freedom to just walk where they wish, no money to buy things, no entertainment for themselves, no sources of pleasure and relaxation, and usually many children to care for. Life is only a series of difficulties for the majority of Iranian women; tension within the family living arrangement, tension with the husband over pregnancy, problems with the children, and with being poor (17, p. 323). Changes in the status of women has not yet affected family patterns which will have to occur before meaningful change can result. "Despite the growth of women's consciousness in political affairs, their political participation still lags greatly behind that of men" (44, p. 209). Socio-cultural and economic elements have controlled women. Iran has been a patriarchal society which controlled the means of production and women. Women have been excluded from positions of power and influence and came to internalize the idea that they held an inferior position in society because they were inferior. The religious, cultural,

political structures of the society were permeated with the idea and reflected it back to the women (36, pp. 60-63). The women themselves, especially in this century have been trying to obtain their rights and participate in the socio-political process in the society.

Great differences have always existed between the life chances for men and women in Iranian society. Although legal reforms were enacted under the Shah, Iranian women remained socially and economically in an inferior position. Western influence under the Shah created the appearance of liberalization in the relations between men and women; however, the influence was superficial and limited to consumption patterns. Contrary to current thought, the religious element has made it more difficult for Iranian women to achieve equality in the society.

Conclusion

As the oil revenues poured into the Iranian government and economy, contradictions within the society increased. Only the clientele of the state, the elite of the top were satisfied while the masses barely subsisted. The lower classes were crowded together in the cities where no real urban planning was undertaken to solve the population problems. Fertility was high, unemployment high, and anomie was increasing while a sub-proletariat was emerging as a result of the urban areas

inability to absorb the influx of potential labor and provide a suitable social environment. Meanwhile, the Pahlavi Foundation was amassing a private fortune for the Pahlavi family by syphoning funds from the government income which was supposed to benefit the whole society.

The Shah's drive to create the "Great Civilization" included suppression of minority cultures and violent treatment of tribal demands for autonomy. The position of women was, in legal respects, enhanced under the Shah; however, the culture had been deeply steeped in ideology relegating women to an intellectually and biologically inferior position.

The mismanagement of the economy and the resultant social tensions increased the dissatisfaction of the masses which brought Iranian society to the boiling point in 1978.

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CHAPTER V

CULTURAL AND SOCIAL VALUES SINCE 1953

Introduction

This chapter discusses the role of the military, social control, and culture and social values. The section on the military examines the defense expenditures and modern weaponry purchased under the Shah. The section on social control describes the organization of the Shah's governmental and security apparatus. Culture and social values treats the significant behavioral influences in the society under the Shah.

The Shah and Arms

The Shah's dream to once again make Iran the Great Civilization was made possible by the oil revenues and attained symbolic fulfillment in the ownership of a large array of sophisticated military equipment. The military build-up signified the power of the Shah as a formidable king and the rebirth of the era of the great ancestral rulers.

The military was the key to the Shah's internal security. He did not distinguish between the guarantee of national sovereignty and the guarantee of his throne; they were of equal importance as one did not exist without the other. There was never any question whether the large sums spent on the military

would have been better spent in the civilian sector of the economy. According to Graham, the growth of the military was detrimental to the civilian sector (13, pp. 168-185). Defense expenditures formed the largest share of the budget. Military and civilian needs were not coordinated under the Plan Organization. The high defense expenditure was a luxury which Iran could not really afford at that stage of its development.

The Shah's desires coincided with world perception of the importance of the Persian Gulf countries, especially Iran. By the late 1950's Iran had become economically and strategically significant to the United States and later to the Soviet Union (see Chapter II). Iran had become a major oil producer for the United States and Western Europe. In 1970 the Nixon Doctrine recognized that political control over the Persian Gulf region was essential to the vital interests of the United States. Former CIA Director and Ambassador to Iran, Richard Helms, accurately described the importance of Iran when he said, "Iran is in political terms, the real center of the world" (7, p. 44). In 1977, Senator Jackson stated the following in a senate report:

A U. S. commitment to the defense of the oil resources of the Gulf and to political stability in the region must constitute one of the most vital and enduring interests of the United States....these interests in Iran are at least as essential to the United States as the interests engages in Western Europe, and therefore must be accorded treatment equivalent to that accorded Western Europe (7, pp. 44-45).

Iran's geopolitical importance has been multidimensional. The fact that Iran is the only non-Arab Moslem country; its proximity to the Saudis, Israel, and the Suez Canal; its location at the heart of the oil markets; and its borders with the Soviet Union have made it a key player in the development of the third world in the Middle East, vis-a-vis Western interests. Lieutenant Colonel Mason Rumney highlighted these points in an article in Military Review (24). Since the 1970's the East and the West have competed for control over the Middle East, Iran being the "gateway." The Soviet Union has desired a warm-water port since the time of Peter the Great. Iran provided direct access to the Persian Gulf for the flow and control of oil. Many forms of pressure could be exerted on the West with such control if the Soviet Union could control this flow. It would then have "superior military and commercial access to the Indian Ocean" (24, p. 69).

These political and economic considerations are highly significant in understanding the Shah's desire to militarize Iran and the Western embrace of his decision. The Shah's personal and political interests coincided with Western interests, notably the United States. The militarization of Iran served the United States interests as well as it served the Shah's. By militarizing the country, the United States was able to make the Shah the gendarme of the Persian Gulf and, thereby, control the area and insure the flow of oil to western

markets. The Shah himself realized this when he stated:

If you're asking me who I consider our best friend, the answer is the United States...the United States understands us better for the simple reason that it has so many interests here. Economic and therefore direct interests...I've just said that Iran is the key, or one of the keys, to the world (8, p. 280).

The Shah had always wanted to be regional military leader, but Britain's presence in the Gulf until December 1971 prevented him from playing that role until their withdrawal. The United States then encouraged the Shah to fill the power vacuum created by the British withdrawal. The Shah needed the proper military equipment to perform the function of regional policemen, and the United States was the most likely source to satisfy those needs. By 1972 the Shah wanted to purchase sophisticated United States military equipment. United States Defense Secretary Schlesinger advised Nixon against the sale of sophisticated technology, such as the F-14, F-15, and laser guided bombs. Schlesinger also warned against increasing uniformed American personnel in Iran, but Nixon ignored the advice (13, pp. 169-171). "In a famous memorandum following on Nixon's visit to Tehran, Kissinger instructed the defense establishment to give the Shah whatever weapons in whatever quantity he desired" (7, p. 46).

The sale of military arms and equipment had been used as an "instrument of foreign policy" by America after World War II. Arms sales were used to supplement defense agreements, creating

alternative forces to American presence in other parts of the world. Arms contracts have been economically profitable for the American arms manufacturers, allowing them to lower prices to the United States government while increasing investment in research and development.

The United States transferred over \$110 billion worth of arms and related military services abroad between 1950 and 1976....since ending its involvement in Vietnam, the United States has sent over 60 percent of its weapons exports to the Middle East, mainly to Israel, Iran, and Saudi Arabia (22, p. 56).

Former National Security Advisor Brzezinski described the active commitment of the United States behind all of its foreign policy decisions:

Today, in the ultimate sense, national security means an active and positive engagement by the United States in shaping a rapidly changing world in ways that would be congenial to our interests and responsive to our values (7, p. 50).

Since the 1950's the Shah had maintained friendly relations with all the American allies in the Middle East, another factor in United States support of his role as regional power. Proof of regional acceptance of the Shah's assumed role, Oman requested Iranian military assistance to suppress the Dhofar rebellion along the Oman/South Yemen border in 1972. From 1973-75 the Shah again demonstrated his regional importance by helping Pakistan crush dissidents in Baluchistan and by aiding Somalia in the Somalian/Ethiopian war. The Shah admirably filled the position the Saudis did not want (7, p. 46).

The Shah's new position as regional military power was expensive and again, the oil revenues made it possible. According to Graham, the defense budget was never below 23 percent of the general budget during the Shah's regime and frequently over 35 percent (13, p. 168). Defense expenditure was \$67 million in 1953, \$241 million in 1964, \$844 million in 1970, \$3,680 million in 1974. A twelvefold increase occurred from 1953 to 1970, and by 1974 defense consumed 32 percent of the total budget. The revised Fifth Plan projected expenditure for defense was 31 percent of the total projected expenditure or over 9 percent of the gross national product (14, pp. 71, 94).

