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AGRICULTURAL DEVELOPMENT:
THE CASE OF IRAN

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CAPITALISM, LAND REFORM, AND
AGRICULTURAL DEVELOPMENT:
THE CASE OF IRAN

By
Lili Shashaani

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ABSTRACT

CAPITALISM, LAND REFORM, AND AGRICULTURAL DEVELOPMENT: THE CASE OF IRAN

By

Lili Shashaani

This research is a critical analysis of the nature of the land reform program adopted in Iran from 1962-72 and its effects on the agrarian structure of Iran. It attempts to investigate the following issues: (a) the historical conditions which led to the introduction of land reform in Iranian society; (b) the purpose of the land reform program at the national and the international level; and (c) the social, political and economic consequences of land reform.

The study concluded that Iranian land reform was a product of the development of the world capitalist system and the formation of periphery capitalism, particularly after World War II. At this time, the U.S. exercised its influence on the semi-feudal structure of Iranian society. A contradiction arose between the semi-feudal relations of production and the developing capitalist mode of production. This required the transformation of Iranian society from the former to the latter. Land reform was a prerequisite for such a transformation.

The purpose of the land reform program was to replace the semi-feudal mode of production with dependent capitalist formation; the change was necessary in order to adopt Iran's social formation to capitalism. Specifically, land reform extended capitalist relations

of production into the agricultural sector, changed the large segment of peasants into wage laborers, and converted the wealth of the feudal lord into capital.

The process of land reform affected the social, economic and political structure of the agrarian community of Iran. Socially, land reform eliminated the large land owner and substituted the agricultural bourgeoisie in its place. It also reinforced the position of rich peasants (rural petty bourgeoisie) at the expense of the poor ones. The social position of the largest segment of the rural population--the rural proletariat--deteriorated due to their isolation from the new socio-economic institutions that developed after land reform. Politically, land reform enabled the government to centralize and consolidate its power over the villages. It accomplished this by installing its own institutions and appointing its own agents in place of the authority of landlords. Economically, land reform brought about dramatic changes in agricultural activities in terms of manpower, productivity and output. It concentrated major production facilities in the capitalist sector and displaced the largest segment of farmers who were the real producers. As a result, agricultural production declined substantially and the country became heavily dependent on imports for its staple food supply.

While land reform contributed to the development of dependent capitalist in Iran, it failed to achieve its economic goals and long-term political stability. This was largely due to the process of uneven distribution of resources in the agricultural sectors.

DEDICATION

To Ahmad and Neda

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CHAPTER I

Introduction

1. Problem, Objectives and Scope of the Study

During the 1950's and 1960's underdeveloped countries, particularly in Latin America and Asia, experienced a series of land reforms that effectively changed their social, economic and political structure. The importance of the program in these countries lies in the fact that underdeveloped nations are agrarian, and their economies are based on agriculture. According to the World Bank, the livelihood of more than half of mankind is dependent on agriculture while nine-tenths of the total agricultural population is in the developing countries.

The adoption of a Land Reform Program is not only significant because it affects the economic situation of a large segment of the population of these societies, but also because it transfers the power and privileges from one social class(es) to another. Historically, the social stratification and power structure of most underdeveloped countries has not provided people access to or use of land. Rather, the structure of these societies is characterized by concentration of land in the hands of a privileged class. That is, those who hold power and wealth and own the means of production, maintain control over the other classes. On one side, there are land owners who do not participate in

the production process, who often are absent, and who have absolute ownership of land. On the other hand, there are peasants who are cultivators and who live on the land without having ownership rights. Therefore, the issue of land reform deals primarily with the deliberate changing of class structure.

To understand the significance of land reform, it is necessary to identify the type of reform it constitutes. Whether a land reform is intended to transfer land and power from the landowning class to peasants or to a new privileged social class, and whether the state tries to preserve its previous power structure, or break it down into new forms, the nature of land reform may vary. The type of reform therefore depends upon the context within which changes take place. One type of land reform, which Frank (1963) refers to as "the only type of land reform worthy of the name," is associated with the rapid and fundamental transformation of the whole societal structure, such as the one which took place in Cuba. The other type, which includes the majority of land reforms implemented in the post war era, appeared without revolution and was ordered from the top. Its main goal was to destroy the traditional, non-capitalist system and substitute for it the capitalist one. It was also concerned with the transfer of political power from landed elites to the state and in reducing existing contradictions that might have eventually led to revolution, such as the reforms that took place in the Philippines, Korea, and Iran (Olsen:1974).

This research argues that Iranian land reform in 1962 was a reform within the context of capitalist social relations. The study is concerned with the critical analysis of the nature of the Iranian land

reform and its effects on the rural community. Therefore, this thesis will attempt to investigate the following major issues: (a) The conditions which led to the implementation of land reform in Iran; (b) the ultimate purpose of the implementation of land reform at both a national and international level; (c) the social, economic and political consequences of the program.

Most of the literature on the subject of land reform in Iran does not provide a context that addresses such basic issues. Apart from the few books and articles that were written for propaganda purposes for the Shah's policy (such as Denman: 1973), there is some literature that considers land reform as a modernization program that transforms the traditional land tenure system, increases the agricultural production and facilitates its flow to marketing outlets or, as Petras and LaPorte assert, the "building of farm-to-market access roads" (FAO: 1970; Soltani: 1974; Beck: 1980; Rotblat: 1972; Ajami: 1973; Schowkatford and Fardi:1972; Freivalds: 1972).

During the past decade, however, several studies have critically evaluated the land reform program in Iran. Most of these studies have placed their major emphasis on a particular aspect of land reform, focusing on economic, political, or demographic factors, or discussing the issue in a very brief and general way (Khamsi: 1969; Katousian: 1974; Hobbs: 1963; Halliday: 1979). The two studies done by the revolutionary organizations, PMOI (1978) and GOPF¹ (1976) presented more elaborate analysis using several case studies and monographs on Iranian villages. Their analyses, while more comprehensive than those mentioned above, were non-academic and lack specificity. The major contribution and most well-documented study was done by Eric Hooglund (1982), who

critically evaluated the Shah's land reform. His analysis, however, does not take, as he himself mentioned, the effect of external forces of capitalism into account. Finally, there is Ann Lambton's work on Persian land reform (1969). Its major weakness is that it is more descriptive than analytical and more optimistic than critical. In addition, it neither addresses the effect of external factors nor attempts to investigate the overall significance of the program.

This study is an attempt to synthesize both the internal structural factors and the external dynamics of capitalist forces which eventually culminated in the implementation of land reform and analyze how this development affected the situation of Iranian rural communities. To achieve this purpose, the study is divided into seven chapters. The introductory chapter discusses theories, method, and the organization of the study. Chapter II is divided into two parts. Part One is a brief discussion of the social formation of Iran. In Part Two, the physical environment and the nature of agrarian society will be analyzed. The aim of this chapter is to study the idiosyncratic agrarian structure of Iranian society. Also included in this section will be a discussion of the social relations of production, which include a dominantly feudalistic society, a strong authoritarian state, and an institutionalized landholding system. The third chapter analyzes the impact of Western capitalism on the precapitalist Iranian structure. Special attention will be paid to the affect of U.S. political-economic policy as compared with the previously dominant British policy. From this angle, the political and economic foundations that were conditioned by the U.S. strategic goals in Iran and culminated in the land reform, can be observed. The rationale of land reform, the controversy over

the organization of the reform, and the major social, political and economic goals of the program, will be discussed in Chapter IV. This chapter will also examine the three phases of land reform and explain how each phase follows certain patterns to achieve its ultimate objectives. The impact of land reform on rural class structure and pattern of land exploitation are reviewed in Chapter V. Finally, the consequences of land reform on the social, economic, and political structure of the agrarian society are considered in Chapter VI. The effect of land reform on the overall agricultural system and its contribution to the economic growth of the country is the central theme of this chapter. Summary and Conclusions constitute the last chapter.

1.1. Theoretical Discussion

The purpose of this section is to theorize about the nature of the land reform programs introduced to underdeveloped countries in general, and Iran in particular, within the framework of a development plan. In this respect, two general theoretical explanations are our major concerns. First, we must pursue a general discussion of modernization theory, which has been used to explain the processes of social change in underdeveloped countries. Criticisms of this theoretical framework, which have been put forth by several social scientists who questioned the adequacy and capability of its assumptions, will also be discussed.

The second explanation deals with the type of tactics and strategies necessary to create social change. That is to say, the issue is what type of tactic/strategy should be adopted in an effort to implement land reform: reformism or radicalism.

1.1.1 The Theory of Social Change: Modernization vs. Dependency

The world of "social science" has been ambiguous when dealing with the issue of social change and development. Development has often been taken as synonymous with economic growth and modernization has been defined as the increase of per capita income and the achievement of some measure of urbanization, industrialization, consumption, education and the like (Higgins: 1968; Bruton: 1967; Lerner: 1966). Other definitions refer to development as social, economic and political transformations of structural nature which permit underdeveloped countries to build a self-reliant society, a self-generated process, coupled with an attempt to develop people's potentiality (Cockroft, Frank and Johnson, 1972: XVI).

Although there are various approaches to developmental theory, there are basically two major schools of thought which attempt to explain the issue of development: modernization and dependency. In the following pages we will discuss very briefly the major propositions of each approach. It is not our intention to probe deeply the strengths or weaknesses of each perspective. Rather, this discussion will be used as a framework from which to view the nature of land reform in Iran.

1.1.2 The Modernization Framework

The post World War II era was declared as a "development period" by the United Nations, which defined development as "rapid and sustained rise in real output per head and attendant shifts in the technology, economic, and demographic characteristics of a society" (Easterlin: 1968). The economic rationale behind this definition was

presented by Arthur Lewis in his theory of economic growth in which he asserted that the underdeveloped countries should be able to convert their saving from 5 percent to 12 percent with all the changes in attitude, in institutions, and in technique which accompany this conversion (Lewis, 1955: 225-6).

Lewis, whose theory appeared as the starting point of major modernization assumptions, theorized that the existing "modern/traditional" sectors in underdeveloped countries were created by a dual economy. He asserted that the economy of a society can be divided into two broad and "independent" sectors: one "capitalist" and the other "non-capitalist." Other scholars following the same line of interpretation characterized the "two sectors" as "modern" and "traditional" sectors of society (Rostow: 1960), "industry" and "agricultural" sectors (Jorgenson: 1967), and the like. The modernization theory states that these two sectors are sharply different and separate from each other. Whereas the "modern," "capitalist," and "industrial" sectors are market-oriented, capable of change, and able to maximize their profits, the "traditional," "agriculture," and "feudal" sectors are stagnant, produce for subsistence; have low output, pass little to market and have no motive for maximizing profits (Lewis: 1964). Similarly, the methods of production in these countries are very different in the two sectors. As Jorgenson (1967) states, "the output of the traditional sector is a function of land and labor alone; without accumulation of capital." In the industrial sector, "output is a function of capital and labor alone."

The theory of a dual economy was accepted and fed by Western

oriented scholars including sociologists, social psychologists and the like. In their view, the traditional sectors are various elements which block development and progress. These societies were characterized by predominance of ascriptive, particularistic, extended kinship structures with a multiplicity of functions; little social mobility; primary economic activity; undifferentiated social structure; with traditional hierarchical sources of authority and the like. Contrary to this structure, the modern, industrial capitalist societies are characterized by: a predominance of achievement; universalistic, specific, neutral orientations and patterns of action; nuclear family structure; complex and highly differentiated occupational system; high rate of spatial and social mobility; highly differentiated political structure with rational-legal sources of authority and so on (Sutton: 1963; Lerner: 1968; Hoselitz: 1953; Mitchell: 1967; Smelser: 1968).

The dichotomy of developed and underdeveloped sectors, as well as nations, and the theories which justified the phenomenon of underdevelopment, appeared as a starting point for development plans for underdeveloped countries. Hoselitz suggested that in order to develop the underdeveloped countries, traditional elements, or in his words, "pattern variables" of underdevelopment, should be eliminated and those of the developed world, which are universal, should be adopted. In other words, underdeveloped nations should be modernized.

The central objective of the modernization plan is economic growth measured by per capita income and GNP which may eventually lead to structural differentiation, institutional differentiation, rationality, urbanization, industrialization, and the like. Lerner states:

Modernization is the process of social change in which development is the economic component. Modernization produces the social environment in which rising output per head is effectively incorporated. For effective incorporation, the heads that produce (and consume) rising output must understand and accept the new rules of the game deeply enough to improve their own productive behavior and to diffuse it throughout their society... This transformation in perceiving and achieving wealth-oriented behavior entails nothing less than ultimate reshaping and resharing of all social values, such as power, respect, rectitude, affection, well-being, skill and enlightenment (1968: 387).

This passage, the essence of which can be observed in the ideas of modernization theorists, explains the major goals of development. First, there is a need to institutionalize profit-oriented behavior, and to make the population of a country understand and accept "the new rules of the game" of economic growth which will be diffused throughout the society. Second, there is a need to increase the importation of consumer goods and services manufactured in advanced industrial countries and change the style of life into one based on Western "universalistic" values.

The most effective and important thesis of modernization that further elaborated the above goals, and which was adopted as part of the new U.S. foreign policy towards underdeveloped countries, was Rostow's theory of economic growth.²

Rostow distinguished five stages through which a society should pass in order to achieve the conditions of development. These stages are: the traditional stage, the precondition to take off, the take-off, the drive to maturity, and the age of high mass consumption. The thesis argues that the ultimate achievement for a society is to

produce mass consumption, which requires passage through the take-off stage by way of: (1) a rise in the rate of productive investment from say, five percent or less to over ten percent of national income... (approximately the same as Lewis suggested); (2) the development of one or more substantial manufacturing sectors, with high rates of growth; and (3) the existence or quick emergence of a political, social, and institutional framework which exploits the impulses to expansion.

The theory suggests that, first, underdeveloped countries should achieve rapid economic growth, which is possible only by increasing export production and is demanded by the world market. Second, an increase in one or more manufacturing sectors which can only be achieved by importing capital goods and encouraging industrialization based on import-substitutions. Third, the "quick emergence of a political and social institutional framework" for the establishment of a very centralized authority or dictatorship, which would allow for the adoption of "quick change" and the institutionalization of a "universalistic" value system.

The meanings of this theory, when applied to underdeveloped countries, are as follows: First, underdeveloped countries required the transfer of capital and technology from advanced industrial centers. This transfer, primarily carried out through foreign investment and foreign aid, which is the principle of the economic growth model, was suggested to underdeveloped nations (Mikesel: 1968). Second, application of the theory requires a "quick change" implemented by "political elites" from above, including the privileged class, in an attempt

to preserve the status quo. Such change mostly comes with centralization and militarization of the political structure such as happened in several Latin American countries (Cockroft, 1972; 115-49). And finally, the application of the modernization model forms the foundation of a dependency relation between developed and underdeveloped countries. Such a relation, which is further elaborated on below, explains the nature of a national economy and development in underdeveloped nations.

1.1.3 The Dependency Perspective Framework

The theory of modernization has been criticized by a number of scholars (Frank: 1969; Cardoso: 1979; Amin: 1976; DosSanto: 1970). These critiques, formed under the framework of the dependency perspective, derived largely from Marxist political-economic theory which sought to explain the impact of an expanding capitalist economy on underdeveloped countries. The dependency perspective argues that the modernization model, by encouraging foreign investment and technological transformation of underdeveloped countries, creates subordination of national economies to an outside economic system. According to dependency scholars, modernization theory, in assuming that peripheral countries would have to repeat the same pattern of economic development as the central countries did, is unrealistic and inapplicable, because the very nature of center-peripheral relations has historically produced today's underdevelopment. The mechanism of the process of underdevelopment lies in the type of development and expansion experienced by the capitalist center that conditions the economy of the peripheral countries (DosSanto: 1970). These conditions

may be created through several processes: First, the economy of underdeveloped countries is directed toward increasing export activities, which confines their role to merely supplying raw materials for the super productivity of developed countries. Second, the export activities provide foreign exchange for peripheral countries, which enable them to import foreign commodities, especially consumer goods. However, this trade relation is highly beneficial to the center because of the nature of unequal exchange. Because of the high cost of wage labor in the center and the low cost of wage labor in the periphery, the periphery has to pay much more for imported goods than it receives from the center for its exports (Emmanuel: 1972). Thirdly, foreign investment always takes place in the export sector, at the expense of the rest of the economy. Therefore, the traditional sector, which always consists of the largest segment of the population, remains intact. This mechanism gives rise to the phenomena which Amin called "unequal development" (Amin: 1976).

These processes suggest that underdeveloped countries can by no means repeat the history of capitalist countries, because the relationship between center-periphery countries is exploitative. These relations of domination and exploitation are reproduced within the structure of underdeveloped countries and obstruct the development processes. In other words, this pattern of development, dependency theory argues, never allows underdeveloped countries to achieve the "take-off" stage which Rostow postulated. This is because the industrial sector, which is an extension of the multinational companies, neither has the producing power to compete in the international market, nor has it the capacity to absorb the population that has been released from the

traditional sector due to its stagnation (Ibid: 241). Therefore, unemployment and a low level of income for most of the population reduce the savings capacity of individuals and hence their purchasing power. Second, the effect of international prices on the internal economy is accompanied by inflation and higher pricing of necessary goods. This provides a condition under which only privileged classes can benefit and join the major consumer population. Third, the unequal development and its subsequent inequality intensify social and economic contradictions between the two upper and lower classes. This situation requires that the state implement stabilization policies by increasing its expenditure for internal security and expanding its role in securing foreign capital. The new role and situation gives priority to the modernization of security systems, such as military institutions and related agencies, at the expense of the rest of the economy. Allocation of national revenue to this unproductive sector increases the maldistribution of income by excluding a large segment of the population from the benefit of national income. Amin argues that despite huge export activities this process blocks independent growth. He points out, for example, that despite the fact that three-fourths of the manufactured exports from Third World countries belong to South Korea, Taiwan, Hong Kong, Singapore, and Mexico, which enabled them to achieve a high growth rate, "none of these countries has approached the stage of independent and self-maintained growth, close to the theory of 'take-off'" (1976: 213).

Therefore, the question of development and underdevelopment still exists. Modernization theory failed to transform the socio-economic situation of these nations from the backward situation which had

existed before World War II. In general, modernization theorists focus their study of development exclusively on processes internal to nation-states. They believe that modernization, which is derived from Western culture and social relations, is an inevitable process for all nations that seek economic development. Diffusion of modern technology from developed countries, foreign investment and aid, and, in general, the dependency relation, tend to facilitate social changes in the less developed countries and push them toward modernity. Modernization is the final stage and goal of every nation's development.

The dependency theorists largely contributed to the critique of modernization thesis by demonstrating the major structural forces that lie behind underdevelopment. Despite some disagreements among students of dependency theory, most of them agree that underdevelopment of the now dependent countries has historical roots and is related to the impact of colonialism and neo-colonialism on these nations. That is, the structural forces of capitalism and the subsequent internal and international unequal development has contributed to the state of underdevelopment.

If modernization theory is unsuccessful in developing the backward nations, what would be an alternative theory? How can underdeveloped countries restructure their society to develop their resources and benefit from them? Marxist conceptualizations suggest a "real development," which is in sharp contrast with modernization theory. To avoid uneven development, it says, development should not be oriented toward the market. Rather, a socio-economic transformation may involve different dimensions: individual, societal and international (Mobogunje:

1981). Individually, development is regarded as a human issue concerned with the capacity of individuals to realize their internal potential and effectively cope with the changing of their lives.

Secondly, "development involves total and full mobilization of society," or as Myrdal (1968: 1868) defines, "the movement of the whole social system upward." And finally, at the international level, development "involves a shift from an outward-oriented dependent status to a self-centered and self-reliant position with regard not only to the processes of decision-making, but more importantly the pattern and style of production and consumption" (Mobogunje: Ibid). The essence of this type of development lies in its egalitarian and human orientation, rather than in an emphasis on uneven development and market orientation. As Gurley (1970) argued, economic development should attempt to give prominence to people rather than "things," because the major goal of development is transforming the person, even though it temporarily occurs at the expense of some economic growth.

Such development, according to the dependency perspective, can be attained through radical change, that is, intensifying of class struggle and creating a political movement. Therefore, whereas dependency theory suggests that a revolutionary change in the structure of the society may lead to development of the society, modernization theory posits that social change can take place through state intervention. Modernization theory argues that the government is a determinant institution, which can produce change in the society through adoption of certain policies. However, dependency theory argues that the contradictory nature of capitalism and the class struggle produced by it is the

essential force of social change. Therefore, with reference to the nature of the state and class structure of society, we may distinguish the changes in society which take place in a radical manner through political movement or in a reformist manner through state intervention. This is the subject of our discussion in the following pages.

1.1.4 Radicalism vs. Reformism

The concept of radicalism, from a Marxian perspective, is synonymous with fundamental changes in social structure and transformation of the entire society. This transformation is accompanied by the emergence and development of new social relations of production and new social classes. By contrast, reformism usually seeks to alter a specific part of society or, more clearly, to re-form the organization, institutions or other components of society through specific adjustments and compromises. Indeed, radicalism and reformism represent different views of the forces which create change in society. The Marxist tradition, which is identical with a radical theory of social change, views class antagonism and class struggle as the force of change in society. Marx stated that "the history of all hitherto existing society is the history of class struggles" (1932: 9). This class struggle, present in all epochs of history, proceeds through dialectical conflicts, and advances the society towards classlessness. That is to say, in each epoch of history (e.g., slavery, feudalism, bourgeoisie) one subordinate class overthrows its ruling class in order to establish a new society which gives rise to another subordinated class that eventually overthrows it.

From the reformist point of view, social change is not produced by a single force, rather several factors contribute to society's drive towards complexity and advancement. These changing forces are technology, urbanization, population growth, government... (Eitzen: 1982; Smelser: 1968). Contrary to radicalism, which sees society in continuous processes of conflict and change, the reformists believe that the structural forces of society work to achieve both change and stability. In this regard, there are some forces that simulate changes (mentioned above) and other forces that create stability such as customs, tradition, myths, ideologies. However, the theory explains that some institutions such as government can produce change (e.g., through planning), or resist change (Gusfield: 1967).

The two different assumptions underlying the theories of radicalism and reformism bring about two different strategies for social change. Whereas radicalism believes that change can take place in society only through a revolution which requires replacement of the old ruling class by a new class and restructuring of the entire society and its socio-economic relations, reformism insists that government policy (which itself is a source of change) can produce changes in some parts of society, which will then diffuse to other parts of the society. Therefore, changes in this context are essentially gradual and not necessarily accompanied by violence.

Gorz (1967) argues that reforms introduced by the state--"reformist reform"--are a response to the demands of potential or actual social unrest(s). These reforms try to preserve the system. In this situation, those objectives and demands which are incompatible with the preservation of the reformist government are defined as "irrational"

and are thus rejected. In contrast, a social movement that attempts to seize the power and assume leadership in order to control and plan for the development of the society is trying to bring about a "revolutionary reform" within the society. By "revolutionary reform" or "structural reform," he means, "a reform implemented or controlled by those who demand it" (1967: 8). Such reform, he notes, requires the creation of new centers of democratic power.

Structural reform always requires a decentralization of the decision making power, a restriction on the powers of state or capital, an extension of popular power, that is to say, a victory of democracy over dictatorship of profit (Ibid).

The "reformist reform," in contrast, offers only partial solution to existing problems; it does not change the power structure and decision-making body. The demands and objectives of the social movement may not truly be met; however the government's exposure to pressure from the working class and other social classes forces it to modify some social institutions.

A social movement may have a variety of sources based on the nature of social strain. Economic factors have been marked as the most important causes of social movements. Here, a social movement develops when a gap appears between what people demand and what they attain. This condition may lead to the movement that forces the government to take some reform action in the first place. The reform, however, may lead to a structural revolution when a prolonged period of social and economic reforms are followed by a short period of deprivation, frustration and economic decline (Paynton, 1971: chap. 12). Social movements may also be caused by environmental and ecological problems, population pressures, or the introduction of new technology.

For example, the existence of pollution in a society, which is supposedly committed to the preservation of the environment, and rapid population growth in urban centers or rural areas, which puts pressure on available resources or the invention of new technology, such as atomic power, may lead to a new social movement aimed at resolving the strain and improving the situation (Smelser, 1962).

In the case of structural reform, the social movement which leads to "revolutionary reformism" is not caused by one single factor; it usually has many causes. Specifically, economic, social, and political circumstances intervene in creating structural reform (Gottschalk, 1971: 99-109). Although there is a clear distinction between "revolutionary reform" and "reformist reform" as modes of social change, there is nevertheless an interrelationship between the two types. Each type of change can be affected by the other, and a reform can lead to a revolution, or vice versa. Since the state accepts only those objectives and demands that are compatible with the preservation of the system, a gap between the movements' objectives and the state plan still continues to exist. When this gap becomes intolerable, it can lead the movement toward revolution. The revolution, in turn produces a reform program that tries to modify some social institutions.

However, there must be a distinction made among the various reforms introduced by the state. De Janvry (1981: 194-5) has identified three different types of reform:

- (1) Reforms associated with the transition to capitalism and the immediate post transition period, (transition reform);
- (2) Reforms associated with the crises of accumulation (objective crises); and
- (3) Reforms associated with the crises of legitimacy (subjective crises).

According to him, the "transition reform" attempts to solve the contradiction between rent and profit. Therefore, it tries to destroy precapitalist social relations, induce free labour, and strengthen private landownership. Also, in this period the reform attempts to eliminate the power of the landlord class by various measures, such as land reform, opening up free trade, penetration of capital into agriculture, and the like.

The reform, directed at an "objective crisis" is introduced by a bourgeoisie which is facing the problem of accumulation. This reform is implemented in a society where the bourgeoisie has already gained full control. Some measures, such as maintaining balance between production and consumption, may be taken in order to overcome the crisis of the accumulation of capital. Finally, the "subjective crisis," which threatens the legitimacy of the state by extending class struggle in different directions, (liberation movements, workers movements...) refers to the government's attempts to obtain support from the different social classes or social groups.

There is another aspect of reformism that should be noted, namely, the way in which the state reacts to existing problems. It is the form of the state--nationalist bourgeoisie, military dictatorship, bourgeoisie dictatorship, etc.--that determines the nature of the reform program. The military dictatorship is the type of state that failed to obtain support from effective social classes and therefore preserves its position by means of suppression. The armed forces, which have a specifically privileged position in the distribution of the nation's wealth, are powerful instruments in maintaining order

and stability. Reforms introduced under such regimes are primarily aimed at the legitimacy crisis. An example of this is the agrarian reform introduced by the Philippine government which was intended to neutralize the leftist call for land reform. In this case, the military regime established itself by suppressing progressive elements, and enhanced the position of the landlord class and the dominance of capitalist relations.

Another form of government, identifiable by a bourgeois dictatorship, manifests itself as a fascist regime. Fascist regimes represent repressive capitalist states which are determined to preserve the interest of the bourgeoisie. The fascist state therefore arises where the capitalist mode of production has fully developed. Reforms introduced by such governments usually deal with fiscal and accumulation crisis (O'Conner, 1973).

A form of government which has garnered less attention in various classifications of this sort is the nationalist and popular government which represents the interests of petty-bourgeoisie and lower classes. Such a state often enjoys the support of a majority of urban social classes in the transitional stage from agrarian society. The state acts in the interest of society as a whole by emphasizing the demands of various interest groups. Their legitimacy arises from their democratic attitudes, which paved the way for their control over public institutions. The emphasis on nationalization of resources and the ideology of pluralist democracy provides a major force for mass mobilization and popular support. Reform programs under such governments serve urban social groups and various

strata of middle classes who are opposed to colonialism and its alliances. Agrarian reform in this context emphasizes peasant proprietors against feudal ones, in an attempt to create an independent peasant economy. Examples of these nationalist efforts are the cases of Egypt under Nasser, Iraq under Qasim, and Iran under Mossadeq.

This brief theoretical discussion attempts to convey that land reform may be adopted in different ways by underdeveloped countries and therefore students of land reform may find different approaches to analyzing it. Such variation is related to the ideological context and theoretical framework within which a reform is managed. The pattern which emerges from agrarian reform reveals the society's class structure. Depending on whether the main beneficiary of the reform is the peasantry, the petty-bourgeoisie or bourgeoisie, the land reform may fall into a particular category mentioned above. Based on this criterion--the class character of the state--the Iranian land reform can be analyzed. That is to say, we need to identify the system under which the land reform program was implemented. Since the question of land reform initially deals with the nature (i.e., form and function) of the state, this is where an analysis needs to begin. The form of the state explains whether it is a military dictatorship, bourgeois democratic or socialist-oriented government, and the function of the state deals with the type of operationalization of the program of land reform. The second consideration in the analysis of land reform is the conceptualization of the crisis which works as driving force for social change. This crisis may be both economic and political. The third consideration is the analysis of global development, which affected Iranian society and culminated in the current political and

economic crisis. Finally, the specification of the Iranian society and the effect of the structural forces of capitalism on its historical development should be studied in order to identify the class character of the society, its dynamics, and the concomitant changes that brought about land reform. All these components explain the transformation of society as a total entity affected by internal and external forces.

Based on the above discussion, our basic propositions in this study are: (1) Iran's land reform program under the Shah was part of U.S. foreign policy and its main object was expansion of capitalist relations into rural areas; (2) land reform was a reformist reform implemented through state intervention and it was opposed to any change that threatened the existence of the present system; (3) the purpose of land reform was both political and economic; and (4) contrary to the stated aims of land reform, the program had a negative effect on the rural socio-economic structure.

1.2 Methodology

The research of this study is based on the dialectical method, which constitutes a distinctive approach in social science as an alternative methodological stance. The dialectical view, which has been derived from the Hegelian-Marxian tradition, examines social reality as a totality, with various dimensions, expressions and manifestations. Unlike positivists' views, which rely on formal laws underlying human behavior and attempt to discover, codify and put them into propositions, the dialectic method tries to show what appears to be natural in fact rests on the existence of certain

conditions that are socially produced and changeable. In other words, dialectic method seeks to convey that what exists in the empirical world is not given and separated from the whole system.

The key concept of the dialectical method is that of "totality," which requires placing social units into a larger structural context by understanding the complexities between events. This observation includes not only existing structures but also the ones from which these structures have emerged (as well as the emerging one), plus the entire sets of social relations of production (Goldmann, 1969).

In the dialectical methodological concept, this structure refers to the mode of production, which is the total social relations of production and the concomitant contradictions that characterize a particular historical period. Every mode of production not only comes from the previous one but also fosters the seeds of a new mode of production. The mode of production that appears as the unit of analysis in this research is abstract. An empirical investigation is required to express this abstraction and its associated concepts. In other words, it is necessary to employ some indicators in order to operationalize the mode of production.

To apply this method of analysis in the present research, the land reform in Iran should be identified in relation to larger structural arrangements of capitalism. Capitalism, when it emerged as a world system, affected the Iranian socio-economic structure from nineteenth century on. Land reform, which contributed to the transformation of agrarian society, therefore, should be studied in relation to capitalist development in Iran.

Capitalism did not develop fully in Iran, which has been a

periphery of the capitalist center. Rather a combination of the capitalist mode of production and a traditional mode of production have existed during the past century. This situation is referred to as a social formation: a combination of several modes of production, within which one mode always appeared to be the dominant one.

To operationalize the idea of a social formation, the empirical observation requires identifying a set of social, political and economic concrete determinations.

In Iran, the mechanism of societal development can be identified by investigation of the dynamics of the relation among social classes, state, and economic production, which together construct the totality of Iranian society. Land reform, which is studied within this totality, is not observed as an event in specific time and not treated in isolation. Rather, the study traces back the internal dynamic of development in order to observe the historical changes that eventually brought about the land reform. On the other hand, since Iranian societal development has occurred as a result of its integration into the world capitalist system, the study of land reform requires tracing the penetration of external forces of capitalism into the Iranian socio-economic formation.

This research explores the nature of land ownership and its development during different historical periods. This includes an examination of various forms of ownership, such as individual, state, religious, and the types of changes that took place within each form pertaining to the new requirements of capitalism.

This study examines the nature of the contradictions that emerged and developed during the process of capitalist development and looks at

them as the catalyst of change. The objective forms of these contradictions appeared in the various peasant movements, nationalist movements, and the like, as manifestations of class struggle. This study, therefore, will compare the forces of change in different periods. Special attention will be given to the rise and development of the comparador bourgeoisie and associated social relations which resulted from capitalist penetration on the one hand, and changes in the position of land and landlordism, which eventually were abandoned in favor of bourgeoisie, on the other.

Another force of development was produced by state intervention in reinforcing capitalist relations and constructing the structure of a dependent capitalism. The state, in the periphery in general, and in Iran, in particular, has had a determinant role and function in guaranteeing the reproduction and development of capitalism. Above all, the state's role has been important in supporting the position of the dominant class by distributing wealth and capital disproportionately among different strata.

The other determinant factor in the process of Iran's development was the attitudes and policies of dominant imperialist powers toward the country. The different policies and attitudes of the British and the United States should be understood with reference to their type of capital accumulation and organization of production. The question as to why land reform took place during the second half of the present century under U.S. domination and not in previous periods should lead the reader to ask questions about the level of productive forces and the nature of the dominant power. Therefore, the study of the impact of Western capitalism during the twentieth century prior to land reform

comprises two periods with respect to the major dominant capitalist powers on Iran, that is, pre- and post-World War II eras. In each of these periods, attention will be paid to the nature of class alliance(s) with the dominant power, the composition of the ruling apparatus, and the position of the bourgeoisie within the dominant class. Such exploration leads to identifying the level of productive forces and the nature of social classes that create new forms or organizational arrangements.

Finally, the study arrives at the point which calls for discussion of the land reform program itself. Three phases of land reform have been defined. The primary objective here is to analyze each phase with respect to the functions that contributed to the formation of a new structure of dependent capitalism and to examine the extent to which feudalism was eliminated from the political, social and economic structures of the society. This includes the study of new capitalist institutions and an examination of the function of each institution in the working of new social relations.

The effect of land reform on rural Iran can primarily be observed by investigation of the new socio-economic situation produced after the reform. This is done by studying new class structures and their economic conditions. Major emphasis will be placed on the class structure and the new production relations developed in the agrarian community, which changed the socio-economic status of the peasants. The study will analyze the groups that primarily benefitted from the land reform, as well as those that were victimized. The efficiency of the newly-established institutions and their effect on the agrarian community is also considered.

In conclusion, this study will utilize the dialectical method of investigation because land reform is not an isolated event in Iran, nor can it be observed as separate from the process of societal development. Rather, land reform is studied in the context of the internal dynamics of the society in relation to the larger structure of the world capitalist system. Through this investigation, we will attempt to find the cause and function of land reform in Iranian society.

1.2.1 Source of Data

This study, which deals with the issue of land reform in Iran makes use of two major sources of data. First, the study uses statistical measures to explain quantitative dimensions of the problem. Demographic events and agricultural and economic information are the major subjects that fall in the first category. The related data are mostly available for the post-1950's, especially with reference to the three national censuses held in 1956, 1966 and 1976. In addition to the national decimal census, some surveys have been done between the censuses. The most important one is the 1960 nationwide agricultural census, which presents some statistical measures on land, agriculture and population immediately prior to land reform. These statistics, however, should not be regarded as completely reliable, because like most underdeveloped countries, the collection of data in Iran has had technical and environmental problems. Inadequate communication systems, geographical barriers, illiteracy and lack of a professional staff have affected the quality of data. Nevertheless, compared with pre-1950 data, these are more reliable.

Information about income is also scarce. This inadequacy can particularly be seen in rural-urban income distributions. The Central Bank of Iran occasionally used to produce such data, but it was not systematic, or detailed, and it is not available for pre-1960. A survey, the results of which were not published, was done on the rural income of Iran in 1954 by a three-man team (two American and one Iranian) authorized by the Iranian Ministry of Agriculture and the Ford Foundation. Part of the results have appeared in Tahqiqat-e-Eqtessadi, Journal of Economic Research, published by the Faculty of Law, Economic and Political Science, Tehran, Volume 3, August 1965 and Volume 4, January, 1967.

The Ministry of Agriculture, the Agricultural Development Bank, the Statistical Center, the Organization of Land Reform, and Rural Cooperation, and other related agencies, have produced some data obtainable either through direct personal contact or through available publications.

The second source of data are historical documents obtained by historians, geographers, foreign travelers, political missions, and Iranian scholars. This information is available in English and Farsi. The documentary data will be primarily used to investigate the agrarian system in the pre-land reform periods and to develop a critical discussion of the impact of the West on the socio-economic formation of Iran. A particular focus is put on the agrarian community in order to investigate the different historical stages in the transformation to capitalism.

Finally, a few words about the restrictions of the study: the major problem is related to the statistical information. For example,

the statistics released by government officials, especially in the case of land reform, is inconsistent with the data that some researchers found in the field. For instance, when a small part of a village was to be sold to the government, the entire village was classified as "reformed" and all households in the village were considered beneficiaries of land reform (e.g., Miller, 1964). This tendency of the government to over estimate can be found in other statistical figures, such as the number of established cooperative societies (which may have appeared only on paper), amount of agricultural production, and the like. Attempts have been made to reduce this malenumeration by matching these data with results achieved by field researchers, or with other events.

FOOTNOTES

1. PMOI stands for People Mojahedin Organization of Iran, established in 1965. GOPF stands for Guerilla Organization of People's Fedaei, established in 1969.
2. The importance of this thesis to U.S. foreign policy was that it enabled the United States to deeply penetrate the economic and political spheres of the underdeveloped countries. Therefore, Rostow, a professor at the Massachusetts Institute of Technology, was assigned to be Director of Policy and Planning in the State Department and emerged as the White House spokesman on foreign affairs who was able to implement his thesis in the concerned areas. Rostow's theory became a framework of planning and development in the underdeveloped countries, including Iran.

CHAPTER 2

2. Iran's Social Formation

Among scholars, discussion on the historical specificity of Iranian society is controversial. Iran's historical process may be divided into two broad periods: first, the precapitalist period, which lasted until the mid-nineteenth century, and secondly, the capitalist period which may be further divided into three stages: (1) the semi colonial stage, which is a transitional period from precapitalist to capitalist development; (2) state capitalism, from the twentieth century up to the land reform; and (3) dependent capitalism, which marks the period after the implementation of the 1960 Land Reform. It is beyond the scope of this research to analyze the specificity of these periods in detail. Rather it is our intention to give a general picture of each stage in order to understand the historical specificity that determined the nature and direction of Iran's development.

The concept of social formation is defined as various modes of production that are found combined in a particular way within a specific society and that constitute the economic base at a specific period (Krader, 1975). Within these various modes of production, only one mode is the dominant one. However, all of these modes of production are regarded as a totality of the social relations of production. This means that modes of production belonging to specific historical periods may rely on a combination of earlier social relations that

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continue to exist, as well as on the embryo of new relations of production, those that tend to develop later for transition to a new stage of development. Therefore, the socio-economic structure of the society can be discussed in the context of social formations in particular stages of development and the search for the dominant mode of production.

Debate on the issue of the social formation of Iran in the pre-capitalist period is problematic. Some Marxist scholars ignore the specificity of Asiatic society and attempt to fit it into the classical framework of European development--slavery, feudalism, and capitalism (Plekanov, 1926; Pigulevaskaya, 1967; Jazani, 1978). For example, Pigulevaskaya emphasizes that in the history of Iranian society the period of Median, Achaemenian and Parthian (ancient Persian dynasties) domination was marked by the typical stage of slavery, then the embryonic stage of feudalism, which began at the time the Sassanid dynasty, emerged in the seventh century, developed during the Saljug period (9th century) and was strengthened during the Mongol domination (12th and 13th century). Also, it is argued that a centralized feudalism appeared at the time of Safavid (15th and 16th centuries), while in the nineteenth century feudalism disintegrated as the result of the colonial penetration (Pigulevaskaya, 1967). Although these scholars are admired for their analyses and contributions to the study of Iranian historical development, their arguments in this regard are dubious. Because of their ignorance of the specificity of Iranian society and their persistence in applying the unilinear theory of historical development in Iran, they fail to understand the uniqueness of Iranian development. Contrary to those Marxist-Leninists who ignore the specificities of

the Asiatic form of Iranian society and attempt to apply the classic unilinear interpretation of history into the Iranian precapitalist formation, there are some scholars who question that feudalism was the dominant mode of production in the aforementioned period. Scholars such as Ashraf (1971, 1972), Katousian (1981), Abrahamian (1974, 1975), Lambton (1953) and Savary (1980) offer a theoretical argument to reject the notion of a feudal society in precapitalist Iran. Their propositions can be summarized as follows:

1. The Iranian precapitalist period revealed no evidence of the existence of a manorial system which in Europe referred to the landlord's presence on his estate. In Iran, landlordship had always been an urban phenomenon and the landlords were essentially urban dwellers and were not, as in Europe, scattered throughout the countryside in castles or manors. This phenomenon hindered the contradiction between town and country and the rise of the bourgeoisie, which Marx refers to as a force to break down feudalism in Europe. The presence of and the seat of landlords in the city meant the extension of their power in both rural and urban areas and obstructed the emergence of a western type bourgeoisie in Iran.

2. The Iranian precapitalist formation lacked a rigid class structure and therefore, no western type aristocracy or oligarchical distribution of power appeared. That was due to several circumstances in Iranian society: first, the laws of inheritance in Islam effectively prevented the emergence of a landed aristocracy based on heredity. However, the tribal leaders had some claim to be regarded as a hereditary aristocracy, but their authority was essentially personal and derived from the possession of flocks and a tribal following and not from the

land. Second, even if the landlord class, by whatever form, could pass on their fortune to their descendants, there were no guarantees that their wealth could be secured. Rather, conquest, invasion, confiscation and economic pressures caused frequent changes in the composition of the landowning class.

3. Unlike European states, the Iranian state was not feudal with respect to its economic and political functions. Whereas in Europe the power of the state derived from a feudal aristocracy without being an independent economic and political power, in Iran the state was formed by despotic rulers, whose power came from traditional authority, the standing army and a strong centralized administration. In Iran, the state, with its arbitrary rule, intervened in the process of production through its traditional bureaucratic staff. The state was the only primary owner of the surplus product created by direct producers. This function deprived landlords of autonomy and security under the despotic rule of the Shah. From ruler to ruler or within the same ruling bureaucracy, the power of the landed aristocracy or tribal leaders increased or diminished as the position of the ruler changed. Therefore, in contrast to Europe, the power of the landed aristocracy derived from ruling authority and not vice versa.

4. The absence of serfdom or bondage in Iranian history also creates a distinction between feudalism in European and Iranian societies. In Iran, the peasants were subjects (or rayat) of the landlord. This differed from the relation between lord and peasants in European feudalism, where the landlord tied the peasants to the land and deprived them and their families from freedom of movement.

In sum, according to the aforementioned scholars, the precapitalist

social formation of Iranian society cannot be described on the basis of a feudalistic mode of production since the features of the land system in Iran derived not from feudalism but from the arbitrary nature of power, which, in turn, affected the social condition of the peasantry.

Rejecting feudalism as characteristic of the precapitalist mode of production in Iran has led some scholars to describe the period as an Asiatic form with reference to the role of the state as land owner and the arbitrary rule of the Shah, who controlled all social, political and economic aspects of society (Ashraf, 1971, 72; Abrahamian, 1974). Marx himself paid attention to the historical specificities of non-European countries, especially when he began to study Persia and India. He introduced the concept of an Asiatic mode of production (AMP). He states:

In broad outline, we can designate the Asiatic, the ancient, the feudal, and the modern bourgeoisie methods of production as so many epochs in the progress of the economic formation of society (Avineri, 1968:4).

To Marx, the Asiatic mode of production could be part of the same process of development which existed in Europe. He thought that feudalism might grow out of the Asiatic mode, which preceded the capitalist mode of production. However, later he modified this notion and extended this theory of development for non-European countries.

The two components in the AMP asserted by Marx and elaborated by his followers are the issues of private ownership and the state. The key concept of AMP for Marx was the absence of private ownership of land, which makes the historical process in Asia different from European historical development in which different forms of private property existed (Marx, 1858). According to Marx, the mass of population in

Asiatic societies is organized into village communal systems that are economically self-sufficient. An individual in this society is part of the community and attaches to it. He never becomes an owner, but only the possessor of the land who cultivates it for the survival of the community. Marx states that:

It seems to have been the Mohammedan who first established the principle of "no property in land" throughout the whole of Asia (Ibid:432).

The concept of the state is the second important component of the Asiatic mode of production developed in relation to community ownership. The state in the Asiatic mode of production, unlike in Europe, stands as the landowner of the whole community; individuals exist only as possessors of the land and not as owners (Wittfogel, 1957:350-59). This condition of right of property in land, according to Marx, appears to have a particular judicial existence which imposes itself upon the society through the establishment of a strong despot. The concept of oriental despotism as a political characterization of the Asiatic mode of production is a part of the social whole: the structure that did not exist in Europe. Marx states

The despot here appears as the father of all the numerous lesser communities, thus realizing the common unity of all. It, therefore, follows that the surplus products belong to this highest unity. Oriental despotism, therefore, appears to lead to a legal absence of property. In fact, however, its foundation is tribal or common property, in most cases created through a combination of manufacture and agriculture within the smallest community which thus became entirely self-sustaining and contains within itself all conditions of production and surplus production (1964:70).

To extract surplus, the ruler or the state had to use several strategies: organizing the military, building up a bureaucratic system that is reflected in the strong centralized government and constituting

strong religious institutions that justify the existence of despotism and consequently exercise its control over properties.

Finally, Marx asserts that in oriental societies, unlike the European precapitalist formation, there is no separation between agriculture and industry (craft) and thus no contradiction between town and country. Therefore, in contrast to Europe, where the dissolution of the precapitalist formation occurred through intensification of antagonisms between town and country and the growth and triumph of a bourgeoisie class over feudal one, the oriental society remained stagnant, traditional and resistant to change until penetrated by the external forces of capitalism. As Marx points out:

The Asiatic form necessarily survives longest and most stubbornly. This is due to the fundamental principle on which it is based; that is, that an individual does not become independent of the community; that the circle of production is a self-sustaining unity of agriculture and craft manufacture, etc. (Ibid:83)

In sum, Marx's conclusions about the characteristics of oriental societies are as follows:

(1) Oriental societies lacked a feudal system similar to European countries; (2) the absence of private land ownership was a distinct feature of the orient; (3) geographical traits (climate and general territorial considerations) created the impetus for water works, which, in turn, gave rise to an inherently powerful social organization that controlled these and related affairs. Due to the vast expansion of activities in the social administration of related affairs (4), the state emerges as a powerful centralized institution characterized by oriental despotism.

There is still another type of argument that does not consider Iranian precapitalist history as a unique type of mode of production.

According to such an interpretation, neither the term Asiatic nor feudalistic mode of production can solely describe the structure of Iranian precapitalist history. Rather the term "Asian social formation" can define the nature of the period under discussion (Mahdi, 1983:107).

The Asiatic social formation is

A collection of historically specific modalities of production, containing a variety of modes of economic appropriation of surplus, ranging from communal organization of labor to even wage labor (Ibid).

However, based on the above discussion, we may conclude that the Iranian precapitalist formation has never experienced the pure type of western feudalism. Rather, it has been characterized more by the Asian mode of production. And, as Marx recognized, the obstacle to its development was not feudalism but oriental despotism.

Precapitalist Iran experienced the frequent invasion and influence of external forces during the past centuries. The Mongols from central Asia, the Afghans from eastern regions, the Turks from the west, and the like. However, none of them affected the structure of the society profoundly, except for the influence of Islam in the seventh century and the penetration of colonial powers in the nineteenth century. The former affected the laws and regulations of the land tenure system and the latter changed social and economic relations and essentially the social formation of precapitalist Iran.

The nineteenth century in Iran was marked by a profound change in its economic and political structure. Developments in the nineteenth century transformed the precapitalist social formation characterized by arbitrary despotic government into a constitutional monarchy characterized in the first decade of the twentieth century by forms of western institutions and a capitalist-oriented structure.

The period under discussion was also marked by the penetration of colonial powers, mainly British and Russian. The importance of Iran to these forces was Iran's position on the international highway of world trade. Both powers competed to gain political and economic control; both used various instruments to expand their own commercial networks and political influence; and therefore, both caused Iran to emerge as a community of interests for external powers.

The internal situation of the society, under the impact of the external forces of colonialism, produced a new situation called "semi-colonialism," which marked a new period in the external relations and social formations of Iran. The term semi-colonialism came from the work of Mao Tse-Tung and Lenin and refers to a country under several colonial powers, "which throughout the period of brutal imperialist expansion preserved their juridical independence" (Ray, 1963:69). Iran falls in this category because the competition between the great colonial rivalries of Britain and Russia forced Iranian rulers to accept a policy of balancing irresistible pressures within the emerging situation. But Iran did not enter into a formal colonial situation, rather it survived as a buffer state between the policies of British and Russian powers and was forced into a semi-colonial situation.

At the turn of the century, the growth of world trade was quickened in comparison to the previous three decades in which Britain was the principal trading country (Magdoff, 1969:54-62). The basic changes in the international division of labor and the transformation of modes of production in most peripheral societies were associated with the expansion of the world capitalism.

The twentieth century in Iran was marked by the period of modern

capitalist development which began with the rise of what can be called "state capitalism." This refers to the first attempts of the government to establish capitalist institutions and to construct modern capitalist production units. In this period the state owned the major means of production and controlled almost all economic activities in the country. The emergence of state capitalism and the concomitant modernization and industrialization policies stratified the Iranian class structure.

Although the constitutional revolution of 1906-1911, which was a bourgeois revolution, changed the nature of authoritarian state power and fragmented the political structure of Iran into three separate powers (judicial, legislative, and executive powers), it did not establish a dominant bourgeois power. Even the rise of state capitalism did not fundamentally transform the infrastructural relations of feudalism. Despite the development of a labor force and capitalist relations, especially from the late 1930's, the socio-economic base of the country until land reform in 1962 maintained a predominantly feudalistic character. Nevertheless, the social formation of the country in this period can be described as semi-feudal. This refers to the dual character of the class structure of the society, which was composed of dominant feudal and subordinate bourgeois relations. The ruling class was composed of the dominant landed class and traditional bureaucrats, who had their origins in old landowning aristocrat families, and the new but growing bourgeois class, which accumulated wealth and capital, not only through expropriation of land and exploitation of the peasants, but also through bourgeois activities. The modern industrial working class, which began to grow from the late 1930's, increased by the late 1950's but was still

not significant enough to play a determinant role in the transformation of the society. Until land reform, the peasantry were the largest segment of the labor force population. The Parliament, the Cabinet, the top army officers, the top bureaucrats and the court were still dominated by the landed aristocratic elements known as the one thousand families, which dominated the class character of the Iranian social formation in the twentieth century up to the land reform.

Through the implementation of land reform, the power of the landed class was reduced in comparison to the growth of the bourgeoisie. The land reform program sponsored by the United States, a new dominant foreign power in Iran, eliminated semi-feudalist relations and introduced a new situation named dependent capitalism which determined both the socio-economic infrastructure and the political and cultural superstructure of the society. Dependent capitalism which developed from early 1960's onward, is characterized by, first, the strength of the comprador bourgeoisie and the consequent rules of this class in most sectors of the economy, e.g., agriculture, industry, etc, second, the penetration of capitalist relations into agrarian communities, which converted most of the peasants into wage laborers, third, expansion of foreign capital investment in various sectors of the economy and creation of an economic system, which directly or indirectly became dependent on monopoly capitalism; and finally, establishment of a new form of political system characterized by dictatorship as the most fundamental feature of the ruling class whose interest interlocked with the interest of monopoly capitalism (Jazani, 1980; Halliday, 1979). Dependent capitalism, however, cannot be categorized as a new social formation, rather it is a continuation of the capitalist development introduced in the 19th century by the colonial power, which can be classified under the title peripheral capitalist social formation.

2.1 Agrarian Society Before Land Reform

Introduction:

Iran is a country characterized by urban, rural, and tribal ways of life. Although modern urban life appeared in the 1930's, the dominant way of life for centuries had been rural and featured a disparity between tribalism and agrarian sedentary society. The nomadic population was not isolated and was in constant interaction with urban and rural society, and especially with the state or ruling class, but they functioned within the context of a socio-economic formation, which made them considerably different from the other societies.

There are many historical, social, economic, political and physical factors involved in the structural underdevelopment of Iranian rural and nomadic areas. In this chapter we will discuss the characteristics of Iranian rural and nomadic areas. On the other hand, since the natural and geographical conditions have an important influence on rural society, we will first briefly describe the physical environment of the country.

2.1.1 Physical Geography and Population of Iran

Iran, which before the Reza Shah was called Persia, is a country located in West Asia. Its area consists of 680,000 square miles which is more than three times that of France and six times that of Britain. As its natural boundaries, the country has on its north, the Soviet Union and the Caspian Sea; on the east, Afghanistan and Pakistan; on the south, the Omman Sea and Persian Gulf, and on the west, Turkey and Iraq. Its

territory extends 1,380 miles southeast to northwest and 875 miles from the northeast corner to Shatt-el Arab in the Persian Gulf in the southwest corner (Fisher, 1968: 3).

