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DEVELOPMENT OF THE DEPENDENT
BOURGEOISIE IN IRAN, 1962-1978

By

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ABSTRACT

DEVELOPMENT OF DEPENDENT BOURGEOISIE IN IRAN 1962-1978

By

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This dissertation is intended as a contribution to investigation of the development of the dependent bourgeoisie in the Iranian society in the period 1962-1978. It explains and analyzes how and why the dependent bourgeoisie expanded throughout the country to dominate the entire political and socioeconomic institutions.

The contributions of the world capitalist economy, and the nature of the internal social formation in incorporating and disarticulating the economy of Iran's society is the core discussion of the dissertation.

Historical review of the development of the Iranian social formation and the process of penetration by the world capitalist economy from 1828 to 1962 gives some historical background in order to understand how events came about in the period under consideration.

This dissertation attempts to analyze the various strata of the dependent bourgeoisie and explain the effects

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of this group on the socio-political and economic structure of the society.

The analysis finds that the peripheralization of the Iranian social formation, and consequently the emergence and development of the dependent bourgeoisie in Iran, is a direct result of the penetration of the world capitalist economy and also the Iranian pre-capitalist social formation.

The relevant paradigm which makes it possible to study the historical development of the phenomenon is the dependency/world system perspective within the conflict and change tradition. This study, through applying the historical method and benefitting from some other sources such as imperial data, has achieved some valid and reliable findings.

DEDICATION

To my wife, Shahnaz, the person who shared
patiently our passing painful days and en-
couraged me toward delightful days.

ACKNOWLEDGEMENT

In completing this dissertation I owe much to the library of the Michigan State University and its staff, to my advisor and Committee members and to my Iranian colleagues in the Sociology Department.

Studying sociology and doing research in this area at the present time is neither an easy task nor a convenient job for individuals who encounter various personal and societal difficulties because of economic crises, financial problems and increasing unemployment in core and periphery countries. But, what has influenced me to study sociology was my interest in this area because of its struggle for solutions to the dilemmas which human beings encounter.

The facilities which the library of Michigan State University made available to me, and the discussion which repeatedly occurred among my Iranian colleagues and myself about the political economy of Iran gave the impetus push my study schedule forward.

Kay J. Kay edited this work seriously in a scholarly manner and Martha West typed it in a professional way. I appreciate them.

My advisor, Professor J.B. McKee, with his open-minded humanistic approach inspired me the idea to look at social environments and their issues with broadened perspective. Thanks to my committee members, Professors J. Useem, K. Kelly and R. Hill, whose recommendations helped me to think objectively about a topic I am very close to.

My final words should be of thanks to my wife, Shahnaz, for her patience and kindness which have put me in her eternal debt. She provided me with much support and inspiration when I needed it.

PREFACE

An analysis of dependent bourgeois development in Iran requires an explanation of the sources, causes and consequences of peripheral capitalist social formation in such peripheral societies (Chapters 4 and 5). An answer to the question of why the dependent bourgeoisie developed in Iran and became a dominant socioeconomic formation is fundamental (1962-78). Answering such a question will help to determine the tactics and strategies involved in such a process (Chapters Six to Nine).

The historical analysis of such a process in peripheral societies states how it deformed the social formation: the colonial capitalist countries urged the leaders of the peripheral countries to appropriate and expropriate their own economic surplus raw materials and also to import industrial materials at the expense of the peripheralization of the economy of these countries (Chapter 4). Iran was no exception. It was invaded by two powerful colonial capitalist countries of the period, England and Russia, and was treated as a semi-colony (Chapter 5). Through this process the Iranian social formation began to become deformed. The consequence

was the development of a peripheral capitalist mode and a diminishing of Iran's self-sufficient, pre-capitalist social formation (Chapter Five).

The sociological perspective which addresses these issues in a dynamic and comprehensive way, is the dependency/world system paradigm within the conflict and change tradition. It maintains that development of the capitalist mode of production in core countries requires the underdevelopment of other parts of the world, which results in the emergence of peripheral countries. It is in the nature of capitalist relations to divide people within and across political boundaries into two major groups: those who have, or the developed peoples, and those who have not, or the underdeveloped peoples (Chapters One and Three).

The hallmark of this sociological paradigm is its concern with the two effective factors which produce the dilemma of the peripherization of capitalist relations in peripheral societies and the emergence of the dependent bourgeoisie. These factors are the internal conditions of life, or the social formation of the peripheral societies prior to penetration by the colonial and world capitalist economies, and the invasion and the penetration of the colonial capitalist countries to exploit the economic surpluses of the peripheral countries. The result of these relations was the disarticulation of the peripheral economies and deformation of the social structures in these countries (Chapters Three and Four).

The emergence and development of a dependent bourgeoisie in these societies is one direct consequence of such core-peripheral relationships. This class helps to maintain the unequal exchange relations, encouraging exploitation and inequality on internal and international levels (Chapters Six to Nine.). The Iranian experience is a good example of such core-periphery relations.

Primitive capital accumulation and its social relations had just emerged in Iran when the colonial capitalist countries witnessed and intervened in its development process. Thereafter, the colonial powers did not allow such a process to pave the way for indigenous capitalist development and the consequent emergence of an independent bourgeois class. From the beginning, the development of capitalist relations were forfeited in the interests of the colonial capitalist countries and their allies; the landlords, dependent bourgeoisie, and the courtiers. This situation resulted in the growth of a dependent bourgeoisie, which was forced to dominate the social system in coming decades (Chapter six to nine). This group served its own and the core countries' interests, instead of the interests of the Iranian people in the 1962-78 period that is the focus of this study.

TABLE OF CONTENTS

CHAPTER		PAGE
PREFACE.		v
PART I		
	TOWARD A GENERAL CONCEPTUAL FRAMEWORK . .	1
I.	THEORY AND METHODOLOGY	1
	Historical Background.	1
	The Problem.	3
	Goals of the Study	6
	Literature Review and Theoretical Framework. .	7
	Major Theories of Core and Peripheral Relation	8
	Main Approaches to Iranian Dependent Bour-	
	geois Development.	14
	Theoretical Framework.	16
	Definition of Terms.	28
	Methods of Analysis and Sources of Data. . . .	36
II.	SCOPE AND ACHIEVEMENT OF STUDY	44
	Scope and Limitations.	44
	Contribution of This Research.	50
PART II		
	AN HISTORICAL BACKGROUND.	52
III.	THE PROCESSES OF CAPITALIST FORMATION IN	
	EUROPE AND OTHER REGIONS	56
	Pre-Capitalist Social Formation in Europe. . .	57
	Capitalist Social Formation: Its Types,	
	Nature and Requirements.	60
	World Capitalist Formation and the Emergence	
	of Core Periphery Relations.	64
	Summary and Conclusions.	68

IV.	PROCESS OF PERIPHERAL CAPITALIST FORMATION IN THE PERIPHERAL COUNTRIES.	73
	Two Determinant Factors in the Peripheral- ization of Contemporary Peripheral Countries.	75
	Internal Social Formation and Class Structure.	76
	Phases of World Capitalist Formation: Its Requirements	79
	Process of Colonialism and Peripherali- zation in Peripheral Societies	83
	Summary and Conclusions.	85
V.	PROCESSES OF PERIPHERAL CAPITALIST FORMATION IN IRAN.	91
	Introduction	91
	Historical Background.	93
	Pre-Capitalist Social Formation--1828.	97
	Asiatic Mode of Social Formation	99
	Dominant Mode of Production.	102
	Position of the Merchants and Craftsmen in the Pre-Capitalist Period	104
	Social Formation in the Colonial Period 1828-1906.	106
	Semi-Colonial Social Formation in Semi- Colonial Period, 1828-1906	108
	Process of Neo-Colonial Formation 1906-1925.	113
	Rising State Capitalism 1928-1941.	117
	State Capitalism 1941-1952	125
	Decline of State Capitalism 1953-1962.	129
	Position of Dependent and Independent Bourgeoisie in This Period	134
	Conclusion	136

PART III

	DOMINATION OF THE DEPENDENT BOURGEOISIE IN IRAN 1962-1978.	139
VI.	THE SHAH'S WHITE REVOLUTION: ITS CAUSES AND CONSEQUENCES	141
VII.	THE ROLE AND FUNCTION OF THE WORLD CAPITALIST ECONOMY IN THE DEVELOPMENT OF THE DEPENDENT BOURGEOISIE IN IRAN	167

VIII.	DOMINATION OF THE DEPENDENT BOURGEOISIE IN THE SOCIOECONOMIC AND POLITICAL SYSTEM.	185
IX.	STRUCTURE OF THE DEPENDENT BOURGEOISIE AND ITS FUNCTIONS WITHIN THE PERIPHERAL SOCIOECONOMIC FORMATION	201
	Commercial Dependent Bourgeoisie. . . .	203
	Industrial Dependent Bourgeoisie. . . .	208
	Bureaucratic Dependent Bourgeoisie. . .	224
	Financial Dependent Bourgeoisie	229-
	Agricultural Dependent Bourgeoisie. . .	235
PART IV		
	THE MAJOR EFFECTS OF THE DOMINANT DEPENDENT BOURGEOISIE ON IRAN'S SOCIOECONOMIC FORMATION . . .	245
X.	THE SOCIOECONOMIC CONDITIONS AFTER THE SHAH'S WHITE REVOLUTION: THE PRESENCE OF MULTINATIONAL CORPORATIONS IN IRANIAN PEOPLE'S EVERYDAY LIVES.	250
XI.	THE RADICAL MOVEMENTS AGAINST THE DOMINATION OF THE POLITICO-ECONOMIC SYSTEM AND THE CORE CAPITALIST COUNTRIES	278
XII.	CONCLUSIONS AND RECOMMENDATIONS	300
	Summary	300
	Conclusions	306
	Recommendations	308
	ENDNOTES.	318
	APPENDICES.	325
	BIBLIOGRAPHY.	332

LIST OF TABLES

TABLE	PAGE
1. Changes in Volume of Steel Products in Millions of Tons.	63
2. Division of Colonial Lands Between European Colonial Capitalist Countries Before and During World War I (In Million Square Miles) .	71
3. Iranian Imports and Exports From 1800- 1900 (In Sterling)	112
4. Budgetary Allocations From 1934-41 (Average Increase Per Category).	124
5. Iranian Balance in Trade (Excluding Oil Exports (In Millions of Rials)	131
6. Foreign Ownership of Companies in Iran 1953 Coup D' etat.	132
7. Available Financial Capital in Foreign Exchange 1954-62 (In Millions)	133
8. Iranian Balance of Trade, 1954-62 (In Millions).	133
9. Gross Domestic Fixed Capital Formations, 19550-1965 (In Millions of Rials).	149
10. Composition of G.D.F.C.F. by "Traditional" and "Modern" Capital Goods in Percentage Terms 1900-1965.	150

11.	G.D.F.G.F. In Import Capital Goods (In Millions of 1965 Rials)	151
12.	Iranian Defense Budget 1970-1976 (in Millions of U.S. Dollars)	158
13.	Defense Expenditures in Middle East, 1974.	159
14.	Measures of Inflation in Iran.	160
15.	Imports From Iran's Leading Trade Partners (In Millions of Dollars)	172
16.	Technical and Economic Aids, Grants and Loans From the U.S. to Iran (In Millions of Dollars).	179
17.	Geographical Patterns of Iran's Non-Energy Trade (Million Dollars).	184
18.	Iranian Social Class Structure	187
19.	Iran's Food Imports (million dollars).	195
20.	Composition of Imported Goods, 1959-68 (Millions of Dollars).	196
21.	Composition of Imported Goods, 1969-74 (Millions of Dollars).	197
22.	Growth Composition of Iran's Imports, 1964-73 (Millions of Dollars).	207
23.	Major Exports from the U.S. and From Organiza- tion for Economic Cooperation and Development Countries to Iran.	209
24.	TV and Radio Manufacturers in 1976	220
25.	Iran: Major Iranian Banks in 1975.	232
26.	Iran: Foreign Bank Representative Offices.	233
27.	Credit Exposure of American Banks in Iran as of February 1979.	234
28.	Activities of Foreign and Iranian Insurance Companies in Iran in 1976.	236

29.	Production of Major Agricultural Corps for Selected Years 1969-1977 (In Thousands of Dollars). . . . .	.239
30.	Foreign Investors in Iranian Agribusiness. . .	.243
31.	Projects Granted Loans by the Agricultural Development Bank (Iran) in 1975. . . . .	.244
32.	Composition of Imports, 1971-1975 (In Millions of United States Dollars) . . . . .	.254
33.	Gross National Product in 1971 Prices. . . . .	.255
34.	Index of Agricultural Production (1961-65=100) .	.256
35.	Index of Industrial Production (1963=100). . .	.258
36.	Contribution to GNP by Major Sectors . . . . .	.259
37.	Contribution to GNP by Major Sectors (Rate of Growth) . . . . .	.260
38.	Relations Between the Various Economic Sectors During the Third, Fourth and Fifth Plans. . . . .	.263
39.	Annual Rate of Growth of Imports in Constant 1972 Prices, 1959-1974 . . . . .	.266
40.	Distribution of Percentage Share of Individual Countries in Iran's Foreign Trade, 1960-1979 . . . . .	.267
41.	The Rate of Profile of Multinational Cor- porations (In Percent) . . . . .	.268
42.	Participants in the Iranian Consortium, 1955 .	.269
43.	Foreign Investment in Iran in Rials, November 1956-End 1970 . . . . .	.270
44.	Foreign Private Investment in Iran (Million Rials) . . . . .	.270
45.	Composition of Non-Oil and Gas Exports, 1970-1979 in U.S. Dollars (Million). . . . .	.271

46.	Crude Production and Oil REvenue in Various Years.	272
47.	Summarized Balance of Payments (Foreign Exchange Receipts and Payments) for Iran 1959-1975 (\$ Million).	274
48.	Iran's Defense Budget 1970-77 in U.S. \$ Million at Current Prices.	281
49.	U.S. Military Sales to Iran 1950-1977 in U.S. \$ Millions at Current Prices	281

LIST OF GRAPHS

GRAPH	PAGE
1. The Increase of Imports of Goods to Iran Over the Past Two Decades	328
2. Iran's Decreasing Non-Oil Exports, 1955-1980. .	329
3. Rate of Increase in Iran's Defense Budget . . .	330
4. Iran's Increase in Oil Revenues	331

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PART I

TOWARD A GENERAL CONCEPTUAL FRAMEWORK

In this section an attempt is made to introduce the theoretical and methodological aspects of the study. In any research project, these aspects are necessary to present the scope, limitations, perspectives, the methods of approach to the problem and the achievements of the study.

CHAPTER ONE

THEORY AND METHODOLOGY

Historical Background

The main objective of this work is to provide an explanation for the development of the dependent bourgeoisie in Iran during the period 1962-1978. Although the emergence of a dependent bourgeoisie in Iran has a history that goes back at least to the colonial period, it was between 1962 and 1978 that the group developed and expanded throughout the country, and came to dominate all other social classes and the society as a whole. Because of the overriding importance of the dependent bourgeoisie, it is important to analyze the causes and effects of the development of this class.

Before this analysis, however, brief definitions of the main concepts applied in this study must be provided in order to avoid misinterpretation and misunderstandings. A brief history of the political economy of Iran and of colonialism, which has had such profound and continuing effects on the country, is also necessary.

The relationship between Iran and the colonial capitalist world began during the Safavid Period in the sixteenth

century. However, it was not until the nineteenth century, especially the beginning of the constitutional revolution in 1906, that the colonial capitalist countries increased the level of their direct and indirect influence in Iran. The conflict between two colonial capitalist countries--Russia and England--over Asia in the nineteenth century prevented Iran from becoming a colony. Rather, she first became a semi-colony and then became a neo-colony.

Ever since the early years of the nineteenth century, the colonial capitalist countries have attempted to penetrate the state machinery of Iran to achieve their colonial aims. Russia, by penetrating both the state machinery and the armed forces, became a dominant influence throughout the northern part of the country, spreading toward the Persian Gulf. Meanwhile, in order to prevent Russia from gaining influence in the southern part of Iran and the Persian Gulf, England began to intervene in Iran's affairs. By playing a principal role in the constitutional revolution and then in the coup of 1921 by Reza Khan, England paved the way for her own capitalist penetration. Her colonial policies led her to unify and organize the landlords and the newly emergent bourgeoisie in Iran in order to prevent any possibility of future conflicts between those classes.

The development of bourgeois relations within the Asiatic pre-capitalist formation in Iran has its own specific

history. These relations had prevented the development of capitalist relations in the past, and built a bulwark against penetration by the world capitalist economy. As we will show, the dominant political system, over the past few decades, was able to destroy the barriers, permitting penetration by the world capitalist economy and the development of a dependent bourgeoisie throughout the country.

The development of a dependent bourgeoisie was not a response to the demands of the society. Therefore, since the semi-colonial period, it has produced and advanced various socioeconomic problems and conflicts throughout the country. The uprisings of the last few decades are good evidence that such socioeconomic development cannot work well. In fact, although the advanced capitalist countries supported the dominant political system against its opposition, it collapsed in 1979.

The Problem

The seventy-five year old struggle over the bourgeoisie, and other socioeconomic struggles of Iranian society, were insufficient to eliminate the basis of pre-capitalist modes of production and their attendant socio-cultural relations. Hence, a new phenomenon, the dependent bourgeoisie, emerged.

This phenomenon, a worldwide dilemma in our era, has led Iran to become socioeconomically peripheral and dependent. The culmination of this phenomenon has occurred since the Shah's White Revolution of 1962. Through domination of the socioeconomic and politico-cultural institutions in this period, the dependent bourgeoisie has made itself the dominant force in the socioeconomic system. It not only has deformed the socioeconomic formation and its evolution, but has also led to unequal development of various economic sectors and increased the gaps and the contradictions between classes within the society.

The research question of this study is: Why and how did the dependent bourgeoisie in Iran emerge, develop, and become a dominant socioeconomic formation between 1962 and 1978? The tentative answer, stated as a hypothesis, seems to be that the development and dominance of the dependent bourgeoisie in Iran over the past few decades are causes and consequences of the development of a peripheral capitalist mode of production. Such a development has occurred because of the penetration into Iran of the world capitalist economy, and because of the nature of the Iranian pre-capitalist social formation, which prevented the emergence of an independent capitalist mode of production at a dominant level in Iran.

The study is designed to verify the accuracy of such an assumption by analyzing historical documents, sociological studies, and empirical data available in the field.

Without discussing the problems of the Iranian nineteenth century social formation which interfered to develop such a peripheral and dependent situation, the consequence was the emergence of a dependent bourgeoisie over the past century. Although the Iranian pre-capitalist social formation undermined the dynamic process of Iranian socio-economic formation and has given it specific characteristics, it was the colonist trend of the world capitalist economy of the nineteenth century which forced it toward peripherization and encouraged dependency in the merchants and traders.

From that period, the critical socioeconomic conditions arose which caused the disarticulation of the Iranian economy, its incorporation into the world capitalist economy and emergence of the dependent bourgeoisie as the dominant socio-political group.

With the disarticulation of the indigenous Iranian socioeconomic structure into the world capitalist system, its productive forces and relations changed rapidly. This change was not due to the internal contradictions of such relations, but to the world capitalist economy of the colonial period. The nature of these social-economic changes was foreign-oriented, geared toward the interests and requirements of the capitalist countries, not internal and indigenous requirements. This was the essential problem of the Iranian socio-economic development and led to deformation of social class

relations and the emergence and domination of the dependent bourgeoisie in this country for decades to come.

The emergence and development of such class was, thus, a product of world-wide economic phenomena in which Iran was involved. It caused problems for decades to come. This phenomenon was the creation of core-periphery relations between the capitalist countries and the newly independent peripheral countries. It was the birth of the problems of the peripheries and Iran was no exception. Iran has such a problem that even after years of socioeconomic struggle it has not been able to release itself from dependent relations.

Goals of the Study

As mentioned before, this study is an attempt to analyze and explain why and how peripheral capitalism and its leading class, the dependent bourgeoisie, became dominant in Iran's system of production between 1962 and 1978, and how the dependent bourgeoisie has come to dominant the socio-cultural and politico-economic organs of the society. The process of the development of the dependent bourgeoisie has taken place in many places in the world, not just in Iran; therefore, this study will review briefly the emergence of this phenomenon in peripheral countries in general, with particular reference to Iran. Having presented an historical background,

the study will then focus on Iranian society in the period under consideration.

The study will examine the mechanism operating within Iran as a now-peripheral country to see how and why foreign domination was internalized, politically and economically, by the dependent bourgeoisie which has developed and dominated the country, and linked it to the capitalist world.

Literature Review and Theoretical Framework

The long history of relations between the capitalist countries and peripheral countries has been elaborated upon by several recent writers (Frank, 1969; Rodney, 1972; Amin, 1972; Wallerstein, 1974). These social scientists generally hold that the emergence of underdevelopment must be analyzed as an integral function of the world capitalist economy. Through these writers' theses, we learn how the dependent bourgeoisie in the peripheral countries emerges, develops, and affects the everyday life of such societies. The review of the modernization/development and dependency/world system paradigms are to determine which one is more relevant than the others in analyzing the subject under study. In this context, the review of Iran's political and economic literature is an attempt to discover a theoretical framework for this study.

I. The Major Theories of Core and Periphery Relations.

Despite various paradigms which concern themselves with development there are two dominant sociological perspective in this area: the dependency/world system perspective within the conflict and change tradition, and the modernization/development perspective in the functionalistic tradition.

The modernization/development perspective is reflective of the social and historical conditions of human societies: and in those conditions it has been developed. The idea of modernization/development is primarily an American idea, and has been developed by American social scientists especially by political scientists and sociologists. It was developed in the period after World War II in order to establish stability in European, Asian, African and Latin American societies.

Peripherization for modernization/development theorists is an initial stage of a stable and orderly process, which every country has to go through. The means of achieving development is further integration into the world system. It endorses the advantages of the division of labor in the world market and world trade; savings and capital accumulation are important, therefore, foreign capital, aid, technology and still are welcomed.

The paradigm attempts to classify human societies in two dimensions: as immature or mature, as traditional or modern, as underdeveloped or developed, etc. It ignores or underestimates the role and influence of external factors such as the penetration of world capitalist economies into the peripheral societies and the historical process of these societies.

The definitions of traditional and modern in this paradigm are controversial and asymmetrical concepts. Contrasting the modern and traditional is a bias and a presumed formulation for modernists which claims that traditional societies are static, similar and changeless, and that modern or western societies are diverse, different and dynamic. Skocpol summarized four methodological characteristics of modernization/development perspectives: (a) the tendency to verify the nation-state as the sole unit of analysis, (b) the assumption that all countries follow similar paths of growth, (c) a disregard of transnational structures, and (d) a method of explanation based on historical types. (Bodenheimer, 1973).