Between the years of 1950 and 1977, Iran bought over \$20 billion in weaponry, ammunition, and technical/training assistance under the Military Assistance Program (MAP) and the Foreign Sales Program (FMS) of the United States (21, p. 92). Between 1972-1976 the United States sold over \$10 billion in arms supplies to the Shah (13, p. 175). Iran was the United States number one customer in arms sales, accounting for 25 percent of all American arms sales for the years of 1958-1977. From 1950-1970 defense expenditures included \$767 million in MAP grants, \$496 million FMS credits, \$624 million from the International Military Education and Training Program for training 11,025 military personnel, and \$1.7 million under the Agency for International Development's Public Safety Program

to train Iranian police. After 1970 Iran no longer received MAP grants (21, p. 92).

Falk points out that the Shah's defense purchases from the United States helped to reduce the rising United States trade deficit. "The volume and trends of United States foreign military sales to Iran...\$10 million in 1950, over \$100 million in 1970, \$524 million in 1973, \$3.91 billion in 1974, \$2.6 billion in 1975, \$1.3 billion in 1976, and there were \$12.1 billion of weapons in the pipeline when the Shah fell (7, p. 46). Table XLIII provides a more complete listing of American arms sales to Iran from 1950-1979, distinguishing between the government-to-government contracts and the commercial contracts. The figures will differ from the other sources. Knowing that the Shah wanted to purchase as much military equipment as possible, American companies competed for large contracts. Rockwell International was to sell an \$850 million electronic surveillance system to Iran. A \$2.2 billion contract with \$28 million commission was riding on the sale of eighty F-14 fighters, which were sold before the United States government had even determined whether it wanted to sell such sophisticated weapons (13, pp. 172-173).

The Shah purchased as much weaponry as soon as he could. His haste brought a great waste with the investment, because substantial time was involved in training the manpower to use all the equipment and master it. Military personnel were

TABLE XLIII

UNITED STATES MILITARY SALES TO IRAN
1950-1979*
(In thousands of dollars)

Government-to-government Foreign Military Sales (FMS)			
Fiscal Year	Agreements	Deliveries	Commercial
1950-66	292,494	47,292	
1960-66			5,905
1967	143,873	38,866	2,022
1968	69,038	56,717	5,147
1969	251,573	94,881	10,084
1970	113,154	127,717	9,811
1971	396,841	79,352	27,059
1972	519,110	214,807	36,975
1973	2,157,355	238,633	19,421
1974	4,373,225	510,347	35,322
1975	3,020,979	956,372	49,410
1976	1,688,381	1,466,767	107,943
1977	5,803,079	2,245,899	121,500
1978 (est.)	3,000,000	---	131,000
1979 (est.)	2,625,000	---	141,000
TOTAL	24,454,102	6,718,270	702,599

*Source: Khosrow Fatemi, "The Iranian Revolution: Its Impact on Economic Relations With the United States," International Journal of Middle East Studies, XII (1980) p. 306.

required to absorb too much too fast, reducing their competency and expertise (13, p. 185).

The largest military orders were for helicopters, missiles, aircraft fighters, and naval destroyers. The following table shows the quantities in each category and the specific

TABLE XLIV

A SELECTED LIST OF IRAN'S AMERICAN MADE ARMS*

Quantity	Manufacturer and Product	Delivery	Source
Aircraft			
108	McD-D F4E Phantom fighters	1974-5	**SIPRI 75-6
36	McD-D F4E Phantom fighters	1976-7	SIPRI 75-7
12	McD-D RF-4E Phantom tactical reconnaissance	1976	SIPRI 77
141	Northrop F-5E Tiger II fighters	1974-76	SIPRI 75-7
28	Northrop F-5F trainers	1976	SIPRI 76-7
80	Grumman F-14 Tomcat fighters	1976-78	SIPRI 75-7
160	Gen. Dynamics F-16 fighters	(1979-)	AWST 6.13/77
6	Lockheed P-3C Orion anti-submarines	1975	SIPRI 75-6
3	Lockheed P-3C Orion anti-submarines	1977	SIPRI 77
12	Lockheed C-130 transports	1974	SIPRI 75
6	Lockheed KC-135 tankers	----	MB 75-6
6	Boeing 707-320-C tanker-transport	1974	SIPRI 75
7	Boeing 707-39JC tanker-transport	1976	SIPRI 77
7	Boeing E-3C Airborne Warning and Control aircraft	--	
	Airborne Reconnaissance and Ground Process Systems	--	OMC
2			
31	Beech F33C Bonanza Light craft	1974-5	SIPRI 79
Helicopters			
202	Bell AH-1J Sea Cobra gunships	1974-7	SIPRI 75
287	Bell 214 utility	1975-7	SIPRI 75-6
39	Bell 214C utility	1977-8	SIPRI 77
6	Sikorsky S-65As	1975	SIPRI 76
6	Sikorsky RH-53Ds	1976-7	SIPRI 77
50	Boeing CH-47s	--	MB 77-8
91	Bell-Agusta 206 Jet Rangers	--	SIPRI 75-6
6	Bell-Agusta 212s	1976-7	SIPRI 75-6
16	Boeing Meridionali Ch-47C Chinooks	1974	SIPRI 75
22	Boeing Meridionali CH-47C Chinooks	--	SIPRI 75-6
Missiles			
280	Hughes AIM-54A Phoenix AS	1976-8	SIPRI 75-6
2,500+	Hughes AGM-65A Maverick AS	1974-5	SIPRI 75
754	Raytheon AIM-9J Sidewinder AA	1976-8	SIPRI 77
516	Raytheon AIM-7 Sparrow AA	1976-7	SIPRI 77
222	McD D AGM-84A Harpoon AS & ShS	--	SIPRI 75-6
6,200	Hughes BGM-71A TOW anti-tank	1974-7	SIPRI 75-7
300	Hughes TOW anti-tank (partial production in Iran)	--	OMC
634	McD-D FGM-77A Dragon anti-tank	(1977)	
---	Raytheon Improved HAWK Surface to Air system	--	
Naval			
6	Ex-US Navy destroyers	1978	SIPRI 76
3	Ex-US Navy submarines	1975-6	SIPRI 76
414	Mk. 46 torpedoes	--	SIPRI 76

*Source: Khosrow Fatemi, "Iran Revolution: Its Impact on Economic Relations with The United States," International Journal of Middle East Studies, XXII (1980), 305.

**SIPRI, Stockholm International Peace Research Institute Yearbook; AWST, Aviation Week and Space Technology; MB, Military Balance (annual from International Institute for Strategic Studies, London; OMC, Office of Munitions Control, State Department.

models which were purchased over the years 1974-1978. Most of the equipment was delivered between 1975 and 1977. The Shah planned to build defense production plants, but he was unable to complete this project. He had arranged with the United States for a helicopter plant. The following table is a listing of the cancelled military purchases by Iran from October 1978 to June 1979. Twelve and a half billion dollars worth of defense-related purchases were in process when the Shah lost power, which was more than the amount spent on American arms purchases from 1972-1976. There were smaller items related to internal security which Iran purchased from the United States: 4,000 revolvers, and 300,000 rounds of ammunition to the nation's police, 50,000 hand grenades to the Imperial Iranian Gendarmerie, and 356,293 gas masks and 11,994 tear gas cannisters to the army (21, pp. 92-93).

The vast array of military equipment required substantial numbers of personnel involved in operations and technical maintenance. In 1976 there were estimated to be 300,000 Iranian military personnel, representing three percent of total employment. Support personnel would have raised this figure by tens of thousands (14, p. 72). Under the Shah, Iran spent four times the amount on military per capita as Turkey, yet Iran had 30 percent fewer personnel. The eighty F-14 fighters alone required 6,500 support personnel, 2,650 which must be specialized. The reason that Iran had less personnel than expected

TABLE XLV

CANCELLED DEFAULTED MILITARY PURCHASES BY IRAN
October 1978-June 1979*

Equipment	Manufacturer	Number	Price (in millions of dollars)
F-16 Fighters	General Dynamics	140	2,500
F-16 Fighters	General Dynamics	160	3,200
F-4E Fighters-Bombers	McDonnell Douglas	31	350
Shrike Air-To-Surface Missiles	Texas Instruments	1,000	105
F-14 Fighters	Gruzman	70	1,750
Airborne Warning and Command Systems (AWACS)	Boeing	7	1,200
Spruance Class Destroyers	Litton Industries	2	800
Helicopter Production Plant	Textron Inc.	1	575
Phoenix Air-to-Air Missiles	Hughes Aircraft	400	100
RF4E Reconnaissance Planes	McDonnell Douglas	16	219
M48M Tanks Reconstruction Plant	Harsco	1	80
Miscellaneous Missiles, other Weapons and Training	Different Companies	---	752
Miscellaneous Naval Weaponry	Different Companies	---	350
Naval Construction Project	Planning Research	1	30
Construction Project	Harris Corp.	1	65
747 Military Transport	Boeing Corp.	4-5	200
Total			12,476

*Source: Khosrow Fatemi, The Iranian Revolutions: Its Impact on Economic Relations with the United States, "International Journal of Middle East Studies," XII (1980), p. 307.

for its military expenditures was the presence of United States military and technical personnel.