About 70 percent of the total land of Iran is either mountains or desert and only about 20 percent of the area is forest land or grazing land and only one-tenth of the total area was arable by the 1950's (Vreeland, 1957: 49). Like other societies, availability of water and suitability of climate have been the major determinant factors in organizing the types of settlements and controlling the density of population. In this regard, Iran can be divided into four distinct regions. The first is the Caspian region, which enjoys an extraordinary amount of rainfall and large scale cultivation, gardens and orchards. The area consists of a long valley running along the Caspian Sea in the North, stretching down to the range of Allburz Mountains in the South. The climate of the region resembles that of the Mediterranean area. Three provinces, Gilan, Mazandaran, and Gorgan, are located in this region where the major agricultural products like rice, tobacco, cotton, tea, and other semi-tropical products are produced. Consequently, this is the most densely populated region in the country.

The second is the northwestern region, which begins by the Aras River on the border of the province of Azarbaijan and the Soviet Union and extends over this province and Kurdistan, Hamadan, and Luristan down to Khuzistan. This region consists of pasture lands on slopes,

and fertile valleys that yield abundant crops. Cattle breeding and cotton, tobacco, and cereal products are also important here. Two major rivers, the Aras in Azarbaijan and the Karun in Khuzistan are the main sources of irrigation. The region is very rich in mineral resources, especially oil.

The third region is the Central Plateau which is marked by a vast desert, and whose climate is arid, with occasional rainfall. Irrigation in this region is done mostly by the old technique of Qanat, using underground water through a series of interconnected wells. Because most of this region is covered with sand and rugged ground, cultivation is rare except in the places where Qanats work. Handicrafts, especially the carpet industry, tend to be predominant. The climate is very hot in the center with a lack of humidity, but the earth is rich in mineral resources, especially iron, copper, etc. Finally, the Gulf area can be distinguished from other regions, due to its tropical and damp climate. The region stretches from the great plateau along the coast of the Persian Gulf to the river of Shatt al-Arab. The area consists of a number of large streams and produces such items as sugar cane, dates, tobacco, etc.

In general, with the exception of the Caspian and northwestern region, the Iranian climate is characterized by dryness. Half of the country receives less than ten inches of rain per year. Because the country is surrounded by mountains, moisture is essentially prevented from infiltrating toward the plateau. Many regions,

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therefore, fall beyond the reach of the moist sea winds and enjoy freedom from humidity, however, they are affected by the local dry winds, which, with the absence of water, make agricultural activities difficult. According to statistics gathered by the Plan Organization, only about 11 percent of the land area is cultivable. However, a considerable proportion of land area could hypothetically be made into farm land if capital, technology, and expertise were available.

The physical geography of Iran is the most important factor in defining density of population. The northern part of the country contains the most densely populated areas and the central part, especially toward the east and southeast, lacks inhabitants or has populations in scattered areas.

Geographical traits have not been the only factors that have affected the concentration or absence of population. Political and social circumstances have also largely contributed to distribution of the Iranian population. For example, as dynasties changed their political headquarters, the new places tended to attract people from other places, e.g., Isfahan in the 16th and Tehran in the 20th century. Nevertheless, the agrarian community depended on the availability of water and favorable climate conditions. These geographical conditions have also affected the distribution and diversity of settlements and patterns of social integration. From the dried,

windy, and hot temperatures of the Central Plateau to the thick forestry and humid regions of the Caspian coastal area, to the slopes of the Zagros mountains, spatial patterns reflect adaptations designed to exploit land and water resources. This pattern of adaptation has permitted a kind of uniformity of social life to exist in the different agrarian communities. Two major spatial patterns that can be distinguished in the agrarian communities are the village and tribal societies that largely contributed to the economic and political structure of Iran and its transformation.

2.1.2 Tribal Society: The Pastoral Nomadic Mode of Production

Pastoral nomads and tribals are a significant fraction of the Iranian population, and they have been important in the socio-economic development of the country. Pastoral nomadism is the mode of existence of peoples who derive their livelihood primarily from tending herds. Because they depend on their livestock, they often wander to find grazing land. The existence of animal stock is conditioned by the availability of natural pastures and the natural condition of Iran made most of the country suitable for raising livestock. It has been estimated that 52 million hectares, or 32 percent of the total area of the country, is at least minimally suitable for livestock grazing, which is located predominantly in the Alburz and Zagros mountains and their foothills in the Central Plateau and to some degree in

Baluchistan. Therefore, the tribal population and particularly nomads largely rely on livestock rather than agriculture.

The history of Iran from ancient time to the beginning of the twentieth century indicated that the frequent shift from bedouinization to sedentarization depended on the political, economic, and natural conditions or particular time. The strong, centralized states or empires always encouraged, or even forced, the settlement or partial settlement of tribes and their engagement in cultivation, whereas the weak and decentralized states permitted the nomads to return to a pastoral way of life. There have been some nomads who have voluntarily adopted a settlement life and converted into farmers, while some of the peasants abandoned their villages, moved into the mountains, and adopted pastoral nomadism as a way of life. Still, it is common to find sedentary agriculturalists who own numbers of livestock, or nomads who have a piece of agricultural land and also engage in cultivation (Rosman, 1976:546). Thus it is difficult to obtain accurate data about the size of tribal groups or about the distribution of livestock between tribes and peasants. According to Curzon's estimate (1966, V. 2: 493), the nomadic population in the last decade of the 19th century consisted of about 2,250,000 which is approximately one-third of the settled population. However, the nomadic population decreased especially during the late 1920's and 1930's when the Reza Shah adopted a policy of forced settlement. But after the abdication of the Shah in 1941, the nomadic population again rose to near 2,000,000 (Bharier, 1971:31). According to the census of 1956, the nomad population was about 30 percent of the settled population.

Ecological variation affected the patterns of settlement and

resource utilization among tribes. Those who were located in arid and desert areas tended to be more migratory whereas those who settled in areas with suitable geographical conditions created more permanent settlements, raising livestock and sometimes also farming. But in general, because of seasonal and ecological changes, most of the nomads and tribals adopted a migratory life. In order to continue production, the nomads and their means of production had to migrate between two areas called Yeylag and Gheshlag. Yeylag is the area, usually in the mountains, where the nomads stayed during the summer, whereas Gheshlag is the area where they stayed for the whole winter, about two to four months. The rest of the year the nomadic groups were in movement between these two poles (Golabian; 1977:239).

The migration pattern that every nomadic/tribal group follows is called its il-rah or migration route. The il-rah is a continuous strip of territory, stretching from the highland pastures in the mountains to the lowland pastures in the deserts. Through migration in this area, nomads claim the right to pass on roads or over uncultivated lands, graze animals on uncultivated land, and use water from rivers or irrigation channels. The course of the il-rah depends on available natural resources, such as pastures and waters, and the areas where the nomad can pass (Barth, 1960: 2-3).

Taking language as a criteria, six main nomadic groups can be distinguished: Turkoman, Kurds, Lurs, Arabs, Turks, and Baluches. Each of these groups included several sub-units. The nomadic population is organized hierarchically. This hierarchical pattern has been organized as follows: "the smallest component unit of these socio-economic and political organisms is a 'tent' or a nomadic 'extended household.' A

combination of several tents or households constitutes one mal or camp; several camps make a tireh or sect; several sects constitute one tayefeh or clan; and the combination of several tayefeh constitute one eyel or tribe" (Barth, 1961, cited in Golabian, Ibid: 236-237). The hierarchical organization regulates the pattern of migration, uses of natural resources, and the amount of production. In general, the tribal communities are the extension of family clans which are organized on kinship relations. The kinship system controls and regulates internal problems within the tribes and determines their relationship with the outside world. The main function of the kinship unit is to protect the interests of each individual member in relation to the general interests of the tribe. The strong social cohesion that exists in the kinship system protects the members of the community, secures their property, and determines the position of each member within the community. The kinship unit not only serves as a mediator among the separate productive units within tribal communities, but also as an intermediary between the tribal economy and the marketplace. The most significant person in the kinship unit is the leader or chieftain who protects the interest of the tribe in internal and external affairs. As Helfgott has argued:

The chieftain functioned within the tribe as: (1) the arbitrator of a system of legality that ensured the maintenance of order and reciprocity; (2) the mediator among the disparate economic units; and (3) the organizer and leader of tribal military activities. As mediator between the tribe and the outside society the chieftain functioned as: (1) the conduit for external ideological, religious and cultural forces; (2) the agency of interaction between his tribe and other tribes and sedentary groups; and (3) the representative of tribal affairs within the ruling power (1977: 49).

All members of the tribal group are aware of the hierarchical organization in their community and its impact on their social, political and economic life.

The individual members of the community do not have access to private land, rather they use grazing lands collectively. However, this collective use of land does not mean equal distribution of the wealth of the tribe; instead the hierarchy unequally divides wealth and power among the Khan or tribal chief, and the tribesmen. The tribesmen are mostly poor, while the chief owns most of the tribal wealth and pastures.

The power of the chief derives from his position as both the leader and land owner. As Lambton states:

In their capacity as landowners, they collect their share of the produce of the land or their rents and dues as other landowners, while in their capacity as tribal leaders they collect certain levies from their followers (1953:283).

The type of access that tribal people have to the land may differ. Land may be registered in the name of khan, who provides traditional rights of pasture for certain tribes or it may be khaliseh, that is, it belongs to state. Khan allots the pasture to the tribesmen every year. While the pasture is usually given to the same person, such allotment is practiced every year in order to prevent the tribesmen from acquiring title to the land (Ibid). Although the tribal chief appropriates the surplus products of the nomadic population, some of which goes to the state, this exploitation is minimized by the fact that the chief needs to maintain the loyalty of his followers. The economic production of the tribal/nomadic population is significant. The livestock not only supply food (meat, dairy products), fuel (dung),

cloth (wool, skins), means of transportation (horses), and housing (tent of felt) for the herdsmen, but it produces a significant surplus which is consumed by the peasants and urban populations and exported abroad.

Accurate data is not available to show the value of what is produced by tribal/nomadic populations. Because nomads mostly produce for their own consumption--although there is some exchange that takes place--most products are consumed without registration. In addition, as already mentioned, some of the animal products are produced by the rural population, and there is no accurate data to indicate the exact distribution of livestock between the peasants and the tribespeople. If we accept Stauffer's (1965: 291) estimates, which assumes 46 percent of the national flock belongs to the villages and 54 percent to the nomads, then from Table 1, we can approximate the degree of participation of the nomadic fraction of the population in the national economy.

Although the huge increase in the production and exportation of oil in recent years has decreased the importance of the non-oil export sectors, the exportation of carpet and wool continues to have significance for foreign exchange. According to one estimate (Golabian, 1977: 248), the tribal sector produces almost one-sixth of Iran's non-Petroleum export sales and one-half of the meat and milk for domestic Consumption.

Production in the tribal community is carried out both for direct use and for exchange for needed goods that cannot be produced within the tribal economy, such as agricultural products or weapons. The exchange of animal products for agricultural products is a common

Table 1: Livestock Population (included village and tribal, in 1000's)

Year	Sheep	Goats	Cattle	Buffalo	Camels
1947-51	-	8300	3,300		600
1958	23000	13500	5000	200	100
1960	30000	12500	5500	230	234
1961	31832	12531	6023	247	283
1962	30720	15887	6073	260	286
1963	29500	13500	5200	230	220
1964	30000	13000	5000	250	190
1965	30000	13000	5000	250	190
1966	28990	13000	4900	250	192
1967	30467	13329	4946	256	195
1968	31130	13388	4971	260	198
1971	24295	13950	5516	179	110
1973	27800	14200	5300	220	110

Sources: For the years 1947-58 Middle Eastern Journal (1965);
for the years 1960-71 The Statistical Yearbook, 1972;
and for 1973, The Agricultural Census of the year 1973.

activity, which takes place mostly between the tribal and rural communities. The lack of road and transportation facilities prevent the tribesmen from taking their products to cities and larger towns to sell at higher prices. Most of their products such as milk, meat and wool are exchanged with their rural neighbors, especially during migrations. In addition, there are some large villages and towns between Yeylag and Gheshlag, which the tribesmen pass through during migration, that are full of merchants from all over the area. These merchants purchase the tribal/nomads' products and sell them for the commodities

that the nomads requested. These merchants and peddlers mostly come from cities and are mediators between the urban economy and nomadic economy. Most of the capital of these small merchants comes from powerful and rich agents living in big cities. They provide the peddlers with those goods that the nomads are ready to purchase and in return accept their animal products, such as meat, dairy products, wool and carpet (Ibid). Poor nomads who do not have access to the city market have to sell their products for lower prices to these middlemen and buy their necessities at higher prices.

In general, to attain the goods that are not produced in the tribal community, the tribesmen have to constantly trade with the sedentary population. If the nomads cannot obtain their necessities through trade, they resort to force. Hence, the pastoral nomads maintain a strong military component capable of appropriating agricultural and handicraft commodities for tribal communities (Helfgott; 1977:45).

Helfgott argues that pastoral nomadism has been an important factor in the retardation of economic development in Iran. This retardation has occurred in two ways, through converting the technical means of production (i.e.) the conversion of arable and irrigated lands to Pastures) and secondly by affecting the social relations of production through the reinforcement of landlordism by the tribal khan. As he Summarized:

Pastoral nomadism simultaneously retarded primitive capital accumulation while solidifying the semi-feudal relations between landlord and peasant. The permanence of the nomadic sector between the eleventh and the nineteenth centuries was a significant factor in rendering economic development impossible and the pre-capitalist structure of Iran remained stagnant in comparison with its western European counterparts (Ibid:56).

From the political point of view, tribal forces have played an important role in Iranian history. Until the 1930's they were the dominant political group in Iran. Through their military force, they led or brought into power all the dynasties in Iran prior to 1925--until the Pahlavi dynasty. The tribes had military supremacy in the political structure of the society, "especially in eighteenth century when tribal dynasties such as the Afshars, Zands, and Qajars vied for power, and nearly all military power was tribal" (Keddie, 1978:307). Although they maintained their political strength through military force, because they were dependent on a decentralized and autonomous tribal base, the chiefs could not establish a centralized government (Ibid:308). One of the basic problems that the tribal rulers faced, after seizing state power, was coping with the tribal elements who had brought them into power. The inability to cope with these people would eventually lead to a fall from power (Lambton: 1970:77). In order to reduce the threat of tribal elements, the rulers would sedentarize them, incorporate them into political affairs, or assign them as representatives of the government to mediate between the state and their tribe.

In general, the state sought to have a good relationship with tribal chieftains for several reasons. Among these were the wish to maintain stability between nomadic and sedentary populations to ensure access to agricultural and handicraft products the government's dependence on tribal military power, the need to have the tribe protect areas outside the control of the government and finally, the desire to neutralize the fear of their rebellion (Helfgott, 1977:31).

It is clear that giving power and authority to tribal chieftains

to administer tribal affairs is a shaky policy, because there is the possibility that power will be used against the government. But most dynasties were aware of this danger and accepted the tribal leaders.

While there have been many attempts to sedentarize the tribal/nomadic elements, mostly for political and military reasons, it was during the Reza Shah's reign (1921-41) that nomads were forcibly sedentarized. Patterns of tribal nomadism became considerably disorganized by Reza Shah's policy of tribal settlement. He initially approached tribal communities in an aggressive manner and tried to reduce the power of tribal leaders in order to centralize his power and authority. This attempt needs to be understood in light of the fact that tribal organizations in Iran always posed a serious threat to a central government. If a leader failed to bring the tribes into the social and political structure of the country, he would probably not be able to secure his throne. Relying on a relatively organized military and on modern weapons, Reza Shah succeeded in maintaining control and order over tribal communities (Banani, 1961:56-57). He then forced the migratory tribal population to settle in an attempt to convert them from a pastoral mode of social life to an agricultural one. Reza Shah also attempted to destroy tribal social organization by exiling the influential tribal elements and scattering some people to different areas where they were unable to practice their traditional ways of life. This compulsory settlement of nomadic tribes and the prevention of seasonal migration prevented the tribesmen from using their summer and winter grazing quarters. Consequently, many cattle, horses, and other livestock (the basic means of subsistence of nomads) were destroyed during the winters due to severe weather and lack of

grain (Keddie, 1981:96-7). The poorer tribesmen who were unable to build shelter for their stock for the winter season incurred the most damages. In general, the tribal policy of Reza Shah produced "heavy losses in livestock, the impoverishment of the tribe, and a lessening of their number" (Lambton, 1953:286). Although it could be argued that sedentarization of nomads is necessary for internal security and/or further modernization, as Garrod correctly mentioned, "the means by which it was achieved were barbarous, ruthless, shortsighted, and they made little provision for the momentous changeover from a pastoral to an agricultural economy by a people whose nomadic traditions are as deeply ingrained as those of any Asiatic tribe" (1946:299). The tribal policy of Reza Shah indeed had adverse affect on the economy, resulting in heavy losses in livestock and the impoverishment of the tribes. The tribal/nomad population was forcibly settled and converted into agriculturalists without the provision of sufficient facilities to enable the nomads to make the transition. As Stauffer asserts:

Nonetheless, previous attempts to control or curb the tribal migrations, in addition to inflicting excessive losses upon the tribes, resulted directly in exaggerated shortages of meat and milk supplies in the villages and towns (1965:285).

Further, he shows that the livestock population declined by one-half million, and the government had to import livestock to compensate for this reduction.

The transformation of the social and economic life of the tribesmen through forced settlement and the declining position of tribal leaders in the country's power structure under Reza Shah led to several tribal uprisings, which were brutally suppressed. But the government's use of force and weapons could not contain the conflict which existed

between the Shah and the tribal communities, rather it escalated it. The cause of conflict could have been removed if a fundamental change had taken place in the economic infrastructure of tribal communities. The policy of compulsory settlement offered no alternative for protecting livestock and no other means of subsistence for the tribesmen. Therefore, the consequence of forced settlement was that, immediately after the collapse of the Reza Shah's regime the exiled chiefs returned to their tribes and a migratory movement began in the same fashion in which it had existed before. Since then, the general tendency among tribal leaders has been to recapture and revitalize their power in the political structure of the country. Some tribal communities (e.g., Kurdistan) took advantage of the war period and the weakness of the central government and intensified their struggle for autonomy.

In sum, the Reza Shah's tribal policy produced some short-lived surface changes at the expense of the social and economic life of the tribesmen. Although he reduced the power of tribal leaders through military force, the chiefs regained their power upon the collapse of the Shah's regime and remained entrenched in the political structure of Iran until the land reform.

Since 1949, after the downfall of Reza Shah, the central government has tried to deprive tribal/nomad populations of their political autonomy, but it has not been widely successful.

2.1.3. The Village Community

The importance of the village community in Iran should be explained **not** only because of its agro-economic role in production but also **because** of its social and political significance in reflecting the class

character and stratification of the society. The fact that peasants are the largest segment of the Iranian population and have been under the social, economic, and political domination of landlords for generations indicates that any socio-economic development should involve radical changes in the village and rural communities. This discussion is organized around various important categories which characterize the village communities, including the pattern of settlement, the land tenure system and production relations, the social and cultural organization, their political significance, and the like.

In terms of patterns of settlement, Iranian peasants live and work in a village or "deh." Its population may vary from 10 or 20 and up to 5000 people, according to the official definition given in the first National Census, 1956.

Since earliest times, the village has been the dominant form of settlement. The existence of organized villages dates back to the pre-Islamic period and developed further during the early Islamic period. The Muslims' ruler encouraged communal organizations and agricultural prosperity. Treating the village as if it were a corporate unit, a definitional stance until the twentieth century, made it easier for the government to collect revenues and tax from peasants and small landowners.

The villages were periodically subjected to various invasions from tribal communities, the effects of which changed the pattern of settlement from sedentarization to bedouinization. From the time that the native population of Iran initiated a sedentary life and settled in the villages until the nineteenth century, fluctuations between settlement and nomadism continued. Iranian history has recorded that the rise

of a strong centralized government was associated with a predominantly settled population and subordinate bedouinization. On the contrary, the impact of invading tribes usually produced devastation of agriculture, depopulation of rural villages, and even imposition of a foreign mode of life. That is, the peasants were forced to adopt a nomadic way of life, such as occurred with the Mongolian domination in the thirteenth and fourteenth centuries (Frye, 1961: 44-50).

The second major factor that has played a significant role in shaping the patterns of settlements is the scarcity of water. Insufficient rainfall and lack of water in many parts of Iran has caused the population to gather around water resources, such as wells, rivers, springs, and qanats. The villagers had to live close to each other in order to share water for personal use, irrigation, and livestock. Except in the northern provinces and in some parts of the west where rivers, springs, and rainfall are the major water sources, in most parts of Iran the qanat (underground canal) is the major system of irrigation around which villages have been established. The major concentration of settlements have taken place where the rainfall is heavy and, therefore, water resources are in abundance. Gilan, Mazandaran, Azarbaijan, Kurdistan, Kermanshahan, northern Khurasan and parts of Fars are the regions that are prosperous in terms of water resources and concentration of population. In Gilan and Mazandaran, the northern regions have been marked by "high-yearly-precipitation" (Bowen-Jones, 1968:596), the population is dense and villages are close together. About three percent of the villagers in Iran resided in villages with a population numbering above 1000 persons. Most of these villages are located in the northern and northeastern provinces. In contrast, the central, southern and eastern

regions, which are characterized by a scarcity of water and an unsuitable climate, include scattered villages and extensive stretches of uninhabited land. The population averages fewer than 250 inhabitants in villages in these regions (National Census of Iran, 1966). The residential area of the village is called the hamlet or qaleh. For the most part, the houses of the village tend to be clustered together. The centers of the village are the mosque and the village shop. The larger villages have caravansaries located on the outskirts. Gardens are on the edge of the village and the peasants' fields surrounded the village, with the pastures beyond them (Lambton, 1953:2-9).

The second characteristic of Iranian villages is their economic role and function. In the past, prior to the incorporation of oil into the national economy, agriculture had been the major economic staple. Production activity was hierarchically organized and structured, with the peasant household being the smallest unit, the boneh, a unit composed of several households as an intermediate unit, and finally the village unit. The degree of economic activities of these units was closely related to two major available resources: land and water. Land, water, labor, and animals, which are the necessary factors for production in villages, were parceled out within the units. Labor was usually available in villages. However, a large family may have been better suited to provide labor. Given the availability of labor in the village, land and water were the significant factors determining the amount of economic activities. The peasant holding, which is the basis of the village, is reckoned by plough-land or by share of water. Plough-land is the amount of land which is ploughed by a pair of oxen during a cultivating season. It is usually between

4 to 6 hectares (10 to 15 acres) (Khosravi, 1978:16). Therefore, the village lands were divided into plough-lands and peasants had the right to cultivate the landlord's areas (as nasaq-holder) or own the land as a peasant-proprietor or be khwushnishin (landless). One of the most important rights attached to plough-land is the right to use village pastures and to collect scrub for fuel. The importance of this right is that most of the members of a village community share the arable land and water.

Not all lands have unique productive states, especially with variations in climate and availability of water. A land may be "daymi" (dry farm) irrigated, benefit from rainfall, "abi" (utilize irrigation), or be "ayish" (fallow land). For abi lands, water is divided on the basis of the needs of certain crops. In a suitable climate, like that in the north, the land may be cultivated twice a year.

Iranian villagers are also dependent on their livestock and regard them as their primary economic asset. Cattle, sheep, goats, camels, donkeys and horses are raised in various parts of Iran. Cattle is used much more for agricultural activities and dairy products than for meat. Sheep and goats are raised for a variety of products. Goat hair is used to make ropes, tents, rugs; sheep's wool is very valuable for Persian carpets and winter clothing; the skin of goats and sheep, and to a lesser extent cattle, are used for leather and are mainly exported; and finally, all these animals provide milk and dairy products which are important staples in the peasant diet. Camel raising is not very common, but it is important for transportation in the desert areas. In villages, donkeys are primarily used for transportation. Horses are rarely found except in the northern provinces, especially in Turkoman Sahra by the Caspian shore.

In general, the rural peasants of Iran relied primarily on a subsistence economy which was based on small-scale production carried out by the family. This pattern of production has some characteristics that even prevailed into the 1970's. They are: little development of productive forces, primitive technology for production, low income level for peasants, sectoral isolation of the economy as a whole and a limited domestic market. Proximity to roads or cities sometimes enabled the villagers to benefit from town markets, however, due to the small surplus that peasants gained, they were unable to participate in the market economy. Lack of communication, transportation and security kept the majority of Iranian peasants' standard of living at a very low level. Nevertheless, the major cause of the peasants' poor living conditions was the exploitative relations that existed between landlords and peasants (this subject will be discussed below).

The third characteristic of Iranian villages is related to social and cultural traits. The Iranian village is not a simple agglomeration of peasants and agricultural production, but it is also a particular social and cultural formation. Villagers belong to their village in a way they belong to no other social group. They identify themselves with their village, which comes to constitute a common social identity. In official registrations (issuing identity cards, registration to vote, etc.), the villagers carry the name of the village to which they belong. For example, if the name of the village is AliAbad, they are identified by "AliAbadi," which indicates their origin. The name of the village itself in most parts of Iran is derived from kinship and clan relations, which has roots in the names of the original inhabitants

of the village. These inhabitants were usually members of different classes and tribes that gradually settled and identified their villages as settlements of their clan and themselves as members of a clan or tribe. A study of several villages done by an Iranian researcher shows that only 6.5 percent of the villages studied were clanless as compared with 73.4 percent which identified three or more clans (Behnam, 1971: Table 10:1). The class and kinship identity and its network provide vital channels for economic, political, religious and social activities. Economic prosperity, political position, performance of religious ceremonies and the arrangement of expensive cultural ceremonies (e. g., marriage) attach high prestige to certain members of the clan.

In terms of the sexual division of labor, the village structure provides for a certain division of labor within the family. However, the division of labor between men and women may vary from region to region. In the north, where agricultural activity is tense and villages are close together, and in the city, women participate in cultivation, harvesting and marketing. In the southern region, their activities are usually confined to milking, baking, weaving, and the like. Despite their active economic participation, the rural social life is essentially male oriented and women do not participate in decision making related to production and other aspects of life.

Age is not a criteria for any formal group, but it gives respect and authority to the elder people. Rish Sefids (the white bear) are highly respectable and sometimes determinant in solving problems, especially when a judgment is necessary. Young children are important for their function in production activities. It is not unusual to see a 10 year old boy taking care of flocks or directing the harvest

carrying animals from the field to the storages. The girls may have responsibility for caring for infants, milking and weaving the carpet.

Finally, a few words should be said about the political life of the village. For centuries, Iranian peasants have been kept from political participation. They have been forced to be passive, subject to the will and wants of their landlords. The destiny of most Iranian peasants and their families was in the hand of landlords. They exploited them economically and culturally. They would punish, uproot and dismiss them if they were considered disobedient. In addition, the Ganderms (rural police), which were established during the Reza Shah's period and in fact were under landlord's domination, harassed villages for various reasons. These impositions, along with illiteracy, lack of communication and cultural suppression, isolated Iranian peasants, especially the ethnic groups, from others and led villagers to be passive in political actions. Except for some distinct regions, Iranian villagers were not active members of the revolutionary movements in the pre-land reform period (Kazemi & Abrahamian, 1978).

The Jangali movement in the late 1910's and the Kurdish movement in the 1940's were the only organized peasant movements that took place prior to land reform. The land reform (1962), which brought a large segment of peasants into the country and introduced capitalist market relations into villages, significantly helped link villages to an urban environment. This linkage later contributed to the politicization of the villagers and created sympathy for the urban political movements that took place in the late 1970's.

Based on these characteristics, a hierarchy of distinct social groups existed in the villages including landlords (mostly absentee)

and their agents at the top, a strata of various middlemen and peasant proprietors in the middle, and at the bottom the majority of all villagers, comprised of peasants holding the traditional right to cultivate the landlord's land (nasaqdar) and others who do not have such rights (khwushnishin). The relationship between these different groups will be discussed in this chapter.

2.1.4 Pattern of Landholding

The pattern of land ownership has remained intact for a long period of time in Iran. Dynasties came and went, members of the land-owning classes changed, but the structure of land ownership did not alter. Even the late Qajar period, which marked a breakup in the old system of landholding, had very little affect on the position of landlords in the political power structure, and no significant change took place in relations between peasants and landlords.

Lands were held under several forms of ownership: (a) Iqta or Tuyul, (b) Vaqf, (c) Khaliseh, and (d) private or Arbabi lands.

(a) Iqta System:

Although the Iqta or Tuyul originated from the rise of the first Arab empire in the seventh century, it was reinforced and regularized in the period of the Seljuqs dynasty in the eleventh century. Iqta refers to a system under which lands were assigned by the rulers to royal administrative and military officials and members of the royal family for various purposes, including the granting of land for the performance of military service, or in lieu of salary. The Iqta system emerged at the time the government was in financial trouble regarding

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the payment of its civil and military services. The assignee, who possesses but does not own the land, is called Muqta and the land is called Iqta. Land is assigned to the holder at the will of the ruler and can be taken back and/or assigned to another person at any time.

The main forms of Iqta practiced in Iran are Iqta al-tamlik, and Iqta al-istighlal. The former represents the assignment of land, especially crown lands, wastelands, and dead lands, and the latter referred to assignment of its revenue (Lambton, 1953:28-9). In theory, the purpose of Iqta al-tamlik was to grant ownership in an attempt to extend cultivation, and the purpose of the Iqta al-istighlal was to grant remuneration for services rendered (Lambton, 1953). As the government became more centralized and the military organized, the latter was practiced more frequently than the former. The grant of Iqta (known as Tuyul during the Safavid rules) had been abolished by the first action of the National Consultative Assembly in 1907. This action can be regarded as an initial step to developing private land ownership--a condition that had already been encouraged by the development of capitalist commercial activities in Iran.

(b) The Vaqf land:

The institution of Vaqf land, which is essentially Islamic (i.e., formed from Islamic time), became more organized under Safavid in the 16th century and modernized further during Reza Shah reign.

The essence of Vaqf as an institution was to release land from personal and private ownership and attach it to common property for the purpose of public use. Two kinds of Vaqf were recognized: (1) the Charitable Vaqf which was devoted to the general interests, and (2) those constituted for private purpose. The most charitable Vaqf land

in Iran was devoted to the upkeep of shrines, religious agencies, religious schools, and other public functions. Vaqf land cannot be sold or confiscated, although there have been cases of Vaqf land being usurped but it could be exchanged for better property (Lambton, 1953:231-32). One of the important elements in the Vaqf land institution is the administration of Ouqaf (pl. of Vaqf). The grantor of the Vaqf was required to appoint an administrator, or failing this, a judge could appoint a person. The administrator is called Mutavali. Islamic law has maintained 10 percent of produce for the Mutavali. Considerable areas of the country were Vaqf. In some cases, Vaqf land was worked directly, but more often it was leased. In many cases, the owner of land or administrator directly rented his land to the peasants, but sometimes a third party existed between the administrator and peasants. In either case, the owner paid a fixed portion of the profit to the foundation and kept the rest for himself.

The Safavid shahs, especially Shah Abbas, transferred a considerable amount of land into charitable Vaqf. Through this endowment, the Safavid monarch greatly benefited from the support of religious leaders, (Ulama) without which they, as well as other Iranian monarchs, could not justify their despotic rule as divine sanction. Safavid efforts to encourage the Vaqf institution further weakened private land ownership and reinforced the centralization of administration and created more control over properties. The land policy of Safavid, especially their tendency toward religious institutions of Vaqf, established a new, strong, social group of religious leaders (Ulama), who affected the whole society until recently. This social group, which enjoyed the support of masses of people and the ruling class, became the major determinant of

Vaqf administration. Among the religious leaders in later periods, especially during Qajar (nineteenth century), there were large landholders in the form of Mutavalli who did not differ from the private landowner.

The fact that the autocratic rulers of the Iranian monarchs were unable to survive or be strong without the sanction of the Ulama discouraged them for any reform in Vaqf institution. The major changes that took place in the Vaqf institution came after the adoption of the constitution, especially under the development of modern capitalism, which enforced the secularization of social institutions (See Chapter 3).

(c) Khaliseh

The Khaliseh land refers to the lands that belong to the crown and have been acquired through conquest, confiscation, inheritance, or by purchase. The emergence of Khaliseh land occurred in the pre-Islamic period. The extent and regulation of these lands varied considerably with the rise and fall of dynasties. Three major types of Khaliseh were distinguished: the first type, known as Khalisejati intigali, included land that had been confiscated for arrears of taxation or had been purchased by the state. These lands were not directly administered by the state. Rather, some of them were handed over to individuals for life or a short period, with the right of transfer. The second type were Khalisejati tuyuli, granted mostly to the local and tribal leaders in lieu of furnishing military contingents. Finally, the third type of Khaliseh were the Khalisejati divani, which remained in full possession of the state (Ibid:238-39). At the end of the nineteenth and during the twentieth century, the government sold some of the state land due to emergency needs for cash. This action can be marked as an initial move for development of private land ownership.

During the later years of the reign of the Reza Shah (1925-41), another form of Khaliseh, namely the personal estates of the ruler, emerged as the crown lands. Reza Shah transferred extensive lands and villages into his personal estate, known as "Imlak-e Saltanati" (crown lands), by means of expropriation, confiscation, or forced purchase at exceptionally low prices from the original land owners (Area Handbook of Iran:1971). It has been recorded that 2,167 villages including some of the best lands in the country belonged to the Reza Shah at the time of his abdication in 1941 (Ibid).

The owner of the Khaliseh was usually the ruler, but the lands belonging to the state, especially from late Qajar (twentieth century), also fall into the category of Khaliseh, known as "Khaliseh dulati." The state or Khaliseh dulati were sometimes subjected to sale to individuals. The crown lands were not decreased, however, until a program was implemented for the distribution of Khaliseh lands in 1950. This was done mostly for the social and political prestige of the Shah, as well as for a source of income.

The Khaliseh can be observed as a source of land concentration in the political, economic, and social structure of Iran. The amount of land and the ways they have been acquired by the despotic rulers and the state can explain the place of land and the landholding system in the social formation of the society. The Khaliseh represented the largest form of land ownership and was reflected in the highest power structure of the society. The distribution of part of Khaliseh in 1950 indicates the development of new social relations in which the position of landlordism in the socio-political and economic hierarchy had declined.

(d) Private Land:

The fourth type of landholding system is Arbabi or private land that is held in full private ownership. Since the late nineteenth century, most rural areas of Iran have been under the control of this land system, which evolved from the modification of other forms of landholding such as tuyul or iqta, which preceded it (Ono, 1967: 447). The private lands have been divided into two main types: first a large ownership or "Umdeh-maleki," which is owned by major landlords. In this case, the estates of the owner ranged from one to several hundred villages. These villages tended to be consolidated in one area, but in some cases the landowners had lands in widely disparate areas. Second, there is petty ownership or "Khurdeh-maleki." In this type, different parts of a village are shared by several people. Ownership in this category ranges from one dang to five dang. Each village in Iran is divided into six parts, each part is known as a dang. A complete village is called shishdangi (six dangs). Khurdeh Maleki is referred to as the joint ownership less than shishdang. The private land ownership was legalized during the reign of Reza Shah, (See Chapter 3). Land ownership has been a source of social, economic and political power in Iran. The amount of land that a landowner possesses affects his or her social status and, in turn, social position affects his political power. Therefore, most of the landowners would rather have several villages of poor quality than a few in good condition. This is because their social status and political influence depend on the possession of land rather than income from the land. Thus, land ownership has been very concentrated in Iran. The number of large landowners was limited. There have been

some landowners who owned more than 400 villages. According to one estimate, 37 families alone owned 19,000 villages, i.e., 38 percent of the total, while only 5 percent of the peasants, who are the largest segment of the rural population, are believed to have owned the land they tilled.

In general, the large landowners could be divided into the four following groups. First, those whose landholdings go back several generations, such as members of the formal royal family, high government officials, and top military officers. The second group were the leaders of tribal groups (khan) who owned the land through government grants, purchase, or inheritance. The third group was the elite members of religious classes, who mostly acquired land through holding the office of mutavalli of some Vaqf property. Finally, there was the new merchant class which joined the land owning class by investing in land (Lambton, 1953:261).

These landowners, no matter what their origin, were mostly absentee, lived in big cities, especially Tehran, rarely visited their villages, but left the tending of rural areas to their agents, especially the bailiffs (mubashirs) and heads of villages (kadkhudas).

2.1.5 Social Classes in Rural Communities

The class structure in agrarian communities in Iran is principally determined by ownership and type of landholding. This is due to the fact that not all people who obtain their livelihood from the land own or have access to it. Rather, the majority of usable land belongs to a small proportion of the population. This is especially noticeable that only a small part of the country's vast area can be

utilized for agriculture as the following table illustrates.

Table 2. Land Utilization in Iran (1960)

	Million Hectares	Percent
Total land area	163.6	100.0
Cropland under annual and preannual crops	6.0	3.7
Fallow cropland	12.0	7.4
Pasture and woodland of villages	1.3	0.8
Potentially cultivable wasteland	31.5	69.1
Desert and other wasteland	81.6	
Forest and rangeland	28.0	17.1

Source: Review of the Second Year Plan Program of Iran (1960). Cited by H. Bowen-Jones, "Agriculture," The Cambridge History of Iran, 1968:566

This table indicates that only 11 percent of the land area can be regarded as productive for agriculture. Of this land, 3.7 percent--approximately one-third--is under cultivation and the rest is left fallow at any one time due to the persistence of subsistence agricultural methods. This proportion accounts for 6 million hectares on which more than 18 million people--over 75 percent of the population--are directly dependent for their livelihood.

If we take the land as a basis for characterizing the class structure of the agrarian community, then three major classes can be distinguished: the landowners, the landholders, and the landless class. The difference between the landowner and the landholder is that the former does not work on the land (except for a few of the small owners) but owns the

land, while the latter does not own the land but utilizes it or works on the land as a renter or share cropper.

The landowner class itself can be divided into three major groups: the large landowners, medium landowners and peasant proprietors. Taking the village as a unit of ownership (land ownership in Iran is measured by number of villages rather than areal extent), it has been estimated that the most privileged and powerful large landed class were comprised of 400 to 450 families, some of whom owned as many as 300 villages. Another estimate indicates that 37 families in Iran owned 19,000 villages, out of 50,000 villages (Halliday, op. cit: 106-107). This privileged class usually has taken the best and largest villages. The more specific stratification of the landowning class can be observed from the table below.

Table 3. Land Ownership Before the Land Reform

Proprietors	# of villages	Total Area	%
State owned and crown land	2,500	800,000	5
Land belonging to religious institutions (the Vaqf land)	7,500	2,400,000	15
Large private estates	32,500	10,400,000	65
Peasant ownership	7,500	2,400,000	15
Total	50,000	16,000,000	100

Source: Nirumand, 1969:106:107

The above table illustrates the economic power of the landowners who owned at least 65 percent of the total cultivable land, not to mention the state, the crown, and Vaqf lands. The large landowners, who according to Aresvik (1976) mostly lived in Tehran, accounted for one

percent of the rural population. They also owned water resources in villages since they were the only people who could afford to utilize and improve costly irrigation systems. Having land, capital, and water, the landlord enjoyed social, economic and political predominance which made him so great that he could do as he pleased.

The medium landowners, who mostly lived in towns, accounted for 5 percent of the landowning class and had at least one village in the fertile region. These landowners did not possess the same political position as the large landowners, however, they had sole and unchallenged authority over their villages and the towns they resided in. The relationship between medium landowners and peasants was based on the same patterns as those with the large landowners. Despite their different levels of political and economic power, the large and medium landowners constructed a socio-economic structure within which their interests were secured and the political structure was consolidated in their favor.

The peasant proprietors, who comprised about 15 percent of the rural population, had less than six dang (whole) villages. They either tilled their lands directly or leased it to others. The holdings of most of the peasant proprietors were quite small and they could hardly obtain subsistence from the land unless they had additional income. Although the peasant proprietors enjoyed a better economic situation and higher social status than landholders, they never had the prestige and political power of the large and medium landowners.

The second category of the agrarian class structure was the landholders who were generally divided into renters and sharecroppers. The renters were those who rented the village or land from individual

lords or the government on the basis of a fixed return of profits. Renters usually were considered to be large landowners who could afford to rent a village or large scale land. Although they were the holders and not the owners of land during the period of their leaseholds, renters assumed the same position and shared the same privileges as landlords had. The peasants could also rent land from the owners and cultivate it themselves on the basis of fixed cash rent. There are no statistics to illustrate the exact size of this population.

The largest proportion of the landholding class in the villages was made up of sharecropping peasants. Although this group should be counted as landless peasants, since they own no land, but because they are enjoying nasaq rights and hold land, they can be classified under the landholding population. More than 40 percent of the rural population was composed of sharecropping peasants. Despite the fact that sharecroppers had nasaq rights, which traditionally allowed them to cultivate and secure their tenancy, the landlord still imposed his own power by distributing the nasaq right and attempting to reduce the peasant's relative independence and security. The tenuousness of the peasant's holding sometimes resulted in their losing the motivation to improve their holdings.

The last category of the agrarian class structure is the landless population known as Khwushnishin. The Khwushnishin population is composed of all rural people who neither owned, rented, nor sharecropped land. On the eve of land reform it was estimated that one million families or about 5 million Khwushnishin existed in rural areas (Khosravi, 1973:130). The majority of them were agricultural laborers

who worked for the peasants. This group of the rural population is not a homogenous class. Rather they can be stratified on the basis of their occupation and income. The first group is the rural petty bourgeoisie including tradesmen, money lenders, peddlers, shopkeepers, Gavband (see below) and the like, which consisted of about 6 percent of all the Khwushnishin population. In general, this group had an exploitative relationship with the peasants. The major activity of money lenders was lending money to peasants at a high interest. Some of the shopkeepers also provided short-term cash loans to the peasants. Some others were engaged in Salfkhari (purchase in advance). For cheaper prices, they purchased the crops in the field, prior to the harvest, from the peasants who were in need and sold them when the prices peaked. The Khwushnishin known as Gavband benefited from their ownership of cattle. Since ploughing in Iran has been largely dependent upon animal power, especially the ox (gav), the gavband, the owner of cows or a herd of oxen, lent his oxen to poor peasants and in turn received 20 percent of the total harvest from the area ploughed by his oxen (Hooglund, 1982: 20). Generally, this group was the most powerful group of Khwushnishin.

In contrast to the peasant, the relation of the creditors with the landlords was cooperative. The peasants could never break the cycle of impoverishment. As long as dealing with this group, they always remained in debt.

The second Khwushnishin group consisted of service workers who provided non-agricultural goods for villagers, and included bath keepers, barbers, religious functionaries (mullahs), and the like.

Depending on the extent of village agricultural activities, the size of this group varied. In the villages with low agricultural productivity, the non-agricultural activities are significant. According to some studies done by the Institute of Social Studies and Research, in the northern villages with intensive agricultural products and prosperous areas, the Khwushnishin population was not very high, whereas in the south near Kerman, most of the rural population were Khwushnishin. This group was among the very low income villagers (Khosravi, 1973: 131). The third group was comprised of rural artisans including carpet and cloth weavers, blacksmiths, shoemakers, potters, etc. This group of non-agricultural laborers made up 10 percent of the rural population. The social status and income of those Khwushnishin who provided personal services to the villagers was lower than that of any artisan. This was especially true of bothkeepers and barbers who had the lowest occupational prestige (Hooglund, 1982: 31, Safinezhad, 1974: 144).

The last group of Khwushnishin were the agricultural laborers. This group was the overwhelming majority of the population and the poorest group in rural Iran. They had no regular occupation and were dependent on seasonal work for their livelihood. This group comprised about 80 percent of the total Khwushnishin. They usually worked on the land of the landlord, or occasionally peasant proprietors, as manual workers and helped out with various tasks, such as weeding crops, tending sheep, threshing grain, picking cotton, and grain harvesting (Hooglund, 1973: 230-35). This group also comprised the major migratory population

commuting all over the country seeking agricultural work in the harvest season. One important group among the agricultural workers were barzagran who were hired by the peasants or landlord to engage in agricultural activities. They usually received one-fifth of the crops. The difference between barzagran and peasants is that the former did not have the nasaq right.

In general, the Khwushnishins included about 40 percent of all the rural population, according to the first agricultural census of 1960. Except for a small fraction, the Khwushnishin population appeared as the most deprived group in rural Iran, due to the lack of accessibility to the basic means of production--the land. They had neither land, nor the right to cultivate the land of a landowner. However, they were not the only landless population in the rural community. Some scholars, e.g., Lambton, define the sharecroppers as landless peasants, since they did not own but rather hold the land. Under such classification, the landless population increases to at least 85 percent of the rural community. This means that before land reform, of the 15.8 million rural villagers, more than 12 million worked on land they did not own.

2.1.6 The Landlord-Peasant Relationship

The relation between landlords and peasants and the institutions that justified these relations are important parts of the land tenure system in Iran to the extent that the exploitation of peasants and their place in the hierarchy of the agrarian structure can be determined by these relations. There has always been a wide gulf between the landowners and peasants.

From ancient history, the peasant (Dehgan) in Iran has been identified as the person who individually cultivates land or was part of a cultivating team called boneh (See below).

In pre-Islamic times there were communal organizations in which individual rights to land had been secured. The tendency toward village settlements, as units of production, appeared as a result of the Arab conquest of Iran and persisted until the present. In the early Islamic period the Moslem conquerors encouraged consolidation of land and agricultural prosperity in order to collect more tribute and revenue. As time went on, the amount of tax on villagers grew. Therefore, the small landholders who could not afford the burden of heavy taxes and were at the edge of bankruptcy gave up their land and placed themselves under the protection of richer and more powerful landlords. Thus, the landlords acquired more land, constituted themselves as a powerful class, and increased their control over the small holders, who gradually became a class of landless peasants. This situation was exacerbated from the eleventh century to the twentieth century (Rudolph, 1971: 12).

The peasant as a village dweller, a major productive force, and basic source of revenue and national wealth, gradually became dependent on the landlord, who was basically a city dweller, and administrator of land and water. The establishment of the land assignment further reinforced the position of landlords, whereas the peasants became subject to heavier dues.

In rural Iran, there have been two distinct groups who participated in cultivation: the villagers who had the customary right to cultivate on the landowners land, and those who did not have that right.

The right that permitted the peasant to cultivate land is called *nasaq*. Those who traditionally possessed the cultivation right--they were known as *nasaq* holders--had the right of occupancy but not ownership. A peasant obtained *nasaq* right "after working as a sharecropper for about two consecutive agricultural seasons" (Hooglund, 1982: 22). *Nasaq* was generally a privilege which was held by the peasant as long as he was able to cultivate the land and his work was productive. This right was given to him by the landlord and could be taken away from the peasant by purchasing his right. The *nasaq* right could be transferred or sold; however, the right of ownership remained in the hands of owner. The *nasaq* right, which was a privilege for the peasant and separated him from non-holders, enabled him to enter into a productive relation with the landowner by creating a contract to cultivate his land and receive part of the crop.

There were two kinds of contracts between landlords and peasants: sharecropping and tenancy (*Ejareh*) agreements. In tenancy, the landlord rented his agricultural lands to the peasant(s) and in turn received a fixed amount of money or crops. The landowner usually rented his land through an intermediary for one to two years. Such a contract or agreement hurts cultivation, since the peasant is looking for high profits on a short term basis. Therefore, he does not attempt improvements in cultivation (Azkia, 1980:27). The sharecrop agreement, which guaranteed the peasants a part of the harvest in return for their labor and other elements the peasant contributed, established the basic institutional relation between landlords and peasants that persisted from Islamic time until land reform. It was known as *Muzaraeh*. The *muzaraeh* is defined in Art 518 as "a contract

in virtue of which one of the two parties (known as the muzari) gives to the other (who is known as the amel) a piece of land for a specified time so that he shall cultivate it and divide the proceeds" (Lambton, 1953:206). In practice, the division of crops based on muzaraeh in Iran has been based on five factors, namely, land, water, draught animals, seed, and labor, in which one-fifth of the crop is allotted to the supplier of each element. However, in some areas the crop may be divided in proportion to the whole, such as half, one-third or one-fourth. The landlord usually provides land, water, and seeds, whereas the peasant supplies animals and his labor and takes two shares. In some parts of the country, especially in southern region, the landowner takes 70 to 75 percent of the crop and the rest goes to the peasant.

The sharecropping agreement has existed in all types of land-ownership--Khaliseh, Iqta, Vaqf or private ownership. The contract was made between the peasants and owners, whether they were a government assignee, Vaqf holder, or member of the court. The duties of a sharecropper peasant was not confined to work on the land or production of crops. Rather, the subordinate position of the peasant and the social relations of production in which he lived had imposed other delegations and taxes upon him. These obligations varied from place to place and from one community to another. Therefore, the actual peasant's share should be estimated after all dues are taken into account. Peasant's dues mostly depended on the amount they received from the crops. In fact, in those areas where the peasant received a larger share of the crop under the sharecropping

agreement, he had to pay heavier dues under other heads." However, peasant's dues and obligations may appear in different forms. One of the most common dues was transportation of landlord's crops from the field in the village to the granary, which was usually located in town, at the peasant's cost. The other obligation, which was common all over the country and persisted until the land reform, was *bigari*, which mandated that the peasant had to provide a free day's labor for the landlord whenever required. The labor service sometimes had to be performed on the landlord's personal farm, and sometimes took the form of construction, irrigation or road building (Lambton, 1953:330-336). Another form of dues was levied by landlords known as Bahreh-ye Malikaneh or tribute. In many areas, peasants had to deliver a part of the harvest or labor service to the landowner as the "right" of ownership of the village. It has been said that in Kurdistan there have been 90 different tributes paid to landlords in various forms.

In addition, the bailiff or *mubashir* who looked after the landlord's affairs had about the same authority in villages as the landlord had. The bailiff visited villages at the time of harvest and took extra dues from villagers, in addition to his share from the landlord. The peasant also had to pay in cash or kind for other members of the village who performed public works. Among these people were the *dashtban*, who watched over peasant's crops, *abiar*, who helped distribute the water, the bath-keeper, blacksmith, the barber and the like. Most of these people were paid annually. Certain dues were also set aside for the *mulla*, the religious figure of the village (Ibid: 337-49).

The sharecropper of certain lands did not necessarily work alone for the landlord. Rather, a group of peasant nasaq holders could be organized to work on a plot of land. However, their relations with the landlord could be based on Muzaraeh. Such an organization of production is known as boneh--a team, which constituted another important rural institution that affected all aspects of rural society.

Boneh is traditional peasant teamwork responsible for a specific sharecropped plot within a landlord-owned village, the extent of which may vary from one plough-land to four. The village may have several bonehs working on one or more plots of land. According to some views, the origin of boneh, which constituted the primary socio-economic organization of many Iranian rural communities until land reform, goes back to the nineteenth century during the Qajar period. Others refer to its pre-Islamic origins (Hooglund:1982). However, the role of the boneh in the agrarian communities of Iran was not understood until the 1960's, when studies on rural Iran took serious strides. Boneh is a cooperative unit in which peasants work on a plot of land on the basis of a division of labor and the crop, after deduction of the landlord's share, is divided between the members of boneh based upon their contribution to plough work and labor. The relation between the boneh and landlord is similar to that of the landlord and peasant sharecropper. However, in the latter case, boneh mostly supply labor and draught animals and take two-fifths of the crops. For example, in the Aliabad village, according to Hooglund, the crop is divided into three shares: 40 percent goes to boneh and is divided between its members, 40 percent goes to the landlord, and 20 percent is stored as seed for the next year (Hooglund, 1981: 169). However,

the share that the boneh received is not a net profit. Rather, boneh must deduct a portion of the crop for individuals who have supplied services for boneh during the agricultural year, such as the blacksmith (supplier of metal tools), carpenter (maker of wooden implements), agricultural labor and the like.

A status hierarchy of position exists in the boneh and on this basis the crop is divided unequally. The head of the boneh (sar-boneh), who usually was the most experienced person, took a higher proportion than his associate(s) (var-boneh) and other members and had a better income than others (Khosravi op. cit., p. 14). A boneh usually is composed of an abyar (engaged in irrigation); barzigar (laborer); dasht-bar (guard); gaydar (owner of draught animals); head of boneh (sar-boneh) and his associates (var-boneh).

The head of boneh (sar-boneh) who is usually chosen by the landlord, is the supervisor and is responsible for the affairs of the boneh. Although his job was easier than the other members of boneh, he enjoyed a better economic position and had a privileged status in the rural community. The sar-boneh not only got his extra share of crop from the boneh, but he also received a bonus from the landlord. In turn, he tried to convince the peasants to work harder and be submissive to the landlord's will. The poor peasants who were not satisfied with the sar-boneh's position and considered him on the side of the landlord still had to cooperate with him, otherwise they may have lost the right of being a member of the boneh.

In general, while the Iranian peasant was the main producer of the crop and the basic element on which the countries' main domestic production relied, he was always at the bottom of the socio-economic

stratification and his income could rarely be sufficient for his family. The Arbab-rayat system which dominated the agrarian community until land reform not only extracted most of the products from the peasant, but it also created the real structure of living conditions of the peasant in the village. The Arbab-rayat relations unit went beyond lending and renting land between landowner and tenant. It was in fact the relation that subordinated the peasant, controlled and determined other aspects of his living, without improving his material condition.