The major empirical studies of the modernization/development paradigm in the periphery ignore the increase of unfavorable economic conditions of life, the increasing dependence of these conditions of life, the increasing dependence of these countries on foreign resources, and the failure to implement far-reaching social reforms.

In the past few decades, however, some new paradigms have been developed, mostly within the conflict and change tradition, which examines the development process in peripheral countries from different premises. Different in goals, method and conceptualization from the modernization/development perspective, this paradigm, generally speaking, is a dependency/world system perspective, which concerns the nature of development in non-western societies, the peripheral countries. In this case, the study focuses on that part of this perspective which is related, directly and indirectly, to the underlying premise that the development process in peripheral societies is to be understood within the social-historical context of the development of the capitalist social formation in core societies. In this relation, the internal social formation of the periphery also has its effects on this peripheralization. It is advisable to extend this perspective here because the theoretical framework of this study is such that it is more useful to distinguish the valid aspects of the premises in analyzing the society under consideration.

The dependency/world system perspective as an analytical and dialectical tool addresses the emerging conditions caused by capitalist relations. It is more useful if the analysis concerns itself with the peripheral capitalist mode of production. Such relations are the direct consequences¹

of the penetration of colonial capitalism in the peripheral areas. The enforced capitalist development in peripheral societies undermines their economic and societal structure and consequently deforms their social formations. Such developments result in (a) the deformation of class relations; (b) the emergence and domination of the dependent bourgeoisie. These are the major effects of peripheral capitalist development. The emergence of such a class is dependent on foreign capital and finds its interest with foreign alliances, the multinational corporations.

The early phase of this peripheral development which began with commercial activity was the colonial period of nineteenth century. Then it escalated in the form of industrial exports and imports. The highest stage of this process is the monopolization of money, market and production. (Lenin, 1974). The uneven and unequal development process deepens when the world capitalist economy divides the world in two parts on the basis of an international division of labor: peripheral social formation, and core social formation (Amin, 1976; Wallerstein, 1974). The result of such international division of labor is exploitation and unequal exchange, more peripheralization of the peripheral capitalist countries and the more centralization of capital surplus in the core countries.

Boot mentions asymmetry between the core-periphery relationships of these countries: "development of parts of the system occur at the expense of other parts;...it is the combination of inequalities plus the transfer of resources from underdeveloped to developed countries which explains inequality, deepens it, and transforms it into a necessary and structural element of the world economy..." (1975:15).

Although most dependency theorists accept the relations of the world capitalist economy and the structures of dependency in peripheral countries, some argue that it is too simplistic to generalize that only the penetration of capitalism made the peripheries dependent. (Bodenheimer, 1973; Gultang, 1971).

Statistical studies in this field have been done in recent years such as those by Peirre Jalee. He applies the statistical data provided by the United Nations to document the siphoning off of the peripheries' surplus-value toward the core countries. He maintains that foreign aid and technology rather than internal development, actually increase the level of the periphery's exploitation. He estimates that once profits, interests, loans, and unfair trade practices are taken into consideration, 1.5 times as much aid goes out of the periphery as comes in (Jalee, 1964).

Amin's perspective is likely more realistic in the context of the peripheral societies of Africa and Asia. He explains capitalism and its contradictions and says that

capitalism has become a global system containing two sub-systems. At the center, where capitalism emerges from internal contradictions, a capacity for autocentric development, has been retained. But, capitalism in the periphery societies was initiated by and for the centers. He states that although there are some important differences between these periphery societies, they are all peripheral capitalist formations and are characterized by a similar set of structural distortions arising from the fact that capitalism was imposed on them from the outside. He adds that we have to be careful in studying such statements because each region and each society represent specific problems which transcend this general model of peripheral development. Therefore, it is necessary to consider those specific problems in detail.²

To sum up, the nature of precapitalist social formations of the peripheral countries is critical in their peripheralization and emergence of dependent bourgeoisie in order to save its own and the foreign nation's interests. There are direct relations between colonialism, capitalism and, in the last phase, a world capitalist economy, peripheralization and the consequent emergence of a dependent bourgeoisie. Lenin (1974), O'Connor (1970), O'Brien and Amin (1976) have supported this view. That it is, the nature of colonialism, capitalism and many other forms of the world capitalist economy which dominate, exploit and peripheralize the

capitalist development of peripheral societies. A dependent bourgeoisie, not an indigenous and independent one, which emerges to create its own internal contradictions as happened in core capitalist countries, is the result of such a development.

Regarding such various heterogeneous phenomena, the attempt here is to build a theoretical frame from which to work within the dependency perspective, which has various theoretical orientations from which to analyze the underlying assumption.

2. The Main Approaches To Iranian Dependent Bourgeois Development

Observers of the Iranian socio-political and economic scene--social scientists and others--have offered various theories to explain why the dependent bourgeoisie emerged and developed in Iran, and how it came to dominate the countryside after the Shah's "White Revolution".

In examining such theories, we can identify a few main themes regarding the historical development of a bourgeois class generally, and the Iranian social formation in particular. These views can be divided into two camps, the Marxian and non-Marxian perspectives, which will be reviewed briefly.

Non-Marxian social scientists have often given attention to specific characteristics of the Iranian social structure in developing economic, social, or political analyses. In

these studies they usually isolate individual aspects of society from the process of social formation, especially in considering the development of the dependent bourgeoisie in Iran. These social scientists apply the terms "modernization" and "development" in analyzing the economic and social situations of the bourgeoisie, without referring to the specific characteristics of such development.

The major problem with this approach is that the class aspects of these developments remain unexamined. The concepts of "behavioral analysis," which most of the non-Marxian social scientists have used in analyzing Iran's socioeconomic development, are not sufficient to analyze such complex social processes. For instance, Zonis (1971) and Bill's (1962) analysis of the Iranian "elite" does not examine the relationship of the elite to the distribution of income, property, and power in Iran (Halliday, 1979).

Some non-Marxian social scientists have developed theories which support the Shah's consolidation of his position. These scientists attempt to analyze the Shah's system of domination, but ignore the socioeconomic context in which this domination took place. Although such studies (see Ricks, 1976) have amassed considerable data on Iran, they are weak in their analysis of the nature and causes of bourgeois development in Iran. The theoretical basis behind such studies purports to guide an examination of the regime and its allies, the development of the bourgeoisie, and the

rapid growth of Iran's economy in the last two decades, but they fall short of the mark, as we will see throughout this dissertation.³

The Marxian social scientists and organizations have their own troubles in analyzing the emergence and development of the bourgeoisie in Iran. Some such groups (e.g., Iran's Communist Tudeh Party) claim that this development is a "progressive feature," because socialism requires the destruction of pre-capitalist social formations, the obstacles of a progressive social formation.⁴

Another group of Marxists in Iran claim that Iran was and is "semi-feudal" and "semi-colonial" (Jazani, 1973). But, as we will explain later, their analysis is in error. The pre-capitalist formation of Iran was "Asiatic"; feudalism did not exist. Nor has there been semi-feudal social formation.

Theoretical Framework

Analysis of the social formation of each period requires concern with the formative factors of human societies. People establish the communities through relationship and contacts with each other, and with their environments. These two factors of social and environmental contacts inculcate the regularities, values, norms and beliefs which regulate the social system.

The nature and qualifications of human existence and its relationship with nature, crystalize in the modes of

production. Modes of production indicate the progress of social formation in each period and its development in terms of production and distribution, the relations between labor and capital. Finally, they indicate those who have and those who have not.

Every society in its development process within its single social formation may have various modes of production. But, in each period, one of these modes of production is the dominant one. The dominant mode of production rules human relations and regulates other social phenomena. To understand the mechanism of social motion, it is necessary to analyze the modes of production and distinguish the dominant one.

The mode of production indicates the degree of totality and unity, of the society. It also indicates the nature and qualification of the development, evolution, dependence and independence, and the progression and regression of the society. It is valid criterion for assessing the different periods of human society in different stages.

The mode of production is constituted from two related parts, productive forces and productive relations. Productive forces are the bases of human societies and include the techniques of production, means of production, the population and its physical condition. Productive relations are the result of distribution of means of production among human groups. Productive forces and relations are the bases for establishment of the

value and belief systems and social norms in human society.

Although the mechanism of social motion is based on the productive forces, especially the means of production, productive relations also affect productive forces. They intensify or retard the development of social formation. Even the value system, social beliefs and norms affect the formation of social motion and social forces. Thus, they require consideration of the dialectic relations of the material bases of life and their productive social relations.

It is the nature and qualification of the modes of production which determine the dependence and independence of social formations. Development of an indigenous or peripheral capitalist mode of production and their social relations depends on the characteristics of the mode of production. If the productive forces emerge from internal societal conditions, satisfy the requirements of the society and are not imposed from outside, it may be considered indigenous development. On the other hand, the peripheral mode of production refers to externally-oriented development, which is imposed from outside the society and reflects the requirements of foreign interests. The emerging relationships of such development will produce its nascent weaknesses, advantages and contradictions.

The peripheralization of the mode of production in a given society produces various antagonistic relations and

anomalies alien to the society but imposed forcibly upon it. It also produces the dependent social relationships such as class relations, which are one of the major dilemmas of the peripheral societies in our era. The peripheral mode of production not only produces dependency, but deforms the entire social formation.

The sociological perspectives approach this phenomenon of peripheral social formation from different dimensions and analyze it in terms of their ideologies and view points. In the present analysis, the study will apply the dependency/world system paradigm which concerns itself with core-periphery relationships within the conflict tradition. The consequence of such relations is the peripheral capitalist formation and its dependent bourgeois relations in peripheral areas. Therefore, the theoretical statement of this work can be presented: deformation of the pre-capitalist social formations of periphery societies, through their forced integration into the world capitalist economy, not only did not lay the basis of a new social formation for independent development, but penetration, incorporation and disarticulation by the external pressures of capitalist countries resulted in the transformation of these societies to benefit development of the core countries and for the requirements of their productive forces.

Although the pre-capitalist formations of these societies were obstacles in their developmental process, it

was the world capitalist economy from its beginning which played an essential role in depriving these societies from integrating into a world system economy. It preconditioned them for peripheral development from the early nineteenth century. The result of this unequal articulation and unequal development was the emergence of dependent social classes within peripheral social formations. This general statement requires some more specific explanation. To do this, reference will be made to some historical events in the economic history of Iran. It should be treated as the theoretical statement for this study. The following chapters will assess the accuracy of these statements as well.

The intent of this study is to analyze and explain why and how the dependent bourgeoisie in Iran in the period 1962-1978 established a dominant socioeconomic system. To make such an analysis, the dependency perspective has been distinguished among other paradigms. Having had various theoretical orientations and explanations in this perspective, the study concerns itself with that explanation which considers effectively, the internal and external factors in this emergence of the peripheral mode of production in peripheral country within the conflict and change tradition. That is, the nature of the internal social formation of the peripheral countries as an internal factor, and the nature of capitalist relations, as an external factor, create an uneven and unequal development in the peripheral countries.

One of the fundamental consequences of such relations is the emergence of the dependent bourgeois class in peripheral countries to dominate the socio-cultural and politico-economic organs of the society in order to secure the various interests of the world capitalist economy and their own.

According to such an approach, the study mentions some aspects of the dependency perspective and matches them to see if the development of the Iranian political situation can be explained. The assumptions of writers such as Amin (1976); Santoz (1972) and Wallerstein (1974) are more applicable than others in the Iranian case.⁵

The peripheral capitalist mode of production and its development can be examined through the alterations in class relations in peripheral countries caused by capitalist enterprise, penetration by the colonial capitalist countries into non-European countries not only did not destroy the pre-capitalist class structure of these societies, but transformed the class structure to make it possible to extract the economic surplus and pave the way for capital accumulation. This began in Iran in the early nineteenth century and developed in later decades, as we see in this study. The role of the peripheral state in the social formation of these countries is crucial as it tends to nurture the capitalist relationships. The state becomes the dominant class system and establishes a set of production relations to

secure its interests. Such relations impose the social formation and pave the way for the emergence of a dependent class which will be able to respond to the requirements of the colonial core country and the interests of its allies, such as the landlords, and courtiers.

The state as the dominant class supresses other classes and, in the case of dominant dependent bourgeoisie, it supresses and breaks down the progressive producer groups and deforms the social formation of the periphery countries for further peripheralization of the mode of production. As an internal factor the dominant class plays a major role in all phases of the world capitalist economy and peripheralization of these countries, to integrate the peripheral economy into the world capitalist economy.

In support of the state machinery and the world capitalist economy, the surplus production not only cannot lead to internal capital accumulation, but is spent on industrial production, luxury goods and investment in light industry to channel profits abroad. In this process the dependent bourgeoisie, in the last phase of its development, plays a fundamental role. Throughout this conditioned situation, the nature of product and class relations remains critical.

In state capitalism the state has a dominant position in economic planning and investment. From this position the dependent bureaucratic bourgeoisie emerges. The agents of the core countries prepare this class to serve their interests and dominate the economic structure of the society.

The state and class relations in these societies are consequences of peripheral development. Baran (1957) states that the periphery has its source in the nature of the pre-capitalist's social formation.

The dominant class in semi-colonial, neo-colonial, and world capitalist periods was not permitted to develop independent capitalist relations, only dependent and peripheral ones. It was closely linked to colonialist and core capitalist countries to serve foreign-oriented capitalist development. The nationalistic tendencies of the late nineteenth century could not change these relations because the bases of such development did not provide for independent modes of production in the peripheral countries. The Iranian constitutional revolution of 1906, and some other movements over the past decades, were a good example of such a statement. The apparently independent state/machinery could not move toward real independence in the sphere of economic and social formation. It needed some fundamental changes in core-periphery relationships to diminish the disarticulation in these countries and the structural changes within their internal social formations.

To sum up, the major assumption of this study is that the development of the dependent bourgeoisie in Iran over the past decades and its dominant role in the last two decades are the consequences and causes of a peripheral capitalist mode of production. Such development occurred in Iran because of the penetration of the world capitalist

economy and the nature of the Iranian pre-capitalist social formation which prevented the emergence of a dominant independent mode of production in Iran.

Examining the internal conditions of social forces in the Iranian pre-capitalist period, which have affected the development process of the social formation, is important. This prepared the way for the colonial capitalist invasion and paved the way for its invests by deforming the Iranian social formation and its mode of production.

Without mentioning the history of the oriental and Iranian studies a brief review of Asiatic social formation will be provided to show how the Iranian pre-capitalist period with its characteristics paved the way for peripheral capitalism. Based on Marx's analysis, the Asiatic societies established socio-economic systems within despotis empires, people within such social systems were in isolated village communities. Every community was an independent social formation and had self-sufficient production and reproduction. The modes of production in these communities were static because there was no fundamental basis for conflict situation to force a change.

There is no private property, especially land property. Therefore, the class relations do not appear in these communities. The monarch, an organizer of the community, imposes himself as a despot. He appropriates the surplus production and expropriates the property of the whole society. The villagers hand over their surplus production as a tax, rent, or gift to the monarch.

Division of labor between town and village is rare. Therefore, there is essentially no conflict and antagonism between workers because the dominant mode of production is agriculture with handicrafts a subordinate mode. In fact, crafts supplement that mode of production but little else. The monarch is the symbol of unity between communities and guarantees their security.

The absence of private land ownership and the absence of conflict between villages and towns, agriculture and crafts are the keys to understanding the development process of the social formation of the Asiatic pre-capitalist period. Because there exists no basis for conflict between individuals and the monarchy, there is no desire among the people for a new socioeconomic system. The established social formation continues in spite of the external factors which occasionally destroy such a social formation (i.e., tribal invasions or wars). Marx says:

The simplicity of the organization for production in these self-sufficient communities that constantly reproduce themselves in the same form, and when accidentally destroyed, spring up again on the spot and with the same name--This simplicity supplies the key to the secret of the unchangeableness in such striking contrast with the constant dissolution and refounding of Asiatic states, and the never-ceasing changes of dynasty. The structure of the economical elements of society remain untouched by the storm-clouds of the political sky. (Capital I, pp. 393-394).

The Asiatic pre-capitalist modes of production and their social formation lasted centuries without any significant change in the socioeconomic system. It was such conditioned situations that retarded historical development and kept social evolution static which made them vulnerable to the penetration of the colonial capitalist countries in the last centuries. It was the penetration by the European capitalist mode of production, and its social relations which destabilized the established social formations of these pre-capitalist Asiatic societies and paved the way for creating a new social formation, changing the dominant mode of production in these societies that were mostly agricultural and nomadic.⁶

Change arose, not from the internal requirements of these societies, but from requirements of the colonial capitalist countries of the eighteenth and nineteenth centuries. This produced the fundamental dilemma of development vs. underdevelopment or, in our conceptual terms, the emergence of core and peripheral capitalist social formations. As an Asian country, Iran had the same characteristics that are described in the Asiatic social formation. Incorporation of Iran into the colonial capitalist polity occurred at the end of the commercial phase of capitalist development in Europe. It was forced into a semi-colonial situation because of its strategic conditions and the rival relations of two colonialistic countries, England and Russia, from the early nineteenth century.

Under such a situation, industrial and commercial production started to flow into the country and affected the internal handicrafts and the factories which were going to bring new enterprise. The existence of the despotic monarchy system, lack of industrial development and division of labor between towns and villages, domination by the government in all spheres of social life, absence of the security of private property, and the existence of the pre-capitalist mode of production paved the way for the disarticulation of the social formation by colonial capitalist relations. The above situations did not allow the emergence of an independent bourgeois mode of production but sustained the tendency which was progressing. The consequences were the disarticulation of the economy, emerging dependent bourgeois relationships and the involvement of indigenous merchants and craftsmen into the imposed peripheral capitalist mode of production. Emergence of the dependent bourgeoisie from the semi-colonial period to 1978 was the major effect of capitalist development on Iranian social formations.

The emergence of dependent bourgeoisie in Iran dates to the early nineteenth century when the Treaty of the Irano-Russian War was signed in 1828. From that period Iran was in a semi-colonial situation until its Constitutional Revolution in 1906 that changed this semi-colonial status to a neo-colonial relationship. The culmination of this neo-colonial period was the Reza Shah's state capitalist period,

from 1926-1941. The process continued, then, until the 1960s when international events and internal social forces pushed the social formation into a new stage characterized by the domination of the dependent bourgeois mode of production and its social relations. The social reform of 1962 announced the polarization of class relations, that established the peripheral capitalist mode of production in Iran.

This work will examine the above-mentioned statements to see whether or not the dependent bourgeoisie was the consequence of the development of the peripheral capitalism. If it was, how and why did it dominate the society in the period 1962-1978?

Definitions of Terms

Presented here are definitions of the major concepts which are applied in this study.

The bourgeoisie is a class in a capitalist society which controls the means of production, industries, banks, transportation, etc. The Western bourgeoisie is defined by the nature of its activities; it is divided into industrial, commercial, financial, and agricultural bourgeoisie. The industrial bourgeoisie's surplus value is the origin of capital accumulation; the commercial bourgeoisie has profit; the financial bourgeoisie has interest; and the agricultural bourgeoisie collects rent. We can also divide

the bourgeoisie into three sub-classes: the big bourgeoisie, the middle bourgeoisie, and the small bourgeoisie. In this situation, socioeconomic and decision-making power are in the hands of the big bourgeoisie.

The divisions among the bourgeoisie are related to the stages of development of capitalism in the West. In the early age of capitalism, capitalist activity was concentrated in merchandising and trade activity. After the industrial revolution, the industrial bourgeoisie developed rapidly and overcame the commercial bourgeoisie. The agricultural bourgeoisie invested in the mechanized agricultural sector. The financial bourgeoisie undertook the highest level of corporate capitalist activity, becoming involved in banking and capital investment in the core and the periphery. All strata of bourgeois activity are related to each other in the market, both on internal and international levels.

The division of the bourgeoisie into strata is useful in analyzing its nature and its requirements in the development process. The genesis of the independent or indigenous bourgeoisie in peripheral societies, especially in Iran, was spurred by the introduction of Western capitalism and dependency on the core. Because of its pre-capitalist formation, Iran did not develop bourgeois enterprise in the same way that the Western countries did; rather, during the colonial period and afterward, its genesis was influenced by

Western capitalist penetration and any indigenous tendency was usurped and steered toward dependency. This study will return to this concept throughout. The concept of bourgeoisie in capitalist terms is a new phenomenon in Iranian literature which emerged when the capitalist mode of production influenced the society.

The concept of dependence is vital to the core discussion of this work. A branch of the Dependency/world system perspective describes the development of a capitalist mode of production in so-called Third World countries as peripheral to and dependent on core countries. This perspective states that because of the nature of the world capitalist economy, which searches for surplus, and the internal conditions of peripheral countries, the development of capitalist relations and forces are imposed on them. From this perspective, the requirements of the world capitalist economy make such a mode of production necessary; though they are not in the interest of "Third World" countries, but conditioned by and dependent on foreign organized tendencies. This explanation seems reasonably congruent with the socio-economic development of Iran since its domination by nineteenth century capitalism. Therefore, any explanation of the political economy of Iran should be considered within this context. The definition by Sontoz of dependence will help clarify this explanation.

Dependence is defined as:

a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected. The relation of dependence (is present) when some countries (the dominant ones) can expand and be self-sustaining, while other countries (the dependent ones) can do so only as a reflection of that expansion, which can have either a positive or a negative effect on their immediate development. (Santos, 1970, p.23).

Peripheralization here refers to the process through which the underdeveloped economies of these countries have been integrated into the world capitalist system and made complementary, secondary, or subordinate to the economies of the core or advanced countries.

Having explained these concepts, some other terms which are used throughout this study should be defined. This is necessary before beginning analysis so that key words can be commonly understood in the context of this work.

Dependent bourgeoisie belongs to peripheral countries, as a class with close ties to foreign capital and monopolies. Their interests are related and interdependent. The nature of the dependent bourgeoisie depends on its activities and it is divided into various strata, such as bureaucratic, commercial, industrial, financial, and agricultural.

The major criteria of dependence and the development of a dependent bourgeoisie in a given society or peripheral country are:

- a. Domination of various groups and the regime by world capitalist economic development through the use of coup, plot, terror, etc.
- b. Manipulation of the main sectors of economic production such as industry, trade, and agriculture through direct and indirect investment by advanced capitalist countries; domination of those sectors by capital export, loans, aid, and economic pressure.
- c. Unequal exchange: importation of industrial materials and export of raw material to benefit a monopoly system established by world capitalist economy.
- d. Establishing banks and some other economic organizations through the world capitalist economy.
- e. Imposition of political and military treaties upon the peripheral countries by advanced capitalist countries.