In 1976 there were 2,941 former members of the United States Armed Forces working for U.S. firms and another 1,435 directly under the U.S. State Department of Defense (14, p. 98).

By one report there were 24,000 American advisors and technical experts in Iran in 1976, and 50-60,000 were expected by 1980 (13, p. 177). According to the United States government documents, there were 6,452 American civilians and 1,122 government personnel in Iran in 1978. The same document stated that arms sales to Iran inevitably involved a military personnel commitment to the Shah to provide training and technical assistance which made the United States heavily involved with Iran's military complex (21, p. 95).

The high military expenditure during the Shah's regime cannot be justified when the development of an entire economy is examined. The expenditure did not involve productive and continuous economic or social return. The American economy received the greatest benefit from the arms sales. Iran never became self-sufficient in operation of the hardware, so it did not increase employment. All the spare parts had to be purchased, no domestic industry could have been created to stimulate industrial growth and reduce reliance on foreign assistance. The defense expenditure made Iran more dependent on the United States because of the personnel and technical

expertise required. The defense purchases did increase the prestige of the Shah around the world and gave the impression that he was strong.

Social Control

The Shah's regime appeared to be the model of stability to outsiders from the late 1950's to the late 1970's because it was so carefully controlled, producing an air of artificial calm. The famous remarks of President Carter expressed the impression the world had of the Shah as ruler:

Iran under the great leadership of the Shah is an island of stability in one of the more troubled areas of the world. This is a great tribute to you, your leadership, and to the respect, admiration and love which your people give to you (7, p. 48).

The appearance of stability which the Shah so carefully orchestrated concealed the reality that Iran was a giant pressure cooker with the lid, the Shah's various security operations, applying sufficient force to contain the pressure. An internal, covert security war was waged in Iran for the duration of the Shah's regime after 1957 when SAVAK was created. The Shah himself justified his methods in this way:

When you don't have monarchy, you have anarchy or oligarchy, or dictatorship. And anyway monarchy is the only possible way of governing Iran. If I've been able to do something, or rather a lot, for Iran it's due to the small detail that I happen to be king. To get things done you need power, and to keep power you shouldn't have to ask the permission or advice from anybody. You shouldn't have to discuss your decisions with anyone (8, p. 266).

Before 1960 the Shah was still solidifying his control over the government. There were other groups within the state with which he had to sometimes share power, such as the military, various political groups, and the majlis. Through a system of rewards and the fragmentation of all the groups in the state apparatus the Shah managed to weaken the powers of those other elements which could challenge him while, at the same time consolidating his own power. The Shah successfully made himself the center of political power as the head of state, chief executive, and the commander in chief of the armed forces. As the Shah himself stated, he made all the decisions. The majlis was a front for a parliamentary system in which the representatives were selected by the Shah instead of elected by the people. Neither the press nor rival political figures dared to criticize him. The Shah allowed no one to surface in the public eye who was not chosen by him to do so. Marvin Zonis describes the consolidation of power under the Shah:

The entire reign of the Shah, with the temporary setbacks, can be characterized as a quarter century in which the civil and military bureaucracies have continually expanded their control over the activities of the population at large, while the Shah has even more relentlessly expanded his power over the bureaucracies (14, pp. 46, 56-57).

The Shah used the ranks of the upper classes from which to draw military and security commanders, the parliament, the judiciary, and the cabinet ministers. Both the elite and the

natural allies of the Shah were interested in preserving the status quo. Parliament was controlled by the landlords, generals and former cabinet members. The faithful were groomed for service, and when they proved useful, they were moved from one sensitive position to another. Marvin Zonis wrote in his book The Political Elite of Iran that "the Government of Iran historically has been and continues to be of, by, and for the Elite" (13, p. 129).








The military, staffed by the elite, played the central role in the maintenance of the Shah's regime. The military was highly organized into at least eight separate units besides the three main branches of the army, air force, and the naval forces. These eight units were involved with the internal security and the repression, operating either as police units or intelligence units. Police units included: SAVAK, military intelligence, the Imperial Iranian Inspectorate, and the Special Bureau (14, p. 76). Figure 1 shows the organization of the Shah's government, and Figure 2 shows the way in which these divisions reported to the Shah.

The military officers were a highly privileged class who received special fringe benefits, for example, villas, servants, luxury items, and tax exemptions. They were carefully segregated from the rest of the society in their daily lives. Officers below the rank of Colonel were not allowed to visit foreigners; even the Generals did not mix socially (13, p. 181).

Figure 1

LIST OF ABBREVIATIONS AND LEGEND

AFIN, Air Force Intelligence	NIGC, Chairman, National Iranian Gas Company
AIN, Army Intelligence	NIN, Naval Intelligence
AMB's, Iran's Ambassadors	NIOC, Chairman, National Iranian Oil Company
CJC, Chairman, Joint Chiefs of Staff	NPC, Chairman, National Petrochemical Company
CM, Minister of the Imperial Court	OPEC, Iran's Ministerial Representative at OPEC
DMW, Deputy Minister of War (Foreign Procurements)	PBO, Director, Plan and Budget Organization
EAF, Minister of Economic Affairs and Finance	PM, Prime Minister
FM, Minister of Foreign Affairs	SA, Special Advisor on Oil Affairs
GG's, Provincial Governors-General	SAVAK, Director, State Organization for Security and Intelligence
IG, Commander, Imperial Guards	SB, Director, Special Bureau of the Imperial Court
IIA, Commander, Imperial Iranian Army	SIB, Director, Special Intelligence Bureau (<u>Daftar-e Vizhe Ettela'at</u>)
IIAF, Commander, Imperial Iranian Air Force	
IIN, Commander, Imperial Iranian Navy	
IIO, Director, Imperial Inspectorate Organization	
IM, Minister of the Interior	
ISG, Commander, Imperial State Gendarmerie	
ISP, Chief, Imperial State Police	
MILIN, Director, Military Intelligence (<u>Rokn-e doe</u>)	
MIN's, Ministers other than those listed	
MW, Minister of War	

LEGEND	
	Military
	Internal Security
	Intelligence
	Domestic Affairs
	Economic Affairs
	Foreign Affairs
	Oil