CHAPTER 3

3. Incorporation of Iranian Economy into the Emerging World Capitalist System and Its Effect on the Iranian Socio-Economic Structure

Introduction:

With the emergence of a capitalist mode of production, and associated capitalist relations of production in Europe, mankind entered into a new stage of historical development. During the nineteenth century, the Industrial Revolution introduced a new means of production that, together with the expansion of a market economy brought about a drastic transformation in the nature of economic activity and the role of the bourgeoisie. Because of its competitive position, the bourgeoisie was forced to maintain itself by increasing productivity which, in order to intensify capital, required a larger share of profitable markets. Under competitive forces, capitalism requires increases in production, constant accumulation of capital, and expansion of markets (Mandle, 1970, VI, p. 133). Faced with a limited market at home and a crisis of capital intensity in the production process, capitalism tends to extend its social relations of production to a larger scale, and gives rise to capitalism as a world system phenomenon. The essential element that forced capitalism to emerge as a world system, as Wallerstein asserted, is "production for sale in a market in which the object is to realize the maximum profit" (1974:398). When competitive capitalism was unable to maximize profits due to the reduction of investment opportunities, it moved to a higher system in which it created large-scale industry, monopolization

of enterprises and, eventually, concentration of production and capital. Lenin identifies this stage as imperialism arising at the end of the nineteenth century and refers to it as the monopoly stage of capitalism, the principle of which is the export of capital to the peripheries.

From the rise of imperialism down to the present time, two important periods can be distinguished in relation to the development of capitalism in the world scale. This periodization is based on the dominant form of capital accumulation at the center and the function of the peripheries facilitating this accumulation. The first period is identified by the domination of British capitalism as the leader of world imperialism due to its superior capacity for production and exportation of capital, as compared with other western capitalist countries (Magdoff, 1969:55-56). By 1914, the beginning of World War I, Britain controlled more than half of external capital investment (Ibid:56), while approximately at the same time shared more than 30 percent of the world exports of manufactured goods, which was the highest among the western world. The British empire also directly and indirectly colonized more territory outside her kingdom than other western countries. This position was held by the British until late 1930's when the conflict between rival countries over the control of the world market culminated in WWII and the decline of the British empire. The second period can be identified by the decline of the British empire and the rise of the United States as the new leader of the capitalist world, due to its superior technology and advanced organization of production. These two characteristics not only introduced

different patterns of capital accumulation but also affected the class structure and general process of development in the peripheries in different ways. This chapter is devoted to an examination of the impact of various types of world scale capitalist accumulation on the process of development in Iran. Its aim is to ascertain the conditions that brought about land reform under U.S. domination and not under British hegemony. To this end, we need a brief explanation of the types of capital accumulation that guides the historical development of capitalism.

Within the context of center-periphery relations three types of accumulation can be recognized. First, during the transition from feudalism to capitalism, accumulation of capitalism took place through mercantile capital which tremendously increased through colonial trading. Accumulation through merchant capital, on which the essence of colonization thrived, had two affects on the center and periphery.

[It] temporarily prevents the penetration of capitalism in the sphere of production and results in high profits for the industrialized countries through plunder and trade (De Janvary, 1981: 9-10).

Merchant capital thus played an important role in the rise of the capitalist mode of production and modern industry in the center, while peripheries were marked by the persistence of precapitalist formations.

The second type of accumulation characterized the rise of the Industrial Revolution. This period, which is associated with increasing industrial production, is known as "competitive capitalism." During this time, the export of manufactured commodities displaced

the previously dominant effects of merchants' capital (Taylor, 1981: 199). The increasing development of relations between industrialized centers and peripheries was characterized essentially by the export of manufactured goods and the import of raw materials. The former activities were strengthened for exchange of the latter, an important requirement of the capitalist mode of production at this historical period.

The third type of accumulation was through the rise of monopoly capital and the export of capital and capital goods with emphasis on capital investment in the periphery. Accumulation, therefore, took place through the transformation of profit from the periphery to the center. The major emphasis in this stage will be placed on the second and, to a great extent, the third type of accumulation which affected Iran through the penetration of two leading world-capitalist powers, Great Britain and the United States, in different historical epochs. Although during the twentieth century, the impact of these capitalist powers took place during the monopolization of capital on the world scale, nevertheless, during the British domination of Iran, the previous form of accumulation--exporting manufactured commodities and importing raw materials--still continued and was dominant. It was after World War II, with the rise of the United States and its superior technology and desire for rapid capital accumulation, that the social process and structure of peripheral capitalism took a more complex form. This framework provides a dynamic analysis within which land reform can be discussed.

3.1 Nineteenth Century Development

The significance of nineteenth century development in Iran and under the influence of colonial powers should be seen in relation to a particular type of world-capital accumulation that took place in this period and its impact on Iranian society. That is to say, the transition from a feudalist to a capitalist mode of production in Europe was accompanied by the decline of mercantile capital as the dominant form of accumulation and the rise in the circulation of manufacturing commodities and prevailing free competition as the dominant feature of capitalism (Hobsbaw, 1969: Ch. 1-7). During the second half of the nineteenth century, England, as the superior capitalist country, claimed to be the greatest exporter of manufactured goods to other countries in exchange for the supply of raw material to reproduce the capitalist mode of production. In this period, the development of world capitalism achieved the stage known as "competitive capitalism," which was the predominant form of market relations in nineteenth century Britain and elsewhere in capitalist world (Sweezy, 1970: Ch. 14-15; Hobsbaw, 1969). Development of manufacturing industries required both the increasing export of products and importing of raw materials, necessary for the expansion of industry and accumulation of capital (e.g., cotton industry in England). The import-export relations between center and peripheries was the basis of the expansion of the capitalist mode of production during the stage of competitive capitalism, the dynamics of which were to enlarge reproduction facilities by importing primary raw materials

and developing an export market. The periphery social formation was the constant source of supply for the center (Taylor, 1981:199-201).

The impact of competitive capitalism on Iran appeared in the second half of the nineteenth century during which both Britain and Russia were the dominant colonial powers, managing export-import relations and expanding reproduction facilities. The existence of Britain and Russia, however, prevented Iran from falling under direct colonialization similar to that of India under British rule. Rather, Iran expanded as a semi-colonial state during the nineteenth and early twentieth century (discussed in Ch. 2).

British and Russian capital entered Iran and during the last quarter of nineteenth century, in Keddie's words, hunted for ways of make "quick profits" and "to get as much money with as little trouble as possible" (1966:7). The major economic concessions established between Britain and Iran in the late 19th century were: immunity from road tolls and internal transit taxes, which were collected from Iranian merchants; a comprehensive nationwide monopoly of railway construction, mining and banking which was given to the Baron deRuter Company; organizing the Imperial Bank of Persia with a monopoly in issuing currency; a monopolization of oil and tobacco exploitation in Iran. In addition, Britain granted loans to the Iranian government in various forms (Curzon, 1966:528-585; Yeganegi, 1934:15-45). Russia also established Banque des Compte and was granted a railroad concession from Jolfa to Tabriz, and another concession to the Caspian Sea fisheries, and the like (Lenczowski, 1949).

These activities evidence the economic interest and commercial activities of the two colonial powers and placed the country's

economy in the orbit of colonial expansion. Although both rivals expanded their economic interests in different parts of the country during this period, British supremacy in the growing world capitalist system gave her greater control over Iranian trade. The effect of export-import relations during this particular historical period in Iran was confined to those areas that were suppliers or consumers of exports or imports, respectively. This circulation restricted the emergence of capitalist relations in Iran during its contact with western capitalism. Such contact under competitive capitalist penetration led to the emergence of a pattern of uneven development; the production of cash crops and importation of manufactured goods increased to meet the reproduction needs of the British, and other capitalist industries at the expense of the reproduction of the local economic system. The dynamics of this process lie on the development of capitalism in Europe and the specific precapitalist social formation in Iran. The extraction of raw materials and importation of manufactured goods not only reduced sources for domestic products but also undermined them in competing with foreign goods. Iran, toward the end of the nineteenth century, experienced a sharp drop in the export of silk products from 38 percent of total export in 1850 to 18 percent in the 1880's, and cotton and woolen cloth experienced a similar decrease from 23 percent to 1 percent during the same period (Issawi, 1971: 136). Their places were taken by the increasing export of raw cotton and silk-worm eggs (Ibid: 23-28 and 246-47). As a result, Iran, which was the major producer or exporter of silk textile, turned into an importer of the same wares from European industries. Another example was opium, which was increasingly exported during related periods.

Until 1864 opium was produced in Iran and exported for medical purposes to some foreign countries. In 1867, by the recommendation of the British council, cultivation of opium increased for the world market. The amount of production increased from about 130,000 pounds in 1867 to 540,000 pounds in 1869 of which 250,000 pounds were exported (Issawi, 1971:238). The considerable profits that came from opium encouraged cultivators to focus on the production of poppy instead of other vital agricultural products. A British Council's report indicates that such encouragement resulted in the expansion of opium production. He reported:

The poppy is now cultivated in most of the provinces of Persia, where the climate appears generally to be extremely favorable to its growth... There is every reason to believe that the steady increase in production of opium through the kingdom will not annually take place (Ibid:240).

The effect of such import-export relations resulted in the perpetuation of pre-capitalist relations and power structures in Iran, through the maintenance of an alliance between the bourgeoisie of the center and local feudals, merchants and ruling apparatus, especially the court. The formation of this alliance, however, was contradictory in nature--e.g., bourgeois and feudal--nevertheless, since the pre-capitalist formation was still capable of reproducing the requirements of capitalism, it was not dissolved. The feudals and landlords remained a powerful ruling class while capitalist relations began to form in its embryonic stage. However, early in the twentieth century, some changes in social relations can be observed. The most important one was the development of private land ownership.

3.1.1. The Development of Private Land Ownership and Decline of the Peasantry

In the nineteenth century and especially under colonial penetration, Iran preserved its agrarian structure. By 1884, about three-fourths of its population, including nomads, were living in rural areas. Iran's agricultural production prior to foreign economic and political activities was greater than its domestic needs and a considerable amount of it was exported to foreign countries. Rice, wheat, dried fruit, cotton, opium, silk, wool, tobacco, sheep, and cattle were the indigenous products, the surplus of which after domestic consumption, constituted the bulk of the country's exports (Curzon, 1966:469-585). According to several arguments and reports, Iran's agricultural production and the peasants' standard living conditions, despite the inferior position of peasants in the social structure, was better in the early nineteenth century than later. Chardin, who observed the country in the seventeenth century, reported of a "comfortable standard of living for Iranian peasants," which he compared favorably with those of the West (Keddie, 1972: 32).

Semi-colonial conditions removed the possibility for the development of a national market for domestic products by intensifying foreign commercial activities, particularly cash crop production, and also by encouraging large land holdings. Keddie states that this is an important factor that has historically been responsible for the low status and class position of peasants and low productivity in Iran, which was inhibited by structural determinants and not natural limitations. She argues that this decline in the peasant's position in

the late nineteenth and early twentieth century cannot be accounted for without considering the impact of the West (Keddie, 1960). The colonial powers not only supported the landlords and the feudals of the ruling elements but also the tribal chieftains, even when they had conflict with the central authorities. For example, the British established a strong tie with Bakhtiari tribes, the most powerful in Iran, when the English investors used tribal territory for the construction of a pipeline and an Anglo-Persian oil company compound. Such activities led mainly to the establishment of separate agreements between British capitalists and tribal chieftains. These separate agreements were always reached with tribal chiefs before they could achieve a final agreement with the government (Ramazani, 1966: 121-122). Therefore, the tribal chiefs could enjoy the support of the British colonial power, which under a weak central government emerged as a powerful element in the political structure of Iran; and this, in turn, led the tribal communities to become a semi-independent community, both economically and politically, within the society. Hence, the situation paved the way for rising "comparador feudals and tribal chiefs" who remained the main allies of the British colonists.

The consequence of this process of penetration, in fact, was a blow to peasants and the urban masses. Lack of government control over tribal communities came out with the loss of tax revenue from this segment of the population, which accounted for more than one-third of the country's population. The result was the rise of taxes and other economic strains on peasants and lower urban social classes. The economic pressure on the peasants forced them to sell their products cheaply even before taking them to the market. Keddie states

that, in order for the peasant to pay taxes he

had to sell his crops at artificial low exchange rate, after giving profit to middlemen who could resell the grain on the open market elsewhere. Then, as now, the peasant had to sell grain right after the harvest or even pledge his crop before the harvest, and often had to repurchase grain in the season on high price to keep himself and his family alive (Keddie, 1960:5).

Another threat to the peasant condition was private land and property development. Penetration by colonial powers and Qajar ruler's policies on land administration encouraged the growth of private land ownership and the rise of the landlord class. Several factors contributed to the rise and encouragement of private land ownership. First, the Iranian rulers in the second half of the nineteenth century needed money to buy commodities from the international market. This led to the systematic sale of state lands and the creation of private land ownership. Second, governmental needs for cash also required the collection of taxes from landlord and peasants in cash form and consequently imposed restraints over the peasants. Unable to pay their dues and repay their unpaid debts, the peasants had to abandon their land to feudals and work for them as laborers. As Keddie argues:

Traditionally, peasants and lords might have had certain rights to a given area without either being considered absolute owner. Now, rights of peasants and nomads to certain areas or flocks began to be abrogated, as the wealthy used their superior power to assert absolute property right on the western model (Ibid).

Such expropriation of land had two consequences: first, it developed large land ownership and second, it tied the peasants to the landlord's property. This pattern of land ownership introduced

Arabi land ownership (the private land belonging to feudals) and brought about the social relation of Arbab-raayati (the relation whereby the peasant works as a feudal tenant and holds a subordinate position), which persisted until land reform.

Finally, colonial influence encouraged land owners to abandon cultivation of the previous crops and expand land for cash crop production. The wealth brought about by cash crop production allowed the owners to expand their own land and annex other lands to their arbabi land. In addition, foreign investors began to purchase land for cash crop production. For example, Russians expanded their activities in Azarbaizan, Gilan, and Astrabad, and Greek firms monopolized olive production in Northern Iran in 1895. This pattern of cultivation was, in fact, a new system that was introduced into the previous form of cultivation and emerged as an incipient stage of capitalist farming.

3.2 Twentieth-Century Development

At the turn of the century, the movement of capital and goods from capitalist countries intensified, especially with the discovery of oil in the East and technological advances in transportation in the West, which economically and politically affected the country.

However, Iran in the twentieth century, provided Britain with a territory of influence without having to confront its major rival, Russia. This situation arose under two conditions. First, the 1905-1911 Constitutional Revolution of Iran, through which the Iranian people ended the traditional authoritarian state

and established a parliamentary system, removed the tsarist influence which had supported the former state. Britain supported the constitutionalist in order to be rid of the Russians. By backing the authoritarian state, the Russians lost their major political bases in Iran. The Russian Revolution in 1917 also played a role in Russia's loss of influence. The new revolutionary government pulled back its remaining forces from Iran and did not intervene in Iranian affairs. These events propelled Iran into the hands of the Western European capitalist countries, primarily Britain, and pushed the country, through further integration of the policy, into the developing capitalist world. Economically, the establishment of the Anglo-Iranian Oil Company (AIOC) made Iran an important supplier of Western industrial needs. Politically, the coup de'tat of 1921, planned and stage-managed by British power, and the emergence of the Reza Shah, reestablished a favorable political structure for the West. However, unlike in previous periods, the new era was accompanied by the rise of a non-tribal element (after centuries of tribal power domination) which consolidated the political power structure with a particular brand of nationalistic ideology and secular policy in order to draw Iran into the grip of capitalism. Reza Shah was determined to create a state capitalist system that would inevitably have to rely on Western powers, both economically and politically.

The period under discussion is known as state capitalism, since the state owned the major means of production, controlled most of

foreign trade, and possessed the largest commercial firms in the country. According to official record, by 1936, 33 percent of imports and 49 percent of exports were controlled by the state monopoly (Ashraf, 1971). In addition, several state banks, commercial agencies, and industrial units, such as sugar, cotton, textile, cement, chemical, etc., were established and led the state to emerge as the largest industrial, financial, and commercial bureaucratic corporation (Bharier, 1969, Ch. V).

The significance of the development of state capitalism, which began to take shape in the third decade of the twentieth century in Iran, should be understood in relation to the development of world capitalism, which had achieved its highest stage, that is, monopoly capitalism or, according to Lenin, imperialism. Competitive capitalism, which exported commodities on a world scale, had been replaced by monopoly as the dominant form both in industry and finance (Lenin, 1966: 236-7). According to Braverman, monopoly capital:

embraces the increase of monopolistic organizations within each capitalist country. The internationalization of capital, the international division of labor, imperialism, the world market and world movement of capital, and changes in the structure of state power (1974: 252).

The principal feature of stages of monopoly capitalism is the necessity of exporting capital and investment abroad due to the unprofitability of investments at home where accumulation is faced with crisis. This movement of capital was predominantly destined for underdeveloped countries, where it could be reproduced because:

In these backward countries, profits are usually high, for capital is scarce, the price of land is relatively low, wages are low, raw materials are cheap (Lenin, 1973:73).

The major differences between the competitive and monopoly stage is that, whereas the former focuses on exporting manufactured commodities in search of new markets, the later stage emphasizes the export of capital, which is associated with the export of capital goods which leads to severe rivalry among colonial countries for access to and control over external territories.

Territories under the influence and control of monopoly capitalism are affected more deeply than they were under previous stages. This is because the spread of capitalism in the periphery now necessitated accelerating growth. As Lenin states:

The export of capital affects and greatly accelerates the development of capitalism in those countries to which it is exported. While, therefore, the export of capital may tend to a certain extent to arrest development in capital-exporting countries, it can only do so by expanding and deepening the further development of capitalism throughout the world (Ibid:76).

What can be concluded from this introduction of the monopoly stage of capitalism is that the peripheries, which already experienced an export-import relation with colonial powers while preserving their dominant precapitalist character, under a new stage of capitalism are subject to change. That is, the flow of capital and capital goods from the center necessarily demanded new capitalist institutions and social relation of production in the peripheries.

The formation of state capitalism in Iran was affected by the monopoly stage of capitalism. During the late 1930's, a tendency toward industrialization resulted in the establishment of significant

industrial units. Between 1934 and 1938, fifty-three new large factories (10 workers or more) were established and the number of workers increased by 25 percent (Bharier, 1971: 172-73.) In addition, several efforts were made to develop infrastructure sectors and financial institutions in the context of what the government introduced as nezam-e-jadid (a new order), the one that formed a new organization of capitalist reproduction. The major incorporation of Iranian society into world capitalism at this stage was through the development of the oil industry by monopolies. The establishment of the Anglo-Iranian Oil Company (AIOC) as the major supplier of Iranian oil made Iran an important source for capitalist countries.

The year 1910 was the most important in the history of Iranian oil. Oil began to flow abroad in appreciable amounts, while it also achieved a profound importance for the British.

A sixty year concession was granted to a British banker "to search for, obtain, exploit, develop, render suitable for trade, carry away, and sell natural gas, petroleum, asphalt, and oxocerite through the whole extent of the Persian empire," except for northern provinces bordering Russia (Nyrop, 1978:286). In addition, Britain benefitted from Iranian markets' increase in trade, although oil production activities had top priority. By this time, the British had developed vital economic interests with Iranian territory.

The interests of Britain in Iran were protected and guaranteed by various social groups and political powers. First, the central government was the main protector of British colonial interests. Reza Shah permitted British companies to enjoy the benefits of huge oil resources available in Iran. The British company monopolized

the discovery, exploitation, and refinery under AIOC. Even when in 1922 the Iranian government invited another company (Standard Oil of America) to explore and develop any northern oil field, AIOC refused to permit transportation of oil over its territory of concession (Cottam, 1979:202-3; Lenczowski, 1949:81-86). Nevertheless, in 1933 the British concession was revised and extended for sixty years, and the Anglo-Iranian Oil Company (AIOC) was given control over an area twice as large as it had in 1901 (Blair, 1976:43).

Oil production activities in Iran resulted in Britain and the AIOC receiving major financial interest during the reign of the Reza Shah and in the first decade of his successor. In the first half of the century a sum £ 20,000,000 investment returned some 700,000,000 to £800,000,000 for Britain while Iran obtained 105 million in exchange for about 300 million tons of oil (ELL Well Sutton, 1976:84). In 1923 alone, the financial benefit to the British government from the Anglo-Persian Oil Company was 25.6 million (Mikdashi, 1966:42-43), which was close to one-fourth of the benefits the Iranian government received during 40 year period. Neither oil nor industrialization were able to contribute much to Iran's development. Oil's contribution to the government's budget was only 15 percent, and the people who benefitted from oil were bureaucrats, army generals, and contractors (Ashraf, 1971: 106). Industrialization was also unsuccessful, and industrial output appeared to slow down. Some of them even were shut down in mid-1940's and few new establishments were introduced (Bharier, 1971: 173-4). The reasons rest on the nature of industrialization and modernization, which were short-term projects with no long-term plan and most of them had no tendency to attain maturity (Polit,

1965:40-7). It can be concluded that capitalist development within an emerging state capitalism is characterized by weak accumulation in the periphery and is related to the nature of peripheral accumulation. This weakness according to Sainz is the outcome of two functions:

In the first place, peripheral accumulation has not been the outcome of the process of internal peripheral societies, but rather it has been extremely induced by the extension of accumulation from metropolitan countries. This has led to the formation of a limited internal market whose development has and depended on the realization needs of metropolitan capital. Second, the fact that peripheral accumulation is characterized by a limited development of the production of means of production and subsistence accounts for the subordinated position of peripheral countries in the world market (1980:60).

Thus, Iran's periphery formation did not progress in this period, due to the fact that foreign capital did not contribute to the development of a labor force and the bourgeoisie. That is, the penetration of capitalism in Iran did not lead to the development of pure capitalism, but created a combination of modes of production, namely a dependent capitalist mode of production and a feudal mode of production. Manifestation of co-existing modes of production in the formation of state capitalism in Iran can be observed in the characteristics of the ruling class, which was composed of bourgeoisie and feudals in which feudals held the dominant position. For example, Reza Shah himself, despite possessing a great share of industrial and financial units, such as textiles and steel plants, was much more identified as a large feudal, rather than a bourgeois ruler. At the time of his abdication, he possessed 2,167 villages including the best land in the country (Area Handbook of Iran, 1963).

Thus, the nature of capitalist penetration in Iran and the characteristics of its socio-political structure created obstacles to the development of a bourgeoisie and true capitalist relations. Rather it guaranteed the reproduction and development of peripheral capitalism through the articulation of non-capitalist modes during the transitional period.

3.2.1 State and Socio-Economic Reform

In addition to the external effects on the social structure of the country, some measures of social reform were adopted in the context of modernization policies. However, the modernization efforts that took place in this period ignored the majority of people, especially the peasants. Although the state controlled the economy of the country, it did not redistribute the surplus to benefit lower class people. Rather, the ruling apparatus at the top and Reza Shah himself and his family benefited the most. Reza Shah, an army soldier before taking over the state, became the biggest shareholder or owner of big industries by the late 1930's.

Major modernization efforts were aimed at organizing an army on the Western model, and almost all oil revenue was allocated to this end. As a result, the army was able to mobilize 400,000 troops by 1941 (Banani, 1961:57). The army functioned as an instrument that protected a powerful centralized government and enforced state policies of socio-economic reform. For example, through different units of the armed forces (police, gendarmery, army), religious ceremonies were banned, tribal communities settled, women unveiled, and measures of patrimonial nationalism (being loyal to autocratic

- domination and legitimation of the Shah) imposed (Cottam, 1979: 254-58).

The other important reform took place in the context of land ownership. The development of modern capitalism in Iran inevitably required a fundamental change in the agrarian structure, which was characterized by primitive methods of production and feudalistic social relations. However, in the period prior to World War II, during which state capitalism was formed, no fundamental change took place in the land tenure system, particularly in the relation between landlords and peasants. Nevertheless, the pattern of land ownership was subjected to significant alterations in response to new socio-economic conditions. These modifications tended to institutionalize and legalize new patterns of ownership and social organization. The most significant changes in the patterns of land ownership were legalization of private land ownership and incorporation of vaqf lands into the government bureaucratic administration. Both of these reforms contributed significantly to the development of large-scale, and subsequently capitalist, farming methods.

A. Legalization of Private Land Ownership and Development of Large-Scale Land Holding

The development of an international market, the demand for crops from rural agricultural products, and the increasing internal consumption of items such as tea, sugar, cotton, etc., granted the landowners a new opportunity to expand their activities. The state took several

important actions in supporting the new patterns of ownership. First, an important step was taken to develop private ownership by registration of lands in the newly established Land Registration office. The owners had to register their property within two years after an office of Department of Registration was set up in any given area. The regulations concerning registration state that:

The borders or "harim" of a Khurdeh Malik village, i.e., a village owned by several persons or a peasant-proprietor village, are normally registered jointly in the name of the owners of the village concerned. The borders can be registered on the production of a written statement (istishhad nameh) from the neighboring village or villages that such and such a piece of land belongs to the claimant or claimants. If the harim is not registered, anyone who sinks a well in it and cultivates the land becomes the owner of the land and can register it in his own name (Lambton, 1951:187).

By these laws and regulations, expropriation of land that taken place since the mid-nineteenth century was legalized. The large landowners, who had been the exploiters of the peasants for a long time, automatically became the owners of the land. According to the law "any village which had been in the continuous possession of one person for thirty years or more should be considered as his private property" (Ibid, p. 182-183). The law, which was supplemented by successive laws of 1928, 1929, and 1931 strengthened the position of landlords who were able to register lands that peasants had old titles to by using their influence in the courts and bureaucracy. This led to the emergence of new landlords and the enrichment of old ones. Among the landowning class were tuyuldars, who benefited the most from registration, since the land that was handed over by the state remained in their possession for a long period of time.

Most of the Reza Shah's personal lands were located in Mazandran, the best agricultural area of Iran. Although Reza Shah was also the biggest owner or shareholder of the country's industries, his wealth came primarily from agricultural products grown on his lands. Millspaugh, who served as American finance commissioner in Iran during the Reza Shah's reign, describes the source of his wealth as follows:

His private accumulation came from the produce of the agricultural lands that he appropriated from a consistent looting of the rich and well-to-do, from the shares that he had in certain private enterprises, from gifts and bribes, from tribute paid by tribal chiefs, and from the rakeoff that he had from others' grafting. Altogether he thoroughly milked the country, grinding down the peasants, tribesmen, and laborers, and taking toll from the landlords (Mills-
paugh, Ibid: 34).

The government's policy toward the agrarian community resulted in the decline of agriculture and the peasantry which can be explained by three factors. First, the state appeared as the sole buyer and distributor of the main staples of food production, such as wheat, barley, etc. This monopolization persistently harmed the rural cultivators, since the buyer (the state) kept agricultural prices down as much as possible and hence substantially reduced the peasant savings that could be used for improving their cultivation. Monopolization of agricultural products instead benefitted privileged cities (Katouzian, 1980: Ch. 7). What the government did, in fact, was to subsidize these cities by extracting the surplus from rural areas and pouring them into certain towns at the expense of the former. Second, the government allotted only 2.5 percent of the annual budget to the agricultural sector between 1933-1941 which, compared to other projects (e.g., war, 19.6 percent; industry and trade, 19 percent; finance, 10.2 percent;

education 4.9 percent....), was significantly lower. Due to the fact that the dominant decision-makers were feudals and landlords, and also due to the nature of the corrupt administration of Reza Shah, vast amounts of money went to privileged villages, especially in Mazandaran where the Shah's properties were located. While most of the lands were cultivated by traditional and primitive methods throughout Iran, the crown lands used modern machinery and were equipped with the new systems of agronomy and agrotechnic, similar to equipment used in large scale capitalist farming (Tabari, 1979: 81-82).

Third, all welfare services, especially educational reform were concentrated in Tehran and, to a lesser extent, a few large cities but agrarian communities were totally ignored. In sum, the result of the Reza Shah's reform and modernization plan was the decline of agricultural standards and hence the persistence of traditional social and economic structures in agriculture.

The peasants suffered from the modernization program and their situation went from bad to worse. In the 1940's, peasants who included 90 percent of Iran's working population, were exploited severely by both landlords and government. This double exploitation put peasants in the lowest and most impoverished social class. The government put a severe strain on peasants through imposing taxes and ignoring rural improvement. The traditional methods that dominated agriculture and trade significantly lowered production.

The large landowners possessed the most prosperous villages in the area, with the highest annual rainfall. Reza Shah himself not only was the largest landowner in the country but he also had confiscated the best lands in the northern part of Iran (Area Handbook of Iran, 1963: 443). The lands owned by Reza Shah included non-cultivable areas where 300,000 people had resided. The civil code also provided every possible impetus to develop ownership and gave appropriate rights to strengthen the position of owners. For example, Chapter 2, article 30, of the civil code states that "every owner has unlimited rights of occupation and enjoyment of his property except in matters in which the law has made an exception." The rights of ownership were further reinforced by virtue of the fact that influential classes and social groups had both greater access to court and greater opportunity to substantiate their cases than peasants did. It was obvious that landlords and rich owners were the actual beneficiaries of land registration laws and the rights of ownership.

The second step that encouraged large-scale and private land ownership during this period was the sale of state and crown lands named "Khaliseh" to private individuals. By 1926, according to Millsbaugh, the government of Iran owned extensive and numerous villages and agricultural and pastoral lands throughout the country. In 1931, several laws were passed in parliament permitting individuals to purchase state lands. The prices were not so low as to allow lower or middle-income peasants to make such a purchase. According to Lambton:

The minimum price was to be ten times the average annual value of the crops for the three years immediately preceding sale. Properties worth less than 50,000 rs (approx. f294) were to be sold for cash and others were to be paid for in installments over five years provided a first payment of a quarter of the value or at least 50,000 rs. was made (Lambton, 1951:240).

Therefore, only the previous landlords and richer individuals could afford to purchase land and make their properties larger. This stabilized and further developed the situation of landlords and hence institutionalized large landlordism.

Finally, the third element that encouraged private ownership was the exemption of agricultural machineries from custom duties and cash crop production from taxes. Obviously, again, only the large-scale owners could afford to purchase this machinery. By the same token, when the government exempted certain areas from taxes, there were landlords and wealthier owners who took advantage of the situation. In sum, Reza Shah's policy toward the land ownership system brought great changes in terms of the concentration of land in the hands of feudals and in encouraging capitalist farming.

B. Incorporation of Vaqf Lands into the Government Bureaucratic Administration

Preference has already been made to the rise and development of Quqaf (pl. vaqf) as an independent institution since these lands were essentially endowed for the benefit of religious affairs. Prior to the development of modern capitalism, some rulers attempted to register the vaqf lands as their personal property (eg. Nadirshah 17th century), and therefore maintained further control over the basic means of production. However, during this new period, when the tendency toward modernization came about, the vaqf institution was also influenced.

The major changes in the vaqf institutions, which took place along with the bureaucratization, westernization, centralization and subsequently secularization policies of Reza Shah, was the rationalization of its administration. Initially, a Department of Endowment or

"Sazeman-e-Quqaf" within the Ministry of Education was established and took a full supervision over the public endowments. This reform had a multidimensional purpose. First, it brought the vaqf land under the control of government authority which provided a basis for the possible transformation of vaqf land into private ownership. The civil code provided some conditions for the sale of vaqf lands which in theory were forbidden. For example, the Department of Endowment stated that "endowments could be transferred under certain circumstances, as under the principle of "tabdil be ahsan" (transfer for the sake of improvement) (Akhavi, 1980:56-57) (or according to Article 88-90, under the condition that exploitation of land is impossible or likely to become so, the sale of vaqf land can be permitted). The second purpose was to convert mutavali of vaqf land from the individual to the organization and hence to transfer the benefit from a person to the state. Accordingly, the 10 percent of the products that previously were allocated to individual mutavalli now went to the Ministry of Education and Quqaf administration (Lambton, 1953:232-233).

The third purpose was to use the benefits of vaqf land for reasons other than religious affairs. Therefore, according to the civil code (Articles 41-45), when the purposes of vaqf properties were unknown or partly for charity, the revenue could be used for public affairs, such as the constructing of secular schools, purchasing school supplies and clothes for needy students, and for public welfare and the like. Finally, the last purpose was for the incorporation of the vaqf institution into the new bureaucratic administration. This took place following the secularization policy of Reza Shah; it reduced the influence of

religious leaders and replaced the "urf" (the customary law) with modern law, which he entitled Nezam-e-Jadid (new order). With this initiative, Reza Shah took even more serious action against clergy and religion, directly challenging their powers through severe repression.

Nevertheless, because the reforms, especially those related to religious issues, were brought about through force without changing the infrastructure of the economy, most of them returned to their original forms after the Shah's abdication. The successor of Reza Shah, Mohammad Reza Shah, did not take any action against religious issues and no significant reform occurred in the first two decades of his reign. Instead, he addressed them in his own manner, lifting the ban restricting religious practice and ceremony and returning the power of "ulama." In return, the new monarch received sanction from the "ulama", and until the land reform which threatened their power again, religious leaders and their affiliated institutions became major elements in supporting the power structure of the Shah.

3.2.1.1 Agricultural Policy and the Further Decline of Peasants

The agricultural sector was the most neglected part of the Reza Shah's policy of modernization. Although he successfully crushed the resistance of feudal landlords and tribal khans, his policy favored the reinforcement of large landlordism, rather than distributing lands among peasants. Land was further concentrated in the hands of large landowners, who were incorporated into the state apparatus, at the center of which was Reza Shah. One of the writers describes that:

By the time of Reza Shah's abdication, more than two thousand villages passed to the control of the new monarch. Using a measure of 4.8 persons per household, some 235,800 were in direct service of His Imperial Majesty qua landlord (Zonis, 1971:55).

Until the 1950's, a poll tax or saraneh was levied on peasants in most villages.

In addition, the isolation of the village, poor transportation and inadequate communication made it difficult for peasants to sell their products in the market. Therefore, they had to sell in the nearest market or in the field at any price. As Lambton states:

The almost permanent state of need and series of temporary crises which are the normal concomitant of peasant life force him to dispose of his produce immediately after harvest, if it is not already pledged before. This means he had no alternative but to sell or barter his surplus at the period when prices are the lowest.... he then has to buy when prices are at their peak. It is thus not surprising that debt should be one of the curses of Persian rural life (Lambton, 1953:379-80).

In the absence of government aid, the peasants always borrowed from landlords or money lenders at a high rate of interest. Iranian peasants, as a result, remained in debt, impoverished and dependent on the landlord.

In conclusion, the rise of monopoly capitalism and the flow of capital and capital goods directed toward underdeveloped countries affected their socio-economic and power structures. The formation of state capitalism in the first half of the century in Iran was a response to the new form of capitalist development on a world-scale. The export of industrial capital in monopoly form entered Iran during the oil exploitation by British companies, which captured major surplus profits from Iran. The country was drained of its investable surplus, which blocked the development of forces of production, while this surplus enriched the center and contributed to the further development of monopolies.

Neither foreign investment that pumped surplus out of the country nor industrialization could help the transition to a dominant capitalist mode of production. Rather, co-existence of two precapitalist modes and a capitalist mode, with domination of the former, characterized the social formation of Iran in this period. To articulate a precapitalist mode of production into the latter, an alliance between colonial powers and feudals formed that focused on surplus extraction from the country. Moreover, attempting to legalize private land ownership which was absent prior to this period, and the incorporation of vaqf land into the government bureaucracy along with the militarization of the state, helped state capitalism and provided facilities for reproduction of monopoly capitalism.

Although monopoly capital during the period of British hegemony over Iran was in alliance with the feudals and traditional bureaucrats in an attempt to enhance surplus extraction, it was unable to continue accumulation in the later period, due to the contradictory nature of these two. This contradiction reflected the demands of the world capitalist system, which required more concentration of capital and expansion of capitalist relations beyond the border of the center. Therefore, feudals and the feudal system could no longer continue to provide the necessary prerequisites for the extraction of surplus for accumulation. Rather, the rise of the United States with advanced technological progress and its replacement of the British in Iran in the post-war era tended to transform the class structure in an attempt to establish the hegemony of the bourgeoisie, the major alliance of the new dominant power. This topic will be discussed in the next section.

3.3 The Post War Development

World War II had a devastating effect on European capitalist countries. At the time when the Allies (the United States, Britain and Soviet Union) decided to make a united front against Germany, the Iranian government was in favor of Nazism and their agents were active in Iran. To prevent Germans from taking advantage of the Reza Shah's sympathy toward Nazism and reinforcing their strength against the Allies, Russians from the north and Britains and Americans from the south occupied Iran in 1941 and forced Reza Shah to leave the country.

He was replaced by his son, a pro-British monarch, without changing Iran's social and economic structure. Between 1941 and 1953, however, Iran went through a major political crisis resulting from the sharpening contradiction between the great powers on the one hand and internal political forces on the other. The conflict between the Allies of World War II also reflected on the Majlis, the cabinet and the public. The Majlis were divided into conservative, liberal, and radical factions, as well as pro-British, pro-American, and pro-Russian factions. The cabinet contained ministers who owed their position either to the one of many parliamentary factions or to foreign powers. The foreign powers themselves turned hostile to one another as the Allies of the World War became the antagonists of the cold war. Finally, the general public quickly divided into rival social forces once political parties had a chance to inspire, mobilize, and represent various interest groups (Abrahamian, 1982:170). The conflict was not restricted to confrontations between Soviet influence and the capitalist camp penetration into Iranian social and political

activities. Rather, and even more seriously, Britain maintained her imperialism through hegemony over her "old" periphery on the one hand while the United States took control over the Middle East in general and Iran in particular. This resulted in several political events during the decade after the war. The Anglo-American conflicts first appeared around the issue of oil which was temporarily terminated through a compromise on the establishment of a community of interests in the Middle East's and particularly Iran's oil industry. This compromise was the result of the fact that Britain realized that maintaining control over growing nationalist and anti-British forces that threatened her interests in Iran was not possible without the support of the United States. The consequences of this compromise was further American involvement in the Middle East and later in the Iranian oil industry.

As a matter of fact, the conflict between the "old imperialism" and the new great power came from the different nature of capital accumulation between the two capitalist powers and the stage of capitalist development in the global economy.

British activities in Iran mainly concentrated on the investment on production of raw materials: that is, exploiting oil, and then controlling custom duties while still exporting manufactured goods to Iran. Therefore, the primary concern of the British was to support the Iranian status quo and the comparador feudals and tribal leaders who dominated the state apparatus of the country and who secured the flow of wealth from Iran to British enterprises. Thus, the British policy in Iran encouraged landlordism, which was temporarily compatible with the type of capital accumulation predominant in the

center, and did not much contribute to the growth of a bourgeoisie and development of a industrial labor force.

The characteristics of U.S. capital investment and the process of capital accumulation was different from the British. U.S. capital emphasized manufacturing, finance, industrialization based on import-substitution, and service industries to serve local markets. As such, they required expanding consumer markets which also necessitated the development of a social class whose interests were in harmony with the bourgeoisie at the center. Such development required penetration by U. S. capitalism, politically, economically, militarily, and even culturally into Iran.

As the result of these different characteristics of capital investment and different strategic interests, the Anglo-American compromise did not last long. Rather, because of the incompatibility of the British interests and U.S. long term goals in Iran and the superiority of the U.S. over other capitalist countries, the conflict between Britain and the United States became more obvious. The United States further involvement in Iranian social and economic affairs occurred through the American Advisory Commission for Economic Development. The seven-year plan for the first time was prepared by American consulars and the organization of the plan was established as a new form of development strategy (Badlwin, 1967: 33).

In general, World War II had a devastating impact on the European countries, especially on Britain. The colonial powers were severely damaged and the post-war demands of reconstructing Europe significantly disrupted their pre-war economic patterns. As a result of this, the imperialist powers temporarily lost their dominant economic

and political position over their peripheries. For less than a decade after the war, Iran experienced an absence of dominant political powers and her internal market enjoyed the local trade left vacant by major European traders. This also was a good opportunity for the growth of a national bourgeoisie that had long been struggling with foreign domination. The nationalist movement led by Dr. Mossadeq began to grow, and national bourgeoisie challenged the Anglo-Iranian Oil Company as a symbol of foreign intervention. The nationalization of oil became the main symbol of the movement against the British. The popularity of the leadership of the movement and the anti-British sentiments of the middle class and traditional bourgeoisie gave rise to a nationwide protest against Britain. The challenge to British interests was also a struggle against the feudals and attracted part of the peasant population. The struggle was successful and culminated in the defeat of Britain and the establishment of a popular government led by Mossadeq who was "determined to establish both a genuine constitutional form of government and national control over the country's natural resources" (Abrahamian, 1982: 250-51).

3.3.1 The Mossadeq Era (1951-53)

An Iranian nationalist, Dr. Mossadeq and his popular movement succeeded in uprooting the foundation of despotism that had characterized the state for centuries and established a democratic political economy. In addition, Mossadeq used oil revenues for the development of the society and encouraged a sense of social and political involvement among people in reconstructing the society by application of a progressive program.

Although the Mossadeq government was in power a short period of time and, therefore, was unable to set up a full-scale social revolution, his reforms, especially at the agricultural level, were remarkable. This was especially important because such reforms at a national level and by a democratic political structure had never hitherto been experienced.

The agrarian community of Iran in the mid-1950's continued suffering from basic deprivation. The long term ignorance of this large segment of the population and its exploitation through taxes, "bahreh-e malikaneh" (tribute) or other forms of levies, along with very devastating effects of World War II had brought the peasants to the edge of starvation.

Mossadeq's struggle against feudals did not begin with land reform. Rather, he intended first to reduce the power of landlords and transfer it to the peasants by establishing the village council. This council was composed of five members, three of them were representatives of peasants, one representative of the landlord and the other was the village headman. The village council was responsible for most rural affairs, from providing drinking water and repairing buildings to the provision of seeds, agricultural tools, encouragement of local industries, and the provision of loans to villagers for the development projects. Until May, 1953, 27,135 village councils were set up and many of them were effective (Lambton, 1969:39).

Along with the establishment of village councils, a decree was issued in October 1952 under the Full Powers Act of August that decreased the power of the feudals. According to this decree, landlords were compelled to pay 10 percent of their share of agricultural output to

peasants. Another 10 percent was deducted from the landlords' share for development of cooperative funds in rural areas. Moreover, 20 percent was taken from the landlords "jaribaneh" income, a rent, usually paid in cash, for special areas of land, from pastures, shops, ice-pits, caravan-series, and mills, and income from woodland was allocated for the development of rural areas and the cooperative funds (Ibid:37). Following these reforms, a second decree (Art. I) was issued in order to abolish the landlord's levy of dues on various basic peasant needs, such as dairy products, animals, fuels, or in the form of a poll-tax. Article 2 from the same Act prevented the landlord "from forcing the cultivators to work on his private affairs or to use the peasants' agricultural elements or possessions, except with the consent of the peasant or in return for the payment of a just price and wage" (quoted by Lambton Ibid:39).

Mossadeq also issued a third decree in July 1953 entitled the Social Security Law. This decree was aimed at preventing the landlord from imposing his power over peasants in crop-sharing agreements.

Although these changes were not radical reforms in terms of the total transformation of the landlords' power over peasants, the Mossadeq era was a favorable one for Iranian peasants. For the first time, peasants could impose their power over local feudals and get their rights. The Mossadeq's reform also elevated the political consciousness of the peasants by encouraging peasant autonomy in rural areas. The participation of peasants in social and economic affairs and the stand against feudals connected the issues of nationalization of oil and the anti-British campaign with the anti-feudalistic struggle and promoted the politization of the peasantry. For example, in

Kurdistan province, where peasants suffered extremely from socio-economic constraints, several insurgencies took place against feudals through which landlords were expelled from the villages. Following that, a pro-Mossadeq peasant party formed, named "saadat," in which most of the peasants in the region registered as members (Economic Research Group 1972). Although the Mossadeq program was disrupted in August 1953 following a CIA-backed coup d'etat, this movement fostered the seeds of an anti-colonial, anti-feudal campaign among both peasants and urban social classes.

When the United States discovered that under Mossadeq the interests of American capitalism could not be secured, especially with Mossadeq's program for political and economic independence. An Anglo-American coalition was formed to depose of Mossadeq's popular government. In August 1953 a coup d'etat was staged by pro-monarch military generals, the monarch's family, reactionary clergy, the large landlords and backed with the CIA and British Intelligence Services (Zabih, 1982:124-143).

The coup d'etat toppled the popular government and established a military regime led by the pro-American General Zahedi, who was determined to suppress any resistance by progressive nationalist and radical elements and to return the power to the Pahlavi family. The immediate impact of the new regime on the peasantry was to deny the previous composition of village councils and rearranged the members of the council. Peasants were not allowed to participate in the new council. Rather, three government appointees, approved by Council of Ministers, were assigned to hold office in villages. These offices were set up under the chairmanship of the Minister of Interior

or his deputies. This means that villages were directly controlled by high ranking government officials without any concern for peasants' interest (Lambton, 1953:37-59).

In conclusion, the Mossadeq's reform was a great experience of democracy and national development for the whole economy. The records indicate that during the two years of the Mossadeq government, the country's balance of payments for the first time showed a positive trend.

Table 4. The Balance of Trade 1950-60 (in million rials)

Year	Balance (X-M) (excluding oil)	Balance (X-M) (including oil)
1950	- 3,564	+18,638
1951	- 3,014	+ 3,828
1952	+ 625	+ 637
1953	+ 2,669	+ 2,933
1954	+ 2,264	+ 4,272
1955	- 2,863	+ 6,543
1956	-18,272	- 2,363
1957	-24,256	- 4,958
1958	-38,411	-15,552
1959	-42,143	+ 7,307
1960	-44,297	+ 9,093

Source: Bharier, 1971:115

It also had a great impact on the rural community and gave the peasants the right to decide about their social and political affairs.

3.3.2 The U.S. Strategy in Iran (1953-1962)

The triumph of oppositional forces which formed the national front led by Dr. Mossadeq did not last long. Refusing to accept American policy, Mossadeq was overthrown and the new military regime returned the Shah to power.

The U.S. major attempts in this period were to stabilize the situation through force and economic adjustment, in order to protect its interest in Iran. The Eisenhower doctrine, in this context, was essentially formulated around two factors: internal security and militarization of the pro-western regime. Thus, the first task of the new military regime was to suppress all oppositional forces and secure the status quo. This task was implemented by strengthening the military and internal police and especially through the establishment of SAVAC (Sazman - Etellat va amniat-i keshvar) or the National Information and Security Organization, which was determined to destroy and eliminate all people who were in any way opposed to the Shah's dictatorship (Halliday, 1979).

The main strategy of the U.S. in Iran was to integrate Iran's economy into the world capitalist system with an emphasis on industrialization based on import substitution and the development of a pro-western social class--a dependent bourgeoisie. Under the post-war hegemony of the United States, both of these components were determinants of accumulation. Under British domination, the export-enclave economy (oil production) created in Iran provided the major linkage between the center and periphery. Under U.S. domination, this linkage was formed by the structure of external dependency; that is, the structure

of an economy in which industrialization is based in import substitution was established. Here, the capital goods and technology imported from the center to produce luxury consumption items which were previously imported by the local bourgeoisie, were now produced locally by the dependent bourgeoisie.

The import substitution policy was created due to the needs of the center for rapid economic growth and accumulation of capital. The mechanism of this policy can be outlined as follows:

1. Import substitution industrialization does not grow out of the development of domestic technology, rather it is transferred from the center's advanced technology to the peripheries as part of the expansion of monopoly capital. Industrial establishments at the periphery are the extension of metropolitan enterprises. In Iran, the establishment of the General Motors plant, the General Electric Industrial Compound, Mack's assembly plant and many other industries that mushroomed during the 1960's and 1970's are patterns of industrial development (Bank Markazi Iran, 1967). Until 1967, there were about 101 U.S. industrial companies established in Iran; these, along with European companies, increased during the late 1960's and 1970's (Ibid). The increasing output of the oil industry provided foreign exchange to transfer surplus at a rapid rate (Chapter 6.1).

2. Import-substitution policy accelerated capital accumulation because it provided accessibility to cheap labor, raw materials, and internal markets, which saved the cost of transportation for the imported commodities. The government's protection of foreign capital allowed them to transfer profits to the center without restriction (Ibid:141-44).

3. Production of commodities through local industrial establishments forced the state to provide financial facilities for the urban middle class through loans and credit in order to increase consumption of luxury goods, such as cars, T.V.s, and the like. These facilities increased the consumption capacity at an accelerated rate and increased the rate of surplus value in Iran. Despite higher surplus value, the periphery had a lower rate of savings which, according to Janvry, "tends to curtail the rate of accumulation based on national income" (1981:38). The lower rate of accumulation is due to the structure of import-substitution industrialization which transfers much of the surplus to the center.

Under the dominant precapitalist formation, accumulation was blocked because it did not offer an expanding market, the availability of cheap labor, or domination of the bourgeois class in alliance with foreign capital. Therefore, the United States' strategy in the post-Mossadeq era called for a development plan that affected the economic as well as class structure and was compatible with the need for rapid accumulation of capital.

To deal with this development strategy, the United States became involved with a long range development plan in Iran to transform the Iranian socio-economic structure. It financed Iran with a series of technical assistance programs and aids and set up a new program for the development of the country.

The first step in forming, coordinating, and contributing to the development activities in Iran was the establishment of Plan Organization, the central bureaucratic body of a new development policy.

Plan Organization was formed within three years with the consultation of American and Iranian advisors. The first and second development program organized by Plan Organization proposed to develop the infrastructure of the economy and strengthen the military machine.

Development of other sectors focused on large, capital intensive projects to which the majority of the development budget was allocated during 1954 to 1962. Although priority in the first plan and even the second was given to the agricultural sector, its development was confined to the construction of a few dams, for which almost all the agricultural budget was allocated. These dams did not contribute to the development of rural community but rather formed a part of the later "agrobusiness disasters" in the regions. Keddie explained the situation as follows:

....large amounts of money, materials, and labor were devoted to building large dams for irrigation and power generation. Most dams have been poorly planned and wastefully expensive. More seriously, the stress has been overwhelmingly on the dams themselves, which are showy and spectacular, and on power generation. Often the subordinate local irrigation systems, without which the dams serve no agricultural purpose, were not built for years, if ever, nor have the areas been adequately studied to see if the planned types of irrigation and field allotment are suitable to the regions (1981:148).

The projects, in other words, were not intended to revitalize the rural economy or increase overall growth, or improve income distribution and better the standard of living in villages. Rather, the

plans were concerned with the development of capitalist farming through the investment in capital-intensive projects like building dams in a few regions in the country. The large-scale agricultural units, in fact, became the main focus (especially in the Third Plan, 1962-68) of the development projects. None of the development plans considered changes in the land tenure system, the greatest obstacle to agricultural development. In general, the development plans offered after 1953 did not pay attention to the development of the agricultural sector.

In contrast to the agricultural sector, the Development Plan paved the way for the expansion of the service sector and industrial activities. The aim of the capitalist-oriented plan was to accelerate economic growth and concentrate economic activities in a few poles. For this purpose, the First Plan (1949-56) and Second Plan (1956-62) paid particular attention to developing an infrastructure necessary for establishing capitalist social relations. Thanks to rich oil resources, wealth and capital were already accumulated to implement these programs. The United States became strategically involved in Iranian economic affairs through the establishment of a consortium, an international oil cartel which controlled oil production in Iran. The U.S. received 40 percent of its shares, which means oil production shifted from being a British monopoly to multi-national companies. The increase of world demands for energy on one hand, and Iran's need for further exchange and new western oriented economic development, on the other, led to increased oil production during the late 1950's and early 1960's. Oil revenues increased from \$88 million in 1955 to \$443 in 1962, imports of goods went from \$143 to \$551 million in the

same period (Katusian, 1981: 206), and investment in industrial ventures increased from \$60 million in 1956 to almost double in 1960 (Carey, 1975). This pattern of development was not based on the expansion of an independent private sector, rather it was directly related to oil and state activities.

The state played an important role in providing major facilities for direct and indirect foreign investment. One of the major steps taken was to incorporate Iranian industrial activities into U.S. ventures through the establishment of the Industrial and Mining Development Bank of Iran (IMDBI). This bank was the major financial institution that contributed to the growth of the private sector and foreign investment. It was initiated by New York investment banking firms and supervised by the World Bank (Baldwin, Op. cit:117-120). The broad activities of IMDBI were totally controlled by the U.S. companies. It was responsible for providing, granting, and encouraging foreign private investment. By early 1960, the Bank appeared as the leading financial institution to provide capital for private investment and along with the other institutions, such as the Industrial Credit Bank (founded in 1956), Industrial Guarantee Fund (established in 1961) and the like, poured a considerable amount of money-capital into the hands of investors. By the first half of the 1960's, many of the small new establishments were privately owned whereas the government preserved the right of establishing large-scale and key industrial units such as steel factories, petrochemical, textile, sugar, and tobacco industries, etc. for itself (Bharier, 1971). Such policies led the government, and therefore, the Shah, to become the leading industrial owner or controller in the country. This

means that the Shah preserved his superior position over other private capitalists in the industrial sector.

