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DEPENDENT CAPITALIST DEVELOPMENT AND
CLASS FORMATION IN IRAN, 1800 - 1970

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NAHAL FOROUZIN

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James B. McKee
Major professor

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DEPENDENT CAPITALIST DEVELOPMENT AND CLASS FORMATION IN IRAN, 1800 - 1970

By

Nahal Forouzin

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ABSTRACT

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This thesis was undertaken in order to determine the sources and causes for the following two phenomena which the author recognized to be the main features of Iran's economy: 1) the underdevelopment of Iran's economy, and the resulting extreme poverty and deprivation of the country's population despite the tremendous wealth received by the Iranian government from Iran's oil resources, and 2) the dependency of Iran upon the industrially developed countries.

It was determined that to understand the roots and totality of the factors responsible for the perpetuation of underdevelopment and dependency, a historical analysis of the class structure of the society, as well as a study of the mechanisms and dynamism of its relationship with the industrially advanced countries of Europe and the United States, is the sine-qua-non for the comprehension of the sources of the problem. In this context, a substantial examination of the theories of underdevelopment and dependency was embarked upon.

The conclusions of the study are that: 1) there is a

direct correlation between Iran's underdevelopment and the development of capitalism in the industrially advanced countries; 2) that this underdevelopment is consciously instituted and fostered by the industrially advanced capitalist countries and a benefactor class in Iranian society; 3) Iran's dependency upon the nations of Western Europe, the United States and Japan for technology, capital, technological advisement, intermediary commodities, etc. is the very basis for the continued underdevelopment of the country's economy; and 4) the indigenous development of Iran's economy and its flourishment will become possible only as a result of a complete termination of this dependency relationship.

To the late Bizhan

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INTRODUCTION

In this work I will analyze the development of capitalistic relations of production in Iran, beginning with its embryonic emergence in the 19th century. In doing so, I will undertake a comprehensive study (in Part II of this thesis) of the socio-economic formation prevailing in nineteenth century Iran, which gave birth to the new mode of production of capitalism. The growth of the new infant was a quite gradual and difficult process however, which never crystalized into full maturity. The totality of relations surrounding the new infant not only prevented the development of all its potentials, but it actually led to its retardation. The sick and crippled economic system that emerged after a transitory phase of semi-feudalism/semi-capitalism was the outcome of this process.

The totality of relations in which the emerging capitalist mode of production was surrounded has two significant aspects: 1) the socio-economic formation prevailing in Iran throughout the 19th century, to which we have already alluded; and 2) the location of Iran within the capitalist world market and its assigned role in the international division of labour.

This second aspect requires serious study. Iran's contemporary history has been bound by a fine thread to the capitalistic world economy. It has been precisely this bondage which has prevented Iran from a natural course of capitalist development and into an auto-centric, self-generating economic system and has led instead to the development of a distorted capitalist development. The result has been a dependent capitalist socio-economic formation.

As such, a theoretical study of colonialism and the effects of colonial relations on the process of the development or retardation of the forces of production, as well as the relations of production in the dominated society, becomes inevitable. I will discuss this in Part I of this thesis. I will, in the course of this study, review and evaluate the classics of Marx, Engels and Lenin on modern colonialism - that is, the dynamics of the set of relationships between an economically advanced country and an economically backward country, as well as examining the works of contemporary theoreticians such as Frank, Amin, Laclau, Cardoso, and Brenner.

PART I

A REVIEW OF DEPENDENCY THEORY

The study of the relationship between the economically advanced countries of western Europe (and later on, the United States and Japan) with the economically backward countries of the world, has preoccupied many scholars who wish to make sense of the nature and dynamics, as well as the consequences, of this mutual relationship in the societies involved in the process.

However, a scientific study of the phenomenon in question should also be a historical one, since the present cannot be understood without a comprehensive study of the past. The origin of the phenomena leaves its trademark and determines the course of the development of the phenomena, unless, as a result of a qualitative change, the very basic terms of the relationship at the point of its commencement are negated.

A historical approach becomes essential especially since the problem in which we are interested is centuries old. It originated in the 1500's when world trade assumed gigantic dimensions unprecedented in human history.

The study of Marx and Engels' classics, as well as those of Lenin, is necessary for any student of historical materialism since many contemporary theoreticians who have addressed themselves to this question have neglected to carefully examine their works.

Our point of departure is the writings of Marx and Engels on the role played by Africa and America in the process of the "primitive accumulation of capital" taking place in the 16th century in western European societies, and their evaluation of the resulting type of relations that came into existence between the then-developing societies of Europe and the backward societies of Africa and America. From there we can proceed to the era of colonialism and the economic patterns which they perceived to be the result of the relation between England, the most developed capitalist country of the world, and China, India and Ireland.

The evaluation of these economic patterns and their effects on the economic (or to be more precise, capitalist) development, on every country in the world, within the framework of the international division of labor, also became important to Marx and Engels, who understood it as essential vis-a-vis the advancement of socialist revolution in Europe.

A classic pattern for the emergence of capitalism and its predominace over the feudal mode of production has as its prerequisite the simultaneous occurrence of two processes:

1) The expropriation from the peasant of his means of production and subsistence and the transformation of the mass of population to wage laborers, and
2) The accumulation of a mass of capital which

> is not based on capital itself but nevertheless progressively realizing it.

This process is known to Marx as the "primitive accumulation of capital." Marx's analysis of the "primitive accumulation of capital" rests upon the assumption of a universal existence of a situation conducive for capitalist accumulation, but does not presuppose the existence of a capitalist mode of production.

Without a large-scale accumulation, capital was doomed to basically remain within the confines of mercantile operations. But technological and scientific innovations in navigation and the increasing strength of the developing European nation-states provided the material conditions conductive for their foreign expansion beyond the boundaries of Europe. This formed the base for the subsequent acceleration of the process of the primitive accumulation of capital.

> The discovery of gold and silver in America, the extirpation, enslavement and entombment in the mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turning of Africa into a warren for hunting of black skins, signalized the rosy dawn of the era of capitalist production. These idyllic proceedings are the chief momento of primitive accumulation.[1]

The "discovery of gold and silver in America," "the looting of the East Indies," and "the turning of Africa into a warren for hunting of black skins," were crucial for the accumulation and enlargement of capital, which made possible the exploitation of wage labourers in domestic markets of Europe, and in turn, the subsequent supremacy of capitalism over feudalism that Marx called the "chief memento of primitive accumulation."

In an accompanying footnote Marx describes the strangulation of primitive accumulation in Italy as a result of not being able to continue its commercial supremacy in the world market.

> When the revolution of the world market, about the end of the 15th century, annihilated northern Italy's commercial supremacy, a movement in the reverse direction set in. The labourers of the towns were driven en-masse into the country, and gave an impulse, never seen before, to the petite culture, carried on in the form of gardening.[2]

The mercantilist phase of capitalist development and its transcendence to the industrial phase required the enlargement of the magnitude of the circulation of commodities in international trade. That in turn required the hunting of slaves from Africa and their deportation to the New World to be first exploited in mines and then on plantations.

It is important to note that even though the way in which surplus value was extracted from the slave was not based on a capitalist mode of production, that is the enslavement of the labour power of a free wage labourer, nevertheless, the plantation system of the New World constituted an integral part of the international trade relations of the emerging capitalist system.[3] It was immaterial whether the commodity was produced in the plantations of London by a British wage labourer, or a Brazilian plantation based on slave labour, as long as the commodity was produced for the expanding world market. The expansion of world trade, the increasing profit, and the enlargement of the capital prompted the subsequent acceleration of the process of primitive accumulation of capital. As a result, the further development of capitalism in Europe only completed its course at the expense of the human and natural resources of the less economically advanced countries of the world, through the employment of brute force and the commission of crimes and atrocities against the aboriginal people.

Marx quotes W. Howit, a specialist in Christianity who wrote about the colonial system:

> The barbarities and desperate outrages of the so-called Christian race, throughout every region of the world, and about every people they have been able to subdue, are not to be paralleled by those of any other race, however fierce, however untaught, and however reckless of mercy and of shame, in any age of the earth. [Marx adds,] The history of the colonial administration of Holland, and Holland was the head capitalistic nation of the 17th century, is 'one of the most extraordinary relations of treachery, bribery, massacre and meanness.'[4]

To provide his readers with an example, Marx continues the discussion with the case of Java where Dutch capitalists engage in a slave-hunting:

> Nothing is more characteristic than their system of stealing men, to get slaves from Java. The men stealers were trained for this purpose. The thief, the interpreter, and the seller, were the chief agents in this trade, native princes and chief sellers. The young people stolen were thrown into the secret dungeons of Celebes, until they were ready for sending to the slave-ships.

He then proceeds by quoting an official report that said:

> This one town of Macassar, e.g., is full of secret prisons, one more horrible than the other, crammed with unfortunates, victims of greed and tyranny fettered in chains, forcibly torn from their

families.[5]

The economic consequences of the pillage of the backward societies of the world are obvious destruction, devastation and depopulation. The population of Banjuwangi, a province of Java that numbered over 80,000 in 1750, was reduced to only 18,000 in 1800.[6]

India is yet another example. The British East India Company not only obtained political rule by invading the country but also acquired an exclusive monopoly of the tea trade.

> But the coasting trade of India and between the islands, as well as the internal trade of India, were the monopoly of the higher employees of the company. The monopolies of salt, opium, betel and other commodities were inexhaustible mines of wealth. The employees themselves fixed the prices and plundered at will the unhappy Hindus. The Governor-General took part in this private traffic. His favourites received contract under conditions whereby they, cleverer than the alchemists, made gold out of nothing. Great fortunes sprang up like mushrooms in a day, primitive accumulation went on without the advance of a shilling. . . . According to one of the lists laid before Parliament, the company and its employees from 1757-1760 got £6,000,000 from the Indians as gifts. Between 1769 and 1770, the English manufactured a famine by buying up all the rice, refusing to sell it again, except at fabulous prices.[7]

This unequal relationship, maintained and perpetuated by the employment of brute force (through the colonial army), was shaped corresponding to the needs of that particular period in the development of capitalism in Europe. Marx correctly concludes that: "The treasures captured outside Europe by undisguised looting, enslavement and murder, floated back to the mother country and were turned into capital."[8] And later, Marx describes the emergence of capitalism onto the world stage in more vivid terms! "If money, according to Augier, comes into the world with a 'congenital blood-stain on one cheek', capital comes dripping from head to foot, from every pore, with blood and dirt."[9]

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At the stage of "primitive accumulation of capital", the dialectical relationship between the emerging capitalist countries of western Europe and pre-capitalist socio-economic formations of the world brought about the development of capitalism in Europe at the expense of the enslavement of aboriginal people and the pillage of their natural resources, Without this enslavement and pillage, the cycle of primitive accumulation could not complete its course. If the most essential ingredients in this process were slaves, raw materials and looting, it was precisely because of the exigencies of that particular stage of capitalist development. What was to be exploited and taken away from the unhappy people of the world was determined by and corresponded to the specific needs upon which further development of capitalism depended.

It was a pivotal necessity that had to be accomplished by any means, even by the application of the most brute force. Here lies the secret to the foundation of the relationship between economically advanced Europe and the economically backward world at the dawn of capitalist production.

The treasures that floated to the mother countries were transformed into capital, and equipped the industrialists with the means necessary to purchase the labour-power of the expropriated free labourers, contributing to the proletarianization of the populace. This further intensified the development of the means of production. Further industrialization at an accelerated pace and the dissolution of the feudal socio-economic formation resulted, leading to the omnipotent supremacy of capital.

New industries sprung up like mushrooms everywhere. At the same time great scientific and technological advances were achieved. European economies were flourishing. Commercial supremacy paved the way for the industrial supremacy of Europe. Thousands upon thousands of pauperized and proletarianized peasants, divorced from their means of production and subsistance, driven off their lands, were to labour hard and long, and be paid meager wages to make the industrial growth of Europe possible. Their labour power was tirelessly exploited in the most inhuman way, only to be congealed in commodities. The increasing level of production well exceeded the level of consumption and the purchasing power of the starving mass of the pauperized people. This over-production necessitated the exportation of goods to foreign markets. As such, the further expansion of world trade enlarged the magnitude of foreign trade and generated more capital. The most backward regions of the world became integrated into the emerging world market. This specific and historic task of the bourgeois society, "the establishment of a world market, at least in the outline, and of production based upon this world market"[10] was accomplished. This task seemed to Marx to be completed by the "colonialization of California and Australia and the opening up of China and Japan."[11] The drive for expansion of foreign markets brought about a new phase in the history of capitalist development. Not only were the economically backward countries of the world to provide the European industries, endowing their economic surplus to foreign capitalists, with the raw materials essential for the production of commodities, but also they had to open their markets to profit-seeking capital. Further destruction and devastation of their economy resulted, and with it, more misery and wretchedness of the people.

Of all countries the cases of Ireland and India are the most striking.

Marx notes that in Ireland between 1783 and 1801 "every branch of Irish industry flourished."[12] He proceeds further by evaluating the 1801 Union (of England and Ireland) as the main destructive force in the industrial life of Ireland. The Union overthrew the protective tariffs established by the Irish Parliament and opened the door for the penetration of British-made commodities and the consequent destruction of the Irish industry which could not meet the challenge of cheaper British commodities. When Engels visited Ireland in 1856, he noted "a total absence of any industry at all. The Irishman knows that he cannot compete with the Englishman, who comes equipped with means superior in every respect."[13]

Not only did the Irish industry that once flourished "in all of its branches" undergo a process of deterioration and final demise, but so did the entire economy. It was demolished and reshaped according to the needs of that particular phase in the development of capitalism in England.

Ireland's agricultural land, productive to the extent that Ireland had a total "monopoly over England's corn supply"[14] was ravaged and turned into pasture land only to provide England with wool and meat: "Wool and meat became the slogan, hence conversion of tillage into pasture. Hence from then onwards systematic consolidation of farms."[15] This process reached such a degree that Marx called Ireland a pasture land of England.

> As to the British bourgeoisie, it has in the first place a common interest with the English artistocracy in turning Ireland into mere pasture land which provides the English markets with meat and wool at the cheapest possible prices. It is equally interested in reducing by eviction and forcible emigration, the Irish population to such a small number that English capital (capital invested in land leased for farming) can function there with "security". It has the same interest in clearing the estate of Ireland as it had in the clearing of the agricultural districts of England and Scotland. The 6,000-10,000 absentee-landlords and other Irish revenues which at present flow annually to London have also been taken into account.[16]

Under the British, destruction of the economy and land evictions forced the migration of the population.

As to the depopulation of Ireland throughout the first part of the 19th century, Engels wrote: "It is estimated that an average of 50,000 Irish arrive each year. The number so far this year is already over 222,000. In September, 345 were arriving daily and in October this figure increased to 511."[17]

But what was to replace the drained-off population? In a letter to Engels, Marx made this dramatic comment: "What can be more ridiculous than to confuse the barbarities of Elizabeth or Cromwell, who wanted to supplant the Irish by English colonists (in the Roman sense), with the present system which wants to supplant them by sheep, pigs, and oxen."[18] The poverty-stricken and starved Irish people were forced to emigrate en-masse to England in order to increase the profits of British industrialists and merchants and to provide the rapidly growing weaving and spinning industries of England with the necessary human and natural resources. But in addition to raw materials, Ireland supplied England with "prostitutes, casual labourers, pimps, pickpockets, swindlers, beggars and other rabble."[19]

The pillage of Ireland to the point of its economic and cultural destruction was only accomplished through the now classic formula, the institutionalization of force.

While in Ireland in 1856, Engels wrote to Marx:

> Ireland may be guarded as the first English colony and as one which because of its proximity is still governed exactly in the old way, and one can already notice here that the so-called liberty of English citizens is based on the

> oppression of the colonies. I have never seen so many gendarmes in any country, and the sodden look of the bibulous Prussian gendarme is developed to its highest perfection here among the constabulary, who are armed with carbines, bayonets and handcuffs.[20]

Naked force was the only means by which an oppressed people who had nothing to lose but their chains could be kept in check. The oppressive situation in which the Irish people were forced to live had to be reinforced and the pillage continued if the prosperity, British-style, was to be maintained and perpetuated. The secret formula of the era of "primitive accumulation of capital" was as efficient in the new era. The developing British economy could only flourish as a result of the destruction of the Irish economy.

The characteristic features of Ireland during the early parts of the 19th century, i.e., its submissive relation to England,were repeated in India in 1853.

> Til 1813 India had been chiefly an exporting country, while it now became an importing one; and in such a quick progression, that already in 1823 the rate of exchange, which had generally been 215 per rupee, sunk down to 21 per rupee. India, the greatest workshop of cotton manufacture for the world since immemorial times, became now inundated with English twists and cotton staffs . . . In 1780 the value of British produce and manufacturers amounted only to £386,152, the bullion exported during the same year to £15,041, the total value of exports during 1780 being £12,648,616, so that the Indian trade amounted to only 1/32 of the entire foreign trade. In 1850 the total exports to India from Great Britain and Ireland were £8,024,000 of which cotton goods alone amounted to £5,222,000, so that it reached more than 1/8 of the whole export and more than 1/4 of the foreign cotton trade.[21]

The formula is as simple as it is appalling. Textile industries that underwent a rapid growth in the late 18th century and early 19th century in England and constituted one of the most important sectors of the economy engaged in foreign trade, needed raw cotton. India was not only a major producer of raw cotton but cloth as well. However this could not concern the British capitalists who could only think in terms of augmenting their raw cotton supply. As such, an entire industry was to be destroyed and native communities broken up. The irony is that through a short process, India was turned into an exporter of raw cotton.

> It was the British intruder who broke up the Indian hand-loom and destroyed the spinning-wheel. England began with driving the Indian cottons from the European market; it then introduced twist into Hindustan and in the end inundated the very mother country of cotton with cottons. From 1818 to 1836 the export of twist from Great Britain to India rose in the proportion of 1 to 5,200. In 1824 the export of British muslins to India hardly amounted to 1,000,000 yards, while in 1837 it surpassed 64,000,000 yards. But at the same time the population of Daca decreased from 150,000 inhabitants to 20,000. This decline of Indian towns celebrated for their fabrics was by no means the worst consequence. British steam and science uprooted, over the whole surface of Hindustan, the union between agriculture and manufacturing industry.[22]

As such an entire industry was destroyed, and with it so many communities whose population faced starvation, misery and wretchedness. For a long time, nothing was to replace the withered away Indian industry. Hence, the depopulation of India. Marx noted that, "England has broken down the entire framework of Indian society, without any symptoms of reconstitution yet appearing."[23]

The problem goes beyond the expropriation of the economic surplus pivotal for further development of the means of production. It goes beyond looting, pillage and depredation. The problem extends to the virtual destruction of a society, arresting its development and recasting it.

Nevertheless, the historical mission of England was accomplished. England became an integral part of capitalist world market, and its production was based upon this world market. How was this accomplished?

> There cannot, however remain any doubt but that the misery inflicted by the British on Hindustan is of an essentially different and infinitely more intensive kind than all Hindustan had to suffer before. I do not allude to European despotism, planted upon Asiatic despotism, by the British East India Company, forming a more monstrous combination than any of the devine monsters startling us in the Temple of Salsette. This is no distinctive feature of British colonial rule, but only an imitation of the Dutch . . .[24]

The backbone of East India Company despotism was a 200,000 strong army, made up of Indians, officered, trained and checked by a 40,000 man English army, free to plunder, loot and kill at will. When the first Indian war of independence erupted in India in 1857, Marx wrote:

> English interference having placed the spinner in Carcashire and the weaver in Bengal, or sweeping away both Hindu spinner and weaver, dissolved these small semibarbarian, semicivilized communities, by blowing up their economic basis, and thus produced the greatest, and, to speak the truth, the only social revolution ever heard of in Asia.[25]

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While the level of capital accumulation was increasing by gigantic proportions as a result of the extraction of surplus value and the transformation of the economic surplus of the non-European world, the now-capitalist countries of Europe were experiencing another internal process which was in a dialectial relationship to the first process and was expediated by it. The enormous growth of industry and substantial investments in industrial undertakings resulted in the creation of increasingly large enterprises with a high concentration of production and capital.

World capitalism in the mid-19th century witnessed several pronounced technological advances resulting in new power sources and higher industrial productivity. Oil and electricity now joined coal to fuel manufacturing plants. The gas engine and the electric motor increasingly replaced steam as the source of industrial power. Steel rails and locomotives made possible the transportation of heavy loads at high speeds, thus reducing the cost of transportation and providing the material conditions for the transformation of local and regional industries into large national enterprises. In turn, the new technological achievements accelerated the process of the concentration of capital and production into ever larger enterprises.

This new trend, the concentration of capital and production, reached such a degree that monopolies were created and were of such a significance that the competitive market was replaced in almost all of its branches by a monopoly market. This trend was simultaneous with and accompanied by the emergence of new sectors of the economy and an internal differentiation of capitalist functions. The emergence of the financial oligarchy (the union of banking capital and industrial capital) and its supremacy over other sectors of the economy marked, to borrow Lenin's words, a "new stage in the development of capitalism", that of imperialism.

> On the threshold of the twentieth century we see the formation of a new type of monopoly. First, monopolist associations of capitalists in all capitalistically developed countries; secondly, the monopolist position of a few very rich countries, in which the accumulation of capital has reached gigantic proportions. An enormous "surplus of capital" has arisen in the advanced countries.[26]

However, this "surplus capital" was not invested and could not be invested in relatively less developed branches of the home market of the developed capitalist countries of Europe due to the impoverishment of the masses, and the faster rate of capital growth than that of the internal market. Needless to say that the surplus capital was never utilized for the betterment of the living condition of the "poverty stricken and half-starved masses of Europe,"[27] since this would have meant a decline in the rate of profit. Capital was to be utilized where the rate of return was the highest, where the profits soared. Thus comes the export of capital to the economically backward countries, where capital is scarce, land is expensive, wages are low and raw materials are cheap. Hence a new chapter in the relationship of the economically advanced countries and the economically backward countries.

The export of capital reached enormous dimensions through the latter decades of the nineteenth century and the early twentieth century.

Table 1: Capital Invested Abroad[28]

(000,000,000 Francs)

Year	Great Britain	France	Germany
1862	3.6	--	--
1872	15.0	10(1869)	--
1882	22.0	15(1880)	--
1893	42.0	20(1890)	--
1902	62.0	27-37	12.5
1914	75-100	60	44.0

The sum total of capital invested before the outbreak of the First World War amounted to 175,000 francs, at the modest rate of five percent which itself yearly augmented 8,000 million francs.* "A sound basis for imperialist oppression and exploitation of most of the countries and nations of the world, for the capitalist parasitism of a

* It is important to note that in the preceeding years, "loan capital" and its rate of return reached such a magnitude that, for many decades to come, the indebtor countries were only making the interest payment of the loans because they were not able to pay back the loans.

handful of wealthy states."[29]

The loan granted to the backward countries of Asia, Africa and Latin America were not only profitable in that the interest was returned back to the mother countries, but also because the capital was to be channelled back into the advanced economies of Europe through the sale of commodities and military hardware to the economically backward countries.

> Finance capital has created the epoch of monopolies and monopolies introduce everywhere monopolistic principles: the utilization of "connections" for profitable transactions takes the place of competition on the open market. The most usual thing is to stipulate that part of the loan granted shall be spent on purchases from the creditor country, particularly on orders for war materials or for ships, etc. In the course of the last two decades (1890-1910), France has very often resorted to this method.[30]

The Brazilian railway network underwent construction by French, British, German and Belgian capital, the necessary raw materials for such an undertaking also coming from the named countries. In return for the 1,000,000 given to Reza Shah, the Russians received the concession for a highway from Julha to Tehran via Tabriz, certain oil and coal mining rights and a revision of the Russo-Persian treaty to raise custom tariffs.

To facilitate this process the tentacles of the financial octopus were to spread throughout the world strangling the vulnerable economies of the subjugated countries.

> In 1904, Great Britain had 50 colonial banks with 2,279 branches (in 1910 there were 72 banks with 5,449 branches); France had 20 with 136 branches; Holland, 16 with 68 branches; and Germany had "only" 13 with 70 branches.

Lenin continues his discussion by noting the American's jealousy of English and German financialists:

> In South America five German banks had forty branches and five British banks had seventy branches . . . Britain and Germany have invested in Argentina, Brazil, and Uruguay in the last twenty-five years approximately four thousand million dollars and as a result together enjoy 40% of the total trade of these three countries.[31]

Lenin concludes this section on the "export of capital" by asserting: "The capital exporting countries have divided the world among themselves in the figurative sense of the term. But finance capital had led to actual division of the world."[32]

But the division of the world that reached its highest stage before the First World War was not undertaken "out of any particular malice". The unavoidable necessity for huge deposits of raw material which became quite diversified as a result of the diversified production and the large scale in which production was taking place, and the demand for foreign markets in which commodities were to be sold and big sums of profits obtained, necessitated the demand for markets. More, with the technological innovations taking place mostly in Germany, the United States and Japan - whose points of departure were based on a relatively high organic composition of capital, England, whose hegemonic position was for long established vis-a-vis other capitalist countries, was to face new rivals in search of deposits of raw materials and untapped markets. Hence the mad scramble for the coloni-zation of more land and people. Hence the infliction of poverty, misery and starvation on the colonial and semi-colonial people. Hence the intensification of oppression and the perfection of the repressive apparatus.

As to the development of the practical division of the world, A. Supan, a geographer, gives this brief summary.