The relation between property and classes: The historic rise of private property led to the formation of classes. Lenin has defined a class as:

a large group of people differing from each other by the place they occupy in the historically determined system of social production, by their relation (in some cases fixed and formulated into law) to the means of production, by their role in the social organization of labor, and, consequently, by the dimensions and mode of acquiring the share of social wealth of which they dispose (1971, p.248).

The main criteria for recognizing a class, in this study, are: (a) the place and position of the people in the system of production; (b) the relations of these people with the means of production; (c) the role of the individuals within the group and the social organization of the labor; and (d) the way in which wealth is produced and obtained in the society.

Politically, the term ruling class refers to those people who occupy senior positions in the various political, administrative, and public corporations and institutions. They use their positions to determine the political processes of Iran as well as making decisions on what and how to produce and how to distribute the surplus accrued from this production. For instance, the components of the ruling class in Iran in the last two decades have been the industrial, commercial, financial, bureaucratic, and agricultural capitalists, along with some other ruling groups.

The state here is not merely an instrument to be used by the dominant class, nor is it a democratic mechanism arising full blown from indigenous social structures. Instead, it is both a product and a determinant of the ongoing class struggles in the country, with the dominant class at various stages able to use such instruments as the National Assembly, the armed forces, or the judiciary to its advantage, but without being able to exert total control over the country or its government.

The world economic system, in Wallerstein's view:

includes commodity producer's employing wage labor in the core areas and coerced labor in the peripheral areas... Peripheral areas are not seen as 'pre-capitalist' but rather as integrated, exploited and essential parts of the layer system.... Capitalist production relations are not limited to wage labor, instead, production relations composed of the articulation of wage labor with coerced labor in the periphery. Such articulation is accomplished not only by the world market exchange of commodities, but also by the forms of political coercion which the core powers often exercise over peripheral areas... The state and the system of competing states composing the world policy constitute the basic structural support for capitalist production relations. (Wallerstein, 1974, vols. 1, 2)

According to the notion of Asiatic modes of production, the "non-Western" societies could not develop in the way Western societies had developed. The Asiatic mode of production thesis explains how the self-sustaining villages, constant invasion of tribes into Asian countries, absence of private property, lack of conflict between villages and towns, and domination of despotic political relationships have all been major barriers against capitalist development throughout the Asiatic societies. In these societies the individual was bound into local communities and was prevented from becoming a "free" labor force. Marx says: "These self-sufficient communities are the key to the unchangeableness of Asia" (Capital, III, 1933).

State capitalism, in this study, has the following definition:

Under state capitalism, the state is controlled by capitalists with origins in petty bourgeoisie, especially the intelligensia and the military. The state owns the major means of production; investments in industrial capital are funded by the state. Actual control over state enterprise is in the hands of the managers of the enterprises; there is often a sharp conflict among the managers of different state corporations. (Clawson, 1977, p.68).

The Shah's White Revolution, launched in 1962, accomplished some reforms in Iran. The main purpose of such reforms was to pave the way for expansion and development of a dependent bourgeoisie, to the benefit of the regime and of the world capitalist economy. The revolution had two aims: (a) the prevention of any uprising of the people against the government; and (b) the incorporation of the country into the world market.

The Iran Islamic Revolution of 1979, the long struggle which broke out in Iran in 1978, came to represent a turbulent moment in Middle East politics. The country and its people, who had lived for more than a quarter of a century under the iron heel of dictatorship and capitalist expansion, rose up to end the dictatorship, exploitation, and dependent relationships. The leadership of this movement, because of the historical situation of Iran which was mentioned throughout this dissertation was and is in the hands of religious organizations headed by Ayatollah Khomeini, who succeeded in developing the movement into an Islamic Revolution in 1979.

Methods of Analysis and Sources of Data

The development of the history of mankind depends on development of the contradictions between productive forces and productive relations, on one hand, and upon the material basis and conditions of life and culture, on the other. In studying the dependent bourgeoisie in Iranian society, we have to give considerable attention to the fundamental contradiction between productive forces and productive relations in determining how and why peripheral capitalist relations emerged and caused the emergence of dependent bourgeoisie concerning ourselves with the material basis of life and the culture which characterizes the history of this country will provide the groundwork to analyze such development. Dialectical relationships between these productive forces and relations, and the superstructure of the society reveal how the Asiatic mode of production was characteristic of Iran over the past centuries and affected the nature and process of development of peripheral capitalist mode of production.

As in Marxian methodology, the point of departure for this study is that the level of societal and cultural development of a human society is determined by the level of development of its productive forces. This statement will provide guidance in analyzing and explaining the subject under consideration. If we find that historical development

in Iran has been retarded by societal and cultural obstacles over the last centuries, we will need to examine why such a situation was produced in the society. In the process of explanation it will be possible to analyze and explain why Iran could not achieve development sufficient to establish an advanced social formation and how the capitalist mode of production required of Iran by advanced capitalist countries disarticulated the existing social formation and created the dependent bourgeoisie.

In order to trace the historical development of a social phenomenon, it is necessary to examine the dialectical process, which entails the necessity for an historical approach, and historiography to all social phenomena. The dialectical process is an unending one, and it requires the theoretical approach of historical materialism which is the basis of dynamic historical studies (Marx, 1859). The main thesis of historical materialism is that material conditions of life influence every aspect of human and social life. It holds that, because human beings must subsist and survive, they must produce means of livelihood by appropriating nature. Through this process, human beings enter into definite relations with each other. Marx described this process in scholarly language:

I was led by my studies to conclude that legal relations as well as forms of state could neither be understood by themselves nor explained by the so-called general process of the human mind, but that they are rooted in the material condition of life (Marx, 1933).

The method of analysis and interpretation used in this research is based on the above-mentioned perspective. One cannot understand the process of any social phenomenon without reference to its past and to other aspects of human life and its environment. Development of the bourgeoisie in recent decades--or, for that matter, the absence of a bourgeoisie in the "Asiatic pre-capitalist" period in Iran--is not a single, isolated phenomenon; it has a historical genesis and, dialectically, an economic conditioning situation, which brought about its societal development.

To approach its goal the study must employ historical and documentary analysis. The information necessary to such analysis should be obtained from historical and documentary sources. Although the study approaches the phenomenon under consideration from an historical perspective, it also applies the evaluation of empirical data which is made available in the kinds of sources mentioned to illustrate the theoretical framework.

A major issue was the availability of information because of the restrictions posed by the current Iranian internal situation and limitations of time. The researcher

has, nonetheless, sought to derive the data from primary, valid, and reliable sources. The major sources employed are:

- a. works of social historians, political economists, and sociologists who are specialists in the Middle East and particularly Iran, including publications available in English and Farsi;
- b. documents, reports and hearings of U.S. Government and international agencies, including the United Nations; and
- c. sources such as annuals, periodicals, and weeklies which publish articles and essays on the political economy of Iran, such as the International Journal of Middle East Studies; Iran Studies; Middle East Economic Digest; and Review of Iranian Political Economy and History.

Most of these sources were available at the libraries of Michigan State University, the University of Michigan, and other institutions in the United States and England. Additionally, the researcher has obtained some information from Iran through correspondence.

Appropriate documents and historical data have been examined to analyze the various strata of the dependent bourgeoisie--strata which are associated with each developmental stage of capitalism in peripheral and core countries. This analysis assists us in examining the nature and

characteristics of the dependent bourgeoisie by allowing us to verify the data. For this purpose, the researcher has divided the data into the following classifications:

1. General historical sources employed for historical background on the subject under study. The following are examples of such sources: G.N. Cruzon, Persia and the Persian Question; J. Uton, The History of Modern Iran: An Interpretation; Welbert, Iran: Past and Present; and R. Cottam, Nationalism in Iran.
2. Theoretical analyses of peripheral capitalism and the dependent bourgeoisie in the periphery, and particularly in Iran, employed in an attempt to resolve the issue of such development including: L. Helfgott "Iran: Capitalist Society on the Periphery"; F. Mehrain, "Emergence of Capitalist Authoritarian States in Periphery Formation" (Ph.D. Thesis); and J.F. Petras, "Class and Politics in the Periphery and Transition to Socialism".
3. Interpretative sources are used to assess various ideas and constructs about the issue. Examples of such sources are: Fred Halliday, Iran: Dictatorship and Development; B. Jazani, The Socio-Economic Analysis of a Dependent Capitalist State; Homa Katouzian, The Political Economy of Iran, 1926-1979; and R.K. Ramazani, "Iran's White Revolution: A Study in Political Development".
4. Statistical and empirical research conducted by Iranian and foreign scholars is used to substantiate the accuracy of the ideas the researcher has raised. Some examples: Iranian agency and ministry publications; G.B. Baldwin, Planning and Development in Iran; F. Fesharaki, Development of the Iranian Oil Industry; and R.E. Looney, A Development Strategy for Iran Through the 1980s.
5. Case studies in recent reports on the Iranian political economy contain primary data on the political economy of Iran. The following are some of these: C.P. Issawi, The Economic History of Iran, 1800-1914; R.E. Looney, The Economic Development of Iran, 1956-1981; J. Amuzegar, Technical Assistance in Theory and Practice; and G.C. Johnson, High-Level Manpower in Iran.

6. Specific information on peripheral capitalist development and the dependent bourgeoisie in Iran that provides data on the issue in different periods and from different perspectives; i.e.: A. Ashraf, "Iran: Imperialism, Class and Modernization from Above" (Ph.D. Thesis); A. Bannani, The Modernization of Iran, 1921-41; J. Bhrarir Economic Development in Iran, 1900-70; and J. Banaji, "Backward Capitalism, Primitive Accumulation and Modes of Transportation".

The overall goal is to test and evaluate the accuracy of the assumption under study through analyzing and verifying data in the documents, including data available from empirical studies. If the data significantly support the following relations and indications it will confirm that the assumption under examination is accurate:

1. Increasing foreign capital investment over the past decades, with a corresponding flow of surplus value abroad;
2. decline of the independent bourgeoisie, in independent trade and industrial activity, accompanied by the rise of the dependent bourgeoisie and absorption of trade into foreign-capital activity;
3. a tendency of the political system to secure foreign capital and support the dependent bourgeoisie through laws and rules for facilitation of such enterprise;
4. core country influence on the ruling class and the government;
5. growth of the dependent bourgeoisie over the past decades, qualitatively and quantitatively, with a rise in its influence on political organs as it exercises domination and hegemony in the society;
6. evidence that dependent bourgeois production has become or is in the process of becoming the dominant mode of production;
7. growth in the foreign banking system and commercial and industrial activity at the subsidiary level.

To verify these relations, criteria and indices were found throughout the documents mentioned, and in related sources which supported these statements. Such supportive evidence included the following:

1. International trade, as one of the indices of the degree of economic dependency. In this case, the kind and value of exports and imports, the degree of community concentration, etc. are good indicators of the degree of dependency. They illustrate the unequal trade between core and periphery, that is the balance (imbalance) of trade and the kinds of imports/exports (natural, industrial and capital resources) indicate the nature of development. The peripheral countries most export, from their agriculture-based economies, raw materials, etc. but the core countries export modern technology, advanced industrial products and a variety of agricultural products.
2. Foreign capital and investment is another indicator in explaining dependency. In the dependency perspective it not only does help the development of the peripheral countries but also enforces peripheralization because of the high return on the surplus investment and priority of the interests of the foreign capitalists in selecting the kind of investment. The rate of capital outflow from the periphery illustrates the rate of foreign investment and economic dependency.
3. Technology transfer is another index to measure core periphery relations. The import of technical equipment from the core countries by the periphery is costly and tends to be beyond the means of the periphery. Absence of exchange resources in the periphery forces these countries to seek aid from the core, reinforcing their dependency.

All these processes are facilitated by establishing a dependent bourgeoisie in the periphery. Through the domination of this class, the international trade, foreign aid,

and technologies transfer become possible. These three aspects and some others result in disarticulation in the economy of the periphery. Their main purpose is satisfaction of the demands of the world capitalist economy, thus ensuring the interests of the dependent bourgeoisie. The whole process results in increasing inequality between the social classes of the periphery.

CHAPTER TWO

SCOPE AND ACHIEVEMENTS OF THE STUDY

In this chapter the general viewpoint with which the study concerns itself is presented. Explaining the limitations and achievements of any research is the policy of research strategy. It gives new ideas to future researchers. This chapter takes up such a policy and the experience, achievements and limitations encountered in the research will be detailed here.

Scope and Limitations

The limitations of time and the turbulent Iranian internal situation could affect this study from the perspective of availability of data and, likely, its reliability and validity. In order to prevent such effects from causing a deficient analysis, the study was limited to the following framework:

- a. The key point was the analysis of the dependent bourgeoisie--its development, causes and consequences.
- b. The place of study was Iran, within the world capitalist economy.

- c. The study was limited to the period from 1962 to 1978, the climax of the development of the dependent bourgeoisie in Iran.
- d. The language used in obtaining the data were English and Farsi.
- e. The method of analysis was the historical documentary method.

To elaborate more specifically on some of the theoretical and methodological limitations of this study:

The main intent of this study was to analyze and explain the emergence and development of the dependent bourgeoisie, as it has been described by Amin and other theoreticians in terms of the dependency/world system perspective and conflict tradition. This study is not concerned with such class concepts as the working class, the national bourgeoisie, the middle class, the new middle class, ethnic groups, or educated, modernized, or traditional groups. Although such social phenomena are related to each other, dialectically, it is impossible to consider all social aspects and relations in a study of this scope. Therefore, the study is focused on the dependent bourgeoisie as defined and considered in the dependency/world system perspective. It gives attention to only those aspects which are directly related to the subject under consideration.

The study does not trace the size of the dependent bourgeoisie among the classes and social groups in different

regions of Iran because it would be impossible to do so. What the study does analyze is the genesis, development and domination of the dependent bourgeoisie in the society. The roles of such phenomena as the state, the world capitalist economy, and pre-capitalist social formation, which have affected the emergence and development of the dependent bourgeoisie in Iran, are traced.

The development of this class has been divided into strata in order to facilitate consideration of the extension of its activities throughout the socioeconomic sector of the society, paving the way for domination of internal capitalist groups, which are related to foreign capitalist markets (see, Amin; Benaji; Santoz).

Although the origins of the dependent bourgeois strata--agricultural, bureaucratic, commercial, industrial, and financial--are in some aspects different from each other, they all emerged from the sphere of the ruling class and the groups related to this class. Therefore, from a sociological perspective, the study does not consider the various exceptions to the basic rules related to the dependent bourgeoisie.

The study intensively examines the roots and origins of these strata. Generally speaking, these strata have emerged, politically and economically, from the ranks of the courtiers, old merchants, landowners, tribal leaders, and state bureaucrats. The sizes of these groups are not

as important as their functions and roles in leading the social formation into dependent relations with the core countries. Therefore, from the perspective of this study, it is essential to examine qualitative characteristics when explaining the peripheralization of the social formation of the Iranian society.

In the study, Iranian society is considered a true society, in the sociological meaning of the term. Although Iran exhibits conflicts in terms of ethnicity and cultural divisions, it is still considered a society. Nowadays, problems such as those mentioned are seen in most societies, including the United States, England, Switzerland, and India, to name a few. These societal problems are produced mostly by capitalistic and individualistic relations developed over the last few centuries, especially in former colonies.

According to its scope and limitations, the dissertation is divided into an introduction and four parts. The first part includes chapters one and two and provides the main aspects of theoretical and methodological points of the study. It is concerned with defining the problems which have become rooted in Iranian society and traces the theoretical bases of such problems to lay the theoretical groundwork for further analyses. The methods of analysis, scope, limitations and contributions of this study are explained in this part.

Part two, comprised of chapters three, four and five, provides a broad historical review of capitalist social formation in core and peripheral countries, and finally in Iran, to show the tendencies of capitalist relations in these areas. This is essential to a full understanding of the balance of the discussion.

The genesis and process of such social formations and the causes and consequences are presented. By using such a perspective, the study illustrates the development of dependent bourgeoisie in Iran in the period under consideration. In Chapter Three, the genesis of capitalist social formation in European countries, its expansion within industrial countries and its further expansion toward a world capitalist economy are discussed. The various types of capitalist formation, their requirements, structures, nature and their effects on other peripheries are considered. Chapter Four is comprised of the process of peripheral capitalist formation in peripheral countries and the nature of their articulation into the world capitalist economy. The major factors in the peripheralization and disarticulation of these countries are discussed briefly in this chapter.

Chapter Five is the consequence of the discussions in Chapter Three and Four and their implications in the context of Iran. Iran, as a peripheral country, has its own specific history of peripheralization and articulation into

the world capitalist economy. It is necessary to review its genesis and process to understand the consequences of the development which ended in creating a peripheral country. This Chapter mentions, briefly, the social formation of the pre-capitalist period and the positions of merchants and craftsmen. Various forms of colonial formation and their consequences, such as state capitalism, and the development of the dependent bourgeoisie up to 1962 will be analyzed in this chapter to provide a background for understanding the development of the dependent bourgeoisie in the period under study.

Part three includes the main body of the dissertation which begins in 1962 with the Shah's White Revolution and extends to 1978, ending in the uprising of the people against the peripheral social formation and monarchy system. This part is comprised of four chapters. Chapter Six is a discussion of the socioeconomic conditions before the Shah's White Revolution to provide some explanation why the White Revolution occurred in that period. In this Chapter an analysis of the causes and consequences of that revolution is done. Chapter Seven is an assessment of the major phenomenon of the century, the role and contribution of the world economy in the development of the dependent bourgeoisie. How and why the dependent bourgeoisie dominated the society and became a dominant political system is considered in Chapter Eight. In Chapter Nine attention is given

to the class structure of such a social formation. The various strata of the dependent bourgeois class are discussed.

Part four of the dissertation is comprised of description analysis and evaluation of the effects of peripheral development in Iran. It consists of three chapters. In Chapter Ten the period after the Shah's White Revolution and the phenomenon of "pseudo-modernization" (Katazian, 1980) are considered. The presence of the multinational corporation, their activities, and their impact on the everyday life of the Iranian people are explained in this Chapter. Finally, Chapter Thirteen is focused on social changes and the people's uprising in the recent decade which ended the peripheralization, crystallizing of the development to such an extent that the monarchy system collapsed and a new political system came into being. In this chapter we will mention the armed struggles of the political groups in Iran which are a new phenomenon in its political life. The conclusions, summary and recommendations are contained in Chapter Twelve of the dissertation and raise some alternatives to a dependent structure in an ongoing process of social formation.

Contributions of This Research

The main objective of this study is to add new dimensions to various notions of the economic and political evolution of Iran, particularly in terms of the incorporation of

Iran into the world capitalist economy. If the findings prove the researcher's premise, then this study will have contributed a new idea, a new variable in understanding the development of the dependent bourgeoisie and Iran's under-development in past decades. It may prove helpful in finding solutions to the socioeconomic problems presented by such development.

Methodologically, this work gives specific attention to the political economy, historical data, and the material bases of life. It is a search for the material factors that determine and influence societal development, particularly the development of social formations.

Theoretically, this work attempts to construct a theoretical-conceptual model for analyzing the specific character of the country under study; this focus is kept narrow because any theory developed in the study of one given society may not necessarily be a useful model for any other society. It is essentially inappropriate to apply Marxian and non-Marxian theories to a given country without an understanding of the weaknesses and advantages of those theories. Examining such theories and applying them to a given country--Iran--is the main task of this research.

Finally, this study gives the researcher an opportunity to develop and practice practical skills and new ideas. It will serve as a basis for reactions from both scholars and practitioners to refine the researcher's further study.

PART II

AN HISTORICAL BACKGROUND

In the chapters of this section the processes of capitalist formation in Europe and in peripheral countries are reviewed to provide an historical framework for the balance of this study. Emergence of this new dynamic social formation of capitalism in the European countries during the sixteenth century and onward was one of the most important changes in the sphere of human social life to date. Its effects and consequences not only altered European social formations but made radical changes in the non-European countries of the world. It was the capitalist mode of production which, after putting behind some fundamental phases of its full development, altered social structures on a worldwide basis. The consequence of such worldwide developments was the emergence of a world capitalist economy.

The emergence of the capitalist social formation, as the dominant mode in the European countries, swept through all the countries with pre-capitalist modes of production; within a short period the land ownership and possession of one's means of production characteristic of the period of crafts and feudalism were replaced by the new mode of production.

The major characteristics of this period of social formation were property relationships of free labor and capital accumulation. The difference between this mode of production and previous ones were the division of labor and commodity production. Division of labor under capitalism crystallizes the form of property, and, more importantly, separates town from village, trade from industry and craftsmen from factories. This centralizes wealth in the hands of a small group which carries out the capital function.

Production in previous social formations was for consumption and the producers knew their consumers. In the capitalist mode of production producers produce for an anonymous market. The worker, who is separated from his production and his means of production, sells his labor in the market to buy commodities for his consumption. Marx says:

...it is clear that in any given economic formation of society, where not the exchange value but the use value of the product predominates, surplus labour will be limited by a given set of wants which may be greater or less, and that here no boundless thirst for surplus labour arises from the nature of the production itself.... But as soon as people, whose production still moves within the lower forms of slave-labor, coolie labour, etc., are drawn into the whirlpool of an international market dominated by the capitalist mode of production, the sale of their products for export becoming their principal interest, the civilized horrors of overwork are grafted on the barbaric horrors of slavery, serfdom, etc. (Capital, I:260).

The function of the state in capitalist formations also differs from that found in the previous social formations. The state plays a subordinate role in capitalism. Although economy and polity are two fundamental elements of capitalism and there are indirect relationships between the two, they function separately. This is different from previous social formations; the surplus labor in Asiatic, slave, and feudalist periods was expropriated by political authorities. Under capitalism this function is performed by the bourgeois class.

It is the nature of capitalism to expand its activity for profit. The worldwide expansion of European capitalism was a result of this characteristic. The relationships between capitalist countries and peripheral countries were based on exploitation and colonialization. The creation of rich and poor, development and underdevelopment is in the nature of capitalist relations since expropriation of surplus value production from the producers by the capitalist is inherent in capital accumulation.

In these chapters the development of capitalism in Europe, Japan and U.S. is reviewed and its effects on the peripheral countries are considered. The emergence of peripheral capitalism in Iran is the topic of the final chapter of this section. In it the nature, characteristics and consequences of Iran's peripheral capitalism are presented to

form a basis for analysis of dependent bourgeoisie in the period 1962-1978.