The pattern of industrial growth in Iran occurred through a process of import substitution. Involvement of foreign capital in domestic economic activities and the failure of a national bourgeoisie to promote national products, intensified industrialization based on import-substitutes. Foreign and semi-foreign financial agencies such as IMDBI, Chase Manhattan Bank, Lazard Freres, International Bank for Reconstruction and Development (World Bank) established the transfer of capital and technology from the United States to Iran and returned profits to the United States. By the late 1950's, the montage industries began to form in order to further integrate Iran's economy with the world of big business. Iran's attempt at industrialization and modernization, however, did not stimulate its economic growth; rather, the policy brought about rapid deterioration of the economy and subsequently inflation and recession. Neither the flow of technical and financial assistance nor increasing foreign investment could offer any solution to economic problems at the turn of the 1950's.

3.3.3 Economic Crisis

During the late 1950's and 1960's, the new development policy brought about an economic crisis in Iran. The excess of imports over exports, the increasing public debt, the decline of domestic products and the increase of prices, all created a catastrophic situation which resulted in irresponsible economic policies. While the two years of the Mossadeq era had produced a balanced import-export state, after Mossadeq's departure the situation changed in favor of imports.

A glance at the data available on the import-export trend from 1952 to 1961 (Table 5) reveals that the new policy had changed the direction of economic development from an internal to an external focus.

Table 5. Imports-Exports 1952-1961

Year	Imports (million of rials)	Exports (million of rials, excluding oil)
1952-53	5,031	5,721
1953-54	5,324	8,318
1954-55	7,425	10,288
1955-56	9,125	8,033
1956-57	20,081	7,930
1958-59	33,578	7,941
1960-61	52,657	8,360

Source: Annual Report of the Iranian Custom for 1962
quoted by Nirumand, 1969:110.

It can be observed from Table 5 that between 1954 and 1961 the imports increased nearly seven times, while exports declined at about the same rate. In other words, an excess of imports over exports occurred after 1955, whereas before 1955 the trend was the reverse. Acceleration of imports, comprised mostly of consumer goods, benefited the privileged class and did not contribute to economic development. On the contrary, the constant flow of foreign consumer goods into the Iranian market damaged domestic products, subsequently reduced exports, and further strengthened the dependent bourgeoisie. According to one writer:

Despite large-scale American aid, provided as soon as Mossadeq had been overthrown, Iran is now in more desperate straits than at the height of her misadventure in nationalization. When Mossadeq was deported, despite a national debt of 210 million, the country nonetheless still possessed reserves excluding \$150 million in gold and foreign exchange. But by the end of 1960, Iran, for all its great oil income, ... had nearly exhausted its foreign currency reserves ... Moreover, the nation had built up an enormous external debt, despite foreign aid (Walden, 1962:120).

Therefore, an economic policy based on the importation of foreign goods, which steadily deteriorated after 1953, finally ended with a budget deficit and an immense public and private debt. Inflation created a serious strain with a 9 percent rise in the cost-of-living index in 1959 after continuous rises in previous years, while no change in the real income of the majority of the population took place.

The economic crisis of the late 1950's and early 1960's was a direct result of capitalist oriented economic development, since it ignored the basic needs of a large segment of the population. While agriculture comprised 40 to 50 percent of the GNP as compared with the non-oil industry (13 to 15 percent) by the early 1960's, no real attention was paid to the agricultural sector. Instead, foreign commercial activities, import-substitutes industries, and the expansion of services were given priority in development plans. The plans provided a wide gap between the modern economic sector and the traditional one without any attempt at transforming the economy, further reinforcing inequality between sectors. These patterns of development

intensified with the major emphasis placed on construction of capital-intensive projects, which drove the country into crisis. Even a heavy loan from the International Monetary Funds (IMF) and the adaptation of Iran's monetary system to IMF standards, which devalued Iranian currency, were unable to rescue Iran from the deep crisis it confronted (Adelman, 1972: 160-191). Such heavy borrowing brought an exchange crisis into an already desperate economy. The situation forced the government to confess to the public that Iran was "broke." The private industries, merchants, and entrepreneurs, along with the treasury, went into bankruptcy, and with the increase in foreign exchange deficits, an overall economic crisis appeared. Moreover, a social crisis arose as the result of the growth in poverty, unemployment, and the decay in public morality and growth of corruption, especially in government offices.

In sum, the U.S. aid to Iran, increasing oil production, and the disequilibrium of payments in favor of imported goods, had a disastrous effect on the economy of Iran, eventually leading to a major economic crisis.

3.3.4 The Strengthening of the Dependent Bourgeoisie: Toward a Political Crisis

The new socio-economic development that was set up after the coup d'etat, and the concomitant social and political crisis in the late 1950's, reflected a power struggle between pro-British feudals and old bureaucrats on one side and a growing dependent bourgeoisie on the other. The dependent bourgeoisie, which was actively involved

in the political economy of Iran since 1953, was not in a superior position in the power structure until the early 1960's. Rather, due to the nature of the agrarian structure of the country, the activities of the dependent bourgeoisie were limited and confined to a part of urban economic activities. Therefore, the major attempt of the dependent bourgeoisie was to impose its hegemony over the political and economic structure, through expanding the capitalist relation of production throughout the country.

The dependent bourgeoisie first appeared in the form of a comparador bourgeoisie: that is, a bourgeoisie whose major economic role was concentrated in the field of commerce--the import of foreign consumer items. These activities culminated in the growth of foreign investment, expansion of foreign industries, and the integration of domestic capital with foreign capital in the exploitation of internal resources and domestic market and were manifested in the form of a dependent bourgeoisie. With the influx of capital and foreign capital investment, further accumulation took place in the hands of the comparador bourgeoisie, which constituted the framework of dependent capitalism. One of the major activities of the dependent bourgeoisie was investment in import-substitution industries and branch plants of multinational corporations. In Iran, an import-substitution policy was accompanied by a push to produce and export oil in order to earn foreign exchange, to increase purchasing power, and to expand the internal market for commodities produced by foreign capitals.

The attempt of the dependent bourgeoisie to establish itself and implement its policy needed a reordering of class alliances, especially in the government and ruling class. Therefore, a transformation of the political and economic power from the bourgeoisie-feudal character of the ruling class to an absolute domination of a dependent bourgeoisie class, who was determined to bring Iran "into the inner circles of international decision making on economic affairs," was needed (Tri-lateral Commission, 1976). Such a policy intensified the contradiction between the new bourgeoisie vis-a-vis the other segments of the ruling class, including the feudals and old bureaucrats.

Although the conflict between the interest of different segments of the ruling class, feudal and bourgeoisie, formed from the period of state capitalism, it was from 1953 to 1962, under the domination of U.S. capitalism (especially at the highest stage of its development, i.e., imperialism), and the growth of a dependent bourgeoisie in which this contradiction was further intensified.

In general, the contradiction between the interests of imperialism and the interests of the feudal mode of production can be summarized as follows:

1. The feudals were unable to serve the requirement of the international economic policy. The feudals accumulated wealth instead of capital, and spent it in a non-productive way. In this sense, the feudalistic social and economic relation was unable to integrate their wealth into the country's economy. Such an attitude was incompatible with the requirement of capitalism, which necessitated investment for profit and expansion of the market. In order to overcome the barriers to accumulation and growth of capital, capitalism attempted changing

patterns of ownership in the peripheries and transformed the power structure from one based on a dominant landed class to a dependent bourgeoisie in order to control means of production and facilitate foreign investment and surplus transformation.

2. The spread of capitalism, particularly in the post-war period, was characterized mainly by foreign investment and tended to hasten the growth of imports in underdeveloped countries. Imported goods and commodities could not stimulate such growth unless the majority of the population turned into consumers of manufactured goods. Consumption in a feudal society is confined to limited localized production. Westernization of the way of life and changing the consumer habits of the rural population were possible through the integration of the rural sector into capitalist relations.

3. The rapid dependent industrialization introduced in the post-war period to underdeveloped countries required accessibility to cheap labor. In a feudal society, the majority of the labor force engaged in agriculture and were out of reach of capitalism. Therefore, transformation of the feudal mode of production is necessary to release a large segment of population from the land and reserve them as a cheap labor for work on assembly lines.

4. In a feudal mode of production, production is not high and is confined to local consumption. Such a pattern of production is contradictory to the needs of imperialism which attempts to extract raw materials from the peripheries.

5. Capitalist development in agricultural sectors required a large expansion of land areas devoted to the cultivation of cash crops and the concentration of production into large units. Since capitalist

social relations imply commodification of both labor and the means of production, to bring agriculture into line with the rest of the economy, land and labor should be brought into the market and be exchanged as a commodity. Unlike feudalism, in which labor (peasant) and the means of production (land) are not separated, the transition to capitalism required a separation of the two factors.

6. And finally, the development of capitalism and the spread of foreign investment in underdeveloped countries required "stability" and "security" to ensure protection and circulation of foreign capital. Moreover, to avoid the realization of contradictions existing in peasant-landlord relations and the intensification of socio-political movement for radical transformation, which would jeopardize the capitalist interest, a reform should be instituted and a limited liberal democracy should be created in order to control the process of change.

Therefore, feudalism as a system was associated with a limited capacity of production and consumption and was unable to cope with the increasing demands of capitalist reproduction and expansion and hence needed to be eliminated. Contradictions between the development of dependent capitalism and the persistence of landlordism led to a political campaign between the powerful feudals and old bureaucrats backed by the British on one side, and dependent bourgeoisie backed by the U.S., on the other. Meanwhile, the opposition forces, representing the interests of the national bourgeoisie, lower urban class and peasants, continued their struggle and challenged the status quo. The result of all of these contradictions was the political crisis at the beginning of 1960.

In addition to the major contradictions, which emerged as a threat to the ruling class, there were the peasantry who could be a source of political unrest in the country. The Iranian peasants had been deprived from even the minor reforms that other sectors enjoyed during past decades, and subsequently their situation continued to deteriorate. Neither the government nor the landlords contributed to the improvement of the rural communities in Iran.

A study of peasant socio-economic conditions in the mid-1950's conducted by the Ministry of Agriculture and the Ford Foundation reveals that except for the peasants of the northern province of Mazandaran, who enjoyed the most prosperous area, the rest of the peasants had an average income of \$47 per year. Moreover, there were some peasants in the southeast villages who "had an income of eight, ten, or fourteen dollars a year, and even the richer cultivators made only five or six times that much per family" (Keddie, 1972:378-79). Despite this situation, the governmental plans for development did not contribute to the improvement of the peasants' situation. The new development policy implored the government not to rely on agricultural surplus as a source of finance, food and export. Rather, a new revenue source--oil--had been substituted for agricultural contributions. This policy further impoverished the agrarian sector and was soon reflected in the decline of agricultural output. Therefore, the government had to import a substantial amount of food, particularly grain, from the outside in order to compensate for the loss of major agricultural production. On the other hand, the new economic crisis and monetary policy raised prices and made another strike at the peasantry. Consequently, the agrarian sector, which

represented 73 percent of population in the mid-1950's, became the most impoverished sector in the country. This situation intensified contradictions between the rural masses and landowners which reflected the unsatisfactory social and economic conditions of the peasantry. The situation could reveal itself in revolutionary potential and this potentiality could be intensified, particularly in light of the recent past experiences of the Iranian peasants, when, with the establishment of a democratic peasant council in some areas and the reduction of feudal power, there was an awakening of the peasants' consciousness.

Therefore, to avoid any radical movement and to secure the development of capitalism, the policy of replacing feudalism through some measures of social reform was reinforced.

3.3.5 Political Dimensions of the Land Reform Program: The New U.S. Foreign Policy

The decade of the 1950's marked major political developments in the underdeveloped countries, especially in the Middle East. The victory of the oil nationalization movement in Iran; the rise of Nasser in Egypt and the nationalization of the Suez Canal in 1952; the revolution in Iraq led by General Qasim in 1958; the Algerian Revolution in Africa; the Cuban Revolution in Latin America; and popular movements in other parts of the world made the problems of underdeveloped nations the most crucial issues on the international level. Western countries, especially the United States', response to this issue was to adopt a new strategy in their relations with these countries.

There was general agreement that these countries were extremely underdeveloped and characterized by an agrarian structure. The

dominant feudalistic land tenure system, the nature of inequality among the different social strata, and the inefficient as well as traditional method of cultivation, all had contributed to the creation of unsatisfactory conditions of a large segment of the population living in rural areas. Therefore, it was natural that most of these movements received support from the population of the countryside, whose prior demands were land distribution and fundamental change in the land tenure system. For this reason, the platform of all the progressive and revolutionary movements contained land reform as the major agenda item, which radicalized these movements.

Radicalization of the masses of underdeveloped countries appeared as a major threat to the interest of the United States, especially in the Middle East. Demands for national independence and democracy, accompanied by anti-Western sentiments, forced the American political elites and policy makers to react seriously to the problems of the "other parts of the world" before this social discontent converted to revolution.

American policy makers came to the conclusion that the United States had to adopt a policy that, on the one hand, could overcome the hostile attitudes of the people in the Third World countries toward their governments and foreign forces, and on the other hand, consider long term imperatives of the capitalist economic system to construct the structure of peripheral capitalism. The debate on the issues of a new foreign policy toward Asia, Latin America, and Africa to prevent these nations from "falling into the Communist bloc" became an important subject in the presidential campaign in the United States. Senator J. F. Kennedy, who spoke to the Senate on the Algerian

Revolution, suggested that:

Instead of abandoning African nationalism to anti-western agitators and Soviet agents who hope to capture its leadership, the United States.... must redouble its efforts to earn the respect and friendship of nationalist leaders (Kennedy, 1960:71).

How could the United States direct these movements toward the capitalist bloc? Kennedy, a few months before he became President of the United States, presented his twelve-point foreign policy. In his fourth point, he maintained that the United States, western Europe and Japan must greatly increase the flow of capital to the underdeveloped world in order to frustrate Communist hopes (U.S. Congressional Record, 1960: V-XV). Therefore, the idea that the flow of capital and technology, with the aim of changing the structure of underdeveloped societies and the incorporation of agrarian sectors into the capitalist world, found major support in the United States.

When Kennedy presented his doctrine as a solution to the political and economic crisis of Third World countries, the United States had already launched a massive flow of private investment throughout the world. Between 1955 and 1961, the U.S. direct investment overseas rose from 19 to 35 billion dollars (Petras and Morley, 1981:12-13). Analytically, this trend, which showed enormous growth (by 1973 it rose to more than \$100 billion) in the form of the massive expansion of financial capital through multinational agencies and corporations, required a rational operation to stabilize the region and to facilitate capital accumulation on a global basis. Thus, at the turn of the 1950's and upon the formation of the Kennedy administration, the U.S. foreign policy considered the liberalization of the political

and economic structure of the Third World. The Kennedy Alliance for Progress doctrine for Latin America and land reform for Asia were manifestations of an operation intended to alter the socio-political organizations and economic relations of these countries and liberalize the political-economic structure, which threatened both the capital and the power of state authorities. When Cuba became the first Communist nation in the Western Hemisphere, the newly elected President Kennedy expressed his view that not only "immediate security consideration... must not be overlooked and Communism must be contained," but it is also "equally important to speed social reform, and to support political leaders and parties committed to democratic objectives" (Perloff, 1969:19-20). Kennedy's doctrine was more concerned with prevention of "other Castro-like revolutions" in the region, while it simultaneously forged some measures of social reform that were necessary to stabilize the situation. Similarly, land reform that was introduced in Asian countries followed the same patterns reflected in the social and political upheavals in the region.

In the case of Iran, the major attempts of the United States, after overthrowing Mossadeq, was to establish its political and military hegemony through strengthening the army, instituting dependent industrialization, restructuring bureaucracy, expanding the urban "middle class" as a social base to support the regime, and providing an alternative to the power base of landlords.

Therefore, toward the end of the 1950's, the new U.S. policy was intended to force the Shah and the Iranian government to create some measure of social reform to restructure the society toward a liberal democracy. This policy was taken under serious consideration during

the Kennedy administration, and land reform was suggested to the Shah as a "peaceful revolution vis-a-vis bloody revolution" (Alba, 1965: 127). Under these conditions, the idea of land reform as an inevitable program in the process of capitalist development in Iran came about. The content of this land reform will be the topic of the next chapter.

3.3.6 Conclusion

From the preceding discussion, we can draw a general conclusion pertaining to the adaptation of land reform in Iran. This conclusion categorizes two essential factors that contributed to the emergence of land reform as a program that brought about social change through state intervention. These include objective factors, which materialized through the intensification of contradictions between the structural forces of capitalism, and barriers produced by the precapitalist mode of production. A second factor is more subjective and includes forces exercised by intellectual and potential peasants' groups in reaction to severe social contradictions associated with the exploitation of peasants, laborers and the lower urban social strata by the land-owners, feudals, state and comprador bourgeoisie. These factors can be summarized as follows: objective factors were realized by the penetration of the capitalist mode of production, particularly in its highest monopoly stage, and especially by the transition of the United States to the central position of global power after World War II. The United States' Third World industrialization policy of import-substitution required the removal of the main barrier to the reproduction of the capitalist mode of production, the pre-capitalist formation. The economic crisis that took place at the turn of the 1950's

reflected increasing contradictions between the importation of manufactured goods and the establishment of capitalist institutions in modern sectors (capacity of production), and the inability of the non-capitalist center to absorb manufactured products (capacity of consumption). Therefore, the process of capital accumulation required a transition from a pre-capitalist formation and the spreading of capitalist relations, particularly within the agrarian community, as well as a strengthening of the comprador bourgeoisie so it could carry out the new policy and maintain the power structure--the dependent capitalist state--that guaranteed the pursuit of accumulation activities. The military coup d'etat of 1953, which removed the nationalist bourgeoisie from power, was a victory for the United States in its attempt to transfer state power to the hands of its class ally--the comprador bourgeoisie. However, this transformation, although successful, was "incomplete" with respect to the nature of existing social relations that were dominated by feudalism. The comprador bourgeoisie, the growth of which was associated with the growth of foreign investment in the field of industrial and financial institutions and importation of manufactured goods, required the expansion of its relations within the agrarian community, which contained 68 percent of the Iranian population in the 1960's. In other words, the reproduction of the capitalist mode of production required the integration of the wider sector (agriculture) of the economy into the capitalist mode in order to accelerate accumulation. That is, capitalists needed to increase the consumption of products that were now manufactured in the local industrial branches that extended from the center. This development initially required the commoditization

of labor through the proleterianization or semi-proleterianization of peasants (See Chapter V) to meet the demand of modern sectors (industry and services). Commoditization of land was also required, so it could be in the market along with the commercialization of agricultural products, in order to serve international market demands and enhance the accumulation of capital on a world scale. The success of these efforts was achieved by introducing land reform as a solution to the objective barriers of capitalist development.

Subjectively, the land reform program was posed as a solution to the political crisis that had arisen from contradictions generated out of the class structure of the society, which potentially could enhance class struggle and eventually lead to the questioning of the reproduction of the social relations of capitalism. Intensification of contradictions and a subsequent political crisis could lead to a radical transformation aimed at transferring power and the means of production to the public, such as had happened in Cuba and China. However, to avoid radical transformation, the state intervened and instrumentalized the land reform program by using force to maintain its control over the means of production. Therefore, land reform offered a temporary solution to the political crisis that threatened the status quo.

In this respect, United States foreign policy under the Kennedy administration placed its emphasis on the "liberalization" of the political-economics of the Third World, aiming to eliminate landed feudals and freeing labor and land under the program of land reform. In this way, they sought to, in the words of the then President of the World Bank, "block Communist influence."

The importance of the political goals of land reform rested on the fact that a series of radical social movements had succeeded in overthrowing the state or in creating mass organizations in other Third World nations as a result of the issue of land distribution. In the Phillipines, a "huge" movement formed and organized the peasants against the central government with the promise of "land for the tiller;" in Cuba, with the triumph of the revolution, land distribution appeared as the major priority of government policy; in Iraq, the 1958 revolution turned shareholder peasants into peasant power. In Iran, the Jangali movement, which was essentially a peasant movement in the north of Iran in 1919, seriously challenged the power of feudals. This movement directed the anti-British, anti-dictatorship and anti-feudal struggle into the same channel and achieved significant success. Similarly, Mossadeq's period, although short, nevertheless gave peasants consciousness and the impetus to struggle for their rights. Later, under serious economic crisis, this motivation could be directed toward creating radical change.

In a nutshell, two essential factors appeared as the main causes of land reform. First, the objective forces reflected the development of capitalist relations and their requirements for inevitable change from the previous social relations of production. The second factor, subjective forces, that is the political consciousness of the intellectuals and masses was affected by the growing class struggle and political achievement of revolutionary forces around the world and within the country in the form of nationalist or socialist democratic movements, which made the ground ready for political struggle. Thus, the land reform introduced in Iran was aimed at temporarily overcoming political and economic crisis.

4. The Background of Land Reform in Iran

Since 1900 a series of land reform measures have been enacted in Iran. But they were either limited to particular areas or were made ineffective because of poor planning and administration.

The first attempt at alteration of the land tenure system came with the constitutional revolution, when the first session of the National Assembly (Majlis) in 1907 abolished the tuyul system which had dominated the land tenure structure for centuries. However, this alteration did not change the nature of landlord-peasant relations; rather it was a change in the form and not the content of ownership. That is, state lands that were already assigned to tuyuldars now were purchased by prosperous merchants which gave rise to the emergence of merchant-landowners (Ashraf and Hekmat, 1971:13). This change was accompanied by constitutional recognition of private property, which led to the establishment of modern private landownership in Iran.

The second attempt at land reform in Iran took place during the Jangali movement in Gilan, a northern province. Mirza Kuchek Khan Jangali (hereafter, Jangali) began his movement from 1915. It lasted for about six years. His movement was essentially a peasant movement with an anti-colonialism and anti-feudal character (Lenczowski, 1949:54-55). Although the Jangali movement was established in Gilan and then spread to the coast of the Caspian sea, its program was directed toward total independence for Iran (Cottam, 1979:102-106). Jangali's movement exorted money from landlords in order to finance the movement and mobilized peasants for the establishment of a peasant council.

Although this movement failed before achieving its major goals, however, some progress in agrarian reform took place. In 1918 Jangali established the Gilan Republic, confiscated the estates of big landlords of the region, and redistributed them among the peasants (Ibid:58). Peasant councils were established and promoted throughout the area. In addition, some measures of reform were established in favor of the peasants, "Dues and labor services were abolished and the crop sharing system modified in favor of peasant. The complaints of the peasantry were investigated by Jangalis, control of water for irrigation was assumed, and landlords were compelled to disgorge their wealth and pay to save their estates from confiscation...." (Lambton, 1969:33). However, due to internal conflicts, the Jangali movement was overthrown and, like the constitutional movement, failed to bear fruit for the Iranian peasants the fruit of liberation and reform.

There were different reasons for unsuccessful agrarian reform under the two movements. In the constitutional movement, the cause was related more to internal structure rather than external forces. The weakness of the bourgeoisie and the domination of feudal landlords and tribal chieftains from the second Majlis session onward blocked any reform at the level of agrarian communities. This obstacle against agrarian reform--which was then reinforced by the British--existed until the nationalist movement of Mossadeq in 1951. Even in 1946, when the government of Prime Minister of Qavam Al-Saltaneh issued a decree to grant peasants 15 percent of the landlord's share, it was faced with strong objections from the landlords for "the lack of justice" for such an increase, and subsequently the decree was waived (Hadary, 1951:190-91).

However, the failure of the Jangali movement was mostly due to an external cause. The democratic coalition of the Jangali movement failed to maintain its backing due to the foreign policy of the new Soviet Revolutionary Government, which withdrew support for the movement. Consequently, the split between the nationalist and pro-Soviet elements in the movement resulted in the weakness of the Republic of Gilan and the victory of the central government over the movement (Zabih, 1966: 40-43). Therefore, the first organized experience of the peasant movement and agrarian reform failed in 1921.

The idea of agrarian reform later appeared in the platform of some intellectual groups and political organizations. The Tudeh (mass) party, the Democrat party of Azarbaijan (north-western province) and Kurdish Republic party in Kurdistan offered some measures of agrarian reform during 1940's. Even the latter parties could carry out some part of their program in the region. For example, it is said that the Democrat Party confiscated more than a quarter of a million hectares of land from the state or the "reactionary" landlords and distributed them among approximately 200,000 peasants (Ibid: 121).

In 1952 when the nationalist government of Mossadeq was in power, some attempts at agrarian reform took place. Indeed, Mossadeq did not start his development program with land reform. Rather, he first tried to reduce the power of landlords and transfer it to the peasants by establishing village councils. He later forced the landlords to give up 20 percent of their share of crops; 10 percent went directly to peasants and 10 percent to the rural banks, which could give loans to the peasants. Also, the land and other properties of those landlords who did not pay their taxes were confiscated for the benefit of the peasant (Chapter III).

Indeed, the short period of Mossadeq could not bring radical change in the agrarian community; however, it did reduce the power of the landlords and elevated the consciousness of the peasants.

When, in 1953, the government of Dr. Mossadeq was overthrown and the Shah came to power, the development of rural areas was not his primary objective. Rather, he aimed to secure his power by strengthening the military forces and, second, to obtain some measure of legitimacy by broadening the base of his support. As far as the second objective is concerned, the Shah recognized that in order to generate broad political support, some maneuver toward the peasantry was necessary. This was especially important because government control in rural areas was weak. Therefore, in 1951 he ordered the sale of 2000 of his villages to peasants (Hooglund, 1982:43). This act, however, should not be regarded as land reform, because, first, most of the lands were purchased by the wealthy peasants, and, second, this distribution did not change the nature of the landlord peasant relationship. Rather, in an attempt to convert his wealth to capital, the Shah intended to get rid of the land and to make investments in the industrial sector.

A similar land distribution took place in the 1940's when the Shah began to distribute the Khaliseh lands of the Sistan province among the local peasants. But the peasants who did not receive any credits or loans for irrigation or other inputs for cultivation, could not afford to hold the lands. Consequently, they sold their shares to the landlords and, therefore, a great deal of Sistan lands were concentrated in the hands of the large landowners.

From the above discussion, we may conclude that serious intentions for agricultural reform existed for a long time in Iran, but because

of the power and influence of landlords, they were not carried out. Therefore, the effort of the land distribution scheme during the first half of the century was not significant and land reform in its real sense did not occur until 1962.

4.1 The Land Reform Program: Its Implications and Its Function

There is only one way to escape the yoke of capitalism and ensure that the peoples' land goes to the working people, and that is by organizing the agricultural laborers, who will be guided by their experience, their observation and their distrust of what the village sharks tell them, even though these sharks wear red rosettes in their buttonholes and call themselves "revolutionary democrats" (Lenin, 1940:V.2:164).

In these land reforms we are facing the reactionary front which has wasted fifty years of parliamentary regime and have not confronted us with the choice of a "red" or "white" revolution. If the country remains in its present state, it will explode. (Arsanjani, Keyhan, 1961:My24).

Redistribution of land has always been the central slogan of revolutionary movements in underdeveloped agrarian countries. From the Russian Revolution of 1917 to post-war radical movements in Latin America and Asia, peasant demands for land distribution were in the forefront of the revolutionary platforms and have acted as a determinant factor in the mobilization of the peasants. Therefore, it was the intention of the reformist government, as Arsanjani, the architect of Iranian land reform, realized, to introduce a "white revolution" before it turned into a "red revolution." The hypothesis behind this "immunization" against various strains of revolutionary fever was that certain forms of land-tenure change may have the effect of reducing the strength of militant peasant solidarity by promising possessiveness and material betterment through the ongoing system. If this could take place, from

the reformist view, peasants would turn into a conservative force in the political system (Huntington, 1968:292-375).

Although the political objective of land reform had priority, social and economic goals closely related to that process were also significant. Politically, if the reform came from above, the ruling elites had the "advantage" and could control and direct the course of development. If the peasants supported the government, the system would be secure against revolution, and would temporarily reduce class conflict, thus enabling the system to survive. Economically, if the purchasing power of the peasants increased, it would further market relations in a dependent economy. Such a growth would not happen with three-fourths of the population at the subsistence level. Also, the social classes had to be changed and new social classes developed. If the landed class remained the dominant class in the country and occupied the major political positions, capitalist social relations could not be reproduced and the labor force would remain stagnant.

In general, the social, economic and political objectives of land reform are interwoven, and all contributed to the transformation of the society. As Huntington stated:

Land reform....does not mean just an increase in the economic well-being of the peasant. It also involves a fundamental redistribution of power and status, a reordering of the basic social relationships which had previously existed between landlords and peasants (Ibid:299).

Land reform in Iran was put forward in the middle of economic crisis and political turmoil. The booming economy entered an inflationary period, entrepreneurs and merchants went bankrupt, as did the treasury. In addition, budgetary deficits rose and the way was paved

for a sociopolitical crisis. The crisis activated political organizations and mass movements that had suffered greatly from Mossadeq's downfall and the establishment of a military regime. The political turmoil at the beginning of the 1960's came about with the fall of the cabinet of Sharif Emami and the emergence of Amini, a person approved of by the United States, while being highly critical of the government and later of the Shah. Within five months of Kennedy's election, Amini was appointed Prime Minister. Amini was an American favorite and was taken into the confidence of the State Department, not only because he was the chief negotiator with the United States in 1954 on an oil controversy, from which the United States received a major share of Iranian oil, but also because he served as ambassador in Washington in the late 1950's and also was associated formerly with the Mossadeq cabinet, which possibly may have brought him credibility with the public. Although the Shah distrusted Amini, he had to accept his designation by the United States, because he relied politically and economically on the United States after 1953 coup d'état.

When Amini, in May 1961, became the Prime Minister, he appointed Dr. Hassan Arsanjani, a radical journalist who had been advocating land reform since the early 1940's as the Minister of Agriculture. To him, the issue of land reform was more serious than it was to others. His background and experience on the problem of Iranian agriculture made him an important figure in Amini's cabinet. Arsanjani's major activities began in 1945 when he founded the Azadi (Liberty) group and began the publication of the Daily Darya (Sea), in which he propounded the ideas on the agrarian problem. One of his articles, "Class Struggle in Iran," appeared in his newspaper from June 18-22, 1944, in which he attacked

landlords who, along with comprador capitalists and other upper-class members, exploited toiling masses (Abrahamian, 1982:172-3). This position toward the landlords caused his membership to be denied by the Credential Committee of 1946--Majlis--to which he was elected. The Shah was reluctant to appoint Arsanjani because he frequently criticized the Shah for not being an initiator of land reform. In an article in the Daily Darya, Arsanjani wrote in 1951:

The Shah should begin. He should instruct that all those 1500 villages which are for the moment among the Pahlavi endowments be immediately distributed among the peasants. Then His Majesty should summon all the big landowners of the country and say: I start myself, you should imitate me. Then he should have the government present a land distribution bill to Majlis.... (Quoted by Bill, 1972:37).

Although the Shah began to call for the distribution of the crown lands less than a month after this editorial, up until 1961 only 107 villages out of over two thousand villages, which had already been confiscated by his father, Reza Shah, were distributed among the cultivators. The rest were transferred to the Pahlavi Foundation to be secured from distribution and division (Graham, 1978:155-57). However, the pressure from Amini and Arsanjani forced the Shah to remove the lands from the Foundation and to distribute them.

From the beginning, Amini and Arsanjani declared their intentions of implementing land distribution in the whole country. Amini faced several forces opposed to his reform. First, the landlords, who considered the reform a divisive threat to their interests, and secondly, the National Front, which did not believe in the reform. The National Front was composed of a variety of people without a unified coherent political position. Primarily, they were split on the subject

of supporting Amini's government vis-a-vis the Shah, who attempted to discredit Amini for his lack of ability. Two major political positions came out of the National Front on the question of whether to support Amini's reform program and strengthen him against the Shah or to reject him for his past association with the former and unpopular Prime Minister Qavam, and especially because he was an American favorite. A section of the National Front issued a proclamation (Elamieh) announcing their refusal to help Amini unless the Savak be dissolved and free elections be held (Proclamation of National Front, 1962; 86). The other sector of the Front, mostly supported by University students, including leftist elements, believed that in the conflict between the Shah and Amini, the Front should support the latter. Therefore, three major factions, each representative of the interests of a certain class, stood opposed to each other. First were the Shah, the feudals, and the pro-British elements, who tried to preserve their power and influence in most political organs and administration. The second was Amini and the comprador bourgeoisie, backed by the United States, who attempted to substitute capitalist relations for the feudal ones. And the third was the oppositional National Front, representative of the national bourgeoisie who resisted the Shah's dictatorship on the one hand and the dependent bourgeoisie on the other. This situation, that is, the conflict between different forces and the economic crisis at the time, weakened the political authority of the monarch and in fact gave a break to the Shah's dictatorial regime established after the 1953 coup d'etat. Amini introduced his reforms and the National Front began its campaign.

The major reforms put forward by Amini and his government were: land reform, administrative reform, military reform, and financial reform.

Among them, land reform was the most important and affected the others. Land reform was the important one because it enabled Amini to eliminate the power of the landlords and their allies and to substitute the comprador bourgeoisie. He first dissolved the newly elected twentieth Majlis, which was composed primarily of conservative landlords. Then he began an anti-corruption campaign against the powerful elements in the bureaucratic administration, charging that they were "incompetent and traitorous officials" who had misused government funds (Chronology, 1961:307-8). In his campaign, he ordered the arrest of many government officials and army generals. Five generals, including two former cabinet members, were arrested and a few days later 303 officers were retired from the army (Ibid). Most of these officials, especially top army officers, were from the landed aristocratic families or traditional bureaucrats. Amini targeted these groups because they were the main obstacles to expanding new capitalist relations through the agrarian sector. Therefore, his anti-corruption campaign, to a great extent, addressed these elements. For example, the Ministry of Education was one of the oldest administrations with large numbers of traditional bureaucrats and officials. He fired 643 officials and sent 370 others from their desk to schools in other provinces (Time, 1961:162-4). As for the big landlords, Amini personally warned them to distribute their land as he had distributed his lands. His major intention in redistribution of the land was to eliminate structural barriers for the development of capitalism and at the same time to give more economic power to the dependent bourgeoisie and strengthen them vis-a-vis feudalism.

Amini and Arsanjani appealed to the Shah to sign the land reform

bill. In November 1961, in the absence of Parliament, the Land Reform law was approved at the Council of Ministers, proclaimed by the Shah, and assigned to Amini to be carried out. Three days after the Shah's proclamation on reform, the National Front issued a statement and attacked both the Shah and Amini for "infringement on the rights of Parliament which is the representative of the whole nation" (Proclamation of National Front, 1962:88). The National Front, however, did not mention its position on the issue of land reform.

The second reaction appeared from religious figures. The clergy, who owned or controlled many lands under their traditional administration (Ougaf) throughout the country, felt that implementation of land reform would result in their losing control over lands and villages, which formed their original social base. The death of Ayattolah Burojerdi in 1961, (the leader of Shiat community throughout the world), who once announced his opposition to any land distribution, created a vacuum of religious leadership, which gave the government an opening for such reform. Nevertheless, the economic and political crisis at this time set the stage for which the call for Ayattollah Khomeini against the Shah became effective. In June, 1963, his arrest provoked demonstrations in Tehran and other major cities, which were ruthlessly suppressed. The clerical opposition was not only over the distribution of lands, but over issues declared in the reform program such as the enfranchisement of women (Akhavi, 1980:Ch. 4; Lambton, 1960: Ch. V). After the exile of Khomeini to Turkey, no opposition from religious leaders was observed.

At the beginning of 1962, Amini's government launched the land reform program under the direction of Arsanjani. The major objectives of the program were political, economic, and social. Politically, he

intended to break down the power of the feudal landed class, especially those absentee large landowners. Socially, the redistribution of land aimed to create a class of peasant proprietors as an independent force to assume responsibility for village affairs. And finally economically, the goal was to replace subsistence agriculture with capitalist farming and a profit-oriented economy.

The Land Reform Proclamation signed into law on January 9, 1962, was later known as the first stage of land reform. In actuality, the first stage was intended to test and evaluate the reaction of the large landed class against the land reform law. Until the Shah approved the land reform bill offered in the Amini-Arsanjani draft, the feudals did not take the program seriously, assuming the Shah was still behind them. The Shah, in fact, had no other option except to agree with land reform implementation if he wanted to save his throne. He was well aware that he could not obtain American support as long as he maintained critical attitudes towards land reform. Therefore, he had to accept the reform and become its champion.

4.2 First Stage of Land Reform: The Land Reform Law of January, 1962

The first stage of land reform, which proposed, as the government mentioned, to break up large-scale land ownership, lasted from January, 1962 until February, 1965, when the second phase started. However, the first stage of land reform needs to be divided into two periods: the period that was implemented under Arsanjani's direction (January 1962-March 1963), and that which took place under the Shah's direct authorization. The reason for this categorization is the different approaches and policies that each one applied.

A general picture of the land reform program can be drawn by distinguishing three major issues: the land, the owner, and the land receiver. In terms of land, the Land Reform Law of January, 1962, stated that each landlord be allowed to retain only one six-dang village (the whole of one village, irrespective of its size), or instead, selected fractions of his different villages equivalent to one village. The rest of his lands were to be purchased by the government through the Agricultural Bank, in ten annual equal installments (later fifteen years). The value of land was based on the proportion of the tax paid by a landlord to the government, multiplied to an index that was calculated on the basis of distance of villages from cities, village revenue, and the way in which crops were divided between farmer and landlord (Moghadam, 1972:161). The prices of the lands were determined by the land reform agents (GOPF, 1976:37). The government in turn distributed the land to the peasants who were to pay for it with fifteen annual installments at the same price plus 10 percent for administration costs (Lambton, 1969:Ch. III). According to the law, there were some lands that remained exempt from distribution. First were fruit orchards, tea plantations, groves, grazing lands, and suburban villages (those which were very far from the towns). Second were mechanized agricultural land, that is, those estates that were cultivated by mechanical equipment, e.g., tractors, and those holdings worked by wage labor. In addition, the *vaqf* lands, which were usually administrated by wealthy landlords, merchants and religious leaders, remained exempt in the first stage.

The second issue deals with the question of who is considered the owner. The owner, according to the law, could be a "real or legal person." Although the term "legal person" remained unclear, Article I of

LRL states that "a household and, for the purposes of the provision of this law, a household is regarded as one person" (Tahqiqat-E-Eqtasadi, 1963:74). This definition was used until December 18, 1962. In the 36th session of the Land Reform Council, however, this definition was changed and stated: "the wife and children who are supported by or under the guardianship of the head of the household are considered to be one legal person" (Ibid). Later in 1963, the Land Reform Council issued several statements according to which women and dependent children could own the upper-legal limit of land. In other words, according to the new amendment, land reform distribution was mainly the concern of individual owners rather than household owners.

Finally, in terms of the land receiver, not all of the peasants were eligible to acquire land. The basis of distribution was *nasaq*. According to Article 16 of the Land Reform Law, the ones who were entitled to receive lands were: "farmers of the village in question who are engaged in cultivation on the same plot of land and who reside in the village." The farmer, according to Article I of the Land Reform Law, has been described as "one who does not own the land and is directly engaged in farming either personally or with the help of family members, on land belonging to the landowner, and who gives the landowner a share of his product either in cash or kind" (Lambton, 1969:196). According to LRL, the land receiver was the head of a family. Whereas the concept of owner changed from family to individual, this did not apply to the land receiver and, therefore, as Article 16 stated, the transfer issued the name of the head of the peasant's household. In addition, only members of a village cooperative were eligible to receive land; preference also went to the peasants who tilled the land in

question and previously provided more than their labor in the share-cropping contract.

In general, the first period of the initial stage of land reform, despite Arsanjani's effort to complete the first stage during a single year before the landlords' opposition became effective, failed to achieve its goals. This failure was mainly because of the Shah's attitude toward the Amini-Arsanjani program and major obstacles he caused, such as disagreements over increasing the land-reform budget. Nevertheless, when Arsanjani began the first land-reform implementation from Maragheh in Azarbaijan province, the program progressed.

There were two reasons why Maragheh was chosen as the place where land reform was begun: first, Azarbaijan had the highest concentration of large absentee landowners in which Maragheh had the most. Second, the Azarbaijan province already had experienced a program of land distribution carried out by the Democratic party's opposition to the central government. Therefore, the government deliberately began the reform in Azarbaijan in order to win the confidence of the peasant masses and to show its strength against the landlords to other parts of the country. In March, 1962, the Shah went to Maragheh to distribute the first series of title-deeds to the peasants. After the success in Maragheh, the law was applied in neighboring rural districts and gradually extended to other parts of the country, especially prosperous areas. Less than two months later, the provinces of Gillan, East Azarbaijan, Fars, Kermanshahan, and Kurdistan came under reform. According to Warriner (1970: 119), by September 1962 a total of 7500 total or parts of villages were distributed.

With the land reform program under way, Arsanjani became a popular figure among the peasants. His harsh attack on the landlords and support of the peasants took his name into the village and peasant's family:

If they (big landlords) did not submit to mild land reforms, they may be forced into a much harsher form of it later...most of the soldiers of the country came from the landless peasant class and these may not defend the present system of landowning in times of danger (Iran Almanac, 1963:388).

Arsanjani's seriousness about land reform and his approach to peasants through his propanganda campaign on the evils of landlords attracted peasants' support. This action, in the Shah's view, was a potential threat to his autocracy and authority. Therefore, the Shah and feudals began to obstruct the program in order to weaken the Amini-Arsanjani government. Amini's government failed to implement its socio-economic reform for several reasons: first, Amini insisted on reducing the military budget in order to cope with the economic crisis and budget deficit, especially to finance the expensive land reform program to which the Shah was opposed. The second reason for Amini's failure was his lack of confrontation with the National Front. Amini applied his liberalization policy and allowed the National Front to launch its largest demonstration in which hundreds of thousands of people gathered and praised the deposed Mossadeq. However, the National Front did not trust Amini and refused to support him. Meanwhile, the Shah, in his visit to Washington, convinced the United States to support him. Recalling the recent demonstration, he informed the United States that Amini was unable to run the country and he, the Shah, was the only one who could bring peace and progress to Iran. In response, Kennedy asserted that "we have reserved you to save the country, just in case Amini could not proceed with the

land reform program" (Quoted in MOPI, 1980:21). The Shah addressed the Congress, asking them to continue foreign aid and pledged that "his nation would not surrender to Communism regardless of any American action" (Iran, 1962:349-50). At the same time that Amini failed to receive loans from the International Monetary Fund, the Shah succeeded in attracting American attention and aid. The U.S. shift from support of Amini to the Shah culminated in Amini's resignation. In a news conference he stated: "tardy economic aid from the United States and the cutting of military aid to Iran had caused misunderstandings in the State Department," and resulted in his government's downfall (Ibid: 486).

The fall of Amini on July 19, 1962 was a victory for the Shah. He reasserted his primacy in all executive decision-making and retained his authority. Upon Amini's departure, Asadullah Alam, one of the big feudal aristocrats in the country, was appointed as Prime Minister. Thanks to immediate U.S. aid and an IMF loan, the new government significantly recovered from its budget deficit. In addition, Alam cut down the funds that Amini's government allocated to rural cooperation. These maneuvers lowered the deficit to one third of its initial size (Ibid).

Alam's appointment to form a new government was significant for the Shah, who did not have any intention of confronting the feudals. The new Prime Minister was a feudal and, therefore, could assure the landlords that no serious threat to their property would be underway if they followed directions. Alam's first change in the land reform law was to allow each member of the landlord family to retain the maximum amount of land (six dang village) for themselves. Furthermore, in an additional article, the government made no limitation on the number of

mechanized farms (the farms which used tractor and wage labor), which was previously limited to 500 hectare per owner family (Tahqiqat-E-Eqtesadi, 1963 No. 1). As the result of these expectations

a considerable number of landowners were able to evade redistribution. The law enabled rich owners to transfer excess lands to their relatives....other farmers carried out mechanization that were only token: 850 owners claimed to have mechanized their farms, and some drove the peasants off the land in order to qualify for this. Another 1,500 opted for escape under the "orchards" provision....some owners were able in one way or another to bend with the wind and bribe the reform officials so that they could retain some of the lands to which they were no longer entitled (Halliday, 1979:11).

Therefore, a considerable amount of land earmarked for distribution remained in the hands of landlords.

Arsanjani's intention to create as many independent farmers as possible failed and was replaced with the Shah's policy to retain as many commercial landlords as possible. However, Alam did not remove Arsanjani from his previous position. As Minister of Agriculture in the new cabinet, Arsanjani made his last effort to win the peasants' support. In early January, 1963, he called for a peasant congress under the name "Congress of Rural Cooperatives," to meet in Tehran. This gathering of peasants was the first of its kind, which, despite the fact that it was formed through government initiative, brought the formerly isolated peasants to an open assembly which focused on the problem of peasants and rural society for the officials and the public. At this Congress, 4700 delegates, who were officers of the rural cooperative society and represented the elite of the new owner cultivators, participated. It was at this Congress that the Shah announced his six "White Revolution" principles as follows:

1. The abolition of the landlord-serf relationship;
2. Nationalization of the forests;

3. Sale of government factories to pay for land reform;
4. Amendment of the election law, including the enfranchisement of women;
5. Approval of workers sharing company profits;
6. Establishment of a literacy corps to facilitate compulsory education. (Graham, 1978:71).

The resolution that was passed played down the importance of the Shah and stressed some progressive reforms and civil liberties that the Shah had always denied. Some of the major points were: (1)...the farmer take an oath to give their last breath to the protection of the constitutional monarchy in Iran; (2) we resolve that the prime duty of the government is the observance of the U.N. charter on Human Rights; (3) ... the reconstruction of the Iranian economic and social structure in favor of the toilers of Iran is the prime task; (4) ... the unity of all farmers is a necessity; (5) ... all should join the mighty class of rural cooperatives; and (6) ... rural organizations should be based on the economic interests of the rural people (Quoted by Zonis, Op. Cit: 59).

This Congress was a triumph for Arsanjani and demonstrated his popularity among the peasants. Nevertheless, Arsanjani's paramount triumph also marked his decline. As Hooglund states:

The Shah, who had continued to give Arsanjani critical support, became alarmed that his Minister of Agriculture was earning all the credit for land reform. The Shah apparently resented the evidence of Arsanjani's widespread support and began to fear that Arsanjani could use his prestige to further his political ambitions (1982:58).

The Shah's concern was that changes made by Arsanjani in rural areas went beyond the limits needed to preserve his traditional power pattern. He was unable to tolerate the liberal Arsanjani any more.

Therefore, upon Arsanjani's request for \$100 million for formation of cooperatives and other changes to enhance the harmony of different aspects of the program, the Shah refused and Arsanjani resigned.

Arsanjani was replaced by an army general, Ismail Riahi, as Minister of Agriculture. This appointment was compatible with the Shah's new mood toward the reform. With these changes, the land reform program went on slowly with much more concern shown to the landlords than the peasants. There was no need for speeding up the reform. Between 1963 and 1965, no major lands were distributed, but, instead, propaganda about the Shah's "White Revolution" became the center of government action without actual steps being taken towards reform. Under these conditions, the first stage of land reform officially ended in February, 1965, while the government announced that approximately 13,000 villages had been distributed. Nevertheless, implementation of the first stage continued in some areas until 1971. The following figures have been released by government officials concerning the first stage.

Table 6. Land Distribution in First Stage

	No.
Total villages and farms	70,293
Villages affected by Phase I	12,920
(a) six dang (whole village)	2,882
(b) less than six dang	10,038
Peasants receiving land	432,043

Source: Hooglund, 1982:61

With regard to the 9,239 six dang (fully owned) villages enumerated by the Ministry of Agriculture in 1957 (Homayoun, 1963:24), the above table shows that only 2,882 had been affected by land reform. By 1976, the government announced that in the first stage of the land reform, 15,042 villages and 784 farms (six dang and less) had been distributed among 710,062 nasaq holder peasants (Keyhan, daily newspaper, Shahrivar 31/1355--August 20/1976). However, caution about the accuracy of these figures is warranted, not only due to the definition of the "reformed" village, but also because of significant discrepancies in various statistical sources published by government institutions. Mahdavi states that "even if 1/100 of a village were to be sold to the government, in most statistics issued by the government, that village would be classified as 'reformed'" (Mahdavi, 1965: 22-23). There are no exact statistics, however, related to the amount of land that landowners kept for themselves and the amount they distributed among the peasants. However, since the Shah's policy was to encourage large landowning capitalist farming and not to benefit the peasantry, an overall evaluation of land reform can be done through analyzing the other stages of land reform.

The final discussion will be devoted to this stage, particularly to the institutions that were responsible for executing the law of land reform. Although the land reform program was the primary responsibility of the Minister of Agriculture, the Ministry of Justice and Ministry of the Interior were also involved in the execution of the program. The Ministry of Agriculture was given the responsibility for purchasing and distributing the land. Within the institution, the Land Reform Council (LRC) was established under the chairmanship

of the Ministry of Agriculture according to Article 7 of the law.

The functions of the Council are to formulate general policy, plan the reform program, draw up regulations and supervise the execution of the duties assigned to it by the Land Reform Law. Its decisions are final except in cases in which the approval of the cabinet is required.

The LRC had an executive arm entitled the Land Reform Organization, which was established in different provinces throughout the country.

The Land Reform Organization gradually expanded its bureaucratic organization and by the end of the second stage became independent and formed under the Ministry of Land Reform and Rural Cooperation. The second institution involved in land reform was the Ministry of Justice, responsible for registering, purchasing, distributing, and drawing up documents related to land and landowners. The public prosecutor had an important role in the execution of land reform, especially in cases when the owner was not prepared to transfer his lands. At these times, the public prosecutor took action on behalf of the owner. But disputes over the division of land were referred to a special commission, which included representatives of the Ministry of Justice, peasant landowners and a rishsefid (white bear).

Finally, the Ministry of the Interior was involved with land reform implementation and its role was mainly to carry out the instructions of land reform through local gendarmes (rural police) and by providing necessary training for the implementation of such duties. These institutions were later subjected to some extensive changes, as the land reform program expanded its functions throughout the country.

4.3 The Second Stage of the Land Reform

The second stage of land reform was proclaimed in decrees and regulations in 1963-64 and its implementation began in 1965. The objective of the second phase was the distribution of the large majority of villages untouched by the first phase. The Government's propaganda about land distribution among the tenants raised their expectations for ownership of the lands, but these expectations could not be fulfilled in the first phase which covered only 25 percent of the tenant families and excluded the remaining 75 percent from the reform program. Although the second stage comprised almost all the villages and lowered the land holding ceiling to a limit of 30 to 150 hectares, it was still beneficial to the landlords and demonstrated no commitment either to the peasant's well-being or rural development.

Unlike Arsanjani's program, the Shah's intention was not to distribute land equally or to create independent peasants. Rather the role of the Shah was, on the one hand, to establish a dependent capitalist system of production in rural areas, and on the other hand, to maintain his control over the major political and economic changes which were taking place during the transition and thereafter. Thus, the program established under the Additional Articles of 17 January, 1963, had previously been issued to clarify the position of small land owners, but its implementation was postponed until 1965.

Moreover, this stage of land reform was not a continuation of the first one. Rather, it was a new stage under new policy. When Alam,

the Prime Minister, succeeded Amini, he signaled the feudals that it was not his intention to eliminate them if they followed the new instructions. Within two years, no attempts were made to distribute lands. Instead, propaganda on opening a new parliament and introduction of a draft for establishment of "local and provincial societies" (Tarh-e Anjomanha-ye Eyalati va Velayati) were enough to keep the people busy. The parliament opened, 69 percent of its deputies were government employees (Bill, 1972: 124). The establishment of a pro-Shah parliament whose members "have had to be thoroughly investigated and approved by secret police," and the assignment of Alam, who once publicly stated he was "slave" of the Shah (Ibid), paved the Shah's way to reform. On Jan. 19th, a final version of the land reform was approved and made effective from February 1965. The law provided five options to the landowners to clear their property situation in the context of the new reform program. The options were as follows:

1. Rent the land to the peasants on the basis of the average net income of the past three years, the lease to be for thirty years and subject to five year revisions;
2. Sell the land to the peasant at a mutually agreed price;
3. Divide the land with the peasants in proportion to the prevailing crop-sharing agreement;
4. By mutual agreement set up a joint stock company with the peasants, with the landlord's share in the company to be equal to his former share of the crop; or

5. Purchase the peasants' rights and employ them as paid laborers (Keddie, 1972; 392).

This stage in fact guaranteed the benefits to the landowners by permitting them the alternative they preferred to choose and what land they preferred to distribute. An analysis of these alternatives clarifies the nature of the program.

The first alternative let the landowner rent his land to the peasants for cash based on the average revenue during the past three years. This option was eagerly welcomed by the landowner and was a blow to the peasants. If the landlords adopted this option, they gained numerous advantages. First, their lands were excluded from distribution; secondly, the responsibility of harvesting, storage, and marketing of the crop completely fell on the shoulders of the peasants. The obligation of the landlords to help the peasants in times of difficulty was removed; damage to the harvest was to peasants' responsibility and above all, the landlord could annually earn a fixed cash amount, and the rent according to the law would be revised every five years. By 1969, 75 percent of the landowners chose this alternative to convert from share cropping to fixed rent.

The second option was the sale of land based on mutual agreement between peasant and landlord. Whereas in the first stage the transfer of land from landlords to peasants was controlled and managed through government institutions and provided some comparative basis for the price of land, in the second stage the role of the government was limited to providing short-term loans equivalent to one-third of the price of land for the peasants and to prohibiting the sale of land to non-shareholders. The lowest proportion of landowners (only one percent) were willing to sell their

land to their tenants. Only three percent of the peasants were able to purchase land from the landlords (Ibid), and that occurred only in cases where the land was not fertile or water was not available and landlords preferred to get rid of it. Thus, the landlords gave the land to the peasants at an exorbitant price.