Table 2: Percentage of Territory Belonging to the European Colonial Powers . . . (Including the United States)

	1876	1900	Increase or Decrease
Africa	10.8	90.4	+79.6
Polynesia	56.8	98.9	+42.1
Asia	61.5	56.6	+ 5.1
Australia	100.0	100.0	--
America	27.5	27.2	- 0.3

"The characteristic feature of this period is therefore, the division of Africa and Polynesia."[33] To this Lenin adds,

> As there are no unoccupied territories - that is, territories that do not belong to any state - in Asia and America, it is necessary to amplify Supan's conclusion and say that the characteristic feature of the period under review is the final partitioning of the globe . . .[34]

However Lenin immediately concedes that:

> Final not in the sense that repartition is impossible; on the contrary, repartitions are possible and inevitable - but in the sense that the

> colonial policy of the capitalistic countries has completed the seizure of the unoccupied territories on our planet. For the first time the world is completely divided up, so that in the future only redivision is possible, i.e., territories can only pass from one "owner" to "another" instead of passing as ownerless territory to an "owner".[35]

History proved Lenin to be correct. Two world wars, a crystalization of inner-imperialist contradictions and rivalry for the invasion and occupation of more land, markets, and raw material, transferred some territories from one owner to another. As Lenin predicted, some "owned" territories seized the opportunity and emancipated themselves from any "owners" at all by embarking on the path of socialism and national democratic revolutions.

The transition from competitive capital to monopoly capital was intensified by the partitioning of the world which itself was only accomplished through force for the proclaimed purpose of more markets, more raw materials and more profit.

In 1895, Cecil Rhodes, a millionaire, a king of finance, and the invader of Zimbabwe, expressed his intentions as well as what he thought should be the foreign policy of England when informing his friend, the journalist Stead, of his views:

> I was in the East end of London (a working class quarter) yesterday and attended a meeting of the unemployed. I listened to the wild speeches, which were just a cry for 'bread! bread!' and on my way home I pondered over the scene and I became more than ever convinced of the importance of imperialism . . . My cherished idea is a solution for the social

> problem, i.e., in order to save the 40,000,000 inhabitants of the United Kingdom from a bloody civil war, we colonial statesmen must acquire new lands to settle the surplus population, to provide new markets for the goods produced in the factories and mines. The Empire, as I have always said, is a bread and butter question. If you want to avoid civil war you must become imperialist.[36]

Cecil Rhodes could well see the coming crisis of British capitalism and with that, (if not supplied with foreign markets) the decline of productive activities, the decrease in real wages, swelling unemployment, the intensification of class contradiction and escalation of class struggle to the degree of a "bloody civil war".

And what did he suggest to secure British capitalism from the impending crisis? Imperialism! of which he understood to be the annexation of more land and the expansion of colonial policy.

It was within this context that the relationship between capitalist countries at their imperialist stage and the economically backward countries of the world was defined: the world was to provide the essential ingredients of the European industries while capitalist Europe continued large scale production by exporting commodities and surplus capital to vast markets created around the globe. The export of surplus capital became the new item of the trade protocols. But the introduction of this new item accelerated the development of capitalism in the capital-exporting countries. Hence, a limited process of industrialization was to occur in backward countries of the world. It was limited since it was confined to branches most essential for the production of raw material and their transportation to Europe. The construction of railroads and other communication facilities (telegraph lines, telephone networks), the building of roads and dams, and the introduction of modern technology for the extraction of minerals and other raw materials was undertaken to facilitate the process of surplus transformation to metropolitan Europe. Thus another chapter was added to the economic and political submission of colony to metropolitan Europe.

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While representing a higher stage in the development of capitalism, imperialism (finance capital and its monopoly stage) also marked the beginning of a new stage, that of its decomposition. The periodic crises of capitalism were to take on a new significance. Unlike the previous periods, the crisis that began in 1914 and continued until the early 1940's (with a short interval in the mid 30's) not only failed to produce a new wave of expansion but also reflected itself in an inter-struggle between the imperialist powers for the repartition of the world, already entirely occupied by capital. A few important processes must be noted here:

1) The liberation of vast regions of the world from the orbit of imperialist capital, during the course of this crisis and hence, the solution of this crisis within a much

narrower geographical framework.

2) The fact that, during and between the wars which had preoccupied the imperialist powers and had geared production to the most essential needs of the war industry and hence a slowdown of foreign investments, the local bourgeoisie of many colonies and semi-colonies undertook projects of industrialization and through the intervention of the state financed feeble industries, almost at the level of bankruptcy due to their disadvantageous position vis-a-vis the foreign-manufactured commodities. Such projects fostered to an even greater degree the development of capitalism already accentuated by the export of capital in the previous stage.

A national bourgeoisie was able to develop in accordance with the previous level of capitalist development in each country. The advance of proletarian revolutions and national liberation movements on the one hand, and on the other hand, a national bourgeoisie which was to resist imperialist penetration in an effort to secure better and more favorable terms for itself, was the new context in which the new relationship between the metropolis and the dominated countries was to be defined.

"Capitalism continued its development by deepening rather than broadening its penetration."[37]

Realizing that a) between the two world wars and the period immediately following World War Two there had already begun a more or less systematic establishment of light industries in the colonies and semi-colonies springing from the necessity to find substitutes for manufactured goods previously imported from the metropolis and b) relying upon the scientific and technological innovation in electronics, computer systems, atomic power, aerospace, etc., distinguished in their higher rate of organic composition of capital and "rendering out of date the classic forms of production" it became not only advantageous but also a prime necessity for the imperialist metropolis to assume the initiative and "leadership" in further "industrial development" in the economically backward countries of the world undergoing capitalist development (on which much has been written and which we shall discuss shortly). This ignited the process of manufacturing which soon spread to areas previously reserved for the production of food and raw materials, hence bringing about a more complex international division of labor. Capitalist relations of production were extended and accentuated on a world scale as a result of this new division, rapidly asserting dominance over archaic modes of production and as such facilitating the development of the proletariat and bourgeoisie on the new areas and with this a new and more sophisticated form of capital accumulation came to the fore and a new chapter in international relations was commenced. It was in response to this new trend that the controversy around "development", "underdevelopment", "dependency" and the relationship between metropolis/satellite, core/periphery, imperialist/dependent started.

Table 3: Direct Investments of the United States[38] in Manufacturing as a Percentage Total of Investments, 1929-1968

YEARS	ARGENTINA	BRAZIL	MEXICO	TOTAL FOR LATIN AMERICA	OTHER COUNTRIES
1929	25	24	1	7	4
1940	20	29	3	8	3
1946	39	39	21	13	6
1950	45	44	32	18	7
1952	50	51	43	21	1
1955	51	51	45	22	7
1956	51	50	46	22	8
1959	43	53	47	17	7
1960	45	54	49	19	8
1961	43	54	50	20	7
1962	51	56	51	22	8
1963	55	59	55	24	8
1964	57	67	59	26	9
1965	62	67	64	29	11
1966	63	68	64	31	12
1967	63	67	66	32	13
1968	64	69	68	34	14

As is always the case when the metropolitan bourgeoisie formulates its new economic policy via the "backward countries" of the globe, the stage was set for bourgeois theoreticians to wrap up the new formula in gold foil. Sociologists were to clothe the new policy in luminous justifications and make it viable for scientific consumption while the economists enlightened us by simplifying and popularizing the problem, since their intellectual product was to be delivered for public consumption.

This time the stage was the Economic Commisssion for Latin America where the bourgeois theoreticians were to "discover" the reasons by which Latin America, as well as many countries of Africa and Asia, had remained "backward" and "underdeveloped". They held that Latin America was experiencing a process of industrialization similar to that of 18th century Europe, and therefore, they advocated the development of these underdeveloped countries and, within them their most underdeveloped areas would become open to this new pattern and should be "stimulated by diffusing capital, technology, value institutions, etc., to them from the international and national capitalist metropoles."[39] To the ECLA's theoreticians the evident poverty and income differences as well as cultural differences were manifesttations of "dual economies" and dual societies at work in Latin America, independent from the other with its own history and structure. They conceded that only one part of the society and economy had been substantially affected through its contact with the outside world and that that constituted the basis for its relative development, while the other part remained isolated, subsistence based and, hence, underdeveloped. Their solution was, obviously, more contact with the "outside world".

This was the way in which new-colonial policy corresponding to the needs of this particular stage of the development of imperialist capitalism was elaborated, justified and exonerated. The bourgeoisie had to be challenged and debunked at a theoretical level. It was to this end that Andre Gunder Frank embarked upon his article The Development of Underdevelopment, the first critique of the ECLA's fundamental assumptions as well as their propositions.

In The Development of Underdevelopment, Frank argued that

> . . . our ignorance of the underdeveloped countries' history leads us to assume that their past and indeed their present resembles earlier stages of the history of the now developed countries. This ignorance and this assumption lead us into serious misconceptions about contemporary underdevelopment and development. Further, most studies of development and underdevelopment fail to take account of the economic and other relations between the metropolis and its economic colonies throughout the history of the world-wide expansion and development of the mercantilist and capitalist system. Consequently, most of our theory fails to explain the structure and development of the capitalist system as a whole and to account for its simultaneous generation of underdevelopment in some of its parts and of economic development in others.[40]

In The Development of Underdevelopment as well as his Capitalism and Underdevelopment in Latin America (where he goes into more detail and provides his reader with a comprehensive analysis of the process in which Latin America was turned into an underdeveloped society) Frank discusses the factors that lead to the underdevelopment of Latin America.

> It is generally held that economic development occurs in a succession of capitalist stages and that today's underdeveloped countries are still in a stage, sometimes depicted as an original stage of history, through which the now-developed countries passed long ago. Yet even a modest acquaintance with history shows that underdevelopment is not original or traditional and that neither the past nor the present of the underdeveloped countries resemble in any important respect the past of the now-developed countries. The now-developed countries were never underdeveloped, though they may have been undeveloped.[41]

Frank traces the relationship between Latin America and the metropolitan Europe to the fifteenth century, when Latin America was a provider of raw materials for the developing European economies (development in the capitalist sense of the word) and discusses the way in which Latin America's economic surplus was extracted and transformed to the metropole.

> My study of Chilean history suggests that the conquest not only incorporated this country fully into the expansion and development of the world mercantile and later industrial capitalist system but that it also introduced the monopolist metropolis-satellite structure and development of capitalism into the Chilean domestic economy and society itself. This structure then penetrated and permeated all of Chile very quickly. Since that time and in the course of world and Chilean history during the epochs of colonialism, free trade, imperialism and the present, Chile has become increasingly marked by the economic, social, and political structure of underdevelopment. This development of underdevelopment continues today, both

> in Chile's still increasing satellization by the world metropolis and through the ever more acute polarization of Chile's domestic economy.[42]

Frank argues that underdevelopment is an indispensable condition for the occurrence of development at the center, alluding to the historic process through which the exploitation of human and natural resources of Latin America facilitated the development of capitalism in Europe passing through the phases of primitive accumulation, the pre-imperialist phase, imperialism and the second phase of imperialism. On this basis, he further argues that underdevelopment is inherent in the expansion of capitalism.

> The metropolis expropriates economic surplus from its satellites and appropriates it for its own economic development. The satellites remain underdeveloped for lack of access to their own surplus and as a consequence of the same polarization and exploitative contradictions which the metropolis introduces and maintains in the satellite's domestic economic structure. The combination of these contradictions, once firmly implanted, reinforces the process of development in the increasingly dominant metropolis and underdevelopment in the ever more dependent satellites until they are resolved through the abandonment by one or both interdependent parts.[43]

Thus, development and underdevelopment are caused by the same mechanism and are indeed, according to Frank, two sides of the same coin. They manifest the contradictory nature of one process, that of capitalist expansion, wherein the metropoles expropriate the surplus of the satellites and use it for their own development. This process of siphoning off the surplus deprives the satellites of access to "their own" surplus. Second, it is through this process that Latin America has become underdeveloped. The fact that Latin America has been capitalist since the sixteenth century, according to Frank, has subjected it to exploitive contradictions which were introduced and sustained by the metropoles. To refute the thesis that the solution to the underdevelopment of Latin America is more contact with the "outside world", Frank asserts,

> There surely are no major regions in Latin America which are today more cursed by underdevelopment and poverty, yet all of these regions, like Benegal in India, once provided the lifeblood of mercantile and industrial capitalist development in the metropolis. These regions' participation in the development of the world capitalist system gave them, already in their golden age, the typical structure of underdevelopment of a capitalist export economy. When the market for their sugar or the wealth of their mines disappeared and the metropolis abandoned them to their own devices, the already existing economic, political and social structure of these regions prohibited autonomous generation of economic development and left them no alternative but to turn in upon themselves and to degenerate into the ultra-underdevelopment we find here today.[44]

Contrary to the ECLA's manifesto, Frank further argues that a self-generating process of capitalist development, that is the construction of industrial projects corresponding to the overall scheme of capitalist development in Latin America (also true in the case of Iran to which I shall address myself later), occurred at a time when Latin America was experiencing a limited isolation via the capitalist metropole.

> Apart from the minor ones, five periods of such major crises stand out and are seen to confirm the hypothesis. These are: the European (and

> especially Spanish) depression of the seventeenth century, the Napoleonic Wars, the First World War, the Depression of the 1930's, and the Second World War. It is clearly established and generally recognized that the most important recent industrial development - especially of Argentina, Brazil and Mexico, but also of other countries such as Chile - has taken place precisely during the periods of two world wars and the intervening depression.[45]

As such, Frank asserts that the new trend in the economic policy of the imperialist metropole towards the satellite societies of Latin America is the modern version of the classic relationship, different only in form. He argues that as long as Latin America is subordinated to the imperialist metropole as a satellite or a group of satellites, their development is only a satellite development corresponding to the whims and wishes of the metropole, and thus, is neither autonomous nor self-generating. Hence he concludes that the perpetuation of this subordinate relationship "blocks off" development in the periphery.

Even though it is worthwhile to note Frank's contribution to the understanding of the mechanism inherent in the relationship between the metropole and the economic colonies, Frank neglects to set as his point of departure a thorough analysis of the socio-economic formations prevailing in the Latin American societies before their colonialization, let alone the substantial trademarks it leaves on these societies. Frank also asserts that Latin America has been capitalist since the 16th century. This is obviously an erroneous thesis. Latin America has not been capitalist since the 16th century since capitalism had not even fully developed in Europe, which was experiencing the period of mercantile capitalism. This period of mercantile capital, even though instrumental in the overall history of capitalist development does not imply the predominance of capitalist relations of production proper.

In his critique of Frank's works, Ernesto Laclau is correct in contending that Frank's imprecise use of these concepts is due to his failure to use the concept of the mode of production as a unit of analysis, which must preclude any concrete analysis of class forces in a historical setting.

Frank totally disregards the concept of the "mode of production" and as such, to illustrate the capitalist nature of Latin American societies, he confines himself to the sphere of exchange, which, although necessary, is not the sufficient condition for the development of capitalist relations of production and its final predominance over pre-capitalist modes of production. Consequently, the conquest of Latin American countries in the 16th century and their transformation into a group of satellites, whose internal production became oriented towards the demands of the metropolitan economies and facilitated entrance of Latin American economies into the world capitalist market, makes it sufficient for Frank to conclude that Latin America has been capitalist since the 16th century.

To illustrate the process of capitalist development, one has to start with a concrete analysis of the concrete situation in which, during a historical process a) the laborer becomes separated from his means of production and subsistence, and the transformation of these means into capital at one pole, and the mass or population to wage laborers at the opposite pole, and b) the accumulation of a considerable mass of capital in the hands of a sector of the population.

It then becomes clear that such a process takes place at two levels, that of production as well as that of exchange. Frank's thesis is not well sustained since he never addresses himself to the most fundamental conditions of capitalist development.

> . . . otherwise with capital. The historic conditions of its existence are by no means given with the mere circulation of money and commodities. It can spring into life only when the owner of the means of production and subsistence meets in the market with the free labourer selling his labour-power. And this one historical condition comprises a world history. Capital, therefore, announces from its first appearance a new epoch in the process of social production. . . [46]*

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* Robert Brenner, a British historian, in his well known article "The Origin of Capitalist Development: A Critique of Neo-Smithian Marxism" asserts that, unlike Frank, he does not understand development and underdevelopment as a result of the transformation of surplus from Latin America to the metropolis. Rather, economic development is a qualitative process which has its origins in the development of the productivity of labor, the development of the direct producers of the means of production. He further explains that this development was tied to and made possible by the emergence of capitalism, which supplied the producers with the highest level of technology available.

> The resulting overall class structure of production and reproduction made possible an unprecedented degree of correspondence between

Had Frank addressed himself to this very important process that occurs in the sphere of production, he would not have dismissed the existence of the feudal mode of production in Latin America, which, even though geared to foreign markets, had co-existed for a long time side-by-side with the developing capitalist mode of production. In asserting that Latin America has been involved in a feudal relationship of dependence, Laclau asks Frank:

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> the needs of surplus extraction and the continuing development of the productive forces through accumulation and innovation, especially in agriculture, by way of the application of fixed capital on the basis of increasingly cooperative labor. The original emergence of capitalist development is, therefore, incomprehensible as a phenomenon of "money", "trade", the "production of commodities" or of merchant capital. The very significance of these forms depends on the class structure of production with which they are associated. They perform indispensable functions in production and reproduction under capitalist social productive relations. On the other hand, by themselves, by their "self development" (the widening of commodity production alone) they can not bring about the emergence of capitalist social production relations and a pattern of economic development in response to the demands of profitability on the market.[47]

In so far as Brenner's intention is to demonstrate that the "self-development" of trade and "mercantile capital" should not be confused and equated with the development of capitalist productive relations proper (since these are developments in the sphere of exchange and not of production) his argument is sound and there is no basis for disagreement. However, in criticizing Frank, whose unilateral emphasis is on the developments in the sphere of exchange, Brenner extends his argument to the opposite extreme - unilateral emphasis on the sphere of production and a total lack of analysis as to the developments that must happen in the sphere of exchange.

"Did the structural conditions of capitalism exist in 16th century Europe when the process of capitalist domination started in Latin America? Could we consider free labor to be the rule then?" He immediately forwards his own answers to the question:

> By no means. Feudal dependence and urban handicrafts remained the basic forms of productive activity. The existence of a powerful commercial class which greatly enlarged its stock of capital through overseas trade did not in the least modify the decisive fact that this capital was accumulated by the absorption of an economic surplus produced through labor relations very different from those of free labor.[48]

Frank neglects to elucidate the complex process of capitalist development in Latin America, where the emerging capitalist mode of production was bound to co-exist for a long time with that of the feudal mode which did not constitute an obstacle to production for the world market. Feudalism was actually consolidated as a result of participation in the world market.

> . . . This pre-capitalist character of the dominant relations of production in Latin America was not only not incompatible with production for the world market but was actually intensified by the expansion of the latter. The feudal regime of the haciendas tended to increase its servile exactions on the peasantry as the growing demands of the world market stimulated maximization of their surplus. Thus, far from the expansion of the external market acting as a disintegrating force on feudalism, its effect was rather to accentuate and consolidate it.[49]

Laclau, in agreement with Frank, is clear in his refutation of the fact that many imperialist dominated economies of the world experienced a long phase characterized by the co-existence of pre-capitalist modes of production and that capitalism is by no means comparable with the concept of "dual societies" presented by bourgeois theoreticians. The "modern sector of the economy" came into existence only as a result of foreign penetration in and economic subjugation of the "backward" countries. Its creation has been to the detriment of the economy whose surplus is drained off and transmitted to the metropolitan societies.

However, since Frank's analysis of the causal process of the development of underdevelopment in Latin America does not, in a specific and detailed manner, take the mode of production into consideration, the class structure of the dominated countries of Latin America and with that the complex nature of the forces responsible for the conservation and perpetuation of the dependent structure, never becomes quite clear.

Frank's failure to discuss the class structure of Latin American societies, (the structure in which the totality of the production and reproduction of the social means of production and subsistence takes place, and the position of each class via this process) and his unilateral emphasis on the part played by the metropolitan bourgeoisie, has made his work the subject of criticism on this point also.*

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* The neglect to discuss the relations of production in the dominated societies, and to confine the analysis to the exploitation of the peripheral societies by the

In this connection, Brenner's criticism of Frank is probably the most famous.

Brenner contends that the extension of the market and market relations to the newly incorporated areas in order to stimulate commodity production in these areas cannot determine a pattern of underdevelopment. Underdevelopment was caused, Brenner explains, by low productivity of labor in the periphery which was kept at a minimum by maintaining the costs of labor and the subsistence level of the labor force at low levels. This resulted, according to Brenner, in limiting the growth of a market for capital and consumer goods, thus limiting it to the consumption of luxury goods by the privileged minorities.

In other words, the development of underdevelopment

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metropolitan countries, without incorporating into the analysis the class structure of both the dominated and dominating societies can lead to political conclusions with serious repercussions. Arghiri Emmanuel, whose work Unequal Exchange discusses the relationship between the underdeveloped countries and the developed countries, mainly stays at the level of unequal exchange, without a serious incorporation of the class structure of the two societies into his analysis. This has recently led him to the political conclusion that the contradiction between the proletariat and the bourgeoisie is now replaced by one between the "rich" and the "poor" countries. The translation of such a conclusion in practice is to side with the reactionary and comprador bourgeoisie of the peripherial countries and to stand against the exploited classes of the metropolis. It is one thing to say that the super-exploitation of the working masses strengthens the metropolitan bourgeoisie and "makes it economically possible to bribe the upper strata of the proletariat and thereby foster, give shape to and strengthen opportunism."[50] It is quite a different thing to say that the proletariat class has become bourgeoisified.

was rooted in the class structure of production based on the extension of absolute surplus labor, which determined a sharp disjuncture between the requirements for the development of the productive forces (productivity of labor) and the structure of profitability of the economy as a whole. On the one hand, this class structure determined a general antagonism between the demands of profit-making and the development of the productive forces in the fields subject to world market demands, by discouraging the advance of all fixed capital and undermining the development of the skill, since production was based on forced labor (while low payments to labor power encouraged the adaptation of labor-using techniques). On the other hand, it determined a generalized lack of profitability for the remainder of the economy, precisely because this was generally compelled to support export production through "contributing" cheap or free labor power and means of subsistance (by way of forced levies), without receiving any investment to raise labor productivity. Thus, the "subsidizing" of the "export sector" was generally accomplished on the basis of the intensification of various forms of peasant production; and this, in turn, posed powerful barriers to development throughout the economy, through making difficult the application of fixed capital and the rise of cooperative labor, as well as, more generally, the full emergence of labor power as a commodity.[51]*

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* Charles Bettleheim's contribution to the understanding of this question merits attention. Even though he is not very clear and precise in explaining the mechanism by which the process of "underdevelopment" of dominated countries occurs, and himself concedes that "the complete explanation remains to be worked out," Bettleheim's view is diametrically different from those who explain this phenomena by merely focusing on the crude state of the development of the productive forces in the peripherial societies.

This implies a complex domination, which is economic, political, and ideological. It entails an international division of labor that renders inevitable a polarized development of the world's productive forces: a relatively rapid development of the productive forces of the already more advanced countries, which are the dominant ones, and a relatively slow development of the productive forces of the still

It almost appears as if our critical critic is not even familiar with the nature of the problem he is to criticize. Frank's whole argument is based upon the fact that the colonialization of Latin America, that is, its pillage by the metropolitan bourgeoisie, was the main factor for Latin America's underdevelopment, not its undevelopment. Frank quite clearly concedes that Latin American societies were "undeveloped", and the type of "development" that has taken place (development according to ECLA's definition) - the economic invasion of the continent by metropolitan Europe (and later by U.S. capitalist interests) and the transformation of Latin America into a group of satellite states, complementing the demands of the capitalist metropole, the nature of which is determined by the particular phase of the metropole's capitalist development, constitutes the corner stone of understanding Latin American society's

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> poorly developed countries, which are the ones dominated. It thus entails the expanded reproduction of economic inequalities. This polarized development results, first and foremost, from the domination of the world by capitalist production relations, which gives rise to a certain productive force of the poor countries. The material basis of this expanded reproduction of economic inequalities is constituted by the conditions favorable to a rapid development of the productive forces that appeared with the development of machine production in the series of other elements (themselves rooted in the nature of the industrialized capitalist countries), which I shall discuss later, have emerged to reinforce, at the economic level itself, the tendency for economic inequalities to increase.[52]

"underdevelopment".

On this issue Frank could never be more clear:

> Yet even a modest acquaintance with history shows that underdevelopment is not original or traditional and that neither the past nor the present of the underdeveloped countries resemble in any important respect the past of the now developed countries. The now-developed countries were never underdeveloped, though they may have been undeveloped.[53]

Even though Brenner is correct in conceiving Frank's analysis to be imperfect and inadequate, since the central concept of <u>class structure</u> is not incorporated into the early writings of Frank, he errs the minute he begins his own analysis. On this subject too, Brenner ends up at the other extreme as Frank. If Frank's analysis only takes one aspect of the problem into consideration, the expropriation of economic surplus by the metropole to the detriment of the local economies of Latin America, Brenner totally ignores the surplus drain-off as a "contributing" factor to the economic "block off" of Latin American societies. On Ireland, after its invasion by England, Engels wrote: "The more I study the subject, the clearer it is to me that Ireland has been <u>stunted</u> in its development by the English invasion and thrown centuries back."[54]

Brenner does not conceive of the deteriorating effects of the colonialization of Latin America on Latin American economies, and the dialectical relationship between the internal class structure of a dominated society and the dominating society. The consolidation of the feudal mode of production and "the intensification of various forms of peasant production" was not only due to the lack of fixed "capital", "skill", "labor using techniques", etc., but also the domination of "backward economies" by the metropoles.