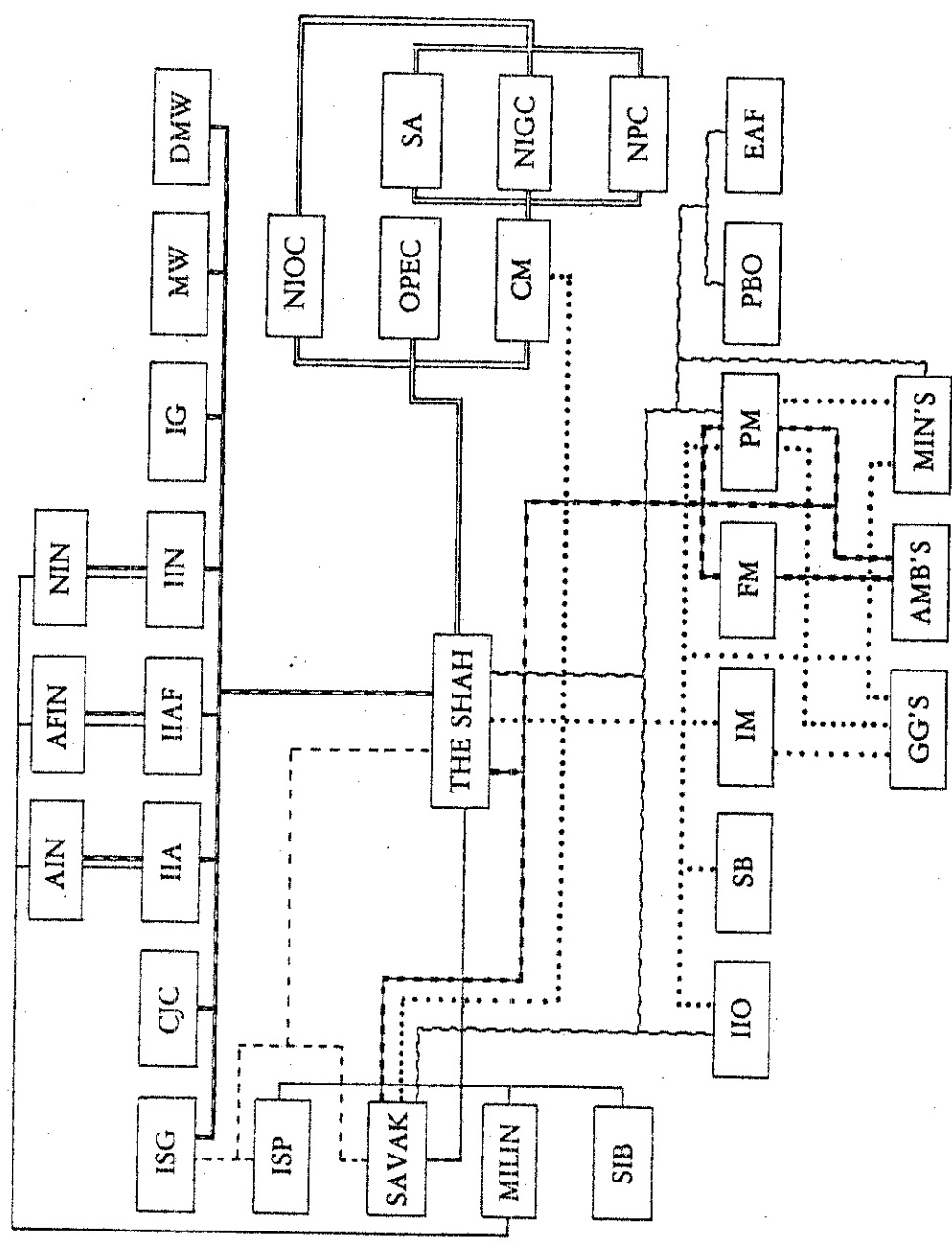









Fig. 1--Organization Chart. The Shah's Administration System, Mid-1960's to Mid-1977.

Figure 2

LIST OF ABBREVIATIONS AND LEGEND

AFIN, Air Force Intelligence	NIGC, Chairman, National Iranian Gas Company
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LEGEND	
	Military
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	Oil

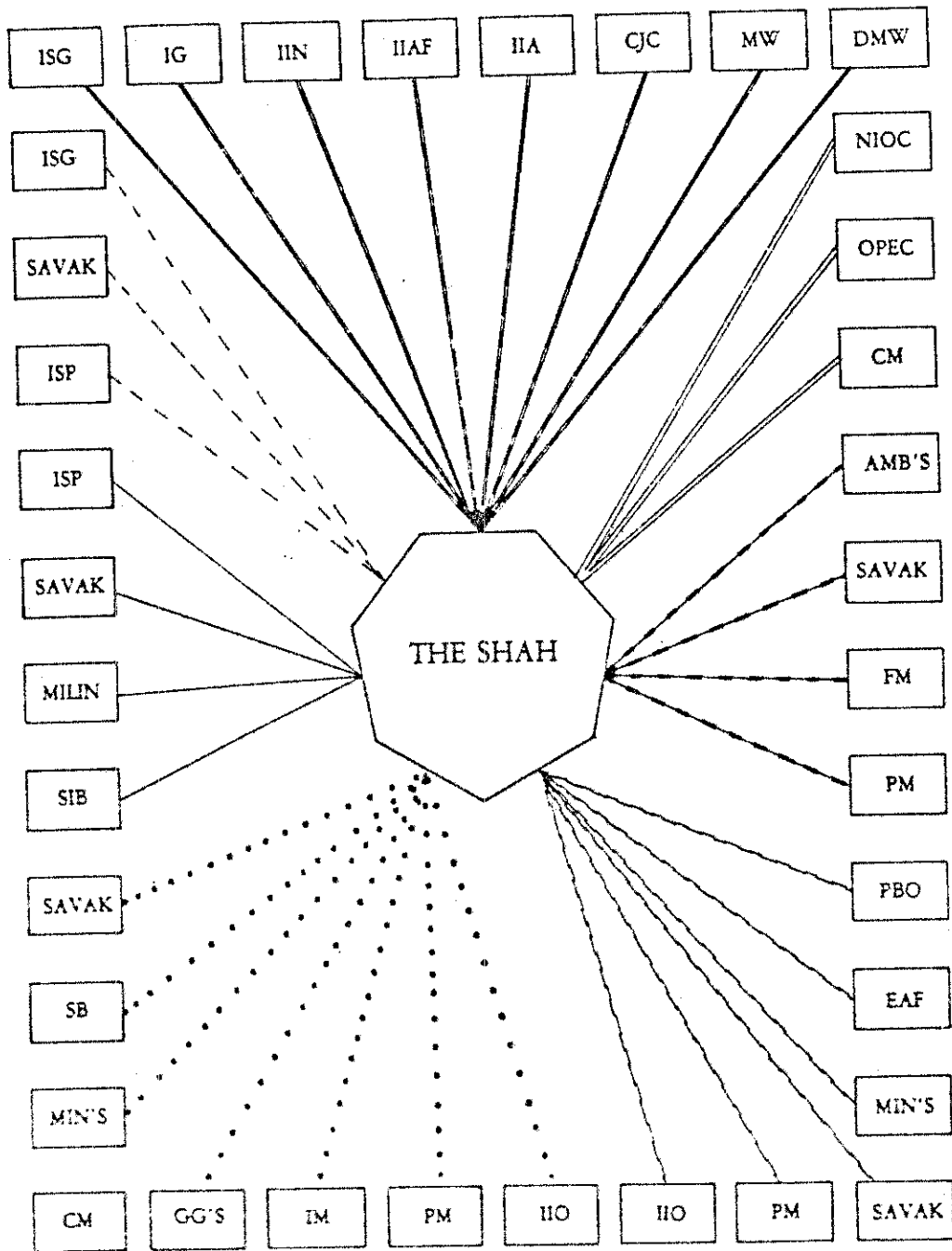


Fig. 2--Reporting Relationships. The Shah's Administration System, Mid-1960's to Mid-1970.

The military were, in fact, a form of what Graham refers to as the Shah's "parallel government." By this term he means that there was a public side to the government, referring to the cabinet and the parliament, and a covert side which controlled the legitimate arm of the government. The Imperial Inspectorate, SAVAK, the armed forces, military tribunals, powerful individuals and the economic empire of the Pahlavis made up the "parallel government". However the Shah had various intelligence units which reported on the activities of each branch of the government operations and covertly directed those operations. The "parallel government" helped the Shah fragment the power structure and yet enhance his own control. The various military intelligence units within the "parallel government" reported directly to the Shah.

The intelligence units closest to the Shah were the Imperial Inspectorate and the Special Bureau. The Inspectorate, created in 1958, was the least known of the intelligence operations surrounding the Shah. It investigated political, economic, and social affairs and reported only to the Shah. The Special Bureau was the executive arm of the Imperial Court which was responsible for the enforcement of all orders (12, pp. 130-142, 180-182).

The highly specialized intelligence units of the military were used to observe and report on the people directly involved in government operations or the national economy. The

population as a whole was observed by another intelligence unit, the SAVAK (Organization for State Security) created in 1957 with the assistance of the American Central Intelligence Agency (CIA) and a retired captain of the Chicago police (2, p. 12). In the words of a State Department official in October 1976 there was "no secret about the cooperation between SAVAK and the CIA" (14, p. 83). The head of SAVAK was appointed by the Shah and ranked as a Deputy Prime Minister. The official law establishing SAVAK outlined its powers to insure national security. SAVAK was to obtain information regarding espionage and anti-Shah activities, including military crimes and assassination attempts. SAVAK also conducted military trials for political crimes (14, pp. 78-83).

Initially, SAVAK was directed only against the National Front, the remnant of Mossadegh's support, and the Tudeh party. But by the mid-1960's it turned to student surveillance because of organized student criticism of the Shah. SAVAK gradually became the eyes and ears of the Shah; its major weapon was intimidation and its omnipresent character (13, pp. 146-148).

SAVAK was a secret police, but everyone knew of its work and learned to recognize its presence; this was part of its effectiveness. SAVAK's purpose was to eliminate all opposition to the Shah by whatever means were necessary, including the disposal of people and disguising of the circumstances. SAVAK's jurisdiction involved activities in foreign countries to keep

Iranians abroad under the surveillance of the Shah. SAVAK agents also operated in Asian countries gathering intelligence for Iran's defense interests (14, p. 82).