The third option dealt with the division of land between landlords and occupying tenants in the same proportion as the crops had been divided between them under the existing crop-sharing agreement. For example, if traditionally the tenant received two-fifths of the crop, now he could purchase two-fifths of the land he previously cultivated. The owner received installments from the government and guarantee of the payment whereas the tenants borrowed from the bank and had to pay annually. Eight percent of the landlords chose this option. However, the peasants received a negligible amount of land, and the landlords through different tricks tried to manipulate the peasant and keep the lands for themselves. Research that has been conducted over eighty villages showed that in only one village were the farmers satisfied with the ways in which land was divided, and the peasants in other villages felt that they had been cheated by landlords (G.O.P.F.; op. cit:43-44).

The fourth alternative was the issuing of a joint stock between landlords and peasants in the form of an agricultural unit. The landlord and peasants received shares in agricultural units according to their respective share of the crops. Such a unit could come into being under the supervision of a committee composed of three persons, one representing the peasants, one the landowners, and a third being chosen by both parties. However, since the owner had a greater share, he always dominated the unit and acted as the manager. The number of villages

converted into agricultural units was about 600.

And finally, the fifth option permitted the landowner to buy the peasants' nasaq right, the amount of which varied from one region to another (See Lambton, 1969). This option was the worst one imposed on peasants, because in this case the peasants gained little and lost their cultivation rights. Less than 1 percent of the cultivators agreed to sell their lands. The peasants who sold their land then made an agreement to work on the land as wage laborers.

Table 7 shows the results of the second phase of land reform by 1975.

Table 7. Land Reform Options under Phase 2 as at Dec. 1975

Options	Landowners		Cultivators	
	No.	%	No.	%
1. Letting land on 30 year lease	233,334	74.70	1,263,961	80.62
2. Sale of land to cultivators	3,111	1	51,531	3.30
3. Cultivators selling nasaq-right	8,989	2.90	13,374	0.85
4. Joint enterprise villages	41,615	13.30	81,292	5.18
5. Divided villages	25,359	8.10	157,597	10.05
Total	312,408	100.	1,567,755	100.
Public vaqf lands leased (a)	(9,323 areas)		127,751	
Private vaqf lands leased (a)	(938 areas)		28,953	

Source: Denman; 1978:273

a: Iran Almanac 1969 No. 8 P:522

Simultaneous measures dealt with the vaqf lands, which were exempted in the first stage. The general endowments (vaqf-E Amm) were to be leased to the cultivating peasants and share croppers on a 99-year lease. Such leases were subject to a five-year review. The privately endowed lands (vaqf-E Khas) were to be purchased by the government for redistribution among the peasants. According to the official figures, the peasants who received public vaqf land numbered 127,951, and those who purchased private vaqf land were 28,953 (Table 7).

In addition, further stipulation on the issue of mechanized land brought about a favorable situation for the landlords. First, those lands that were mechanized on the date when the first stage of the land reform law began were exempted from distribution, but in the second stage, even those lands that were mechanically cultivated later (after the due date) were declared as mechanized land. Therefore, the new law gave opportunity to the landlords to protect their lands from distribution. Secondly, the law also extended 500 hectares (1,235 acres) of mechanized land as the maximum limit for exemption (in the first stage), to an unlimited amount of land if the landowner used some kind of machine and employed wage labour. According to Article 20 of the Land Reform Law, a mechanized land is a land that has been worked by agricultural labourers and was ploughed by mechanical means. This definition was vague and left every opportunity to abuse the law. As Lambton states:

In the absence of vigilance by the land reform officials, it enabled unscrupulous landowners to place their land outside the operation of the land reform by ploughing it once by tractor, and declaring the peasants to be agricultural laborers (1969:196).

The most dramatic result of the second stage was that a majority of peasants (more than 80 percent, who had hoped to receive land at this stage,

were returned to a tenancy situation. Even those who acquired a small piece of land were unable to pay their annual installment to the landlord in cash, and due to low agricultural productivity some form of crop-sharing agreement was adopted again (Ibid; 199).

In general, the new articles and regulations issued under the second phase resulted in less land being distributed among the peasants as compared with the first stage. Also the percentage of the peasants among those who bought or received land in the second stage is smaller than those affected by the first stage. Most of the new owners in the second stage had to meet a price set by the landlord or else be given a plot of land based on crop divisions that were too small to provide subsistence (Keddie, 1972:392). The first and second stages concluded with the following results: of 2,100,028 nasaq holders in 1962, 753,258 peasants in the first phase and 213,443 (less than one-third of the first phase) in the second stage acquired land, according to official statistics released by the land reform organization. Therefore, it can be observed that more than half of the eligible peasants (nasaq holder) were unable to acquire land even when the lands of large landowners and small landowners were distributed. Most well informed observers regard the first phase of reform as a radical initial program that Arsanjani hoped to promote throughout Iran, while the second phase represented the resurgence of conservative forces. As Warriner (1969:121) mentioned:

....(The Second Stage) was much less radical than Arsanjani's first version, and represented some concession to the interests of the landowners, which ran contrary to the land-to-the tiller principle.

In general, the second phase of land reform was disappointing and, as compared to the first phase, represented a step backward. The peasants

who expected to receive land became dissatisfied with the second stage of reform, and their discontent with the landowners remained quite high.

4.4 The Third Stage of Land Reform

Because the implementation of the second phase did not satisfy the wishes of the majority of the peasants to gain the ownership of the land they cultivated during 1967-1968, the government imposed the third stage of land reform. The "New Land Reform Law" had several purposes. First, it intended to convert the tenancy agreement established in the second stage into ownership. Therefore, the alternative (under the second phase), which included the tenancy agreement, and the fourth alternative, which constituted joint-stock cooperation were affected by this stage, and the owners were required to sell the land to the peasants.

The second purpose of the "new law" was a response to the growing peasant discontent that resulted from their dissatisfaction with the second stage tenancy imposed on the cultivations. Finally, the third purpose, which was formulated in the Fourth Development Plan (1968-1972), was to increase agricultural production by supplying new inputs to the agricultural sector. The government policy was to stress the large-scale, commercial agricultural production and widespread mechanization and financial investments (Denman, 1973:210).

The government issued a new set of regulations in 1968 entitled "The Distribution and Sale of Rented Farms to Farmers" which required new arrangement for the tenancies (thirty-year lease) and joint stocks.

Lands that had been subjected to these arrangements and all lands still under dispute within the second phase options had either to be divided between the landowner and tenants or sold to the tenants (Ibid:275).

The price was paid either in cash (equivalent to ten times the annual rent), or by installment (twelve times the rent). By implication, all forms of landlord-peasant relations that resembled previous forms of tenancy in the villages were to be eliminated. After three years of rearrangement and redistribution of about 1,345,253 eligible peasants (the tenants under 30 year and joint stock, Table 7), only 738,119 tenants acquired land. This means that 607,134 peasants lost the position they acquired under Phase II. As in the second stage, the government did not interfere in the settlement of the price and the landlords could arrange it at their convenience.

One of the important points in the new land reform law was the encouragement and even the enforcement of large-scale capitalist farming and the consolidation of the wealth of the landowners into capitalist enterprises. Article 5 held that the government provided credits and loans for the landowners who wanted to utilize their land and to invest in the development projects. Note 3 of the same article established that "Landowners subject to the present law may receive shares in government factories described under Article 6 of the Factory Sale Act, instead of some or all of their payment." (Iran Almanac, op cit. p. 638-39). With the transformation of peasants into wage laborers or petit-owners, landlords into capitalists, and land into capitalist enterprises, the function of land reform was completed (See Chapter 5). The Shah proclaimed this as the "final emancipation" of the peasants and issued a decree setting a deadline for the landowners to choose the last remaining options: to sell or divide their land. September 23, 1971, was proclaimed "Farmers Day" and land reform was officially declared

completed. When the redistribution of land was officially finished, about 1,704,820 peasant households had received or bought land as a result of the first, second, and third stages. Considering that there were 3.2 million rural households in early 1962 before any redistribution had taken place, this figure of 1.7 million indicates that more than half (53 percent) of the total cultivated land was transferred to Iranian rural households.

The reform also was accompanied by the establishment of a number of "farm corporations" and "agro-businesses." The aim of the next chapter is a discussion of these new phenomena.

4.5 An Evaluation of Implementation of the Three Stages of Land Reform

The chief obstacle to improve agricultural production was the nature of land tenure system. 54.8 percent of the total agricultural land was cultivated by share-cropping arrangements that absolutely depended upon the landlord. The most concentrated areas of share cropping were West Azarbaijan (86 percent of its cultivated land); Kurdistan (76 percent); East Azarbaijan (72 percent); and Kermanshah (69 percent). If we add those lands that were rented and exploited in this way, then at least 62.2 percent of lands were under the control of landlords (still 11.6 percent is mixed).

The primary intention of land reform, apart from its political context, was to eliminate the share-cropping form of land holding and introduce the capitalist mode of land exploitation. The political context of the program, however, aimed to substitute reform for revolution. Nevertheless, implementation of land reform appeared to be incompatible with the existing political structure, which objectified a power struggle within the ruling class: struggle between reformists and conservatives.

Whereas the intention of Arsanjani's reform policy was to create an independent peasantry, the Shah's policy was the development of large-scale farming at the expense of small units. To evaluate the significance of land reform, it may be suitable to put forward the questions of who received land, and how much they acquired, and who benefitted the most from land reform. To answer these essential questions we need to review the laws, regulations, and decrees that favored each partner in the issue of the land transformation. In a very general evaluation, as Table 8 shows, at least in seven categories options were provided where the landlord could prevent distribution of his lands, whereas only three categories permitted land transfer to peasants.

Table 8 Lands Remained in the Hand of Landlords	Lands Transferred to the Peasants
1. Land remained in the hand of the landlords on the basis of one six dong village or its equivalent for each member of the owner family (first stage). 2. Orchards, grazing lands. 3. Lands farmed by mechanized means (first stage). 4. Lands acquired by landlord through purchase of nasaq rights (second stage). 5. Lands (sharecropping lands) located within the boundaries of town (second stage). 6. Lands received by landlord through owner-peasant division of land (second stage). 7. Lands received through owner peasants joint-stock (agricultural unit - second stage). 8. Lands rented for period of 30 years.	1. Extra lands beyond on six dong village of the owners. 2. Lands received through division on the basis of share cropping proportion. 3. Land received through purchasing the tenancies.

In the absence of detailed statistics on the amount of land that has been distributed or excluded from transformation, some extrapolation and inference may provide a picture of the result of land reform in Iran. In this evaluation, official statistics and figures provided by individual studies are used. The Iranian population, in 1962 at the initial stage of land reform was 23.4 million of which 15 million were rural inhabitants. As Table 2 shows, only 11 percent of the total lands, or 18 million hectares, were capable of being cultivated out of which 11 million hectares were used for agricultural purposes. The composition of these lands were as follows.

Table 9. Composition of Land under Agricultural Operation

Types of Land	Percent
Independent farming	33 of total land
1. Lands of small peasant proprietors	6
2. Lands of large farmer proprietors	20
3. Rented lands (tenant farmers)	7
Crop-sharing	55
Mixed	12
Total	100

Source: Parham in Studies in Asian Social Development, No. 1, 1971:10.

As the table showed, only six percent of 17 million cultivable lands owned by peasants and the rest of the rural population depended on the landlords. As already mentioned, in early 1962, before implementation of the land reform, there were 3.2 million rural households, of which 2.4 million

were nasaq holders eligible to receive land from the reform program. But under three phases of the land reform program, 1.7 million or 53 percent of households received lands. The above figures also show that about 700,000 nasaqdar lost their previous position as landholders.

Therefore, using the government statistics, it can be observed that land reform not only excluded about half of the village population but also about half of the peasant land holders, who enjoyed some part of the crops they cultivated and previously lived at a subsistence level, were evicted from the land. Also, the peasants who acquired lands suffered from the inferior quality of land that was transferred. The outcome of the three phases of land reform in terms of the quality and quantity of lands acquired by peasants may be summarized as follows:

1. Apart from one-half of the rural households who lost their previous position as a land holder under the three stages of land reform, the majority of peasants affected by land reform received small plots of land that were unable to feed a peasant family of approximately five members in 1972. On the average, a peasant family needed about 7 hectares of land to support itself at minimum level. If 18 million hectare of available cultivable land was distributed among 2.1 million nasaq holders, each family could acquire about 9 hectare lands, which was enough to feed its members. However, the results of land distribution were the reverse. According to reports, 67 percent of the lands transferred were below 6 hectares, 45 percent were below 2 hectares, and 32 percent below one (See Table 10). Hooglund suggested that "at least 75 percent of all peasants acquired less than 7 hectares during land reform" (1982:93). If we accept Aresvik's (1976:101) estimate that average income of peasants

holding land below 10 hectares is about \$100-130 per year, then we can conclude that about 84 percent of peasant families have had a purely subsistence existence.

Table 10. Structure of Iranian Agriculture 1972

Family Size	Families (1000)	Per- cent	Rural Population (1000)	Per- cent	Farm Area (1000)	Per- cent	Share of Market Output
Less than 100 hectares	7	.4	36	-	1810	12	
51-100 hectares	10	.6	52		700	4)	77
11-50 hectares	394	16	2048	12	7030	46)	
6-10 hectares	434	17	2257	13	3180	21)	
3-5 hectares	545	22	2834	16	1810	12)	19
1-2 hectares	342	13	1788	10	490	3)	
Less than one hectare	801	32	4165	23	300	2)	
Subtotal	2533	10	13170	74	15330	100	
Pastoralists not owning land*	100		600	3		)	4
	790		4119	23		)	
Total	3423		17889	100	15330	100	

*About 3.5 million of these people depend primarily upon earnings from agricultural labor and livestock herding for their livelihood.

Source: Aresvik, 1976.

By the same token, these farms provided less than 20 percent of the marketed produce. This is related, first, to the fact that most small farmers have very low cash sales and are at the purely subsistence level, and

secondly, even if they have surplus for market, they lack the transportation necessary for reaching the market.

2. Contrary to the situation of the peasants, the position of landowners, especially mid-size landowners, became stabilized. Although they no longer exercised absolute power after land reform, they continued to possess a substantial amount of the rural lands on their possession. Land reform, in fact, did not eliminate absentee landowners. As Table 10 indicates, only 16 percent of the large and medium landowners' families owned 62 percent of the total agricultural lands. Hooglund, on the basis of his observation, gives an estimation of 194,000 to 208,000 absentee owners who owned over 20 hectares of land (1982: 78-79). Consequently, after the land reform, more than half of the agricultural lands remained in the hands of previous owners and were not redistributed. Nevertheless, land reform changed the nature of the relationship between landlords and peasants. The previous "raayat" (customary tenants) became the laborer of the landowner and received a wage. Landlords usually replaced their laborers with new ones every year or few years so as to prevent the peasants from claiming rights to the lands, similar to traditional *nasdaq*. Land reform in general provided more security for the landlord than the peasant, even if it changed the social relations of production.

3. The quality of land transferred was not in favor of the peasants. The landlord could select the best lands and villages and nothing could prevent him from transferring the less fertile or very low quality land to peasants. For example, there was not a specific definition of size and quality for a six-dong village. At the first stage of land reform, where a landlord selected a six-dong village for himself and his relatives, the largest village remained with the landlords. Moreover,

the orchards and mechanized lands, which are potentially the most productive lands, were essentially immune from division. It has been estimated that 300,000 to 400,000 hectares have been occupied by orchards (Ibid, 1982: 79). A United Nations study has evaluated the land reform in Iran and stated that:

There was nothing to prevent landlords from reordering the cultivation pattern in their villages before the land reform reached them in such a way as to ensure that the best land--or indeed any land at all--went only to their friends, relatives, and loyal dependents. Again, landlords who exercised their option to retain a collection of parts of villages might contrive to retain the best of each and even, perhaps, those parts which dominate the water supply for the rest of the village (United Nations Progress in Land Reform; 1966: 24).

Most of the lands received by the peasants were drylands. Although the land reform law of January 9, 1962, mentioned that the water right of irrigated land must be transferred, nevertheless in practice the peasants were unable to take care of it and benefit from it as they did before the land reform. First, because irrigation works, especially qanat systems, which needed regular cleaning to be efficient, needed considerable capital that neither peasants nor cooperative societies were able to provide. Secondly, transformation of water did not follow the same regulation as the land did. For example, the landlord could preserve his control over the qanats, because the better and irrigated lands were in his hands. As a result of difficult accessibility to water, the peasants had to rely on the unpredictability of rain, or leave their land fallow each year in order to afford to buy water for a smaller plot, or rent part of their lands and themselves as a laborer. This process was especially prevalent for those peasants who received small plots of land.

4. The financial difficulty was one of the major problems of the

new peasant owners. Peasants who received land did not receive even the relative security previously provided by landlords such as: seeds, water, and in some cases a plough. Therefore, after implementation of the land reform, the new peasant proprietors became dependent on banks to finance them for cultivation and pay their dues. However, the loan was short-term and not enough to utilize the land. A study of thirteen regions throughout the country conducted by Tehran University came up with the result that 91 percent of these peasants indicated that without loans they could not afford to cultivate their land. The result of the study also demonstrates that the loans given to the peasants had not been sufficient for investment in agriculture and to support a family.

Table 11. Loan Received by Peasants by Type of Consumptions

Type of Consumptions	Amount Received from Agricultural Bank (Rial)	Percent
Loan spent to meet daily needs	6,506,518.17	55.3
Loan spent for agricultural outlay	3,216,394.31	27.4
Loan spent for livestock outlay	1,326,174.45	11.2
Other outlays	706,973.30	6.1
Total	11,756,060.70	100.

Source: Institution for Social Studies and Research, "Social and Economic Studies in 13 Rural Regions in Iran: 1966-1971."

As the above table shows, 66.4 percent of the loans received from the banks have been spent for non-agricultural purposes. This means that around two-thirds of the peasants who received loans were probably unable to repay their dues because of insufficient output. This situation

led to an increasing debt burden of the peasants, which drove the credit organizations to give further loans, which were immediately taken as payment for the previous loan.

Moreover, the insufficient credit provided by the government pushed the peasants toward money lenders and local traders to borrow in cash and in kind at excessive rates of interests. The Tehran University studies demonstrated this dramatic situation as follows.

Table 12. Loan Received by Peasant by Source of Credit Support Before and After Land Reform

Financial Source	Before Land Reform 1957-1959		After Land Reform 1964-1966	
	Rials	Percent	Rials	Percent
Agricultural Bank	6,521,000	75.31	8,503,000	29.73
Cooperative Firms	6,000	0.07	1,292,000	4.52
Government Agencies	-	-	543,000	1.90
Commercial Banks	620,000	7.16	5,153,000	18.01
Others: Money lenders, local traders, shop- keepers, etc.	1,511,200	17.26	13,114,000	45.84
Total	8,658,200	100.	28,605,000	100.

Source: K. Khosravi op. cit., p. 162.

Whereas more than two-thirds of the peasant's financial needs came from government before the land reform, the situation has been reversed after land reform. Only one-third of these funds were guaranteed by the government after land reform. About 46 percent of peasant loans came from individual money lenders, local traders and the like, and 18 percent from commercial banks. Indeed, indebtedness appeared to be a phenomenon in the village community after the land reform. Many peasants had to sell their plot of land to

pay their dues, and "naturally" the buyers were the money lenders, the rural dealers, the better-off peasants, or the landowners.

In sum, the land reform program implemented in Iran was carried out over a period of nine years. The Iranian peasants enthusiastically welcomed the initiation of the program, which promised them "land for the tillers," but they received a major blow when the completion of the program was officially declared. The peasants who did not receive land in the first stage hoped to be considered in the later stages. They became disappointed and their grievous situation worsened when they lost their previous position in the second stage. There is no doubt that land reform changed the basic character of the agrarian community in Iran. But this change was much more in favor of landlords than peasants. Land reform under the Shah's control did not actually intend to redistribute land equally but to change the production relations in the countryside and give temporary relief to the peasants' tensions. From the government's position, it was clear that transferring land to the peasants unless they also received financial and technical assistance could not be successful. On the contrary, the government believed in the landlords and their ability to manage the farm and utilized them more profitably than peasants. Nonetheless, the landlords were reluctant to invest in land and water supplies and feared their properties might be taken away from them.

However, the consequences of land reform goes beyond the maldistribution of land or lack of credit for the peasants. The legacy of land reform appeared in all aspects of Iranian society and influenced the breakdown of the Shah's central authority in 1979. It is not the

intent of the remaining chapters to deal with all these consequences. Rather, the study confines itself to analyzing the outcomes which affected the socio-economic structure of the agrarian society. Therefore, the important issues, which are discussed in the next chapters, are related to the new organization of agricultural production, new social relations within the agrarian community, and the political consequences of the program.

5. LAND REFORM AND TRANSFORMATION OF THE AGRARIAN STRUCTURE

The major significance of land reform in Iran was its contribution to the transformation of the agrarian structure and related changes in the social formation. This transformation was not the result of a dynamic process of development of a labor force and class structure generating class struggle as a social and political force of change. Rather, land reform occurred through state intervention to change existing social relations of production in the context of public reform. Land reform aimed at agrarian semi-feudalism was an attempt to change its structure into newly established capitalist relations of production before the forces of development were able to create such a change. Therefore, the combined forces of the development of capitalism and public reform gave rise to a new post-land-reform social formation which manifested itself in the emergence of new modes of production and eliminated or subordinated the old forms.

To understand how the social formation developed in post-land-reform in Iran, we need to identify how the pre-land reform modes of production were transformed into new forms or how, under certain conditions, they continued to exist under a predominantly capitalist mode of production. This chapter argues that Iran's agricultural structure in the post land reform period was no longer semi-feudalism. The capitalist mode of production became dominant, but not all social relations were characterized by the dominant mode in its pure form. Rather, the subsistence and petty commodity modes of production with their own specific characteristics co-existed with the capitalist one.

In previous chapters, we discussed the fact that before land reform, the Iranian social formation was semi-feudal (i.e., predominantly

feudal and subordinate capitalist characteristics formed the political, economic, and social structure of Iran). As far as an agrarian society is concerned, social relations of production in agriculture were based on an Arbab-raayat (landlord-peasant) system in which the means of production (land) was owned by the landlord, who extracted the surplus of production from peasants in feudal forms, i.e., share cropping, dues and the like. A subordinate capitalist mode of production in agriculture existed before land reform in small parts of Iran, especially in the north region of Gorgan, where wage laborers were hired. The capitalist farms were primarily owned by absentee owners. In general, rural Iran was composed of thousands of villages that were mostly self-sufficient. The peasants produced for their consumption and they did not have any surplus to market. The agricultural products for the rest of the population, particularly urban residents, were marketed by the landlords.

Transformation of agrarian communities through state intervention and its reformist programs changed the class structure and the nature of land exploitation. In respect to the class structure, part of the landlord class joined the urban bourgeoisie, and some became capitalist landowners; some members of better-off peasantry formed a portion of the petty agricultural bourgeoisie, whereas a vast majority joined the ranks of the rural or urban proletariat. The different types of enterprises that developed after land reform correspond to the class positions of the different social groups associated with them. In turn, social classes are identified by the corresponding mode of production.

The Iranian social formation in the post-land-reform era was dominated by a capitalist mode of production, which transformed most

pre-capitalist agricultural units into large-scale capitalist enterprises, such as commercial farms, farm corporations, production cooperatives, and agro-businesses (See chapter 5.2.4). These types of enterprises were represented by the agricultural bourgeoisie. The economic power of the agricultural bourgeoisie derived from its role in the generation of capital that was directly or indirectly invested in land. Under this form of production, land and labor became separated from each other and became commodities to be bought and sold on a market. In the capitalist mode, production is for the market and there is surplus for accumulation. The surplus is produced by agricultural workers and extracted by the capitalist. The labor force necessary for the development of capitalist enterprises is, to a great extent, supplied by the adjacent or distant subsistence farms. Indeed, the labor force links the capitalist sector to the subsistence mode of production.

The second type of mode of production that developed after land reform was petty commodity production, which manifested itself in the form of family farming. In this mode (in which the petty land owner is the producer), the unit of production is small and the form of capital is undeveloped but can be incorporated into the capitalist mode of production. Labor may be hired on the farm, although family labor is frequently used. Production is heavily oriented toward the market, although a proportion of it is consumed by family members. In order to reproduce, the petty commodity producer should have surplus for accumulation. Market-oriented production and the use of wage labor allow this accumulation. They link both the subsistence mode of production and the capitalist one. The former supplies its labor

and the latter incorporates its production into the market. Therefore, it is structured by capitalist relations based on wage labor and market relations. Nevertheless, petty commodity production is not involved with industrial and foreign capital. Rather, stimulated by land reform programs, they have less access to favorable trade and capital than do landed capitalists. They try to free themselves from being dependent on traditional methods of production or on using their own labor power and produce a surplus generated for more accumulation. In one word, the petty commodity producers try to become capitalists.

The petty commodity mode of production acted as a transition between the feudal and capitalist modes. Once capitalism fully develops, it will dissolve the petty commodity production. Some petty owners succeed in becoming pure capitalists, whereas the rest will join the proletariat.

The last type of mode of production in the post-land-reform period was a subsistence one, which continued to exist even after the dissolution of the semi-feudalist system. Subsistence is a system in which the means of production--land, plough, oxen, etc.--belong to the peasant family. It is a unit that produces for direct consumption, not for market or accumulation. The non-existence of surplus and accumulation is not related to the will and behavior of the peasants. Rather, it is a fact derived from objective conditions. The subsistence farm is a self-sufficient unit that reproduces its own labor, machinery, animals, etc. The division of labor in this unit was on the basis of gender, in which men mainly handled agricultural production in the field and women engaged in crafts work and daily activities in the house. In this respect, the class associated with this mode of production are peasants who head their families and own the means of production.

Historically, this mode of production developed from primitive village communities in which land was a clan property but was dissolved as the result of the "development of more advanced agricultural methods" through which private property began to appear (Mandel, 1968: 34).

Within the context of the Iran agrarian structure, the subsistence mode became a source of labor supply for the capitalist unit, and this led to the gradual dissolution of the former as the latter developed. The dynamic process of this dissolution is that the members of the unit had to seek additional sources of financial support for the survival of the family members due to the smallness of their lands and low output. Thus, the peasants sold their labor in the market as a commodity and became the proletariat. Gradually, through the development of capitalism, as labor power and products became commodities, the producers became separate from the means of production and became proletarianized.

The social formation that developed after land reform was characterized by the above modes of production. However, the extent of each type varied over time as capitalist modes of production developed in different parts of the country. While in one region a full capitalist mode of cultivation developed, in other regions several combined modes characterized the structure of agriculture. To identify such a social formation, two major concepts should be clarified: first, to explain the type of farm enterprises that existed and how they determined the ways that lands were exploited and surplus (if any) extracted for accumulation; second, to identify the class structure that dominated the farm enterprises in order to discover the social relations of production between owners of the means of production and other classes. These concepts will be explored for the rest of this chapter.

5.1 Land Reform and Changes in Rural Class Structure

The post-land-reform era in Iran was marked by a significant change in the class structure of agrarian communities. The reform altered land ownership through state intervention, and encouraged the growth of a capitalist class structure in the countryside. The development of capitalism in the countryside required alteration of the traditional relationship between landlords and peasants.

As discussed in previous chapters, production had earlier been organized on the basis of village communities in which the unit of production was generally the family(ies). In many areas, their production was limited to goods for their own consumption. The land-reform program attempted to promote a capitalist transformation of the countryside, and it had considerable success in destroying the pre-existing system of social relations, but it failed to mobilize the productive resources for the needs of a developing capitalist economy. The inability of a majority of agricultural units and peasant families to produce surplus for investment and expand the capitalist relations in its full scale should be understood in the context of the dependent capitalist structure of Iran and the pertinent state policies that excluded the majority of the rural population from the benefits of economic growth. In this regard, analysis of the class structure after land reform will help to identify the path of development, the redistribution of capital, the nature of new social relations of production, and the extent of the development of productive forces in agrarian communities.

Iran's post land reform structure moved toward a concentration of political power in the hands of the dominant comprador bourgeoisie which consolidated itself as the most fundamental feature of the ruling apparatus of a dependent capitalist formation. This ruling class was capable of controlling all economic enterprises and creating the major socio-economic class whose interests were interlocked with the interests of the metropolitan bourgeoisie, notably the United States. Various factions of the comprador bourgeoisie controlled the economic system of Iran. The exploitation of oil resources provided the most important economic link with metropolitan centers and played a vital role in the country's development strategy through which industrial establishments, military and bureaucratic modernization, and new western lifestyles shaped the economic, social and cultural structure of the country. Land reform in Iran, which was implemented as part of this strategy of development, aimed to transform the agrarian community into a capitalist system. Therefore, the post land reform period in Iran is marked by the elimination of the landlord's political power, which accompanied the emergence of new class relations in the countryside. The processes that led to the transformation of class structure in rural Iran can be described as follows: First, land reform separated the means of production (land) from producers (peasants), which is essential to capitalist development. Before the implementation of land reform, peasants were attached to the land by holding the nasaq right. The peasants cultivated land that did not belong to them. Land also could not be bought or sold on the market. Rather, the landlord and his family, who received the land through heirs were its only possessors. Land reform converted the peasants into wage laborers and the land into commodities that could be bought

and sold in the market. Second, the role of money increased in the countryside through the expansion of credit institutions and the infusion of government agencies (Plan and Budget Organization, Plan 1973-78). In this manner, a group of money lenders and urban merchants began to exploit the situation and provide money for the needy peasants, charging high interest rates (sometimes over 40 percent) and buying the crops in advance for low prices (Khosravi, 1979: 163). Third, capitalist farming began to develop in rural areas, and the most fertile and irrigatable areas were devoted to large enterprises with intensive capital and advanced technology. Most capital investment in these enterprises was made by multinational corporations, which became directly involved in the exploitation of agricultural resources through the establishment of large-scale agrobusiness industry. Finally, these developments were concentrated in certain geographically profitable regions at the expense of rural development. Most of the countryside of Iran was excluded from the benefits of land reform and had to continue using backward methods of cultivation and the poor resources that were available.

These structural changes gave rise to the development of a class structure, which can be classified by three major categories: the large landowners (agricultural bourgeoisie), peasant proprietors, and the landless class. In the following section, we will discuss the characteristics of each class based on the size of landholding, access to the means of production and market, income, and their contribution to agricultural production.

5.1.1 The Large Landed Class (agricultural bourgeoisie)

Before land reform, owners of six-dong villages were considered large landowners. The first phase of land reform eliminated those owners

who possessed more than one six-dong village, or several parts equivalent to six dong. In the next several phases, the remaining villages were also divided or mechanized, so that they were excluded from distribution. This process had the following immediate affects: First, because it was not the government's intention, land reform did not eliminate absentee ownership from rural areas. Rather, most landowners, either by using various tricks or through mechanizing their lands, were exempt from redistribution. Secondly, the traditional relationship between landlords and peasants was changed. Most peasants acquired lands and became free from the dues and obligations that they previously had as sharecroppers (Hooglund, 1982-80). Thirdly, the village as unit of production, as well as a political territory, was weakened, and finally, capitalist farming was encouraged. In general, although land reform substantially weakened the political power of landlords and transferred it to the state, the economic situation of the former owners was to some extent preserved and even partially improved. Some of the landlords were joined to the commercial, financial, and industrial bourgeoisie; a fraction was integrated into the state apparatus; and many continued agricultural activities. The "laws" of land reform provided such opportunities.

The third principle of the "white revolution" was aimed at converting the wealth of some of the landlords into capital and themselves into urban capitalists. It declared that shares of state-owned factories be transferred to landlords in compensation for their dispossession from their land. Within six months after the declaration, the shares of most government-owned factories were sold out (Iran Almanac, 1969: 270). Those landlords who sold their land to the government for distribution left farming activities and entered bourgeoisie enterprises. An estimate

put the total investment in government-owned factories by "old landowners" at 543 million rials (approximately \$77 million) (Shams, 1973 in Denman, 1973: 267). This accounted for 18 percent of the total cost of land purchased from landowners by the government. However, these new entrepreneurs, or former large landowners, who purchased government factories, were not "registered among the leading entrepreneurs, simply because of the fact that they are the shareholders, and not the main owner-managers" (Ashraf, 1971:183).

A number of leading large landowners could preserve their economic and social prestige and obtain a political position by yielding to the authority of the Shah and the ruling apparatus. For example, Asadollah Alam, a member of one of the largest landed families, was appointed as Prime Minister after the defeat of Amini; Sharif Emami, a member of the landed aristocracy, was appointed as speaker of the senate; members of Farmanfarmaian family, the oldest large landed family, were assigned important government positions including director of the Plan Organization (Zonis, 1971); Mehdi Batmangholich, whose estate was larger than Switzerland (Newsweek, June 12, 1968:48), was appointed as governor of Khorasan Province and head of the largest religious endowment organization. This former large landowning class were known as "the one thousand family" and were the upper crust of the large landed families; they formed an alliance with the dependent bourgeoisie and became protectors of the status quo by joining the state apparatus.

A large proportion of the landed class concentrated their activities on agriculture and remained large landowners either by converting parts of their lands into orchards, or by mechanization, and preserved their privileges in rural areas. The privileges of these landowners

had various sources: first, the government guaranteed the payments of the lands sold to peasants. Therefore, regardless of what happened to the peasants' crops, the installments were paid by the government to the landlords. Second, either through the first stage of land reform, in which the land owner had a choice to select at least one village for himself, or in the latter stages that permitted a considerable amount of land to be excluded from distribution, the landowners were able to select the best fertile and irrigated lands for himself and to transfer the remote, Deymi (dry-farmed), or less irrigated land to the peasants. Third, some landlords rented the land to the peasants for a certain amount of cash, regardless of the outcomes of the harvest. Therefore, whereas previously the landlord and peasants were bound by sharecropping agreements that made them share a good or bad harvest, now only the peasants had to pay the price. And finally, access to capital enabled the landlord to invest in land without fearing that peasants might take right of cultivation to land, such as nasaq.

In most of the villages in which land reform has been carried out, not more than one-third of the peasants were able to receive land and the size of land that landowners possessed still placed them in the large landed classes. Assuming the large landowners had more than 100 hectares, the proportion of landowners having up to 500 hectare lands did not exceed one percent of all owners, while they owned the most fertile lands under cultivation.

The large landowners preserved their previous absentee character after land reform either by renting the land to cultivators or employing agricultural workers on a daily wage basis to work on their land. They also used, in a few cases, share cropping as a basis of agreement

with the peasants without considering a nasaq right.

Most of the large landowners whose ownership was limited to 100-500 hectares--about 7000 individuals--managed their land as commercial farms and acted as agricultural entrepreneurs. They employed agricultural experts and advanced technology to produce cash crops, especially cotton and sugar cane. They also hired wage laborers to work on their lands. Approximately 10,000 villages have been affected by the operations of commercial farms (Hooglund, op. cit:82-83).

Some of the landowners also converted their lands to orchards to escape land distribution. Halliday (1979:111) points out that Iranian pistachio, nut, and apple output increased by 600 percent between 1960-1968 as a result of expanding orchards. Most of these orchards belonged to absentee landowners. For example, in Azarbaijan, according to Hooglund (Ibid:79), 65 to 80 percent of orchards, which included 300,000-400,000 hectares of lands, were owned by absentee owners.

The development of agro-industry was one of the major phenomena which led the landowners to appropriate the most fertile lands. This type of activity, which was organized and encouraged during the third stage of land reform, will be discussed in more detail later in this chapter. Beginning in the late 1950s, a group of new entrepreneurs, including retired army officers, high and middle ranking government officials, merchants, university professors, and others, started farming on a large scale (Okazaki, 1968:11-14). Later, a number of feudals, who became aware of the demise of feudals, joined these entrepreneurs and extended mechanized large-scale farming. This practice, before and during land reform, gradually excluded a good part of the most fertile lands from distribution and encouraged capitalist farming.

The development of the agrobusiness was a benefit to large landowners at the expense of the peasants. The state not only supported the private landowners in the form of tax exemptions, low-interest, long-term loans, cost sharing of major construction projects, such as road and irrigation systems, etc.; but as another large owner itself, the state began to invest in the agricultural sector. The second principle of the "white revolution" was the nationalization of forests and pastures, which brought larger parts of the country's cultivable land under the control of the state. The state appeared as land renter to companies and individuals (local and foreign) that planned to invest in a farm not less than 5000 hectares in size. The state also began to purchase land and villages that were located within the large-scale projects.

As the result of the development of agrobusiness and the establishment of new institutions in regions such as Khuzistan, Azarbaijan, Fars, etc., new absentee owners from the urban bourgeoisie and bureaucrats appeared and became allies of the former large landowners, on the one hand, and metropolitan bourgeoisie on the other. Introduction of the metropolitan and urban bourgeoisie into cultivating created a new social stratification in the agricultural life of the agrarian community, at the top of which were new modern bureaucrats, former large landlords, and the international businessman; at the middle, the petit-landowner and petit-bourgeoisie; and at the bottom, the laborers. The development of agribusiness had displaced many villagers. Although the government attempted to justify the adverse social and economic cost to peasants as outweighed by the development of a successful agricultural system, however, its performance up until 1978 proved the program to be a failure. As a matter of fact,

the bulk of agricultural production produced by domestic farmers was by middle landowners and not by large scale industries. The former are called peasant proprietors and are discussed below.

5.1.2 The Peasant Proprietors

As we have already mentioned, the basis for acquiring ownership of land in all three phases of land reform was the right of nasaq. In other words, the beneficiaries of land redistribution were the nasaq-holders. But this is not to say that all nasaq-holders received an equal amount of land. Rather, from the beginning, it was not the objective of land reform to redistribute the lands equally among the nasaq-holders. The reform had deliberately been designed to enrich the better-off peasants and to exclude at least half of the rural population from the scope of reform. The peasants could later be used as cheap labor. Indeed, lands were divided among nasaq-holders based on their status and privileges in boneh. The amount and quality of land that peasants received reflected their status as a member of boneh. The kadxudas, surbunehs (boneh leaders) and their assistants, varbonehs, benefited from the unequal distribution of lands by getting permission to purchase larger and better quality lands than other nasaq-holders. Thus, the minority of prosperous peasants acquired large amount of lands and the majority received small parcels (Hooglund, 1982:89).

One of the important consequences of land reform was the enlargement of peasant proprietors. About 60 percent of the nasaq-holders acquired land under the three phases of land reform, though the land was of different sizes and qualities. Generally, three different groups can be identified among peasants after land reform.

(a) The Poor Peasants

The poor peasants, which includes about 40 percent of the total village owners, owned about 5 percent of the total cultivated lands (Khosravi, 1980:47). While their holding does not exceed more than 2 hectares, they still have to leave some of their land fallow because of a lack of water or other agricultural input. They usually produce at subsistence level. Sometimes they cannot produce enough for their family's consumption and, therefore, are forced to work on rich peasant's or landowner's land as casual laborers. In addition, the poor peasants do not rely on agriculture alone for their livelihood. The result of some case studies in Iran showed that about 77 percent of the income of poor peasant households came from their non-agricultural activities (Azkia, op. cit: 68). The rate of migration among the small peasants is the highest. The result of recent surveys in Iran shows that about 90 percent of migrants in urban areas in the last seven years came from the poor peasant class (Plan and Budget Organization, 1978: 17).

(b) Middle Peasants

The middle landowners are the largest segment of the peasant population and include 43 percent of all Iranian peasants. Their holding is between 2-10 hectares and they work on 35 percent of total cultivation lands (Khosravi, op. cit.). These owners reside in the village, work on the land, and use family labor while only occasionally hiring wage labor. A few of them could produce more than subsistence requirements and thus have a surplus for exchange in the local market. The middle peasants rely more than other groups on agriculture and derive most of their income from agricultural activities. Therefore, the rate of migration among middle peasants, as compared to poor peasants, is negligible. According to some recent

surveys, only 5 percent of this group has migrated to urban areas during the last seven years.

(c) Rich Peasants (petty agricultural bourgeoisie)

The petty owner holdings ranged from 10 to 100 hectares and had access to about 52 percent of the total cultivable lands, more than other groups, while they included only 17 percent of the peasants' households (Ibid). This class consisted of former khordehmalik, whose lands in different ways did not redistribute, and better-off peasants, such as kadkhuda, sarbonehs, and their assistants, who were permitted to purchase larger and better quality lands. The rich peasants used machinery and hired poor peasants to cultivate the farm and, therefore, in many cases they were considered capitalist farmers. In contrast to the first two groups, particularly small peasants, 97 percent of the petty owners were able to market most of their products (Plan Organization, 1976, Series No. 722, p. 9).

In the absence of reliable statistics, it is difficult to determine income distribution among different classes of peasants. Nevertheless, an estimation of the income earned from certain amounts of land may help to illuminate the economic situation of various peasant-owner classes in rural Iran. The level of income of different groups of peasants is related to the efficiency of production on the land. Hooglund (1982:93) has estimated that the minimum average amount of land required to support a village family of five members at a subsistence level for one year is 7 hectares, ranging from 5 hectares in fertile lands of the Caspian Sea area to 10 hectares on dry land in Baluchistan. On average, productive land and in a suitable climate, one family could produce 1,625 kilograms of wheat from 1.5 hectare lands and earn

a net income of 10,436 (\$150) during one year: 1966-67 (Ajami, 1969: 84-85). With respect to the fact that 36 percent of families owned on the average of 1.2 hectares of land, and 50.8 percent acquired on the average 2.1 hectares of land (Khosravi, 1979: 172), it can be concluded that the lower class of peasants lived in very poor conditions after land reform. In contrast, the rich owners, according to Ajami's study (Ibid), earned 453,390 rials or \$6,477 annually from 51 hectares of land. While difference in the income of peasants is significant, nevertheless, this figure should not be generalized to all middle class landowners, because the properties of many new rich peasants were fragmented into several small pieces, which reduced the efficiency of land productivity. A study of twelve regions of Iran indicates that the lands of a majority of land owning families having 20 to 100 hectares consisted of five to sixteen plots of land with the average size between 2.5 to 17 hectares. Under such conditions, the income earned by rich peasants can be reduced to a lower level. But if we compare the situation of the peasants, particularly the rich ones, with a third class of villager--the khwushnishin--they enjoy a better economic and social status, and their contribution to the national economy is more than any other classes in the rural areas.

5.1.3 The Khwushnishins

The third social class affected by land reform was the khwushnishin population, which is comprised of people who owned neither land nor the right of cultivation (nasaq). Although the khwushnishin included 40 percent of all the rural population engaged in different rural activities, because of the land-reform law the only recipients of land were

nasaq-holders. The Khwushnishin were not allowed to profit from the distribution of land.

The Khwushnishin population is not a homogenous class. Rather, they can be stratified on the basis of their social and economic status. While some of them are prosperous traders, the majority of them are poor and depend on agricultural labor and low status service jobs for their livelihood. In general, the Khwushnishin population after land reform may be classified under three groups: the most prosperous group are middlemen or rural petit bourgeoisie, the second group are petit commodity producers or artisans and the last group are the rural proletariat, including both agricultural laborers and service personnel. In all, land reform had a significant affect on the Khwushnishin population.

a. The Growth of Rural Petit Bourgeoisie: Petit bourgeoisie in rural society is identified by a middleman. He is usually a merchant who supplies basic and necessary commodities for the villagers. Such a role was mainly played by shopkeepers who commuted between city and village to supply basic needs of the villages such as tea, sugar, tobacco, cotton clothes, etc. He was also a supplier of agricultural tools and, since he had access to cash, was also a money lender to needy peasants. Before land reform, due to the dominant economic and political power of landlords, the middlemen's activities were restricted and did not develop as a significant social force. The landlord usually supplied most of the peasants' needs and to some extent played the role of money lender. For example, in a time of financial difficulty, the peasants were forced to borrow grains from the landlord, who might collect them in the next harvest with a high interest rate. One observer of peasant life in Azarbaijan at the time when feudal relations were very powerful describes the

situation as stated by the head of a peasant household:

He (the landlord) charged eight cents for grain, and when we repaid him the next year the grain was only four cents. So we had to pay him back twice as much as we had borrowed. We had to pay the interest too. We paid him almost three times the grain we borrowed" (Douglas, 1951: 47).

After land reform, the shopkeeper became the only beneficiary to share the harvest. In general, land reform gave rise to the rural petit bourgeoisie who played important roles in the villages. Several factors contributed to the strengthening of the rural petit bourgeoisie in the post land reform era. First, the absence of landlords enabled money lenders to provide capital for the peasants. Money lenders had cash money at hand and were able to transfer cash more quickly to poor peasants than the government's financial institution was. Although they asked high interest rates, the peasants borrowed from them, because receiving a loan from government agencies required time consuming and bureaucratic procedures for the peasants. As Table 13 shows, 69 percent of the loans that peasants received were from money lenders versus 24 percent from banks and only 7 percent from cooperative societies.

Table 13. Sources of Credit to Village Families, 1965-1970

<u>Credit Source</u>	<u>Amount (Rial)</u>	<u>%</u>
Agricultural Bank	4,550,641	24
Cooperative Society	1,400,350	7.39
Other Sources	12,975,261	68.71
Total	18,926,252	100.

Other sources include: Peddlers, shopkeepers, friends, etc.

Source: Khosravi, 1979:161.

A second factor that led to an increase in money lenders' operations in the villages related to the status of peasants after receiving land. The poor landowners were unable to pay their installments to the government and had to borrow from a money lender at high interest rates. The increasing number of small holders in the post-land reform and their extreme need for money attracted many money lenders from the cities. During the last decade, the number of non-villager money lenders in the rural communities grew (Khosravi, 1979: 158-65). Moreover, peasants also borrowed money for their daily expenses, and money lenders were the only financial sources to respond to their needs, because government agencies refused to lend money for non-agricultural purposes. From 1965-70, 61.4 percent of the loans received by peasants were spent for family expenses (non-agricultural purposes) against only 38.6 percent of the loans that had been used for agriculture and husbandry outlays (Institution for Social Studies and Research, 1966:71). Another study shows that 70 to 80 percent of the peasants' income went to feed their families and left no room for saving capital to invest in land or other agricultural activities (Ashraf, 1971:22).

In addition to lending money, the middlemen in various ways tended to exploit the poor peasants. In many cases, the middlemen began to invest in agricultural production, e.g. digging semi-deep wells to provide water, which led to taking half of the peasants' harvest in Khorasan, Bandar Abbas, and Varamin. By engaging in *salaf-khari*, the practice of purchasing the peasants' crops in advance for a lower price, the middlemen takes advantage of peasants who were in extreme debt. In general, after land reform, the roles of petit bourgeoisie were reinforced. Poor

peasants were targeted and through different policies, such as giving loans with high interest rates, salaf-khari, supplying consumer goods, and extracting whatever surplus the peasants produced, were kept in constant debt.

b. Petit Commodity Producer (artisans). This group included the carpenters, blacksmiths, shoemakers, coppersmiths, who provided almost all non-food products utilized by villagers, such as: carpet, shoes, clothing, agricultural tools, wooden furniture, etc. Among the artisans, carpenters and blacksmiths had important roles in agriculture and a closer relationship with peasants. The former provided the wooden parts for agricultural tools such as shovels, ploughs, oxen yokes, and irrigation channel scoops, and the latter supplied the metal parts utilized by peasants, such as iron parts of yokes, spades, shoes for work oxen, and the like. In general, blacksmiths and carpenters were in better economic positions than other craftsmen. The trade between artisans and peasants was mostly based on in-kind exchange rather than cash.

Land reform adversely affected this group of Khwushnishin. The deteriorating situation of craftsmen was related to the indirect consequences of land reform. By increasing the money exchange and availability of inexpensive manufactured goods, the traditional handmade products of craftsmen were undermined. As Hooglund (Op. cit:97) pointed out:

(After land reform) such necessary items as shoes, clothing, copper, utensils, earthenware, cutlery, wooden furniture, and agricultural tools are now mass produced in factories and sold in the local markets and village shops at prices which often are lower than the cost of raw materials artisans must obtain in order to fashion similar goods.

Thus, most of the craftsmen who were not able to compete with factory goods went out of business and joined the army of unemployed.

c. The Rural Proletariat: The rural proletariat was a phenomenon of the post-land-reform era, where both land and peasant workers become commodities. Peasants who were formerly attached to the land and had rights to cultivation on certain farms now could move around and sell their labor. The rural proletariat can be divided into two groups: the agricultural workers, who directly contributed to agricultural production, and non-agricultural workers, who provided personal services in villages such as barber (salmani), bath keeper (hammami), farm watcher (dashtban), shepherd (chopon), beggars, manual workers (amaleh), and the like. Most of these landless villagers, who have the lowest social status in the rural community, do not have permanent residency in the villages. Rather, when there is little work in the village, they move to cities to work as construction workers or porters. During the construction season, one could observe the street corners of most Iranian cities where many villagers gathered waiting for someone to arrive and take them to places to work. Most of these workers were the first group to leave their villages shortly after land reform, because they had the experience of living in the cities. Villages no longer provided a secure basis for using their labor, and they hoped to find a job in the cities and obtain a certain standard of subsistence.

The second group of rural proletariat is agricultural workers, the largest group in the village who owned no land but worked as seasonal agricultural laborers. They were dependent on the land and were the most mobile population, moving from one farm to another either within the village or neighboring village or even much further from their living place. Among this group were also poor peasants with small plots of land, who gradually sold their lands and joined the rank of

Khwushnishin. The major force that drove peasant cultivators to Khwushnishin status before land reform was mainly indebtedness to landlords and tradesmen, for which they gave up cultivation in order to seek another source of income (Douglas, Op. Cit, 38-50). The introduction of agricultural machinery in the 1950s in some parts of Iran became another way in which some peasants were driven to labor status. For example, between 1957 and 1963, 1,974 tractors and 609 combines were bought by the Agricultural Machinery Development Bureau for the Gorgan region. As a result, draught animals, which had been the main means of plowing, were replaced by tractors; human labor in harvesting was entirely displaced by the combine. Oxen disappeared except in the mountain areas, where machinery could not be used. Nowadays, even on land worked by very poor peasants, farm machinery is widely used (Okazaki, 1968:38). Although it had not been widely adopted, Iranian farms experienced the use of machinery and its drastic affects on displacement of peasants.

Nonetheless, no change had ever affected the peasant life in general and the status of Khwushnishin in particular, as did land reform. By implementation of this program, the Khwushnishin became legally dispossessed and economically poorer in relationship to the rest of the peasants. It not only appeared to be the major force driving peasants into landless status, but it also undermined them socially and pushed them down to the level of an under-class population.

The land reform program drew a distinct line between cultivation and the landless population. The Law of January 9, 1962, Article I, defined a cultivator as a person who is not the owner of land but has the right to work on the landlord's land and possesses one or several productive inputs (water, plough, seeds ...). The program legally

excluded 1.3 million or 40 percent of the rural household Khwushnishin, who did not have the right of cultivation, from the benefit of land distribution. As reform proceeded, many nasaq-holders were pushed into the ranks of rural laborers as the result of a maldistribution of land and the failure to convert their tenancies into ownership. The important factors that contributed to this process were as follows: first, expansion of mechanization, whereby some landlords displaced the nasaq-holders from their land and deprived them from benefiting from land distribution. Most of these peasants later were employed as wage laborers to work on the same land. Secondly, under the three phases of the land reform program, 700,000 peasant nasaq-holders legally became tenants and lost the "privileges" of being owners (Chapter 4). The third process that pushed peasants into landlessness was the introduction of farm corporations and large scale agrobusiness and the adaptation of intensive-capital projects on the lands under construction. The government bought the "reformed" villages affected by projects and sent the villagers to other regions, employing some of them to work on the mechanized lands as casual workers. For example, 1,000 families or about 55,000 villagers were replaced in Khuzistan when the government forced them to sell lands that had already been transferred in part to them during the land reform implementation (Plan and Budget Organization, 1973: 10). Finally, many peasants who became new owners, under the three phases of land reform, were unable to pay their installments and were dispossessed from their lands. The failure of most peasants was related to the quality and quantity of land they received and lack of capital and water, which deprived them of the ability to produce at a subsistence level. The unproductivity of land and extreme indebtedness

forced many lower status peasants to give up their land and either work as a laborer on the well-off owner's land or migrate to the cities. In the flow of migration from rural to urban centers between 1966-76 (which will be discussed in more detail in this chapter), the post-land-reform effects are the most clear and produced 50 percent of urban growth (Walton, 1980:283). This process of proletarianization, in which most peasants and the Khwushnishin population were converted into wage laborers, is a legacy of the development of capitalist relations in the countryside.

In general, land reform has consequently created three distinct classes. First are the agricultural bourgeoisie, whose members are former large landowners who by mechanization escaped the land distribution and managed to exploit their lands in a capitalist manner. To this group, new entrepreneurs were added, who started to farm on a large scale level. The second class, which greatly expanded after land reform, included both the peasant proprietors and rural petit bourgeoisie such as shopkeepers and money lenders who benefited from the expanded demand of villagers for consumer goods, credits and loans with high interest rates. And finally, the largest class was the new rural proletariat, made up of previous agricultural and service laborers, and some nasaq-holders who did not get lands, lost their right of cultivation, and were forced to join the ranks of laborers.