In the colonies where colonial powers rule openly, the natural and human resources are exploited in such a severe way that societies are "thrown centuries back". The extraction of economic surplus and the expropriation of the surplus value of the colonies not only hinders the development of the forces of production, but also restructures the entire economy in a particular way.* The development of

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* Since historically in dominated countries "modern production has neither been ignited from, nor directed towards the demands of the internal market and has not been based upon a genuine overall strategy for economic development, but primarily geared for the world market, it has resulted, according to Ernest Mandel, in a

> completely one-sided economic development, limited to the production of a small number of products or even of a single product (monoproduction, monoculture). In Chile, the tax on sodium nitrate exports provided, on an average, half of the state's revenue between 1880 and 1930; after that, copper took first place. In Cuba sugar is the backbone of the economy; in 1937 it accounted for 78.7 per cent of the value of all exports. In the same year, exports of tin from Bolivia made up 70 per cent of all exports. This percentage is still higher in the case of cotton exported from Egypt, the Sudan and Uganda, of oil exported from Venezuela, Iraq, Saudi Arabia, Kuwait and Qatar. Coffee provided in 1955 69 per cent of Guatemala's exports and 84 per cent of Colombia's. In the same year bananas made up 74 per cent of Panama's exports, and coffee and bananas together 72 per cent of exports from Honduras, 75 per cent of those from Ecuador, and 87 per cent of those from Costa Rica. Ground-nuts and products derived from them represented 85 per cent of Senegal's exports, and

capitalist relations of production in the colonial societies occurs in a gradual and supervised way. The economy of the colonial countries "becomes the compliment of the capitalist economy of the metropolitan countries and is developed only within the limits set by this function."[55]

As to the semi-colonies, where there is no overt political and military domination, the metropolitan bourgeoisie endows a small royalty to the feudal lords while a sector of the nascent bourgeoisie receives a commission for the sale of imported goods and the export of the raw material, only to the detriment of the other sector of the bourgeoisie whose competing position vis-a-vis the metropolitan bourgeoisie is almost nil.

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> coffee and cacao 85 per cent of those from the Ivory Coast. In Malaysa exports of rubber and tin accounted in 1939 for over 80 per cent of that total figure. In Greece, tobacco provided between 55 per cent and 60 per cent of all exports in the inter-war years. India . . .

Mandel concedes that:

> monoculture and monoproduction make these countries strictly dependent on the international business situation, and entail a number of economic and social defects: a fundamental instability in the economy, which is subject to sudden fluctuation, repeated bursts of inflation and increases in the cost of living; substantial periodical unemployment; serious disturbance of the country's ecology through soil-erosion; over-exploitation of the soil, causing its exhaustion; undernourishment of the population owing to the excessive spread of monoculture with disastrous effects on the fertility of soil.[56]

> Thus in a system of exploitation, whether overt or covert, colony or semi-colony, there existed a more or less single formula for foreign exploitation. For this reason, in both types of colonies, there appeared a more or less similar phenomena. The most important of these phenomena was the growth of local bourgeoisie and the contradiction of their interests to those of the exploiting powers.[57]

As to this contradiction, the feudal lords sided with the metropolitan bourgeoisie and the comprador bourgeoisie, in opposition to the national bourgeoisie. It then becomes apparent that one cannot undertake a scientific study of the relationship between 1) the economic and political practice of the metropole towards the dominated society, and 2) the class structure of that society, if this totality is not taken into consideration. In this connection, it is also imperative to emphasize again, that contrary to Brenner's thesis, the process in which capitalist relations of production develop in the dominated societies is essentially distinct from the classic patterns, and as such it possesses certain features and characteristics quite different from the classic patterns.*

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* In his works, <u>Accumulation on the World Scale</u>, (2 volumes), and <u>Unequal Development</u>, Samir Amin provides his readers with a comprehensive analysis as to this difference. He asserts that extroverted capitalist development (a term he uses for dependent capitalist development) leads to the destruction of pre-capitalist handicrafts, the proletarianization of small agriculture, and rural semi-proletarianization, that is to the "marginalization of the masses." Urbanization is accompanied by a massive increase in unemployment and underemployment, both having the effect of minimizing the rewards for labor power as demand originates elsewhere. Marginalization also guarantees an ever increasing share of the income to a minority who are thus able to adopt metropolitan styles of consumption and ideological and

The term "development" has itself also contributed to the confusion surrounding our discussion. At times it has been understood as "industrialization", other times interpreted to mean capitalism. Nevertheless, Frank himself has never given a precise and concise definition for this problematic term. On this basis too he has been criticized by some scholars, the most notable of all, Hernando Henrique Cardoso. In discussing the nature of dependence, Cardoso advances his thesis on the viability of an "associated" and "dependent" capitalist development in the peripery. His

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cultural values (a phenomena to which I refer as the minority consumer society). While growth in the center can be characterized as development, for it enhances integration by means of various mechanisms, i.e. adjustments of wage levels and the transfer of labor from low productivity to high productivity sectors, the growth in the periphery is not development but instead a "mechanism of distortion" resulting from the subordination of the pre-capitalist sectors and/or the destruction of some, without a replacement by new capitalist sectors. Such distortions, of the peripheral formations, Amin contends, continue so long as the dynamic is not totally internal to the periphery. Peripheral capitalism, which according to Amin is characterized by the co-existence of various modes of production, subjected and restructured to serve the needs of international capital, is less integrated than central capitalism. In this connection Amin cites the following features: 1) unevenness or productivity between the sectors, manifested in the system of prices transmitted to it from the center; 2) a "disarticulation" in the peripheral economic sector because none of the components are dynamic enough to mobilize other components and thus, the system is oriented towards serving the needs of the center; and 3) a peripheral formation dominated from the outside, as manifested in the forms of unequal specialization and foreign finance, itself a manifestation of the internal division of labor. Amin concludes the growth of the periphery does not lead to its autonomy unless it breaks away from the world capitalist system.

views are based on observing and understanding the recent changes and trends of imperialism. The new tendencies that he perceives are 1) the movement of capital investment away from traditional sectors and into industrial activities, and 2) the high degree of development of technology and the central economy's monopoly over the advanced means of production. The combination of these factors, explains Cardoso, make a process of industrialization in the periphery viable, given that the class forces and political circumstances are favorable.

He further contends:

> Strictly speaking - if we consider purely economic indicators - it is not difficult to show that development and monopoly penetration in the industrial sectors of the dependent economies are not incompatible. The idea that there occurs a kind of development of under-development, apart from the play on the words, is not helpful. In fact, dependency, monopoly capitalism and development in the sectors of the Third World integrated into the new forms of monopolistic expansion.[58]

Cardoso has comprehended the essence of the new trend, the shift from investments in raw material, agriculture, and oil, to industrial activities. He also vividly demonstrates that

> in spite of internal economic development, countries tied to international capitalism by that type of linkage remain economically dependent, in so far as the production of the means of production (technology) are concentrated in advanced capitalist economies (mainly in the U.S.).[59]

Hence, as long as the monopoly over the advanced means of production is maintained by multi-national corporations and gigantic financial institutions, the peripheral economy not only remains in the imperialist orbit, but is also tied by millions of visible and invisible threads to the metropolitan economy. This is the substance of the new trend which Cardoso so clearly demonstrates. I believe that despite the misleading term that Frank employs, the content of his analysis does not contradict Cardoso's and is actually in agreement with it.

This is not to suggest that Frank and Cardoso approach the problem in question in affinity, neither is it an attempt to render a blind eye to Frank's shortcomings; for Cardoso and to a much greater extent Amin, surpass the deficiencies of the Frankian paradigm and transcend the limitations of the dependency theory which over-emphasizes external factors, ignores the mode of production, socio-economic formations, developments in the world imperialist system vis-a-vis the peripheral societies, and puts forth a unilateral emphasis on the exchange relations. It is therefore essential to lay out some of Amin's basic assumptions before we conclude our review of the theoretical history of the internal mechanism by which the relationship before the metropole and the dominated society is defined.

Amin begins his analysis with a well sustained discussion of the mode of production and social formations, two central concepts in his theoretical analysis. According to Amin, a mode of production is an abstract notion, a tool of analysis used to facilitate the process of inquiry into the concrete process of social production. It is distinguished by general characteristics, but in reality differs in its attributes from one society to another depending upon: 1) the stage of development achieved by the mode; 2) its particular relations to other modes; and 3) the mode of articulation between one mode and other modes. On the other hand, he defines a social formation as a more concrete notion referring to society of equilibrium, or with one becoming more dominant while one or the other is undergoing a process of disintegration. It is through understanding the "social formation" as a whole rather than apprehension of the dominant mode of production, as well as the particular process in which the dominant mode articulates its relationship with other modes, becomes possible. The notion of "social formations" is also important as to the understanding of the way in which surplus value is produced and extracted.

The importance of this perspective lies in the fact that it enables one to apprehend and uncover the essence of social contradictions between the producers of the means of production and subsistence, and the appropriators of the labor and/or labor power. As well, it contributes to one's understanding of class contradictions and the processes of change particular to the social formation under study. Amin undertakes a thorough study of the classic pattern of the development of capitalism and lays out the fundamental distinctions that it possesses vis-a-vis a peripheral capitalist formation (to which I have already alluded).

Amin's approach to the relationship between the metropole and center is most profound. He takes a historical and global approach to the question and unveils the essence of this relationship, the "dependency" of the peripheral economies to the core economies, based on exploitation and on an unequal exchange. As to the "new imperialist trend" he concedes that a

> . . . possible direction is the specializing of the Third World in "classical" industrial production (including that of the capital goods), while the center reserves for itself the ultra-modern branches of the activity (automation, electronics, the conquest of space, atomic power).[60]

Amin, like Cardoso, suggests that this direction is possible especially for those economies whose import substitution has proceeded a high stage.

He further concedes that this shift in the patterns of international specialization is promoted by the formation of giant multi-national corporations. Furthermore, since the organic composition of capital in the periphery is lower than in the center, the multi-national corporations will redirect larger proportions of capital investment to the periphery which is not only in the fields of primary production but in the medium and heavy industries as well.*

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* A detailed and elaborated analysis of the "new imperialist trend" is advanced by the late Bijan Jazani, an Iranian revolutionary and theoretician, based on the study of neo-colonialism in Iran is presented in his work <u>The</u>

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Socio-Economic Analysis of a Dependent Capitalist State where he asserts that a) the growth of the bourgeoisie and b) the growth of the working class through a historical process which is characterized by the transformation of the national bourgeoisie toward comprador capitalism and the dissolution of the feudal lords as a ruling class provides the material base for a historical transformation which causes

> the establishment of a new system which we term "dependent capitalism", in which an imperialist colonial relationship develops further: imperialist monopolies, in co-operation with the comprador bourgeoisie, succeed in vastly expanding the system of exploitation. At the same time they put an end to extortion through various concessions that amounted to tyrannical foreign protection dues. In other words, exploitation is disguised as a straightforward economic and commercial relationship. The ultimate formula of this era of exploitation is capital investment in production, mining of raw materials, the incorporation of these materials into concessions (e.g. the British consortium's oil rights in Iran) and the import of consumer goods is replaced by the modern formula of: foreign capital investment in the form of partnerships with the public and/or private sector in production and mining; the setting up of dependent industries; finished goods out of the country (steel and copper instead of iron ore, etc.; petrochemical and oil products instead of crude oil and natural gas); the import of consumer goods as well as capital goods for dependent industries (assembly, montage). The formula is developed by allocating the production of simple consumer goods (e.g. cement, cloth, processed foodstuffs) to a dominated country with joint capital; the production of sophisticated products (e.g. aircraft, electronic equipment, heavy machinery and arms) in the metropolitan country; and the assembly of intermediate goods in the dominated country. Thus we have a limited and controlled system of production with a limited and controlled market in the dominated country. This, in fact, is a developed form of the "single commodity and single customer" formula and guarantees the economic subservience of a dominated country. Therefore, one of the special features of neo-colonialism is the emphasis placed upon economic as opposed to political and military domination.[61]

Amin is proved to be correct. Recent investments of the multi-national corporations in many Latin American countries (Brazil, Argentina, Mexico), in some African and Asian countries is showing the growing investments in the industrial sectors.

As a consequence of the new formula, Amin is correct to conclude that the periphery's dependence upon the metropole will be intensified, as will the internal contradictions of the peripheral societies. Whereas exploitation of the working class is the chief characteristic of the metropolitan societies, in the periphery, super exploitation (i.e. labor equally as productive as that in the metropole is rewarded by low wages, and the standard of working and living conditions of the peripheral people is reduced to the level of destitution) is the dominant feature of the peripheral societies.

On this basis it would be correct to conclude that the huge sums of profits which are derived from the periphery and are channelled to the metropole's economy not only strengthens the position of the metropolitan bourgeoisie but also weakens the class antagonism in the metropolitan countries.*

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* In 1869, Marx wrote the following to Engels:

> For a long time I believed that it would be possible to overthrow the Irish regime by English working-class ascendancy. I always expressed this point of view in the "New York Tribune". Deeper study has now convinced me of the opposite. The English working class will <u>never accomplish anything</u> until it has got rid of Ireland. The lever must be applied in Ireland. That is why

Amin recognizes this important characteristic, which is only the natural outcome of the relationship that has existed between the metropoles and the dominated societies, and as such is convinced that the continuation of this relationship can only reproduce the various circle of exploitation, dependence, and all the misery and wretchedness that is its outcome. Amin is convinced, as Frank is, that the only way to overcome this situation as it exists, is to break the chains of dependency through social revolutions, the focus of which is now shifted to the periphery. Even though Amin and Frank differ on the nature of the social revolution, it is clear from their writings that it should be directed by the toiling and working masses of the periphery, not only towards the metropolitan bourgeoisie, but also against the comprador bourgeoisie which is the partner of the metropolitan bourgeoisie in this exploitive relationship.

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> the Irish question is so important for the social movement in general.[62]

If in 1869 the British working class could "never accomplish anything until it got rid of Ireland" could the metropolitan working class accomplish anything today where there are so many Irelands?

PART II

A HISTORICAL ANALYSIS OF DEPENDENT CAPITALIST DEVELOPMENT IN IRAN

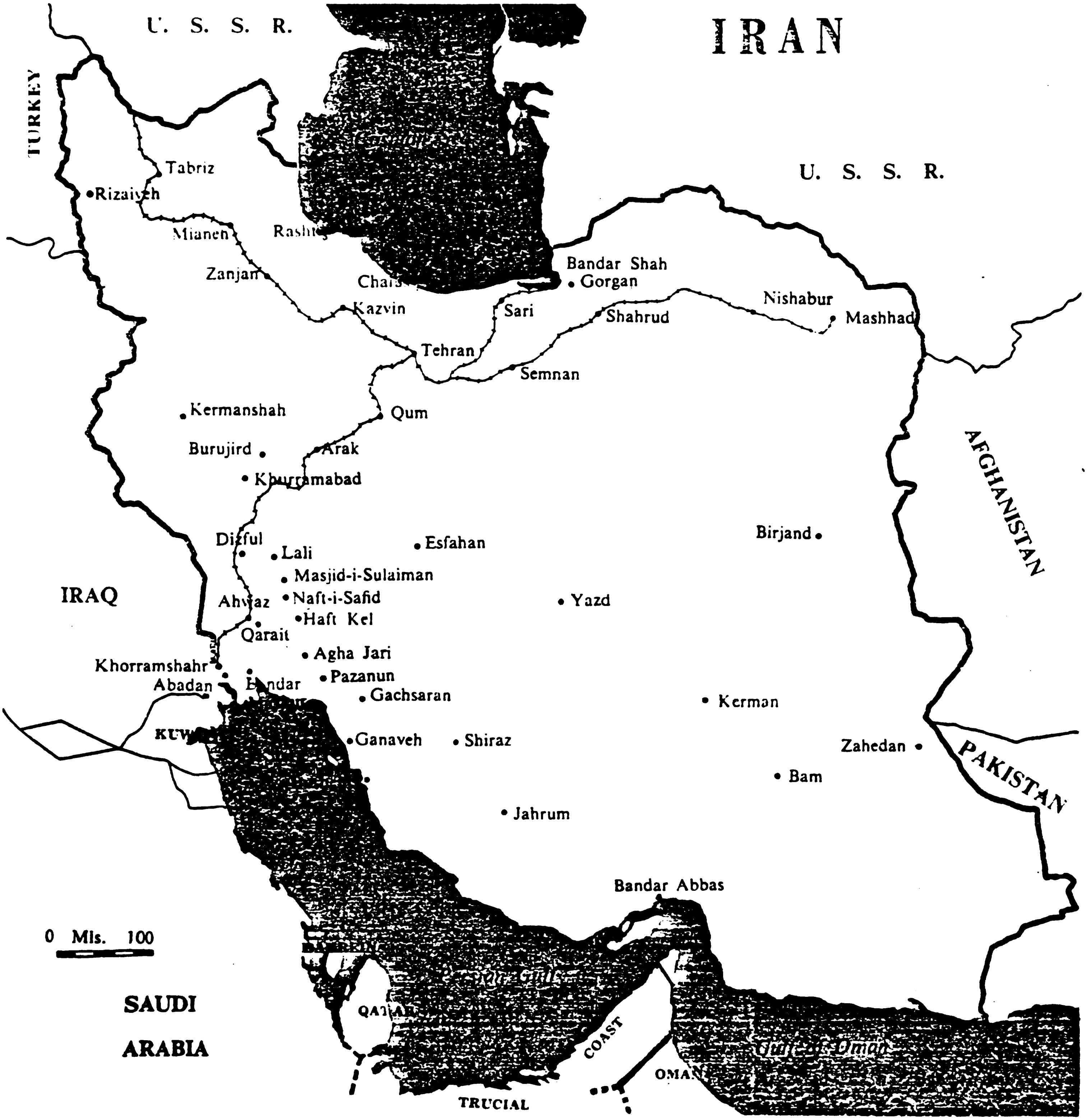

Figure 1: Map of Iran

INTRODUCTION TO PART II

In the beginning of the 19th century, while capitalism was developing with leaps and bounds in Europe, Iran was a backward society in the grips of feudalism (the dominant mode of production at the time) and other pre-capitalist socio-economic formations (tribal and clan relations) which, even though at a stage of decline and demise, were nevertheless vigorous forces stifling the development of a nascent bourgeoisie and the relations of production particular to this class.

It is within the bounds of this thesis to lay bare the mechanism by which the declining feudal mode of production was able, for many years to come, to produce and reproduce the antiquated feudal relations and therefore backwardness in Iran.

It is also the task of this thesis to unveil the laws which, by their very virtue, obstructed a bourgeoisie from developing in the classic patterns as it did in Europe during the Middle Ages.

Special attention will be given to colonialism, which after all left such profound effects on Iran, to the extent that any socio-economic change can only be understood and analyzed in the context of Iran's relations to the colonial world.

PREFACE TO PART II

Iran of 1800 was a country defined by its geography. The high mountain ranges of the north, reaching skyward to the heights of 10,000 and 14,000 feet and even more, served to hinder contact with Russia, its neighbor to the north. Even more forbearing were the huge expanses of desert, inhospitable to almost all forms of life, which stretched throughout the central regions of the country. The sparse population thus was forced to live on the 'rims' of Iran, sharing the 400,000 mile long border with the Pakistanis and Afghans in the east, the Iraqis and Turks in the west, and experiencing the solitude of the Oman Sea and Persian Gulf in the south and southwest.

The vastness and at the same time harshness of the land presented formidable barriers to the emergence of political and economic centralization; numerous clans and tribes, living an autonomous existence, characterized the country's population. The state was a feudal monarchy headed by the Qajar Dynasty which represented one of the many tribes. Its rule was plagued by the segmentation of the society, and was subjected to almost continuous internal challenges.

Given the lack of a centralized government and the isolation of the various tribes of the population from each other, few statistics exist that would describe the conditions of nineteenth century Iran, and this has presented serious obstacles to research for this time period. Despite this, there are a few general conclusions that can be drawn.

The dominant mode of production in the country was feudalism, although other pre-capitalist social formations existed as well. In particular, those of nomad relations were important and were nurtured by the aridity of the south which rendered the soil most useful as pasture land. A full fifty percent of Iran's entire population of five to six million is estimated to have been nomadic in 1800.

Including the nomad tribes, approximately eighty-seven percent of the total population was living in the countryside. Peasants typically lived in villages composed of no more than a few small houses; their principle activity was to farm the land and share the crop with an absentee landlord. The major crops were wheat, tobacco, opium, and cotton, and all of these crops were exported to a limited extent. Agricultural activities were hampered by a lack of both natural water supplies and irrigation systems, and as a result, periodic famines were common.

The remaining one-seventh of the population, including most of the landlords, merchants, craftsmen, and state dignitaries lived in the roughly one hundred urban centers. These urban areas were breeding grounds for epidemics, with a complete absence of all sanitation or clean water systems. There were no manufacturers, but some small workshops existed, producing carpets, cotton, woolen and silk textiles, shawls, leather goods and iron work for both internal consumption and export.

Iran's trade relations were exclusively with its close neighbors, India, Russia, Turkey and amounted to only £2,500,000 worth of goods imported and exported in 1800. This trade did little to break the grip of isolation from the consequences of world development imposed upon Iran by its location and inhospitable geography. Eighteen-hundred Iran was thus poverty stricken, backward and internally divided, isolated from world developments and ill-prepared to face the impending events of the nineteenth century.

CHAPTER 1

THE INCORPORATION OF IRAN INTO THE WORLD CAPITALIST MARKET

The Indian sub-continent and much of the Middle East had become objects of desire for both Russia and Great Britain in the earliest stages of the 19th century when capitalism was going through its expansionary phase and increasingly in search of raw materials and markets for their manufactured commodities. One-by-one, these economically backward and relatively isolated countries were sucked into the orbit of colonial circles of either Russia or Britain to be turned into sources of raw materials and recepticals of European consumer goods.

The early years of the 1800's found Iran squeezed between the aggressing armies of these two colonial powers and with neither a strong central government (a characteristic of pre-capitalist economic formations) nor a well organized and trained army of its own. Irano-Russian wars of 1813 and 1828, and the Anglo-Iranian war of 1856 were concluded with the treaties of Turkomanchei and Paris, respectively, only to outline comprehensive economic concessions imposed upon the shoulders of the Iranian people as a result of devastating military defeats of the Qajar monarchy.

The newly founded Qajar dynasty, defeated by colonial powers and internally threatened by tribal rivalries, found in the colonial powers a source of military and financial support to consolidate its rule through the development of a central government and an organized army. In turn, the colonialists conceived of the Qajar dynasty as an ally that could provide them with access to the sources of raw materials and a vast market of which they were in need. As such, Iran was transformed into a semi-colony of both countries, and from there on, the course of its development became intimately intertwined with the world capitalist market.

If at the outset, due to its fragility, the Court could not afford to alienate more sectors of the society, and had to maintain some semblence of national pride,* then its consolidation removed all obstacles to total capitulation. The European merchants had to convince the narrow-minded feudal lords and the Court as to the necessity of consumer goods, luxury items, and cash crops. Fabulous bribes were to oil the desire. This accomplished, the traditional merchants were chosen as conduits for the foreign goods to

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* A British official investigating trade potentials in Iran reported to his superiors that "the Persian Minister seemed wholly insensible to the claim which England had to participate in the commercial security and privileges enjoyed by Russia." He went on to explain, "The Shah takes every means to check the consumption of European manufactures and to encourage those of Persia; to effect the latter purpose he recently advanced money, and often rewards to the makers of chintz, and he insisted that the courtiers shall gradually substitute Persian and Kerman shawls for the [imported] broadcloth now used in the dresses. Those attempts to compell the use of inferior, and in fact, more costly articles of home production, in lieu of the superior and cheaper manufactures of foreign countries, find no support beyond the circle of the Court, and will fail in attaining their object."[63]

reach the Iranian market, and for the Iranian raw materials en route to European markets.

Thus, British manufacturers and merchants found in Iran a potential reservior of raw materials and a catchall for British manufactured goods. At the same time, the Court, with a bankrupt treasury and some ambitious plans, along with the big feudal lords, saw a good source of revenue and foreign currency in the cultivation and production of cash crops, such as cotton, silk, opium, and tobacco. But cultivation for export demanded large scale production, and that in turn demanded vast areas of cultivation. Hence, the mad scramble for the acquisition of more land began.