The number of SAVAK agents was never disclosed. Estimates are that there were 30,000 regularly employed agents and many more part-time informers (13, p. 144). In 1974 Newsweek reported 30-60,000 regularly employed agents and up to three million informants in the total SAVAK network (15, pp. 55-61). One out of every eight adults was used by SAVAK sometime in their lives. In 1971 a SAVAK official admitted using "workers, farmers, students, professors, teachers, guild members, political parties, and other associations...." as informers. The SAVAK budget for 1972-73 was \$255 million; in 1973-74 it was \$310 million, but more money probably came from other sources (14, p. 80).

To accomplish its wide ranging activities SAVAK was divided into separate units each involved with a particular sphere. "...One is concerned with personnel, one with persons, one with liaisons with foreign espionage services, one with the cooperation with the police and military intelligence, one with spying on Iranians abroad," and one with internal security. The internal security operation was responsible for domestic repression (14, p. 80).

SAVAK was directly in control of the trade unions. SAVAK officials had offices in the factories, where their presence

insured the repression of strikes and increased output. Sometimes workers were mobilized by SAVAK to demonstrate support for the Shah. Foreign businessmen complained of being forced to pay salaries to the SAVAK agents and take orders from them (14, pp. 81, 205-206; 5, p. 10).

SAVAK censored the press, the arts, and communications. Publications had to be approved by the SAVAK. In 1975 the government shut down 95 percent of the publications on Iran by ruling that they had to have a circulation greater than 3,000 (14, p. 49). As mentioned in the last chapter, the Pahlavi Foundation had significant holdings in the publishing industry. The Pars news agency was state controlled as were radio and television. All films and plays produced had to be approved by SAVAK, even at the non-professional level.

Besides the military, the "parallel government" it provided, and the general intelligence work of SAVAK, the Shah created another instrument for social control in moving to a one-party system during 1974. The new official political party, the Rastakhiz or New Resurgence Party, was used to channel public opinion and debate. All Iranians were forced to join the party dubbed "all embracing" or be considered traitors. Most people did join whether sincere or not, and those who refused were harassed. The party "became another channel for useless employment, bureaucratic self-advancement, and financial corruption" (16, pp. 241-242). The motive behind

the creation of the party was to have a legitimate organization which could be used for support and influence. Joining the party meant at least tacit approval of three facts of Iranian life: The Monarchy, the Constitution and the White Revolution. The ranks of the Rastakhiz were mobilized in various situations. In the summer of 1975, Rastakhiz youth were used to police an anti-profiteering and price campaign by checking shop prices and ransacking supermarkets which did not conform to state policy. Party members were also used in pro-Shah demonstrations (13, p. 134).

Social control was so pervasive and oppressive in Iran that it touched all phases of daily life. The pressure of such strict control inevitably increased, forcing the most sensitive to join the underground associations. By 1963, new underground opposition groups were formed; by the early 1970's, these groups publicly opposed the Shah. Demonstrations occurred occasionally throughout the years, protesting policies of the Shah. Some of those events follow. In 1970 Amnesty International reported large numbers of political prisoners in Iran, and Le Monde reported on arbitrary arrests and torture. In 1976 the International Commission of Jurists in Geneva heard reports of SAVAK torture. In 1977 the International League for Human Rights protested arrests and torture in Iran. From 1977 until the revolution in 1978, demonstrations occurred with increasing frequency, forcing the Shah to invoke martial law

and to make massive arrests. Some 70,000 were killed during the events immediately preceding the revolution (1, pp. 16-19; 20, pp. 191-192).

All the forms of social control under the Shah could lead to arrest, imprisonment, torture, and even death, and did for many. Individuals accused of subversive activities never received a fair trial. The legal system was subservient to the state. All trials were held by military tribunals, most in secret. Many people were simply arrested and never officially charged or tried.

The highly elaborate system of social control which was developed by the Shah over some twenty-five years brought the intended result of sustaining his regime but at the expense of the happiness and psychological health of the Iranian people. The Shah's system nurtured deep interpersonal mistrust. Family members could not even trust each other completely, not knowing if one worked for SAVAK. Individuals were psychologically isolated and atomized; deception became the way of life to insure survival. Profound fear reached into the national consciousness, stimulating the most selfish instincts for survival. The loss of trust brought by this fear will remain as a deep scar in the Iranian psyche for many years to come.

Cultural and Social Values

The essence of Iranian social behavior, marked by insecurity, mistrust, pessimism, and authoritarianism, has been

conditioned by the historical experience of successive invasions, elaborate social control and repression, and the patriarchal organization of the society. The culture has undergone great stressful periods with the resultant tensions emerging in the behavior, arts, and the self-image of Iranians. The current behavior of Iranians was nurtured under the Pahlavi dynasty and has continued to full maturity under Khomeini's regime.

Tremendous insecurity pervades the Iranian psyche and has manifested itself in a fatalistic view of life in which the only obligation is to oneself and one's family. While there is this streak of individualism, the society does not really provide for its full expression. Individualism under the Shah was encouraged to keep society atomized as long as it was not expressed in ways that criticized or challenged the system (13, pp. 190-194). It should be stressed that individualism was prevalent in the higher classes and the middle classes but not in the lower class. The comfortable classes had more available options. When they purchased property, they cared only about their own property, not their neighbor's. The urban centers encouraged individualism which was not part of the collective approach in rural life. Migration to the cities often was accompanied by the breakdown of kinship loyalties and loyalty to the state. Urban life introduced elements of anonymity and risk not present in village life. Predictable behavior patterns and customs in the village were

no longer applicable to urban life. When villagers moved to the cities they often formed homogeneous neighborhoods which seemed to reduce the social stress of migration (25, pp. 663-667).

Social interaction usually occurs within a structuralized format in which an inferior/superior position is established. The assumption of a superior or inferior position does not reveal the way in which the individuals really see themselves, rather, the assumption of a position is often used to manipulate the situation.

Most social relationships in Iran are conceived of an exploitative. This applies to routine daily contacts as well as long term relationships, and the highest cultural admiration is given to the person who can be zerang (wily, clever) in his dealing with other persons (3, pp. 312-315).

The high value placed on cleverness is a response to the general mistrust bred by insecurity. Situations were not conducted in a straightforward manner during the Shah's regime largely due to the omnipresence of SAVAK agents. People learned to disguise their real intentions. The mistrust which was created by repression could not be easily "turned on and off;" it was always "on," hence, mistrust became a factor in personal as well as impersonal interaction.

Suspicion and insecurity have existed on another level, in relationships with foreigners. Iranians have become defensive and have felt threatened by Western infiltration. The reaction to foreigners is based on a history of foreign exploitation, and this is understandable, if not always

sagacious and productive. Pride has also been a factor in dealing with foreigners. Iranians have always been proud of their cultural uniqueness. Foreigners have reported that the Iranians were more difficult to train than the Arab people because the Iranians feel a cultural complex which interferes with learning. This complex causes impatience and refusal to admit errors and is related to the fear of "loss of face" (13, pp. 191-194).

Iranian behavior is full of paradoxes. While interaction is ritualized and emanates an awareness of repression, it also has "a rich and warm emotive tone."

Even more revealing of the dynamics involved in Persian-style social interaction is the observation that tension operates between the mask of cynicism and the assertion of internal purity: in a corrupt world one is forced to be deceitful and devious, but beneath this mask, self-respect demands the retention of self-image and trustworthiness. There is a constant search for others with whom one can be this true self: thus, e.g., the literary theme of two friends each giving up a loved one because he thought the other wanted her; and vice versa, the contemporary literature of alienation expressing how difficult it is to relate to the external world. (Hedayat, Jalal-e-Ahmed, and Samad Behrangi) (11, pp. 192-193).

Another cultural influence which has always been of paramount importance in Iran is religion, the Shiite branch of Islam. Always a main force, Islam has assumed different roles. Ninety-three percent of the Iranian population are Shiite Moslem. The religious ulama has always been powerful, whether as a pro-or anti-Shah. The Shah stripped the mullahs of their influence in law and education, but the mosques and

shrines remained centers of resistance during the regime and, of course, Islam became the driving force behind the 1978 revolution. By 1977 political dissent took a religious form with girls wearing the veil as a symbol of opposition and men demanding that the separation of men and women in all activities. The lower classes, especially rural migrants, clung to Islam during the Pahlavi regime. Submission to Allah was their only form of relief. The fatalism of their religion helped them to bear their destiny. In contrast to the lower classes increased devotion to Islam, the higher classes displaced their devotion from Allah to materialism, facilitated by oil revenues. The acquisition of material luxuries eroded the religious influence on these classes more than any official pronouncement (13, p. 198).