5.1.4 Changing Class Structure in the Tribal Community

Tribalism and nomadism, which had been imbedded to the Iranian social, political and economic structure, continued to exist after land reform. Tribalism, to distinguish it from nomadism and rural life, is predominantly associated with an organization that is historically

identified by political affiliation (World of Islam Festival, 1976:9). Nomadism, on the other hand, is primarily associated with adaptation to environmental conditions through a particular way of managing resources. In Iran, both tribalism and nomadism still existed. As it was described earlier, pastoralism and investment in moveable resources, notably animals, are the major ways through which members of the community adapted themselves in order to secure a livelihood. Social stratification of tribal organizations before land reform reflected the extensive form of pastoral adaptation that was practiced by tribally organized groups (Chapter 2).

Land reform directly affected tribal communities in Iran. Traditionally, tribal leaders (khans) had authority and control over pasturelands, land use, and migration roads. They assigned these responsibilities to lower ranks of the subtribal group leaders. Introduction of land reform, which was associated with "nationalization of pasture lands," removed the authority of the tribal leader and transferred the control of land use and migration to the government. As a result of the scarcity of pastures, restriction of migration, and political pressures, tribal communities were undermined.

Government concern over tribal disintegration was much more focused on political dispossession of tribal forces than the socio-economic reform in the community. Therefore, the enforcement of the "law and order" of land reform in this community was more important than in the rest of the country. This is because the tribal communities in Iran were always opposed to central authority, especially during the Pahlavi reign. Tribal organizations were well armed and frequently claimed self-determination and independence from the state. Land reform was regarded by tribal

authority as government's interference in tribal affairs (Lambton, 1969: 113). They began to resist the government's program of land redistribution. For example, a land reform official was killed near the Qashqai territories. The government responded in harsh and severe ways. Military attacks were launched from the ground and air on tribal territories (Katousian, 1981:306) to reinforce land reform law and to remove tribal khans authority from tribal communities. Military posts were set up and officers were assigned to major tribal communities to prevent the use of pastures, to control seasonal migration, and to police tribal movements.

Indeed, the government succeeded in breaking down the tribal power structure and removing tribal authorities. The government assigned land rights to tribesmen through a middle rank tribesman who mediated between government and tribesmen. Among Qashqaies, one of the largest tribes in Iran, Kadkhudu or headmen were mediators.

Headmen, who formerly had mediated between supporters and khans now became more indispensable for the negotiation of land and migration rights and for government relations. By the mid-1960s each headman was receiving land use and migration schedules for his subtribe from the gendarmerie disciplinary officer... assigned to his tribe to administer government policies... The headman was required to submit the names of land-using households in his section, and he was issued a deed for the land in question. (This deed later became the legal basis of land use). (Beck, 1981:104)

Prior to land reform, within the tribal communities, the matter of land-use for the purpose of grazing, seasonal settlement, and temporary cultivating was more important than ownership. Nevertheless, land ownership gradually became important among tribal communities, especially with the annexation of non-tribal lands within the tribal lands (Ibid).

When the khan's power declined and the tribal stratification de-structured, a new social stratification based on new roles, proper

functions, and relations within the tribal community began to form. The headmen, for example, who mediated between the government to obtain permission for households seasonal land use or migration, appeared as the new authority. On the other hand, those folkowners for whom the pastures were restricted had to sell their flock or rent pasturelands from landowners, and they subsequently became more dependent on non-tribal people. Moreover, wealthy merchants and landowners began to invest in flocks and hired non-tribal shepherds to graze them. A petit bourgeois group with non-tribal origins began to grow within the tribal community. Prior to land reform, hired agricultural labor had no experience with grazing and similar activities. After land reform, these activities became important sources of cash income (Loeffler, 1978). As the result of restrictions for using pastures, many poor tribesmen who could not afford to graze their herds shifted to non-pasture work. In Qashqai tribe for example:

Pasture nationalization and land use regulations outlawed or made difficult many non-pastoral subsistence efforts, and most nomads who subsisted on them were forced off the land. Because of their poverty and their already close contacts with the marketplace due to the sale of non-pastoral commodities, they were the first Qashqai to take on urban wage (Beck, op. cit:110).

By the mid 1970s, the tribal community had significantly lost its socio-political structure which disintegrated through the removal of leaders' authority, the emergence of new petit owners, rising wage labor, and a growing non-tribal petit bourgeoisie including money lenders, merchants, and shopkeepers. Contact with the town market brought new commodities to tribes. Even guns and horses, which once used to be the symbol of male status, were replaced by new industrial products such as motorcycles and radios. This change affected another

traditional instrument. As one monograph has observed:

As industrialization increased, the nomad became more and more dependent on items supplied by the city. Traditionally, however, most requirements were met from the local environment. Dyes and herbs were provided by wild flowers and plants, the animals provided wool and hair for the carpets and the tents, and the natural woodlands, now seriously depleted, provided all sorts of different woods.... Now carpet frames are being constructed of iron, synthetic dyes are being used for carpets, and luxuries of modern living like refrigerators, stoves and electric lights, are increasingly to be seen in the tents of richer nomads (World of Islamic Festival 1976:16).

The opening of new government offices, schools, and banks, accompanied by educated bureaucrats, changed the life-style of tribal communities.

Government's control of pastures and the restriction of migration and the general "law and order" of land reform had a negative effect on livestock population, too. Many cattle, horses, sheep, and other livestock were destroyed and the government had to import livestock to compensate for this reduction. This issue will be discussed later in the next chapter.

Conclusion: One of the major effects of land reform was the changing class structure in agrarian communities in Iran. Land reform removed political, and to some extent economic, powers of landlords, eliminated traditional social relations, and gave rise to new social classes in rural areas. Although the program claimed its intention was to convert the tenancy of peasants into ownership, nevertheless, about a million "eligible" peasants failed to become new owners and joined the landless population. The development of capitalist farming, instead, encouraged a concentration of land in the hands of capitalist owners. Although the number of peasant proprietors increased substantially, the majority of them were small owners, incapable (without government support)

of investing in land. Commoditization of land and an increasing exchange between rural and urban areas encouraged the growth of a class of petit bourgeoisie such as shopkeepers and money lenders who benefited from the development of capitalist relations and from the expansion of demands and of debt. Finally, a rural proletariat class emerged, including the former landless population, those nasaq-holders who did not receive land, and former small landowners who lost their land because of their indebtedness.

In tribal communities, the social stratification that existed prior to land reform had been changed, the khans (leaders of tribes) lost their power and authority, new social classes emerged, and the government succeeded in expanding its control over entire communities.

5.2 Land Reform and Its Effect on Land Enterprises

The post-land-reform period can be characterized by the emergence and development of various types of enterprises that can be classified on the basis of the type of land ownership and pattern of land exploitation.

On the basis of these criteria, we may identify four main types of farm enterprises and systems of land exploitation. They are:

1. The subsistence farms.
2. The semi-capitalist family farms.
3. The tenancy farms.
4. The capitalist farms.

5.2.1 Subsistence Farm

Subsistence farms, run by poor peasant families, are characterized by the following features: First, the type of production is essentially subsistence. By subsistence, we refer to the situation where the family's "goal of production is for family food rather than commercial sale" (Warton, 1969: 14). In this type of socio-economic system, the family produces mainly for direct consumption with a minimum of surplus (if any) used for exchange of goods that cannot be produced by the family unit, such as sugar, tea, and the like. In this system of cultivation, the poor peasants, because of lack of agricultural inputs, are unable to produce a surplus for the market and for accumulation.

Secondly, the subsistence farms rely on family labor for production, and few, if any, wage laborers are hired. The family's labor power is used not only in agricultural activities but also for other tasks. In such a unit, as Shanin (1971: 14) pointed out, the peasant family is "the basic unit of a multi-dimensional social organization." They are involved in various agricultural activities, husbandry, non-agricultural works (crafts work), subsistence activities (bakery, dairy production, etc.), and the like.

Third, the peasant family uses low-level technology for production. This method of farming is more traditional and relies less on specialization. All these characteristics may be summarized in one quote from Engels on the self-sufficient family:

.... who (the family headmen) produce almost all they require with the aid of their families on their own farmsteads, and get only a slight portion of the required necessities from the outside in exchange for surplus--products of their own. The family is engaged not only in agriculture and livestock raising, it also works their products up into finished articles of consumption; now and then it even does its own milling with the hand mill; it bakes bread, spins, dyes, weaves flax and wool, tans leather, builds and repairs wooden buildings, makes tools and utensils, and not infrequently does joinery and blacksmithing; so that the family or family group is in the main self-sufficient (Marx, 1981: 897).

The above characteristics are relevant in the case of self-sufficient farms in Iran. Subsistence farming has historically been a system of cultivation in Iran, though the extent of it has varied from time to time. Prior to land reform, the peasant proprietors, who were usually found along the southwestern and southern borders of the central

desert, formed these types of enterprises (Lambton; 1953: Ch. 14). After land reform, the number of subsistence farms substantially increased, because of redistribution of a small plot of land among nasaq-holder families. The amount of land that is cultivated in this enterprise is small and thus can only feed family members. As already discussed (Chapter IV), about 82 percent of peasant families' land holding is below 10 hectares and most have a purely subsistence existence.

Table 14. Land Distribution by Size, 1974

Size of Land Holdings (Hectares)	Rural Households		Farm Areas	
	Numbers	%	Numbers	%
0-1	734,274	30	259,887	1.5
1-2	322,192	13	443,675	3
2-5	541,592	22	1,732,868	10.5
5-10	427,934	17	2,953,447	18
10-50	428,074	17	7,500,741	45.5
50-100	16,269	.6	1,073,697	6.5
More than 100	9,553	.4	2,452,906	15
Total	2,479,889	100	16,417,221	100

Source: Khosravi, 1979: 45.

On the average, a peasant family with approximately five members needs about 7 hectares of land to support itself at a subsistence level. As Hooglund (1982: 83) figured out, about 75 percent of the peasants

received less than 7 hectares during land reform. Taking into consideration that half of this amount of land was left fallow because of lack of water and other necessary input, we may conclude that almost all subsistence farms between 2 to 10 hectares are used for reproduction of the family. Thus, in such a system of production, there is no surplus for market or accumulation. According to agricultural census (1974), about 80 percent of the peasants whose land holding is below 10 hectares either do not market their products at all or market (exchange) only very small portions of it (Plan Organization, 1976:9). In regions like Ilam, Bushihr, Zanjan, Sistan, Baluchistan, and Scheli provinces, it has been reported that between 75 percent to 90 percent of the peasants' production is consumed by the family and is not brought to market.

The labor power necessary for production activities on subsistence farms is supplied by members of the family.

Table 15. Distribution of Land Holdings by Size and Type of Land Exploitation (1974)

Size of land (hectares)	Total	Production only by family members %	Production mainly by family members %	Production by hired labor %
Less than 1	100	75	20	5
1-2	100	61	34	5
2-5	100	61	34	5
5-10	100	54	40	6
10-50	100	44	48	8
50-100	100	18	45	37
100 and over	100	8	25	67

Source: Plan and Budget Organization, 1976, p. 7.

As the above table shows, almost 95 percent of all peasant households depend on their own labor power. Different tasks are performed on a relatively low level of specialization within the unit. Men usually work on the farm or spend a good part of the year outside of the farm or village to earn additional money for the family. Women may be involved in production of dairy products, including milking and making yogurt, cheese, butter, etc. However, in some parts of the country, in addition to sustenance activities, women also participate in different stages of agricultural production. In the northern part of Iran, for example, women's roles are very important in growing tea, rice, and cotton. In addition, women take some of their products to the local market (bazaar) for exchange.

Cultivation on subsistence farms is done in traditional ways with low levels of technology or specialization. Irrigation of farms depends mainly on rainfall, or qanat (underground channels) if they are available. The land is ploughed by oxen, and manure is used in cultivation. The main crops that are produced in this enterprise are wheat, barley, and rice. The subsistence nature of farming has forced a majority of peasants to remain dependent upon a money lender's credit in order to finance their essential consumption needs. The cooperative societies (to be discussed later), which were supposed to ease the departure of feudalism from the rural areas, were organized in favor of rich peasants with little protection or help given to poor peasants.

In general, the subsistence farms that formed the small farming units in Iran developed as a result of land-reform implementation. But the government's unfavorable policy toward small units isolated this

sector of peasant production from the rest of the economy. However, with increasing peasant migration from the farm to work as casual labor in other parts of production, a link will be maintained between the peasant's enterprise and others, which will eventually change its social relations.

5.2.2 Semi-capitalist Family Farms

Semi-capitalist family farms constitute the economic basis of the petty agricultural bourgeoisie. The owners of these farms are the better-off peasants, such as kadkhuda and head of boneh (sarboneh), who received more and better quality lands during land redistribution, or the previous khurdehmalik, who in different ways exempted their lands from redistribution. In such an enterprise, the unit of production is the family, which owns its means of production. Judicially, the head of the household is the owner of the land who controls and directs all agricultural activities. Family farms get their manpower from their members, while wage laborers are hired supplementally, especially on large-size units (See Table 15). The size of family farms averages between 10 to 100 hectares, usually fragmented, although not all of them are under cultivation. Rather less than half of them usually remain fallow (Khousravi, 1978: 84). Production in such an enterprise is primarily for domestic markets, although part of it is directly consumed. According to official reports, these farms provided more than 77 percent of domestic marketed produce.

Sometimes, family farmers do not own the farm, rather they rent it from the owners at a fixed rent. These types of farms, which are

known as family tenancy farms, developed to greater extent after land reform. Several factors helped tenancy family-farming increase in post-reform (Ashraf, 1973:18-19). First, the increase in the price of lands made it difficult for peasants to purchase land. Tenancy appeared to be the only alternative through which the family could have access to extra land. Second, high demands for agricultural products in urban areas encouraged a group of experienced peasant families to expand their operations by renting lands from other owners, especially absentee ones. Because some crops such as wheat, cotton, oil seeds, rice and the like had favorable markets in the town, some rich peasants were motivated to benefit from these particular economic conditions. However, most of the family farmers were owners rather than tenants and if they did rent the land, it was for the purpose of expanding their area of cultivation. Family farmers are not a homogenous class. Rather, they are divided into different strata, based on the size of land holding, availability of water, and other agricultural inputs. The rich petty owners rely more on wage labor and in some cases use tractors to cultivate their lands, while the small owners with small parcels of land exploit the family labor and use the traditional methods of cultivation. The importance of this type of enterprise is that, despite the lack of government support, their contribution to agricultural output is very significant. According to official reports, about 50 percent of gross agricultural value added in 1977 was generated by family farming (Plan and Budget Organization, 1979). Indeed, the contribution of semi-capitalist family farms, in comparison to other enterprises, in agricultural production is greater.

5.2.3. The Tenancy Farms

Tenant farming was encouraged and appeared as a prevailing system of land exploitation during the second stage of land reform. Iranian sociologists have characterized this system of land exploitation as follows:

(a) The tenancy agreement between the owner of land and the tenant farmer is based on a short-term contract, usually one or two years duration. The landowners consist of two groups: first are the small peasants, whose livelihood mainly depends upon working in factories or in construction activities. Thus, they do not cultivate their land but lease it to tenant farmers. The second group of landowners comprise absentee owners, whose principal source of income is not agricultural activities. The tenancy agreement is mainly for cultivation of cash crops and sayfi.

(b) The tenant farmers have extensive knowledge and experience in agricultural affairs, especially about sayfi crops. Mostly they are well-to-do peasants who by renting the land are expanding their holdings. Some of them originally belonged to the regions around the central deserts of Iran, and their specialization is the cultivation of sayfi. They move around the country looking for land to rent at bargain prices for their agricultural purposes.

(c) These tenant farmers live on leased farms for a temporary period of not more than six months a year. They are not involved in the social life of the village and the peasants consider them as a marginal group. They cultivate the land with the help of agricultural laborers who are brought from the tenant farmers' villages.

(d) The management of the enterprises is based on the decision of the farmers. However, the owners of land receive a fixed rent, and in addition, often a proportion of the crops.

(e) In tenancy agreements the provision of land, water, and half of the fertilizer costs are the owner's duty, while supplying the other factors, such as labor, seed, agricultural implements, and the remaining half of the fertilizer is the tenant's responsibility. The tenant farmers in turn have another contract agreement with various middlemen in city markets to sell their crops. Most of the credit needed for agricultural purposes comes from these middlemen (Safinezhad, 1975 in Azkia, op. cit:112-113).

In short, the tenancy enterprises in the post land reform era can be identified through several characteristics: first, they were established essentially for the purpose of production of commercial crops for market and, therefore, were inclined to increase their yields by introducing new technological methods, using fertilizer and modern agricultural machineries. Second, they produced those crops that were in high demand by industry and urban residents. And third, they expanded on farms near the capital or provincial cities and organized in different forms, the most important of which are nimehkari and tolem-behkari which have been very common during the last decades.

5.2.3.1 Nimehkari or mogasemehkari

This pattern of land exploitation, which is mainly based on a short-term tenancy agreement (one or two years) between landlord and tenant or amel, prevailed after land reform in Iran. Nimehkari modes of cultivation, according to a study prepared by a planning organization (1973: 31-47), may be characterized as follows: first, the tenancy agreement between two partners (landowner and tenant) is based on a short term contract and mainly held for cultivation of cash crops and production

of vegetables and sayfi (summer crops including chick peas, eggplant, onion, garlic, melon, etc.). The owner is usually a petit-owner or absentee owner who works outside the village and his principal source of income is not agriculture; therefore, he leases the land to the tenant farmers. Second, the tenants are mainly experienced farmers who have extensive knowledge of the sayfi and vegetable cultivation, and are the hard workers who are required in this mode of cultivation. Although the tenants exploit themselves intensely, they are primarily dependent on exploitation of hired wage labor. Thirdly, the tenant cultivators are the better-off peasants who can afford to rent the land and expand their holdings. Some of the tenants are not native villagers, rather they temporarily live in the villages. These tenants move around the country seeking land for rent at bargaining prices. Fourth, these petty producers produce mainly for market. Although they may use a small portion of what they produce for personal use, in general their production is for exchange values. They also have some surplus that can be accumulated. And finally, the tenants manage their cultivation affairs and are independent decision makers during every stage of production including cultivation, marketing, transportation and the like. The owner of the land only receives half of the earned income or fixed rent and does not interfere in unit's affairs. The owner is responsible for providing land, water, and half of the fertilizer costs (Ajami, 1975: 73). The tenants on the other hand supply labor, seeds, agricultural implements, and the rest of the fertilizers. In addition, the tenant farmer may hold a contract with the middlemen of the bazaar (local market) or city market for selling the crops.

To demonstrate some of the above characteristics, two studies

which have been done by Ashraf (1973) will be summarized as follows.

The village of Hasar Kalak is near Varamin, in the central province. In this village, the nimehkari unit of production existed along with other systems of land exploitation. Ten tenants originally from Isfahan were involved in cultivation over the 36 hectare lands allocated to sayfi production. The land, divided between six units of production, extended from 2 to 12 hectares. These units are farmed with the assistance of 120 to 200 migrant workers, who have been brought from Yazd and Isfahan for a period of six months and reside in the village. These laborers are paid wages and given shelter. The owners of the land are well-to-do petty owner-families who received their lands under khaliseh land distribution and expanded by purchasing other lands from poor small owners. The annual income of these tenants is estimated to be between 50,000 to 100,000 rials (\$714-1428).

Another example of the nimehkari cultivation has been found in Marvedasht near Shiraz. The landowner in this village holds 500 mechanized farms (which have automatically been excluded from distribution) out of which 30 hectares has been allocated to nimehkari, on the basis of a contract with a tenant or amel from Isfahan. The amel has brought seventeen laborers, specialized in sayfi production, to assist the tenant farmer in the unit. The landowner provided land, water, ploughing, and half of the fertilizers and pesticides costs, while the supply of labor, seeds, and other means of production was provided by the tenant. The division of income was based on the following rules: after deducting the transportation and handling costs, the tenant took 5 percent of total income for service charges (Haq-ul-zahmeh), and the rest was divided evenly between the owner and the tenant. The seventeen workers were also paid from the tenant's share

in such a way that, after deducting the costs of seeds, pesticide, fertilizer, wages paid for local seasonal laborers, the tenant would divide the rest of the earnings between himself and the agricultural workers. The income earned from 30 hectare lands in 1966-67 was over 1,650,000 Rls (\$23,600) and the next year was over 1,042,000 Rls (\$14,900), which was very profitable as compared to other cultivation patterns.

In general, nimehkari or moghasemeh is a mode of cultivation that operates to market production, hire wage labor, make contracts on the basis of fixed rent, and uses technological methods to increase yields. This is a semi-capitalist farming.

5.2.3.2 Tolembekhari

Tolembekhari is another type of tenancy farming which refers to supplying water by digging deep wells and using pumps for cultivation purposes. This method of cultivation became popular in places where rain-fed land was more abundant. Tolembekhars rent land from petty owners, investing in digging semi-deep wells and supplying water to irrigate land. Tolembekhari is similar to family farming in which the head of households managed the farm with assistance from family members. Several families shared a water supply through tolembekhari for the land they rented from owners. The owner does not interfere in the cultivation process and receives fixed rent. Like nimehkari, this mode of cultivation was mainly used for sayfi and cash crops, hired wage labor (in addition to family labor), and adopting new technology for cultivation, though less mechanized equipment is used because the renters cannot afford to operate intensive technology or use intensive

capital (Ajami, 1975:67-68; Ashraf, op. cit: 36-43). One of the differences between this type of production and the former one (nimehkari) is based on land ownership. Several studies showed that the tolembekkar (tenant) bought lands from petty owners after renting them for a few years and became the owner (Azkia, 1980:115). The lands leased for rent are usually rain-fed lands around the village, and the tenant, in fact takes risks by investing in sayfi (summer crops) farming. One of the distinguishing features of the tolembekhari form of cultivation is the relation that has been established between the tolembekkar tenant and urban middlemen, merchants, and usurers. Merchants and middlemen purchase the tenant's crops and sell them in the city markets. They usually buy the products in advance at lower prices and give credit to tenants for further agricultural investment. In Bandar Abbas, according to the study, where tolembekhari is very common, the tenant's cultivation decisions were affected by the middlemen and salafkhar⁽¹⁾ in terms of the kind and the extent of sayfi production. This is because the merchants provided capital for tenants and, therefore, interfered in the tenant's schedule for production. The tenants had to compromise with merchants to receive credits for the next agricultural year (Institute for Social Studies and Research, 1968:50-55).

In general, the tolembekhari modes of cultivation are similar to nimehkari in that they produce cash crops for market, hire labor, in addition to family workers, use machinery, pay a fixed rent, and accumulate a surplus where possible. Thus we may conclude the petty commodity mode of production operated in this pattern of cultivation.

(1) Salafkhar is a dealer who buys the crops from cultivators before harvest time at a lower price.

5.2.4. The capitalist farms

It was previously mentioned that the central goal of land reform was to develop capitalist relations of production in the agricultural sector. The stages of land reform contributed differently to these objectives, the most important of which was the formation of various types of capitalist enterprises including commercial farms, farm corporations, production cooperatives, and agrobusinesses. These units of production carried the basic characteristics of the capitalist mode of production, which included the following components: first, the labor force employed is composed of workers paid in cash, who come from different parts of the country; second, the ownership of land and other means of production is in the hands of capitalists who themselves do not participate in direct production; third, the unit of production is usually large owing to a legal structure that allows the owners to have large pieces of land (in some cases, e.g. agrobusiness, restrictions are even imposed on a minimum size of land); fourth, the lands of these enterprises are totally irrigated; and finally, the agricultural production is mostly cash crops for national, and to some extent international, markets. About 12 percent of the agricultural lands cultivated by capitalist methods were developed under the following forms.

5.2.4.1. Commercial farms

Commercial farming is a private enterprise which was developed over the last two decades. It constitutes the economic basis of high and medium rural capitalists, which stems from the penetration of merchant capitalists with urban origins into agriculture. Commercial farms include farms exempted from land reform as mechanized land, the larger

farm enterprises resulting from land reform, and recent purchases by investors and entrepreneurs. The sizes of the farms vary but are mostly above 100 hectares. In general, the commercial farms are identified by the following features:

First, capitalist ownership: The farm is owned and operated by one or more capitalists, usually an urban resident who invests in the lands and develops the enterprise. Second, production is based on relatively intensive capital, modern agricultural machinery, and new irrigation techniques. Third, the labor force is fully proletarianized but remains tied to the subsistence sector, owing to an insufficient wage. They are profit oriented, produce primarily cash crops for the market, domestic and international, and therefore, are responsive to market forces such as prices of products and inputs, availability of inputs, and market outlets. And finally, farm management and decision-making about using the agricultural machinery, supplying labor, seeds, fertilizer and other agricultural inputs, and also distribution of profits are all under the control and authority of the owner(s) or manager(s) (Ashraf, op. cit: 5).

Although commercial farming substantially increased after land reform implementation, it developed in a few parts of the country such as the north region of Gorgan as early as 1950. However, the exemption of mechanized farms from distribution under land-reform laws intensified this mode of land exploitation. Geographically, these farms are mostly located in the most suitable climate areas where intensive irrigation systems are available. Gorgan, Isfahan, Rezaieh, the area north of Khurasan and Khuzistan are the major areas of concentration of commercial farming.

The establishment and the development of commercial farms after land reform was motivated by various economic factors:

The first was the effect of Land Reform Law, which declared the exemption of mechanized lands from redistribution. This policy induced some of the large landowners to displace the peasant nasaq-holders from their lands, buying tractors to plough it and hiring wage laborers to cultivate it. About 1,100 villages claimed to have been mechanized and were exempted from redistribution. Although in theory 500 hectares (1,235 acres) was the maximum limit for exemption, there was in reality no limitation on the amount of mechanized land an owner could hold. The second consideration was the condition of the labor market. Lack of government supports for small owners after land reform forced the poor peasants, who often were unable to produce an adequate subsistence for their families, to sell their lands to rich owners and hire themselves out to capitalist farmers. Thus, the capitalist farmers could easily meet their cheap-labor requirement. The third factor was related to the government's interests in promoting capitalist farming. The government encouraged the establishment of large-scale farming by providing credits and loans for investors, facilitating the acquisition of or importing the agricultural machinery, fertilizer, pesticides, treated seeds or other agricultural input. In addition, development of irrigation systems in recent years assured capitalist farmers that investment in large agricultural units is profitable. The fourth factor was related to the economic situation of Iran. An increase of oil revenues in the 1970s, the beneficiaries of which were the upper and upper middle classes, enabled some rich people to invest in agricultural projects. This was particularly true when they were assured that the government

supports, the large scale farming, and the land-reform law allowed unlimited ownership of mechanized and irrigated land that was unirrigated before. However, the number of new entrepreneurs was not significant. Although many were interested in becoming involved in agricultural activities, many more were afraid to invest because of uncertainty about the government's intentions, which tended to be unstable. For example, the policy of establishing farm corporations and agrobusinesses replaced individual ownership and maintained direct control by the state, and so intensified the uncertainty. And finally, the high demands of markets for cash crops expanded commercial farming.

Commercial farming has been established in rural areas in three different ways. First, in the case where the capitalist mode of production is dominant, and indeed is the only mode of cultivation, the whole village is mechanized and managed by the capitalist owner. In such a village, the class structure is formed by the socio-economic and political hierarchy with the capitalist landowner at the top, a group of middle class people who are representatives of the owner in administrative affairs in the middle and agricultural, and non-agricultural wage laborers who are directly involved in farming or service affairs at the bottom. For example, villages who rented or bought from the Shah's estates, mainly in the best fertile region of Gorgan and Caspian Coast, operated in capitalist ways. The Pahlavi Estate office transferred most of the Shah's lands in Gorgan to individual people rather than to farm families. In addition, the high price of lands in these regions encouraged the peasants to sell their land to absentee owners who pioneered the expansion of capitalist farming in the region. For instance, in Gorgan in 1972, land which had been

sold to the peasants for 700 tuman per hectare at distribution, was sold by them to the large owners for 10,000 tuman, almost fifteen times cash payment (Denman, 1973:69-70). Second, commercial farms were also developed in this part of the villages and operated side by side with other forms of cultivation, e.g. the traditional one. In these villages, the class structure is more complicated. The former head of the traditional land holding units who received the ownership of land either before or after land reform constituted the middle class members of the class structure. The capitalist owners still are at the top and agricultural workers are located at the lower rank of the established socio-economic hierarchy. A sharp economic differentiation exists between peasants and capitalist farmers, which also determined the social and political bases of power within the community. In some cases, the peasant owners work on mechanized farms as wage labor to increase their income, but such activities do not affect their socio-political status (Ashraf, op. cit:6). Third, the commercial farms were also established outside the village community. These types of farms developed under intensive capital investment using machinery and relatively modern methods of farm management. Farms usually cultivated cash crops such as cotton, oil seeds and wheat. Each farm established an office, a custodial house, a machinery station and a worker house that was located on the farms. In Gorgan, these types of farms developed during the 1950s but increased after land reform. Seasonal workers migrated from Khorasan and Baluchistan to work on these farms while the capitalist owners were mainly urban residents, particularly of Tehran (Okazaki, 1968).

The impact of capitalist farming on the other types of farming was severe in economic and social ways. Wherever traditional farming co-existed with commercial farming, the peasant cultivators with insufficient agricultural input and inefficient production soon failed in their market competition with the large enterprises. For example, as capitalist farming expanded in Gorgan, draught animals, the main means of plowing, were replaced by tractors and human labor by combines in harvesting. Crops shifted to cotton production for exports. Thus, the peasants sold their lands to large owners and started to work on mechanized lands. Some peasants, according to Okazaki (Ibid), even sold their lands and purchased tractors to rent to newly established enterprises. Increases in agricultural machinery decreased wages for agricultural workers. In 1963, wages for plowing per hectare dropped from 400 rials to 300 rials in Gorgan, from 600 rials to 300 rials in Kurdkui, and from 500 rials to 250 rials in Alang districts (Okazaki, Ibid:43). This change largely contributed to out migration of "surplus labor" from the region.

There is no precise data regarding the numbers of this unit of cultivation. According to some estimates, the commercial farms comprised about 50 percent of the cultivated land of the villages near which they were located. These large-scale enterprises were said to be owned by approximately 7000 individuals, and overall 10,000 villages may have been affected by this type of farming (Hooglund, 1980:82-83). Although they contributed much to total agricultural production (Arveski, 1976), the major concentration of government policy on the development of farm corporations and agro-business led the commercial farmers to feel insecure and hence gradually decline in production.

5.2.4.2. Farm Corporations

The creations of farm corporations as new forms of cultivation was part of the third stage of land reform, which concentrated fragmented lands into corporate units. The main objective of establishing farm corporations was to accelerate the "modernization" of agriculture by using a high rate capital investment, mechanized production, scientific methods of agriculture, and cultivation of cash crops, which was to be accomplished by the consolidation of the non-productive peasants land holding. This policy was indeed the negation of the original purpose of land redistribution (Hooglund, 1982:84).

In 1967, the Shah ordered the creation of farm corporations. Official visits were made to Israel to study the kibbutzim and the moshav and to Eastern Europe and the USSR to observe the collective farms. A year later, the Shah again "urged the formation of such economically viable units, called for mechanization, and stated a preference to see the villages administered as farm corporations" (Denman, op. cit: 210). The law of establishing farm corporations was ratified by parliament in March 1967 and supplemented by other articles in 1968.

This new organization of production tended to create large-scale capitalist farming which provided the state with direct control of land intervention into the agricultural sector. The corporations were composed of peasants, petty landowners and the Ministry of Land Reform's agents, who appeared as farm corporations' coordinator and had the highest position and authority for decision-making in the new organization of production.

In contrast to agrobusiness (see next section), which forced the farmers to sell their lands and become wage laborers, in farm corporations,

the farmers were obliged to exchange their land titles for shares in the corporation. That is, the individual owners were forced to turn over their lands to the corporations for complete and permanent use and receive in its place shares equivalent in value to the property contributed. The owners did not have any responsibility for the cultivation of the land, and it was not required that they stay in the village (Ashraf, 1974:17). Some of the peasants were employed by the corporation as agricultural laborers, but since the villages included in the corporations were mostly mechanized, the need for human labor dwindled. The lands disposed of to farm corporations were cultivated as a single unit and the peasants received a proportion of the corporation's annual profits according to the number of shares they held. Thus, the individual ownership of land converted into the ownership of shares. Shares in a farm corporation were not freely disposable. A shareholder had the right to sell his share to either a corporation or another shareholder in the same corporation as long as the transfer was accepted by the Ministry of Corporation and Rural Affairs (Denman, op. cit:222).

The formation of corporations in any villages was based on the decision of the Ministry of Agriculture and on the acceptance of 51 percent of eligible members. However, even if a majority of owners living in an area designated as a farm corporation resisted giving up their lands, different pressures were used to force their acceptance. The villages that were suitable for establishing farm corporations were selected by personnel of the Ministry of Corporation and Rural Affairs, and the family shareholders were persuaded to sign the agreement to establish the corporation (Inayatollah, 1978:129). Later, incorporation became

compulsory and the law related to the compulsory establishment of farm corporations allowed the government to carry out its objectives. Article 16 of March 1967 stated that "holdings belonging to those farmers who refused to join farm corporations being established on their land are to be forcibly expropriated, and all land so taken over is to be placed under the control of a Regional Agricultural Development Organization" (Quoted from Azkia, op. cit:149).

By 1978, ninety-three farm corporations were established throughout the country with 35,444 shareholders, covering 400,000 hectares (Central Bank of Iran, Annual Report, 1978:179). Each farm corporation consisted of several villages which each cultivated some 1,000 hectares or more of land.

Article 1 of the law for the formation of farm corporations summarized their objectives as follows:

1. to increase the per capita income of the peasants;
2. to mechanize and expand the scale of operation;
3. to acquaint the farmers with modern methods of farming;
4. to lower the man-land-ratio and compensate for the displacement of rural laborers by regional planning of resources between agriculture and industry;
5. to end the fragmentation of holding, especially by the process of division at death; and
6. to extend the cultivated areas by bringing the barren and waste lands under cultivation (Ajami, 1973:130).

A major objective was not mentioned; to extend the state's economic and social control over rural communities. The farm corporations were to be run under the direct control of the government, which was to invest

considerable capital in them. Therefore, each corporation was under the management of an individual who was appointed and paid by the Ministry of Corporation and Rural Affairs. He was charged with running the corporation and achieving its objectives with the assistance of two members who were elected by the shareholders. The manager was also helped by a few experts and a number of Agricultural and Development corpsmen who were appointed and paid by the Ministry (Ibid).

Most of the objectives of corporations were just theoretical and had never been tried. For example, although it has been said that the establishment of farm corporations was primarily to respond to the needs of peasants, and villages that were doing well would not be disrupted by farm corporations, the evidence shows that most of the farm corporations were established in areas with the most fertile lands and plentiful water or in those areas located down-stream from the major dams. For example, eight farm corporations were located in Khuzistan in order to benefit from Dez River Dam, eleven in Mughan Plain where Aras River Dam was located, and the largest concentration was in Fars where Daryoush Kabir Dam is (Hooglund, op. cit:87). Therefore, there was strong hostility among the peasants to the establishment of farm corporations, especially in those areas where lands were good and water was available. On the other hand, in the dry-farming areas, where there were shortages of water and fertile lands, where peasants cannot afford to develop land and willingly welcomed the establishment of farm corporations, they were never set up (Lambton, 1969:359).

The government's noble intentions in developing farm corporations had a two-fold purpose. The first was political, allowing the government to expand its control over rural areas; and the second was economic,

helping capitalist relations to develop in the countryside, the goal of which was an overall development strategy. Therefore, the government not only gave full authority to farm corporations to choose fertile lands, especially lands located under dams for their operation, but by providing capital and credit and by facilitating the acquisition of the means of production such as irrigation networks, technology, new high quality seeds and fertilizer, it encouraged and supported capitalist farming at the expense of small-unit enterprises. An example is that the average amount of credit paid to capitalist farmers was 400 times, and in the case of farm corporations 41 times more than that of the average of credits paid to peasant-family farms. Also, the average capital injection per household in farm corporations was 101 times greater than that for cooperative societies which served 99 percent of the peasant community (Azkia, op. cit: 388).

Table 16. Distribution of Capital by Rural Cooperatives and Farm Corporations (1977)

Sector	Capital (million rials)			No. of Units	Total Members
	Total	Per Unit (Thousands)	Per Member (Thousands)		
Rural cooperatives	8,385	2,800	2.89	2,925	2,983,000
Rural corporations	1,515	16,200	430	93	35,444

Source: Computed from B.M.I., Annual Report and Balance Sheet, 1978:179

Establishment of farm corporations had significant political and economic outcomes, one of which was that farm corporations increased economic inequality not only among shareholders but between the peasants and the rest of the villagers. Members of the corporations had two

sources of income: wages for work performed for the corporation and dividends on their shares (Khatibi, 1975: 29). The distribution of net profit follows the following outline:

1. At least 15 percent shall be placed in the corporation's reserve account for contingencies;
2. Part may be appropriated to cover doubtful claims;
3. Part may be appropriated for operating accounts for the next year;
4. Part, upon approval by the general assembly, may be paid as bonuses to the directors, managers, inspectors, and employees of the corporation;
5. Two percent is deducted for the village council development fee, and the member's social security insurance premiums;
6. The net surplus, which is free from taxation, is divided among shareholders as net dividends on the basis of the number of shares they are holding (Freivalds, 1972: 188).

Therefore, the rich peasants, because of their large shareholdings, benefitted more than the small peasants who received low dividends. The differentiation in shares in two selected corporations are shown in Table 17. For example, in the case of the Dargazin Farm Corporation, 28 shareholders owned more than 25 percent of the farm capital, while the remaining 396 members had 75 percent. Indeed, the corporation not only was unable to eliminate the income disparity that existed among the peasants prior to land reform, it acted to elevate the well-to-do peasants at the expense of the poorer ones. Many of the peasant shareholders had to work inside or outside the corporation for a subsistence livelihood. Also, since most of the villages covered

Table 17 Shareholdings in Sample corporations

Division	DARGAZIN			GARMSAR		
	No.	%	Total Share	No.	%	Total Shares
Less than 15 shares	55	12.9		31	4.4	356
15 - 29 shares	157	37.1	4,004	466	66.3	12,174
30 - 39 shares	101	23.8		168	23.8	5,407
40 - 49 shares	36	8.5		39	5.5	1,722
50 - 59 shares	25	5.9	7,871			
60 - 99 shares	22	5.3				
100 +	28	6.5	5,125			
Total	424	100.0	17,000	704	100.0	19,659
Average	39.7					

Source: Based on data obtained in field work (1978) by Azkia, 1980:156

by farm corporations were mechanized, fewer laborers were needed to work in the corporation.

The activities of most farm corporations were not confined to farming and they engaged in other activities such as livestock breeding, rice threshing, flour milling, ice making, chicken raising, handicrafts, etc., but none of these activities were developed enough so that they could employ those peasants who were forced off their lands. Consequently, most small peasants with low shareholdings moved to other villages or cities to sell their labor power. For growing some crops such as cotton, opium, vegetables, and the like, where it was more efficient to use human labor than machinery, the corporation employed some of the peasants, paying very low wages in order to gain more profits. In some areas, the poor peasants could not even make enough money for survival; they left

the corporation and migrated to other places. This created shortages of labor, which then encouraged the corporations to make contracts with peasants to cultivate the lands on a tenancy or share-cropping basis-- which was contrary to the objective of land reform to eliminate such traditional relations of production (Azkia, op. cit:230-34).

The situation of landless laborers was even worse than that of other groups in the villages in which farm corporations were established. Membership in corporations was exclusive and confined to four eligible groups:

1. Peasants who had acquired land under the first distribution or by purchase or division in the later phases;
2. Barzegaran, or cultivators of plantations and orchards, which had been exempted from distribution;
3. Small landowners living in the villages who had agreed under the second phase to divide their land;
4. Farmers and landowners who for some reasons (mechanization, for example) had not been affected by land reform. (Richards, 1975:10).

Therefore, the landless laborers were not eligible to become members of corporations or be hired by them. Prior to the establishment of corporations the agricultural workers who neither possessed land nor had cultivation rights worked as laborers for peasants, especially at harvest time. They were involved in activities such as picking cotton, threshing grain, orchard gardening, tending livestock, and the like. By the establishment of corporations and the development of mechanization, which restricted the demands for labor, this population group lost their main source of income and joined the migrant army who were

seeking jobs to maintain their household's subsistence level. Although the policy of work restrictions on landless laborers in the corporation changed later, in most corporations the peasants were given priority. In addition to the lack of job opportunities for the khoushnishin population, as compared to peasants, they were also deprived of other corporate benefits. As Azkia has pointed out:

The (government) policy acted against khoushnishins whose socio-economic position was disturbed by the establishment of farm corporations. The khoushnishins did not benefit from the farm corporation's health, housing, educational, or economic benefits. Therefore, their relationship with peasant groups was affected. Hostility developed between the two groups. Consequently, the khoushnishins came to feel very deprived in comparison with other social groups. Officials and rich peasants tended to exclude the landless laborers from participation in all village and corporation institutions. The khoushnishins felt alienated from village society since they had no power or influence in village institutions. They saw no improvement in their socio-political position as a result of land reform, and the creation of farm corporations (Ibid:396).

As a matter of fact, the rich peasants and absentee landowners were the only beneficiaries who owned large portions of capital in the farm corporations. The corporation paved the way for some rich peasants, the petty landowners, to move out of the villages into urban areas, while retaining their share in corporations, and participating in non-agricultural activities. Before land reform, these large shareholders, who were absentee owners at that time also, had problems of management and control of their lands and had to employ a middleman (mobasher) to look after their estates and act as a mediator between peasants and themselves. But the creation of farm corporations solved this problem for large landowners. By giving all the responsibilities, such as cultivating, irrigating, storing, marketing, and selling the products, to the corporations, what was left for rich owners was receiving

profits. Such arrangements encouraged large shareholders to monopolize the corporation's benefits by buying the small peasants' share. For example, in the Dargazin corporation, the rich owners offered twice the face value for a share (2,000 rials) and encouraged the poor peasants to sell their shares. Through this process, the owners succeeded in buying 20 small peasants' shares (Ibid:233).

Also, some of the rich peasants and petty owners by working in corporations monopolized different activities of the corporation and stabilized their economic and political power. They did intervene in decision-making regarding the type and extent of crops to be produced, the prices to be set up and even the wages to be paid to laborers so as to increase their benefits. Indeed, not all peasants in corporations had equal access and opportunities to benefit from the corporations.

In the case of the rural petty bourgeoisie, including shopkeepers, middlemen and traders, the effect of farm corporations was negative. Although the land reform program reinforced the position of this class in exploiting poor peasants through salaf-khari, money lending and land speculation after the creation of the corporation, the relationship between them and the peasants became weaker, and they lost their powers. That is, in those areas that farm corporations were set up, the peasants who were forced to transfer their land were no longer involved in agricultural activities and hence had a weaker relationship with petty bourgeoisie. However, most of them had to move to other villages, which were not covered by corporations attempting to maintain their position as money lenders.

In short, the establishment of farm corporations in some of the

villages--where the quality of land was high and where plenty of water was available--developed capitalist relations. Expansion of mechanization, separation of the means of production--land and other agricultural equipment from the producer--the peasants--therefore converted most small peasants to wage laborers, producing cash crops and selling them in market. All of these activities are characteristic of the capitalist mode of production that was developed by farm corporations. The government supported the farm corporations through tax exemption and providing credit and capital, technology, and other facilities. By establishing the farm corporation and installing its agents there, the government succeeded in exerting full control over villages. Also, the creation of farm corporations widened the socio-economic gap among different segments of the population. By controlling the means of production and monopolizing most of the offices in farm corporations, the rich landowners stabilized their political-economic positions in the rural areas. In contrast, the small peasants, who did not have access to the economic benefits of farm corporations, and hence to political power, either gave up their small shareholding and migrated to the cities to sell their labor or joined the army of agricultural laborers working on different farms, including corporations. The khwusheshin population (agricultural laborer) who did not have any place or rights in the corporations lost the only source of income it had, i.e., working on farms as wage laborers, and were deprived of all the socio-political interests that other segments of the rural population enjoyed. This policy increased the hostility and feeling of insecurity among the poor segment of the rural population, whose position worsened as a result of the implementation of land

reform in general and the establishment of farm corporations in particular. In terms of increasing agricultural output, the contribution of corporations were not significant. Up to now, the farm corporations have produced about 5 percent of the total agricultural output.

5.2.4.3 Production Cooperatives

Along with the establishment of farm corporations, another farm organization called the production cooperatives was set up as a variant of the former, in which farmers retained title to their land but pooled their resources and experiences in the service of large scale consolidated farming (Amuzegar, op.cit:41). In theory, production cooperatives were designed to meet similar problems that gave rise to the establishment of farm corporations, that is, to consolidate the fragmented lands under cultivation by small family shareholders in order to create mechanized large scale farming and increase the peasants' income. Indeed, the production cooperatives, which were founded in 1972, were a response to peasants' dissatisfaction with substituting shares for ownership of land, a requirement of farm corporation law. Therefore, the peasants were allowed to retain their title to the land and participate in the operation of the cooperative production.

According to the production cooperatives' law, the members of cooperatives by using agricultural machinery should jointly cultivate and then divide the gross products among the members, based on their respective input such as water, land, capital, labor, etc. In contrast to farm corporations, the members of production cooperatives directly participated in all farming activities in accordance with their experience. The activities of cooperatives are confined only to farming, and other activities

such as livestock breeding, orchard gardening, handicrafts, etc., are carried out by farmers individually (Azkia, op. cit: 136). Also, contrary to farm corporations, which required landowners to delegate their right of managing corporation affairs to directors appointed by the government, in production cooperatives the owner was directly involved in managing farm affairs. By 1976, thirty-four production cooperatives were in existence covering 80,000 hectares and 181 villages (Central Bank of Iran, 1977: 179). There was a plan to increase the number of cooperatives to ninety-six by 1978 (the end of the Fifth Development Plan) but only four more units were added by that date (Annual Report, Ibid). The production cooperatives also received capital, credits, and assistance from the government, though not as much as farm corporations received. Total loans allocated by the production cooperatives during the four years of their operation (1972-1976) was about 1.4 million dollars (Ashraf, 1978: 132). Since reliable data and information regarding the performance of production cooperatives is not available, it would be difficult to evaluate the outcome of these agricultural units. But because the unit of production belongs to the farmer and they directly participate in cultivation, their motivation to produce more and better products is clearly greater than those farmers who work in farm corporations. A 1976 study done by the Ministry of Corporation and Rural Affairs' Studies has shown that the production cooperatives were relatively successful in comparison to the farm corporations (Ministry of Corporation and Rural Affairs, Rural Research Center, 1976).

5.2.4.4. Agro-business

The other type of capitalist enterprise that was developed in rural areas after land reform was agro-business. Agro-business is referred to as the organization that controlled the process of production from farm to the market. It is, therefore, a vertical integration of the chain of production, processing, and marketing of food and non-food items.

The purpose of agro-business was to achieve maximum utilization of the factors of production in the whole process from production to consumption. Although a number of agro-business ventures have been established in Iran, not all of them were able to carry out the activities pertaining to the process of production. For example, Iran Shell-cotts, and Iran California, which controlled a large part of agro-business in Khuzistan, contributed only to the production stage of the whole process and, indeed, should be considered as a large-scale farming enterprise. The Morghab enterprise, in Fars Province, is one of the units that can best be described as agro-business because it includes all of the above stages of the production process (Agricultural Development Bank of Iran, 1978:1-2).

In 1968, when the government found out that agricultural growth could not reach the level that had been expected, it turned to the foreign and domestic agro-business companies to increase production through intensive farming on a strictly commercial basis. So, during the Fourth Plan (1968-73), the government, with emphasis on the creation of large farming and animal husbandry units, passed the Agro-Industrial Act, authorizing the creation of large farming units on virgin land near dams or groundwater projects. Their 'industrial' half falls under the Ministry of the Economy, the 'agro' half is supervised by the Ministry of Water

and Power, which provides canals for units over 100 hectares and roads down to 1,000 hectares, and the rest, which included minor canalization and labor employment, are the responsibilities of companies under a 30 year lease (Field, 1972:69). The basic guidelines for agricultural development during the Fifth Plan clarified the government policy as follows:

.... Private agro-business and mechanized farming units will receive special encouragement and incentives. Investors in such units will receive greater support from government in the form of technical aid, finance and credit and be facilitated in their efforts to establish cooperatives or agricultural, animal husbandry or agro-industrial corporations.Agro-industrial units, private, public and mixed, will be established to form 300,000 hectares, using advanced agricultural techniques and massive investment, so as to raise output and improve the quality and marketing of agricultural products, and such units shall receive government support (Iran's 5th Dev't Plan, 1973-78: 84).

Therefore, contrary to the initial objectives of land reform, which was to create medium and independent farmers, now the policy shifted toward establishing capital-intensive and large scale agricultural units oriented toward market production.

The rationale for consolidation of small agricultural units in large scale and established agro-businesses was stated as follows:

1. To minimize the initial capital investment and the cost of water supply, because of the alternative large-scale farm operation, and further control over the nationalized water resources;
2. To minimize the cost of land-leveling activities and land preparation for cultivation;
3. To minimize the cost of using agricultural machinery and services, e.g., supplying fertilizers, seeds, and pesticides;
4. To minimize the public-service costs such as power, communications, fuel distribution, clinics, and schools;
5. To maximize the possibilities of agro-industry establishment, as a result of high production capacity, high varieties of

agricultural products and infrastructure facilities;

6. Optimum use of skilled manpower and professionals.

Source: Agricultural Development Bank of Iran, op. cit: 6.

Although the agro-business industry intensified from 1968 on, construction was deemed a major priority. The Second and Third Development Plan allocated considerable amounts of their budget to building dams and irrigation systems. Then, the Iranian government invited the foreign experts to investigate the possibilities of regional development in Iran. In 1955, David E. Lilienthal, the former chairman of the Tennessee Valley Authority and the Atomic Energy Commission, visited Iran to explore the potential for a regional development scheme similar to TVA. In June, 1955, Lilienthal, who found Iran a suitable place for making a quick profit, formed the Development and Resource Corporation (D & R) in partnership with the international banking house of Lazard Freres. By 1959, D & R got permission for the unified development of natural resources in the Khuzistan Province. It ordered the construction of fourteen dams that were capable of irrigating 2.5 million acres. After the construction of dams, Lilienthal convinced the prospective investors that establishing large-scale farming and food processing "agro-business" would pay off in the provinces. Thus, D & R started its first projects, a cane plantation near Haft Tapeh in the Khuzistan region, which by 1971 could produce 60,000 tons of sugar--10 percent of Iran's consumption (Richard, 1975: 12-13). By 1968, the agro-business law had legislated the creation of more large farming units. By 1978, fifteen large agro-businesses occupying between 5,000 - 25,000 hectares had been established throughout the country, with eleven of them located in Khuzistan (See Table 18). In addition, twenty-two

Table 18 Selected Large Scale Agro-Business Enterprises
in Khuzistan, 1975

Name of Company	Shareholders: Individual or Firms	Size of Farm (Hectares)	% Of The Share
(1) Agro-Industries of Iran & America	Hashem Naraqi Development Co. First National Bank of N.Y. Iranian's Bank of Tehran Three individual stockholders	20,000	100 51 30 10
(2) Iran-California Corporation	ADFI (a) KWPA (b) Mr. K. Taleghani and Partner TWADC (c) BAIFC (d) John Deere Corp. Dow Chemical Corp.	10,000	100 15 5 10 30 20 10 10
(3) Iran-Shellcotts Co.	Shell Int. Ltd. ADFI Bank of Omran (e) Mitchell Cotts	15,000	100 70.5 15 10 4.5
(4) International Agri Corp. of Iran	Chase Manhattan Bank Bank Melli Mitsui (Japan) ASBF (f) ADFI Diamond Acattle Hawaiian Agronomics KWPA	17,000	100 15 5 5 15 15 15 15
(5) Dezkar	A group of retired generals (g)	5,000	100
(6) Dez Farm Corporations	Former peasant farmers and landowners in the area of Dez Irrigation Project managed by the government	17,000	100

(a) Agricultural Development Fund of Iran

(b) Khuzistan Water and Power Authority

(c) Trans World Agricultural Development Corp. (operating atents, headed
by George Wilson)

(d) Bank of America International Financial Corporation

(e) The Bank belongs to Pahlavi Foundation

(f) Ahwaz Sugar Beet Factory

(g) Defunct by 1975

Source: Derived from Helmut Richards, "Land Reform and Agri Business
in Iran," MERIP REPORT, No. 43, 1975:14

smaller corporations ranging in size from 1000 to 5000 hectares were created, the shareholders of which were all Iranians. Consequently, there were thirty-seven agro-businesses throughout the country that controlled 238,000 hectares (586,860 acres), about 8 percent of the total irrigated lands (Plan and Budget Organization, 1976).