Relying on their political and military power, large private estates and vast sums of land were seized from other rival landlords by the Qajar family.* In turn, the landlords

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* Charles Issawi, in his book Economic History of Iran 1800-1914 writes: "Along with the neglect of irrigation, the complete indifference to improvement of agricultural techniques and the very cost of transport, the system of land tenure, by depriving farmers of incentive to improve methods or expand output, was a strong drag on economic development. Essentially, Iran's traditional land tenure relations remained unchanged in the period of 1800-1914. The three agents - state, landlords and tribal leaders, and peasants continued to perform their customary roles. But new factors were operating to modify these relations. First there were shifts of power between the government and the landlords and tribal leaders. Second the increasing adoptation of European ways in warfare, administration, and mode of living strengthened the need of both government and landlords for income. And, third, the growing profitability of cash crops for export made land ownership more attractive than before. This meant, on the one hand, that there was powerful inducement for the crown to extend its holdings of Khalish land, at the expense of the large land-crown, and to seek to collect taxes directly, rather than through the assignment of tuyuls."[64]

also converted the vaqfg* land and the tuyul** into private holdings, while, wherever possible, increasing their control over their peasants or taking over the land. The Qajars also undertook a process of land purchasing, which compared to the land appropriation campaign they waged, constituted only an insignificant amount.*** With the land having been seized by the Qajars and other feudal lords whose objective was to produce harvest for export rather than local consumption, the traditional rights of the peasants to usufruct was seized as well. Where traditionally the peasants, generation after generation, had certain rights to a given area without being considered absolute owners, while the feudal lord's only concern had been to receive a share of the crop as well as certain dues and land taxes, now the traditional rights were being "abrogated, as the wealthy used their superior power to assert absolute property rights."[66] Hence, the "social contract" was violated. The traditional sharecropping system was to be assailed and disrupted as a result of the new interest in land. The

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*Vaqfg: church land

**Tuyul: land given to high echelons of the military, civil service, and tribal leaders for loyal service to the court.

***Anne Lambton, in her book Landlord, makes an allusion to this fact: "Crown and State lands were extended in many ways. Some were acquired by purchase, for example, in Mazandaran by Agu Mohammad Khan Aqjar, the founder of the Qajar dynasty. Much more was confiscated or abandoned by its owners in times of famine or other catastrophies, as in the neighborhood of Isfahan under Fateh Ali and his successor Mohammad Shah, and in Sistan and Bluchestan under Naser el-din Shah."[65]

traditional sharecropping system was that of crop division according to ownership of its five component elements. The landowner, by the virtue of his ownership of the land, water rights, and seeds, had received 3/5 of the harvest. The peasant, whose possessions of shares could not surpass his labour, oxen, and if lucky, seeds, could never receive more than 2/5 or 3/5 of the total product. With the new process in motion, the landowners were at liberty to divide the crop at their own discretion. A.I. Demin describes this phenomenon when he cites, "In the neighborhood of Isfahan, peasants contributing draft animals and seeds took only 1/3 of the crop."[67]

This not only meant the intensification of the exploitation of the peasants who were now to produce more quantities of harvest with the old, outmoded methods and tools of production, but also a decrease in their share of the total product. New dues and taxes originating from every level of the state hierarchy were also introduced to and imposed upon the mass of the toiling peasants. The financially bankrupt court pressed its provincial officials for ever greater amounts of tax payments, and they in turn sought from the peasants an even larger tax payment.*

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* The very same demand for revenues led the central government to put up for bid local offices such as the provincial governorships and tax collectors. By this means the feudalists gained access to the administrative and judicial powers, which in turn enlarged the power base of the monarchy and increasingly transformed the state into an apparatus for the feudal class as a whole to rule. Hence, the creation of the feudal state proper.[71]

> When the property belongs to the peasant, the Governor of the district exacts almost what he pleases or is able to get from him, for at present, the poor man has no one to appeal to for redress - he therefore often finds it more advantageous to be without than with landed property of his own and accordingly makes the best bargain he can with his Chief for the disposal of it and in this way much property has changed hands from the poor to the rich man.[68]

Land tax became so significant for the Qajar family that Lord Curzon concluded that "the main source of revenues for the central government was the land tax."[69] In his study, Persia, he found that:

> Formerly the crown not only claimed one-tenth [of the product], but this proportion was doubled by Fateh Ali Shah. In practice it is found that the assessment frequently amounts to thirty percent, and twenty-five percent may be taken as a fair average. The system, however, varies absolutely in different parts of the country, and even in different parts of the same province . . .[70]

Not only were more taxes demanded, but also the form in which they were to be appropriated had to become substantially different. The Qajars, who wanted to expand trade relations with European merchants, had to also understand the new importance of monetary relations. As such, provisional steps had to be taken in order to facilitate the monetarization of the economy. Not only did the "urgent need for cash lead to large scale sale of Khaliseh (crown) land,"[72] but also demands were made for tax payments in cash rather than in kind. The feudal lords refused to accept their share of the crop in kind and forced the peasants to pay their dues and the feudals' share of the crop in cash. In this way, the village gates were opened wide for usurers and merchants to swindle the peasants and reimburse them for less than the actual value of the crop. The decrease in exchange value of their crops, combined with the increased demand for payments accelerated the process of immiserization of the peasants who, after a time, could no longer find a money-lender who would extend to them another loan. Debt upon debt drove the economic wedge between the peasantry and their life's blood. Only to survive, the poor peasants, always having been the producers of their own means of sustenance, having had no conception of money, were now to facilitate the moneterization of the economy as they were forced to purchase that which they themselves produced.

The increasing necessity for revenue and revenue sources by the monarchy (itself a manifestation of the expanding commercial relations with the capitalist world market), on the one hand, and the increasing demand for raw materials required by the expanding economies of Europe, on the other hand, interacted to produce a single solution - cash crop production in Iran. Entire regions were to be converted from self-sufficient agricultural communities into single crop export centers.

In the mid 1850's when, as a result a civil war in the United States, British supply of raw cotton declined, they turned to the cotton cultivating Middle Eastern countries, including Iran, for new supplies of cotton. In 1863, D.E. Abbott, the British Consul reported that:

> It is uncertain to what extent cotton is grown, either in this province or indeed in Persia

> generally, as no statistics exist of this production. But it is probable that some millions of pounds might be purchased here in the course of the year. Whether of the growth of this or the neighboring provinces, cotton is produced throughout the plain, inhabited country of Persia and the quantity can not be inconsiderable when it is considered that the extent of Persia is equal to about twice and half that of France.[73]

As to the total amount of production, Colonel Pelly reported that the shipment of raw cotton from the Persian Gulf to the British colonial holding of Bombay, which had been nil in 1844 to 1845, and 19,200 rupees worth in 1860 and 1861, rose sharply to 1,614,060 rupees in 1863/64 and to 6,793,845 in 1864/65, and then dropped back. In 1866, after the end of the United States Civil War, and the resumption of cotton production in the United States, the British Consul in Isfahan reported that no cotton was exported to India.

Raw cotton production soon found another stimulus in 1866 when raw cotton began to be exported to Moscow by Russian and Armenian merchants. In 1866, the British Consul reported that:

> About 6,300,000 pounds of cotton had been exported from Mazandaran [a northern province of Iran] to Russia. In 1881 . . . . about 4,284,000 pounds of this article reached Moscow, the produce of Gasvin, Zenjan, Taroom and Khorassan; and in 1874 2,500,000 pounds, the produce of Mazandaran reached Russia.[74]

Another document concedes that:

> Russian and Armenian merchants advanced money to Persian cotton cultivators, stimulating both an expansion in output and an improvement in quality.[75]

And a British Consul reported that:

> . . . the Russian speculators will commence to appear on the scene and to offer the proprietor advances of money to sow cotton for them, the seed of which they provide, or to buy up in advance the best part of his crop of wheat.[76]

A Russian Consul reported that "between 1900-1905 the area planted to cotton in Khorasan doubled."[77] On the eve of the first world war, an estimated 110,000 hectares of land were under cotton cultivation with a total output reaching the level of 33,000 metric tons, ninety-eight percent of which went to Russia.

The cultivation of opium on vast tracts of land was yet another instance of production for export. Opium poppy seeds were cultivated in Iran for internal consumption since the 12th century. However, the scale of production remained slight until the middle of the 19th century when the British found a vast market in the Far East. N.R. Keddie points out how opium production assumed huge dimensions in 1860 with the encouragement of English merchants.[78] Again, the British Consul in Tehran reported in 1867 that "Opium seems to be in good demand, and it was expected that about 10,000 shah mauns (130,000 pounds) or three times the usual quantity will be exported to China."[79] Two years later, production was reported at 530,000 pounds and exports at 250,000 pounds. In 1880, exports from the Persian Gulf reached 1,501,500 pounds.*

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* In addition to cotton and opium, Iran, in the 19th century, cultivated two other major cash crops, silk and

The demand for opium required the conversion of large tracts of land into exclusively opium cultivating regions. The British Consul in Bosher reported that

> . . . almost all available or suitable ground in Yazd, Isfahan and elsewhere was utilized for the cultivation of opium to the exclusion of cereals and other produce . . . this, accompanied with drought and other circumstances, resulted in the famine of 1871/1872.[80]

The catastrophies in Isfahan and Yazd were the crystalization of the state's obsession for the accumulation of more wealth, and at the same time, a manifestation of its responsiveness to the demands of the world market at the expense of an essential responsibility of a traditional type Iranian state, i.e., the construction of irrigation systems. This becomes a crucial point when one recalls that drought and famine plagued Iran even more frequently during the latter part of the 1800's. Thus, famine became a driving force in

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tobacco. Both of these crops, although cultivated prior to foreign penetration, experienced considerable growth in the rate of production as markets for them increased. Silk, for example, reached a peak output of 2,190,000 pounds, worth £1,000,000 in 1864, while tobacco production attained the 50,000,000 pound level in the 1850's.

Silk production was instrumental in introducing money transactions into the Iranian countryside in that imported silk worms had to be purchased on credit from Greek and Armenian merchants. It also demonstrated the risks of regions becoming wholly submerged in the cultivation of one crop. In 1864, the muscardine disease ravaged the Ghilon silk crop and production fell in one year from the above peak level to a mere 210,000 pounds, worth £155,000. The effect on the province was disastrous. "Some fifteen years ago the annual silk crop of Ghilon represented a native capital of two million sterling - a capital that has since decreased to one-third that amount; but the province is still assessed the same rate . . . for the land tax as it was then.[81]

the separation of peasants from their condition of production, for their desperate search for another means of livelihood. However famine was only one among many factors which drove the peasants off their land and initiated the forced immigration to the cities. The appropriation of vast tracts of land intensified exploitation of the peasants through the increased role of absolute surplus value, imposition of heavy taxes and different kinds of dues, monetarization of the economy, and hence, the indebtness of thousands upon thousands of peasants. All in all, famine accelerated the pauperization of the peasants and their emmigration to the cities, where they were to find their natural allies, the displaced craftsmen, similarly effected by the Qajar-colonialist axis.

CHAPTER 2

THE PROCESS OF PRIMITIVE ACCUMULATION OF CAPITAL AND THE EMERGENCE OF THE IRANIAN BOURGEOISIE AND WORKING CLASS

Prior to the conquest of Iran, eighty-seven percent of the total population of five to six million were living in the countryside. The closed, self-sustained economies of the rural areas, operating at subsistence levels could not provide the towns with any significant amount of food supplies, and in turn, did not depend upon the cities for handicrafts. The towns, residential areas of the feudal lords only embracing one-seventh of the total population, were more or less self-sufficient economic units, with the majority of the population engaging in agricultural production to the extent that the craftsmen themselves had to seek additional employment in farming or gardening. Only constituting a minute portion of the urban dwellers, the craftsmen were divided into three main categories. One worked freely in the bazaar, responsive only to the customers' orders and constituting the majority; the second were attached to and responsive to the demands of the court (mainly employed in military workshops); while the third group belonged to the individual feudal lords, who were in fact serf-like dependents on the Khans.

Table 4: Iranian Imports and Exports, 1831-1848*[82]

	IMPORTS		EXPORTS	
Year	# of Parcels	Value (Pound Sterling)	# of Parcels	Value (Pound Sterling)
1831	4,500	-	-	-
1832	6,750	-	5,302	-
1833	8,875	-	8,040	-
1834	11,250	-	12,660	-
1835	15,525	-	15,800	-
1836	20,615	-	23,278	-
1837	16,710	-	16,031	-
1838	22,360	-	16,618	-
1839	21,095	-	10,891	-
1840	25,830	-	16,770	-
1841	27,092	-	17,483	-
1842	30,985	-	17,493	-
1843	31,690	1,014,080	14,879	251,800
1844	33,100	1,043,200	16,900	368,436
1845	40,028	1,323,957	17,012	370,874
1846	38,980	1,289,259	13,615	316,539
1847	34,850	1,152,273	12,130	278,450
1848	50,277	1,662,380	10,456	181,378

* The above table does not accurately reflect the balance of trade nation-wide which in fact remained essentially balanced between imports and exports until around 1850, when imports began to consistently exceed exports by ever-increasing amounts. A lack of accurate data prevented the author from providing the monetary value for the years from 1831 to 1842.

Before the influx of the foreign manufactured commodities, the craftsmen were the main producers of the essential consumer goods of the society. As with the peasants, their lives were to be dramatically changed with the flooding of the Iranian market by foreign goods.

The previous table records the general trade activities occurring throughout the first half of the 1800's in a single trading center in Iran. When one recalls that in 1800, the total value of all imports and exports for the entire country did not exceed £2,500,000, and that at least one half of the imports were only passing through Iran to reach their final destination, the magnitude of the increased trade becomes crystal clear. The impact of this commodity influx on the socio-economic make-up of the society could not be more profound - particularly for those craftsmen of the first category who produced cotton, silk and woolen clothes and were metal workers.

Several separate observations of the impact of foreign goods on the Iranian craftsmen were reported by the British Consul, K.E. Abbott.[83] In 1844,

> a memorial was presented to His Majesty the Shah by the traders and manufacturers of Cashan praying for protection to their commerce which they represented as suffering in consequence of the introduction of European merchandise into their country.

In 1848 Abbott observed:

> The manufacturers of England have in a great measure superseded the use of cotton and silk fabrics of the country, owing to their cheapness, the superiority of the style and the execution

> of the designs, and the greater variety of patterns, which both enabled people to make a more frequent change of clothing and to satisfy their taste for novelty of patterns - and even the higher classes have often preferred European chintz to the more expensive silk dresses of their own country.

And finally, in 1849, he stated,

> The manufacturers have, however, rapidly declined for some time past in consequence of the trade with Europe which has gradually extended into every part of the Kingdom to the detriment or ruin of many branches of native industry.

Specifically, Abbott found in 1849 800 silk looms where there had existed 8000 in the town of Kashan, and European textiles worth £4,000 being sold in 28 of the town's 770 shops.

Within a short span of time, handicrafts, characterizing Persian cultures for centuries were rendered outmoded and began to disappear as the unlucky producers were forced to find means of sustenance elsewhere. It was not known to them that they would soon be joined by the uprooted peasants whom they believed to be their inferiors. British merchants and British made products, while uprooting and destroying the means of livelihood of the Iranian toiling people, destroyed, at the same time, the walls which kept them divided from each other.

With the uprooted peasants in the cities and the displaced craftsmen along side them, both expropriated from their means and conditions of production and left with nothing but their labor power, the first condition for the embryonic stage of capitalist development was materialized.

The same laws in motion at one pole that facilitated the process of pauperization and separation of the peasants and craftsmen from their condition of labor, and hence the emergence of the Iranian working class, were also at work at the opposite pole, to facilitate the process of augmentation and accumulation of more and various sources of wealth by the court, colonialists, usurers, and the rapidly developing merchant class. The expansion of trade relations with Europe and the extension of commercial activities between the towns and villages by the traditional merchants who now had at their disposal modern goods, allowed them to expand into international companies, with agents in numerous world capitols. Indeed, these merchants were to become Iran's first native capitalists.

These capitalists, however, were from their very root dependent upon the trade and capital from Europe. Britain, too, recognized the great financial benefit in working through the Iranian merchants. During the first half of the 1800's, when the Qajars had to keep some semblence of national pride, they had demanded higher import duties from the foreign merchants than of the native ones. With the total capitulation of the Qajars to foreign power, this "law" had to be changed too. In 1851, the Qajars were demanding more import duties from the Iranian merchant. Ironically, the British were still disputing the terms of trade. A British merchant named Stevens complained in 1851,

> Unless these duties are not [sic] considerably reduced, the natives must abandon commercial

> pursuits, and the trade will be reduced in amount, and remain entirely in the hands of Europeans. British commerce will especially feel the effects of any such result for the withdrawal from the market of the native merchants must produce a great dimunition in the amount of British goods now imported.[84]*

It then becomes obvious how rapidly the Iranian merchants had become dependent upon foreign trade for their own prosperity.

With their increasing wealth, the Iranian merchants expanded trade activities to regions not yet penetrated and acquired a position of influence in areas of the economy not traditionally within their realm of activities. S.S. Abdulleav writes the following about one such merchant:

> Among the most powerful Iranian merchants one may mention Hajji Mamed Hassan Amin az-Zarb, whose business was carried on after his death, in 1896, by his son Hajji Mamed Husain. The fortune of this family was put at 25 million tumans. The family also carried out banking operations and showed much interest in investing capital in industry and other commercial enterprises. Amin az-Zarb engaged in widespread trade in many foreign markets. In all the main towns of Iran, he had agents both for the purchase and sale of goods and for the taking of deposits, transfer of money, and other banking operations. He owned real estate not only in Iran but also in Moscow and Nizhninovgozod. Amin az-Zarb had a large trading office in Marseilles, agencies in London, Paris, and China, and correspondence in many cities in Europe, Asia and America.[85]

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* With the trade terms established, each partner cherished his own dreams. The British wanted to pay less import duties, so they saw in the native merchants a leeway to escape higher import duties. In turn the Qajars were in need of more revenues, so they raised the import duties as to the Iranian merchants who indeed became the British scape-goats. The new law in action again put the British into jeopardy since the latter were already turned into conduits for British goods.

The merchants' wealth and power reached the degree that they were now able to form syndicates through which they established price and supply levels and thus brought the market under their control. Warehouses were often stockpiled with commodities with the intent to produce artificial shortages. "All local products . . . were bought by him [the merchant] and kept in store houses to be sold in winter at three times the price."[86]

As trade agencies continued to expand, they gradually incorporated the traditional money lender of the towns and assumed banking activities, many of which came to play a crucial role in the economic life of Iran, so much so that the state had to occasionally depend upon them for loans and payments of foreign debts.

Not only did the merchants expand their activities to financial spheres, but also a few of them were now becoming attracted to manufacturing, particularly of those commodities in which they specialized their trade. The most pronounced instances were the growing manufactures of carpet, opium, henna processing and leather work, fortunately unharmed by the foreign onslaught.

The merchants at the stage of investing their "money" into the new ventures found in the villages an in-need labor force which was about to be driven off the land due to increasing tax payment, dues, and a steadily declining standard of living. The "benevolent" merchants were to encourage the desperate peasants into the production of carpets in exchange for a cash wage.

By 1879, carpet weaving became the livelihood of entire communities. Some 5,000 looms employing 10,000 persons, in 150 villages near Sultanabad the neighborhood of Kainat had 2,000 looms with 1,200 workers.[87] Curzon explained that:

> The bulk of the carpet industry is carried on in the weavers' homes, the women and children doing the weaving. These so-called manufacturer supplies to the weaver the design and the quantities of wool in different colors required for one carpet. He also advances sums to account for the price range, the balance being paid on delivery of the finished article.[88]

The design and the color were to meet the tastes of European consumers, who through the Iranian merchant, were to be supplied. The Iranian merchants found an immense source of wealth, as did their European counterparts, while destitute women and children had to work long and hard. The mounting profits demanded increased production, and that in turn demanded concentration of production.* Thus, "home work" was transformed into carpet "workshops". These workshops were of both the manufacturing and factory type, many of which employed up to 100 workers, recruited from the ex-peasants or ex-craftsmen and women living in towns. There

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* The practice of "home work" became increasingly dissatisfactory. Curzon stated, ". . . Home employment (is) slovenly and dilatory work, with little progress towards skill and finish, as the looms, scattered over a wide area, cannot be constantly inspected."[90]

A bourgeoisie-minded scholar, who understands the vast difference between home production and workshop production could only conclude as such. Afterall, he was to represent the viewpoint of the European shareholders of the trade.

are no statistics as to the real number of the newly created workshops. However, Z.Z. Abdulleav, a Soviet scholar, believes that:

> The demand for carpets was so great that workshops based on simple capitalist cooperation were no longer in a position to satisfy it. The demand from merchant capital necessitated the further expansion of carpet making, which steadily led to the appearance of carpet workshops, of the manufacturing type.[89]

However, despite this trend, "home work" often remained an intricate part of the manufacturers of carpets, although the quality had been altered. Whereas the entire production process had once occurred in the home, now home work was simply a slot on the production line - namely, the spinning of raw wool into yards which were then collected and sent to the workshops where they were then transformed into the finished product by a complex system of labor division.

On other crafts which survived foreign competition, our information is much more limited. We do know that leather working and the processing of opium and henna were taking place in workshops with no links to "home work", and with a high degree of labor division. Sobotsianshii notes that:

> In Hammandon, the center of leather preparation . . . there were relatively large workshops where labor was divided in definite processes. In contrast to carpet making, all processes were, as a rule, carried out in the same workshops, which frequently had the appearance of a dirty and dark pit.[91]

Such was the origin of the newly emerged Iranian industry which crystallized the embryonic stage of the development of capitalist relations of production. The material conditions for capitalist development became possible as:

1) a sector (however small) of the population became separated from their means of production and subsistence and their consequent transformation to "free laborers"; and

2) the accumulation of a considerable mass of capital in the hands of another sector of the population began to take place.

If in Europe, the process of primitive accumulation of capital was accomplished through the "colonial system, public debts, heavy taxes, protection, commercial wars, etc."[92], in Iran, this process was realized through the colonialization of Iran, an open door economic policy, commercial capitulation, exports (cash crops, goods), and hoarding, etc. If in Europe, land enclosures were the main factors in driving the peasants from their lands and divorcing them from their means of production and subsistence, in Iran, obsession for more revenue, heavy taxes, costly dues, and famine expropriated the peasants from their means of production and ejected them from their lands.

While it is correct that "the history of this expropriation in different countries assumes different aspects, and runs through its various phases in different orders of succession, and at different periods",[93] the history of expropriation in Iran was not only different, but distorted, disfigured and imposed.

An imposed process of primitive accumulation could only be limited in its dimension, and not intertwined or articulated by other branches of economic life of the society. The development of commercial activities had only had a limited impact on the development of industry, and that only in terms defined by Iran's location within the international division of labor. In this period, the accumulated capital was solely invested in the production of commodities commanded by the world market, and thus, the development of different branches of industry could not correspond to internal demands.* As such, the pauperized peasants and handicraftsmen, jammed into the cities, could not all be absorbed into the economy and thus, tens of thousands migrated to Russia where capitalism was rapidly developing at the end of the century.**

In India, Marx wrote, England had to fulfill a double mission. "One destructive, the other regenerating - the annihilation of the old Asiatic society, and the laying of the material foundations of western society in Asia."[95]

Did not England facilitate the same process in Iran?

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* For an indication of production trends, see the table on the following page.

** For example, the Baku oil industry employed 23,500 workers by 1903, of which 22 percent were Iranian immigrants, and in Tifls, the number of unskilled workers from Iran was 5,000 to 6,000.

Table 5[94]: Main Exports, 1850's-1913 (Percentage of Total)

Commodity	1850's	1880's	1911-13
Silk & Products	38	18	5
Cotton & Woolen Cloth	23	1	1
Cereals	10	16[a]	12[a]
Fruit	4	6	13
Tobacco	4	5	1
Raw Cotton	1	7	19
Opium	-	26	7
Carpets	-	4	12

[a]mainly rice

Table 6[94]: Main Imports, 1850's-1913 (Percentage of Total)

Commodity	1850's	1880's	1911-13
Cotton Cloth	43	48	30
Woolen & Silk Cloth	23	15	5
Tea	9	2	6
Sugar	2	2	24
Metal Goods	2	2	2
Cereals	-	-	4
Kerosine	-	1	2

CHAPTER 3

THE CONSTITUTIONAL REVOLUTION OF 1905 - 1907

The extension of trade relations with Europe, the crippled emergence of a nascent bourgeois class arising from the merchant class, the birth of the working class and the consequent limited development of capitalist relations of production under the dominance of feudalism in Iran, was simultaneous with the development of capitalism to its monopoly stage in Europe which necessitated, as its sine quo non, the export of capital. Thus, if in the early parts of the 19th century, the relationship between Iran and the metropolitan countries of Europe was distinguished by the exportation of raw material to Europe and the importation of finished goods to Iran - as an expanding market was required for the further development of capitalism in the metropolis; then the latter part of the 19th century was characterized by the export of capital from advanced capitalist countries to the backward ones.

A common form by which foreign capital invaded the backward countries was through broad and far reaching concessions (or as Lenin put it, "the utilization of connections for profitable transactions") granted by the governments in power, each motivated by its own needs. The Iranian crown, still in the process of establishing a strong central government and army, and obsessed with royal extravagance, had its need for ever larger sums of revenue. As such, concessions were granted and agreements were signed authorizing British and Russian capital to implement some of the most crucial developmental plans of the period. Telegraph lines, railway networks and highways were to be constructed by Russian and British companies.* The British speculator, William D'Arcy, received the comprehensive concession to all of Iran's oil to the south. The British "Imperial Tobacco Corporation of Persia" was granted the concession of a total monopoly of purchasing, processing and sale of all Persian tobacco. Yet another British millionaire, Baron de Reuter, won a concession to establish the Imperial Bank of Persia. Not to leave the

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* The construction of railway networks in the north was undertaken by Russia, while in the south it was the British who undertook this endeavor. Typical of both, the companies undertaking the projects were exempted from all taxes and duties, guaranteed a minimum return of the capital invested, and were granted mineral rights on the property over which the railway lines were to be built. While Russian industrialists wanted to develop the railway networks to reduce the cost of delivering their goods to Iran, "There was the fear that railways in southern or western Iran would enable foreign competitors to flood that country with cheaper and better goods and to even compete within the Russian Empire more serious still, . . . "[96] The construction was never completed. Instead, to facilitate trade transactions, the Russians concentrated on road building. Between 1893 and 1914 the Russians laid down approximately 500 miles of roads.