CHAPTER THREE

THE PROCESS OF CAPITALIST FORMATION IN EUROPE AND OTHER REGIONS

Emerging commercial capitalism in Western Europe provided a basis for the accumulation of money-capital necessary for the development of industrial capitalism. The expansion of the Western countries toward Asian and African countries, and the discovery of America and a passage to the East Indies via the Cape of Good Hope signaled the beginning of a new era in human social relations of production. In the process these developments paved the road for worldwide capitalism and capital investment in peripheral areas. Mercantile capitalism reached its highest development with the discoveries of the sixteenth century and the industrial revolution of the eighteenth and nineteenth centuries. The discovery of America brought European countries precious metals and luxury goods such as sugar. Expansion toward the African countries brought slave trade to mercantile capitalism and established a world market for exchange and accumulation of capital in the western countries (Amin, 1973, p 132-34).

Accumulation of capital through trade, commerce, slave hunting and selling, etc., provided the groundwork for an

advanced stage of capitalist formation. Simultaneously, the separation of immediate procedures from the means of production occurred throughout the Western capitalist countries as the feudal peasantry was expelled from the land and local, domestic, and rural-based manufacturer was destroyed. The result was good for capitalism. Transforming the means of production into capital and peasants into wage laborers was a necessary process of capitalist relationships. They helped to merge the capitalist class and the means of production, on one hand, with the emerging wage work force. Although all these processes became a basis for the development of capitalism, the creation of a wage workforce was necessary for the growth of a commercial bourgeoisie and, then, for the development of industrial capital and capitalism, the expansion of capitalism toward Africa, Asia and America was also fundamental to such accumulation and expansion. Therefore, Spain, Portugal, England, and France began to colonize these continents. In these ways the colonial period made its mark on the history of human life. In this chapter the historical development of core capitalist countries in Europe and worldwide is briefly traced.

Pre-Capitalist Social Formation in Europe

In contrast to the Asian countries where conflict exists between towns and villages over the lack of division of

labor between industry and agriculture, and the absence of private real property, this was not the case in the European countries. From its formation the city was the center of commercial and industrial activities and the village was the center of the agricultural sector. The division of labor between city and village is thus one of the major characteristics of European societies.

In the European societies, from the beginning the development processes of social formation occurred in their own way (Marx). Their primitive communities were behind then when the tribal communities emerged and could accumulate surplus production. Slavery and feudalism were, respectively, the dominant social formations of European societies over the last centuries until the emergence of the capitalist mode of production. There were no serious obstacles to the progress of these societies; their emerging conflicts and contradiction within established social formations pushed them toward a new social formation with a dominant mode of production much more progressive than previous ones.

The ancient cities of Europe were communities of landlords. These cities were established by slave tasks and their revenues. The land and slave owners were citizens of their communities and paid the costs of wars and social affairs, in contrast to Asian societies where individuals were submerged in their communities. The individuals in European communities had individual and property rights that Asians did not.

Although landownership was the dominant mode of production, some crafts, manufacturing and other artisan activities were also in progress. This was the basis for separation of village and town, and consequently the separation of agriculture and industry that sowed the seeds of conflict which made possible the later transformation of the society from the old mode to a new one.

The emerging social formation had its new productive forces and brought about new social relations. The consequence of such change was the emerging new classes. For example, in the capitalist mode of production there are two main classes, the worker class and bourgeois class. It is the capitalist formation which emerged from the intensified contradictions of feudal societies of the sixteenth century in Europe.

The development of trade and industry in the cities required the accumulation of money and commodities in the city and most of all free trade. On the other hand, the feudal lords needed money to purchase their needs from the market. These new emerging relations were the consequences of the conflict situation which was produced between the dominant mode of production and the new emerging one, the old feudal mode of production and new capitalist one. The result was domination of the capitalist social formation in European societies, because it was progressive in terms of means of production and,

therefore, made possible social mobility and social relations. This may be seen in the following pages.

Capitalist Social Formation: Its Types, Nature and Requirements

The genesis of capitalism and capitalist relations cannot occur suddenly as a unique act. It was a slow process of struggle against feudalism and feudal relations in Western Europe in response to the fundamental contradiction which occurred between productive forces and production relations. The class struggles of European countries against the feudalism was reflected primarily in the struggles between the bourgeoisie and its allies such as the proletariat and peasants, and the feudal landowning aristocracy. The result was the concentration of money wealth and proletarianization of the producers which ended in the emergence of capitalism in European countries. A necessary step was to break up the domination of the pre-capitalist mode of production with its social formations. This paved the way for small producers to be separated from their means of production and made possible a free labor market. As Amin says:

Thus, the two elements--long distance trade and breakup of feudal relations--interacted with each other so as to engender the capitalist mode of production. The concentration of money wealth at one pole created potential capital; it took place first among the merchants, then among the new rural capitalist. But this potential capital became real capital only because the breakup of feudal relations released a supply of labor power and

proletarianized the peasantry. The latter became wage workers in the employment of the new industrialists or of the capitalist landowners and farmers of the countryside. (Amin, 1976:36).

The primitive accumulation of capital in European countries was carried on at the expense of the colonies in Asia, Africa, and Latin America by capturing the treasures of these lands. This shaped the requirements of the next phases of capitalist development, which were commercial and then industrial. The treasure, free labor and surplus that flowed toward the European capitalist countries through undisguised looting, enslavement, murder and brutality sped industrialization in these countries. (Marx, Capital I, 1933:752).

Industries sprung up from new technology and new instruments to expropriate surplus value from the wage labor in core countries and the colonies. This industrialization was made possible by flourishing commercial and colonial capitalist relations in this period.

The unequal relationship between European capitalist countries and their colonies were a necessary phase to transform capital into a market to accumulate it for further development. Through this process the internal and international development of labor was made possible. Peasants in European capitalist countries became wage laborers for new

industries and the colonies provided the raw materials and capital. Thus capitalist community relations dominated pre-capitalist relations in core countries, and forced eighteenth and nineteenth century colonies to perform in a peripheral role to center capitalist countries. This critical situation created the peripheral status of former colonies and semi-colonies. Periodic crises, inflation and the up and down nature of capitalism pushed it to reveal such fundamental ideological viewpoints as free trade, competitive capitalist relations and non-state interventionist economic activity. The effects of these features were instrumental in the further development of capitalism.

Falling prices, profits and markets forced capitalist countries to accept state intervention in capitalist affairs and import-export regulations to support their commercial and industrial enterprises. Germany approved a customs bill in 1879, France in 1881, Russia in 1882, the United States in 1890 and 1897. Although this economic action was supportive of colonial capitalism, it was against the interests of Asian, African and Latin American countries. It sustained the imports of these countries and increased exports of industrial production to the colonies.

The world market in this period turned for leadership from England to the growing economies of the United States and Germany. Smith mentions this point:

...., it became apparent before the end of the century that Britain's physical ability to control world events was in rapid decline. The Russians, for example, were able to make themselves into formidable regional threats to Britain through the extension of their railways into Asia, bordering Persia, Afghanistan, and China. More importantly, it was recognized at the time that both Germany and the United States would surpass Great Britain economically sometime around the turn of the century. (Smith, 1981, p.42).

The following table illustrates this trend, showing how England was replaced by new, powerful, emerging capitalist countries. This happened with the decline of its economic power and loss of its market places.

TABLE I: CHANGES IN VOLUME OF STEEL PRODUCED IN MILLIONS OF TONS

Year	Britain	Germany	United States	World
1880	1.29	0.69	1.25	4.18
1900	4.90	6.36	10.19	27.83
1913	7.66	17.32	31.30	75.15

SOURCE: Smith, 1981, p.42.

In the following section world capitalist economic development is discussed to determine how the core countries were replaced by newly emerging core countries.

World Capitalist Formation and the Emergence of Core-Periphery Relations

Thanks to the extraction of surplus value, European capitalism in the middle of the nineteenth century entered a new phase of high concentration of production and capital, resulting from the concentration of European and non-European capital in the hands of capitalists. Commercial relations paved the way for industrial capitalism and through industrialization, the division of labor between European and non-European countries became possible. This phase also distinguished the future core countries from those on the periphery.

Through concentration of capital and industrial production, European capitalism thus entered the age of monopoly capitalism. It began to monopolize world markets and create an international division of labor. Thus, world capitalism was divided between core capitalist countries which manufactured industrial products and accumulated capital for further investment and the peripheral capitalist and non-capitalist countries that produced labor, consumed the industrial products and prepared raw materials for industries in the core countries.

Such capitalist development resulted in the emergence of a new dimension within monopoly capitalism of financial capitalism. Financial capitalism benefitted from two other sectors, commercial and industrial, and paved the road for high level foreign investment. This was a new process in

history and changed core-periphery relations between those two kinds of countries that began early in the twentieth century and still continue. The capitalist and new peripheral capitalist countries were involved in this worldwide phenomenon which concentrated financial power in the hands of a few corporations. The emergence of multi-national corporations and their more sophisticated form, trilateralism, were the last processes of such evolution in our era.

The important point, for this study, was the creation of new relations between a few multinational corporations and the rest of the world; the socioeconomic and politico-cultural domination of these corporations over the peripheral countries through creation of a new dependent and foreign-oriented class within their societies. Emergence of this class, the dependent bourgeoisie, in the peripheral countries meant that security of capital was guaranteed.

Capitalist relations were a consequence of the capitalist mode of production. Because capitalism at each level promotes its own interests and surplus value, it will flow where capital is scarce and land, labor and raw materials are cheap. The peripheral countries, most of them former colonies, were ripe for such investment. The European market, already developed, was unprofitable for investment so capital had to be employed elsewhere to rid it of the contradictions of inflation, unemployment and, finally, economic crisis. Amin states:

At every stage in the development of the world capitalist system the commercial and financial relations between the center and periphery thus serve the same twofold function: on the one hand, to facilitate, by extending the capitalist market at the expense of the precapitalist systems, the absorption of the surplus, and, on the other, to increase the average rate of profit. In the age of competition it was the first of these two functions that was vital, because keeping wages at the center of relatively low and stagnant levels (down to about 1860, at any rate) came into conflict with the objective requirement, in the model of autocentric accumulation.... External extension of the capitalist market was therefore of prime importance as a means for realizing surplus value. After 1880 the monopolies created the conditions needed, first, for wages at the center to rise with rise in productivity, as required for autocentric accumulation, with competition between firms no longer proceeding by way of price cuts, and, second, for the export of capital on a large scale to the periphery to become possible. The first of these changes reduced the role of the periphery in the mechanism of absorption. At the same time, however, it reinforced the second function, that of raising the levels of the rate of profit, which was tending to decline faster at the center. This became possible through export of capital, which enabled forms of production to be established in the periphery which, although modern, nevertheless enjoyed the advantage of low wage-costs. It was then that unequal exchange appeared. (1976:187-188).

The competition of capitalist countries and the internal obstacles of periphery countries obscured this process in the early twentieth century. The first disappeared through monopolization and the first and second World Wars were the consequence of monopoly conflict. After the Second World War

each core country understood where it stood and by accepting the supremacy of the U.S., organized in their interests against those of periphery areas. Similar organization on a more sophisticated level continues today.

The internal obstacles were the socio-cultural and political economic conditions of the periphery countries. These former colonies needed only some attention to fit them into a new phase of world capitalist development: financial investment. These countries took one or two decades to become prepared for such investment. For example, Iran was pushed to such relations only after its reforms of 1962.

The core countries within the world system thus crystallized the goals of capitalism, the peripheralization of the socioeconomic formations of the periphery countries, which took place in most of these countries during the 1960s and 1970s. By so doing, world capitalism created new relations between core and periphery countries: the export of capital toward the peripheral countries and its investment in mining, industries and banking systems. Thus capitalism transported its contradictions and capital surplus into peripheral countries and gained from the cheap wage labor, land, and raw materials to be found there.

The peripheral countries, according to their own internal socioeconomic formations were forced to change their modes of production and the consequences were peripheral development,

special disarticulation and new labor conflicts. Established political systems also needed new relations for new modes of production. An emerging class of dependent bourgeoisie met this need and through their reforms in peasant and urban areas became the dominant class. This class operated as leaders to secure the core countries' interests by constructing railroads, new commercial facilities and banking systems. This process will be examined in detail in the following chapters.

Summary and Conclusion

The genesis and development of the capitalist mode of production in European and, then, in other core or peripheral countries paved the way for its worldwide expansion. The contemporary era has witnessed this phenomenon on a large scale and concerns itself, seriously with its consequences which have produced so many dilemmas in core and, especially, the periphery societies.

The outcome of the capitalist mode of production was world trade which diverted capital toward capitalist peripheral countries to generate more capital. In other words, the colonies were integrated into a world market to be expropriated by world capitalist trade and core-peripheral relations were the outcome of such groundwork.

In the late nineteenth century, the characteristics of European industrial capitalism changed from those of a

decentralized, competitive market system into the concentrated process necessary for the expansion of industrial capitalism into a world capitalist economy. The growth of industrial capitalism in the late nineteenth century illustrates this trend. If we compare the eighteenth century development of industrial capitalism in England with that of German industrial capitalism, in the late nineteenth century, it is evident that monopoly capitalism was well in progress at that time.

Augustin Gueva explains that:

The persistence of peasant and semi-feudal types of agricultural organization, the weakness of the cities after their decline in the late middle ages, the importance of artisan production, and a vigorous and powerful system of aristocracy are only some of the obvious characteristics which distinguished Germany from England on the era of their respective industrializations. The survival of these institutions into nineteenth century Germany is no mystery, given that country's historical background, but the interesting phenomenon was that industrialization as a social and cultural force neither destroyed the pre-industrial heritage nor created new institutions along more liberal lines (1977, p:33).

He goes on to say that,

In Germany, unlike England during the early years of its industrial revolution, industrialization did not diffuse economic power among a large number of owner-operators from diverse backgrounds, but instead made for a new concentration of economic power controlled by those who had access to the considerable financial resources necessary for establishing an enterprise on an economically viable scale. (1977, p :34).

To sum up, European capitalism began to spread toward non-Western countries in the fourteenth and fifteenth centuries and it was in the late nineteenth century that a world capitalist economy was established. England led in this adventure because of its expropriation of Asian, African and American countries and its control of the seas.

These major factors made it possible for England to gain and maintain power on a world level:

1. Development of its productive forces paved the way for industrial revolution. They brought England's industrial production to world levels, able to absorb all the raw materials imported from the colonies.

2. As a marine power, England was able to keep her colonies.

3. Power fragmentation among the European and non-European countries gave England an opportunity to keep her power dominant throughout the region. (Smith, 1980, p.20).

The European industrial revolution and free trade changed the economy of the world within a century. Local economics in non-European countries were forced to adapt themselves to the new order or disappear from the scene over the next few decades. Doing so put a new face on their socio-economic formations.

The effects of world capitalism on the non-European countries were aided by their internal conditions in effecting this trend. The penetration of capitalism into Asian countries

resulted in the destruction of their socioeconomic formations. Although it took a few decades, this occurred in all regions; in Latin America it resulted in the formation of a new socioeconomic system (Smith, p.35).

The trend toward world level economic development had not been without opposition. This opposition culminated in World War I when new capitalist states emerged in Europe and on other continents to threaten England's leadership and power. The following table shows the division of colonies among European colonial powers in this period.

TABLE 2: DIVISION OF COLONIAL LANDS BETWEEN EUROPEAN COLONIAL CAPITALIST COUNTRIES BEFORE AND DURING WORLD WAR I (IN MILLION SQUARE MILES)

Period	England	France	Germany	Russia
Before 1870	9.1	0.2	--	--
1870-1910	12.6	4.35	1.2	1 (In Asia)

SOURCE: Smith, The Patterns of Imperialism, 1980, p.36.

As the table shows, England's power was reduced as she was forced to share with other emerging colonial capitalists in expropriation from the colonies. This was a blow to the competitive capitalism and free trade of the last centuries acclaimed by the ideologues of these trends.

New policies were established for capitalism on internal and international levels as states intervened in capitalist ventures and enterprise. States were pushed to support their own economies and the interests of their capitalists, both within the country and beyond their borders. Free trade was thus replaced by monopoly enterprises, trusts, and cartels as capitalists moved to keep their markets, prices and profits high.

CHAPTER FOUR

PROCESS OF PERIPHERAL CAPITALIST FORMATION IN THE PERIPHERAL COUNTRIES

Although in the precapitalist period peripheral countries were poor, stagnant and backward, they did not suffer from economic and social unrest. The frustration seen in the present situation of these countries was absent because of the equilibrium between their physical and social environments and between their wants and activities. All these phenomena became adapted to each other to create a social formation appropriate to socioeconomic conditions.

Once they were "opened-up" to the penetration of capitalist modes of production their coherence was destroyed. Amin gives an example of this situation.

Pre-colonial India was a society which was coherent, characterized by a correspondence between its various structures (economic and others) and which, for this reason, could be analyzed and understood in itself. Modern India is incomprehensible outside of its external relations. (1976; p:321).

Regarding Amin's notion, we cannot really speak of a "national" bourgeoisie or economy in the peripheral countries. Although there exists an international economic

space, economically speaking, there is not a national one, because any economic development is induced from outside, not from within. In these countries their economies became subordinate to foreign invested capital that brought about new economic relations. A brief glance at the determining factors, internal and external, is necessary for this study.

Frank, in his book, Lumpen Bourgeoisie: Lumpen Development (1974) presents a thesis in three parts, on the underdevelopment in Latin America. He states:

I. The conquest placed all of Latin America in a situation of growing subjection and economic dependence, both colonial and new colonial, in the single world system of expanding commercial capitalism.

II. This colonial and neocolonial relationship to the capitalist metropolis has formed and transformed the economic and class structure, as well as the culture, of Latin American society. These changes in national structures have occurred as a result of periodic changes in the forms of colonial dependence.

III. This colonial and class structure establishes very well defined class interests for the dominant sector of the bourgeoisie. Using government cabinets and other instruments of the state, the bourgeoisie produces a policy of underdevelopment in the economic, social and political life of the "nation" and the people of Latin America. When a change in the forms of dependence modifies the economic and class structure, this in turn generates changes in the policy of the dominant class which further strengthen the very same bonds of economic dependence which produced the policy and thus aggravate still further the development of underdevelopment in Latin America. (1974, p:13).

This process in peripheral countries will be reviewed to trace how the pre-capitalist social formations of these countries changed to peripheral capitalist formations. The chapter is divided under several headings to examine the various aspects of this phenomenon.

Two Determinant Factors in the Peripheralization of Contemporary Peripheral Countries

The incorporation of Western and non-western countries into the world capitalist economy should be studied as a dialectical process. It is not scientific and realistic to simply say that this was created by the capitalist penetration of core countries into colonies of the twentieth century peripheral countries. It is necessary to examine the impacts on the social formations of these countries in accepting, adapting or rejecting such influences and articulations. This perspective also suggests study of the internal conditions and social forces which influenced peripheral countries over the past centuries.

It was the socioeconomic conditions of the former colonies that determined the characteristics, degree of dominance and penetration achieved by world capitalist relations. The nature and characteristics of the two major determining factors will be reviewed here.

Internal Social Formation and Class Structure

Although Frank's thesis points out that capitalism retarded Latin American development, the participation and cooperation of the bourgeoisie of these countries was also responsible. As he says:

However, it should not be taught that this process of imperialist penetration of the Latin American economy was due exclusively to the activities of the metropolis. The participation and cooperation of the Latin American bourgeoisie was equally responsible. In this period, as it had been earlier and would be again, the class policy of the local bourgeoisie served to accelerate the penetration, strengthen dependence, and deepen underdevelopment in Latin America. (1974:71).

Frank also quotes from James D. Cockcroft, who elaborates on the role of the bourgeoisie in peripheral countries.

In San Luis Potosi a handful of elite families, often in cooperation with foreign businessmen, dominated economic, political, and social life. A system of interlocking economic interests between city, mines and farms, a tendency toward increased industrialization, monopolization, mechanization, profit-making, and the participation of foreign capital resulted in significant changes throughout the state's social structure... Foreign economic investments were often encouraged and abetted by local businessmen of elite families, who welcomed new railroads to market their minerals and agricultural produce. In addition, a shrewd San Luis potosi businessman who could wangle a railroad concession out of the federal government might sell it

at a handsome profit to American investors. This is precisely what Governor Pedro Diez Guteiraz did in 1688...ignoring blueprints for running the line all the way to Rio Verde, American eningeers completed the shorter and cheaper link from Matehuala's mines to the north-south trunk line connecting Laredo (Texas) and Mexico City. President Diaz officially inaugurated the trunkline... (1974: pp.71-72).

The role of the state in intervening, with the foreign capitalist countries, in the socioeconomic affairs of now peripheral countries was crucial. The state, as a legal political power, primarily influenced the flow of foreign capital into a peripheral country through approval of favorable tax rules and exemptions. The nineteenth century history of Iran is full of such concessions.

The conflict between internal capitalist activities and foreign capital was much too important to ignore. It was and is the core problem of peripheral countries. Through foreign capital the dependent bourgeoisie emerged and threatened internal capital motion toward primitive capital accumulation. Directly or indirectly the dependent state historically functions in favor of foreign capital. Smith describes the function of the foreign-supported governments of these countries.

By 1880, Egypt and Argentina had each received British investments totaling between 20 and 25 million pounds sterling, and each was permeated with foreign influence. Egypt was on the verge of collapse, however, while Argentina was moving into position to become Britian's most important trading partner in Latin America. To understand the difference we must investigate domestic factors (Smith, 1981,p.56)

The reason states performed such functions needs extensive study, but generally comes back to their socio-economic conditions and socio-political relationships between the people and the government. Another case in point is the Japanese society where the intervention of the state in internal situations was crucial in its industrialization and capitalist development. Moulde mentions this point:

This study argues that the paramount influence in the rise of industrial capitalism in Japan was...(that Japan) occupied a position of relative autonomy within the nineteenth century world political economy. For a variety of reasons other societies were more strongly incorporated as economic and political satellites of one or more of the Western capitalist powers, which thwarted their ability to industrialize... China's location in the world political economy dominated by the Western capitalist nations, must be considered of prime importance in China's failure to develop industrial capitalism during the nineteenth and twentieth centuries. China was more strongly incorporated than Japan and thus lacked the autonomy to develop the same way. (1977 ,p :vii-viii)

The functions of the state in the capitalist penetration into new peripheral countries created contradictions in these societies and met some opposition from the people.

An emerging liberation movement in dominated countries at the end of the nineteenth century was a struggle between two bourgeois groups; the growing dependent bourgeoisie and the traditional, local and independent bourgeoisie. The colonialist countries and local states in this

period supported the dependent bourgeoisie which imported industrial products and helped export raw materials by colonial countries. Other bourgeois groups were suppressed by states and colonial powers, their existence threatened the conflicts between these groups led to radical movements that frequently ended in revolution. These radical movements and revolutions benefitted the dependent bourgeoisie who were the allies of local government, the ruling class, and colonialist countries. Independent tradesmen, merchants, and new emerging bourgeoisie were disenfranchised as landholders, state and the dependent bourgeoisie dominated the society and led their countries to develop peripheral capitalist relations in the next few decades. Iran was an example of this sort of development.