Social behavior has also been conditioned by the social structure, the patriarchal form of organization, and the other social determinants. Iranian society has always been based on the extended family dominated by the father, with the father and family dominated by the king and the will of Allah. A highly conservative ethos has developed from such an emphasis. In such a traditional society, individuals do not believe in change; they see their situation as "divinely ordained and unalterable (4, pp. 480-481). Considerable pressure exists in such a family arrangement. Family honor is tremendously important. Marriages must reinforce status and wealth. Under

such conditions the relations between men and women have been lacking in personal trust, friendship, and intellectual communication. Women have responded to men and their cultural imprisonment either by submission or deception. In the response of submission the woman yields to the will of God; no external control is necessary (26, pp. 465-469). Deception has been common; perhaps it is no surprise that the women would choose a response common to many situations. Survival in Iranian society under the Shah (and Khomeini) demanded that necessity dictate behavior.

The rigidity of the family arrangement and the social structure has contributed to stress and tension in the society.

Family relationships in a typically traditional middle-class Moslem family are described as relatively impersonal, unromantic, contractual, non-egalitarian and static... family more by function and role... than by love and intimacy (18, pp. 12-13).

A study by Byron Good in 1977 revealed a phenomenon associated with stress. Iranians, especially the lower classes and women, frequently speak of having heart distress. Their hearts palpitate or feel ill in some way. They wish to believe that there is some organic problem when really there is something else which causes the anxiety which is being released. Typical named causes of heart distress,

include feelings of...sadness and mourning, worry... and the situational bases of these feelings (death, debts, poverty, quarrels, fights, family illness); old age; pregnancy; delivery, and miscarriage,

contraception, feelings of weakness, blamed on lack of blood, high or low blood pressure, too few vitamins; problems of nerves, fright or the evil eye; dampness and the foul climate....(12, p. 292).

The complaint of heart distress becomes a means of expression for personal and social stress, usually masking the problems it represents, especially when they are unalterable. Two areas, female sexuality and "the oppression of daily life," involve experiences which were linked symbolically to the complaint of heart distress. Men and women suffer anxieties associated with the daily life which they articulate as this distress (12, pp. 324, 293, 303). Iranian society, in all its structures, has been so limiting to individual expression that such a phenomenon was one of the few options available to the individual to alleviate stress.

Although the family pattern was perhaps the only social institution left untouched by the Shah, change has occurred. The structure is changing from that of the extended family to the nuclear family. New living areas and increased mobility have contributed to this change. As architectural styles changed from large houses with courtyards to apartments, the family arrangement was automatically affected (6, p. 541). Social patterns regarding women were also changing (10, p. 208).

Status and material goods had very high value to the middle and upper classes. Iranians buy material things for their status, to impress others. In national terms the Shah's desire for sophisticated defense weapons was for status. On

the interpersonal level, Iranians have acknowledged each others status in many different ways through the use of ta'arof, the ritualized affirmation of status (3, p. 312). The use of titles has been extremely important for professionals to let others know their position. Certain beliefs and behaviors mark status. For example, a male teacher would not go to a do'anevis, a prayer writer consulted to solve problems, or ride a bicycle because these are bazzars behaviors (12, p. 337).

Status and political influence are highly valued. For the higher classes success was not seen as the result of honest, hard work but as the result of influence and political favor. Likewise, money was not valued as a reward for hard work but as a means for securing political influence; consequently, corruption was wide-spread. The Machiavellian idea that the end justifies the means was widely accepted in all forms of behavior. Iranians spent money extravagantly. On the national level the Shah spent the oil revenues extravagantly, and on the personal level Iranians have not felt the kind of moral restraint in spending money prevalent in the Puritan capitalistic ethic. Perhaps the emphasis on the impermanence of life and the fatalism present in Islam and the culture accounts for this material extravagance. When one never knows the future, why worry about it. Under the Shah, the bazaar mentality was still evident in a desire for quick profits and quick results, whereas real social development required long-term planning and patience (13, pp. 195-196).

Culture is an important part of a society which reveals the inner life of the people, the reality of their experience. Iran, under the Shah, had two separate cultures; one for the elite and one for the masses (17, p. 183). The official culture, patronized by the elite, was an attempt to create an artificial legacy based on the Shah's national mythology. Classical Persian culture, especially poetry, was ignored in favor of a more modern Western, consumer aesthetic. Few intellectuals took the Shah's new art seriously, and in fact, the Pahlavi dynasty was marked by cultural bankruptcy (14, pp. 221-222). The so-called new culture was used in the schools to teach certain ideas. For example, the students read poetry which emphasized "obedience to authority and acceptance of fate." The artificially-created culture was used by the regime to reinforce its position.

Popular western movies and entertainment were used to stupify the population and depoliticize the culture. All these activities were designed to divert people from creative activities and their prevalence resulted in an underdevelopment of Iranian culture (19, p. 24).

While the official culture of the elite was being manufactured, the culture of the masses was being created from the real human experience, not by official dictates. Because Islam forbade music, painting, and some other art forms, Iranians developed their architecture, poetry and other literature. Poetry became important as a means of expressing their feelings of oppression under the despotic rulers. Poetry

allowed for the use of symbols to express indirectly what could not be expressed in a direct manner. Poetry has been an instrument, an invitation for resistance of the people. Especially since the constitutional revolution, poetry has played a dynamic role in stimulating and awakening the people to be against the Shah's dictatorship and aware of the possibilities for freedom. The recent literature of the masses shows their anxieties, loves, sorrows, desires, passions, disappointments, poverty, ignorance, hatred, weakness, struggle, glories etc.... Real literature under the Shah, born in a very stifling atmosphere, revealed a deep pessimism. James Bill studied fifty poems in which he found that the themes

emphasized "Walls, loneliness, darkness, fatigue, and nothingness." These poems deplore the situation of the Iranian intellectual and obliquely criticize and condemn the existing sociopolitical system in which the intellectual is chained (14, p. 223).

The artist and the intellectual were both chained. Possibilities for expression were very limited. Any material critical of the regime was forbidden. In 1975, a play by Said Sultanpour entitled The Teachers was condemned for its message, and the members of the theatre group were sentenced to two to eleven years in prison. "The play concerned some teachers who try to enlighten their pupils, after finding this impossible, turn to more explicit political action" (14, pp. 221-223). This is an example of one of the more extreme forms of censorship; many were even killed.

All subsystems within the system were not able to change at the same rate. Cultural lag often occurred. For example, many who migrated to the cities were unable to find a social niche and assumed a vagrant position, living an aimless, wasteful, and absurd existence (23, p. 96). Other migrants remained traditionally oriented, never assuming urban values. Changes in the family institution also lagged behind other cultural changes. Development in mass communications remained far behind other technological changes. Value systems are affected by communication, which the Shah did not want (18, p. 16). Social behavior of the higher classes was different from the lower classes. The higher classes were very jealous of each other and mistrustful; the masses, on the other hand, were naive, trusting, and hungry for reality.

In most of Iran's literature the images are of darkness, mourning, confinement. A definite relationship exists between the kind of regime and the behavior of the people, evident in the social-historical experience. Repression killed the natural behavior and created behavior that was merely a reaction to repression, a posturing. Whenever Iranians could get freedom, the behavior suddenly changed, and they became more creative. As long as the people were dominated, social behavior was pessimistic, reflective of disappointment.

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CHAPTER VI

CONCLUSION

When Iran was poised at the historical crossroads of the nineteenth and twentieth centuries, propelling her from a pre-capitalist condition to a capitalist structure, she found herself accompanied at this crucial historical moment by foreign powers and their dominating interests which interfered with the pattern of development by creating a dependent capitalist socio-economic structure from the old feudal order. The course of development, which includes social change, has largely been the result of the impact of the West on the whole of Iranian society. The economies and politics of Britain and the United States determined the growth and maturation level of Iran as in a parent/child relationship. First, the political rivalries of Britain and Russia led to the military and strategic importance of Iran and later, the oil development added to the economic importance of Iran for Britain and the United States. The competition of these powers for dominance in Iran kept her from actually becoming a colony in the nineteenth and twentieth centuries. By 1950 Iran became aware of being socially and economically exploited by foreign powers and attempted to regain control of her destiny when Prime Minister Mossadegh nationalized the oil

industry, the symbol and substance of Iranian economic independence. Mossadegh, sustained by strong popular support, was brutally crushed in the Anglo-American engineered coup d'etat which installed an iron-fisted dictator/king who suppressed all popular movements for the next twenty-five years, putting his self-interest and that of the West before the interests of his people.