As for the British, Issawi explains: "Railroads in the North would facilitate Russian economic and political penetration. And above all, it was feared that railways would enable Russia to threaten Britain's military and naval position in the Persian Gulf, Indian Ocean, and Afganistan, and to undermine the defenses in India."[97] The British political and military concerns, like the Russians', blocked the railway construction in Iran.

rival without a challenge, the Russians soon after gained the right to introduce the Banque D'Escompte to Iran. The list goes on and on* as the Crown was eager to provide the foreign merchants and industrialists with still more concessions. Among these concessions, the tobacco, banking, and oil concessions were the most important and deserve particular attention.

By the middle of the century, Iran's production of tobacco had reached the annual rate of 50,000,000 pounds, of which 22 million pounds were for foreign markets. This made tobacco one of Iran's most important agricultural products, both for internal consumption and foreign exchange. Given the magnitude of this trade, the Iranian merchants could not have passively reacted when the fifty year monopoly over the purchasing, processing, and sale over all Iranian tobacco was handed to the British company whose name was ironically Imperial Tobacco Corporation of Persia. The concession outlines that:

> In return for an annual payment to the government of £15,000 plus 25% of the net profits after payments of a five per cent dividend to share holders . . . the company was given the right to buy the entire crop from the cultivators at prices agreed upon by buyers and sellers . . . All sales were to be made through the company's agents.[99]

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* In 1903, the Shah, in attempting to gain a loan from the Russian bank "negotiated secretly with the Russians for a drastic revision of the tariff rates," the result being, "highly favorable to Russian imports and equally damaging to British imports. The intention was to pay off the Russian loan with the higher duties from British goods, particularly on ten items whose duty was raised from 5% to 100%."[98]

The contract, if materialized, would have jeopardized the financial well-being of those merchants primarily engaged in internal trade and almost entirely independent of foreign firms, who understood this concession as a link in the chain of contracts directed against the nascent national bourgeoisie. As such, the national bourgeoisie turned to the clergy, and together they launched a popular protest against the concession. This was also supported by the Russian Embassy who saw the concession as an infringement upon its economically dominant position.

The movement was transformed into an insurmountable force as the entire population participated in a boycott of tobacco consumption. Popular demonstrations errupted in different corners of Iran with angry crowds attacking tobacco shops. "The Shah was helpless, the directors of the tobacco monopoly in despair, and even the British Legation gave the thing up as a bad job."[100] The Tobacco Movement marked the beginning of the history of the anti-colonialist movement of the Iranian people led by the national bourgeoisie.

However, the Shah was forced to pay the ill fated English company £500,000, of which the entire amount was borrowed from the British owned Imperial Bank. This constituted the first foreign debt of the Iranian government.*

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* The three main sources of foreign debt in Iran were "royal extravagance, rising military expenditure entailed by the modernization of the armed forces, and the payment of indemnities to foreign governments and individuals,"[101] the first seeming to be the most important. By 1913, public debt had increased to £7,650,000, and debt servicing was more than £500,000.

On the surface it looked as though the Iranian people had rid themselves of British domination, while in reality the government was becoming ever more dependent upon the British financial rule. The Imperial Bank of Persia, founded a year before the tobacco concession with a total capital of £1,000,000, had been granted an exclusive right to issue notes for sixty years. It was engaged in commercial transactions, delivered silver bars to mint for coinage, and issued notes.

In turn, the Russians demanded and received the right to establish the Banque d'Escompt, with a total capital of 1,875,000 gold rubles. Banque d'Escompt was also engaged in commercial activities, delivering gold bars to mint and making loans to the government. When, in 1899, the Russian government assumed ownership of the bank's shares and Banque d'Escompte was transformed into a branch of the Russian State Bank, the Russian empire was provided with the sufficient tool to exclude other rivals from the scene and exert unchallenged rule. The objective was realized when the Imperial Bank refused the Shah a loan, thus providing the Russian bank with leverage to impose its own conditions.

> The quid pro quo exacted by the Russians for this favor was [in return for a three million pounds sterling loan] that no foreign loans were to be contracted for ten years without Russian consent; Persian custom receipts except from the Gulf ports, were pledged as security for the loan and custom rates were not to be lowered without Russian consent. In addition, the Court was required to terminate its indebtness to the

Imperial Bank and its debts were assumed by the Russian Bank.[102]

The monopoly stage of capitalist development not only deprived Iran's economy from its financial reservoirs, but also financial oligopolies, through their links with industrial firms, gained access to Iran's mineral resources, the most outstanding one to be oil. In this connection, the Imperial Bank stands out. The same concession that granted to Reuter the right to establish the Imperial Bank also extended exclusive rights as to the exploration and extraction of Iran's mineral wealth. Consequently, in 1903, William D'Arcy, the British speculator, was granted complete monopoly rights to explore oil in all but five northern provinces of Iran. Typical of the Qajars, the concession was extensive, providing D'Arcy with the rights to drill and construct pipelines and refineries in the areas covered under the concession. In return, the Iranian government was eligible to receive sixteen per cent of the company's annual profit, although deprived of any control over pricing, marketing, and the level of production. The bookkeeping of the company was only to be observed by the company officials who were at liberty to reimburse the government as they wished.

With all the crucial veins of Iran's economy in the hands of foreign capitalists and the exclusion of the national bourgeoisie from any active participation in the economic life of the nation, the intensification of the contradiction between the nascent Iranian bourgeoisie and the feudal regime - the channel through which the foreign capitalists could obtain contracts and concessions, became inevitable. The establishment of the Imperial Bank and the Bank d'Escompte was not accomplished without the resistence and challenge of the Iranian bourgeoisie. The Iranian trade companies who were also engaged in limited financial activities were of no challenge to their foreign counterparts. The Imperial Bank and the Bank d'Escompte held much of the internally invested capital within their own realm, and with that, the monarchy's debts. Hence, they were in a position to exert significant control over domestic and external investments of the Crown and the Iranian bourgeoisie.

The lagging growth rate of national industry and the deformation of Iran's agricultural production were direct results of the domination of foreign banks and monpolies. The same was true of the direction of the economic activities of the nascent Iranian bourgeoisie, who were now forced to direct investments in the production of goods, primary agricultural-stuff and raw materials demanded by the world market. It then became inevitable for the recently emerged capitalist class to develop interest in land, the "source of all wealth", and the domain of the feudal lords. The Iranian commercial bourgeoisie was not only blocked from industrial activities, which in turn had directed it towards land, but had also to tolerate the additional burden of ever increasing tax payments. While foreign merchants were exempt from internal taxes and duties, the Iranian merchants, as

Z.Z. Abdullaev explains:

> were subjected to numerous arbitrary taxes, which constituted serious obstacles to the formation of a national market. For instance, between Enzeli and Isfahan, road tax had to be paid in Rasht, Qazvin, Tehran, Qum, Kashan and Isfahan, that is, six times. There were also other dues which were in the nature of direct taxes.[103]

The contradiction between the Iranian bourgeoisie and the feudal political superstructure intensified as the bourgeoisie's knowledge of European standards of bourgeois democracy (i.e. fixed legal code, parliamentary assembly . . .) expanded. The dissatisfied bourgeoisie, at the edge of revolt, found its allies among the intellectuals, religious clergy and the small urban working class who were oppressed to varying degrees by a Court which they conceived to be corrupt and a tool of foreign rule.* United as one and under the leadership of the bourgeoisie, they launched a major challenge, a popular movement against the Court in 1905. The Constitutional movement, as it became known, was to impose elaborate limitations on the Shah's power.

> Each of the three opposition groups wanted to see the influence of foreigners reduced, social reforms inaugurated, and an institutional check placed on the tyranny of the Court. To this extent they were united, and all three agreed that their objectives could best be acheived by

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* The defeat of Russia in the Russo-Japanese War of 1905, and the eruption of the 1905 revolution in Russia weakened the Czar's grip on Iran. Inspired by the 1905 revolution in the neighboring country, and influenced by the Russian Social Democratic Labor Party, the Iranian emigrant workers who had lost their jobs as a result of political and economic crises in Russia and had to return to Iran, assumed an active role in the Constitutional Revolution and made valuable contributions to the movement.

> forcing the Shah to promulgate a constitution which provided for a parliamentary system of government.[104]

In a hard fought armed struggle, the Iranian people were able to win against the absolute monarchy during the 1905-1909 revolution. The economically crippled and politically impotent bourgeoisie could only win a lukewarm victory. This was true partially because by 1909, Czarist Russia, having successfully contained the 1905 revolution, temporarily overcoming its internal economic crisis and resolving its contradiction with Japan, was able to quickly reassert its dominance over Iran.* Equally important was the fact that Iranian bourgeoisie was relatively weak at that time with potential conflicts of interest among their own ranks. On this point Bizhan Jazani's contribution is valuable and deserves to be quoted in length.

> The revolution succeeded in destroying the dictatorial rule of the Qajars and securing a share for the bourgeoisie in the Government. The feudal aristocracy no longer had total domination over the bourgeoisie; capital received some sort of guarantee and tax collection began to be based on a proper system; the bourgeoisie acquired a lever by which to secure its rights. Once it secured these advantages for itself, the bourgeoisie turned its back on the revolution. In conditions where the revolution should have been continued for the safeguard of its victories and should have carried on the struggle against imperialism, particularly the Russian imperialists, the bourgeoisie, framed by its fundamental weaknesses, settled for compromise. Here one can safely claim that the bourgeoisie achieved its "Constitution." The

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*In the 1907 Anglo-Russian convention, the British acknowledged and accepted Russian dominance in Iran. As a result of this agreement, Iran was divided into three separate spheres of influence - Russia in the north, Britain in the south, and neutrality in the mid region.

> compromise, which resulted in a feudal-comprador Government, divided the bourgeoisie right down the middle: the section of it that was in favor of continuing the revolution remained within the ranks of the people, assumed their leadership and preserved its nationalist character, but the comprador section of the bourgeoisie (this consisted mainly of comparatively larger bourgeois elements) created the nucleus of a comprador bourgeoisie co-operating with the foreign capitalists and the feudalists, having first ensured a firm guarantee for its capital and having managed to rob the aristocratic feudalists of some of their lands. This division occurred after the Revolution and during its decline.[105]

"That section of the bourgeoisie which was in favor of continuing the revolution" is to be characterized as the national bourgeoisie since their interests were often, if not always, in direct conflict with those of the foreign capitalists. The national bourgeoisie was vehement in its resolve to rid Iran from the domination of foreign capital and confine the power of the monarchy and the feudalists in order to steer Iran onto a course of independent capitalist development. The second trend in the bourgeoisie constituted that sector of the bourgeoisie whose main source of capital was derived from partnership with the European merchants, and whose existence was dependent upon the capitalist world market. This reactionary sector of the bourgeoisie rode the waves of the revolution only to obtain some control over portions of the internal market, elimination of the arbitrary tax systems and a guarantee for its capital protection, thus enlarging its parasitic identity.

> The transition from the feudal mode of production is two-fold. The producer becomes merchant and capitalist, in contrast to the natural agricultural economy and the guild-bound handicrafts of the medieval urban industries. This is the really revolutionary path. Or else, the merchant establishes direct sway overproduction. However, much this serves historically as a stepping stone ... it cannot by itself contribute to the overthrow of the old mode of production, but tends rather to preserve and retain it as its precondition....This system presents everywhere an obstacle to the real capitalist mode of production and goes under with its development. Without revolutionising the mode of production, it only worsens the condition of the direct producers, turns them into mere wage-workers and proletarians under conditions worse than those under the immediate control of capital, and appropriates their surplus labour on the basis of the old mode of production.[106]

In Iran, not only could the producer not transform himself into a "merchant and capitalist", and thereby leave the stage open for the merchant to establish his "direct sway over production" (and consequently preserving the old mode of production), but also those merchants who expressed an inclination toward real capitalist activities were subjected to systematic discrimination by the colonialist-feudalist axis. In the early parts of the 19th century - the pre-monopolist stage of the capitalist development, - the merchant's prosperity and development was to a large part the result of his relation to the foreign entrepreneurs. Then, in the latter parts of the century, ushering the era of finance capital, the merchant found himself increasingly at odds with foreign entrepreneurs. The merchant's inclination towards investment in non-traditional sectors of the economy (mining, construction of roads and railways and importation of factories) were all but crushed. In turn, fabulous concessions and all-inclusive contracts were signed between the feudal Court and foreign capitalists, further blocking the development of the bourgeoisie. At the same time "the absence of security for capital which was an effect of the political domination of feudalism, as well as the influence of and competition by foreign capital had blocked the bourgeoisie's advance towards industry, thus inevitably pushing the commercial bourgeoisie towards the ownership of land."[107]

These two factors: 1) the tendency towards the ownership of land, and 2) the failure to invest in industry, were powerful factors in preventing the full growth of the contradiction between the developing bourgeoisie and the <u>entire</u> feudal system of production. In Iran, unlike Europe, the bourgeoisie was not in need of a plentiful supply of labor since its very investments in industrial activities were blocked. Neither was the bourgeoisie in desperate need of land for raw materials (owned by the feudal lords) which would have been otherwise needed for industry. In fact, as we have already mentioned, the bourgeoisie had become deeply involved in land ownership. Therefore the bourgeoisie's contradiction became limited and was mainly with the political superstructure of the feudal system and its foreign allies, which prevented its active participation in the economic and political life of the society. It was actually and precisely this very contradiction which caused the

Constitutional Revolution, and demonstrated the strength of the bourgeoisie, that was impossible to ignore.

But the very same laws which led the bourgeoisie to launch its historic assault on the political feudal superstructure prevented it from carrying on the struggle against imperialism. Hindered from industrial investment, the bourgeoisie, by the virtue of its commercial relations with metropolitan Europe (importing European manufactured goods and exporting raw material and traditional Iranian goods), was at the same time deeply dependent on the same force it was supposed to fight. Thus the Constitutional Revolution did not constitute an attempt to demolish the political rule of the feudal lords and the consequent transformation of the feudal political superstructure to a vehicle for the development of capitalist relations of production. Neither did the Constitutional Revolution lead to the elimination of foreign economic domination, as a sector of the bourgoisie created the nucleus of a comprador bourgeoisie to act as the internal base of foreign capital. The participation of the bourgeoisie in the governing political and economic institutions* not only left the colonial interests unharmed, it in fact extended them.**

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*The feudalists' defeat imposed upon them the establishment of the Majlis (the Iranian Parliament) in 1906, only to be bombarded by cannon fire two years later at the hands of the Tzar's cossacks.

**To cite a few examples: In 1908 a new concession was granted to the British syndicate for the construction of a railway between Mohammerah and Khoramabad.[108] In the same year, Britian advanced the Shah two loans with the combined

CHAPTER 4

WORLD WAR I AND THE 1921 COUP D'ETAT

The quest for new markets and new sources of raw materials intensified the inter-imperialist contradictions which finally crystalized itself in the outbreak of the First World War. The geographical and strategic location of Iran became a pretext for its occupation. The Tzar's army occupied the entire northern part of Iran, while the south was invaded by the British troops. The occupation of Iran by colonialist powers and the Court's indifference to the invasion was used by the national bourgeoisie as a rallying point to organize hundreds of thousands of oppressed and toiling masses, who had to starve to death while their foodstuff was being collected for the troops at gun point. The role played by the national bourgeoisie during this epoch and against the aggressive

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value of 2 million, while Russia provided the Shah with a 19 million ruble loan.[109] In 1909, the British oil company "Virus" was granted the concession to extract oil from newly discovered reserves in the southern city of Masched Sollyman.[110] In 1911, on the advice of American President Taft, W. Morgan Shuster, an American financial expert with close ties to the Standard Oil company, was dispatched to Iran on assignment to reorganize public accounts and eliminate annual deficits through the organization of the tax system.[111] In 1913, R. Bottam wrote, "... the two powers advanced a 400,000 loan, half of which was to be used for the Swedish-officered gendarmerie, and the British added another 100,000 for the use of gendarmerie in the south."[112]

armies was a manifestation of its determination to continue the struggle against foreign imperialists. Throughout the country popular forces went into revolt, not only against the aggressive armies, but also against the Shah's troops who proved themselves incapable of containing the people's movement. In the northern province of Gilan popular forces proclaimed the establishment of the "Socialist Republic of Gilan" under the leadership of the Jangal movement. In Khorsan, northeast of Iran, the Pessyan Insurrection shook the pillars of the Court's rule, while a popular rebellion was under way in Azarbaijon. The victory of the 1917 revolution was a turning point for the anti-imperialist movement of the Iranian people. All the colonial agreements were terminated, concessions ended and the Tzar's troops withdrawn from Iran, thus leaving the British imperialists to swallow the entire country. The British troops were soon to replace the Tzar's army in northern Iran.[113]

With the comprador bourgeoisie already in power and the feudal lords weakened, the British imperialists saw it as more advantageous to switch class alliances and side with this new sector of the bourgeoisie in contrast to their traditional ally, the feudal lords. The British conceived the now weakened feudal class as a temporary ally, politically incapable of coping with the national bourgeoisie and the popular movement, and economically unable to respond efficiently to the fast growing and changing needs of the imperialist world market. Only a strong and aggressive and at the same time reliable and docile force could have ensured the continued exploitation of Iran's human and natural resources at the time of extreme instability caused by the outbreak of the world war and the intensification of the people's movement.

> The time was ripe for the creation of a powerful central government which claimed it would carry out social and economic reforms. Feudalism and its main protagonists, namely the Khans and the princes, were not able to meet this historical necessity. The colluding comprador bourgeoisie, with its economic dependency on colonialism, was the main instrument of the reforms.[114]

If in Europe the transformation of the state from a feudal state to a bourgeois state was a historic product of the transition from the feudal mode of production to the capitalist mode of production, then in Iran, the transformation of the state from a feudal state to a capitalist state was itself to be the stepping stone for the transition from the feudal mode of production to the capitalist mode of production. The evolution of the state was not to be the historic product of a protracted process of growth and development of capitalism which necessitated a qualitative change in the political superstructure of the society, but rather a move for the "imposition" of capitalist relations of production, through the employment of the state. While in the classic pattern of capitalist development the development of the forces of production preceded the bourgeoisification of the state, here the bourgeoisification of the state preceded the development of the forces of production. Hence, the state was turned into a vehicle through which capitalist development was to materialize. The state apparatus was confiscated through a coup by the comprador bourgeoisie and the metropolitan bourgeoisie and turned into a powerful capitalist force to enhance the process of surplus appropriation. If in Europe the modern state "was purchased gradually by the owners of the property and by means of taxation ... through the national debt",[115] then in Iran, the "owners of property", the comprador bourgeoisie, too feeble to gradually purchase the state, abducted it with the collusion of the metropolitan bourgeoisie, and turned it into an almighty capitalist force to enhance the process of surplus appropriation.

It was thus Reza Shah, a former illiterate and Cossack officer, who in 1921, through a military coup, assumed the state power, donned a revolutionary mask and proclaimed himself the great social reformer. With the new government in power three major tasks had to be accomplished: 1) the liquidation of the widespread national democratic movement which, influenced by the Bolshevik Revolution, had been demonstrating increasingly revolutionary tendencies; 2) the termination of the Qajar rule, and the political feudal superstructure they had dominated for over a century; and 3) the construction of a feudal-bourgeois superstructure which, while allowing the feudal class to retain holdings and positions in the government, would acknowledge the supremacy of the comprador bourgeoisie in all political, economic and administrative procedures.[116]

Thus, the organization and erection of a modern standing army was on the order of the day, which was not only crucial to suffocate the monumental waves of anti-colonialist movements spread throughout Iran, but also the sine qua non for the creation of a bourgeois central government assigned to introduce and effect bourgeois laws and regulations required for capital investment and capital's protection. In a short span of time, the Shah's military build-up became possible as the war materials exported from England, France and Germany flooded Iran, financed by the bulk of Iran's oil revenue.

> In 1922 military appropriations accounted for 47 percent of the total budget, and by 1925, a unified army of 40,000 had come into existence. In 1926, the first general conscription law was introduced; by 1930, the army stood at 8000 men, rising to 125,000 in 1941. Reza Khan set up two military schools in Tehran, and sent officers to France, Germany, and Russia* for training. In 1924, a small air force was established and in 1932 a navy.

With the establishment of such a modern army, Reza Shah was now to inaugurate his reign of terror. It was first Gilan, the northern province of Iran which witnessed the invasion of the Shah's troops. After a protracted and heroic resistance, the Jangal movement was contained, as the Shah's forces indiscriminately massacred men, women and children whose fighting capacity was no match for that of the Shah's. The Shah ordered the troops to hang the beloved leaders of the

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*The training of the Iranian officers by the Soviet Union was based on a grave misunderstanding and an incorrect analysis of the nature of the Reza Shah's regime as the Soviets initially understood to be progressive and anti-imperialist.

movement at the gates of cities throughout Gilan in an act to instruct the people as to their future behavior. With the heart of the movement strangulated in Gilan, Reza Shah then turned upon the movements in Khorasan and Azarbaijon and unleashed an equally merciless assault. A bloody end to the people's uprising there proved to be inevitable since the movement lacked sufficient organization and well disciplined leadership. Having first crushed the revolutionary movements, Reza Shah was now to march his forces in the southern part of Iran in an attempt to subdue the locally based, autonomous tribal leaders. Through mass genocide, destruction of entire villages, looting and raping, he finally crushed the resistance of tribal leaders, disarmed the tribes, and forced their submission to the central government. It was only after the brutal suppression of all manifestations of resistance that Reza Shah went on to implement his social and economic programs.[118]

A dependent bourgeoisie whose economic might not rooted in the widespread development of capitalist relations of production, and whose emergence to political power did not supercede a historic struggle against the feudal class and feudal relations of production, could not implement a revolutionary economic and social policy aimed at the total destruction of feudalism in the economic base of the society. Furthermore, such a dependent bourgeoisie, by the very virture of its dependent status, is retarded, unable to introduce a self-centric and self-generating economic policy. Hence, it was doomed to reside within the confines of feudalism, introducing little more than some alterations in the superstructure of feudal society and taking measures conducive for further penetration of foreign capital. As such, leaving untouched the feudal mode of production (the system of large scale land holding and sharecropping) Reza Shah's economic and social agenda was to contain two main items: alteration of the feudal superstructure and the development of Iran's economic infrastructure.

Reza Shah began the implementation of his social reform program by introducing a set of laws deemed important by the metropolitan bourgeoisie and their local counterparts, who demanded stable and fixed policies for their commercial and industrial transactions. The reorganization of the central government's administration and bureaucracy was followed by the formulation and enforcement of new laws, most importaat of all, the codification of the commercial, civil and penal laws. A new system of taxation (both direct and indirect) was also adopted as the government deemed it as a vital source of increased revenue. The power and influence of the church and clergy also came under the attack of Reza Shah, who conceived them as "conservative" elements which might oppose this program of reform. Furthermore, he brought under state control the property and wealth of the church, thereby enhancing the state's revenue. Likewise, Reza Shah introduced land registration, through which the amount of crown land was immensely increased.[119] And the list of reforms goes on ...*

New ministries, each in charge of a particular public affair were formed, as the bureacracy underwent a process of constant expansion. However, the assigned tasks and specific duties of many such ministries were either not defined, or if defined able to be implemented since the society lacked the technical capacity and with that the needed technicians

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*Greatly impressed by the Western-European "way of life" and objectively impaired from introducing fundamental changes in Iran's socio-economic formation, he undertook a modernization campaign, thinking in vain that his modernization would lead to the fundamental changes that were themselves products of the fundamental changes in the socio-economic formations of Europe.

He unleashed a systematic attack on Islam, blaming the Islamic traditions and customs as the main cause of Iran's backwardness.[120] Reza Shah abolished the veil, and proclaimed the "freedom" of Iranian women who were now to dress in European style clothes. The unfortunate women became the subject of the Shah's forces' insults as they were attacked and their veils taken off their heads and bodies. No other measure could more offend the Iranian women for whom forced unveiling equalled walking naked in the streets. Likewise, he ordered men to throw away their turbans and wear European style hats and clothing. The ridiculous episodes that the Iranian people were subjected to with the Shah's "modernization program" was grasped by the British businessmaa, Sir Edwards, who relayed his experience in Iran in an address given at Chatham House on October 15, 1935:

In 1928 the Majlis (Iranian Parliament) voted at the order of the Shah, that all Persians must wear European clothes and a special kind of black hat shaped somewhat like a French officer's "kepi." The Persian custom of wearing the hat both out of doors and in was retained. On June 6th, the tenth session of the Majlis was opened by the Shah in person. When the deputies were ready to receive him, all wearing, as was their custom, the Pahlavi hat, the Shah entered the hall and mounted the tribune. To their astonishment, he was bareheaded. He stood for a second surveying them quizically. Being Persians they were quick to grasp his meaning: they removed their hats. The Shah gravely began his speech... That was the end of the Pahlavi hat. The next day throughout the length and breadth of Persia, felt hats, straw hats, bowlers, caps, anything that looked like a hat from Franghistan, was at a premium.[121]

to manage the newly built offices. The dependent bourgeoisie were not only dependent upon the capital, commodities and technology of the metropolis, but also had to depend upon the importation of western educated technocrats to run the state machinery which the bourgeoisie envisaged to be crucial for its further development. To this end, the Iranian dependent bourgeoisie began to import experts and technicians along with the capital and commodities from the metropolis.