Phases of World Capitalist Formation and Its Requirements

As indicated in previous pages, world wide expansion of capitalism from the early twentieth century changed established relations between colonial capitalist countries and the Asian, African and Latin American colonies. The new core-periphery relations made it possible to continue their old economic policies with enhanced relations after the expansion of multinational corporation. Cardoso describes this situation:

The point is not only that multinational corporations are investing in the industrial sectors of dominated economies, instead of in the traditional agricultural and mineral sectors. Beyond that, even when investing in "traditional" sectors of dependent economies, they are operating in technically and organizationally advanced modes, sometimes accepting local participation in their enterprises. Of course, these transformations do not mean that previous types of imperialistic investment, i.e., in oil or metal, are disappearing even in the case of the most industrialized dependent economies, i.e., Argentina, Brazil, and Mexico in Latin America. However, the dominant traits of imperialism in those countries, as the process of industrialization continues, cannot be adequately described and interpreted on the basis of frames of reference that posit the exchange of raw material for industrialized goods as the main feature of trade, and suppose virtually complete external ownership of the dependent economies' means of production. (1972, p:7-8).

The new phase of world capitalist economy is a new type of enterprise. It transplants on a worldwide level the advanced and complicated techniques of private appropriation, bureaucracy to administer such expansion, control of technology, economies of scale and concentration, monopolization, conglomeration and state intervention. This world capitalist economy differs from the older "trusts" and "cartels" which governed and regulated the economic policies of the countries. It was based on the export of industrial production from advanced capitalist countries toward peripheral countries, and export of raw materials and agricultural products from peripheral to center industrial countries.

But the new phase of world capitalist economy which affected and shaped the processes of development in peripheral countries, not only increased the role of international trade by emerging modern multinational corporations, but also began to create such conditions in the internal markets of the peripheral countries. This is a major point in core-periphery relationships of the contemporary era and took place in Iran during the period of the Shah's White Revolution in 1962 up to 1978. International trade and investment suddenly climbed and through some reforms in rural and urban areas the internal market increased rapidly. Thus the role of the world capitalist market in influencing economic activity in the periphery countries is crucial and needs more consideration. T.D. Santos describes contemporary world capitalism by saying,

Contemporary imperialism can be defined as a new stage of capitalism begun after the second World War, and characterized by a high degree of integration of the world capitalist systems, based on the expanded development of the concentration, conglomeration, centralization and internationalization of big monopoly capital as crystalized in the multinational corporations...the cells of this process. It is also characterized by the increase and intensification of the links between the state and the monopolies. At the international level this system culminates in the imposition of U.S. hegemony: in its national currency, economic aid, military establishments, monetary accords of Bretton Woods, and institutional agreements, such as the IMF and World Bank, the application

of the Marshall Plan, the Point IV Program, the Alliance for Progress and other "aid" plans generated by the I.M. Bank, the military treaties of Rio de Janeiro, NATO, SEATO and the whole system of military relations which allow North American troops to form a disguised web of occupation in the territories of nearly all the capitalist countries. This, opposed to the "community tyranny"; the basis of the "Cold War" directed by capitalism against socialism, and still today the underlying thesis of the so-called detente. (1976: 89).

The newest phase of the world capitalist economy arrived with the creation of multinational corporations. Trilateral commissions can lead the world's countries, both core and peripheral, to a new international division of labor. The results of this division increase the industrialization of raw materials and produce a low degree of technological development in peripheral countries and the export of these to core countries. They also result in specialization in the production of goods and services for export which needs a high level of technological content, the export of capital, and, finally, powerful policies designed to maintain this division of labor in core and peripheral countries.

Santos elaborates on the reasons why a new phase of the world capitalist economy and a new international order, with new international divisions of labor, appeared on a worldwide level,

...the process of international expansion ended with the culmination of European and Japanese reconstruction, and the end came as well to the "easy" substitution of imports in the more industrialized countries of the Third World. The war industry entered into crises caused by technological breakthroughs, whose application required a period of accumulation. The scientific-technical revolution in progress required an important innovation: the ready-made industrial park, with the introduction of massive automation, the increase of public consumption on a mammoth scale, and consequent changes in state capitalism and in its degree of state intervention. Even in the international realm, the question became one of the necessity for a new international division of labor and new financial rules to insure the liquidity of a financial system which had grown on the basis of the indebtedness of dependent countries which was impossible to pay off without violence, moratoriums, bankruptcies and readjustments. (1976, p:88).

The Process of Colonialism and Peripheralization in Peripheral Societies

World War II revealed the contradictions between the various types of colonized, and now peripheral countries and the colonial or core capitalist countries. Attempts to reduce the inequalities were doomed by the inherent characteristics of the worldwide capitalist economy.

These inequities and the contradictions appearing in the capitalist system indicated that the core countries could no longer subjugate peripheral countries directly and necessitated new polity in core-periphery relations to prevent further contradictions and conflicts.

Decolonization was the answer to the internal and external contradictions in the world capitalist economy after the Second World War. Thus most of the colonies gained their official political independence and some formal measure of economic independence. The emerging new polity, however, maintained a tight rein on the economics of peripheral areas. Smith explains that this

permits us to see decolonization, not simply as an act of European withdrawal, but equally as a new form of political assertion in Africa, Asia, and Latin America. (1981, p:86).

The new international order satisfied the requirements of the growing world capitalist economy. As Wallerstein indicates, this new polity had been in progress since sixteenth century. Although its maturity was not apparent until after World War II, its zenith was reached when tri-lateralism appeared on the scene. Smith explains the nature of the new international order as follows:

The forecast of the character of the new international order was to turn out to be correct; the forecast in which units would join in association proved mistaken. For, in the two decades after the end of World War II, London and Paris came to recognize that their best safeguards lay not in a revitalized empire but in a United Europe within an Atlantic Alliance. Not the Commonwealth or the French Union, but such vehicles as the General Agreement on Tariffs and Trade, the International Monetary Fund, the World Bank, and, later, the Organization for Economic Cooperation and Development proved to be the arena for supranational integration.

It was coordination among the states of the North, and not the character of their connection with the South, that would establish the most original and important structures of international relations after 1945. This did not seem to imply, however, that the south would make a greater financial effort than ever before to provide for the economic interdependence of Europe with its overseas possessions. At the time, it was not anticipated that the South would unsettle the international system to the extent that was ultimately to be the case. (1981, p.91).

Summary and Conclusion

Recent foreign investments in the peripheral countries show that they are moving from oil, raw materials and agricultural production into the industrial sectors. In recent years multinational corporations, with respect to this change have encouraged local participation in these investments with the resulting development of dependent capitalists in peripheral countries.

Today, the phenomena of dependency, development, and a monopolized world capitalist economy are not contradictory because of changes in the nature of investment, penetration and incorporation of core-periphery countries into the world capitalist economy. The distinguishing feature of this trend in recent years has been the joint venture enterprise, involving local capitalists and consequently developing a dependent bourgeoisie and dependent state and a monopolized world capitalist economy. Iran's economic

development in recent years provides a good example of this trend, allowing us to analyze the development of its dependent bourgeoisie in recent years.

Foreign investment in the industrial sectors of peripheral countries, including Iran, has produced a kind of dependent capital development which has molded core and periphery into a single world capitalist economy led by the core countries. This foreign investment has occurred at different stages of development for various economic sectors (i.e. traditional economic sectors with their distinct social relationships and industrialized sectors with other social relationships). These countries have also been incorporated into the world capitalist economy with unequal status and unsettled economic situations, which has created dependent development.

These conditions have resulted in the fragmentation of some economies. The more advanced economic sectors of these countries have been connected to a world capitalist economy continue to develop and domestic sectors separated from such development are subordinated, economically and socially, to these advanced sectors. Thus the needs of an oil producing sector, for example, might be given priority over an agricultural sector to the point that the country could not produce its own food supply if it had to do so. Such uneven development creates internal tensions and external dependency. The gaps between sectors of peripheral

economies in recent decades have widened and produced some major social and cultural issues.

This duality in peripheral countries helps to keep wages low and tensions high in domestic sectors, and to diminish political pressure in "modernized" sectors, since the social and political status of those employed in these sectors is superior to that of domestic sector employees.

Some sectors of peripheral economies remain dependent because their means of production relying on advanced technology, are concentrated in the core countries. These economies thus need to purchase this technology to maintain and increase their own production, so the modern economic sectors flow capital toward the core countries to obtain their means of production. In this way multinational corporations in the modern era control development at the periphery and maintain their hold on capital accumulation.

The modern economic and industrial sectors of peripheral economies, which mostly produce consumer goods, resulted from foreign capital investment. In the new era, however, foreign capital is joined with local savings to provide resources for the growth of the foreign investment, incorporate local markets and local capitalists into an enterprise to ensure its growth and to give rise to a dependent political bourgeoisie to provide leadership for the state.

The fragmentation of interest among the groups in a dualistic economy lead us to consider the internal structures of these social groups and, most importantly, the groups that dominate the society. As will be evident later in this research, the development of modern industrial and economic sectors in peripheral countries incorporated most of the independent bourgeoisie.

In this way these groups became the junior partners of multinational corporations within their own countries. As they developed they came to dominate the political and economic sectors which also involved other factions such as some worker groups, intellectuals, the state bureaucracy, the military, etc. A significant proportion of the population was thus incorporated into new economic relations and a new system, which was a structurally dependent economic and political system.

The new system and social relations were different in each peripheral country because their internal political integration, the degree of political and social movement allowed and their historical backgrounds differed. To provide a degree of commonality of reference it is appropriate to close this chapter with Christopher Chase-Dunn's analysis of mechanisms by which foreign investments affect, positively and negatively, peripheral economic growth and income inequalities.

Mechanisms by which investment and debt dependence negatively affect economic growth:

- (a) Exploitation by the core drains resources from the periphery which are needed for its development. Profit on foreign investment and interest on credit transfer value from the periphery to the core and retard the development of the periphery.
- (b) Externally-oriented production and penetration by transnational corporations distort the economic structure of the periphery. Differentiation and integration of national economies are obstructed and a pattern of resource use is created which maintains a state of dynamic underdevelopment.
- (c) Links between elites in the core and the dependent periphery act to suppress autonomous mobilization of national development.

Mechanisms by which foreign investment and credit positively affect economic growth:

- (a) Foreign capital creates production directly in the enterprise in which it is invested and generates demand for other inputs which contribute to economic growth.
- (b) Foreign credit finances the public infrastructure needed for development.
- (c) Diffusion of technology, work habits, modern organizational forms, modern attitudes and consumption preferences stimulate economic development.

Mechanisms by which investment and debt dependence affect income inequalities within dependent countries:

- (a) Negative effect - In peripheral countries penetrated by external control structures, the ruling groups are able to obtain a

large share of the national income and to prevent income redistribution because their power is backed up by alliances with the core.

- (b) Positive effect - Foreign investment and credit expand the wage-earning working class and the salaried middle class which enlarges the middle of the income distribution and lowers overall inequality. (1975, p:726).

CHAPTER FIVE

PROCESSES OF PERIPHERAL CAPITALIST FORMATION IN IRAN

INTRODUCTION

Iran was drawn into the world capitalist economy beginning in 1815. Defeated by Russia in the Russo-Iranian War of 1828, Iran began experiencing political and economic pressure from the two strong colonial capitalists of that time, England and Russia. Iran, without any experience of commercial capitalist penetration, was thus drawn into the industrial capitalist market. Iranian merchants felt the difference first as English and Russian industrial goods flowed into traditional Iranian markets. A crucial situation was underway.

Pre-capitalist social conditions of life in Iran led the country to open its gates to semi-colonial relations. Monarchy-supported foreign capitalists activity put craftsmen, manufacturers, merchants, money dealers and traders in a situation where they had to either accept its superiority or be isolated in coming years. Thus traditional merchants were divided into two groups, the allies of foreign

capital and an independent group. The stage was set and the struggle between these two fundamental approaches to the Iranian economic process would occupy the coming decades.

As we shall see, the semi-colonial, neo-colonial and peripheral periods paved the way for peripheral development of a whole society. The Iranian political system and the needs of world capitalism shaped this development, the result of which was a peripheral capitalist period from 1962 to 1978 when the dependent bourgeoisie became the dominant socioeconomic group.

A question arises at this point as to why Iran, formerly a pre-capitalist society, did not become a capitalist country.

The reason can be explained, historically, through the failure of her nineteenth century merchants to develop themselves as independent capitalist. Thus the country was incorporated into the world capitalist economy on the basis of competition between domestic and foreign commercial interests. The factors which prevented the merchants from becoming a bourgeoisie in this period will be found in the internal historical obstacles this country presented and the penetration of the world capitalist countries which resulted in disarticulation of the economy. The unequal development of various economic sectors did not allow Iran to

adjust herself to the new economic order worldwide. Iran's economic sectors developed unevenly in response to capitalist countries' interests.

The merchants, first stymied by a domestic landowning class, were then bought off by capitalist countries. The disarticulation between merchants and landowners thus arrested the process of capitalist development through allying landowners with colonial capitalist countries and ended in domination of its country's political and economic system by colonial capitalists and their internal allies.

To understand the development of the dependent bourgeoisie in Iran, therefore, we need to concern ourselves with two historical factors: (1) internal factors which prevented merchants from developing into bourgeoisie as we saw in European countries in the beginning of the development of capitalism; and (2) the external factors which disarticulated Iran's socioeconomic structure from the outside.⁷

HISTORICAL BACKGROUND

Iran's social formation has been influenced by geographical, economic, cultural and historical conditions. A brief look at these factors will give us a perspective on why Iranian social formation has been unnaturally retarded and how capitalism in recent decades has disarticulated her socioeconomic formation.

A wide area of land with varied climates, a chain of mountains and arid Sahras are characteristics which affected Iran's development. Her location among Asian countries was also crucial because of her position between European countries interested in having an ally against each other.

Most of the population, because of the physical conditions, settled along the Caspian Sea and the rivers. Scarcity of water and arable land was a factor gathering people into isolated, distant communities. This caused many problems including communication, trade, cultural contacts. The existence of various ethnic groups in different regions with their own languages, cultures, socioeconomic formations, and life styles made it impossible to have a cohesive community to reject foreign invaders and resolve internal problems. Domination by one ethnic group after another and government by political coup have permeated Iran's history to this day, creating fundamental social issues for present Iranian society.

Issawi maintains this point:

The history of Iran is the struggles and fights of the invading and resident tribes, farmers and residents of urban areas. Their interactions have affected government policy, economy, and life style. Over the past centuries, only strong government could give apparent cohesiveness to society. The existence of a continuous flow of despotism, monarchy and dynastic cycles is one of the consequences of this historical situation. (Issawi, 1971:4).

The relationships between Iran and other nations throughout the centuries were important for long distance trade. They affected the economy of Iran on a wide scale.

The introduction of the Portuguese into the Persian Gulf in 1506 was the starting point for Iranian trade history. Thereafter Iranian external and internal trade was increasingly affected by Portugal and other European countries. Its influence was apparent in nineteenth century Iran when Russia and England began to penetrate Iranian internal affairs, affecting her economic and political processes. Issawi explains how this happened:

The eruption of the Portuguese into the Persian Gulf in 1506 was fatal to Muslim shipping. Albuquerque forbade 'any native vessel to trade in the Gulf without a pass' and a few years later he told the ambassador of Shah Ismaili 'should any merchant from Persia be found in another district of India, save the port of Goa, they should lose their merchandise and be made subject to the greatest penalties we could inflict'...It is true that the Portuguese attempt to monopolize the spice trade broke down partly because of insufficient naval power, but it was also because their officials were corrupt and entered into various open and illicit agreements with local merchants and shippers in the Gulf. And, during the first half of the seventeenth century the Portuguese were expelled from the Gulf, but the beneficiaries were not the Persians but, on the one hand, the British and Dutch, and, on the other, the Arabs of Muscat and the Trucial coast. Nadir Shah's attempt to restore Persian seapower was unsuccessful, and parts of the Persian coast and islands were occupied by Arabs until the nineteenth century and the Persian government was completely powerless to deal with piracy in the Gulf. (1971:10).

The political cohesiveness and economic progress of Iran in past centuries was dependent on which government ruled the country. If it had the power to stabilize the society, then everything was relatively peaceful and under control. But, when the government was weak the society went into anarchy, people fled the cities and the economy was in disaster. Such situations prevailed in different periods of Iranian history.

The presence of a large variety of minerals, from oil to salt, gave each part of the country an opportunity to be self-sufficient and helped to develop crafts and commerce on a local, regional and world level. Trade routes, such as the "Silk road" and "Shahanshahi road", had joined Iran to the Near East, Central Asia, Middle East and European countries before the sixteenth century. Issawi discusses their effects:

...However, the shift of world trade to sea routes since the sixteenth century deprived the ancient roads of most of their importance. And, in an era of sea trade, Iran was under severe handicaps. Not only is its coastline short and inhospitable, but it is cut off from the heart of the country by high and rugged mountain barriers. It was not fortuitous that Iran did not have any large seaport on the Persian Gulf until the development of the oil fields began in this century. And the remoteness of Iran from Europe by sea, until the opening of the Suez Canal, its inward location, and its isolation left it outside the influence of the currents of trade and ideas that were flowing over other parts of the Middle East. (1971:3).

The complexity and length of Iranian history necessitates review of the fundamental aspects of her development process to understand the domestic emergence of peripheral capitalism and its consequent development of a dependent bourgeoisie.

PRE-CAPITALIST SOCIAL FORMATION--1828

Review of the pre-capitalist formation of Iranian society is necessary, first, because it is the perspective of this study to approach any social phenomenon from its origins historically in order to be able to analyze its dialectical relations with other phenomena, and the reasons for its emergence and existence. Second, the nature of the pre-capitalist period in Iran is a controversial issue in present Iranian studies. Until two decades ago Marxist and non-Marxist studies used a Western model to study this period of Iranian history.

Recent developments in Iranian socioeconomic conditions and their societal reactions have led social scientists to reconsider their use of this model because of its abstraction and failure to be consistent with recent Iranian events and conditions.

Whether the Iranian pre-capitalist social formation conforms to an Asiatic or feudal model is beyond the scope of this study. However, it should be noted that conformity with a feudalistic model is unlikely because of some specific characteristics which have shaped the country's historical

development. Those listed below are particularly important to this research.

1. Within the absolute domination of the monarchy system there was no security in capital, crafts, or trade activity. In an autocratically controlled society the people serve at the pleasure of the monarch. Whatever they possess is at his disposal.
2. There was no private ownership of land because all property belonged to the monarch, and his court. Everyone was a subject of the "King of Kings".
3. There were no differences between towns and villages from a production viewpoint. Both town and village residents produced agricultural and craft products for their own needs. A town was a princely camp.
4. The tradesmen, craftsmen and merchants lived in villages and towns but their main jobs were agriculture and they held their land for farming.
5. Landholders were also merchants and lived in towns rather than in villages.
6. There was no conflict situation between land holders and merchants because most filled both roles and all were subjects of the monarch.
7. The dominant production was agriculture but other industries production have created conflicts throughout Iran's history. Such kinds of production included the nomadic way of life and low level of commerce and trade.
8. The monarch was the leader of one of the major tribes which gained (at least temporarily) ascendancy over other tribes. Monarchies, though absolute, were subject to overthrow and revolutions created by other Iranian tribes or invasion from outside. This created critical issues for Iranian production because any political coup or invasion by foreigners meant beginning the process of settlement, trade and agriculture all over again.

Fragmentation, conflict and stagnation made development toward a new social formation difficult. Physical conditions, dissimilar cultural and ethnic groups and, most of all, differential development of means of production, aided the monarch to dominate all processes of social formation and suppress progress toward integrated modes of production.

These characteristics differed from those common to Western pre-capitalist societies. Therefore, we need to have a model different from those used earlier to study such societies. Some social scientists have suggested the concept of an "Asiatic mode of social formation" suitable for such societies. Although this notion has some deficiencies which cannot be considered in applying the model, it is the one most appropriate to such societies. This study has benefitted from the use of this model. The period in which Iranian society was incorporated into the world capitalist market will be viewed from its perspective. First, it is necessary to mention some characteristics that distinguished Iranian society in its pre-capitalist form.

Asiatic Mode of Social Formation

The history of Iran in the Gajar period is a rich lode for analysis of the pre-capitalist Asiatic social formation and its metamorphosis to a peripheral social formation.

The characteristics of Asiatic despotism and mode of production which have been described by many historians and social scientists were fully represented in this society. The role and power of the "Kings of Kings" (Abrahamian, 1974: 9), and their rise and fall, during this period, is an example of Marx's notion.

The monarch owned all lands, the major revenues and the dominant means of production. "He could reclaim the property of those he disregarded. His word was law. He had the sole right to give acessions, privileges and monopolies." (Abrahamian, 1974:9).

The King intervened directly and indirectly in a whole peoples' individual and collective spheres of activity. He intervened in the market; his courtiers could and did fix prices and controlled buying and selling of anything produced, imported and exported throughout the country. His army of officers and administration from ministers in the capital to Khadkudas in the villages arbitrarily enforced his orders and initiatives. Sir John Malcom describes the character of the nineteenth century Gajar regime in his comment that, "The monarchy of Iran is one of the most absolute in the world" (Malcom , 1829:303).

Under these conditions the processes of capital accumulation and merchandizing were distorted by the arbitrary power of the monarch and his courtiers. It is a characteristic

of Asian society, especially in Iran, that property relationships are determined by the political powers which often do not let natural social and economic relations evolve to their historical and logical conclusions. This, thus, undermines the social formation as happened in European countries.

Another major characteristic of Iranian society has been its socioeconomic and politico-cultural stability, as conditioned by nature and the characteristics of the ruling monarchy. If a monarch was powerful and could dominate his administration throughout the country, the society was organized and stable and communications were possible. If the monarch was weak, without effective instruments to enforce his power, the country went into anarchy. Such fluctuating societal conditions have reoccurred in Iran since its history began.

The Gajar period was an example of this undesirable fluctuation. With both a powerful and a powerless monarch in this period, the country was fraught with ambiguity and disaster, major factors in its peripheralization when European capitals began their penetration.

The conditions mentioned above were major obstacles preventing Iran's progress toward natural economic and societal development. They provided negative internal forces that paved the way for England and Russia to interfere in the economic and political affairs of Iran.