In order to encourage foreign and domestic entrepreneurs to invest in the agricultural sector, the Iranian government made concessions and gave the following kinds of financial support:

1. Tax relief for agricultural purposes for a period of ten years;
2. Providing credit and financial support, including:
 - a. covering 85 percent of the Agro-Industrial Plan's costs for investment by the government.
 - b. payment of 50 percent of the irrigation network construction costs and securing the other half through supervised credit with 6 percent interest for a period of fifteen years;
 - c. guarantee of 6 to 10 percent of leveling activities cost, and the rest as supervised credit with 6 percent secured interest;
 - d. free transportation and handling of treated animals belonging to the agro-business from abroad; and
 - e. payment of 60 percent of expenditures for the establishment of small agricultural industries, supervised credit with 6 percent interest.
3. Tax and tariff relief for importing agricultural machinery and related industries, which are not manufactured in Iran;
4. The long-term tenancy agreement between the state and agro-business enterprises in areas with fertile lands and adequate water, such as Khuzistan. The companies were required to pay

a small amount of annual rent to the state for the lands they use.

5. Securing of a minimum purchase price for staple agricultural products such as wheat, rice, corn, beets, and the like, that is produced by agro-business companies, and payment of 20 percent of fertilizers and 50 percent of treated seed costs to these enterprises by the government;
6. The government is also responsible for the construction of road networks of 1,000 hectares and drainage facilities of 100 hectare lands within the boundary below the Daz dam; and
7. The government should guarantee the repatriation of capital and profits that belong to foreign entrepreneurs and to their home countries. (Ministry of Agriculture and Natural Resources, 1975: 6-10).

In addition, to make way for agro-business, the Khuzistan Water and Power Authority (KWPA) has bought lands from farmers in fifty-eight villages within the project area against the farmers' wishes and handed them to foreign companies. According to one observer:

Foreigners have always been important to Iranian development projects... Over the past few years the government has leased hundreds of thousands of acres of productive land to multinational agro-business. In the Khuzistan region, just above the oil fields, Shellcott, Hawaiian Agronomics, and other multinationals have taken over huge tracts of newly irrigated land to develop with foreign technicians and modern farming machinery imported tax free. The productivity of these businesses, which have displaced some 17,000* Iranians from their lands, is far lower than predicted (according to one expert, it is lower than that of medium-size Iranian farms in irrigated areas), but it is easier for the government to rent land to foreigners than to help out its own small farmers. The government is hoping to attract more agro-business (Fitzgerald, 1974:78).

*This figure concerns 1974, the early period of the establishment of agro-business companies. Indeed, more than 55,000 people had been directly affected.

According to official reports, 68,000 hectares of agricultural lands in Khuzistan, of which 23,000 hectares were owned by landowners and were exempted from redistribution and 45,000 had been received by peasants during different stages of land reform, had gradually been bought and allotted for agro-business. In order to consolidate these fragmented lands, fifty-eight villages were bulldozed away. To replace the 50,000 affected villages including 5,317 nasaq holder families and 3,064 khwushnishin families, KWPA has constructed five shahraks or new towns to rehouse those peasants who did not migrate to other places (Agricultural Development Bank of Iran, op. cit:8-12). The new houses are very small and they lack the important facilities. For example, the shahraks are without piped water; communal taps serve as a source of drinking water and there is only one outdoor lavatory for every twenty persons. The houses are also made of cinder blocks, which are very hot in the summer and very cold in the winter (Richards, op. cit:14). Still, the shahrak were not free places to live. Rather, the peasants, who were paid something for their land, were made to pay it back in order to get their new place in shahrak. The companies were satisfied with this policy, which provided a source of cheap labor for them. The wage rate of seasonal unskilled workers still is very low in Khuzistan, as they are in most parts of Iran (Ibid).

In spite of adverse economic and social costs to peasants, and the large amount of money that the government spent, there is a general agreement among officials, companies, and private individuals that the program failed even to return the original capital in the region. Iranian officials reported that the companies have lost a great amount of capital every year (Manbaie, 1979:21-35). IBRD, the agencies that provided loans for Daz Dam and canalization, commented:

....It has not been clearly established that heavy investment in the agricultural development of Khuzistan has been an economic or social success. Growth in agricultural production has been obtained at the price of colossal investment, financial losses by the agro-business corporations, no profit to the government and as a result of concessions in the form of rent, customs duties, price of water, low invest loans and other forms of subsidy extended to agro-business. The fact that ten years after the completion of the dam only one-fifth of the possible acreage is being effectively utilized....poses serious questions about the economic viability of the investment made in this dam. From the social point of view, the mass of rural population has had little benefit from the agricultural development of the area (IBRD, 1974, in Brun and Dumont, 1978: 19).

In some cases, the government had to directly control the operation of the companies and even convert some of them into farm corporations. But the intervention of the government could not make the performance of agro-business better, and in most cases the agricultural contribution of family farming was much greater than those of huge capitalist enterprises. A report from an official government agency about the performance of Iranian-American industry and the activities of four agricultural units owned by independent farmers of the Khuzistan reveals the failure of agro-business in comparison to the independent units. As Table 19 shows, despite the fact that agro-business enjoyed better inputs, its output was much lower than the latter. The net profit per hectare of the four independent units was +428 dollars, while that of agro-business was a loss of 441 dollars per hectare.

Conservative views of agricultural development in Iran have paid little attention to the grievous situation that agro-business created in Iran despite the absorption of huge amounts of capital and other

Table 19. Comparison between the output of two systems of land exploitation

Measurements of Evaluation	Average of the 4 Independent Units	Agro-business
Area under cultivation	357	4455
<u>Gross output</u>	1.36	.52
Total Cost		
Power/hectare (by horse)	.48	1.83
<u>Area under cultivation (hectare)</u>	209	90
Tractor		
Net Profit/hectare (rial)	+29983	-30929

Source: Comprehensive Study of Irrigated Region below Dez Dam
 edited by A. Manbaie, Agricultural Development Bank of Iran,
 1979:43-44

resources to this sector. To illustrate what the government, the farmers, and the Iranian people gained in agricultural production by shifting capital and other valued resources to highly mechanized enterprises, the following case study is presented on four major companies involved in agricultural activities in Khuzistan. Their performance is observed in terms of their productivity and outputs (Manbaie, 1979). First, Iran-California, composed of a number of American corporations and Iranian institutions was established in 1970 with a capital of 14 million dollars. Later it received a 1.1 million dollar loan from the Agricultural Development Bank of Iran and began to work in an area of 2,000 hectares. Still later, the area was extended to 10,600 hectares and an additional loan of 4.13 million dollars was received in 1974. They planned to cultivate: beets, fodder, milo, corn, cotton, and, to a lesser extent, wheat. The second company was Iran-America, established

in 1969 with an initial capital of 1.42 million dollars, and including a number of Iranian retired generals and American businessmen, allocated 20,200 hectare lands below Dez Dam. A year later a loan amounting to 1.72 million dollars was granted by ADBI. In 1974, an additional 1.57 million dollars in capital was invested, and several Iranian banks joined the company as shareholders. The same crops (beets, fodder, milo, cotton) were the main products cultivated by the company.

The third company, Iran-Shellcott, was established in 1970 with an initial capital investment of 857,000 dollars shared by American companies and two Iranian banks. 15,700 hectare land below the Dez Dam was allocated to the company and a 1.57 million dollars loan was granted by ADBI. Until 1976, two additional loans, together amounting to 4.07 million dollars, was granted by the Agricultural Development Bank of Iran. The crops planted were the same as the other companies.

Finally, the fourth company was the Iran-International Agro-industry Company, which included several American, Japanese, Hawaiian, and Iranian companies and banks. Established in 1972 with the initial capital of 8.71 million dollars, for which 16,700 hectares below Dez Dam were allocated; later, the National Bank of Iran and ADBI granted a loan amounting to 6.5 million dollars, and two American banks extended an additional 6 million dollars for the development of the project. They planned to grow the same crops, in addition to cultivating grape orchards. The government provided the following facilities for these companies (as well as other agro-business enterprises): first, lands leased to the companies for the use of agriculture enjoyed a lower annual rent as compared with other lands (21 dollars per hectare per year). Second, the Khuzistan Water and Power Organization, the government institution, guaranteed the supply of cheap water

for the company (\$2.30 for every 1000 cubic meter, much cheaper for companies than peasants). Third, extensive credit was guaranteed for the companies, partly in the form of aid and partly in the form of loans with low interest. Finally, all companies were exempt from tariff taxes for importation of agricultural machines and other inputs for the period of ten years from the time they began to work. Despite these huge inputs, the four companies under study totally failed to produce efficient products and their investment culminated in a total loss, as Table 20 shows. The figures indicate that these leading agro-business companies failed to produce sufficient output even to compensate their initial capital investments. Not only the agro-businesses, but farm corporations also were not successful. As Table 20 shows, the modern mechanized farms contributed only for 2.4 percent of domestic products, while the small and medium size farms made up the bulk of agricultural production. As Katouzian has pointed out: "(a) nearly all the state and private credit was injected into disastrous twins, the farm corporations and the agro-businesses, and --for both political economic and institutional reasons--these 'modern' sectors performed extremely badly; and (b) the traditional sector was starved of funds, and pushed around by the gendarmerie and other state officials, including those involved in the cooperatives. Therefore the 'modern' sector failed miserably, while the traditional sector, which was almost positively persecuted, could not do so well as to compensate for the failure of the former" (1981:305).

Table 20. Costs and benefits of four agrobusiness companies

Ag. Bus. Companies	Land Granted	Land Leased	Levelled Lands	Lands Under Cultivation	Livestock Number	Current Cost/hec.	Benefit/ hec.	Accumulated Loss	Repaid Capital million rial	Debt to ADB million rial	Debt to other individuals million rial
1) Iran California	106	106	47	63	30	48095	31587	308	230	555	131
2) Iran and America	202	15	44	90	250	41777	38075	198	458	528	263
3) Iran Shelcott	157	62	56	55	35	65090	29272	498	600	621	453
4) Iran International	167	12	60	50	20	96000	65000	527	860	552	500
Total	632	438	218	258	335				2148	2256	1347

Source: Manbaie, 1979

Four principal reasons may be summarized for the general lack of success of these ventures. The first was related to the motivation of the investors, who were interested in quick profits rather than agricultural development. Therefore, there was confusion between the Iranian government policy of agricultural development and the foreign investors' intention to get their profits quickly and work their way into bigger and better investments in other sectors of the economy.

The second factor was mismanagement. The foreign managers were not experts in agro-business operations. The cropping decision-making was highly centralized and not commercially sound and realistic (Weinbaum, 1977: 439). The managers were not aware of the local agricultural conditions, and the high technology and methods that were used were not suitable for the Iranian environment. In this regard, the representatives of Shellcott, one of the foreign agro-businesses, confessed the company's lack of knowledge of the physical conditions. As he mentioned:

The company found out it could not double-crop; the land was in much worse condition than expected, requiring heavy investments in fertilizers; more earth than anticipated had to be moved in order to level massive tracts of land for precise methods of irrigation; the KWPA fell behind the agreed upon timetable for construction of irrigation worksWe've already well overspent the budget for the whole of the fifteen (thousand hectares) on the first six.... It's very much more capital intensive than anyone expected (Richards, op. cit: 17).

Or as another specialist observed:

The high technology farming introduced into Khuzistan was beset by problems deriving from environmental constraints and inflated capital and running costs; worse, these projects operated in a community that was mainly antipathetic to their presence and often obstructive (MacLachlan, 1977).

Third, there was a delay in field operations with poor utilization of machinery, spare parts, skilled personnel, and labor. There was not

adequate skilled labor to run the advanced machinery, and in general, the peasants were reluctant to work for companies that appropriated their lands.

In general, according to Azkia, "differences in the need for skilled managers and the necessity for particular man management skills, appropriate to the social value and situations of Iran have hindered the progress of agro-businesses" (op. cit: 132). And finally, the size of the farms under operation was too large for efficient management and production, and, therefore, the cost of production in most cases was even more than their benefit. Consequently, most of the agro-businesses were bankrupt, the government intervened and with additional credit and capital tried to rescue them. Still, the companies gradually pulled out and left the finance of agro-businesses in the hands of the Iranian government.

In spite of the obvious failure of agro-business in Iran, the Shah still was eager to expand agro-business and pave the way for further development of capitalist relations in the agricultural sector. However, these enterprises could not develop and with the collapse of the Shah's regime, most of the agro-business companies were closed.

CONCLUSION

Land reform transferred the pre-existing system of land exploitation and gave rise to new farm enterprises that developed during the past two decades. In general, four types of farm enterprises were developed as a result of land reform implementation. The first enterprise was subsistence peasant farms, which substantially increased after land reform. Lack of government's support of such enterprises limited the

peasant's production to subsistence level. The second type was semi-capitalist family farming which was in a better situation than the first enterprise in terms of the size and quality of land and other agricultural inputs. In spite of insufficient government support of medium-size farms, nevertheless, they produced the main proportion of food crops for internal consumption. The third type was tenancy farming which prevailed since the agrarian reform. The two important forms of tenancy farming are mogasemeh and tolembekhari. Most of these farms are run by experienced farmers who increased their yields by using the new technological methods of cultivation. Their production is mainly for market, specially in the form of cash crops and sayfi. The last type of farm cultivation is the capitalist one, including commercial farms, farm corporations, production cooperatives and agro-business. The major characteristics of these enterprises are high levels of capital investment, use of modern farm technology and wage labor. In spite of the government's tendency for development of modern capitalist farms such as farm corporations and agro-businesses, by providing capital and other primary means of production, allocating the best fertile land in these sectors, and investing in irrigation networks and other infrastructure, none of these sectors could generate any significant increase in agricultural output. Evaluation of the contribution of each of these enterprises in agricultural production is the aim of the next chapter.

6. Effect of Land Reform on Rural Socio-Economic Condition

Although land reform in Iran produced substantial changes in the social and political structure of the countryside and effected considerable transformation of the class structure in rural areas, it nevertheless was an economic failure. It had an adverse effect on the peasants' standard of living, on their productivity, on agricultural outputs and rural development. It destroyed the pre-existing system of social relations and the semi-feudal character of the rural community and created new social classes based on access to land and capital. Nevertheless, the absentee land ownership, which was a distinct feature of the rural class structure, did not disappear; rather it was encouraged in different forms, that is, the former feudal absentee owner became a landed bourgeois absentee owner. The laws of land reform, indeed, allowed many of the former absentee owners to convert their land into capitalist farms and, therefore, "immune" their land from transformation to peasants. Land reform also involved part of the urban bourgeoisie in agricultural activities, which led to the further expropriation of land from peasants and extraction of surplus from the agrarian sector.

The reform also gave rise to a middle-peasant class, to a large extent in the form of rural petty bourgeoisie, which somehow integrated itself into capitalist production and benefitted from surplus extraction. However, the majority of the rural population, the landless khwushnishin and the peasants, for whom land reform promised welfare

and prosperity, found the economic situation going from bad to worse. The reform failed to alter the traditional nature of subsistence peasant farming, instead by distributing small plots of lands among poor peasants without adequate financial support, land reform reinforced the relative position of this class. The landless class, such as Barzegaran, manual and agricultural laborers, were deprived of any benefits during the land reform and even lost the opportunities that could previously have been found in rural communities. In short, the result of land reform, in its social context, was reinforcement of social stratification among different classes in village society.

Economically, land reform, strictly speaking, was accompanied by agricultural stagnation, growing inequality, and even impoverishment of the villages. The main problem of agrarian development was related to the degree of income distribution among the rural population, which is associated with the extent of productivity and outputs. Since land reform in Iran was more an expropriatory tenancy reform, it affected the production capacity negatively, while widening the economic gap between social classes. The highly variable patterns of agricultural input used for large units and small farms, and the exclusion of the majority of the rural population from agricultural production activities brought an inevitable unequal distribution of income and low productivity.

The roots of this inequality and stagnation of agriculture should be sought primarily in the government's policy toward the agrarian question during the last two decades, which reflect capitalist development in the periphery of Iran.

In the national context, the place of agricultural development

in the overall economy was declining. The portion of the national budget allocated to the agricultural sector diminished from 30 percent of the total budget in the second Development Plan to 8 percent in the Fourth Plan. This can be compared to the industrial sector, which found its budget allocation substantially increased. Apart from this uneven allocation of the national budget, the designated budget for the agricultural sector had very little appeal to large numbers of small peasants. The most fertile lands, major investments in water supply, and the intensive capital project were allocated to the capitalist sector, which did not include more than a small portion of total agricultural lands.

The purpose of this chapter is to examine the consequences of the government's agrarian policy on the rural socio-economic structure and agricultural production in more detail. In addition, the political effects also will be discussed in the last section of this chapter.

6.1 The Strategy of Economic Development and Contribution of Agriculture to Gross National Product

Land reform was implemented with the aim of introducing capitalist relations into the countryside. Therefore, the trend of development was to direct agricultural production toward a market economy, large enterprises, and mechanized farming. Thus, the relations of production in rural areas were changed and replaced by capitalist relations. In practice, land reform failed to mobilize the productive resources of the agrarian sector and the needs of a developing capitalist economy were not met. On the contrary, the agricultural sector experienced further stagnation. At the same time, the food consumption, especially in

urban population, rapidly increased. The agricultural sector, incapable of meeting this rapid rise, encouraged the government to import foods and other agricultural products. The failure of production is not related to the myth of "the peasant lack of response." Rather, in addition to the technical and institutional constraints resulting from land reform implementation, this failure is partially due to the neglect of agriculture in the government's development strategy. Oil revenues helped the state to expand its control over the agricultural sector, and the policy of using oil revenues to import goods for the agricultural needs of the country made it possible to "avoid the need encountered in other countries to fund industrialization from the rural sector" (Halliday, 1979:132-3). This is the body of our discussion in the following pages.

Along with the implementation of land reform from the early 1960s on, the Iranian economy underwent a major transformation to promote capitalist development through the adaptation of a series of Development Plans. From the mid 1960s, Iran experienced a sharp increase in various conventional indices such as GNP, GNP per capita, and the like. Western analysts praised such an "upsurge in growth" and the Shah in the mid 1970s declared that the country was now "at the gate of great civilization." This was due to a tremendous rise in oil revenue caused by increasing demands in the world market.

To demonstrate Iran's economy in figures, the Gross National Products rose from 8 percent annually in the 1960s to 14.2 percent in 1972-3, to 30.3 percent in 1973-4 and to 42 percent in 1974-5 (Halliday, op. cit:138). Studying the sectoral composition of the gross national product, oil revenue was the major source of national income which rose from 593 million dollars

in 1966 to 20,500 million dollars in 1975 (Middle East and North Africa, 1976-77: 94). The oil industry in the post-land reform became a major source of foreign exchange, which accounted for 76 percent of the country's total export earnings from 1968-72 and 84.7 percent during 1973-77. During the same period, industrial growth rose 14 percent while the agricultural sector grew less than 3 percent during the Third Plan (1963-68) and failed to reach a 4 percent per annum increase in the Fourth Plan (1967-73). (Weinbaum, 1977: 434-50). In terms of agricultural policy, the third and fourth plans aimed to develop an infra-structure economy. Heavy emphasis was placed on capital-intensive projects such as the development of dams, railways, ports, and agro-industry. The most important economic development project was the adaptation of an import-substitute strategy for manufacturing goods at home for the potentially large market of 33 million people. In addition, the Center for Attraction and Promotion of Foreign Investment (CAPFI), established in 1955, began to increase its activities by providing facilities such as exemption from taxation and duty on necessary imports, and the like, to encourage foreign capital to invest in Iran (See Iran-American Survey 1967 and 1974). Most foreign investment took place in areas such as rubber, chemicals, building materials, and minings and later extended to automobile manufacturing, steel production, armaments, and agribusiness. As a result, the consumer goods already imported for domestic consumption tended to decline, and instead, the capital goods and intermediate goods that were essential to montage industries increased (See Table 21). Foreign capital invested in industry largely benefitted from the cheap labor and abundant raw materials that existed in the country, and from CAPFI law that protected foreign capital. The increase of

Table 21. Composition of Imports by Type of Use
(exclude military imports) by percent

Type of Use	1959	1962	1967	1969	1972	1977
Consumer goods	30.2	21.8	12.6	10.9	12.9	18.6
Intermediate goods	49.2	57.2	59.7	64.0	62.1	54.2
Capital goods	20.6	21.0	27.7	25.1	25.0	27.2
Total	100	100	100	100	100	100

Source: Annual Reports, Central Bank of Iran
1970 (1349), 1977 (1356)

capital and intermediate goods was accompanied by a shift away from the import of total consumer goods and movement toward the expansion of montage industries. The government policy was to provide credit for large enterprises and rich Iranian and foreign owners or managers (Keddie, 1981:171). As a result, capital-intensive industry encouraged and rapidly dominated the industrial sector. The amount of capital and loans flowing into the country by CAPFI increased from 1300 million rials in 1972 to 6500 million rials in 1976 (Central Bank of Iran, Annual Report 1972-76).

The consequences and trends of this policy were drastic. Neither oil revenue nor foreign investment contributed significantly to the overall development of the country. Under the protection law of CAPFI, foreign capital could move their profits and original capital out of the country whenever they desired. Therefore, the foreign entrepreneurs were reluctant to reinvest their new capital in other sectors of the economy and subsequently, capital accumulation was not significant enough to generate new sources of investment.

Table 22 illustrates that the proportion of capital which moved from and flowed into the country rose from 23 percent in 1967 to 81 percent in 1972. This indicates that while the annual growth of foreign capital in Iran in this period reached 15.2 percent, the outflow of capital from the country shows a negative figure of -14.5 of net inflow capital, an example of substantial transformation of the surplus capital to the centers. This demonstrates that capital accumulation through foreign investment has been very significant.

Table 22. Foreign Private Capital Investment Through APFI
1967-1972 (million rials)

Year	Inflow Capital	Outflow Capital (Interest & Original)	Net Inflow Capital	$\frac{\text{Outflow}}{\text{Inflow}} \%$
1967	668	153	515	22.9
1968	1,583	586	997	37.0
1969	3,264	719	2,545	22.0
1970	2,318	567	1,751	24.5
1971	1,472	664	808	45.1
1972	1,336	1,100	236	81.3
Total 1967-71	9,973	3,636	6,337	36.5
Average Annual	15.2	48.6	-14.5	
Growth 1967-71 (percent)				

Source: Central Bank of Iran, Annual Report 1972

The contribution of the oil industry to the national economy was also very questionable. A review of the three development plans implemented after land reform demonstrates that while the share of the oil industry has been extremely significant in the foreign exchange receipts

and government revenue, its share in GNP was less than 20 percent of the Third Development Plan, less than 25 percent of the Fourth and 37 of the Fifth Development Plan.

Table 23. Share of the Oil and Gas Sector in Government Revenue, Foreign Exchange Receipts and GNP During Five Year Plan

	In Govt. Revenues %	In Current Foreign Exchange Receipts %	In GNP %
Third Plan (1963-67)	48.1	75.8	18.7
Fourth Plan (1968-72)	55.2	76.2	24.0
Fifth Plan (1973-77)	77.7	84.7	37.4

Source: Central Bank of Iran, "Annual Reports and Balance Sheet," 1967, 1972, 1977

The fact is that the most of the government revenue from the oil was spent in the development of military and security forces, particularly during the 1970s. According to western analysts:

In 1966, Iran ranked twenty-ninth in the league of world arms expenditure; today it is the eighth largest spender on defense seen in terms of European spending on defense, spending on Iran's military budget is now approaching that of Britain, France and Germany and by 1980 will exceed the \$20,000 million mark (Burt, Quoted in Cotrell; 1977:425).

The armed forces budget was not included in the budget of development plans; rather, it was prepared and managed under direct control of the Shah and consistently took the highest priority in the allocation of government expenditures. Since 1946, the military budget increased continually both in absolute terms and in its share in the Gross Domestic Product (Rudolph, 1971 :389-417). The United States played an essential

role in upgrading, advising and supplying the armed forces. There were more U.S. security advisors in Iran by 1976 than anywhere in the world (Ibid). As Table 24 shows, by 1977 approximately half of the oil revenues went for militarization of the Iranian government, which illustrates the superiority of armed forces over other sectors. This shows that Iran's development policy in the post land reform period emphasized dependent industrialization (import substitutes) and militarization which mainly benefited from oil revenues.

Table 24. Iranian Military Budget and Share of the U.S. Arms Sale 1970-77

Year	Defense Budget \$ million	U.S. Military Sale to Iran \$ million
1970	880	113.2
1971	1,065	396.8
1972	1,375	519.1
1973	1,525	2,157.4
1974	3,680	4,373.2
1975	6,325	3,021.0
1976	8,925	1,458.7
1977	9,400	4,312.0

Sources: Compiled from Halliday, 1979, pp. 94-95

The major feature of the Iranian economy, excluding the government's substantial oil revenues, was its uneven development. Whereas the modern sector (industry and services) grew rapidly since the turn of the 1950s, the agricultural sector was paid the least attention as a source of economic development. In spite of a sharp increase in oil

prices and government revenue in recent years, agricultural funds from the Second Development Plan began to decline because of its low priority ranking. The Second Development Plan (1959-62) allocated 30 percent of the total national budget to agriculture with an emphasis on long term capital intensive investment, such as irrigation. During the Third Plan (1962-67), when land reform was implemented, the proportion of the agricultural budget decreased to 20 percent, which was lower than the percentage allocated to other sectors. In the Fourth Plan (1968-73) agriculture's share in the national budget declined substantially, and only 8 percent of the total budget was allocated to it, of which only 38 percent was to come from the public sector (oil), and the remaining 62 percent from the private sector (private saving). Finally, in the Fifth Development Plan, agriculture received 6.5 percent of total budget, of which 66 percent was spent for agricultural development (Central Bank of Iran, 1976-1977).

In general, the structure of economic growth in Iran was initially directed by oil exports, which in turn depended on world market demands and hence on the needs of the western capitalist nations. Secondly, the nature of industry, which was itself based on dependent industrialization, did not contribute to the rest of the economy but rather transferred profits to the mother industry at the center. And finally, in contrast to most developing countries that are normally dependent on agriculture for the supply of food, raw materials, and foreign exchange, in Iran the supply of agricultural goods and food imports depended on oil revenues. This pattern of economic growth as Robert Looney (1977: 18) states:

If Iran is to become an advanced country, no longer dependent on oil revenues, the modern sector must ultimately be capable of generating its own capital requirements. At the same time, the economy must be in a position to look to the oil sector

not so much for its capital requirements, but as a source of inexpensive raw materials and energy. The oil sector, therefore, must become an appendage of the rest of the economy if the country is ultimately to achieve self-sustained growth.

There was no sign of such a policy directing Iran in a state of self-sustained growth in either Development Plans.

This development strategy had two major outcomes: first, the pattern of the economic development did not result in an equal distribution of income to the extent that privileges obtained from the development of oil resources, did not embrace the whole population and all sectors. Rather, increasing social and economic inequality reflected the allocation of the resources for the development of the industrial sector (in its dependent form) and the urban economy at the expense of the agricultural sector. Table 25 illustrates the changes that have taken place in the share of each sector of the GNP.

Table 25. Share of Different Sectors of Economy in GNP 1963-78 (percentage)

Sectors	1962-63 % of GNP	1967-68 % of GNP	1973-3 % of GNP	1977-78 % of GNP
Agriculture	27.4	21.6	10.3	9.2
Industry	17.8	20.7	12.6	18.5
Services (excluding oil)	40.0	36.4	23.9	34.6
Oil	12.3	18.0	50.0	34.7

Source: Central Bank of Iran, Annual Report and Balance Sheet, various dates

A comparison between columns 1 and 4 reveals a structural shift in the economy toward the decline of the agricultural sector and the rise of industry. If we compare this sectoral distribution of the GNP with the sectoral distribution of the labor force (Table 26), the dimensions of socio-economic inequality and uneven development would be more visible.

Table 26. Distribution of Labor Force in Different Sectors
1963-78

Sectors	1962-63 % of total	1967-68 % of total	1972-73 % of total	1977-78 % of total
Agriculture	55.1	49.0	40.9	32.2
Industry	20.6	24.7	29.0	33.2
Oil	0.5	0.6	0.6	0.6
Services	23.8	25.7	29.5	34.0
Total	100	100	100	100

Source: Central Bank of Iran, Annual Report and Balance Sheet, various dates.

The tables reveal that the decline in agriculture and subsequent movement of the rural population to urban areas reduced the labor force in rural areas while it still had the higher proportion of the country's population -- 53 percent in 1978. This pattern of development, which Katousian (1981: 247) called a "pseudo-modernism approach to economic development," reflected the emphasis of the state's investment in the urban sector including construction, modern service activities (such as banking and insurance), heavy industry (steel, machine tools, and the like), and the employment of capital-intensive and skill-intensive modern technology.

Secondly, control over the oil industry enabled the state to use it as an effective political and economic power to control other sectors of the economy. As Katouzian (1981) pointed out:

While the state is the chief consumer, investor and employer, it does not depend (directly or indirectly) on the domestic means of production for the maintenance of a high level of expenditure. In fact, the historical position is reversed; it is the domestic economic sectors, including the private sector, which are dependent upon the state for direct and indirect welfare gains through the latter's disbursement of the oil revenues.

In the case of agriculture, the oil revenues not only made up a large share of money used for "development" and control of the rural communities, but the home food shortages were met by increasing imports that was only possible because of oil revenues. This will be discussed in more detail later in this chapter.

6.2 Allocation of Agricultural Resources

Agricultural development in any society is dependent on the availability and distribution of resources. Whereas availability is related to a natural variation of resources, distribution is a structural issue originating in the socio-political base of the society. More specifically, how the available resources are allocated to different sectors depends on government policy, which in turn reflects the nature of transformation of the society.

One of the main reasons that agriculture became sluggish during the post-land-reform period was the maldistribution of resources including natural resources and capital. This section argues about both availability of resources and their distribution among various sectors.

As we have seen (Table 25), the share of agriculture in the GNP had been decreasing substantially from about 30 percent to about 9 percent during fifteen years. By 1976, most of Iran's basic food items (wheat, flour, rice, and animal products) had to be imported, even though the country was self-sufficient and even had net export before land reform (Amuzegar, 1976: 41). The problem of agricultural decline is not only reflected in its lower position in the nation priority scale (Chapter 6.1) but also in the maldistribution of natural resources and capital within the different sectors of agriculture. Land, water, capital, labor and technology have been recognized by classical economists as essential "independent" inputs of agricultural production, because capital, labor, and technology are movable and can be transferred to where land and water (which are immovable) are available. Therefore, agricultural development is best concentrated on the region that is naturally suitable for that purpose.* The Iranian policy of resource allocation reflected the above assumption that "movable" resources should be transferred to places where "immovable" resources are available. In the following pages, an attempt is made to investigate the distribution of agricultural resources, the politics of their distribution, and subsequent trends in the decline of agricultural outputs.

6.2.1 Land Utilization

Iran's 165-million hectares of land is composed of 50 percent — desert, mountain, lakes, cities, and the like. About 40% of the total lands is potentially suitable for cultivation and appropriate for

*This is the dominant economic theory of the Manchester school that can be found in the journal, "Manchester Economic School. Its theoretical framework originates in the Arthur Lewis theory of agricultural growth based on dualist structure.

reclamation. Only 10 percent of total lands or some 16.6 million hectares (42 million acres) is arable. However, about half this amount (7.8 million hectares) lies fallow or idle each agricultural year. Of the 8.8 million hectares of land under cultivation, about 40 percent represents irrigated land, while 60 percent is rain-fed (See Table 27). Because of the different quality of land and climate, the agricultural activities are concentrated mostly in the north, northwest, and part of the south and southwest areas. The central, eastern, and much of the southern part of the country is extensively desert and semi-desert and cannot be cultivated. The Plan and Budget Organization has recognized six regions in which agricultural activities were mainly taking place. First, Khuzistan Province, where new agricultural units are concentrated; second, the lowland Caspian Sea, where intensive agricultural activities exist owing to its geographical

Table 27. Land and Land Use Categories, Iran 1971

	Area (million hectares)	Percent
Total land area	164.8	100.0
Arable land	16.6	10.0
Under cultivation	8.8	5.3
Irrigated	(3.6)	(2.2)
Rain-fed	(5.2)	(3.1)
Fallow	7.8	4.7
Forests and scrubland	19.0	11.5
Permanent pasture	10.0	6.1
Desert, wastes and poor pasture	119.2	72.4

Source: Ministry of Agriculture, Plan Organization

characteristics and humid environment; third, the cultivated areas of Zagros; fourth, the northeast, including the agricultural land of Khurasan and Fars, plus part of Zagros, where scattered farming exists; fifth, northwest in Azarbaijan and part of Gilan, where cereal is grown extensively; and finally, some marginal regions around the desert and southern Kavirs (Azkia, op cit:79). The fallow lands in these regions where agricultural activities are intensive are usually less than 10 percent, while in the scattered areas it is more than 50 percent of the lands.

The government policy was to establish the large modern agricultural units such as farm corporations and agro-business where the quality of land and availability of water allow intensive agricultural activities. For example, eleven out of fifteen large agro-businesses and eight large farm corporations are located in Khuzistan, which has the best lands for cultivation. The largest concentration of farm corporations is in Fars, where Murghab agro-business, one of the largest ones, is also located. The commercial farms are mainly concentrated in the northern region of the Caspian Sea and northwest, where environmental constraints are very limited (See Chapter 5.2). The government played an important role in acquiring the necessary land from the peasants and handed them over to capitalist farmers. For instance, in Khusistan, fifty-eight villages, including both those exempted from reform and those distributed among peasants, were appropriated and transferred into agro-industry sectors or farm corporations. Consequently, about 55,000 people had to evacuate their villages, which were bulldozed out and prepare for agro-business companies. These capitalist units could not utilize the available lands and produce proper crops. Thus, not only did not production in these areas increase as a result of removing the

peasants from their land, the production of food grains fell substantially.

6.2.2 Water Allocation and Utilization

Water is another important component in the "organic composition" of the process of agricultural production in Iran. The major source of water in Iran is Qanat, rainfall, river and wells. Scarcity of water has always been a problem for agricultural development. Rainfall is a scarce resource in large parts of Iran. However, there are regions that enjoy considerable rainfall. The average rainfall for the country is 300-350 milimeters; it ranges from less than 10 mm in the desert interior to more than 2000 mm in the southwestern corners of the Caspian (Rasht/Gilan) (Iran Almanac, 1972:86). Therefore, the amount of rain decreases from north to south and from west to east as latitude changes. Although part of the rainfall is lost through evaporation, a substantial portion of rainfall enters into rivers or permeates the ground, so that later it can be used in irrigation either through diverting the river or extracting water from the ground. It is important to mention that a great part of agriculture in Iran operates in the form of dry-farming, which is totally or partially developed with rainfall. With respect to the law of land reform, which did not affect water distribution, most of the lands distributed among the peasants became dependent on rainfall as the main source of water, as compared with the mostly irrigated lands of the mechanized or capitalist sector.

Another important water resource is qanat, a traditional but still important source of water supply. The water is transferred from highlands through a series of inter-connected wells to the surface level,

sometimes from a hundred kilometers distance. Construction of a qanat is expensive and the time required to build is usually years. Therefore only landlords and peasants can afford to invest in it. Although qanat is an ancient system of water supply, it is still in use in many parts of the country. It is estimated that 3500 qanat existed throughout the country by the mid 1970s. They could bring around 10 billion cubic meters of underground water onto the surface annually, from a distance averaging 5 kilometers (Amuzegar, 1977:37). However, after land reform and the increasing use of water extracted from deep wells, the water source of qanat began to diminish as it was absorbed in the deep wells. After land reform, construction of new qanat and even the repair of those which were damaged, were almost halted. The major reason was that the large landowners, the main investors in the qanat, were removed from or reduced their holdings in the villages, and the government was not eager to invest in qanat, which was mostly used by small and medium sized farms. In some villages, the landlords retained the title of the qanats to themselves to insure adequate water for their fields and orchards. Therefore, for many peasants, redistribution of land without access to water was worthless and forced them to leave most of their lands fallow and be dependent on rain for the cultivation of the rest.

Deep wells are another source of irrigation, which were mostly found on mechanized lands after land reform. Since the supply of water was the first priority in a mechanized and semi-mechanized system of agriculture, the owners usually irrigated their lands from water wells which represent a low cost and fast supply of water. From the semi-capitalist agricultural units e.g., Tolembekhari, to farm corporations, all began to use the deepwells on their farms. By the mid-1970s, about

15,000 wells, of which 1500 were deep wells, were used for irrigation, and with a capacity of 4 BCM they were able to irrigate some 500,000 hectare throughout the country (Amuzegar, op. cit: 37).

In addition to these sources of water, rivers are another source; they irrigated the lands located on their banks. However, under intensive-capital projects, dam construction, which began during the Second Development Plan and continued until mid 1970s, was aimed at reserving water for the use of both irrigation and power supply. These newly developed systems in Iran diverted the water of rivers and stream runoff from the mountains to the reservoir lakes formed behind the dams. Dam construction soaked up the bulk of the budget of agricultural development projects. Of the 14.1 billion dollars allocated for agricultural development during the three development plans (1962-1978), about 38 percent was spent on the construction of dams, which were only able to irrigate 130 thousand hectare of lands (Amuzegar, 1977: 61-67). Until 1971, twelve dams were constructed. Water supplied by dams was beyond the capacity of a single village and, therefore, construction of a dam has been a regional affair rather than that of an individual village. However, new canals constructed to deliver water from dam reservoirs to the lands below the dam mainly cultivated agro-business or mechanized lands.

The contributions of the above sources of water to the irrigation of agricultural lands can be illustrated in the following table. As Table 28 shows, only 3.6 million hectares of land were fully or partially irrigated by existing water. The table also indicates that with the maximum expansion possible between 1972 and 1977, water distribution could have covered 470,000 hectares more land. Both development plans (Third and Fourth) failed to achieve such a target (Ibid).

Table 28. Existing Irrigation Program in 1972 and Its Projection
(1000- hectares)

	1972	<u>Prediction 1977</u>	
		(a) probable	(b) feasible
Fill irrigation			
Wells	820	940	1180
New canals	130	(c) 280	(c) 330
Traditional canals	550	(c) 600	(c) 600
Subtotal	1500	1820	2110
Partial irrigation			
River diversion	1300	1250	1250
Qanats	800	710	710
Subtotal	2100	1960	1960
Total	3600	3780	4070

(c) "Probable" is a fairly optimistic estimate of the rate of expansion of fully irrigated land, on the basis of performance over the decade 1964-74.

(b) "Feasible" refers to what could be achieved if a far more liberal and positive policy were adopted in licensing and the financial encouragement of groundwater development, and a crash program were adopted to develop tertiary and quaternary canals below existing dams.

(c) Mainly from existing dams.

Source: Aresvik, op cit:67.

Traditional irrigation systems and newly constructed wells were the basic source of water supplies. Despite intensive capital investment in dam construction, they did not irrigate more than 130,000 hectares by the mid-1970s. An FAO survey study indicates that a total of about 40 million hectares is potentially available if adequate water is found

for cultivation (FAO, 1974). This is five times more than the now irrigated and dry-farming lands under cultivation. The waste of water is very high in Iran, especially with the concentration of irrigation systems in agricultural regions that lack the capacity to absorb surplus (e.g. in Khuzistan) of about 400 billion cubic meters of water available annually, more than 50 percent is lost through evaporation. Still, about half of the water captured for irrigation is lost enroute to delivery points (Amuzegar, op cit:36-37). Therefore, despite ideas that Iran is a country facing shortages of water and consequently cannot expand agricultural activities, it seems that the problem is much more related to mismanagement and maldistribution of water resources than it is to natural problems.

In sum, the exclusion of water resources from distribution along with land during the reform transferred the legal control of water resources into the hands of agricultural capitalists, which substantially affected the distribution of water. The government supported the large agricultural units by providing the necessary infrastructure to allocate water to these units and ignored the small ones. While multi-millions of dollars were spent on large scale irrigation which was far from reaching the objective target of the development program, no attempt was made to distribute water throughout the country by adapting optimum utilization of water resources to benefit the majority of cultivators. There is no doubt that Iran is not among the countries with high humidity and high annual precipitation rates and in fact has a large area of dry and arid lands. However, through an appropriate agricultural development program with emphasis on suitable water management, more efficient results could have been achieved.

6.2.3 Capital and Agricultural Techniques

As already mentioned, the position of agriculture in the national economy began to decline during the second economic plan (1962-1967) and never improved in later periods. The low priority given to agriculture is reflected in the government's assumption that since Iran's physical geography is not suitable for agricultural development, therefore:

(i) Iran's national comparative advantage was not in agriculture and (ii) relatively cheap food could always be bought from the world's surplus countries against export of higher valued industrial wares (Amuzegar, 1977:32).

Thus, the funds allocated for agricultural development decreased from 30 percent in the Second Plan (1959-1962), prior to land reform implementation, to 6.5 percent in the Fifth Plan (1973-1978).

Still, it should be noted that the amount of funds allocated to agricultural development were not properly distributed in the different sectors. In terms of credit distribution, most of the credits went to capitalist units. From the total agricultural funds in the Fifth Plan, only 10 to 15 percent was allocated to the small and medium peasantry. In comparison, between the capitalist farmers and peasants, the average credit received by the former group was 112,024,038 rials against 7,936 rials for the peasants (Azkia, op cit. 96-97). In the case of farm corporations, between 1968 and 1975, total agricultural grants and loans extended to farm corporations were 122,383 rials (178 dollars) per hectare against 6,470 rials (92 dollars) to peasant cooperatives. Almost all credits (more than 90 percent) available to cooperatives were short term (maximum 12 months), while the credits paid to corporations were long term and systematic. In addition, 78 percent of financing given to farm corporations was in the form of grants and 22 percent of the remainder was

in the form of very low interest loans (Katouzian, 1981: 309-310). Agro-business companies, in addition to multibillion dollars investments by foreign capital, received 3,800 billion rials (52 billion dollars) and credit at 2 percent interest (Dumont, 1976). The government's long term loans, whose recipients are mostly capitalist owners, did not contribute to increased food production. Rather, the loans were invested for cultivation of cash crops. During the 1960-76 period, the growth rate of industrial crops such as cotton, sugar beets, forage crops, and citrus fruits was highest among the crops grown, while the growth of the food staples such as wheat, barley, rice, and the like, decreased (Amuzegar, 1977: 32).

Agricultural techniques are another factor that could potentially contribute to the expansion of output. Rapid increase in application of technical input to agriculture took place during the 1970s, although the use of machinery in agriculture began in 1960. Nevertheless, modern technology was used at a very slow pace and limited mainly to the Gorgan regions until 1960. After land reform, when mechanized land was excluded from reform, the use of agricultural machinery began to grow. By 1957, there were 1283 tractors and 207 combines in Iran of which 490 and 140, respectively, were located in Gorgan commercial farms (Okazaki, 1968: 39). By 1960, machine power was used by less than 10 percent of land holders, of which only 4 percent were fully mechanized. Seventy-five percent of land holders used animal power and 15 percent employed only human power (Aresvik, op. cit: 160). By 1966, the number of tractors increased to 16,000 and in 1971 reached 23,000, many of them operated by private contractors. The major step was taken in 1970, when a tractor factory was assembled in Iran by the John Deere Company. There are now about 50,000 tractors and 90,000 other mechanized farm implements in Iran, mostly imported. In order to

encourage mechanized farming, the government attempted to facilitate the acquisition or importation of agricultural machinery (as well as other agricultural output) through tax and tariff relief for importing them, or even subsidization. But most of the imported machinery was not useful. First, they were advanced machines that were made abroad and were not suitable for the Iranian environment; second there were not enough skilled laborers to run the machines; and finally, there was a problem of spare parts. There were many tractors and combines that were damaged, and because of lack of spare parts, were left unused. In general, in spite of huge investments in agricultural machinery, such machinery was not very useful.

Paralleling the growth of modern agricultural input, the application of fertilizer also increased extensively during the same period. Consumption of fertilizer by 1960 was about 50,000 tons, while now it has reached to 800,000 tons. However, despite this rapid growth, fertilizers are used on fewer than 10 percent of the lands under cultivation (Amuzegar, *op cit*: 38). The main factor that limited fertilizer consumption was lack of adequate distribution facilities and shortages of credit.

However, while the availability of land, water, credit, and the use of machinery, fertilizer and other agricultural outputs should have increased the efficiency of agricultural activities, land productivity remained unchanged, especially for staple foods, as Table 30 shows. The problem lies in the maldistribution of resources and mismanagement.

Table 29. The Application of Technical Inputs to Iranian Agriculture (1963-74)

Year	Nitrogenous fert. (100 metric tons)	Potash fert. (100 metric tons)	Phosphate fert. (100 metric tons)	Tractor (100 units)
1963	73.0	18.0	86.0	7.5
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: Food and Agriculture Organization, FAO Production Yearbook

Instead of supporting the small or medium size farms, government placed its emphasis on large agricultural units such as agro-business, which produced mostly cash crops, by providing them capital, water, modern technology, and other agricultural inputs. This policy not only contributed to the sharp decline in the trends of traditional agricultural outputs, but also represented a complete failure of highly mechanized agricultural units, e.g., agro-businesses, in a labor-intensive society like Iran (See Chapter 5.2).

Table 30. Land Productivity (kilogram per hectare) 1963-74

Year 1950	Wheat 900	Barley 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 1963-74	+70	-185

Source: Food and Agricultural Organization, FAO Production Yearbook

6.3 Transformation of the Boneh

As previously mentioned, there were many factors contributing to Iran's agricultural stagnation after land reform. One of the direct, although unintended, consequences of land reform implementation was the disruption of the boneh system, which had adverse effects on agricultural output. Agricultural production was traditionally managed in most parts of Iran through bonehs. Boneh was an organized team which managed all productive activities. It had an important place in the agrarian society of Iran, since it was a collective response to all tasks necessary in the productive process, including ploughing, weeding, irrigating, harvesting, and the like. All members of the boneh were responsible for specific tasks based on their skills. Although bonehs were headed mostly by representatives of the landlords (Mobashir), nevertheless, they enjoyed relative independence in terms of decision making about the division of labor, type and amount of production, income distribution and the like. Each boneh received 2/5 or 3/5 of the crops (based on the number of inputs contributed) and the rest was delivered to landlords. The crops were divided among peasants, after deduction of some share for those who were not boneh's members but contributed in cultivation indirectly, such as Barzegran, agricultural laborers, blacksmiths who provided the necessary metal tools, dashtban, etc. This type of crop distribution manifested the important feature of boneh, which was a major source of all livelihoods and on which the village economy depended.

Land reform redistribution of collectively worked ploughlands among members of the boneh broke down the organization of the boneh. Since lands were divided unequally among the members, it was less

practical that peasants could work together as a team. Apart from the difficulty in determining the amount of labor that each member should contribute or the amount of share from the harvest, it was not in the interest of the rich peasants who obtained sufficient, exploitable lands to cooperate with subsistence peasants whose small piece of lands were remote. Indeed, the rich owner preferred to hire daily wage laborers to help them cultivate their land, rather than sharing with other peasants (Hooglund, 1982:103).

But disruption of bonehs had negative effects on land productivity, agricultural outputs and peasants' income because, first, the division of lands and the dissolution of teamwork changed cultivation activities from a group to an individual project, for which peasants had to provide all the factors of production independently. Since the division of labor in boneh was based on experience, after its disintegration the peasants were unable to do all specialized tasks, e.g., irrigation, which needed more experience and cooperation. Second, not all peasants owned all the equipment that was necessary for cultivation and could not afford to provide them. More important, since land reform law did not consider distribution or supply of water for nasaq holders, which was the central tasks of bonehs, most peasants had to rely on rain-fed cultivation or pay extra for water management; third, the boneh system, although to a lesser extent, was able traditionally to take care of non-member villages and contribute to the village economy. Redistribution of lands and the old nasaq system deprived this group to a great extent. Due to these factors, which were caused by the dissolution of the boneh, the agricultural production and peasants' income declined.

Although the number and importance of bonehs substantially decreased after land reform, they did not disappear from the countryside entirely. The strong kinship relations that existed among the peasants was the basis for revitalization of boneh in some parts of Iran. Also, in regions where the water scarcity was a fundamental problem, teamwork remained intact.

A decade later, government officials became aware of the function of boneh and the disadvantages of its breakdown, but no policy was adopted for the solution. Although it has been claimed that the establishment of cooperative societies compensated the removal of landlord supports or any other sources after land reform, we will see in the next section that the new organization was not successful enough to fulfill the peasants' needs, rather they facilitated the expansion of government bureaucracy in rural communities.

6.4 Rural Cooperative Societies

The establishment of cooperative societies was one of the major events in the process of land reform implementation and had a twofold purpose: first, the political one that paved the way for government and its bureaucratic machine to maintain full control over the countryside, and, second, the rural cooperatives aimed to take the place of landlords in supplying management, credits, and other services for the peasants.

In theory, the societies had the following components and aims:

- all operations concerned with production, processing, transport and sale of the produce of members;
- supply of agricultural tools, equipment and machinery, plant

- protection, pesticides and chemical fertilizers;
- supply of consumer requirements including food stuffs, fuel, clothing, household equipment and housing;
- granting loans to members to meet their financial needs;
- accepting agency work for credit institutions, and agricultural banks; and
- providing the transportation, equipment and housing as well as provision and distribution of drinking water and irrigation water, power distribution.... (Rana, 1974:40-41).

In practice, the cooperatives could not perform the above activities and confined themselves to supplying credit for shareholders who were unsuccessful because of inadequate financial assistance. The capital for the cooperatives was derived from members contribution and bank credit. Each member was permitted to borrow up to 20,000 rials, with 6 percent interest a year, against an initial minimum purchase of ten shares at 50 rials per share--an investment of 500 rials paid up in cash (Denman, 1973:200). The khwushnishin population were excluded from the cooperative societies and were not eligible for borrowing. Even the distribution of credits was not equal among the peasant nasaq holders. The powerful and rich owner benefited more than small peasants from cooperatives.

By 1972, about 8,800 cooperative societies with 1.5 million members were set up. They were mostly small and had insufficient capital. As Lambton pointed out, capital provided by the government financial institution "was in most cases small and consisted of money paid for shares bought by the members and a (small) government grant through the Agricultural Credit and Rural Development Bank" (1969:310). And as one

of the government officials later asserted:

Most of the cooperative societies are small units without adequate resources and qualified personnel. They have, therefore, not been able to expand their activities beyond granting small short term loans. Their functions in the field of supplying new agricultural inputs and marketing have been very limited (Ajami, 1973:129).

In 1972, the government decided to consolidate the cooperative societies under a larger organization called "mother societies" (sherkat-i madar) in order to have more control over their functions. This decision reduced the number of cooperatives to 3000, with each one covering many villages. This new organization allowed the state to be more effective. As a result of this policy, as many as 6000 villages lost their functioning societies and fell easily under the influence and authority of a few rich rural elite who were the allies of government officials. The Central Organization for Rural Cooperation (CORC), a department of the Ministry of Agriculture, took over the control of cooperatives. The main function of CORC was to borrow money from government banks and divide it among the cooperatives. Through the assignment of government officials (sarparast) who supervised the activities of the cooperative society, gradually the CORC created a hierarchy of officials within the societies and introduced a management that "effectively turned the cooperative societies into tools of government policy" (Hooglund, 1980:107).

Indeed, by following its political functions the cooperative societies ignored its original functions, that of helping the peasants who were its members. The most important function of cooperative societies was to provide credit to the members. But the government never supplied the cooperatives sufficient capital to assist the peasants. Although the Agricultural Bank was supposed to provide to each cooperative credit the

equivalent of ten times its subscribed capital (the capital collected from the shareholders), in reality the credit did not exceed more than four times the value of all the paid up shares (Ibid). Consequently, there was not enough capital available in cooperatives for needy peasants. As compared to other agricultural sectors, such as the farm corporation, the government provided less money to cooperative societies than to the former (See Table 16).

The failure of cooperative societies to provide credit for its members forced the peasants to continue to rely on traditional money lenders. According to a survey of credit sources available to relatively prosperous peasant families in several districts, the money lenders still accounted for 38.6 to 58.5 percent of loans received, while cooperatives guaranteed only 19 to 45 percent of the loans (Richard, op. cit: 10).

In addition to inadequate credit available to cooperatives, the other policies that were adopted by the Agricultural Bank in respect to lending money to the peasants, kept the peasants from benefiting from existing credits. The most important was loans based on *zanjiri*. This meant that all members of cooperatives received their loans on the same day, and they were required to pay them back (i.e., they were required to pay the capital and interest) in full by a fixed day. If any peasant failed to repay his loan on the due date, none of the other members were eligible to receive a second loan until the overdue debt was paid. Another policy that restricted the value of cooperative loans was its short-term characteristics. According to the Agricultural Bank's requirement, the loans could be extended for twelve months at a maximum. Consequently, there was no opportunity for peasants to accumulate profit and use it for productive investment, the conditions that were possible if loans were scheduled for longer terms. Indeed, the

cooperative loans were used for agricultural expenses and the peasant's output for the repayment of the debts. Such a situation kept the peasant economically dependent (Hooglund, op cit: 109-110).

In short, the cooperative societies were unable to take the place of landowners or boneh in the provision of management, credits, and other economic support. From the beginning, they confined themselves to provide only credit for peasants. Nevertheless, the total sums going into the cooperatives were insignificant in comparison to the real credit needs of the peasants. In addition, the other restrictions that were adopted for lending money, i.e., zanjiri and short term loans, limited the effectiveness of available credits. Thus, the peasants became more dependent on money lenders. All these activities resulted in decreasing the agricultural outputs and hence the peasants' income. As a matter of fact, the cooperatives did not succeed in helping the majority of their members. However, they accomplished their political goals, that is, extending government control over village affairs.