> ...Belgian experts were used to help reform the customs administration, French experts for legal and public health reform, an American mission to reform the financial administration, Swedish officers to train the army, Italian officers to train the navy and increasingly, Germans as contractors and technicians.[122]

The importation of experts (bestowed with all authority and power to determine the direction of Iran's economic development) completed the course of the bourgeoisification of the state. This new factor, coupled with the institutionalization and modernization of the state and its military apparatus, fulfilled the necessary requirements for the new wave of capital influx. It was then the development of the economic infrastructure which was required for the expansion of the "home market", for the exploration of new sources of raw materials, and for the investment of more capital. As such, it was the state which, acting on behalf of the local bourgeoisie and its metropolitan counterparts, undertook the construction of roads, highways and railroads with Swedish and German firms. The first project to be undertaken was the construction of the Trans-Iranian railway. By 1930, 6,000 miles of new roads had been built and the Trans-Iranian railway was approaching completion.* By eliminating all road taxes enforced by the Qajars the government removed another barrier to internal transport and trade.[124] Whereas before 1924 there were only about 1,000 vehicles in the country (of which the majority were in the oil company's concession areas), by 1927 the quantity of vehicles had expanded fourteen times, now scattered throughout Iran, and thus facilitating the commercial and financial transactions between the metropolis and the home market.

The construction of the infrasture not only facilitated the import of commodities to Iran, but also made possible the export of the newly discovered oil reservoirs and the traditionally export oriented commodities to metropolitan Europe. (See Table 9). However, with the discovery of large deposits of oil, the traditionally export oriented commodities began to lose importance for the metropolitan bourgeoisie who conceived in oil the future life blood of the advanced industrial world. Oil expansion and drilling took unprecedented

*The additional construction that had already taken place between 1900 and 1920 was based on strategic and military construction and confined to the needs of the occupying armies during the First World War. The outbreak of the war made little difference at first as the Russians, Turks, and British had few vehicles. But in 1918, the royal engineers began constructing and repairing main routes in both the west and the south of the country to enable motorized traffic, mainly of a military nature, to travel between some of the major urban areas. After the war, heavy tolls were charged on these roads, as on the other main roads. Consequently, much of the internal freight was still carried by pack animals which could avoid such charges.[123]

Table 7: Imports of Cars, Trucks, and Other Vehicles by Non-Exempt Importers, 1924-1929[124]
(value in million rials, current prices)

	CARS		TRUCKS		OTHER VEHICLES	
Year	Number	Value	Number	Value	Number	Value
1924	529	n.a.	103	n.a.	-	-
1925	1,111	n.a.	492	n.a.	-	-
1926	1,330	10.3	967	12.6	-	-
1927	1,112	8.0	977	11.9	-	-
1928	1,369	11.1	1,760	23.2	23	0.5
1929	1,529	14.1	1,515	19.1	10	.2

Table 8: Imports of Durable Producer Goods With an Expected Average Life of More Than One Year[125]
(in million rials)

Year	Value	% of Total Imports
1900-27	442	3
1928	96	12
1929	161	17
1930	207	25

dimensions as oil was increasingly becoming the leading export item that had to be pillaged in significant proportions.*

Table 9: Volume and Value of Total Exports,[126] 1921-1930
(volume in 000 metric tons, value in million rials)

	NON-OIL EXPORTS		OIL EXPORTS		TOTAL EXPORTS	
Year	Volume	Value	Volume	Value	Volume	Value
1921	84	179	1,928	323	2,012	502
1922	115	174	2,708	429	2,102	502
1923	147	305	2,629	383	2,824	734
1924	211	385	3,614	515	2,776	768
1925	229	485	3,815	545	3,826	1,000
1926	152	515	4,520	654	4,044	1,059
1927	225	450	3,965	597	4,672	1,104
1928	196	663	5,173	1,038	4,190	1,060
1929	201	480	5,321	1,087	5,369	1,518
1930	181	459	5,407	1,005	5,522	1,575

At the same time, the extraction of crude oil and its shipment to the world markets was soon recognized by Reza Shah as an important source of state revenue that could be utilized for the development of Iran's economic infrastructure

*Foreign currency derived from the export of traditional goods, even though declining (e.g. carpet), still played the major role in the export of consumer goods.[127]

and the modernization of the military apparatus. The metropolitan bourgeoisie could never have been more content. Not only were the raw materials and economic surplus of the society being siphoned from Iran at bargain prices, but also the entire foreign currency was being spent on the purchase of goods and manufactured products of the metropolis for the construction of roads, railways, highways, bridges, ports, buildings, hotels, transportation, communication ... and most important of all, the military machinery. From 1921, the year Reza Shah ascended to power, until 1930, the state had spent 2 billion dollars on armaments,[129] 260 million dollars on railway construction,[130] 200 million dollars on government buildings[131].., while comparatively little was spent on the development of Iran's industry (a combined state-private total expenditure of 200,000 dollars), and investment in agriculture was virtually nil.[132]

The unavoidable result of such a lopsided economic policy was the inadequacy of the domestic economy to produce the essential consumer goods and intermediary commodities in demand on the internal market. It then became inevitable for the dependent bourgeoisie to turn to its metropolitan patrons in request of the needed goods and supplies including sugar, tea, woolen and cotton goods, clothing, mineral oil (benzine and kerosene), metal tools and iron and steel manufactures.

The dependent bourgeoisie's economic policy, defined as a) the neglect of agricultural and industrial development;

b) the provision of internal demands through the importation of large quantities of consumer and intermediary goods; and c) the development of the economic infrastructure with the influx of foreign capital, was to continue until the 1930's, when the Great Depression interrupted the metropole's production process, arresting its economic expansion and thereby preventing the continued export of capital and commodities to Iran. It then followed that the decline of production in the metropolis reduced the demand for raw material, and that in turn curtailed the flow of foreign currency into Iran's economy. A new process of capitalist development was thus forced upon the Iranian bourgeoisie.

CHAPTER 5

THE GREAT DEPRESSION AND ITS ECONOMIC CONSEQUENCES IN IRAN

The transition from the development of the infrastructure which corresponds to the demands of foreign capital, to the development of Iran's domestic industry, responding to the demands of the internal market, was characterized by the increasing role of the state, whose active intervention in the economic life of the society was required for the transition to occur.* To this end, and in an attempt to prevent the effects of the depression on the internal economy, the state was to take a series of measures to compensate for the loss of consumer and durable goods from the internal market as the foreign companies hastily fled Iran.

However, if new investments were to be made, then new sources of revenue had to be discovered and that in turn demanded new policy formulations. As such, in an attempt to increase the state's revenue, a regressive income tax law was passed in 1930,[133] entrusting the burden of the state's expenditure upon the shoulders of the poor, and in

*Given the important economic status of the national bourgeoisie and the state's control over the sources of national revenue, it was only the state which possessed the sufficient economic might to redirect the course of capital investment.

favor of the bourgeoisie. Another endeavor to line the state coffers involved renewed negotiations with the Anglo Iranian Oil Company in 1933 which resulted in increased AIOC payments to the Iranian government.[134] In still another attempt to increase the national revenue, Reza Shah sought to wrest control of 50 percent of the country's foreign exchange earnings from the British-owned Imperial Bank and submit them to the regulations of Bank Melli (the national bank founded in 1927). Not successful in its initial objective, nevertheless the state gained the monopoly over the note issue from the Imperial Bank. Between 1933 and 1939, the amount of notes issued by Bank Melli increased five-fold to nearly 11 million rials. The state encouraged internal bank development, as evidenced by the establishment of eighty-four branches of Bank Melli by 1940, as well as the founding of three new banks - Bank Sepeh, the Agricultural and Industrial Bank, and the Bank Rahni (Mortgage Bank).[135]

However, the state's intervention in the economy was greatest in the realm of foreign trade. The dependent Iranian bourgeoisie, who, deserted and left helpless by the metropolitan patron saints, had to survive the harshness of the elements caused by the anarchy of production. As such, in 1932, the state asserted its monopoly over Iran's foreign trade in order to "limit the import of certain goods, to reduce the demand for foreign exchange, to protect new industries, to encourage and increase proportions of production for export, to be able to barter with other countries whose foreign trade was a government monopoly (i.e., mainly Russia), and to attempt to obtain better terms in world markets."[136] Consequently, state monopolies were erected to control the import of essential consumer goods such as sugar, tea, and cotton. At the same time, in a conscious policy to encourage industrial development and reduce foreign import dependency, the state exempted capital goods, industrial machinery and equipment from custom duties. In this connection, those items not monopolized by the state became subjected to import quotas directly related to export earnings.

With these measures enacted (control over note issue, increased oil revenues, increased tax income, control over foreign trade) the state was financially positioned to undertake enormous industrial development programs. In a short span of time 64 different state-owned factories, including eight sugar refineries, rice and flour mills, one paper factory..., emerged in response to the demands of the internal market and provided the state with the needed revenue. Arthur Millspaugh, an American economist who restructured Iran's tax system in the 1920's, relays that:

> The government owned and was operating a tobacco factory, a glycerine and soap factory ... a cottonseed oil plant, cotton, silk and jute mills, a sulphuric acid plant, cement plants, an establishmeat for impregnating railroad ties, a limber mill, an iron foundary, a gas mask factory, munitions factories, an airplane assembly plant, cotton gins, canning factories, and plants for cleaning rice and tea. A government corporation supervised carpet manufacturing, handled the commercial side of the industry, and made progress in the rehabilitation of this

> ancient craft. Reza Shah ... widened the main streets of most of the cities, tore down walls, laid out boulevards, opened vistas. Automobile and motor trucks multiplied. Commercial truck and bus services started. Filling stations appeared. Tehran, half dark at the time of my Mission with limping electric power and with houses mostly dependent on kerosene lamps and candles, burst into light at the touch of its dictatorial Alladin.[137]

To continue the development of Iran's infrastructure, Reza Shah undertook the establishment of a cement factory to domestically produce this essential ingredient for construction in order to reduce the import of cement in large quantities. In addition, two other heavy industries - a steel mill and an iron factory - were under construction by 1941.[138]

To facilitate the development of trade between cities and across the borders, the state also invested large sums of capital on road and railway construction. By 1938 Iran's roads were officially stated to total 24,000 kilometers. Only 950 kilometers were asphalted by that date, but the total length of gravel roads had risen to 12,000 kilometers as compared to 2,400 at the beginning of Reza Shah's regime. Even more construction activities were directed at railway development, in particular the Trans-Iranian Railway. Linking the Caspian Sea to the Persian Gulf, 1394 kilometers of railway were completed.[139]

With the construction of roads and railways, the expansion of internal trade and commercial relations, and state protective laws, the development of privately owned industry was also encouraged and between 1933 and 1940, according to Iran's National Bank Bulletin, the number of registered companies increased from 93 to 1725, with their capital surging to the amount of 1,863 million rials from 143 million rials.[140] The national bourgeoisie, who painfully had survived the challenge of foreign capital during the 1920's, took advantage of the new situation and began to display its tendency for industrial undertakings. Consumer goods such as woven materials, textiles, matches, soap, glass, leather, rope, silk fabrics and many others characterized by small scale and primitive forms of production, began to appear on the domestic market. If in the previous period, the national bourgeoisie was subjected to severe repercussions when engaged in industrial activities, now, in the 1930's, it only received encouragement to the point that, as Edwards notes:

> Factories ... have been assisted in some cases by credits from the National Bank[141] and government employees and school children had to buy Iranian, regardless of price or quality.[142]

The revival of the national bourgeoisie and the state's increasing investments in industry inevitably generated an industrial working class whose ranks swelled by 250 percent between 1930 and 1938.*[143]

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*The Iranian industrial working class was composed of old craftsmen and artisans who had been forced into unemployment and poverty by the onslaught of foreign capital, and the city poor, beggers and casual laborers derived from the landless peasants who had been forced into the cities. Even though now employed, the Iranian working class had to labor hard and long and even their meager wages at times were not paid to them; Millspaugh notes that Reza Shah "used forced labor on roads and buildings."[144] In the midst of capital

A final means of the state's advancement of industrial undertakings was its policy to exert monopoly control on export items such as cotton, jute, rice, carpets, and other products. The British merchant, Edwards, explains the mechanism by which the export of Iranian commodities was promoted:

> ...The balance of trade is, moreover, controlled by an ingenious system of licences. ...My firm has exported many thousands of pounds worth of carpets under this system since its inception four years ago, and we have found that on the whole it works pretty well. I will try to explain it: an exporter of Persian produce, of say 10,000 rials value, receives when the goods cross the frontier outwards, a certificate which declares that he has exported 10,000 rials worth of goods. This certificate he sells to the National Bank and receives a premium of 10 percent of its face value, or 1,000 rials. So much for the export side of the system; now for the import side. A merchant who wishes to import goods must apply to the National Bank, which is now in a position to grant a license to import 10,000 rials worth of foreign manufactures. For this he has to repay the bank the 1,000 rials premium which they have paid to the exporter, plus a further profit which they take themselves.

Edwards then concludes that:

> The effect of this system is that exports receive a subsidy at the expense of imports. The system,

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(continued from previous page) outlays by both the state and private investors, barely a garan was spent on the improvement of the living and working conditions of the Iranian workers. Israel T. Naamoni observed that "the artisans and weavers of rugs, the workers in wool, leather and precious metals, whose workshops and dwellings are combined in the same crowded dingy quarters" and must slave "limitless hours" and receive a "pittance" of an income.[145]

Any attempt on the part of workers to challenge these oppressive working conditions was met by the brute force of Reza Shah's gendarmies. All trade union activity was outlawed as was any other attempt by the workers to organize in order to defend their rights.

> of course, enables the government to maintain a fairly constant balance between the totals of imported and exported goods.[146]

The implication of this method to the carpet industry, entangled as it was by the world depression, and until recently under the monopoly control of the European and American firms, was to sustain an export rate of 40 percent that of the pre-depression period, which to Edwards was surprisingly good, considering the sharp decline in the world demand.

The consequent outcome of the state's two-pronged effort to promote exports of commodity goods while at the same time restricting imports, was a better balance of payments than the previous periods, as shown by Table 10.

With a total monopoly over foreign trade, ever increasing investments in various sectors of the economy and a monopoly of public resources, the state transformed itself into a powerful institution assuming a determining role in the direction of capitalist development in Iran. This facilitated the growth of a new strata of bureaucrats whose ranks were partially filled by those sectors of the comprador bourgeoisie most closely dependent upon foreign trade and thus more vulnerable to the interruptions of international commerce. The newly emerged bureaucratic bourgeoisie was empowered to oversee the expanded economic activities of the state and was thus positioned to ensure the supremacy of the comprador class, despite the severe crisis which had temporarily promulgated the ascendancy of the national bourgeoisie. The bourgeois character of this strata is well portrayed by B. Jazani:

Table 10: Major Imports and Exports, 1938-1942
(value in thousands of rials)

Imports					Exports				
Commodity	1938/39	1939/40	1940/41	1941/42	Commodity	1938/39	1939/40	1940/41	1941/42
Cotton goods	54,451	103,124	127,099	18,278	Petrol products	1,752,467	1,680,064	1,313,391	1,011,337
Woollen goods	23,086	12,861	11,188	10,094	Carpets	100,145	106,828	120,118	131,627
Sugar	90,187	90,491	87,298	106,632	Fruits and berries	175,885	154,349	193,319	138,305
Tea	81,105	80,975	69,098	33,137	Raw Cotton	55,952	118,189	113,977	32,422
Machinery	40,583	20,912	33,345	46,301	Wool, hair, & c.	38,519	116,979	162,590	141,824
Mineral oil	15,122	2,770	4,227	2,651	Skins	41,172	64,620	66,811	36,161
Others	390,000	301,031	532,670	396,761	Gum	42,917	52,320	37,761	81,648
					Others	186,681	208,818	245,309	263,585
Total Imports	694,534	612,164	864,925	613,854	Total Exports	2,393,738	2,502,167	2,253,476	1,836,909
					Exports excluding Petrol products	641,271	822,103	939,885	825,572

> Why is the administrative and military system of this period characterized as bourgeois? Because the elements who were running this system were devoid of any connections with the large feudal elements or the Khans and the Qajar dynasty, and rose from amongst the petit-bourgeois or bourgeois sections of society. The new class of bureaucrats accumulated fabulous wealth by plundering the public revenues, i.e., taxes and oil revenue, by confiscating lands from various land-owners, by sponsoring state and monarchical enterprises, and by supervising development programmes. It is therefore not surprising that this bourgeoisie, like the financial bourgeoisie before it, starts to scramble for the accumulation of real property and combines the feature of being a bourgeois with that of being a land-owner. The Pahlavi Court and Reza Khan in particular, are clear examples of these dual tendencies. The reorganization of the administrative system, the creation of a new army, the expansion of universal education, an attempt to "Europeanize" people's behaviour, a hostile stand towards the clergy, the setting-up of Chambers of Commerce; the passing of commercial law; and the creation of some industries were all measures which explain the bouregois character of the regime.[148]

The state's financial might, backed by unrestrained political dominance, left no sector of the economy untouched. In agriculture, the state, through a land registration law, succeeded in bringing under its control all church lands. Reza Shah wielded the power of the state to confiscate vast tracts of land as the feudalists increasingly lost their independence. Nevertheless, feudalism, that is the system of share-cropping and large scale land ownership, continued to be the main form of agricultural production.

> The feudalists had the right to share in the government through the new political apparatus such as the Majlis, the administrative and military systems. This political power of the feudal lords was the reflection of their economic might.[149]

Israel T. Naamani noted, "some forty families each own(ed) twenty villages or more."[150] In contrast, 60 percent of the Iranian peasants did not possess a single inch of land, 23 percent owned less than one hectare and only seven percent could claim ownership of three to seven hectares.

The largest of all landowners became Reza Shah, who was joined by many other comprador bourgeoisie. However, in emphasizing industrialization, despite the fact that 80 to 85 percent of the country's population lived in the rural areas,[151] the state did virtually nothing "in the way of agricultural development and nothing in the way of reforming the oppressive and inefficient system of land tenure which militated against increased agricultural production.[152]

Arthur Millspaugh, the American financial mentor of the Shah during the 1920's notes that despite the extensive state investments in developmental projects during the 1930's, "not a single major irrigation project (was produced) ... Famines, caused by crop failures and maldistribution of grain production, have figured among Persia's most tragic visitations. No step was taken to cure this malady. Reza Shah cruelly exploited the peasants who form the mass of the population.[153]

As such, conditions of living for the vast majority of the Iranian peasants steadily declined as they were forced to produce more foodstuffs, while the burden of the tax payments which multiplied five times during Reza Shah's rule, bore down on their bent backs. The peasants' tax payments enhanced state revenue, but the peasants were "constantly beset by disease, malaria, syphilis, tuberculosis - with diseases of malnutrition the most common."[154]

However, in spite of the peasantry's seemingly desperate situation, the contradiction between the peasants and the feudal lords neither culminated in mass revolt, nor in mass pauperization and the consequent migration to the cities and proletarianization. The feudal mode of production largely remained intact and still dominant. Its peaceful co-existence with the developing capitalist mode of production was doomed to be maintained and perpetuated as long as the limited level of internal production corresponded to the limited capacity of the home market. The qualitative transfiguration of the socio-economic formation of the society could only come later with the enormous expansion of commodity production which requires an ever-expanding market and that, in turn requires an ever increasing number of wage laborers. It is within this context that the supremacy of the new mode of production assumes paramount importance. Reza Shah's economic policy and the general development of capitalist relations of production during this period were only the first steps in this direction.

CHAPTER 6

THE 1941 COUP D'ETAT AND THE SUBSEQUENT POLITICAL AND ECONOMIC CRISIS

Prior to the outbreak of the Second World War, Reza Shah, who had perceived Germany to be the ascending imperialist power, and who shared with Hitler many of his fascistic traits, developed extensive political and economic ties, while the British imperialists, deeply plagued by the Great Depression, were impaired to block this development. However, Britain's apparent indifference could not be sustained with the outbreak of the war. As simple as it was for Britain to install Reza Shah to power in 1921, it was simple to replace him. A British sponsored coup d'etat was effected in 1941 which forced Reza Shah to abdicate his crown, go into exile, and be replaced by his young and inexperienced son, whose emergence to power was to coincide with the occupation of Iran by the invading allied forces.[155] The occupation of Iran by foreign troops produced severe strains on the Iranian economy which had hitherto experienced a decade of relative growth. The pattern of industrial development was interruped as much of the economic activity of the society was shifted towards responding to the demands of the war, including the construction of roads, railways and port installations.*

A severe shortage in agricultural foodstuffs appeared and a near famine hit both the towns and countryside as the demand generated by the presence of tens of thousands of occupying troops far exceeded supply. As such, large scale immigration of desperate peasants to urban areas as well as immigration from small to big towns and particularly to Tehran became the characteristic feature of the period. At the same time, rampant inflation swept the country because the heavy expenditures of rails by the foreign troops found no corresponding increase in supplies, and further aggravated the poverty stricken condition of the populace.[157] With the inflation another blow was struck against the people whose purchasing power fell sharply and in turn contributed to a decline in production and thus unemployment. Consequently, it was then inevitable for the masses to not passively accept this condition, but to resist the source whom they

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(Noted from previous page)

*The result of the war was to give some impetus to local production, particularly in the textile industry, but progress in this direction was however handicapped by the impossibility of obtaining sufficient supplies of machinery, spare parts and raw materials. The efforts of the Allies were directed chiefly towards ensuring that Persia's principal requirements of commodities such as tea, sugar, cotton piece-goods and drugs were assured. Also considerable quantities of plant were exported to the oil company for the extension of its refineries. Apart from this, imports into Persia were sporadic and there was a general shortage of consumer goods which left the field to local industry as far as it was able to supply them. This led to a marked increase in prices and consequently in the cost of living so that Persia held the unenviable distinction of being one of the most expensive countries in the world. With the end of the war, Persia was in the market for practically every class of consumer goods and her industries were in dire need of overhaul and of replacement parts.[156]

correctly identified as the war and the presence of the occupying armies.

The rage of the people finally crystallized itself in the eruption of mass movements throughout Iran which demanded an abrupt end to foreign occupation. The communist movement, which was flourishing before Reza Shah, but had been cut short and was now confused by its own internal problems, was unable to seize the opportunity and exert its leadership on the movement. The stage was thus set for the national bourgeoise, who, economically regenerated during the last decade of the Reza Shah's rule, was now in a position to realize its political aspirations. Hence emerged the Iranian National Front, a loosely structured political organization composed of political parties, professional groups and dignitaries and with no clear economic program, as the political representative of the Iranian national bourgeoise. It soon rallied the support of the vast sectors of the population who were determined to wage a resolute struggle against foreign domination and the internal reaction. However, incapable of leading the mass movement in a revolutionary struggle aimed at structural transformation of the society, the National Front opted for a reformist strategy. It confined the movement within the boundaries of the parliament and parliamentary gains.

The end of the war and the evacuation of allied forces from Iran in 1942 not only did not resolve the economic crisis, but produced new and greater problems. The Iranian economy, devastated and deeply in shambles, was not only to respond to the request of the British metropole, but also to the whims and wishes of the now powerful U.S. imperialists which were to challenge the British monopoly over Iranian oil and assume an active role in Iran's internal market. While American-based oil monopolies demanded a share of Iranian oil, imported consumer goods flooded the Iranian market, this time labeled "made in U.S.A."[158] As a result, the sagging position of the commercial comprador bourgeoisie was bolstered as the latter found a strong and powerful ally in the new metropolitan center, to the detriment of the national bourgeoisie and the bulk of the Iranian people who were harshly entangled by unemployment, inflation and starvation. A new wave of anti-imperialist movement proved itself to be inevitable.

It was again the national bourgeoisie who became the forerunner of the anti-imperialist movement of the Iranian people, which assumed new dimensions particularly when it was divulged that the Anglo-Iranian Oil Company was realizing profits approaching £200 million annually in the late 1940's, while the Iranian government's share of the plunder had only reached £16 million.[159]

The National Front, taking advantage of the weakened status of British imperialism (as the result of the war) and the unstable condition of the Iranian ruling class, rallied millions of the Iranian people under the slogan of the nationalization of the oil and finally succeeded in seizing political power. In 1951, Dr. Mohammad Mossadegh, the beloved companion of the Iranian people, was elected as prime minister in the first parliamentary election in Iran.

CHAPTER 7

THE ASCENDENCY OF IRAN'S NATIONAL BOURGEOISIE TO POWER

Dr. Mossadegh, upon the assumption of political power, was to inherit an empty treasury. He was to face and ultimately solve a score of problems, the most spectacular of all being inflation and unemployment. In an attempt to increase the state revenue and sever the hands of foreign imperialists from Iran's natural resources, he initiated his economic and social program by nationalizing the oil, a measure previously introduced and passed in the Majlis in April 1951. The oil nationalization was not affected, due to a systematic sabotage campaign caused by the Court-Britain axis. In response, the British launched an aggressive campaign against Mossadegh, refusing all negotiation attempts, calling on all countries to practice a total boycott of Iranian oil and disrupting the Iranian economy by a blockade on foreign trade.* The British continued their efforts to undermine Mossadegh's government by freezing all Iranian deposits in British banks; as a consequence, Iran's foreign trade came to a standstill. In response, Mossadegh ordered the closing of British consulates in Iran, demanded the liquidation of

*In September 1951, the British government requisitioned a ship's cargo of 3000 tons of rails and 2000 tons of sugar that was already en route to Iran.[160]

Anglo-Iranian institutions and compelled the British Bank of Iran and the Middle East to withdraw from the country.[161]

As for the United States' imperialists, Mossadegh never neglected to expose and condemn their ploy to present a neutral posture which was based on their lust for rights to Iran's oil and their misconception of Mossadegh's true intentions to nationalize Iranian oil. The American professor, George Lenczowski said, "the United States became the target of frequent criticisms in the press and the Majlis. The United States was blamed for failing to help Iran financially and for siding with Britain in the oil dispute. Moreover, Dr. Mossadegh refused to accept the conditions attached by Congress to American technical and military aide under the Mutual Security Program. Only the adoption of a dubious face-saving formula permitted the State Department to resume shipments of arms to Iran and to continue the $24 million Point Four Program." Lenczowski continued by noting that: "It looked as though Iran were doing the United States a favor by accepting her aide."[162]

However, the deceitful face of the United States' government was to fade away as Mossadegh's nationalization program materialized. The "neutral" United States joined the boycott of Iranian oil which was enacted by virtually every government in the world. The drastic reduction in Iranian oil was then inevitable. (See table eleven).