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Dominant Mode of Production

The dominant mode of production in pre-capitalist Iran, before the constitutional revolution of 1906, was an Asiatic mode. This was a mode in which the ruling class and its bureaucracy extracted tribute from the peasants in the form of the fruits of their production. Although there were other modes of production and other systems of exacting surplus from other social classes (such as: merchants, craftsmen, long distance tradesmen and nomads) the dominant mode that maintained the monarchy and the state bureaucracy, was agriculture and its land revenues. These crucial conditions existed in the middle of the nineteenth century before land revenues began to decline, causing serious problems to the state machinery of the monarch.

Amin mentions the existence of various modes of production within a single social formation in these Asian societies.

Since a formation is a group of modes of production, every society actually presents the picture of a complex group of more than two classes: feudal lords, serf-peasants, free peasants, commodity-producing craftsmen, and merchants in feudal Europe; imperial court and "gentry" officials, communal peasants, free petty craftsmen and wage-earning craftsmen employed by entrepreneurs to produce commodities and merchandize in imperial China; ... (Amin, 1976:24-25).

Associated with this dominant mode of production in the late nineteenth century, was a dominant social class which Halliday characterizes as follows:

The socially dominant classes were comprised of the tribal leaders, larger landowners, merchants, and aristocrats in the court and civil service. Despite their land ownership, many of the agricultural proprietors lived in the towns (Halliday, 1979:14).

While the main source of revenue for the government in this period was land revenues and the land tax, the emergence of semi-colonial relations between Iran and the colonial capitalist countries, changed this trend. Because of declining state revenues from land, the government needed other revenues to support itself. The only alternatives the government had were to sell the country's raw material resources to foreign capitalists or to sell state lands to the large landholders. Both alternatives led to cash crop production. Under this mode of agricultural production, self-sufficient Iranian agricultural communities began to evolve into single crop export centers.

Around 1850 Iran began to produce crops for export, such as cotton, opium, silk and tobacco. The incorporation of Iran into colonial capitalist relations, held by the colonialist countries of Russia and England and the Gajar dynasties, provided a situation that altered the dominant mode of production and, consequently, the state revenues. It was the beginning of a new period for Iran when the country would experience a new social formation and begin to develop peripheral capitalist relations with the colonialist countries.

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Consistent with the social formation, which was in progress, the principal source of government revenue shifted from agriculture to export customs on oil and other raw materials. This marked the dawn of a new relationship between Iran and the colonialistic capitalist countries.

Position of the Merchants and Craftsmen in the Pre-Capitalist Period

In the pre-capitalist period in Iran, as discussed, merchants and craftsmen did not achieve the status of bourgeoisie as these groups had done in Europe since the sixteenth century. The major characteristics of Iranian pre-capitalist merchants and craftsmen were:

1. They could not establish an independent system of production because of their dependence on the dominant mode of production and its relation to the state and monarch.
2. Both landholders and merchants lived in towns, and had common interests because the merchants held land and the landholders were also merchants.
3. Most craftsmen had common interests with the peasants; crafts were the secondary occupation in the towns and villages.
4. There was no competition among merchants and craftsmen because of the state-enforced stability of the society and the absolute power of the regime, which could expropriate their property and means of production.

5. Motivation to develop new technology or markets, both of which would help increase production, was lacking because of the limitations of their present market, consumption, income and a self-sufficient economy.
6. State revenues and income were raised from land revenue, taxes levied on landholders, tributary and some customs duties. If necessary the government began to expand its territory by invasion of other territories.
7. Population size and labor force were held stable because of a high death rate and the domination of rural and nomadic life styles and social formations.

Commerce, crafts and domestic manufacture were, for the most part, stable, stagnant and fragmented, by the early nineteenth century. The introduction of Iran into the capitalist market, emerging capitalist relations, and the effects such changes had on merchants and craftsmen were a few of the influences, mostly external, affecting Iranian social formation. They moved Iran to an unstable and unpredictable social position and challenged the artificially stable class relations.

On the basis of these socioeconomic factors, it is erroneous to call the pre-capitalist merchants and craftsmen bourgeoisie. On the contrary, they were traditional and

domestic merchants and craftsmen. The bourgeoisie and bourgeois relations emerged when capitalist goods and ideology imported from Europe drew Iran into capitalist relations by establishing a dependent capitalist mode of production. If the capitalist mode of production had not been established in European capitalist countries, the Asian countries would never have undertaken dependent capitalist production. More traditional social formations in these Asian countries might have continued for years had not these processes been interrupted by capitalist penetration.⁸

SOCIAL FORMATION IN THE COLONIAL PERIOD, 1828-1906

The Irano-Russo wars in the early nineteenth century ended with the concession, by Iran, of Turkmanchi and Gholestan. This separated Iran from the fertile farm lands and decreased government revenues. Under economic pressure, the government began to sell state lands to large landholders, tribal lords and merchants, and to grant mining and economic privileges to foreigners, especially the British and Russians. This means of raising revenue has continued to this day.

Regarding the controversial colonial period, some sociologists believe that a particular form of colonial rule or external influence provides for the political and economic

emergence of a powerful native elite class tied to advanced capitalist countries. This group can take control of the state and reorganize the state machinery and institutions to create a favorable environment for accumulation of capital and industrial assests.

Although this happened in Iran, it did not result in Iran becoming an independent capitalist country. Rather, Iran became more dependent and its economic and political institutions became more peripheralized.

Resnick says:

...For some countries, the process of colonial development led to the establishment of the necessary social environment for an increased concentration of wealth in the hands of a landed elite from whose ranks rose a merchant capitalist class. These two social groups, often interwoven historically by family or marriage, produced a ruling oligarchy directed against a large peasant body whose ties to land and landlord are intensified by a variety of traditional and political schemes. The turn to commercial endeavours by this ruling oligarchy must not be frustrated by colonial rule or by external forces. In fact, where this class made a successful adjustment to the external market and where it formed a successful political coalition with a colonial government or with foreign capitalists, then it served as a vehicle for capitalistic development... (1973, p.133).

Although Iran in the nineteenth century saw the establishment of such a social environment, she could not emerge as an independent economy because of the nature of her colonial capitalist development and the characteristics of pre-capitalist Iranian society mentioned before.

To sum up, it was in the early nineteenth century that Iran moved into the semi-colonial camp and lost its independence. The Russo-Iranian war of 1828 and the intervention of England in the affairs of Iran since 1855 had paved the way for this situation. Iran continued in a semi-colonial status until the Constitutional Revolution of 1906 against internal absolute monarchic rule and external colonial domination. Although the revolution did not succeed in disrupting colonial domination and internal despotism, it did change the socioeconomic formation of the society to one in which prevailing rulers began to rely more heavily on surplus production. The resulting new social formation, neo-colonial relations, pushed the society closer to a peripheral condition within the growing world capitalist economy.⁹

Social Formation in Semi Colonial Period 1828-1906

It was the penetration of capitalism in the early nineteenth century which resulted in the emergence of semi-colonial capitalism, and then peripheral capitalism, in Iran. Although the country had a history of long distance trade, independent merchants, and craft production its Asiatic social formation did not allow the assumption of independent capitalist status and relations. Amin explains this point:

Money and trade are, of course, older than capitalism. They appeared as soon as producers had a surplus available and when division of labor made possible exchange of the producers in which this surplus was incorporated. But not all exchanges are commodity exchanges: in pre-capitalist times the bulk of the exchanges effected between petty producers... within a single society took place without any specialized trader as intermediary, and often even without money playing any role. (1976:32).

With the involvement of Iran in the world capitalist economy, Iranian merchants began to plan for their first independently merchandized capital investment, through which they were supposed to engage in large-scale internal and foreign trade. The purpose of such planning was to attempt to establish a nascent independent bourgeoisie in Iran for the first time, and restrict the domination of foreign capital which threatened the existence of domestic merchants and craftsmen. The rise of banking, which was emerging from control of the money leaders, appeared not only in major cities, but also the smaller towns. The "sovijsbulog" firm established several local firms dealing in trade with Russia. Examples of famous companies of this period which arose in various cities of Iran were: "Masudie", "Aminie", "Commercial Company of Iran", "Mansurie", "Ettehad", "Islamie".

Attempts of merchants in Iran to establish an independent bourgeoisie before and during the Constitutional Revolution of 1906 were considerable. Behind their efforts

to restore a national bank in this period was a desire to create a native bank for commercial capital and also for industry. This was intended to break the increasing domination of foreign banks over the economy of Iran.

Despite these efforts other mainstream economic and political activities were in process to dominate the economic development of Iran and turn it toward dependent development. Toward this end some famous merchants communicated with foreign capitalists and companies. They were responding to internal pressures which prevented the development of a nascent bourgeoisie in Iran. Issawi described this situation:

The absence of normal conditions for the development of a national bourgeoisie and the situation created by the increasing penetration of foreign capital and the dominance of feudal relationships made it seem expedient for the bourgeoisie to invest in farming, whose products (cotton, opium, etc.) were in great demand in world markets. Thus, as a result of the dominance of foreign banks, the resources of the nascent Iranian bourgeoisie became a powerful instrument of the colonial policy and were directed to the production of agricultural raw materials required by the industry of capitalist countries. Through loans and banks, foreigners subjected the whole financial system of Iran to their control, and Iranian national capital itself was put in a dependent position. This had a disastrous effect on the process of primitive accumulation of capital, and more generally on the character of the bourgeoisie. Nonetheless, the period between the 1880s and the First World War saw definite progress in the process of primitive accumulation of capital in Iran, conditioned by the drawing of the country into the orbit of the world capitalist market and by other factors. (1971, p.47).

The competition between the Iranian merchants, who wanted to progress toward a modern bourgeois formation, and the foreign capitalists, who wanted to penetrate the Iranian market for commercial activity, favored foreign capitalism because of their, "privileges and possibilities which arose out of the system of capitulations forced upon Iran and which opened wide doors to foreign capital" (Issawi, 1971:47). It was the intervention of Russia in the north and England in the south which put Iran in such a position. The treaties and political and economic agreements between Iran and those countries were all against Iran's interests. The merchants had to pay numerous arbitrary taxes, which were an obstacle to their development. But, at that time, foreign traders were exempt from internal duties and taxes of all kinds, an unfair provision the Iranian government supported.

Although since the middle of the nineteenth century, slow development of native and independent factories and industries had been underway, they could not advance as modern industries because of "...the rapid course of political developments in Iran, the transformation of its territory into a war zone and the further loss of state sovereignty because of the venality of the ruling classes..." (Issawi, 1971:47). Therefore, most of the independent factories and industries which had been established over the last few years in this

period began to close down. Issawi says: "The example of Amin al-Zarb serves to trace the descending curve in the destiny of the nascent bourgeoisie which strove to invest part of its capital in independent industry". (1971, p:49).

"Foreign goods penetrated unhindered in all towns and regions of Iran...Thus, in the markets of that country foreign capital held a dominant position" (Issawi, 1971:47). Thus Iranian merchants could not have an active role in the economic activity of this period, they had two choices, either to cooperate with foreign-oriented trade or to fail and leave the marketplace. Because the fate of all native products was dependent on foreign companies, the native merchants had no choice but to play only an auxiliary part. The following table shows the economic tendencies of Iran in the nineteenth century.

TABLE 3: IRANIAN IMPORTS AND EXPORTS FROM 1800-1900
(In sterling)

	1800	1820	1830	1868	1880	1900
Imports	--	--	2,000	2,500	4,669	5,000
Exports	--	--		1,500	2,331	3,000

SOURCE: Based on Issawi's The Economic History of Iran, 1971

The Process of Neo-colonial Formation 1906-1925

The revolution of 1906 gave the Iranian people the freedom to participate in political activity and, most important, personal security. It ensured economic safeguards for all sorts of private property and capital accumulation and limited the power of the monarch. These provisions were necessary for capital accumulation and had been absent in previous social formations. Provoked by foreign-oriented capital and ideology, the revolution was a bourgeois uprising.

Although there were gaps between its objectives and its achievements, the revolution of 1906 paved the way for official attempts at commercial progress toward peripheral capitalist modes of production. It smoothed the shift in dominant modes of production from an Asiatic mode to a capitalist mode. This new mode of production, which created its own new social formation, operated differently in Iran than it did in the western countries. A major characteristic was its dependence on foreign-oriented capital and imports.

The changes in economic development in Iran required a new social formation. This happened in Iran in the middle of the nineteenth century when the merchants and other interested groups began to participate in economic development. However, this development was originated by the colonial capitalist countries of Europe and feudal-capitalist Russia.

The only obstacle was the monarchic political system. Although the monarch had been dependent, since 1928, on foreign colonial countries, especially Britain and Russia, the Asiatic social formation presented an obstacle to the expansion of bourgeois relations.

There was an attempt to change this superstructure for further development by the new dependent bourgeoisie and allied interest groups, the intellectuals, workers, and urban tribes.

With a scenario prepared by England, the monarchic system was overthrown in the Revolution of 1906. Thus, the process of social formation which was begun in 1828 ended in the Revolution of 1906.

This was a bourgeois revolution, but its motivation was the unhappiness of the urban workers, dependent bourgeoisie, the intellectuals, and the capitalist countries. The revenue of the government had decreased and Iran was ready for a struggle that began with the uprising of the people and ended in the change of the monarchic and Asiatic formations to a political constitutional system.

Although the revolution of 1906 was a bourgeois revolution and should have been led by bourgeoisie, it was led by big landholders-merchants, tribal leaders and some of the government bureaucrats with the support of England. The consequence of the revolution did not improve the lot of the

urban poor, independent bourgeoisie or other progressive groups, but aided the development of a dependent bourgeoisie to keep Iran in the hands of the British capitalists. Thus, the political system of the new government was in the hands of those who were interested in the incorporation of Iran into a new colonial system.

Issawi mentions some activities of Iranian merchants:

...The financial king of Southern Iran was Hajji Agha Mohamed Muin-Jujjar, whose real estate around Ahwaz and on the Persia Gulf Coast was put at one million Tumans... and was closely connected with the British. Another merchant, Hajji Named Jagi Shahrudi, was reputed to be very rich, had a large import and export business with Russia... as a result of the increasing involvement of Iran in the world capitalist market at the beginning of the twentieth century, the number of the representatives of large Iranian traders in the various world capitals rose appreciably. (1971, P.44).

Iran was in the process of becoming a new colony of a capitalist country entering a rapidly falling world capitalist economy. By the Revolution of 1906, Iran resembled a new colony in the process of becoming a peripheral country by developing dependent bourgeois relations. English influence increased after this revolution and the political process of Iran was determined mostly by English interests. The society was getting involved, peripherally, in the world capitalist market which was a new colonial orientation. This process developed from 1906 to 1926 and entered a new stage

with the rise of Reza Khan, who became the monarch of Iran and was called Reza Shah.

To sum up, the industrial bourgeoisie could not develop as an independent commercial bourgeoisie because of the destruction of the crafts and native factories and lack of capital investment in this sector. In addition there was the import of foreign industrial products.

These processes advanced the country toward a peripheralization of the infrastructure and a newly emerging dependent bourgeoisie that was supposed to cooperate with landholders and tribal leaders, on one hand, and foreign capitalists, on the other.

Amin describes this process in peripheral economies:

In the East and Latin America the new dependent national bourgeoisie generally grew out of the classes of large landowners and higher civil servants, and in some cases also out of the merchant class. The large landowners, often merging with the political ruling groups, by adapting to the requirements of export agriculture, grew stronger and changed into bourgeoisie-type landowners (Amin, 1976-77:29).

The consequences were predictable. The dependent bourgeoisie (commercial, industrial, bureaucratic, and financial leaders) with their internal and external allies (the ruling class, the state, and the colonial capitalist countries) became visible throughout the society and took control of its political and economic structures. This took place over 20 years (1906-1926) and culminated in the Reza Khan becoming the "Reza Shah". The previous political and economic formation

was on its way out as the dependent bourgeoisie gained power and state capitalism developed.

Rising State Capitalism Between 1925 and 1941

Reza Khan presided over a period of economic and social reforms in collusion with a dependent bourgeoisie financed with foreign-capital and aided by the leadership of England. These reforms succeeded for several reasons. First, they were nationalistic in character, which the people desired. Second, they favored the colonial capitalist countries, such as England, Germany and France. Third, they went against the increasing tide of communist ideas coming from socialist government on the northern borders of Iran.

Foreign capital thus joined with nationalist tendencies to create a central government to carry out social and economic reforms. The Gajar dynasty had not understood the worldwide economic tendencies and could not respond to the internal and external pressures affecting Iran and was thus fated to be replaced by the powerful Reza Shah who began to reform the social, economic and military organizations in 1926. This phase in the history of Iran, the neo-colonial period, is called state capitalism and lasted from 1926-1962 in spite of some upheavals and changes in government.

Keddie's various explanations of the Iranian economy in the period 1925-1941 shows how and why the state capitalism

developed in Iran and was connected with the European world market. She explains:

Given the existing social structure and low purchasing power of most Iranians, the state was the logical initiator of development. Private capital was too undeveloped and too attracted to "safe", quickly profitable fields like land and usury to be directed to industry, which often involved high initial investment, slow returns, and competition with Western goods...it was in the West's economic interest to have modern transport to facilitate the sale of western goods, and it was in Iran's interest to encourage internal trade. Since the late 1920's Western powers have backed efforts to improve Iran's transportation, military-strategic considerations also motivated both Iran and the Western powers. (Keddie, 1981:99).

After coming to power Reza Shah and the dependent bourgeoisie began overpowering local governments and big Khans who were obstacles to centralizing political power. Meanwhile, they sustained the revolutionary groups, intellectuals and local movements, such as those of Jangal and Azarbaijan. In a few years, all the necessary steps for supremacy of the dependent bourgeoisie had been carried out with the support of England. The goals of the bourgeois revolution of 1906 had been thoroughly obliterated and Reza Shah had established a monarchical dictatorship throughout the country. By censorship and suppression of any ideas and political organizations, Reza Shah molded economic, political and social reforms without the participation of the people.

The government itself attempted to play the role of the bourgeoisie, and invested in the public and private sectors. This led the government to a new kind of capitalist development, known as state capitalism, and created a new bourgeoisie, a dependent bureaucratic bourgeoisie, that later paralyzed the development of Iranian society. For instance, the new, restored bureaucracy, which will probably hold the state's means of production and commercial activities for decades to come became a powerful stratum of the dependent bourgeoisie. This stratum, by benefitting from public revenue, landholdings, and participation in state capitalist programs, played a significant role in the state's capitalist period by suppression of both reactionary and progressive groups. Then it became the close ally of foreign capitalist countries, particularly England.

The main characteristic of state capitalism in this period was its dependent bourgeois nature. Because the state was supported and came into power through intervention from leading foreign countries, it was the major investor in industrial and import/export sectors. The state employed a domestic policy which was initiated by foreign countries, in order to modernize Iran from above without paying attention to the needs of the people and the society.

The result of such a policy was revealed during WWII, when foreign countries invaded Iran. The entire political

system collapsed within 48 hours and the people not only did not support the regime, but also opposed its foreign supporters. The reason for this was embedded in the historical development of Iranian society over the past centuries. The consequences are apparent today: the emergence and development of a dependent bourgeoisie.

This happened in Iran when modes of production were changing. The old landholding revenues, systems of tribute and tax levies were not profitable with a capitalist mode of production and need to be replaced with a system that would respond to the requirements of a world capitalist economy.

A centralized and powerful government was the basis for the next step: disarticulation of the economic sectors. This occurred through Reza Shah's control of the power system. An allied group was recruited to support the Shah's interests. This was the crucial stage and its results were the basis for future development of the dependent bourgeoisie. The political system invited the big landholders, merchants and intellectuals to share in running the country. The result was a political system organized by alliances of landholders, bureaucrats, merchants and a few tribal khans, to facilitate the implementation of foreign-oriented policy. Although the failure of this process occurred after the Shah's white revolution of 1962, it began through the development of dependent bourgeois

relations. Before the White Revolution these groups were influential and controlled the socio-political and economic organs of society through a coalition with the dependent bourgeoisie. The agricultural sector remained in the hands of the land-owners, tribal leaders and Khans; revenues and rents were channeled into the state treasury by those groups. Meanwhile, they secured the nomadic and rural areas.

Therefore, the disarticulation of Iran was accomplished with the help of the world capitalist economy through state capitalism. World capitalism disarticulated the undeveloped areas, such as nomadic and rural areas, that had traditional modes of production, peripheral commercial and industrial urban areas. This breakdown of the agricultural and nomadic production, on the one hand, and the dependent industrial and commercial production on the other, was the main goal of the state controlled by Reza Shah, his court and administration, and supported by the world capitalist market. This process produced a superstructure, within which new social relations were established, known as the despotic state, to serve the infrastructure of dependent state capitalism.

Through dependent state capitalism the society achieved some social, cultural, economic and political reforms. Thanks to such reforms, raw material exports of oil and minerals and import of such industrial products as capital and consumer

goods were accomplished. This activity increased through the end of the first decade of Reza Shah's reign, but slowed down with the worldwide economic depression of 1933.

State capitalism pushed Iran toward a relative stable situation under the supremacy of the world capitalist economy. Having led in the reforms, the dependent bourgeoisie were in a favorable position to develop its various activities. Thus, the merchants, petit bourgeoisie and some other independent economic groups started to cooperate with each other in order to merge into the world capitalist economy. Their activities served to advanced the interests of capitalism through the political organs of the state.

To see how conflicts arose during this period, it is necessary to trace the various modes of production in Iranian society. In the precapitalist period nomadic, agricultural and urban-oriented crafts and commercial activities were the basis of production and the state policy was to extract the surplus, mostly from agriculture, to survive. Beginning with Iran's entry into the world capitalist market in the nineteenth century, however, its production changed to depend on exports of raw materials and imports of industrial materials.

This caused serious conflicts and contradictions in the late nineteenth and early twentieth centuries. The conflicts among various modes of production appeared as conflicts among the tribal Khans, landlords and urban residents,

who were seriously affected when capitalist relations emerged to dominate the economic and political organs of the society.

It was in the state capitalist period that this world capitalist tendency succeeded in Iran in spite of a lengthy civil war, uprisings, revolutions and the coup d' etat in 1921. The emerging state capitalism changed the tribal characteristics of the state because the dominant mode of production involved switching from nomadic and agricultural production to foreign-oriented industrial and commercial production.

It took about two decades after the bourgeois Revolution of 1906 to restore social relations throughout the country. In this period, it was clear that the state's bourgeoisie had succeeded, and had disarticulated other modes of production to stabilize the society for state capitalist relations.

Keddie's interpretation of the neo-colonial relations of Iran and the European world market is an explanation of how the socioeconomic formation began to change. She explains:

Earlier Western activities had supported traditional ruling groups, but Western influence on the socioeconomic structure undermined old relations and gave impetus to introduction of reforms and economic changes. The West continued to influence Iran's economic structure via world market conditions. Western demand and Iran's economy limited Iran's exports to oil, carpets, and agricultural goods, while expensive manufactured goods were imported, and Iran's balance of trade continued to be negative. (Keddie, 1981:98).