The Shah developed an extremely close relationship based upon the oil industry with the United States after 1953. Close contact with the West, especially after the late 1960's, made the Shah aware of the gulf between Iranian society and that of the West. Determined to modernize, the Shah borrowed the concept and methodology of economic planning from the West to industrialize the Iranian socio-economic structure. Five development plans were formulated and implemented with grand objectives to modernize. The basic economic sectors involved in the planning strategy were agriculture, industry, and services. Industry and services consistently received a significantly higher proportion of allocation of funds than did agriculture in which the majority of the population was still employed. Industrial development was approached only superficially. The kinds of industry created in Iran were largely montage industries which assembled parts purchased from the Western countries. The services sector was used to finance bureaucratic employment which contributed little to development.

The goal of the development plans was to industrialize the economy and, thereby, create sources of income which were alternatives to the finite oil reserves. Little success was achieved. Imports exceeded non-oil exports, indicating weak development of the industrial infrastructure. Economic growth was attempted at a much too rapid pace, accompanied by excessive inflation which eroded the economic power of the oil revenues. The bureaucratic organization of the Shah's government created conditions for high waste. The ports and the transportation industries were unable to handle the high volume of imports. Along with the organizational drawbacks, the Shah's ministers were never encouraged to really take charge of situations and solve problems because they risked insulting the Shah. Consequently, they were reticent to expose the chaos which existed at the operational levels of the economy.

The Shah's basic motivation in all his programs was political self-interest. The land reform of 1962 was a primary example. From 1953 to the early 1960's the Shah was consolidating his political power. Land reform was used to weaken the socio-economic structure of the feudal land-owners and replace it with that of the capitalist state in order to crush the opposition which had existed since 1953. His intention was never to equalize land ownership and improve the condition of the peasants. Proof of the political

motivation involved in land reform was the fact that it was not mentioned in the second or third development plans to modernize the country. The land reform did not bring land to the majority of the peasants. Instead it destroyed the rural social structure forcing the landless peasants to migrate to the cities which were unable to absorb them and provide them with decent lives. No urban planning existed to accommodate the rural influx. The land reform did stimulate the transformation of the social classes. A new middle class was created from the change, a proletariat of urban industrial workers who lived a marginal existence. The society became more polarized than before in the class transformation, sustaining high income inequality. The rapid increase in the oil revenues after 1973 was not distributed throughout all the classes. The higher classes, who were the clientele of the state, saw their economic situation enhanced while the lower classes suffered more.

The agricultural sector of the economy was devastated by land reform with the result that Iran was forced to import more agricultural products. Higher unemployment, lower agricultural productivity, and social disorientation were the fruits of the land reform attempts.

Planning also brought high foreign investment which increased dependence on the industrialized world and subsidized foreign production markets. Iranian industrial development stimulated foreign economies more than it created

self-sufficiency. Foreign labor was used to control production operations reducing Iranian manpower development. Domestic labor received a proportionately small percentage of the profits earned by wealthy industries.

The Shah achieved some success in increasing literacy, but the population was still deprived of access to mass communications, making the literacy unable to have the social impact required to change thinking. Opportunity for higher education was really limited to the upper and middle classes. Academic freedom at the universities did not exist. Social control made "free thinking" impossible and was a tremendously negative force at the university.

Development in Iran was synonymous with polarization. Great inequalities existed between men and women, between the social classes, between the urban and rural sectors, and within the urban and the rural societies. The upper classes received a disproportionately high percentage of per-capita income while the lower classes, representing the majority of the population, received a very small percentage. Consequently, the standard of living experienced by rich and poor was radically different, with the upper classes owning multiple homes and having total economic independence while the lower classes lived in disease-infested shanty towns with families crammed into a one-room mud house.

The Shah's system bred a sycophantic upper class, which, by its dependence on his favors, became highly suspicious of

itself, insecure, cynical, and corrupt. Such attitudes brought out a self-serving individualism which prevented real contributions to a better society by the classes which controlled the resources. Social control encouraged an insecure, selfish attitude in the upper classes which had its release in the indulgence of western luxuries. Social control brought quite a different response from the lower classes. Psychologically, they too were insecure, but were unable to console themselves with luxuries. The lower classes turned to religion for psychological support to tolerate the regime. The enormous social and psychological pressures which accompanied daily life in the disadvantaged sector of Iranian society retarded the growth of the human potential which existed there.

Extensive social control made real social change in Iran impossible. The stimulation necessary for the human mind to progress in a significant and meaningful way was absent. Life for the majority was dull and boring because their possibilities were so limited. Change occurred but was not meaningful; it was the change brought by decay. Censorship, pressure from the omnipresent SAVAK, economic hardship, and lack of freedom took their tolls on the Iranian mind, filling it with hatred and pessimism. Finally, after the experience of twenty-five years of submission to despotic rule, the people realized the abysmal nature of their condition.

Persian culture has stimulated cruelty and emotionalism from its many invasions throughout history. The idea of "oriental despotism", the despotic mind of the East, is applicable to Iran. The Shah was a symbol of this cruelty and the despotic mind. He wanted to see himself as the modern embodiment of the glory and power of the ancient kings. Possession of the largest military arsenal possible was used by the Shah to make him the most powerful king of modern times. The Shah believed in a male dominated, hierarchical system following the order of God, the Shah, and the father. What the Shah did to "modernize" the country may have been done more to save face among the Western leadership than to help his people. He wanted himself to look good to the world.

The Shah stifled the spread of mass communication. Rural society was still a closed system without the influence of ideas and information. In the urban areas, literacy had increased, but social control stunted awareness. The Shah really encouraged the people to support religious leaders by trying to exterminate religious influence in the society. In this way he made the Islamic Revolution possible. The one important conflict which contributed to the revolution was that there was no consensus between the society and the Shah. The Shah's system required external force to maintain itself. Massive quantities of human energy were spent to control the

population which became opposed to the regime. The opposition was forced to devote its energies to fighting the system rather than to develop the society.

When contradictions and conflicts with the society increase, they can be reduced by some reforms. The Shah tried to reduce conflict in 1963 with the institution of the White Revolution, but his reform could not solve the deep problems within the society. Reforms helped the Shah to survive longer but did not cure the society of its distress. While the Shah was enacting his reforms, real socio-economic change, born of the desperation of the masses, was beginning to destroy the Shah and his ideology.

Iranian society has been struggling for independence, freedom and democracy, and social welfare since the beginning of the twentieth century. But because despotism has been deeply rooted in the culture, preventing the people from experiencing democracy, the end of the Shah did not automatically accomplish these goals. Instead, Iranians exchanged dictatorial monarchy for religious despotism.

APPENDIX A

NATIONALITIES OF IRAN CLASSIFIED BY LANGUAGE*

IRANI SPEAKING NATIONALITIES

1. Kurds: About 3,000 or one-third of the entire Kurds of the Kurds of the world, scattered mostly in Kurdistan, W. Azarbaijan, Kermanshahan and certain part of Luristan, Northern Khorrasan, Fars, Kerman, etc. 90 percent of Kurds are settled now in the cities or villages.
2. Lors: The number of those who speak the Lori dialect is more than the Kurdish, scattered mostly in Luristan, Kuhgituyeh, Fars, Khuzistan, Bakhtiari and Charmahai. More than 50 percent of Lors are settled now in the cities or villages.
3. Baluchis: About 600,000 Baluchis are scattered mostly in Baluchistan and Sistan, Kerman and Southern Khorrasan. More than 50 percent of Baluchis are settled now in the cities or villages.
4. Other Irani Speaking Tribes: Hezareh, Barbari, Teimuri, Jamshidi and Afghani (in Khorrasan); Zadikolahi and Palavi (in Mazandaran); Sasani and Agajani (in Talesh).