6.5 Effect of Land Reform on Agricultural Production

It has already been demonstrated that land reform had an adverse impact on agricultural production. Now it is appropriate to observe the results of this impact in more detail. There is general agreement among the students of land reform that, in terms of its socio-political objectives, Iranian reform measures have been successful, resulting in the transformation of ownership and dissolution of the power base of landlords. In terms of the achievement of its economic objectives, land reform was a failure.

Economic success or failure of agricultural reform depends on the extent that a country achieves a state of self-sufficiency, at least for basic food consumption. Iran is unable to meet the essential demands for food consumption. Even with a very optimistic view of government projects, Iran's agricultural needs are already highly dependent on imported foods. Robert Looney, an American economist and expert on the Iranian economy, stated in 1982 that "after eleven years, or around 1970, peasants would still be living in poverty (if not worsening conditions) while urban groups would simultaneously be increasingly dependent on imports. This is, in fact, what happened" (Looney, 1982: 43).

Conservative economists also predicted that if Iran's agricultural sector grew at a rate of 7 percent annually, it would be possible to achieve self-sufficiency in some items such as cereals, fruits, vegetables, and sugar by 1992 while, even at this rate, items such as red meat, rice, dairy products, and vegetable oil would still have to be imported to meet the needs of one-third of domestic consumption. In this respect "any

growth rate below seven percent--and particularly a growth rate near the four percent rate achieved during 1962-74--would produce an annual import bill of staggering proportions" (Amuzegar, 1977:49).

Agricultural growth in the Fourth Development Plans (1968-72) reached 3.9 percent and could not meet its target, which was set at 5.4 percent. In general, agricultural productivity at the end of 1970s declined to near zero (Looney, op cit:43).

To elaborate on this agricultural failure after land reform, the forces and factors involved in agricultural development should be studied, especially by addressing the question of self-sufficiency. To achieve the state of self-sufficiency, a country's agricultural production must cope with the increasing demands of its population for food. The demand for food items in turn depends on the increase of family income, which to some extent allows for spending more on food stuff, especially in developing countries. Since the higher income population mainly resided in urban areas, especially in large cities, the rise in the population is another factor that increased the demand for food. The third factor is the style of life in urban areas among the middle and upper classes, which consists of consuming various luxury food items. Therefore, it might be expected that increasing per capita income and rapid growth of the urban population substantially increased the demand for food during the late 1960s and 1970s.

The trend of population growth during the two decades illustrates a substantial change in overall population and urban growth rate. Iran's 19 million population in 1956 reached to 25.8 million in 1966, 33.6 million in 1976, and over 42 million in 1983. The urban population's growth rate was 5.1 percent in 1966 and exceeded 6 percent in 1976. Large cities grew much

faster than other cities. In Tehran, the capital, the population increased over 50 percent during the intercensal period of 1966-1976. This growth largely contributed to the increasing demands for food and agricultural products.

Another factor contributing to expanding food demand was per capital income, owing to rapid oil price increases on a world scale. Per capita income rose from 501 dollars in 1973 to 821 dollars in 1974 and to 1440 dollars in 1977 (Central Bank of Iran, Population Reference Bureau, 1977). Nevertheless, this rapid growth of income was not evenly distributed but created a sharp disparity in consumption by region and social class. The lowest 10 percent of families on the income scale accounted for 2.5 percent of total consumption and the highest 10 percent accounted for 32.5 percent (Looney, 1975: 3). Similarly, imbalance existed in the industrial region as compared with other regions. Per capital income in Tehran was 45 percent higher than in other large provincial cities and 70 percent higher than in small towns (Ibid). To a large extent, urban/rural household consumption has been shown to be unequal, as the urban average per capita income grew five to one over the rural per capita income by mid-1970 (Looney, 1982: 44). Due to all these factors, demand for food increased and generated pressure on agriculture. Overall, economic and population growth resulted in a 10 percent annual growth of total demands for food in Iran. For such demands to be met, "then agricultural output and productivity would have to grow at around 10 and 7 percent respectively, to maintain the constant deficit" (Ibid: 42). Agricultural production was not able to meet such demand.

Table 31. Annual Growth of Agricultural Products during the Fourth and Fifth Plan

Crops	Fourth Plan 1968-72 %	Fifth Plan 1972-77 %
Wheat	3.4	3.9
Rice	4.6	3.1
Cotton	10.3	-2.3
Sugar beets	6.9	1.2
Sugar cane	10.1	7.4
Tea	6.6	5.7
Red Meat	5.9	3.5
Poultry	12.6	8.2
Eggs	7.0	7.8
Milk	3.3	5.4

Source: Central Bank of Iran

As Table 31 illustrates, wheat production grew by 3.4 percent during the Fourth Plan (1968-72) and increased only 0.5 percent in the next five year plan. Rice, red meat, tea, sugar beets, and other items declined during the same period. Even poultry production, which increased by expanding its modern factory, failed to maintain the growth it enjoyed from 1968-72 and its annual production declined by 4.4 percent in the period of 1972-77.

In the case of wheat, which is the nation's principal food staple and accounts for about a third of the income generated at the farm level, the government faced dramatic shortages. The significance of wheat cultivation is that it is mainly farmed in the rain-fed land, because it requires less water as compared with other crops (See Table 32).

Table 32. Agricultural Crops in Different Cultivated Land, 1971

Crops	Area (Thousand Hectares)			Percent		
	Irrigated	Rain-fed	Total	Irrigated	Rain-fed	Total
Cereals	2,232	4,657	6,889	62.5	89.6	78.5
Wheat	1,533	3,650	5,183	42.7	70.1	59.1
Barley	286	1,000	1,286	8.0	19.2	14.7
Rice	392	-	392	11.0	-	4.5
Others	21	7	28	0.6	0.1	0.3
Industrial Crops	421	160	584	11.9	3.1	6.7
Cotton	231	69	300	6.5	1.3	3.4
Sugar beets	154	-	154	4.3	-	1.8
Sugar cane	5	-	5	0.1	-	-
Tea	-	30	30	-	0.6	0.3
Tobacco	8	7	15	0.2	0.1	0.2
Oil seeds	26	54	80	0.7	1.0	0.9
Fruits	373	61	434	10.4	1.2	4.9
Vegetables	172	66	238	4.8	1.3	2.7
Pulses	108	54	162	3.0	1.0	1.8
Forage Crops	233	130	363	6.5	2.5	4.1
Other	30	72	102	0.8	1.4	1.2
Total	3,573	5,200	8,773	100.0	100.0	100.0

Source: Plan and Budget Organization in Azkia, 1980:86.

Nevertheless, the government made no effort to increase the amount of land available for wheat harvest by reclamation and its policy even encouraged some wheat cultivators to leave their lands or cultivate them as cash crops (Chapter 5).

Rice, another important crop, declined during the Fifth Plan, despite the fact that per capital consumption reached 31 kilograms a year in the mid 1970s as compared with only 15 kg in 1946. In the rice growing region, consumption reached 150 kilos per person per year (Aresvik, op cit:74). Because of large amounts of water needed, rice grows in the water-abundant region of Gilan and Mazandran. The sudden drop in production of rice seen in the mid 1970s was due to various factors including allocation of land for other purposes, or migration of the labor force (rice is a labor-intensive production).

Another substantial loss in food production was livestock. Livestock was not only raised for meats and dairy products but also for its wool and skin. Although almost all village communities raised different kinds of animals, at least for their own consumption, livestock sources were mainly the province of tribal communities and included sheep, goats, camels, cattle, chickens etc. In addition to meat and dairy products, historically, Iran has been an important exporter to the world market of wool and skin products, either in the form of raw material or by conversion into a carpet or leather. During the 1930s, due to the compulsory settlement policy of the Reza-Shah, the tribe lost a considerable number of their animals, because the necessary seasonal migration was thwarted (Chapter 2). Nationalization of pastures after land reform had a similar negative effect on grazing the flocks because of the reduction of pasture lands. Although the government was aware that nomads could not move their flocks, it did not act in time, and the tribes lost many of their herds (Stauffer, 1965:484-302). In order to reduce the power of tribalism, the government restricted their migration and to some extent "nationalized" pastures without offering any solution

for the cattles' grazing problems. Instead, it began to establish modern dairy units and poultry farms and no improvement projects were offered for domestic and traditional cattle raising. This resulted in the spread of an epidemic animal disease that continued for years and a substantial decline in production (Central Bank of Iran, Annual Report, 1970). Also, the agro-industry companies failed to raise animal production despite importation of high yield cattle and sheep for reproduction under modern methods. The bulk of the domestic animal supply still relied on village and tribal production and to some extent importation.

Consumption of red meat along with other food stuff rose in the latter decades of land reform. In the late 1970s, demand for food was rising at around 14 percent per annum. The demand for meat was especially high; per capita consumption of 8 kilos a year in the 1960s rose to 18 kilos in the mid 1970s. Red meat consumption rose by 100 percent in Tehran in 1974-75 because of the concentration of richer Iranians and foreigners there (Halliday, 1978:17). It was estimated that 60 million sheep and goats, 8 million cattle and buffalo, 13 million heads of poultry existed in Iran by mid 1977 while about 10 million sheep, goats and cattle were imported (FAO, Production Yearbook, 1977). Since livestock was the least growing subsector in agriculture, domestic meat and dairy products were unable to cope with growing demands. The widening gap between supply and demand was met largely through imports. As Table 33 shows, the annual growth of imports of eggs and dairy products reached 52.2 percent, grain 45.2 percent, fruit and vegetables 50.9 percent, and foodstuff and live animals in general, 48.5 percent.

During 1972-78, the government paid more than 24.5 billion dollars to import part of the food items needed to meet growing domestic demands.

Table 33 Imports by Commodities 1972-77 (value in \$ million)

Commodity	1972	1973	1974	1975	1976	1977	Total Planned	% Average Growth
Food stuff and live animals	206	327	852	1555	1232	1436	5452	48.5
Eggs and dairy products	21	32	65	88	118	177	480	52.2
Grain and grain products	94	113	461	560	327	564	2025	45.2
Sugar, Sugar prod. and honey	26	76	157	537	243	168	1181	45.2
Vegetables and fruits	12	21	32	131	152	94	430	50.9
Beverages & cigarettes	4	5	13	26	77	130	251	100.8
Coffee, tea, cocoa etc.	14	19	33	36	43	63	194	46.5
Other food stuffs	35	66	104	203	349	420	1142	64.4
Animal fats and vegetable oils	59	61	240	291	137	164	843	22.7
Total	471	720	1957	3427	2678	3324	12048	

Source: Central Bank of Iran, Annual Report 1977: 246

Moreover, from 1975-1977, more than 7 million sheep, goats, and cattle, valued at about 30 million dollars, were imported by private companies in addition to meat imported during those years (FAO Production Yearbook, 1977).

Nevertheless, the problem of food shortages was not solved by imports. Unlike planner estimation, huge oil incomes could never make up for the shortage of agricultural products by implementing a food importation policy. Rather it created its own problems, i.e., inflation and subsequently a government price policy, which affected other economic issues.

During the 1960s, Iran enjoyed a relative price stability. Between 1968-1972, the period of the Fourth Development Plan, an inflationary trend began to raise from 1 to 6 percent, owing to the increased level of consumer prices. After the 1973 oil hike, the rate of inflation rose from 10 to 27 percent in 1977 (Looney, 1982: 141). The Iranian economy was unable to absorb the money supplied by oil, because it was beyond the country's capacity to put such capital to work. The revision of the Fifth Development Plan immediately after the 1973 oil increase led to an unprecedented expansion in government expenditures, which created a rapid increase in demands. The absence of infrastructural facilities resulted in the aggregate supply never catching up to the demand during the fifth plan. The only adjustment possible was through price increase (Ibid:143). This mechanism, along with the rising international market price, was transmitted through the higher costs of import goods as compared to domestic ones, and contributed to the increased price and an inflationary process.

A growing importation of food stuff under international prices and then subsidizing them antagonized the agricultural sector and made it less profitable for local farmers to invest in this area. Sharp differences between the price for domestic goods and imported commodities appeared as a disincentive to agriculture. The effect of this policy was very obvious in the case of wheat, the major staple crop in Iranian agriculture, which accounted for an average of 75 percent of total production. Since the mid-1960s, the government decided to stabilize the wholesale price for wheat, and by purchasing wheat directly from the farmers (and thus eliminating the share of middlemen and market) to benefit both the rural producer and urban consumer. But the minimum price that the

government offered was even less than the farmers' production costs (See Hooglund, 1982:113-114), and always much lower than what was paid on the international market for its importation. For example, in late 1976 the wheat growers were paid 10 rials for each kilogram of wheat, while at the same time the government paid 18 rial per kilogram on the international market for imported wheat (Looney, Ibid:133). By 1974, the government purchased only 85 tons of wheat (out of 4.7 million tons produced by farmers) at the above price (10 rials/kilogram) whereas during the same year it purchased 1.35 million tons of wheat from the international market at imported prices (Aresvik, 1976:144). This policy generated anger, disappointment, and distrust of the government, among the peasants, and many farmers gave up cultivation or switched to other crop cultivation.

Transmission of the imported price to the domestic market for a commodity such as wheat (as well as other food staples) could generate a political crisis, especially since the price of bread increased two times and was the masses' main and cheap daily food. Therefore, a subsidizing policy was implemented for products such as wheat, rice, barley, and the few other items. For example, wheat which purchased at 18 rials/kilogram was sold to the bakery at 7.5 rials to subsidize both prices and the political sphere. This means that about 3 billion dollars was spent on imports and subsidies a year.

In general, government policy toward the agricultural sector led to low profitability of investments and bankruptcy for many farmers. For instance, wheat production, which generated two-thirds of the farmer's income, was unable to find its domestic market and uprooted many farmers, causing them to move to cities. The former seasonal migration converted into permanent migration, which in turn (as we will see below) had further negative effects on the production.

6.6 Rural Migration

As observed in previous chapters, the effect of land reform and various government policies on the rural community in general and agricultural production in particular was negative. The dramatic impact of land reform reflected on the population movement that pushed a considerable proportion of the rural labor force out of production. Although migration from rural to urban areas tended to increase after World War II, it was only after land reform that massive rural outmigration took place (See Table 34).

Table 34. Migration as Proportion to Total Population

Census	Total Population	%	Born in Shahrestan of Residence	%	Born in other Shahrestan (migrants)	%
1956	18,954,704	100	16,814,739	88.71	2,139,965	11.29
1966	25,788,722	100	22,507,407	87.28	3,281,315	12.72
1976	33,662,176	100	28,431,456	84.46	5,230,720	15.54

Source: The Census of Iran, 1956, 1966, 1976

The capitalist-oriented economy and the subsequent government agricultural policy deprived a large number of peasants of their traditional work, while it did not provide new opportunities for them. The decline of agricultural activities after land reform, which was associated with the dissolution of rural organization, caused many villagers to migrate. These migrants were mainly the Khwushnishin agricultural workers and farmers with a subsistence based economy. The reader will recall that the Khwushnishins, who comprised about 40 to 50 percent of the total village population, were excluded from

benefiting from land reform, since the law required the recipients of transferred land to be nasaq-holders. Later, when the cooperative societies were established, the Khwushnishins were not allowed to borrow money or use any other services that cooperatives could provide the peasants. Creation of farm corporations was a further source of disruption for Khwushnishin agricultural workers, since not only were they excluded from membership, they were also restricted from working on farms that were covered by corporations. Establishment of agro-businesses in some parts of the country, which expelled many villagers and rehoused them in Shahrak (Chapter 5), completed the process of pauperization for agricultural laborers. Thus, the landless agricultural workers (who consisted of more than 80 percent of the Khwushnishin population) did not benefit from the reform at all and the majority even lost their only source of income as wage laborers and some of them, mostly young males, moved to the cities to seek a livelihood.

Land reform also adversely affected the socio-economic situation of small peasants. Although the small peasants obtained meagre pieces of land through redistribution, some of them later lost it through expropriation by farm corporations and agro-business, and the rest, because of disruption of boneh and lack of government support, were unable to support themselves from their holdings. Most of those affected gave up their lands and moved to urban centers as seasonal or permanent migrants. About 90 percent of peasant migrants in the 1960s and 1970s belonged to this group. In short, after land reform the economy of rural Iran changed the life of villagers, and poverty appeared as a major threat to the peasant's social life. Therefore, rural impoverishment

and peasant alienation were the primary forces of rural out-migration (Kazemi, 1980: 43-45). On the other hand, the positions of the cities in the circulation of capital and new opportunities provided by the development of industry and services made it possible to absorb the "surplus population" created in rural areas. The major force of absorption was the job opportunity in cities and the wide gap between rural and urban incomes, which increased from 4.6:1 in 1959 to 5.6:1 in 1969 and substantially widened in the mid 1970s (Int. Labor Office, 1973: 25). The 1976 census shows that since 1971, an average of 381,000 people have migrated annually from rural areas, of which 97.6 percent entered urban areas (Sadat, 1978: 15). As a result of this huge urban immigration, urban population growth in 1976 reached 4.5 percent compared to 1.1 percent for rural areas, despite the fact that the natural increase (birth rate-death rate) was higher in rural than urban areas.

Construction and manufacturing were two important sources of urban employment for villagers. Between 1975 and 1977, the village migrants accounted for about 15 percent of the entire urban labor force employed in construction. A survey carried out in 1963 in Tehran showed that 68.3 percent of all factory workers had been born in rural areas (Halliday, 1979: 184). Indeed, not all migrant workers were employed and not all those who were employed were permanent workers. Due to their lack of skill, experience, and literacy, their chances of employment were reduced.

One of the important consequences of such rapid migration was the increase in urban demands for food on the one hand and decrease of agricultural production on the other. Considering the specific characteristics of the rural migrants illustrates the reasons that agricultural production declined. First, the age structure of these migrants shows

that over 75 percent of them were under forty years of age, as compared with the age structure of the rural areas, this is a fairly young population (See Table 35).

Table 35. Age Structure of Urban Immigrants and Rural Population of Iran, 1976

Age	Immigration to Urban Areas	%	Rural Population	%
Total	1,369,902	100.0	14,627,975	100.0
5-9	162,204	11.8	3,034,080	20.7
10-19	371,720	27.2	3,916,090	26.7
20-29	496,426	36.2	2,270,145	15.5
30-39	177,449	12.9	1,656,043	11.3
40-49	87,379	6.4	1,660,553	10.6
50-59	43,456	3.2	1,110,584	7.6
60-64	11,400	.9	320,990	2.2
65-Over	19,868	1.4	659,490	4.5

Source: Census of Iran, 1976

As Table 38 illustrates, 36.2 percent of the migrants were in the 20-29 age group, which is twice the number of the same age group found in rural areas. This figure indicates that a young productive population from the rural areas had been transferred from agriculture, whereas the older and very young persons had remained in the villages. The out migration of the young from rural areas (mostly males) substantially reduced the energetic and productive force, which in turn affected agricultural output.

Second, since most of the peasant migrants belonged to subsistence farming, which produced food crops, such as rice, barley, and wheat and relied on family labor for cultivation, the production of such items substantially declined. On the other hand, concentration of more people in urban areas increased urban demand for food.

Another characteristic of rural migrants after land reform is related to a new trend of entire families migrating permanently. Prior to the implementation of land reform, it was the head of the household who migrated for temporary periods and returned to the home village, particularly at the time of cultivation. In addition, he sent or brought remittance to his family. In the case of permanent migration, the peasant took the whole family, that is, the whole unit of production, to resettle in urban areas. The two successive national surveys of 1964 and 1971 showed that in 1964 only 8.8 percent of migrants were dependent family members, whereas in 1971, 62.3 percent were in this category. In the mid 1970s, this trend turned into the emerging phenomena of depopulation of rural areas (Demographic Yearbook of Iran, 1973). The government considered this movement a positive change, with the assumption that the backward rural population would be assimilated into urban modern life. Undoubtedly, if the urban economy was designed in such a way as to enable the economy to absorb the surplus population in industry and other economic activities, it could in fact be considered a positive sign. However, the expansion of slum areas around the large cities, increasing unemployment (See Kazemi, 1980), and the widening gap between upper and lower urban class populations shows that the structure of economic dependency, which is characterized by import substitution (Katousian, 1981), is unable to raise the capacity of

production and absorb migrants into the urban economy.

In short, land reform uprooted the peasants from rural areas where they were skilled in the agricultural production and craft works, and left them in the cities as unskilled workers ready to sell their labor. Overall, this process had a negative effect on both agricultural production and the rural structure.

6.7 The Political Implications of Land Reform

The political context of land reform should be perceived in relation to the state and its attempts to consolidate the power structure. That is to say, as Iranian society was transformed from semi-feudalism to dependent capitalism, the development of a class structure required the reconstruction of an autocratic state. Therefore, the political objective of land reform, along with its socio-economic objectives, was to maintain the new social formation.

The political goals of land reform influenced and shaped the way it was carried out, the time in which it was implemented, the choice of land and areas distributed, the beneficiaries of the program, and whether small or large scale agricultural units were emphasized.

In previous chapters, the political background and considerations that gave rise to the issue of land reform and the rationale of its various aspects were discussed. In this section, an attempt is made to examine the means through which the society was organized to achieve the established political goals: political stability, continuation of the monarch's power under the new social formation of peripheral capitalism, and the restructuring of political power under the Shah's absolute authority. The development of two major processes allowed the

achievements of the above objectives: first, replacement of landlords by a dependent agricultural bourgeoisie as new ally of the state; and second, the expansion of the government bureaucracy over the rural areas.

The first political aspect of land reform was aimed at stabilizing the power structure, as far as the agricultural sector was concerned, and was to construct an alternative class alliance within agricultural production as a foundation for the capitalist system. Although, at first, the main intention of reform was to strengthen the well-to-do peasants and to support the regime, the petty rural bourgeoisie was an inadequate class base for insuring the long term stability of the regime or providing a strong political and economic ally that the Shah could rely on. The rationale of this mechanism lies within the nature of the Iranian regime.

The Iranian state is characterized by a dictatorship, a feature that has dominated Iranian society for decades. By dictatorship, we mean that the society is deprived of developing any democratic institutions such as elections, parliament, local councils, trade unions, and parties representative of the interests of different social classes. Since the interests of the ruling class apparatus interlocked with the foreign capital, due to the nature of dependent capitalism, the development and reinforcement of a dependent bourgeoisie within different sectors of the economy, including the agricultural sector, was the primary long term objective of the Iranian regime. Although the petty agricultural bourgeoisie expanded after land reform, it was unable to protect the interests of the state so as to become a long-run ally of the Shah. That is because the development of the middle class

bourgeoisie required in turn the development of democratic political and economic institutions, which was contrary to the nature of the Shah's regime. At the beginning of land reform, Arsanjani's initiation of land redistribution, with support from his liberal allies, was meant to create an independent middle class peasantry but he was forced to resign. Undoubtedly, acceptance of such a program more specifically required decentralization of bureaucracy, institutionalization of independent economic units of production, and subsequently, reduction of the power of the monarch. Therefore, the process of land reform implementation was in fact an adaptation of stage-managed programs to transform production in agriculture into the hands of the dependent bourgeoisie, a real ally of the dictatorship. As previously discussed, this transformation manifested itself in the development of agro-businesses and farm corporations, to which major national resources were allocated.

The capital of local agricultural bourgeoisie was incorporated with foreign capital and invested in exploiting agricultural resources. However, the dictatorial form of the Iranian regime required all sections of the bourgeoisie to rely on the court. This was achieved through the specificity of the Iranian economy, which allowed Iran to enjoy a high reservoir of oil as a reliable source of state finance and made the state independent from domestic means of production and social classes. However, the state depended on different sections of the bourgeoisie, providing them financial capital in such a way that economic dependence eventually brought about political dependence. In an attempt to develop a dependent agricultural system (e.g. similar to dependent industry), the state became much more in favor of foreign investment in this sector and the creation of a giant unit, rather

than attending to a large segment of small farmers. Moreover, the construction of a huge infrastructure such as dam and irrigation networks, roads, transportation, all were an effort not only to reinforce the dependent agricultural bourgeoisie at the expense of medium and small units of farming but to control them also.

However, the agricultural bourgeoisie was a relatively weak sector of the ruling class apparatus, partly because the government had no interest in relying on agricultural income as a source of revenue, which resulted in the failure of modern agricultural units. This was also in part because the huge oil revenue allowed the state to open the gates for agricultural imports and urban food subsidies.

Therefore, land reform beyond its socio-economic goals, which tended to adapt the new structure of the society to capitalist requirements, was also a political move to strengthen the role of the Shah and hence the power of the dependent bourgeoisie. But the question may be raised as to how land reform allowed the centralization of the state and strengthened the power of the Shah in relation to the rural sector. This was done through the extension of government bureaucracy into rural areas. Indeed, bureaucratization of rural affairs was used as an instrument to control the countryside and integrate them into the government body. The process of central government penetration into the villages was achieved through the establishment of various institutions and the appointment of government agents in rural communities.

The first and largest institutions were cooperative societies, which were discussed in previous sections. Although the major function of the cooperatives was distribution of credits among members,

they also acted as political vehicles, creating dependency among the new social class of petty landowners, and to some extent the small peasants, upon the government. To ensure the effectiveness of cooperative societies, membership was a prerequisite for being eligible to receive land. Since the distribution of credit among the peasants was unequal and was designed to favor the members with the highest incomes at the expense of poor peasants, the cooperatives were not popular among the peasants and did not have a legitimate base in the rural areas. Rather, their power derived from government authority. The cooperative societies were led directly by the Central Organization for Rural Cooperation (CORC), located within the Ministry of Agriculture. The manner in which the cooperatives were managed facilitated the expansion of the government's control over villages. The cooperatives were supervised by an executive council and included three members elected by the entire membership. They were mostly the rich and powerful members. The executive council chose a manager who was the spokesman for the cooperatives. The managers were supervised by government agents called sarparasts who visited the villages regularly and interpreted the government policy for managers (Hooglund, 1982:107). This way of managing allowed whatever policy was designed for villages to become a political concern overseen by top officials rather than villagers themselves. In short, the cooperatives, in contrast to their stated objectives, were a branch of government bureaucracy, rather than self-governing societies, and supported the socio-political interests of the government and not the villagers.

The other agency through which the government dictated its policy was the village council or "anjoman-e deh." The law of establishment

of the village council was passed in 1952 during the Mossadeq era. At that time, there were peasants in control of the council.

Contrary to the idea of western conservatives, who saw it as "unrealistic to expect Iranian villagers to spontaneously organize themselves into local cooperative societies," (Denman, 1973:198), in some parts of Iran, peasants with the support of Mossadeq began to organize their council, select their members, and substantially reduce the power of the landlords (See chapter 3). After Mossadeq, village councils fell again into the control of landlords. This situation lasted until land reform. During the post land reform, the council became part of the political structure of the country. The government's representatives were appointed to organize each council, which selected five prominent peasants to form the council. These members were among the influential peasants and were approved by the government, and the peasants had no role in their selection. Each council was required to levy a two percent tax on each family income and use it for village development (Tahqiqat-e-Eqtesadi, 1967:207-209). The representatives of the government and the five elected members were in charge of collecting taxes and determining how they were to be spent. The peasants again did not have any power in decision making.

The third connection between the government and rural communities was set up through kadkhuda, historically the most powerful man in the village community for his responsibility for collecting dues for the state in the precapitalist period and later for the landlords. His position was relatively independent from the state apparatus and political structure of the society. Land reform reduced the influence of kadkhuda, transferred his power to the government body, and put

him under the supervision of the government. Now the duties of kadkhuda were dictated by the central government as he received authority to provide official seals required for validation of important documents, such as birth, death, and marriage certificates. As a matter of fact, the kadkhuda's major function was in relation to the security of rural areas, to put down local disturbances, and to cooperate with the secret police by providing them information for political security of the villages. Kadkhuda, therefore, was not representative of the villager's interest and his role either before land reform (representing the landlord) or after (a government appointee) was looked upon by the peasants with suspicion.

The government later took more concrete steps to formalize the role of village controller by training and educating people known as Dehyar (village aids). The role of Dehyars was theoretically to guide peasants "in the provision of schools, health facilities and improved roads and water supplies..." and the like (Denmen, 1973:235). Training Dehyar was part of the activity of the Ministry of Interior. The reason that Dehyar was introduced into the villages was that the government had little confidence in kadkhuda or his ability to adopt state's policies at the village level. Dehyars were placed at the lowest rank of the country's administrative level, the dehestan, (after Provincial Governor, Bakhsdar, respectively), and each one had the responsibility of ten villages. Dehyars were given extensive authority to control the kadkhuda, the village council, the members of the "House of Justice" (see below) in order to evaluate their eligibility, and to ascertain "that candidates were loyal supporters of the regime" (Hooglund, 1982:132). Dehyars, in fact, exercised a veto power over rural affairs and were

the connection between kadhuda and the government bureaucracy.

The fourth political institution established in rural areas was Khaneh-i insaf (House of Justice) which aimed to resolving disputes arising from various existing problems in the rural social context. The House of Justice was introduced as an alternative to traditional ways of conflict resolution, mainly in the domain of judicial rights, such as the division of water, land use, debts, or family affairs. The customary tradition practiced already in villages was based on the judgment of rishsefid (white beard), an elder man whose experience and wisdom was recognized by villagers and whose guidance was accepted. The House of Justice attempted to use the traditional structure of the old system while their supervision was brought under the local court of justice (Denman, 1973:248). Nevertheless, the new members of the new organization were very different from the past. The members were the same individuals who served on the village councils, executives of cooperative societies, kadhuda, and a few rich peasants all approved by the government. By 1972, 6480 rural "Houses of Justice" were established throughout the country. Each of them controlled several (two to four) villages (Keyhan International, 1973: 12). Taking an average of three villages covered by each organization, there was an average of about 20,000 villages controlled by these houses up to 1972. With respect to the structure of the organization and characteristics of the members who ran them, their functions were not limited to judicial affairs but were mainly concerned with securing the villages.

The fifth institution introduced into the villages after land reform were Rural Cultural Houses (Khaneh-i Farhang-e Rustaei). The National Association of Rural Cultural Houses was founded in 1968. and

moved to introduce a "new living condition" to village communities. The idea was to "strengthen still further the sense in the village of belonging to a unified nation" (Denman, 1973:250), and, therefore, to introduce universalistic values to Iran, which had historically and traditionally been a culturally diversified nation. The cultural houses, while practicing the traditional customs of producing handicrafts and organizing cottage industries, also contributed to organizing social recreation at the rural level. Television sets were brought to villages, through these organizations to transmit urban life styles and especially government propaganda to village communities. Finally, with the grievous consequences of land reform reflected in economic and social aspects of rural areas, particularly massive unemployment, the cultural houses attempted to play the role of "butter" for those "stiks." For example, one of the tasks of these houses was to develop and extend non-farming commercial crafts for the unemployed villagers and "idle hands" looking for jobs (Ibid:252). Therefore, promotion of "cottage industry" became the task of the new department of the Ministry of Cooperative and Rural Affairs. In facing problems generated by land reform programs, the government's intention was to establish the non-farming crafts to replace the agricultural activities that had been disrupted by its policies. However, massive importation of goods was unable to make village craftwork competitive with their urban and international "counterparts." Nevertheless, in the eyes of the Shah who placed his 10 year old son as the president of the National Association of Rural Cultural Houses, some forms of recreation provided to villagers perhaps were necessary to keep peasants away from the tragedy of "rural development."

Finally, the very widespread organization that penetrated into rural areas was the establishment of several corps. A Literacy Corps, a Health Corps and an Extension and Development Corps were instituted with the army for specific purposes. The draftees who completed secondary school and the university graduates were assigned to villages for a period of fifteen months to undertake medical, educational, and construction projects. These corps were established with the aim "to implement quickly and uniformly various social and economic programs which the Shah had decided to carry out in the rural areas" (Hooglund, op cit:134). As a matter of fact, the main function of corps was to teach the villagers to tolerate and obey the government bureaucracy.

Whether the impact of these people known as "sepahi" was effective in the development of rural areas is questionable. There are some reasons to believe that the impact of these corps on rural areas was not significant despite the fact that more than 120,000 of them served in the rural areas until 1978. First, they were temporarily assigned to the villages and, therefore, had little motivation to adopt long term projects. They were involved in immediate village problems that themselves reflected structural problems. Second, military personnel had a bad reputation within the community and were not welcomed by the villagers. Therefore, the villagers were less cooperative with the sepahi, who were identified with former gendarmerie (the office for the control of rural areas) and the repressive machinery of government. Third, the sepahi did not have capital and financial support to carry out any development program, even in the short run, rather, they forced the villagers to contribute to any development and construction they planned. Such a movement often failed due to extremely poor

economic conditions in the villages. Consequently, the contribution of the corps to village improvement was ineffective. Although the sepahis were military officers, they had to report to a related ministry, i.e., Ministry of Education, Ministry of Health, and Ministry of Agriculture. Therefore, they were also related to civil service employees who worked in the villages. However, in their job performance, the sepahis acted as army officers and abused their power to reinforce their own wills and exploit simple peasant folk (Katousian, 1982:287-88).

In short, the government stationed in villages various agents, institutions and organizations to integrate the villages' social, economic, and political affairs into the government's bureaucratic machine, the main purpose of which was to prevent the villages from gaining socio-economic power and thus political autonomy. Under the cover of "supervision of rural affairs," the government not only could expand its control over the villages, but on some occasions through its agents could organize some of the villagers and gain support for the Shah. For example, in 1971, in response to a series of urban guerilla attacks, which took place at the time that the Shah sponsored the "2500 years celebration of the Iranian Empire," in an attempt to gain support, the Shah called for a demonstration. The Ministry of Land Reform and Rural Cooperatives immediately organized hundreds of thousands of peasants to march in Tehran. As an official of the Ministry explained, without an existing network within the villages, they would be unable to arrange such a huge public show (Personal interview with a high ranking Ministry official, Tehran).

Despite the fact that land reform consequences were unfavorable to the peasants, they still hoped that a shift of socio-economic power

in rural areas might bring "something" for them, because in the history of the Iranian peasantry, the land reform movement was the government's first direct activity in the whole countryside. To the peasants, it was unbelievable to see a movement that enthusiastically called upon them to acquire their rights in the initial steps of land reform, that made harsh attacks on landlords, now come to such a dismal conclusion. The villagers became a tool in the hands of the Shah who attempted to gain political power and security, and they perceived that the fruits of the reform had been picked up by the privileged classes, while they were the main losers. This frustration brought hostility toward the government, which was effective in the mounting revolutionary events of 1979.

7. Summary and Conclusions

Prior to land reform, Iran's social formation was characterized by semi-feudalism. The dual character of the class structure of the society was composed of dominant feudalist and subordinate bourgeoisie relations. The ruling class was composed of the dominant landlord class, traditional bureaucrats who had their origin in the old land owning aristocratic families, and the new but growing bourgeoisie class. The landlords who concentrated the major part of agricultural lands in their hands, controlled the village communities where 70 percent of Iranians resided. The peasants were the largest segment of the population and have been under the social, economic, and political domination of landlords. The peasants worked as share croppers on the lands that belonged to landlords and received about 20 percent of the crops they produced. In addition, the poor peasants provided personal services for landlords including compulsory work without payment. The peasant to a great extent lived in a condition of subjection and had little possibility of redress under the oppression and exploitation of landlords and their agents.

At the international level, the feudals enjoyed the support of the British colonial power, the leading capitalist center in the world up to World War II. This support was primarily due to the position of the British super power in Iran which allowed it to invest in raw material productions, particularly oil, and secure its interest under the dominant feudalist social relation. However, this situation was changed after 1945 when the supremacy of world capitalist power shifted to the United States and subsequently affected Iran's place in the world political economy.

The domination of U.S. power in Iran after World War II was associated with the rapid development of capitalist relations. This development, however, was contradictory to the existing feudalist relations. Indeed, feudalism not only was unfavorable to capitalist development, but it also acted as a barrier to its further development.

In general, the contradiction between the interests of imperialism (the highest stage of capitalism) and the interests of the feudal mode of production may be summarized as follows: first, the social and economic relations under feudalistic formation are not productive and cannot accelerate the accumulation of capital. The feudals spent their wealth in a non-productive way and did not integrate them into the country's economy. Such an attitude was incompatible with the requirements of capitalism, which needed investment for profit and expansion of the market; second, the increasing capacity of production, which is associated with the growth of capitalist relations, requires increasing capacity for consumption. This will be achieved if the majority of the population turn into consumers of manufactured goods. Contrary to this, consumption in a feudal society is confined to limited localized production. Therefore, westernization of the way of life and changing the consumer habits of the rural population was possible through the integration of the rural sector into capitalist relations; third, the rapid dependent industrialization introduced to the country required accessibility to cheap labor. In a feudal society, the majority of the labor force was engaged in agriculture and was out of reach of capitalism; fourth, capitalist development in agricultural sectors required a large expansion of land areas devoted to the cultivation of cash crops and the concentration of production into large units. Moreover, to bring

agriculture into line with the rest of the economy, land and labor need to be brought into the market and exchanged as a commodity. This was not the case in the Iranian agricultural sector, where peasants and lands were still attached and "unfree." Finally, the development of capitalism and the spread of foreign investment in Iran required "stability" and "security" to ensure protection of the circulation of foreign capital. Therefore, feudalism as a system was associated with a limited capacity for production and consumption and was unable to cope with the increasing demands of capitalist reproduction and expansion and hence needed to be eliminated.

Thus, American policy-makers came to the conclusion that they had to adopt a policy in order to preserve their interests in the Third World countries in general and Iran in particular. With the beginning of the Kennedy administration, America placed its emphasis on the "liberalization" of the political economic condition of the Third World, aiming to eliminate feudalism and freeing labor and land under the program of land reform.

In the early 1960s, the United States intended to force the Shah and his government to create some measure of social reform, to restructure the society toward a liberal democracy. This policy was taken under serious consideration during the Kennedy administration, and land reform was suggested to the Shah as a "peaceful revolution." Adaptation of land reform in its initial stage was accompanied by a power struggle between Prime Minister Amini, the American favorite for implementation of the program on one side, and the Shah, who refused to carry out land reform and face the feudals, on the other. However, the Shah was forced to

accept Amini's designation, because he was politically and economically backed by the United States. Amini's agricultural minister, Arsanjani, was appointed to head the land reform program. To him, the issue of land reform was more serious than it was for others, for he had been advocating land reform since the 1940s in order to create an independent peasant land-owning class.

At the beginning of 1962, Amini's government launched the land reform program under the direction of Arsanjani. The political objective of land reform was to break down the power structure of feudalism in the countryside and free the bulk of the peasantry. Socially, land reform aimed at redistributing lands to create a class of prosperous peasants as an independent force to assume responsibility for village affairs. And economically, the goal was to replace subsistence agriculture with capitalist farming and increase agricultural production. The land-reform proclamation signed into law on January 9, 1962, was later known as the first stage of land reform.

The first stage targeted the large land ownership and allowed each landlord to retain only one six dang (whole) village or instead select a fraction of his different villages equivalent to one village of his choice. The rest of his lands were to be purchased by the government in ten annual installments (latter fifteen years). The lands were distributed among the peasants, who were required to pay for it with fifteen annual installments. In the first stage, mechanized lands, vaqf lands, fruit orchards, tea plantations and grazing lands were exempted from redistribution. Thus, some of the landlords by converting their lands to mechanized or fruit orchards were exempt from redistribution. In addition, since

land reform was mainly concerned with the individual owner, the landowner was able to transfer his lands to family members and escape reform. Only the nasaq holders were eligible to receive lands. By September, 1962 (within nine months), 7500 villages or parts of villages were distributed, and Arsanjani became popular among the peasants.

This movement weakened the position of the Shah and, therefore, it became imperative for him to carry out the reform by himself if he wanted to save his power. As the Shah shifted his previous position, the United States also shifted from supporting Amini to supporting the Shah which eventually culminated in the fall of Amini and later Arsanjani. By appointing Assadulah Alam, one of the big feudal aristocrats in the country, as Prime Minister, the social and political goals of land reform also shifted from the development of peasant proprietorship to the retention of a large scale agricultural bourgeoisie, and from "liberalization of political economy" to dictatorship. The Shah began to exercise his power by declaring a "white revolution" which paved the way for consolidation of his power and the formation of a dependent agricultural bourgeoisie.

The second stage which began in 1965 was aimed at distributing the large majority of villages untouched by the first phase. This stage provided five options to the landowner to clear their property situation. They could rent their lands to the peasants for 30 years; sell their lands to peasants; divide them based on the prevailing crop sharing agreement; set up a joint stock company, or purchase the peasants' rights. As a result, about 75 percent of the landlords rented their lands while only 12 percent were willing to sell their lands, and consequently, only 3 percent of the peasants were able to purchase land from the landlords. This

second stage of reform brought more opportunity for landlords to enhance their lands, as the Shah aimed to encourage large-scale units. It permitted even those lands that were mechanically cultivated after the first stage of land reform (after the due date) to be declared mechanized and hence exempt from redistribution. In addition, the size of the mechanized lands, which were limited to 500 hectares in the first stage, extended to an unlimited amount in the second. The first and second stages concluded with the following results: of 2,100,028 nasaq-holders in 1962, 753,258 peasants in the first phase and 213,443 in the second stage (less than one-third of the first stage) acquired lands. More than half of the eligible peasants were unable to receive lands.

As the second stage of land reform brought dissatisfaction and discontent among the peasants, the third stage of reform attempted to convert the tenancy agreement (which had resulted in the second phase) into ownership, but no mechanized lands were included in this transformation. The government issued a new set of regulations in 1968 and enabled the distribution and sale of rented farms to farmers, which required new arrangements for tenancies (30-year leases) and joint stocks. After three years of rearrangement and redistribution of land, about 1,345,253 eligible peasants (the tenants under 30-year leases and joint stock), only 738,119 tenants acquired lands and 607,134 peasants lost the position they had acquired under phase II. However, the main objective of the third stage was the move toward the expansion of large-scale commercial farms and the establishment of new capitalist farm enterprises such as agro-business and farm corporations, which were formulated in the Fourth Development Plan (1968-72).

The three stages of land reform had the following results: first, from 2.4 million household nasaq-holders eligible to receive lands, only 1.7 million, or 53 percent of households, received land, and about 700,000 lost their previous position as land holders. Second, the total amount of land divided among the peasants during the three stages is estimated at 6 million hectares; therefore, the majority of peasants received small plots of lands at a subsistence level, (e.g., 43 percent of the peasants received less than two hectares). Third, the quality of land transferred did not favor the peasants, as the landlords had choice selection of the best lands. Fourth, the peasants did not receive adequate (if any) financial support from the government to cultivate their lands; instead, they lost the supports that they could get from boneh or landlords prior to land reform. The financial difficulties drove the majority of the peasants into debt and in many cases they gave up their lands.

The major significance of land reform was its contribution to the transformation of the agrarian structure and related changes in the social formation. Through implementation of land reform, the semi-feudalist mode of production was eliminated and a new social formation developed that was characterized by a dominant capitalist mode of production. But not all social relations are characterized by pure capitalist relations. Rather, the subsistence and petty commodity modes of production with their own specific characteristic co-existed with the capitalist one.

Transformation of agrarian society through state intervention and its reformist program also changed the class structure and the pattern of land exploitation.

Three major classes developed after land reform: the large landowners (agricultural bourgeoisie), peasant proprietors, and khwushnishin (the landless class). The members of the agricultural bourgeoisie were the former landowners who escaped land distribution and managed to exploit their lands in a capitalist manner. To this new group, new entrepreneurs, who started the capitalist farming, were added after land reform. The second class were peasant proprietors, who were not a homogenous class. They were divided into three distinct classes: the poor peasants with holdings of less than 2 hectares of land, including 40 percent of total village owners who owned 5 percent of all cultivated lands; the middle peasants whose holdings range from 2 to 10 hectares and had access to about 29 percent of the total cultivated lands; and rich peasants, known as agricultural bourgeoisie with holdings between 10 to 100 hectares, who had access to about half of the total cultivated lands. This group included only 17 percent of peasant households. The third category included the khwushnishin population, who did not benefit from land distribution at all. The khwushnishin population were stratified on the basis of their social and economic status. On the top there are prosperous money lenders and shopkeepers, who provided commodities and credits for villagers, and they are known as the rural petty bourgeoisie. After land reform, by removal of the landlords from rural areas and lack of government financial support, the position of the rural petty bourgeoisie was reinforced. In the middle, there were artisans or petty commodity producers including blacksmiths, shoemakers, and carpenters. Land reform adversely affected this group by increasing the money exchange and availability of inexpensive manufactured goods; the traditional hand-made products of craftsmen were undermined. At the bottom, there were

the rural proletariat, whose numbers increased substantially after land reform. The rural proletariat included both agricultural workers who directly contributed to agricultural production and non-agricultural workers who provided personal services in the village. This was the poorest rural group, and land reform took away from them even the semi-security that they had previously enjoyed from protecting villagers and even landlords. To this group of rural proletariat, some *nasaq* holders who did not get land during the land reform or who were forced to give up their land because of lack of support in cultivating it, were added, and this enlarged the deprived group of villagers.

In short, land reform reinforced the position of three classes: the agricultural bourgeoisie at the top, the rural proletariat at the bottom, and a group of rural petty bourgeoisie and peasants in the middle. It was assumed that through further development of capitalism the middle class would dissolve, with the richer members joining the capitalist class and the lower strata becoming rural proletariat.

Land reform also transferred the pre-existing system of land exploitation and gave rise to new farm enterprises that developed during the past two decades. In general, four types of farm enterprises were developed as a result of land-reform implementation. The first enterprise was subsistence peasant farms, which substantially increased after land reform. Lack of government support of such enterprises and inadequate agricultural inputs limited the peasant's production to subsistence level. The second type was semi-capitalist family farming, which was in a better situation than the first enterprise, in terms of the size and quality of land, accessibility to water resources, capital and other agricultural inputs. In spite of insufficient

government support of medium-size farms, they produced the main proportion of food crops for internal consumption. The third type was tenancy farming which prevailed since the agrarian reform. The two important forms of tenancy farming are mogasemeh and tolembekhari. In such an enterprise, the land does not belong to the cultivators, rather the tenant rents it from the owner based on a short-term contract. Most of these farms are run by experienced farmers who increase their yields by using the new technological methods of cultivation. Their production is mainly for market, especially in the form of cash crops and sayfi. The tenant farmers are economically better off than the average peasant.

The last type of farm cultivation is the capitalist one, including commercial farms, farm corporations, production cooperatives and agro-businesses. The major characteristics of these enterprises are high levels of capital investment, use of modern farm technology and wage labor. Production in these farms is for national and, to some extent, international markets. Commercial farms contribute more to agricultural production than other capitalist sectors do, while they receive less support from the government. In spite of the government's tendency to develop modern capitalist farms, such as farm corporations and agro-businesses, by providing capital and other primary means of production, allocating the best fertile land in these sectors, and investing in irrigation networks and other infrastructure, none of these sectors could generate any significant increase in agricultural output. Rather, the creation of farm corporations, which converted individual ownership of land into the ownership of shares, and the establishment of agro-businesses, which have displaced some 50,000

people from their lands, adversely affected peasants' socio-economic conditions and hence agricultural output.

In terms of economic outcomes, land reform never met its objective to increase agricultural production. On the contrary, the extensive importation of foodstuff, which rose to over 24 billion dollars worth during the fifth plan (1972-1977), indicated that the economic objectives of land reform met with complete failure. Prior to the implementation of land reform, Iran was nutritionally self-sufficient. Fifteen years later, Iran imported more than half of its staple food supply. But neither highly capital-intensive projects nor increasing importation of food could properly respond to the growing demands for food. The main reason for the decline of agricultural output lies in the government's policy in respect to maldistribution of resources and mismanagement.

The final outcome of land reform appeared in the massive rural out-migration, especially during 1970. This migration was due to difficulties that had been created for villagers, especially poor peasants and the rural proletariat. The young people, that is the most productive population, left the agricultural sector and joined the urban job seekers. These young migrants, who made up the labor force for subsistence farming, left the burden of cultivation to children and old family members. Agricultural efficiency and production of staple foods declined dramatically. As populations of villages declined through out migration, slums around the large cities became crowded. Poverty increased in urban areas as well as the rural sectors.

Land reform in terms of its (unstated) objectives, that is, the consolidation of power by the Shah and penetration of central authority

into rural Iran, was successful only in the short term. The Shah removed the power of landlords and substituted a class of dependent bourgeoisie whose interests interlocked with the interests of the state. This strategy helped him to consolidate power and concentrate it under his authority. The Shah represented the financially and bureaucratically dependent bourgeoisie, which enabled him to control all economic sectors through financing, subsidizing, and administering. Such possibilities existed because of giant oil revenues. Through adaptation of the land-reform program and state intervention in rural areas and the agricultural sector, the new agricultural bourgeoisie class and even the rural petty bourgeoisie became financially and then politically dependent on the central government. In addition, the government, through the establishment of different offices and appointments of its agent in rural areas, reduced the autonomy of the villagers, expanded its bureaucracy over the countryside, and maintained full control over rural affairs. But maintaining the political stability by negation of the people's autonomy, expansion of bureaucracy, and even force and suppression could not guarantee long-term security. This is what happened to Iran and in contrast to the ideas of many policy makers, the "white revolution" ultimately culminated in the "blood revolution" of 1979.

CONCLUSION

From this study of land reform in Iran, we can conclude, first, that land reform in Iran was essentially a political issue both at the international and national level. This, however, does not mean that the economic dimensions of the program were of secondary importances. In the context of political economy, political purposes also serve economic purposes.

The political purpose of land reform in Iran was to create stability and preserve the status quo. The program came before a period of political upheaval and had as its aim the prevention of revolution. It was instituted to avoid profound structural change in the socio-political system of the country. Therefore, the reform tended to avoid an equitable land distribution and especially, the diffusion of wealth and power. Although the power of the landlords was scaled down by the termination of their control over national and local agricultural policy and the rural community, their lost power was not transferred to the peasants. Instead, power and control went to the state, represented by the Shah. As a consequence of this removal of the landlord's power, some response was given to the demands of the peasants on the issue of land distribution. The effect was temporary relief of the tensions among different segments of the rural population. It is important to note, however, that the centralization of authority and concentration of power by the state limited the reform to those that would be compatible with the survival of the system.

A second finding, which is related to the first, is concerned with the nature of land reform. Sponsored by the United States as a feature of the new foreign policy under the Kennedy administration, land reform

aimed at the expansion of capitalist relations of production in agriculture. In order to overcome the barriers to accumulation and the growth of capital, capitalism, through land reform, changed the patterns of ownership and transferred the power of landlords to the dependent bourgeoisie. This changed the power structure from one based on feudal domination to one based on a dominant dependent bourgeoisie. This process replaced the precapitalist relations of production with capitalist ones; it allowed foreign capitalist investment in agriculture, the circulation of capital, and establishment of the bourgeois class alliance.

These two findings lead us to conclude that the essential factors that caused the implementation of land reform were: First, objective forces which reflected the development of capitalist relations and their requirement for inevitable transformation from a previous set of social relations; and second, the subjective factors, which was a growing political consciousness, coupled with concrete demands of social movements, which forced the government to respond to the situation. This was evident in the growing class struggle and political achievements of democratic forces at both the national and international levels.

The research also indicates that land reform in Iran was a reformist reform which was intended to respond to a critical socio-political situation in the country, and which met only those demands that were compatible with the preservation of the system. Land reform was not, therefore, a "revolutionary reform" which aimed at structural reform through a radical transformation. Land reform in Iran was not implemented by the leadership of the social movement that had demanded reform. Rather, it was introduced by the state, which dominated the existing structure

of social relations, and which shifted its position in response to the objectives and demands of potential and actual social movements. Land reform, therefore, did not meet the interests of the peasants. Instead, it protected the interests of the state within a growing set of contradictions that were developing out of existing class antagonisms.

Finally, land reform in Iran had an adverse effect on the socio-economic situation of rural areas. This included the peasants' standard of living, agricultural productivity and output, and the like. These negative effects were generated by the nature of the reform itself, which: 1) aimed at the concentration of the means of production by a certain social class, rather than attempting to redistribute the land among peasants; 2) centralized political power, rather than democratizing the decision-making process; and 3) created a dependency on foreign products, rather than supporting and protecting domestic agricultural crops.

In conclusion, one of the major circumstances that led to the failure of land reform was the prevention of the development of the forces of production in agriculture. Exclusion of the majority of the rural labor force from production, and their displacement to the non-productive sector, scaled down the potential forces of production, which led to stagnation and underdevelopment in the agricultural sector. Another major circumstance contributing to the failure of land reform was the lack of government support for middle land-owners, who were the main crops producers in the country. Middle land-holders were undermined by intensive capital investment in large scale agricultural enterprise, and above all, by massive importation of foodstuff. The policy led to a substantial decline in profitability to local farmers, who went

bankrupt. Most farmers gradually gave up their land and, along with the landless peasants, left the villages.

In brief, even though the government's land reform program successfully destroyed the pre-capitalist mode of production in agriculture, it failed to contribute to agricultural progress and rural development in Iran.

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