Keddie describes the socio-political conditions of life by 1930 in Iran.

By 1930 the foundations for a program of economic modernization from above had been laid. Most important was centralization, accomplished via a growing bureaucracy and a strong army. In the Reza Shah period, the main public expenditure was on the armed forces, which took over half of the government budget. The army was used primarily to strengthen the government's authority within Iran, over peasants, tribes and urban dissidents. The privileged classes now included more government employees, army officers, students, and merchants. The status of nomads was lowered when they settled, while urban unemployment, the outlawing of trade unions and leftist groups, and laws strengthening landlords helped keep the peasants and workers impoverished. Reza Shah terrorized or jailed potential opponents, and there was no chance for organized oppositional politics. (Keddie, 1981:98).

A glance at the following table will provide some interpretation of development process of this period.

TABLE 4: BUDGETARY ALLOCATIONS FROM 1934-41 (AVERAGE INCREASE PER CATEGORY)

War	19.6
Finance	10.2
Industry & Trade	19.0
Education	4.9
Interior	4.0
Posts & Telecommuni-	
cation	2.6
Justice	2.4
Foreign Affairs	1.3
Health	2.4
Agriculture	2.5
Imperial Court	0.8
Communication	23.7
Other	6.5

SOURCE: Based on Bharier, Economic Development in Iran, pp.65-6

Ashraf's explanation of the characteristics and the functions of state capitalism in early period of the reign of Reza Shah is appropriate as a final point.

State capitalism was created in this period through the monopoly of foreign trade, establishment of state banks, commercial agencies and certain monopolies, installation of state-owned industries and creation of the state-owned Trans-Iranian railway system. As a result, the state emerged as the largest industrial, financial, and commercial bureaucratic corporate in the country, and monopolized the major means of urban economic activities. (1971:66).

State Capitalism Between 1941 and 1953

Post World War II was a crucial period in Iran. The exile of Reza Shah, intervention of invaders in Iranian affairs, and lack of any political organization and socio-economic integration forced the new and shaky government to demand U.S. support. With the involvement of the U.S. in the region, new socioeconomic and political formations were in process. The increasing influence of the Soviet Union in Iran, especially among workers and intellectuals, and England's weakness after WWII forced the U.S. to support the Western-oriented policies in the region, against any revolutionary action.

Ashraf describes the Iranian situation in this crucial period:

Once more the contemporary history of Iranian society evidenced the rise of an opportunistic dominant class--landowners, tribal Khans, leading merchants, army generals and top bureaucrats--with the help of colonial powers. In this period, therefore, the Majles, the press, the political parties, the cabinets, and the tribal forces were utilized by British power.

When the war approached its end, British imperialism was unable to resist mounting Soviet pressure in Iran, and thus, American power gradually appeared on the scene, and the second stage was constituted. (1971:87).

State capitalism, after Reza Shah's exile, deteriorated under the pressure of various political demands for change. The post War world capitalist crisis created the conditions for American influence in Iran, which served to enlarge the dependent bourgeoisie after 1945. Keddie discusses the American influence in Iran.

The post-war crisis in Iran, and the demand for change from many parts of the population, led even the landlord-dominated majles and government to undertake economic development. American influence in Iran grew, and as the United States was largely responsible for stabilizing the post-war Iranian government, it was natural to turn to an American firm for development aid. On the Iranian invitation, the American engineering firm, Morrison-Knudson, made a survey and suggested a development program in August 1945. They put heavy emphasis on agricultural technology and little on industry. Raw cotton and wool production were to increase, but no new plants were planned to process them (Keddie, 1981:130).

There were some fundamental contradictions in the state capitalism of this period which caused the regime to fall. Although its army, police and administration were modernized, they suppressed all progressive groups, and alienated independent political and economic attempts, and betrayed the common people. It was overcome in a few days when the Russian and English armies occupied Iran and there was no opposition from the people because of Reza Shah's political suppression. The monarch's foreign policy attempted to show that the regime was independent, and that its economic and political policy was determined independently of the capitalist countries, particularly England. He thus encouraged the regime to have relations with Germany. This made England unhappy and World War II was a good opportunity to take action against the regime. England and Russia ousted Reza Shah and took control of Iran as anarchy spread throughout the country. Russia controlled the northern parts of Iran and England controlled the southern parts. With a lack of political organization, political solidarity and independent economic enterprise, the socioeconomic system collapsed and the dependent bourgeoisie began to organize itself to build a new political structure with a foreign-oriented policy. The world capitalist countries supported their efforts and ultimately urged the first son of Reza Shah, Mohammed Reza, to become the second Shah of Iran.

The effects of dependent state capitalism appeared in the first decade of the reign of Mohammad Reza Shah. Inflation, unemployment, disease and growing political factions disguised the face of dependency. Most of the industries were closed and the roads and railroads were destroyed because of the dependence on English and American trucks. The situation paved the way for the bourgeoisie to accumulate a great amount of wealth as they supplied the needs of the occupation armies of England and Russia and black market dealings in industrial production flourished.

A few years later the newly powerful capitalist country, the United States, appeared on the scene, establishing some Iranian-American commercial firms and marketing cars, buses, and other industrial products. This action threatened the existence of any remaining domestic production and independently growing socioeconomic groups.

England, with assistance of the United States, began to determine all progressive political and economic organizations. It played a major role in reshaping the economic sectors and political system through influencing the landlords, religious leaders and dependent bourgeoisie, bureaucratic and commercial.

A new phase in Iranian development was underway. The U.S. wanted to share with England in the oil industries and

play a role in the development of a dependent bourgeois society. The gap between the native bourgeoisie and various dependent bourgeoisie was increasing and the trend was favoring the latter because of the support of foreign capital and governments.

A conflict was shaping up between the progressive economic groups and the dependent bourgeoisie and their supportive groups such as the landowners and the nomads. It was in the Mosaddeg period that the conflict between these two factions reached its highest point. With the overthrow of the Mosaddeg government, the native and independent bourgeoisie began to decline giving even more power to the dependent bourgeoisie.

Decline of State Capitalism Between 1953-1962

The last attempt of the independent socioeconomic groups and organizations to take over the state administration was through Mosaddeg's national government. However, this government was overthrown by the CIA and its Iranian supporters such as: courtiers, landlords and other dependent economic and political groups. Keddie mentions the CIA involvement in Coup D' etat of 1953 against the Mosaddeg national government.

Although many Iranians knew from the first that the United States Central Intelligence Agency (CIA) was involved in the overthrow of Mosaddeg in August 1953, only gradually did details of these events become available in the Western world. The idea of overthrow became

stronger in British and American official and oil circles over time. It gained some impetus from the replacement of the British labor government by the conservatives and in early 1953, the replacement of the Truman government, which had hesitated to join schemes for Mosaddeg's overthrow, by the Eisenhower administration, with John Foster Dulles as Secretary of State according to various sources including Kermit Roosevelt, he simplified the British plan and helped get it accepted by the very willing Dulles brothers.... Roosevelt then travelled to Iran to put it into effect via Iranian contacts developed through American and British sources. (1981:139)

She adds:

After the overthrow of Mosaddeg, the Shah and those around him were determined to ally with the West and try to develop the Iranian economy along Western lines. The Mosaddeg experience of boycott and the refusal of foreign aid made the new regime believe that economic development depended on settling the oil dispute, which had been an implicit condition of American and British backing of the coup. Development was also seen as dependent on loans and direct aid from the United States. (1981:145).

The following table illustrates the economic policy of the independent bourgeoisie. It was in this period that the trade balance was in favor of exports. This lasted only a short time before the uprising of 1953 put the dependent bourgeoisie firmly in control and Iranian trade again began to favor imports.

TABLE 5: IRANIAN BALANCE OF TRADE (EXCLUDING OIL EXPORTS)
1948-53 (In Millions of Rials)

Year	Exports	Imports
1948	1867	5480
1949	1785	9320
1950	3563	7109
1951	4391	7405
1952	5832	5206
1953	8426	5756

SOURCE: Based on vizarat-i- Iqtisad, Amar-i Bazaganr yi
kharisi Iran (1981:145).

The period after coup d' etat of 1953 was distinguished by strong support by the U.S. government and some other core countries. The internal situation and external requirements led to some reforms to stabilize the government in Iran through capital investment from the capitalist countries, led by the U.S.

Ashraf mentions this point:

On this ground, the economic development or using a more precise term, economic growth, was achieved in the Iranian economy through U.S. assistance and the oil revenues. During the post-Mosaddeg epoch, from 1953 to 1960, the volume of foreign currency received by the government was approximately as follows... (1971:132).

The following tables illustrate the political and economic policies of the government after the coup d' etat of 1953. Table 6 shows the rate of foreign investment in Iran by capitalist countries and illustrates the increasing U.S. activity. Table 7 shows the sources of financial capital and Table 8 continues the information given in Table 5, the Iranian Balance of Trade 1954-1962.

TABLE 6: FOREIGN OWNERSHIP OF COMPANIES IN IRAN 1953
COUP D' ETAT

Companies	Percentage
British Petroleum Oil Co.	40
U.S. Firms	40
Royal Dutch Shell	14
Compayne Franchise des petroleum	6
	<u>100</u>

SOURCE: Compiled from various sources

TABLE 7 : AVAILABLE FINANCIAL CAPITAL IN FOREIGN EXCHANGE
1955-62 (In Millions)

Oil revenues	2129
Foreign aid and Investment (US)	1278
British Aid	28
Foreign Investment	100
Total	3407

SOURCE: Based on the Bank Markazi Iran. National Income of Iran, 1959-72, Tehran, 1974.

TABLE 8 : IRANIAN BALANCE OF TRADE, 1954-62 (In Millions)

Year	Oil Revenues	Non-Oil Exports	Imports of Goods
1954	10	135	106
1955	80	106	143
1956	146	104	345
1957	167	109	429
1958	291	104	610
1959	323	101	656
1960	364	110	693
1961	395	126	620
1962	443	113	551

SOURCE: Compiled from Bhriar The Capitalist Development in Iran.

Position of Dependent and Independent Bourgeoisie in this Period

It was after the coup d' etat of 1953 that the dependent state of Iran again began extensive import of foreign goods and suppression of all progressive socioeconomic groups and organizations. This was done with the aid of the U.S. Political and economic aid from the leader of the world capitalist economy allowed the commercial dependent bourgeoisie to have a decisive effect on Iran's economic sectors and channel production to a worldwide market. With an inflow of foreign industrial consumer goods, the dependent bourgeoisie grew rapidly and extended its economic activities.

As in the period of the Constitutional Revolution of 1906, the independent bourgeoisie had two choices: either to be destroyed or to cooperate with the foreign-oriented trends and become part of the dependent bourgeoisie. As a matter of fact they went along with the mainstream tendencies and participated in the region's open-door policies toward import of world capitalist goods. In a few years, by exporting oil and getting aid from the U.S. the Iranian market was full of foreign goods and an established commercial agent of the world capitalist market. The transformation of merchants and bourgeoisie into a commercial dependent bourgeoisie helped them to increase their wealth at the cost of the common people's surplus, and become fat.

This concentration of wealth within the hands of a minority commercial group led them to invest their wealth in the other economic sectors, such as factories for assembling imported industrial parts, and formed the basis for the industrial dependent bourgeoisie after the White Revolution of 1962.

Growth of the dependent commercial bourgeoisie and a dependent industrial bourgeoisie caused independent bourgeois activities to fail. State-run factories also went bankrupt and the intervention of the state could not remedy the general collapse of all kinds of internal and independent factories and trades. All sorts of imported commodity and consumer goods flowed toward Iran, but the society was not ready to swallow all these consumer goods. People's incomes were limited and rural markets were inaccessible.

At this point, it is appropriate to discuss the financial bourgeoisie which emerged with the support of foreign-capital. Those Iranians who did not invest in commercial or industrial activities, tended toward investment in the banking and financial sector. By such investment several banks were established within a few years, with either Iranian or joint Iranian-foreign capital. Such banks captured the housing market and eased capitalist relations among the people.

In the following years, these dependent bourgeoisie spawned others such as an agricultural and a consumer

industrial bourgeoisie. With the support of foreign capitalists, then, the dependent bourgeoisie became strong enough to control the political and economic organs of Iran without additional internal allies. Therefore, it was time to sweep up all its old allies in order to have suitable standing for future social and economic domination of the country and be able to open up new markets in nomadic, rural and poor urban areas.

CONCLUSION

The purpose of the world capitalist economy was not to improve the living conditions of the people in peripheral countries but, in the final analysis, to safeguard profitable outlets. This intention was visible in Iran from the emergence of capitalist relations under the leadership of the capitalist world system. Since this phase of capitalism is monopolistic in nature, it did not allow countries, such as Iran, to develop independently and become a competitor in the world capitalist system.

The nature of the development of the world capitalist economy and its expansion toward the peripheral areas encountered great contradictions. While it started to incorporate a peripheral society into its system, its internal dynamics moved this country toward development and destroyed the obstacles which might prevent such development. At the same time, the world capitalist economy opposed to internal development since it presented a constant threat to its expansion.

We can see this process in the economic development of Iran over the last two decades. The policy of the world capitalist economy in Iran, and in most peripheral countries, was designed to permit sufficient development in industry and other economic sectors to allow a market for dependent and foreign capital. This process of development maintains the world capitalist economic commodity market. Later this process in Iran, the period under consideration, will be analyzed to show how it preserves the feudal remnants in agriculture and develops a dependent agricultural bourgeoisie. The land reforms of 1962 in Iran were designed to guarantee and protect the interests of the landowners and the market for agricultural products of the world capitalist countries. Therefore, from the beginning of the sixties and after land reform, Iran, traditionally an agrarian country, began to import all sorts of agricultural products.

The economic development policies of Iran over the last two decades were thus determined by foreign capitalists who, allied with the dependent bourgeoisie in Iran, controlled most sectors of the economy, including commerce, agriculture and communications. Through the various groups of dependent bourgeoisie, such as agricultural, financial, industrial, commercial and bureaucratic bourgeoisie, the country was opened to the penetration of foreign capital on a giant scale,

which replaced domestic capital by means of extortion, competition and the advanced technology. This process ended in the monopolizing of credit, banking, and financial operations and the creation of a dependent bourgeoisie working in the interests of the world capitalist economy through the exploitation of weak sectors of the domestic economy. This happened in Iran when the dependent bourgeoisie began to ally with the landholding class and with the merchants to preserve the landowning relation in agriculture, and it provided weapons and military training to the army, police, and other repressive forces. Cultural penetration was achieved via control over the educational system and communication media and, finally, by training the intellectuals.

In coming chapters the nature of the domination of the dependent bourgeoisie over the political and economic structures in Iran in the period under study will be examined, as will the requirements and needs of the advanced stage of capitalism, financial capitalism. We will see how financial capitalist relations within the world capitalist economy exert control over others through finance capital and directs investment toward worldwide exploitation. The dependent bourgeoisie in Iran were supported by this world power system and encouraged to keep the society in their hands. This class were the agents and allies of the world capitalist economy and support the interests of that system within the country.¹⁰

PART III

THE DOMINATION OF THE DEPENDENT BOURGEOISIE IN IRAN 1962-1978

The process of peripheral capitalist development in Iran over the preceding decades led Iran to a new social formation that would further economic development. This development was foreign-oriented and involved the sectors required for the world market; it caused some fundamental problems for the Iranians including expanding dependent bourgeoisie. In the third part of this study it is incumbent upon the researcher to analyze and explain the development of this phenomenon over the two most recent decades. This analysis requires an understanding of the nature of the peripheral capitalist formation and its functions.

Although the emergence of this phenomenon dates back to the semi-colonial period, it was during the Shah's White Revolution that this class expanded and became dominant in Iran. The growth stemmed directly from the functions of world capitalism which required new relations between core and peripheral countries to centralize and concentrate capital for investment.

The disarticulation and peripheralization of Iran's social formation occurred at this juncture, when development

began to respond to external rather than internal requirements. Although the indigenous and independent Iranian bourgeoisie had struggled for capital development, the advanced capitalist countries intervened to retard such development. The period under study witnessed the final stage of the incorporation of these local and independent bourgeois groups into the world capitalist economy and their final dissolution into dependence on the international market along with the state bureaucracy and other co-opted groups. The influence over the state, with its monarchy system, was so complete that the Iranians called their monarch the "American king". It is necessary to examine this emergent dependent bourgeoisie to determine why these groups were so completely co-opted by the world capitalist market, against the interests of the people of this periphery nation. Certainly, the answer will be found in the nature of the Iranian social formation, on one hand, and in the nature of dynamic capitalism, on the other. It is the task of Chapters Six through Nine in Part Three of this research to examine this phenomenon.

CHAPTER SIX

THE SHAH'S WHITE REVOLUTION: ITS CAUSES AND CONSEQUENCES

This chapter begins with some reports from U.S. Senators, and other sociologists, writers and politicians to give a picture of Iranian socioeconomic life before the 1960s. Then, the political economy of Iran will be analyzed for the period that the White Revolution was in its planning stages. The core discussion of this chapter will show the reasons and results of the events of the period.

A U.S. Senator's report to the U.S. Congress on Iranian social conditions in 1958 reflects the critical situation of the Iranian socioeconomic situation. He reports that, "In Tabriz [Iran's second largest city] we encountered such poverty as we had seen nowhere else in the world up to then... I visited a carpet factory employing 800 workers, 600 of them children between the ages of 6 and 14..." (Nirumand, 1969: 152).

The conditions of life before 1961 were also pictured in one of Iran's periodicals:

I have witnessed appalling scenes of human misery. I have seen children and young people, men and women, slowly wasting away for lack of medicines and food, because of hunger and deprivation. I know of families whose utmost desire is a bit of bread; I know of bashful girls and women who do not leave their homes for months at a time because they lack the barest essentials of clothing. I know of children skinny as skeletons, who roll around in dirt for years, naked as worms, and live on weeds and rotten fish... (Nirumand, 1969:151).

Ali Amini, who was appointed Premier on May 7, 1961, to carry out the reform program discussed the Iranian socio-economic situation on radio:

The biggest economic problem in Iran, which afflicts nearly the whole population is the low standard of living and the lack of vitally necessary goods. The excessively high prices of food, the rapid rise of the general cost of living index, and, finally, the inability of the responsible authorities to draw upon accurate and workable plan for lowering and stabilizing prices and for preventing the threat of inflation are the primary and most important problems that have to be considered. (Nirumand, 1969:114).

F. Halliday, an Irish sociologist, specializes in the Middle East and Iran, talks about the nature of the Iranian political system and says that,

...Iran is in several ways an outright military dictatorship, no independent political activity has been allowed by the government; many opponents are jailed, tortured and killed. (Halliday, 1979:64-65).

The socio-economic formation in Iran before the White Revolution included various modes of production. Although the dependent bourgeoisie and land owners were the main groups and allies of the dominant political system over the past decades, there were some fundamental contradictions while peripheral capitalism was becoming the dominant mode of production.

The tendency over the last decades had been to disguise the trend of expansion of the world capitalist economy toward the peripheral countries. This tendency alienated traditional modes of production and disarticulated the entire society to create a new market. The nature and characteristics of the peripheral societies and their internal conditions had presented some major obstacles to such expansion. For example, in Iran there were three major modes of production with different social relationships and means of production (bourgeoisie, land-holding and nomadic). Although those had their own contradictions, they shared in a political system and had common interests in appropriating and expropriating their surplus production. The capitalist countries, England and the U.S. by supporting these groups penetrated their social formations to extract

raw materials and oil and sell their industrial products.

By 1960 development of the new international order and economy and development of a dependent bourgeois production in Iran had created increasing contradiction between allied ruling groups and their opponents. Thus, between working class and bourgeoisie, peasants and landowners, nomads and their tribal leaders the society was in conflict. New policy was necessary to prevent an explosion in the determinant historical development process. The political system and world capitalist economy needed to look at established alternatives to create a new order in the society.

We know from history that the dependent bourgeoisie was to determine the dominant mode of production and new production relations had to be established. Monarchic system had a choice, either to reform and isolate its traditional allies, the landowners and tribal leaders, let the dependent bourgeoisie become the dominant system, or to give up and let other alternatives arise. Monarchic system hesitantly accepted the plan and carried out the so-called "reforms from above". The nature, causes and consequences of such reform are called by the people, "the Shah's White Revolution". In sociological analysis it is called "Modernization of the society from above".

However, the Iranian dualistic mode of production, landowning and other means of dependent bourgeois production, had become the dominant characteristic of society. It was the Shah's "White Revolution" that determined to divide the dualistic situation in favor of the dependent bourgeoisie. The reason for this determination was that the dependent bourgeoisie wished to control all the economic and political organs of the society. Hence the expansion of the internal contradictions between two economic systems through divisions between the progressive groups, such as workers and intellectuals. Because of the growth of wage labor in cities there were also internal factors which necessitated such social change. Besides the internal conflict situation and external factors, the world capitalist economy needed a new market for financial and industrial investment in the area. Therefore, it was necessary to decrease the contradictions internally and externally.

Internally, the dependent bourgeoisie existed within the dependent social formation with the support of the state machinery and the core countries, especially the United States, which wanted to share in an effectively functioning government. Dialectically, this was predictable because: (a) it was the only social class, which was economically and politically organized and had appropriate productive forces and surplus labor; (b) the landowning was declining because of a growing peripheral capitalist relationship;¹¹ (c)

growing progressive groups and social movements threatened the entire system; and (d) an organized working class was lacking because of the peripheral capitalist mode of production; monarchic domination; and a consequent lack of independent economic development.

Although in this period landowning had been one of the dominant modes of production and the landowners were socially, politically, and economically powerful and shared in state decision-making they began to ebb when dependent bourgeois relations developed within the state apparatus. The international situation between peripheral and core countries created a situation in which foreign supporters of the landowners could not continue their support. Landowners were forced to concede their prominent status to leaders of new mode of production which had more flexibility in generating surplus through appropriating and expropriating the fruits of labor.

Although the state machinery from the monarch down had common interests with the landowners, change was imposed by the internal and external forces already discussed. As a mode of production, landowning and its social relations disappeared from the Iranian society, only to emerge in a new form and share in dominant social relations in a new role and position, as dependent agricultural, industrial and financial bourgeoisie.

After the change in the dual modes of production, Iran established a new social formation built around the dependent bourgeoisie. It either disarticulated or destroyed and marginalized other modes of production and subordinated any independent economic activity. This process will be analyzed extensively in subsequent chapters but it is useful, first, to examine some causes and results of this development.

The Shah's White Revolution which took action on the internal and external contradictions, carried out some reforms from above and decreased the internal conflict situation for a while and let foreign capital be invested in various economic sectors. It affected all social and cultural relations and began to establish a new social relations and a new life style.