With 60% of Iran's foreign exchange evaporated, Mossadegh went on to launch his new economic policy referred to as the "Economy Without Oil",[163] which focused on the development of Iran's indigenous industry and agriculture. Based on this economic policy, import barriers were erected on all but capital goods and essential industrial commodities crucial for developing the production forces. Tariff concessions and favorable discriminatory exchange rates were enacted to facilitate the importation of intermediary commodities essential to strengthen and enlarge the productive capacity of national industries such as sugar and textiles.*

Table 11: OIL EXPORTS, 1946-1958

Year	Volume	Value
1946	17,928	8,049
1947	17,913	9,993
1948	20,185	17,140
1949	21,507	15,389
1950	31,217	22,184
1951	9,158	6,843
1952	14	12
1953	239	263
1954	3,434	2,008
1955	15,365	9,405
1956	23,051	15,909
1957	31,348	19,298
1958	36,571	22,859

*Economic data for 1951-1953 is extremely scarce and that which is available is largely distorted in an attempt to discredit Mossadegh.

Despite the adverse economic conditions, Mossadegh's policies instilled an expansionary atmosphere among budding industrialists.[165] Private investment took place in industry, transport and housing and statistics for the period indicate that although planned expenditures decreased by 2/3, production levels in these areas remained roughly the same as the period immediately prior to nationalization. Some sectors even showed increases. Within this context, it is important to note that positive equilibrium in the balance of payments was achieved, this having occurred in only two previous years since 1900.[166]

Other than industrial expansion, the Iranian national bourgeoisie turned its serious attention to agricultural development, hitherto neglected by the previous ruling classes. A bourgeoisie that was motivated by the concern to introduce a progressive program for economic development (historically, at only one particular juncture can the bourgeoisie assume such a role) also adopts a progressive approach to the fundamentals of the old mode of production which is understood as backward and reactionary. As such, unlike other strata of the Iranian bourgeoisie who, when in power, did their utmost for the acquisition of land, "the source of all wealth", the national bourgeoisie not only did not indulge in the accumulation of more land, but attacked the very basis of the fuedal mode of production through the implementation of a land reform program.

A limited land reform was launched, although not based on the immediate distribution of "land to the tillers" but rather on a gradual process of modern agricultural technique introduction including irrigation schemes, agricultural machinery, chemical fertilizers, pesticides and selected seeds, and an education of the peasantry on farm management. Agricultural credit was expanded to encourage compliance, and landowners were required to return 20% of their profits to the producing village, 1/2 to peasant and 1/2 for community improvement (i.e., education). Village councils were taken out of the hands of the landowners and given responsibility for planning solutions to health, sanitation and irrigation programs, with the government providing agricultural experts to assist and advise the councils.[167] It is important to note that one of the major targets of the land reform was the Shah himself, who was directed to relinquish all land illegally confiscated by Reza Shah, to be either returned to the previous owners or to be redistributed by the government, an attempt to weaken the status of the feudal class in the hierarchy of the Iranian society.[168]

However, Mossadegh's reform program was not limited to the sphere of economics. In the social realm as well, his progressive ideology was to be reflected. In his 27 months of premiership, Mossadegh undertook a series of reforms including the restructuring of the tax system, introduction of universal suffrage, modification of the election law and allowing a broader spectrum of general representatives in the parliament. Furthermore, he undertook a thorough reorganization of the judiciary by dismissing, first of all, the supreme court. He also issued new press and security regulations aimed at the strengthening of the government.*

*In July 1952, Mossadegh, frustrated by the constant intrigues of British imperialists and its subservants in the court and Majlis, asked for broader powers including that of the ministry of war, to fulfill his program of reform. The Shah refused to render Mossadegh further control and Mossadegh resigned in protest. However the Shah, backed by the army, was proven to be powerless in confronting the vast majority of the Iranian people who stood as one behind Mossadegh. For three days, the streets of Iran were overflowing with conscious and determined Iranian people who took their lives into their hands and cried from the depth of their hearts, "Death or Mossadegh." The Shah was forced to succumb to the just demands of the masses. Mossadegh was returned to the premiership and was granted full power by the Majlis. Upon the assumption of premiership he assumed personal control of the Ministry of Defence and within a few weeks effected a purge in the upper echelons of the army, removed from the Shah's close entourage a number of "undesirable persons" forced them to leave the country.[169]

CHAPTER 8

THE OVERTHROW OF DR. MOSSADEGH AND THE RENEWED DOMINATION OF THE COMPRADOR BOURGEOISIE AND IMPERIALISM IN IRAN

Mossadegh's social and economic reforms proceeded to lay the foundations of a self-generating, self-centered socio-economic formation, responding to the demands of the internal market rather than the demands of the capitalist world market. In that it blocked the channels through which the economic surplus of the society was siphoned off into the coffers of the metropolitan bourgeoisie and its allies, the comprador bourgeoisie and the feudalists, who were not to stand still and mourn their downfall, but to conspire to the best of their abilities to reassert their political and economic dominance. Hence, in a conserted and malicious effort, the British Intelligence and the U.S. C.I.A. coordinated and effected the coup d'etat of August 6, 1953. Mossadegh fell.

A tremendous wave of terror swept the country. To mention a few, Mossadegh was the first imprisoned and then sent to exile for life. His Foreign Minister, the honorable Dr. Hossein Fatemi was stabbed, tortured and killed. Shirazi, a newspaper man, was tortured and burned to death. The Shah was revengeful. Dozens of active militants of Tudeh Party and National Front were tortured and killed. The Tudeh

Party's underground organization in the army was betrayed. Dozens of revolutionary officers were arrested, tortured and shot. The Tudeh Party's leadership escaped the country, leaving behind the revolutionary working masses, including hundreds of its best cadres, in the hands of their enemy. The most elementary of democratic rights and freedom of the people were suppressed. Heavy censor fell on the press and public media. All forms of organizations were banned. Yellow unions staffed with police agents were erected to mark the most class conscious elements of the working class. Progressive individuals from all walks of life were arrested and imprisoned.

Following the suppression of the progressive and anti-imperialist movement* the new regime proceeded to find a solution for the oil question. Exactly one year after the coup d'etat, a new contract was signed, this time between the National Iranian Oil Company (NIOC) and an international consortium of major oil companies which included the following:

Table 12: International Oil Consortium
(Percentage of Control of Iran's Oil Reserves)

COMPANIES			OWNERSHIP (in percentage)
British Petroleum Oil Company (formerly AIOC)			40%
Standard Oil Company of New Jersey	8%		
Standard Oil Company of California	8%		
Texas Company (Texaco)	8%	U.S. Firms	40%
Socony-Vaccum Oil Company (today called Socony-Mobil Oil)	8%		
Royal Dutch Shell (60% Dutch, 40% British)			14%
Compagne Francaise des Petroles			6%

The significance of the new treaty was first that Great Britain's loss of its total monopoly over the Iranian oil was counter-balanced by a 40% gain by the United States' oil companies - an indication of the United States' post World War hegemonic position in the capitalist world economy, and in this connection, its increasing influence in Iran vis-a-vis Great Britain.

Secondly, even though Iran's oil officially remained nationalized, in reality the control over production, distribution and pricing of the oil was left in the hands of the consortium, while the state's share of the pillage was increased from thirty to fifty percent. As such, foreign control over Iran's oil necessarily translated into foreign domination over the cornerstone of the new regime's economic program.

With the resolution of the oil question, and the suppression of the anti-imperialist movement, the reassertion of the comprador bourgeoisie in the economic life of the society was to occur with the assistance of several factors which, until 1954, had been either absent, or negligible in their presence. While oil concessions before nationalization had afforded Iran only minimal oil revenues, now, due to the state's share of the consortium's profits and an increase in export levels, the revenue accrued from the oil industry by the Iranian government shop upwards in the last years of the 1950's to 285 million dollars. Supplementing the income from oil exports, the United States provided the Shah with almost 1 billion dollars in a series of grants, and loans from the United States and the World Bank amounting to $1.2 billion for the same time period.[171]

As such, the independent course of capitalist development initiated by Mossadegh deviated onto a path of dependent capitalism, corresponding to the demands of the metropolis (this time under the hegemony of the United States). With this trend in motion, the national bourgeoisie was also to descend, as the comprador's role in the dependent structure assumed paramount importance. Consequently, the renewed supply of foreign exchange was not to encourage domestic production as the post-world war boom of the 1950's necessitated an ever expanded market for the exportation of American manufactured goods, which were at the same time the life blood of the commercial comprador bourgeoisie of dependent socio-economic formation. To this end, the state, representing the Iranian comprador bourgeoisie, announced an open door economic policy to facilitate the importation of metropolitan-manufactured, consumer commodities to Iran. The open door policy funneled hard money out, and foreign commodities in, which in trun brought a sharp reversal to the resurgence that the small scale workshop manufacturers had experienced during the ascendency and rule of the national bourgeoisie.

The table below graphically illustrates how quickly Mossadegh's economic policies were reversed.[172]

Table 13: Balance of Trade, 1954-1961
(millions of rials)

Year	Imports	Exports (excluding oil)
1954-55	7,425	10,288
1955-56	9,125	8,088
1956-57	20,081	7,930
1958-59	33,578	7,941
1960-61	52,657	8,360

Furthermore, the state initiated an aggressive campaign in 1955 to attract foreign capital to Iran. Millions of dollars of the world market's capital were poured into the country to be returned many fold in a very short span of time. The state founded the Center for the Attraction and Promotion of

Foreign Investment (CAPFI) which was to facilitate this process. Under CAPFI's supervision, foreign firms which would enter into joint ventures with Iranian comprador industrialists were to receive a five year exemption from taxation, as well as an exemption on the duty of all "necessary" imports and "the right to repatriate profits in the currency in which they first invested."[173] As such, contracts for infrastructural schemes, such as a 11.5 million contract for pipeline construction and a £30 million contract for road construction were received by British firms.

Other "spectacular infrastructure projects" such as the construction of dams, roads, telecommunication, power plants ... were also undertaken by the state to further facilitate foreign capital investment in Iran. One such extravagance was the development of Tehran Airport at the expense of 513 million rials. Its cost included the importation of all its interior furnishings from Europe "to demonstrate that Iran had practically attained the standard of living of the West ... not even Persian rugs could be used.[174]

In order to promote the development of industrial branches, crucial for the production of consumer goods, the state devalued the rial in 1957, producing $95 million, most of which was disbursed through an agricultural and industrial lending program.[175] Between 1956 and 1962, 1,575 commencement permits were issued by the government for manufacturing construction.

> Imports of machinery for both the textile
> industry and all other industries grew

rapidly in volume and value; the production indices of most of Iran's major commodities, including sugar, cotton and woolen textiles, cement, cardboard, and vegetable oil, all registered continued growth, the number of industrial enterprises increased from about 45,000 in 1957 to around 70,000 in 1960; sales of industrial fuel oil almost doubled in the same period while the industrial labor force expanded by roughly 20%.

Table 14: Domestic Production of Various Commodities, 1947-60

Year	Sugar (000 tons)	Tea (000 tons)	Tobacco (bl. cigarettes)	Matches (ml. boxes)	Cement (000 tons)
1947	52	5.0	4.2	227	44
1948	35	4.5	---	265	53
1949	27	5.2	5.5	284	56
1950	55	2.8	4.1	308	62
1951	70	3.5	5.0	320	63
1952	71	4.0	5.2	328	42
1953	70	4.0	5.8	380	53
1954	62	6.0	6.7	409	65
1955	76	7.0	6.8	365	132
1956	103	7.9	6.7	318	224
1957	112	6.1	6.1	384	313
1958	134	8.0	7.2	401	410
1959	146	8.4	7.4	695	579
1960	159	7.3	8.4	487	797

While in 1960, about ninety-eight factories were either wholly or partially state-owned, the trend was towards an increasing dominance of privately-owned industries. Other trends in industry that could be recognized in the late 1950's and early 1960's were an increased diversification in manufacturing (while about 300 different products were manufactured in 1958, the number had increased to over 450 by 1960).[179] Also the growth in industrial assembly plants (import substitute industries), whose function is to assemble imported industrial parts, became possible during the 1950's as the metropolitan economies found it both necessary and

Table 15: Employed Workers in Manufacturing Industry, 1956 and 1966 (000 workers)

Type of Manufacturing	1956	%	1966	%
Food processing and beverages	84.7	10	140.9	11
Tobacco	5.6	1	4.1	--
Textiles	359.7	44	611.9	48
Footwear, other textiles	125.8	15	163.5	13
Wood and cork furniture and fixtures	57.6	7	74.9	5
Paper and products	1.1	--	1.9	--
Printing, publishing	2.8	--	7.8	--
Leather (excl. footwear)	5.7	1	7.7	--
Rubber products	1.8	--	3.8	--
Chemicals and products	11.3	1	12.3	1
Petroleum, coal and other non-metallic minerals	68.4	8	85.1	7
Basic metal industries	0.3	--	1.6	--
Metal products	58.8	7	78.6	6
Machinery (non electric)	4.9	--	0.3	--
Electrical machinery, appliances	2.2	--	2.9	--
Transport equipment	15.4	2	51.8	4
Miscellaneous	9.7	1	18.9	1
Total	815.7	100	1,267.6	100
Male Workers	538.0	66	759.0	60
Female Workers	278.0	34	509.0	40

profitable to provide the peripheries with basic industries, further intensifying the diversification process.

The process of capitalist development, as was being consciously fostered by the state, inevitably found its way into banking operations as well. Banking became a profitable investment arena in the late 1950's and numerous privately owned banks were founded with either Iranian or Iranian-foreign capital, giving rise to a financial comprador bourgeoisie in Iran.

The tremendous expansion of the economy, and the further penetration of foreign capital and hence its further encroachment in the society, inevitably resulted in the increasing erosion of the national bourgeoisie. Almost totally incapable to face foreign competition, the national bourgeoisie was forced into a process of analysis and polarization. While only a negligible sector (engaged in economic spheres not yet invaded by foreign capital) retained their position, the bulk of this strata of bourgeoisie began to move towards comprador activities and the fabulous wealth of comprador bourgeoisie. Hundreds of small shopkeepers became big capitalist import agents; merchants from the bazaar moved into industrial activities; medium sized workshops expanded into big industrial factories; and small pawnshops and userers joined the wave of modern banking development. Still a third sector, not swept into the whirlwind of dependent investment and wealth, was ruthlessly pushed out of economic activity. Many of them, along with the petit-bourgeoisie of the bazaar, were forced into the work force, while many others joined the swelling ranks of the unemployed and poverty stricken, enlarging the reserve army of labor.

The economic expansion of the 1950's, while immensely weakening the economic position of the national bourgeoisie, strengthened and consolidated the economic basis of the comprador bourgeoisie who accumulated fabulous amounts of wealth during this period of expansion. However, reaching its zenith in 1960, the economy was soon plunged into a deep recession as the importation and production of commodities far exceeded the limited capacity of the internal market.

The crisis was further intensified with the decline of Iran's oil income, as the production and export of oil had continued its market. Coinciding with the sharp oil price decrease was the exhaustion of the United States' economic aide plan. With both major sources of foreign exchange removed, and with the dependence upon the imports built into the economy, Iran quickly sunk into near bankruptcy by the end of 1961, and had the additional burden of 800 million dollars in private and public debt.*[180]

Surplus production of the dependent industries, as well as the destruction of independent productive units resulting from unrestricted competition by foreign made commodities, forced scores of factories to shut down, idling 113,000 workers and their families.[181] Unemployment, high cost of living, scarcity of foodstuff and other basic necessities, all products of the economic crisis of the dependent

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*Of equal importance as to the source of the 1960 economic crisis was the "credit inflation" that had been sponsored by the numerous new banks. Between 1957 and 1961, credit volume had soared by 500%, with a considerable amount being invested into non-productive ventures. Amini, the Shah's Prime Minister, commented in 1961 that, beginning in 1958, the government compounded the problem caused by the bank's liberal credit policies by providing industry and agriculture with the development loans; he further conceded that the productive capacities of the economy had outstripped the purchasing power of the domestic population. "...Merchants had been enjoying an abundance of unplanned bank credits caused by an increase in the number of private banks - an unnecessary mistake in itself. Importers accepted commitments in excess of their financial ability; they over-imported. Goods were stockpiled because sales did not increase proportionately... A severe shortage of currency was then inevitable as loans were unable to be realized and remained invested in silent factories and huge, empty office buildings. Other very large quantities of capital left the country to be stored in foreign banks."[182]

capitalist development, made life intolerable for the vast majority of the Iranian people. Their intolerance was soon coupled with their fervent anger, and this combination provided the ground for another confrontation between the people and the comprador state.

The working class was scattered, disorganized and lacking a militant vanguard. The short historical chapter of the exhausted national bourgeoisie, diminishing and dissolving in the face of foreign capital and its political dominance, had by now been closed. The remnants of the national bourgeoisie and elements of the petit-bourgeois radicals took the initiative and became the harbingers of this phase of the movement too. A loose political organization, exploiting the prestige and the good memories of the National Front and its charismatic leader, Dr. Mossadegh, was formed, baptizing itself as the Second National Front. Thousands upon thousands of the urban population became organized in this anti-imperialist front, while demonstrations and rallies became the daily activity of the poor and desperate people. Finally, on June 5, 1963, in a spontaneous episode, hundreds of thousands of people, professionals, government employees, but mostly poor and increasingly impoverished workers and urban toilers, took to the streets of Tehran and the neighboring towns, sometimes destroying whatever was connected to the government. The Shah's troops savagely opened fire on the unarmed masses of the people. Fifteen thousand <u>militants</u> died on this one day.

CHAPTER 9

THE ECONOMIC CRISIS OF 1960-63 AND THE SHAH'S WHITE REVOLUTION

The economic crisis of 1960-63 jolted the imperialist comprador axis into the realization of the limitations of the semi-feudal, semi-capitalist socio-economic formation of Iran. Each motivated by their own fundamental reasons, they nevertheless reached a unanimous conclusion: to transform the semi-feudal, semi-capitalist formation into a capitalist socio-economic formation.

We should first proceed with the comprador bourgeoisie. The recession was correctly realized by the compradors as a reflection of the limited capacity of the internal market. The compradors, who experienced unprecedented growth and class unity (i.e., the channelization of a large sector of the national bourgeoisie into comprador activities negated the contradictions between the two as the latter was now almost negated) during the 1950's, recognized that feudalism had become a fetter on the continued expansion of the internal market. For the compradors, as long as exportation and production of commodities was limited to a small scale, feudalism also could exist and be accepted. But, if exportation and production of the commodities was to assume an ever larger proportion, an ever expanding market and an ever expanding labor force was the first and foremost precondition.

Feudalism had not only left the vast and virgin markets of the villages almost untouched, but also enchained a great number of the labor force to the land and nature. Hence, the transfiguration of the feudal rural structure and its articulation into the capitalist market, as well as the transformation of the agrarian labor to a seller of labor power became the sine-qua-non for the further accumulation and realization of capital.*

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*The character of the outmoded feudal relations to obstruct the development of capitalist relations could be readily seen. In 1960, 66% of the total population remained in the countryside; the 50,000 villages were constricted to the level of subsistance, placing little demand on the market for goods other than sugar, a small amount of cloth and some elementary household goods (i.e., the utilization of money was quite low). Moreover, most cultivation methods continued to be the same as had existed at the turn of the century (75% with animal power, 15% with only human power), and only four percent of all land was being cultivated at least partially with the help of agricultural machinery.[183] Lands were depleted by drought and the lack of fertilizers which contributed to the slow rate at which agricultural production was increasing; indeed, it was unable to keep up with both the growth in population and the increase in demand, as a result of the economy's expansion and the consequent increased demand among those who benefited from such expansion.

In the face of the crisis, the feudalist, rather than investing in agricultural equipment, irrigation systems and fertilizers which could have revived the depleted and drought-destroyed lands and increased production, instead joined the market for Euopean and U.S. extravagant luxury imports, speculated in real estate and hoarded their wealth in foreign banks. Further, they blocked all efforts by the comprador bourgeoisie and foreign capitalists to make capital investments in agricultural and mineral resources. Once brought into perspective, the comprador forces and the U.S. could no longer ignore the contradiction which had always existed between the two modes of production, but until the late 1950's, had never assumed the dimensions of a principle contradiction in the Iranian society.

Table 16: Indexes of Agricultural Production (AP) and Per Capita Agricultural Production (PCAP) for Iran (1952-54 = 100)

Year	AP	PCAP
1935-1939	85	118
1957-1958	117	106
1958-1959	119	108
1959-1960	123	106
1960-1961	118	96

As to the metropolitan bourgeoisie, the technological, economic and political developments of the post World War II period (to which we have already alluded in part I) had long necessitated a structural development in the socio-economic formations of the peripheries. Feudalism was acceptable to the metropolitan bourgeoisie as long as the metropole/periphery relationship was confined to the extraction of raw materials, the limited importation of consumer goods, and the exportation of capital. However, the post World War II phase of capitalist development had required a more sophisticated form of exploitation.

> The ultimate formula of this era of exploitation is capital investment in production, and mining of raw materials. The incorporation of these materials into concessions (e.g., the British consortium's oil rights in Iran) and the import of consumer goods is replaced by the modern formula of: foreign capital investment in the form of partnerships with the public and/or private sector in production and mining; the setting up of dependent

> industries; the transfer of raw materials and semi-finished goods out of the country (steel and copper instead of iron ore etc.; petrochemical and oil products instead of crude oil and natural gas); the import of consumer goods as well as capital goods for dependent industries (assembly, montage). The formula is developed by allocating the production of simple consumer goods (e.g., cement, cloth, processed foodstuffs) to a dominated country with joint capital: the production of sophisticated products (e.g., aircraft, electronic equipment, heavy machinery and arms) in the metropolitan country; and the assembly of intermediate goods in the dominated country. Thus we have a limited and controlled system of production with a limited and controlled market in the dominated country. This, in fact, is a developed form of the "single commodity and single customer" formula and guarantees the economic subservience of a dominated country.[185]

As such, the destruction of the feudal mode of production was placed on the agenda of the comprador-imperialist axis as the most urgent task of the day. As usual, the state was to be the executor. The Shah's White Revolution, the core of which being the land reform program, was the means by which the U.S. imperialists and their comprador allies in the Iranian state were to bring about the destruction of feudalism.

However, this was not an easy task for the Shah, as the par-excellence representative of the state. The Shah partially owed his crown to the feudalists who persistently sabotaged the progressive measures of Dr. Mossadegh and conspired to their utmost to mar his efforts, and who constituted the main social basis of the coup d'etat. To unleash an attack of feudalism was to risk the loss of a solid base of support. Added to this, British imperialists, whose traditional allies were the feudalists, vehemently stood against the land reform. For them the land reform not only meant the elimination of their allies from the state structure, but also, and as important, the loss of Britain's hegemonic economic status, vis-a-vis the new power - that of the United States. British imperialists well recognized that further expansion of capitalist relations of production in Iran would be to their detriment, since this would be tantamount to the ever increasing penetration of United States capital into Iran and the consequent hegemony of the United States' monopolies. On the other hand, American imperialists, whose social basis had traditionally resided in the comprador bourgeoisie, and particularly the sectors whose development became possible after the 1953 coup d'etat, perceived feudalism as the prime obstacle for their further and still deeper penetration into the Iranian economy. Even more, based on their experience in Latin America and relying on their advanced technology, the profit seeking U.S. monopolies, desperately in need of transferring part of their industrial production to the perpheries, could not have incurred the cheap labor and inexpensive land of the peripheries, sine-qua-non for lucrative operations. As such,

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*Fred Halliday's allusion to the American-sponsored White Revolution is worth mentioning.

"One factor that is systematically underestimated by most western and official commentaries on this programme is the international context in which it took place. Politically, the early 1960's were the ones in which the Kennedy Administration was urging its allies in the third world to carry out necessary reforms in order to stave off popular unrest - as we have seen, this is the background to both the White

John F. Kennedy, then president of the United States, became the standard bearer and the adament supporter of the land reform program in Iran.