TURKISH SPEAKING NATIONALITIES

1. Turkomans: The Turkomans of Iran are divided into two main groups: Gukians and Yamit; scattered mostly in Gorgan and Northern Khorrasan. Most of them are settled now in the cities or villages.
2. Shahsavans: The foothill and lower hilly places of Sabalan mountain (E. Azarbaijan) is the summer resort for them, and Dasht Moghan is their winter resort.
3. Afshar Tribes: They live mainly in Azarbaijan and Zanjan, and next in Khorrasan, Khuzistan and other districts. Most of them are settled now in the cities or villages.
4. Qashqa'i: The Qashqa'i tribes which is considered to be one of the biggest tribes of Iran, is composed of about 40 branches (150,000 tribesmen). Their principal summer resort is Semirom (S.W. of Esfahan), while Firuzabad (S.E. of Shiraz) is their winter resort.

Appendix A--continued

5. Khamseh Tribes: The name (Khamseh) is derived from the Arabic number of "five," alluding to a collection of five tribes, scattered in eastern Fars. Their summer and winter centres are Darab and Lar respectively. The tribes are a mixture of Arab, Turk and Lor.
6. Other Turkish Speaking Tribes: Most of these tribes have now settled in the various cities and towns all over the country; such as: Qajar Qargozlu, Moqaddam, Teimurtash, Bayat.

ARABIC SPEAKING NATIONALITIES

According to November 1956 Census the number of Arabic speaking people in Iran ranged around 380,000, and now about 500,000. The main abode of Arab tribes in Khuzistan, Southern Fars and along the Persian Gulf. Most of them are now settled in various cities and towns.

*Source: Iran Almanac 1976, p. 356.

APPENDIX B

PAHLAVI FOUNDATION KNOWN ASSETS IN DECEMBER, 1977

A. Banks/Investment Companies

1. *Bank Omran* (100%). Capital Rs5bn (\$70m). Total assets Rs75bn. Investments Rs1.4bn. Dividend Rs30 m. Commercial bank.
2. *Bank Iranshahr* (30%). Capital Rs3bn (\$42m). Total assets Rs38bn. Commercial bank.
3. *Development and Industrial Bank of Iran* (1.3%). Capital Rs3bn (\$42m). Share valued by PF at \$700,000. Development bank.
4. *Bank Etebarat* (2%). Held 400 of original 20,000 shares. Capital Rs1.5bn (\$21m). Commercial bank.
5. *Irano-British Bank* (1%). Held 200 of original 20,000 shares. Widely believed to have purchased much larger stake subsequently. Capital Rs1bn (\$14m). Commercial bank.
6. *Industrial Guarantee Fund* (?). Capital \$11m. Industrial finance for small companies.
7. *Omran Trinwall* (30% held by Bank Omran). Capital Rs12m (\$170,000). Investment in Iran and overseas.
8. *Iranshahr Finance* (21% held through stake in Bank Iranshahr). Capital Rs70m (\$980,000). Commodities and securities trading.
9. *First National Wisconsin Milwaukee, USA* (5%). Held by Bank Omran.
10. *Hispan-Iran* (11%). Capital \$150,000. Spanish-Iranian service and investment group.

B. Insurance

1. *Bimeh Melli* (80%). This stake is now believed greater. Capital Rs150m (\$2m). Total premiums approximately Rs800m.

C. Property

Hotels (all 100%)

1. Tehran area: *Darband; Hilton; Evin; Vanak.*
2. Caspian area: *Babolsar New Hotel + motel; Chalus Old and New Hotels; Hyatt; Ramsar Old and New Hotels.*
3. Other: *Khorramshahr Hotel; Shiraz Hotel; Meshed Hotel; Boali*

Appendix B--continued

Hotel, Hamadan; Obali Hotel; Shahi Hotel; Abali Amul Hotel; Sakhtsar New Motel; Gachsar Old and New Hotel

Tourist Complexes/Leisure

1. Namak-Abroud complex near Chalus (100%).
2. *Villas at Ramsar (1) and Babolsar (1) (100%)*.
3. *Casinos: Ramsar Casino and Club; Hyatt; Kish Island (100%)*.
4. Kish Island Development Board (20% held through Bank Omran): 3 hotels, casino and 1,000 villas when complete.
5. *Mehrabad Airport, Tehran: restaurant (25%)*.

Residential/Commercial

1. Sherkat Shahr Aram (0.4%). Satellite town development project.
2. Bungalow project near Niavaran, Tehran (219 units) (100%).
3. Vanak Tower Block (three block multi-storey residential and shopping project), Tehran (100%).
4. Farahzad Development Project (30% held by Bank Omran). Construction of 25,000 upper-income units.
5. Levittshahr (?). Involvement in \$500m new town via Bank Omran.

International

1. Pahlavi Foundation Building, Fifth Avenue/52nd St., New York (100%). Book value 1975 \$14.5m.
2. Canal Street Project, New Orleans (?). Bank Omran in neighbourhood development scheme, believed on 50/50 basis with local interests.

D. Industrial Holdings*Building Materials*

1. *Tehran Cement (25%)*. Capital Rs1.15bn (\$16m). Cement.
2. *Fars and Khuzestan Cement (?%, believed substantial)*. Capital Rs3.5bn (\$49m). Cement.
3. *Iranit (30%)*. Capital Rs? Cement imports, asbestos, cast-iron fittings.
4. *Panasuz*. Stake held through Fars and Khuzestan Cement (95%). Production of asbestos material.
5. *Montex (35%)*. Capital Rs12m (\$170,000). Liquidated June 1977. Steel structures.
6. *Sangvareh Mining (40%)*. Capital Rs? Provision of building

Appendix B--continued

materials from quarries.

Automotive Industry

1. GM Iran (10%). Capital Rs1.5bn (\$21m). Assembly of saloon cars and trucks.
2. *B.F. Goodrich Iran* (9.5%). Stake believed to have expanded to around 45% as a result of divestiture of 58% share of US parent company. Capital Rs917m (\$13m). Tyre manufacture.
3. Hepco (10% held by Bank Omran). The Foundation is believed to hold an undisclosed 45% stake. Capital Rs? Joint venture with IDRO for road-making equipment.

Miscellaneous

1. National Cash Register Iran (38%). Capital Rs? Office accounting machinery.
2. Sedco (5%). Capital Rs? Drilling operations.
3. *Iran Skin & Leather Company* (100%). Capital Rs? Tanneries.
4. *Khorrasan Skin and Lather Company* (100%). Capital Rs? Tanneries.
5. *Daru Pakhsh Pharmaceuticals* (? %). Jointly owned by Foundation and the Imperial Organisation of Social Service (IOSS). Capital Rs? Largest pharmaceutical producer in Iran.
6. Union Carbide (Puerto Rico) (20%). Capital Rs? Batteries.

E. Printing/Publishing

1. *Bunghah Tarjomeh va Nashr Ketab* (book distribution and Translation Company (100%). Capital Rs? Translation of foreign classics, Persian reprints.
2. The 25th Shahrivar Printing House (? %). Stake held through involvement in the IOSS. Capital Rs? Printing of all school textbooks used in Iran.
3. Danesh Now Printing and Publishing Company (? %). Capital Rs100m (\$1.4m). Books for the young.

F. Agribusiness

1. *Ahwaz Sugar Beet Factory* (16%). Capital Rs? Sugar mill and refinery.
2. *Kermanshah Sugar Factory* (0.4%). Capital Rs607m (\$8.5m). Sugar-beet processing.
3. *Hamedan Sugar Factory* (1%). Capital Rs? Sugar mill and refinery.

Appendix B--continued

4. *Kooar Shiraz Sugar Factory* (1.7%). Capital Rs? Sugar mill and refinery.
5. *Farinan Sugar Factory* (? %). Capital Rs? Sugar mill and refinery.
6. *Ghahestan Birjand Sugar Factory* (? %). Capital Rs? Sugar mill and refinery.
7. Ziaran Meat Production (20%). Capital Rs400m (\$5.6m). Meat production and processing operational 1978.
8. Iran Shellcott (10%). Capital Rs500m (\$7m). Agribusiness in Khuzestan. In process of being restructured.
9. International Agribusiness Company of Iran (2%). Capital Rs441m (\$6.2m). Agribusiness in Khuzestan.
10. Agricultural and Industrial Company of Khuzestan (10%). Capital Rs700m (\$9.8m). Agribusiness in Khuzestan.

Notes

1. This list is not complete. Some of these holdings may have increased or been reduced. Very few of the companies are publicly quoted. All information is based on either access to the original list of assets; or companies that have admitted having shares in the Foundation. The companies in italics constitute the original known assets.
2. Not included is the National Iranian Tanker Company sold to NIOC in 1970 or the land/assets of some 73 nurseries and orphanages.
3. Income from Crown Lands handed to the Foundation is not included but mainly comprises loans repaid to Bank Omran.

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