In the beginning the Shah was hesitant and resisted Kennedy's persuasions, which, as time went by, evolved into open threats. The United States' Administration threatened to withdraw a 35 million dollar loan from the already recession-shocked economy.[186] Also, military aid to a young and still vulnerable dictatorship became dependent on the implementation of the reform program. When in 1960, the attempted coup of General Ghorani was discovered, the Shah realized the gravity of the situation. Not to be overwhelmed, the Shah and his close entourage in the Court attempted to forestall the adoption of a program through the sale of much of their own land, mechanizing other tracts under their control and providing through the state contracted banks easy credit loans for the purchase of agricultural equipment. This effort was to little avail, however, as most feudalists adamantly refused to sell their lands. Not finding his program impressive, the Shah finally washed his hands of the feudalists and his British allies

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(continued from previous page) Revolution in Iran, and the Alliance for Progress in Latin America. In economic terms, a noticeable shift occurred from the late 1950's onwards in the relations between the advanced and less advanced capitalist countries; whereas up till then the stronger economies had discouraged industrialization in the third world, this ceased to be the case for all less developed countries. A degree of promotion of industry in the less advanced countries began. This was not true for the third world as a whole, but it was true for a number of countries, among them Iran.[187]

and changed his power base. Replacing the anti-land reform hardliners with pro-U.S., anti-feudal Ministers, the Shah became the main proponent of the land reform.*

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*In analyzing the present socio-economic formation in Iran, some scholars have been unable to sort out the labyrinth of reality and dogma. It seems that the analysis of land reform and its effects are the crux of the matter. The upshot of their analysis can be summed up as follows.

Feudalism is the governing system in Iran and feudal relations of production form part of society's infrastructure. A fundamental transformation of the society capable of destroying a system and doing away with the old infrastructure can only be achieved in a revolution. If we accept that the land reform has succeeded in abolishing feudalism, then we must also accept that a revolution has taken place. And since no revolution can come about without a revolutionary force and revolutionary leadership, then we are inevitably led to believe that the regime in Iran has a revolutionary character. However, since it is absolutely clear that the regime does not possess such a character, then feudalism, with some minor changes, is still the ruling system, and the semi-feudal, semi-colonial system of the government is, as previously, dominant.

A penetrating analysis offered by Bihzan Jazani can only be justly represented through lengthy quotation:

"At the time of the land reform, feudalism in Iran was not a complete socio-economic formation. In fact, since a few decades previously, capitalism had developed and because of the progress of various movements and some general changes, the two systems began to co-exist not only in the infrastructure, but also when the bourgeoisie (whether before its division or subsequently in its comprador form and also during its short-lived nationalist phase) had acquired an increasing share in the government. The feudal-comprador system was the result of the growth of a bourgeoisie under imperialist domination. The bourgeoisie's target during the Constitutional Revolution was the superstructure of feudalism. After the division of the bourgeoisie, during Reza Khan's rule, the comprador section of the bourgeoisie acquired an important share in government and achieved an unprecedented growth and position after the 1953 coup d'etat. However, the domination of imperialism, with its share in government, must be added to this... despite their initial disagreements on the advisability of the land reform, the imperialists consented to it. Hence feudalism could not have been a complete formation, alone in charge of both super- and infra-structures. Neither was

In 1962, the land reform was initiated under the umbrella of the so-called White Revolution. Although the land reform was its primary component, it also included nationalization of forests and pastures, reform of the electoral law to include women, establishment of literacy corps, establishment of health corps, public sale of state owned factories, nationalization of waterways, an education and administrative "revolution," establishment of rural corps of justice,... Despite the tremendous publicity and

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the comprador bourgeoisie an oppressed class lying in wait to attack feudalism from below. A revolution does not only replace one system with another, but during it the oppressed class or strata of a society achieves political power. In the case of Iran neither has a system been replaced by another nor have the "oppressed" achieved power. The contradiction between the comprador bourgeoisie supported by imperialism on the one hand and feudalism (which had lost such a support) was peacefully resolved because the comprador bourgeoisie and its benefactors controlled a substantial part of the government. When the dominating section of the comprador bourgeoisie, together with British imperialism, consented to the demise of feudalism, the whole of the comprador bourgeoisie retrieved its unity and the peaceful abolition of feudalism was carried out in three stages. Is it not also the case that in a people's democracy where the proletariat, holding an important share of power, behaves in likewise manner to end the dual nature of the existing system?... It may be said, Ah, but here a revolutionary class holds power! Yes, this is true, but then the end result of this peaceful contradiction is the establishment of socialism, whereas the end result of domination by the comprador bourgeoisie is a new system of colonialism with a continuing policy of people's exploitation. What do these two cases have in common? The contradictions in both cases are peacefully resolved because the growing aspects of these contradictions have achieved political rule: in a people's democracy this rule and superiority is achieved by the proletariat in the course of a people's democratic revolution, and in our country the comprador bourgeoisie supported by imperialism achieves superiority over the feudalists in stages."[188]

propaganda regarding the White Revolution, only a few of the programs--nationalization of forest and pasture, nationalization of waterways, establishment of literacy corps, and land reform--did more than exist on paper. However, the land reform program formed the basis of the White Revolution. The land reform was designed to be implemented in three stages and over a time period of a decade. Its gradual character was based upon a least two considerations: 1) that there existed virtually no stirrings of protest within the peasant population, which, had it existed, would have forced the imperialist-comprador axis to hasten the reform in order to circumvent an open revolt; and 2) the procedure be accomplished within the context of channeling the feudal lords into comprador activities, thereby remaining within the owning and ruling circles and removing the motivation for a violent resistance. Measures such as the public sale of state owned factories were attempts in this direction.

CHAPTER TEN

THE LAND REFORM PROGRAM: A VEHICLE FOR DEPENDENT CAPITALIST DEPENDENCY

In 1962, the entire 50,000 villages spread throughout Iran, were characterized by a feudal mode of production which involved three kinds of property: private ownership, mosque ownership, and state ownership. Alongside these feudal holdings there was a small amount of land owned by petty landlords as well as mechanized farming lands (involving bourgeoisie ownership.)[185] As to the patterns of ownership, and with that the class character of the Iranian villages, there exists a heterogenous category of information and various analyses. However, the most accurate picture, it seems, is one presented by the authors of Land Reform in Iran.

> The first of the three owned the greatest number of villages. For example, there were fuedalists who owned more than 300 villages each. The Farmanfarma family owned land twice the size of Belgium; lands owned by the Batmanghilje family were as big as Switzerland; and the Shah's family owned more than 2,000 villages."[189]

The Fedayees continue their discussion by outlining the general pattern of landownership as it existed in rural Iran:[190]

I) Big landlords, those with more than five villages each, owned a total of 19,000 villages in Iran (38% of the total). This category contained 37 families.

II) Medium size landlords, those with between one and five villages, owned a total of 7,000 villages (14% of the total).

III) Chürch land (holy shrines and their administrators), owned a total of 6,000 endowed villages (12% of the total). The holy shrine of Razari* holds 400 villages under its name.

IV) The state itself was in possession of over 3,000 villages (6% of the total). Generally known as crown lands, they have been gradually sold off since 1931.

V) Petty landlords, consisting of small farmer, landlord and absentee landlords owned some 15,000 villages, (30% of the total). In the absence of any government statistics as to the proportion of farmer landlords, no further detail can be provided on this question. However, statistics indicate that only 7% of 1.9 families owned over three hectares of land (an average of seven hectares being the minimum needed for subsistance).

If there are, on the class structure and the underlying relations of production, sharp differences amongst scholars and researchers, then there is almost unanimity of the analysis on the prevailing mode of production of

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*A pilgrimage city in Mashad, a city in the northeastern province of Khoransan.

the agrarian Iran, that is, the prevalent system of share cropping. While the peasants working on the lands of the feudal lords were to surrender a share of the crop to the landlords, in the state owned farms or the church farms, the administrators or the feudal middle men who would rent the land from the mosques or the state and at very low rates, were directly commanded to receive the share of feudal lands from the peasants. The peasants' payments were usually in kind and it was on the cash crop cultivated to lands that extensive money transactions were in operation.

Alongside the share croppers there were the Nassegh-holders; they were farmers who rented a tract of land from a landowner for a certain period of time, and paid the landowners a portion of the crops. In addition to the Nassegh-holders, there were the farm owners, who composed a very small percentage of the peasant population (130,000 families).[191] Their holdings were so small and unproductive that to sustain themselves and their families they had to work on the land of others. All other members of the village who were neither Nassegh-holders, nor farm owners, (a total of 1.9 million families) as such deprived of a stable relationship with the land, were known as Khosh-Nashin. Not owning any land, they were the casual laborers of the village, with no right to a share of the harvest. Khosh-Nashins included village shopkeepers, clergy, shepherds, etc. However, the majority of the Khosh-Nashins, (a total number of 1.3 million) comprised the most destitute of all the rural population.[192]

Rural wage laborers working on mechanized farms constituted the absolute minority in agrarian Iran as they contributed only 4% of the total volume of production. In general, tractors, water pumps and other farm machines seldom appeared on the feudal estates whose prime concern was the collection of dues and share of the harvest, with no interest in the improvement of agricultural production. Consequently, production lagged behind the level of consumption at a rate much slower than the population growth.

Table 17: Rural Population Sectors, 1960

SECTOR OF POPULATION	# OF FAMILIES	# OF VILLAGES OWNED	% OF ALL VILLAGES [193]
Big Landlords	37	19,000	38
Medium-sized Landlords	n/a	7,000	14
Petit Landlords (small farmer landlords and absentee landlords)	1.9 million	15,000	30
Religious Institutions	n/a	6,000	12
State	n/a	3,000	6
Nasagh (holders, small farm owners)	1.9 million	0	0
Khosh-Nashin (landless settlers)	1.3 million	0	0

This gives a general picture of the mode of production and the underlying relations of production of agrarian Iran before 1962. Nineteen hundred sixty-two marked the year that the Shah announced his reform program, which was to be implemented in three phases. Phase I began in 1962 with three major provisions:

1) Ownership was limited to one village, or to six dang (parts) of different villages. Exempted were orchards, tea plantations, groves, and land cultivated with the use of machinery and wage labor.

2) Landlords were to sell their land to the state which would reimburse them over a fifteen year period; in turn, the state would offer the land for sale at a 10% profit to the peasantry on the basis of offering it first to those who already farmed the land, and secondly to the Nasagh-holders, but only in rare instances to the Khosh-Nashins.

3) All those who received land had to join state-operated farm cooperative societies.

We should now proceed with an examination of these three provisions in practice. Provisions one and two clearly concede the land only to the peasants who worked on the feudal's land either as share croppers or tenants. Provision one further directs that land under mechanized cultivation and tilled by wage laborers is exempted from redistribution. If the Shah-Kennedy land reform program was not to remedy any of the numerous ailments of the peasantry, and was only to develop the capitalist mode of production in the countryside, then it is crystal clear that the wage laborers, these previous ingredients of capitalist production, had to be exempted for life from land ownership. Furthermore, provisions one and two discreetly accede that not only could the landlords retain their ownership of land (however to a limited degree), but also that their land would be purchased by the state and in turn compensated. Again, if a revolutionary transfiguration of the system and the "transformation of the peasant from semi-villains into freeholders"[194] on the one hand and the revolutionary curtailment of the feudal lord's power on the other hand, is not on the order of the day, then it is quite apparent that expropriation without compensation of feudal's land and the distribution of "land to the tillers" make the ideal of "revolutionary transition" a sham. In fact, numerous "escape" clauses written into the land reform laws and regulations permited the land owners to retain large holdings of land. Consequently, vast lands including the extensive holdings of the princes, princesses, higher echelons of the bureaucracy and the Shah's Court were not distributed and thus a considerable segment of the bureaucracy remained landless. In any event, following the initiation of the reforms, many landlords selected their most fertile lands, erected walls around the plots, redirected their water supply to these areas and began to cultivate orchards.* Others obtained a tractor or dug an artisan well and, on paper paid their peasants a wage (while in fact continuing the crop sharing agreement), in order that a bribed government official would classify their holdings as mechanized farms. Still a third possible advantage of an escape clause is nicely woven in the official definition of a land owner: "a person of any age or having any status." It was not surprising to find many children at the ages of two, four, six, ten, or twelve as landlords because the feudalists registered vast tracts of land under their wives' and childrens' names. Finally, the definition of a 'village' was quite vague and easily manipulated by many big landlords. Six dang composed one complete village known as a shish-dang and many landlords would register a number of villages within the same geographical area as a single shish-dang.

There were other "deficiencies" in the first phase as well. One source estimates that perhaps as many as 60-70 percent of those who received land obtained a plot which was too small to sustain a family. In addition, very little fertile land or land with an adequate water supply was among that distributed. However, such shortcomings of the reform program should not suggest that the reform was a total failure, since from the very outset,

*The extent of this method of land reform evasion may be indicated by government statistics which show Iranian apple and pistachio nut production to have increased by 600% between 1960 and 1968.[195]

the objective of the program was not any genuine distribution of the land to the landless. Indeed a measure of its success should be found in the degree to which its unstated objectives were achieved, that is, the expropriation of the peasants from the means of production and subsistance, their subsequent gradual pauperization and their mass immigration to the cities.

First, the terms of the re-distribution, based upon the peasants' purchase of land from the government, forced most of the peasants to borrow cash from village shop keepers and money lenders, often at high interest rates. Beyond the fifteen years of payments, the peasantry were also confronted with the problem of attaining items such as seed, water or oxen, traditionally supplied by the land-owner, but whole procurement was now economically difficult and led to still more indebtedness. Hence, expanded monetary relations were inserted into the rural economy.

Secondly, while the state-sponsored farm cooperative societies were primarily money lending institutions, they also functioned as an important marketing mechanism for their area's harvest. Moreover, it was through such societies that new farming techniques, such as the use of fertilizers and new implements, were introduced. However, the most important of all among the various responsibilities of the cooperative societies was their role to provide the villages with manufactured and consumer products (such as laundry soap and vegetable oil which had never before found a market in the countryside), thus transferring the societies from simple money-lending institutions to an important vehicle for the penetration of manufactured and consumer goods into the realm of the Iranian villages.

Thirdly, the poor quality of land distributed to the peasants brought about the increasing indebtedness of the villagers who, unable to keep up with the payments, finally relinquished the land and drifted towards the urban areas in search of employment. Many Khosh-Nashins were also forced to the urban areas as newly erected orchards and mechanized farms, which required little labor but at harvest time, eliminated their occupational opportunities in the rural areas.

Hence, in a classic case of bourgeois land reform, only two generations had to pass for the inevitable result of "progressive degeneration of agriculture, progressive indebtness of the agriculturist... their enslavement and pauperization".[196] In Iran, a few years were too many for the peasants to painfully experience "progressive indebtness" (the payment on the mortgage of their small landholding was enough to keep them in debt for years) and the deteriorization of agriculture which forcefully drove them from their land and into the cities.*

*The population of urban areas increased from 39% in 1966 to 47% in 1976 and in 1976, 15.7 million out of the total 33.6 million Iranian people were residing in the cities.[197]

Therefore, without a serious threat to the economic base of the feudalists, the implementation of the first phase of the land reform program and the consequent penetration of capital resulted in an alteration of the social makeup of the Iranian villages:

- small farm holders: the rank of the small farm holders swelled as a large number of peasants joined this section. This section is itself subdivided into three sections of poor, medium size and well to do families;

- poor farm holders: for these, the land is not sufficient to support them and their families, therefore they work for others on the land of the well to do farm holders;

- medium size peasants: for them, land is sufficient, and some even employ the Khosh-Nashin peasants alongside the system of family production.

- well to do farm holders: those who do not work on the land, but rather hire the labor power of the Khosh-Nashin wage laborers and confine themselves to the management of their own farms.

As of 1972, less than 30 percent of all Iranian villages had been affected by the phase of the land reform and only 10 percent had been entirely redistributed (that is, in many villages, only one or two of the six dang had been divided among those who farmed it). Government statistics claim that 690,466 families or less than 20 percent of the rural population received land through the implementation of this phase.

To cover the land which had not been affected by the first stage, the second stage of the land reform program was commenced in 1964. Phase II provided the feudal lords with five options, allowing them to preserve their land ownership while complying with the land reform.

1. to rent land to the peasants on 30 year leases (80.8 percent)

2. to sell the land to the peasants at a mutually agreed upon price (3.67 percent)

3. to divide the land in proportion to the prevailing crop sharing distribution of the harvest (10.4 percent)

4. to set up joint stock companies in which landlord and peasants were to be shareholders (5.35 percent)

5. to purchase the land from the peasants (8.6 percent)

As can be seen by the above percentages, the overwhelming tendency among the landlords was to rent their lands on long term leases, setting the rented fees well above the value of the crops that would be harvested and thus forcing their tenants into debt and bankruptcy.

> Therefore whilst the second phase affected more peasant families than the first phase (1,600,000 as compared with 700,000) far fewer peasants actually acquired land: 57,164 families purchased their land under phase II as opposed to the 700,000 who had received it under phase I.[199]

Begun in 1968, phase III of the land reform was initiated to convert the tenant arrangements of phase II to provide ownership. As a result, approximately 740,000 families received land under phase III, while 529,000 poor peasants who could not remit the debts and loans lost their land, gave up land ownership and jointed their natural allies, the urban wage laborers.

While some of the land losses in phase III emanated from the progressive indebtness of the peasants and their deteriorating living conditions, also experienced in phases I and II, a more comprehensive explanation lies with two new phenomena, emerging at the end of the 1960's, i.e., the state owned farm corporations and the encrouchment of jointly owned foreign-Iranian agribusiness, with both purchasing thousands of acres of land (and the subsequent displacement of the thousands of peasants). The agribusiness furthered the process of capitalization by eradicating "small villages in favor of larger, more easily controlled settlements"[200] and through the implementation of capital intensive family methods.

Beginning their operation in 1967, the farm corporation had proclaimed six objectives:[201]

1. to mechanize and expand the scale of operations;

2. to increase per capita income of the share holders;

3. to acquaint share holders with modern methods of agriculture.

4. to lower the man-land ratio and compensate for the displacement of labor by regional planning of resources between agriculture and industry;

5. to end the fragmentation of holdings, especially by the process of division after death;

6. to extend the cultivated area to previously barren and unused lands.

Three other unstated objectives were to eliminate the stagnation in agricultural production which the first two phases had failed to alter, to encourage the mechanization of agricultural production which was increasing only at a very slow pace, and to enable the state to gain economic and social control over Iran's rural areas.

Membership in a farm corporation was exclusive to land owners and at the same time mandatory. A village or region's incorporation was determined by a majority vote of all land owners in that area, the Khosh-Nashins and other landless laborers, deprived of the right to express their views, were forced to abide by the decision. While the members of these corporations did not nominally remain the owners of their lands, in fact, they increasingly lost their grip over the land since the corporation was given permanent "use right" of it. The owners in return, become share holders and received dividends in proportion to the amount of land granted to the corporations, as well as a wage if the family had become an employee of the corporation. Thus, those members who became land owners during the land reform and who were continuing to pay installments on their purchases in such a manner, were soon robbed from the distributed land, while those renting land on the basis of phase II found their agreements void and declared no longer applicable. This group was excluded from corporation membership.

State appointed managers, administrators of these corporations* with decision making power, had under their control plot size, job assignments, the farms' annual budget, planting techniques, etc. Cultivation for the most part, had become mechanized,** and with the exception of critical times (such as harvest time) little employment was available for the Khosh-Nashins, thus almost eliminating their means of a rural existence.

Complimenting the farm corporations was the increasingly steady flow of agricultural joint-venture investments into Iran's countryside. Although initiated in the 1950's, the expansion of such agribusinesses did not begin in earnest until the 1960's when the State actively became involved in creating the necessary conditions to attract foreign and internal capital. Following the completion of the mutli-million dollar Dez Dam and its extensive irrigation systems, (both financed by the state with the financial assistance of the World Bank), the state proceeded to "purchase" 250,000 acres around the dam, forcibly removing much of the population from the 58 villages within the area, and made available the entire facility to private investors.

The thrust of the subsequent investments was to

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*By 1970 there were 19 farm corporations, with a total sum of 8.2 million dollars of the state investments.[202]

**According to government sources, "By October, 1970, there were over 200 tractors and hundreds of sprayers, scores of combines and other farm machinery, as well as 20 vans operating on the farms.[203]

establish large-scale, capital intensive farming in the country, which necessarily eliminated employment for many of the former peasants and created wage laborers among many others who were 'resettled' in government-built shanty towns near the huge farms. By 1971, 15,000 persons had been contracted from a total of 40,000 persons. By 1970, even though the land reform had not reached its conclusion, the alteration of the socio-economic structure of the society to accommodate the dominance of the capitalist mode of production had already taken place and was now in the process of entrenchment. Whereas only a decade earlier, feudalism had reigned supreme, in 1970, only remnants of this mode of production could be found. As the feudal structure of the agrarian Iran underwent phenomenal changes, the internal market expanded to vast dimensions, transforming the ex-feudal domain into a capitalist mode of production and exchange, and this in turn facilitated the ever-increasing penetration of dependent bourgeoisie's capital and commodities into the most remote areas of the country. As monetary relations superseded payments in kind, agricultural production became subservient to the demands of the urban market. Mechanized farms increased production levels and decreased employment, thousands upon thousands of expropriated peasants relinquished their traditional occupations and immigrated to the urban centers to offer their labor power for meager wages, which in turn further expanded the internal market for the exportation and production of more commodities. With this, the Shah-Kennedy Revolution achieved its objective, and a new phase in the relationship between the metropolis and periphery was inaugurated.

CHAPTER 11

CONCLUSION

With the deterioration of feudalism in Europe and the emergence of capitalism, a new chapter in the relationship between economically backward and economically developed countries of the world commenced. Even though this relationship has gone through different phases corresponding to the different levels of development of the means of production in the metropolis, the distinguishing feature of all the phases, which is at the same time the distinguishing feature of this very relationship, has been the subordination and subjugation of the most backward countries to the most developed countries. Surplus value and economic surplus has been drained from the indigenous economies of the backward countries and transferred to the most developed countires, giving rise to two complementary phenomena. The unceasing development of the means of production in the dominating countries, and a general increase in the people's standard of living in these countries, finds its complementary phenomenon in the colony: the abstraction of the development of the means of production, and the progressive deterioration of the people's living conditions. A corollary to the advanced stage of capitalist development in the dominating countries has been a superimposed, and supervised economic development of the dominated countries, characterized by production geared toward demands of the metropolis; the subsequent dependence of the dominated countries on the dominating countries is the reduction of their status to that of satellite states of the metropolis.

The development of the means of production in the form of the establishment of the giant industrial concerns, technological advances and automation have facilitated colossal capital investment in the satellite and that in turn contributed to the further development of dependent capitalism in the satellites. Capital investment and the metropole's concentration on production of complex and advanced goods paved the way for the production of primary and simple commodities (technologically speaking) in the peripheries and by the dependent bourgeoisie of the peripheral countries. The new international division of labor has made possible the production of petrochemical products, cement,...important parts of assembly industries (previously forbidden to produce) in the peripheries, while the metropolis has become engaged in the production of complex items such as producers' goods: computers, electronic equipment, aircraft and any other item whose production requires advanced industrial know-how and skilled industrial labor. Therefore "the economic and industrial phenomena in the metropolis find their complementary phenomena in the colony and conversely the phenomena in the latter find their answers in the metropolis.[204] The development of dependent capitalist socio-economic formations in the peripheries becomes inevitable when popular and anit-imperialist revolutions under the leadership of the working and oppressed masses do not occur.

In Iran, the suppression of the anti-imperialist movement in 1953, and the reassertion of foreign domination facilitated the rapid development of the comprador bourgeoisie. The final stage of this growth culminated in the polarization of the national bourgeoisie and the channelization of the bulk of this sector of the Iranian bourgeoisie toward comprador activities on the one hand, and the disappearance of the dominant feudal mode of production, itself a catalyst for the orientation of feudalists toward comprador undertakings and the subsequent establishment of the dependent capitalist socio-economic formation, on the other hand. Thus, with the total dominance of capitalist mode of production in Iran, and the disolution of the national bourgeoisie, the historic chapter of independent capitalist development has come to a close.

A new, progressive and liberating socio-economic formation, uncompromisingly committing itself to the termination of all forms of domination, exploitation and human degradation, assuring a luminous era of human development, is, undeniably, on the order of history.

FOOTNOTES

1. Marx, K., Capital, Volume 1, page 751.

2. Ibid., page 716.

3. Gennovese, E. D., The Political Economy of Slavery, page 118.

4. Marx, K., Capital, Volume 1, page 752.

5. Ibid., page 752.

6. Ibid., page 752.

7. Ibid., pages 752-753.

8. Ibid., page 754.

9. Ibid., page 760.

10. Marx, K., and Engels, F., On Colonialism, page 286. Quoted from a letter written by Marx to Engels on October 8, 1858, from London.

11. Ibid., page 286.

12. Ibid., page 291. Quoted from a letter written by Marx to Engels on November 30, 1867, from London.

13. Ibid., page 282. Quoted from a letter written to Marx by Engels on May 23, 1856, from Manchester.

14. Ibid., page 291. Quoted from a letter written to Engels by Marx on November 30, 1867, from London.

15. Ibid., page 291.

16. Ibid., page 299. Quoted from a letter written to S. Meyer and A. Bogt on April 9, 1870, from London.

17. Engels, F., "Commercial Crisis in England," (The Chartist movement in Ireland), in Marx K., and Engels, F., Ireland and the Irish Question, page 44.

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26. These points are well established by Marx in Capital.

27. Lenin, V.I., Imperialism, the Highest Stage of Capitalism, in Selected Works in One Volume, page 212.

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The distribution of capital invested abroad is shown by Lenin in the following table.

Distribution (Approximate) of Foreign Capital in Different Parts of the Globe (Circa 1910)

	Great Britain	France	Germany	Total
Europe	4	23	18	45
America	37	4	10	51
Asia, Africa and Australia	29	8	7	44

(note that French capital exports were mainly invested in Russia, the most backward country of Europe)

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