Insofar as the nature of this development was dependent and foreign-oriented, it was in the interests of the core countries more than internal economic requirements for independent development.

Through this action, the new social formation with its developing mode of production maintained the political system untouched and organized itself as a single social formation. It created its own social and political groups to sustain the effective organs of society. It also created some major contradictions which appeared later. It is advisable to see why such a program with such characteristics prepared Iran for the early 1960's.

The following tables illustrate the socioeconomic changes in Iran over recent decades. These figures explain how imports of foreign industrial products increased from 1900-1965, affected local and internal production and gradually eliminated domestic products. They help explain how the dependent bourgeoisie emerged, developed, and become a dominant social formation. The figures have been adapted from H. Bharier's work, *The Capitalist*.

Table 11 shows the trends of decreasing domestic economic production and increasing imported materials over the same period.

Table 12 shows the percentage of traditional and modern goods produced in the Iranian economy over the sixty-five years, 1900-1965.

Table 13 illustrates increasing amount of imported capital goods.

The figures presented here show the socioeconomic trends of the Iranian economy; the growth of imported goods and modern established industries, and the decrease in local products in favor of imports. This was a general Iranian economic tendency which was supported by the internal political structure and the world capitalist economy. In the coming pages these trends will be analyzed to determine why they intensified and came to dominate the entire socioeconomic and political system.

TABLE 9 : GROSS DOMESTIC FIXED CAPITAL FORMATION 1900-1965
(Million rials)

Year	Imported Production	Domestic Production
1900	6.0	108.4
1905	26.6	112.3
1910	33.7	116.4
1915	94.9	124.9
1920	83.3	125.1
1925	102.7	139.0
1930	428.2	143.5
1931	154.1	148.1
1935	462.0	219.0
1939	462.3	348.5
1940	318.6	391.4
1945	960.3	1714.8
1950	2603.9	1775.6
1955	11089.5	3341.2
1960	29061.8	6252.0
1965	34921.1	11374.0

SOURCE: Adopted from H. Bharier, The Capitalist..., Tables 5-1, pp.126-127.

TABLE 10: COMPOSITION OF G.D.F.C.F. BY "TRADITIONAL" AND
"MODERN" CAPITAL GOODS IN PERCENTAGE TERMS 1900-1965

YEAR	TRADITIONAL	MODERN
1900	98	2
1905	90	10
1910	88	12
1915	76	24
1920	74	26
1925	32	68
1930	55	45
1931	34	66
1935	56	44
1939	71	29
1940	80	20
1945	80	20
1950	31	69
1955	20	80
1960	13	87
1965	13	87

SOURCE: Ibid, Tables 5-4, p.132

TABLE 11: G.D.F.G.F. IN IMPORTED CAPITAL GOODS
(In millions of 1965 rials)

YEAR	TOTAL
1900	100.0
1905	443.0
1910	561.7
1915	1530.6
1920	1388.3
1925	1604.7
1930	6906.4
1931	2446.0
1935	5250.0
1939	3502.3
1940	2182.2
1945	1613.9
1950	4742.9
1955	13046.5
1960	31520.4
1965	34921.1

SOURCE: Ibid, Tables 6-3, p.171

Although the causes of the reforms of 1962 are discussed throughout this study, it is advisable to outline them at this point. The socioeconomic events since the coup d'etat of 1953 produced the basis of a dependent bourgeoisie but, in the process, the landowning mode of production lost its socioeconomic position. The reasons had their own internal and external logic: the world capitalist economy needed further development to expand toward peripheral countries for financial and industrial investment and to solve the contradictions between and within economic groups and the political system.

These internal and international involvements were resolved, mostly to benefit the development of world capitalist economy, although Iran did obtain some economic and social development. Its economic and political bases, the means of production, technology, and industrial instruments were produced and imported from outside the society.

The above general explanation needs to be analyzed in detail to provide an explanation of how the dependent bourgeoisie overcame rival modes of production and political power groups and became the dominant economic and political power in the society. The major internal societal and economic factors paving the way for such development were internally:

a. The dependent bourgeoisie wanted to secure its own position by enforcing its economic basis as the dominant mode

of production. It needed to concentrate all economic and social power in its hand.

b. The landowners, because of their nature of economic production and their modes of surplus expropriation, could not retain their traditional power and had to give way for more progressive groups.

c. The dependent bourgeoisie, because of its development in various economic and political sectors, were ready to grasp the power sources and isolate all allied groups.

d. Through their grasp on the power system, the dependent bourgeoisie could make decisions which favored their own development. Thus, they could facilitate commercial, taxation and customs regulation in their own interests.

e. Decreasing agricultural production caused by peasant dissatisfaction and their migration to cities was becoming a serious political issue.

f. Conflict situations created between capital and wage labor in the factories were a threat to the political system which went beyond the capacity of the state to control them.

g. The society needed new social formations to release itself from the old economic and political relations which were barriers to development and progress.

h. The uneasy situation was intensified by progressive and non-progressive groups striving to profit from the situation

and ride out the storm. They spread uneasiness throughout the society to legitimize new development, and new structures without alienating the old power system and preventing any unforeseen disruptive events.

Externally, the factors related to the reform process are three:

a. The establishment of new radical governments in the neighborhood, i.e., the communist regime of Iraq in 1958;

b. The requirements of the world capitalist economy for new markets and investments (President Kennedy's administration was responsible for encouraging the Shah and his regime to accept the reform program).

c. As neighbors with the Soviet Union, Iran obtained from the USSR an obligation of non-intervention in Iranian affairs through signing a consensus about their future relations. This gave an opportunity to the Iranian government to expand its energy on internal socioeconomic issues rather than expending it in propaganda to secure the regime against communist ideology.

These factors encouraged the Shah's government to accept reform to secure its own and foreign interests. Most of the social groups and classes welcomed these actions without assessing their purposes, means and results. They brought major changes in social relations, encouraging peripheral capitalist relations among social groups throughout the country.

Keddie states the process of the reform by emphasizing the role of the U.S.:

When Muhammad Riza Shah returned to take over full power in 1953, backed by U.S. aid and support, he began to adopt policies similar in many ways to those of his father. Apparently believing that parliamentarism could endanger his power, he returned to controlled parties and parliaments, jailing of opponents considered dangerous, censorship, and, as a contemporary innovation, an increasingly efficient and omnipresent security police. At the same time he became convinced, with some prodding from U.S. advisers, of the need for certain reforms--reforms that, as in the time of Riza Shah, were the logical outcome of prior social and economic developments, but which also needed intelligent planning to be implemented effectively. From 1933 to 1962, planning efforts were rather piecemeal, and an early period of economic growth was followed by crisis and retrenchment. Following a recrudescence of opposition in the early 1960s the Shah, with apparent U.S. encouragement, launched a series of reforms in 1962-1963 that helped alter the social and class structure of the country... In class terms this resulted in a growing capitalist class with very varied social backgrounds from the most aristocratic of old governmental and landholding families to the lowest ranks of the bazaar classes (1978:319-321).

Before going on to the consequences of the reform program of the Shah, we are going to document this process with some official U.S. statements to help us to understand the nature and purposes of this reform, see its impact on social formation and consider the consequences of such a program.

In the United States' Congressional Record, the nature and characteristics of the Shah's White Revolution were viewed as follows:

In an effort to broaden public support for his regime, the Shah initiated in 1961 a series of administrative, social, and economic reforms. These were formalized in a national referendum in January 1963 as the "White Revolution" or "Shah-People Revolution" and constituted a determined effort to stabilize and modernize the country and to eliminate foreign influence in Iranian affairs. In seeking to eradicate the country's perennial political and economic problems, the Shah's rule shifted from what has been termed a "loose authoritarianism" of the 1950's to a "royal dictatorship" in the 1960's, with increasing reliance upon the armed forces and other security services to suppress opposition elements standing in the way of the Shah's goals of modernization. The period since 1963, has become characterized by rapid economic growth and the expansion of the armed forces". (U.S. Congress, House, 15th Congress, 1st Session, 1977, p:116).

The meaning of the "Shah's goals of modernization" will be analyzed in coming chapters but the composition of the Shah's "regime" and his ruling class were detailed in this official report:

The ruling elite comprising the Shah, the royal family, high-ranking officers of the armed forces and senior civil servants, wields absolute power. The division of power between the members of the court and the armed forces is delicately balanced; in instances of a threat to the security of the state, the Shah has relied upon the continued loyalty of the armed forces to maintain order (Ibid, pp: 115-116).

The White Revolution brought Iran economic growth and modernization but not as the people wanted. It resulted in integration of the Iranian internal market with the world capitalist market, decreasing agricultural production, increasing the dependence of Iran on the core countries, increasing of the defense budget to secure the internal and the regional markets for capitalist exploitation, suppressing opposition in Iran and the region.

A brief look at the U.S. official reports on expansion of the armed forces in Iran will give the reader an idea of the results of having such an enormous defense budget in a country where 60 percent of the population is illiterate.

As a result of the Shah's interest in foreign policy objectives and the procurement of military hardware for his expanding armed forces, Iran's acquisition of defense materials have competed at an accelerated pace since the late 1960's with economic development plans for foreign exchange resources, skilled labor, construction, and electric power. Military expenditures have run at high levels for the past seven years and have to some extent, absorbed funds originally earmarked for the development plans. The defense budget, in current dollars, has increased from about \$1.2 billion dollars in 1970 to \$9.5 billion in 1976. (Ibid, p:118).

It should be added that it was not only the "Shah's interest in foreign objectives" to be the gendarme of the region, but also the requirements of the core countries.

Because of its defense and foreign-oriented policy, the Shah's regime increased its defense budget in order to maintain national and regional security through the use of the dollars received from selling oil, natural gas and other resources. The following Table shows the nature of the Shah's modernization and economic growth.

TABLE 12 IRANIAN DEFENSE BUDGET 1970-1976
(In millions of U.S. Dollars)

	1970	1971	1972	1973	1974	1975	1976
Defense Budget	1,160	1,620	1,704	2,611	5,970	8,000	9,508
Percentage of GNP	8.2	4.6	10.6	9.6	13.6	14.9	14.2

SOURCE: U.S. Report of Staff Survey Mission to Ethiopia, Iran and the Arabian Peninsula, 1976, p. 119.

Table 15 compares the defense expenditures of the Iranian government with other Middle East Countries.

The results of such a policy paved the way for critical inflation in Iran which had crucial effects on socioeconomic conditions of life. Table 16 shows the situation in Iran.

TABLE 13: DEFENSE EXPENDITURES IN MIDDLE EAST, 1974

Country	Defense Expenditure (billions of dollars)	Per Capita (dollars)	Percent of GNP
Algeria	0.404	25	3.3
Bahrain	0.008	35	2.2
Egypt	3.117	85	35.8
Iraq	0.803	76	7.0
Jordan	0.142	54	10.9
Kuwait	0.162	154	1.5
Lebanon	0.113	42	4.3
Libya	0.402	178	3.5
Morocco	0.190	11	3.0
Oman	0.169	228	15.4
Qatar	0.023	130	1.1
Saudi Arabia	1.808	228	5.7
Sudan	0.118	7	5.9
Syria	0.460	65	16.4
Tunisia	0.043	8	1.5
UAE	0.140	821	2.8
North Yemen	0.058	9	3.6
South Yemen	0.029	18	4.8
Total 18 Arab States	8.209	60	7.1
Israel	3.688	1,131	42.4
Iran	5.328	165	13.3
United States	85.500	400	6.2

SOURCE: F. Fesharaki, Development of the Iranian Oil Industry, p.191.

TABLE 14: MEASURES OF INFLATION IN IRAN

Country	1969	1970	1971	1972	1973	1974	1975
Iran (1970 = 100.0)							
Wholesale prices	96.5	100.0	106.0	112.8	125.2	145.8	154.4
Home goods	96.7	100.0	106.9	113.0	123.2	144.1	154.1
Consumer prices	98.3	100.0	104.2	110.9	128.8	138.9	156.9
Wages	--	100.0	121.0	146.2	185.2	243.3	336.4
Import prices	96.5	100.0	102.0	110.8	125.2	143.0	148.8

160

SOURCE: F. Fesharaki, p. 107

The consequences of the Iranian economic growth and modernization were revealed when the oil revenues decreased (1974) and the dominant social and political system could not continue to cover their economic deficiencies. Although the results of such reforms, in terms of dependency perspective, were identified by various socioeconomic organization, it is revealing to hear of them from the official authorities who were partisan designers of the reform planning for Iran in the 1960's (U.S.).

The Shah's ambitious domestic and foreign policy goals have stretched the capacity of his people to attain them and have produced strains in the political, economic, and social fabric of the country. The rapid expansion of the economy over the past two decades reached the limits of the country's resources in 1975-76. The spectacular results of overall economic growth, attained with the support of oil revenues, could not obscure the structural weaknesses in the Iranian economy. These included a lack of coordination in development planning both within and between the various distribution of wealth, particularly between the urban and rural populations, and while the poor generally are better off, it has enabled the rich to become richer; a need for fiscal and monetary reforms; and a severe shortage of trained labor. The shortage of trained manpower is acute and seriously constrains development in virtually every area of activity.

The Shah's 'White Revolution' has achieved success in a number of aspects of modernization of the country, particularly in such areas as land reform, literacy programs, and increased number of schools, health and women's rights. On the other hand, it has

engendered an intolerance toward political dissent and an increased reliance upon the armed forces and security organizations to control opposition elements. The Shah's regime continues to face opposition both from the left and from traditional elements among the population (Ibid, p. 119-120)

There are various valid sources that explain the deficiency of literacy programs in Iran; and also the land reform; its nature and purposes which resulted in declining agricultural products. The recent massive uprising showed that not only the socialist traditionally-oriented groups were against the Shah's socioeconomic programs but also the middle classes.

If one is to analyze the deficiencies of the Shah's White Revolution, one should put it in the context of core-periphery relations. In this context, its deficiencies will be revealed. A problematic dilemma exists in the nature of capitalism which requires disarticulation of the economics of some parts of the world, which we call peripheral countries, in favor of the other parts, which are core capitalist countries. Disarticulation of the economies of the peripheral countries causes backwardness in some sectors which are not valued by the world capitalist market, such as the agricultural sectors of Iran's economy, and rapid growth of other sectors desired by the world market, which in Iran include the petroleum industries, copper, and gas installations.

A dependent political system which is supported by the core countries, such as the Shah's regime, is assigned to secure the relations that give the world market access to the products and internal markets it desires. The dominance of the dependent bourgeoisie in Iran between 1962 and 1978 was the consequences of such international relationships which had produced peripheral capitalist development. Such a socioeconomic and political system is dependent on foreign powers by its nature and the characteristics of its development, which arises not from inside, but from outside the country. A glance at the policies of one of the leading core capitalist countries, the United States, toward Iran, will reveal the intention of such policies. An official report the U.S. Congress identifies U.S. policy objectives for Iran:

1. To strengthen Iran in order to deter possible aggression in the area by the Soviet Union or its allies.
2. To assure the continuing availability for the United States and its allies of the critical oil supplies imported from Iran (about 6 percent on an annual basis of U.S. petroleum imports; more than 16 percent for Western Europe; almost 24 percent for Japan; and almost 70 percent for Israel)
3. To support Iran in its determination to provide, alone with Saudi Arabia, security and stability for the oil-rich Persian Gulf region.
4. To maintain close economic and commercial relations between the United States and Iran (with anticipated non-military American sales to Iran in the 1975-80 period estimated to be about \$22-23 billion); and

5. To support Iran in its efforts to promote political stability, economic development and regional cooperation in the area from Turkey to India.
(Ibid, p.132)

To sum up, the reforms by the Shah's political system resulted in some fundamental changes:

1. The conflicts between landowners and peasants decreased for years.
2. The political system obtained some benefits from the reform against its opposition groups.
3. The migration from rural areas toward cities increased and provided cheap labor for the industrial sectors.
4. The dual economic situation began to resolve into a new dominant socioeconomic system.
5. The contradictions between landholding and dependent bourgeoisie ended by benefitting the dependent bourgeoisie.
6. The landowners and other related groups were incorporated into the dependent bourgeoisie.
7. The work economic system could extend its market throughout the country, even into rural and nomadic areas.
8. Financial and industrial investment by world capitalist system began to increase.
9. Domestic agricultural and independent products were ignored by the dependent bourgeoisie and, thus, declined.

10. Accumulation of capital was increased by establishment of a new banking system.

11. Dependent capitalist relations developed between the people.

12. Peripheral capitalist mode of production, became the single dominant mode in Iran.

13. The society, economically and politically became dependent on the world market.

14. The conflict between capital and labor increased because of increasing capital accumulation in the hands of the minority ruling class.

15. Most of the state-run industries declined in favor of the private sectors.

16. Education and public services expanded.

17. A few cities began to grow rapidly and empty the towns and rural areas.

18. The expectations of the people rose to high levels without any economic and social basis for doing so.

19. The state and private bureaucratic organizations developed rapidly.

20. Communication and mass media developed throughout the country to indoctrinate the people with state-inspired ideology.

21. The gap between those who have and those who have not increased.

22. Class boundaries, conflicts, and struggles entered a new phase; and moved social relations toward a polarization of society.¹²

CHAPTER 7

THE ROLE AND FUNCTION OF THE WORLD¹³ CAPITALIST ECONOMY IN DEVELOPMENT OF THE DEPENDENT BOURGEOISIE IN IRAN

The semi-colonial period affected Iranian socio-economic formation in terms of its peripheral capitalist development. The colonial capitalist countries and the Asiatic monarchy, through suppressing any indigenous attempts at independent capitalistic development, established foreign-oriented capitalist activities as the dominant mode in Iranian society. In later periods the establishment of any sort of corporations in Iran were part of a growing dependent and peripheral capitalism and added to an increasing dependent bourgeoisie.

The area that were the most favorable for the core countries of late nineteenth and early twentieth centuries were: the oil industries, the construction and consultant sectors, and the military bases and constructions. The dependent bourgeoisie played an intermediate role in easing world market imports into the country.

Generally speaking, after 1828 the colonialist countries increasingly disarticulated the economic sectors of Iran

through importing commercial, industrial and financial products and exporting raw materials such as oil and mining products. This affected both the development of world capitalism and Iranian internal socioeconomic conditions. In each phase of the world economic system Iranian society was faced with new styles of economic and political domination. The economic history of Iran is full of instances documenting the increasing Iranian dependence on foreign capital and technology.

This dependence was rapidly increased with the U.S.-oriented Iranian reforms of 1962 and from 1962 to 1978 included two main activities: (1) investment in commerce, industry, banking, agriculture and mining; and (2) export of the single raw material, oil. The world capitalist economy led the society to develop a dependent bourgeoisie in various fields through state leadership enabling the world system to control its interests within the country.

Thus, the dependent bourgeoisie, monarchic political system and world capitalist economy were allied together to disarticulate the Iranian economy and incorporate it into the world market. Any development process in Iran should be analyzed within this frame of reference.

It was not in the interests of the nascent development of peripheral capitalism to pave the way for progressive groups such as workers or local independent bourgeoisie within the organized political ideology. The government thus

suppressed any sort of progressive development to secure the interests of foreign-oriented development. The core countries supported the regime's policy by encouraging a dependent bourgeoisie and suppressing any protest against their development.

Since World War Two there have occurred several fundamental changes at the international level among the core and periphery countries which have affected Iran's social development.

The world capitalist economy has reached its highest development in terms of having gigantic surpluses in finance and industrial production and its highest concentrations (and conflicts between) labor and capital. It needed a new policy and a new international order to absorb these surpluses and decrease its contradictions. The development of peripheral countries appeared to be the answer to these needs and the decades of the 1960s and 1970s were devoted to core development of peripheral societies through the multinational corporations. These corporations' method, in the peripheral countries, were to invest, industrially and financially, their accumulated surpluses.

Such investment in peripheral countries was a choice that apparently had some benefits for both parties. The peripheral countries needed industry, and investments in that sector to develop their economies and rid themselves of

continuous contradictions. The core countries needed to export their accumulated surpluses, e.g., labor, finance, and industrial staffs and production.

For example, between 1963-1968 imports of world market products increased from \$377 million to \$1,081 million (Ashraf, 1971:276). Foreign corporations in the fields of banking, industry, copper and agriculture were increased in the 1960's, most of them U.S. firms. Ashraf says:

The IMDI and the Center for Attraction and Protection of Foreign Investment have been instrumental in the inflow of foreign capital to Iran. The amount of private foreign capital investment in Iran, through the latter agency, in the period from 1962 to 1968 was nearly \$67 million. As a result, by the later 1960's almost 100 foreign investment ventures were active in Iranian industrial and mining enterprises. The majority of these corporations are mixed with more than 51 percent of the shares belonging to native, dominant families ranging from patrimonial households to the top bureaucrats, army generals, ex-large landowners and leading traders and industrialists. (1971:278).

The new dependent bourgeoisie not only could not release itself from foreign capital domination, but the political system did not encourage any possibility of its independent growth. Recent economic development which increased the GNP could not practically take serious action toward development of an independent bourgeoisie. Ashraf, in this regard, points out that,

Inspite of all assertions, the two chambers are totally subordinated to the political authority...They are, therefore, controlled by the government and used by the Ministry of the Economy to regulate foreign trade practices and industrial affairs. (1971:285).

Table 17 shows the increasing rate of the imports from the core countries from 1958-1974.

The role of the core capitalist countries in the development of class structure in peripheral countries is significant. During the English socioeconomic domination of Iran from the semi-colonial period to the 1950s, the English policy was "divide and rule". England supported the tribal lords, landowners, courtiers and some merchants in Iran to encourage the export of raw materials, especially oil, and the import of its industrial consumer production.¹⁴

After World War II, the leadership of the core capitalist countries shifted from Europe to other continents, specifically the U.S., and a trend toward granting independence to former European colonies increased.

The U.S. appeared on a world level as a leader of the core countries to encourage the trend toward independence among the peripheral countries of the 1950s and later. This shift was a result of World War II in which the European countries suffered heavy losses and could not continue to maintain their former colonial relations. There was also the increasing economic power of the U.S. as a new capitalist

TABLE 15: IMPORTS FROM IRAN'S LEADING TRADING PARTNERS (millions of dollars)

Country	1959	1963	1965	1970	1972	1974
West Germany	124.3 (22.8)	106.6 (20.8)	180.5 (20.1)	347.9 (20.8)	474.1 (18.4)	1185.0 (17.0)
Japan	54.7 (10.1)	37.0 (7.2)	71.5 (7.9)	201.2 (12.0)	359.5 (14.0)	999.4 (15.1)
United States	94.6 (17.4)	81.3 (15.8)	170.4 (19.0)	217.4 (13.0)	428.2 (16.7)	1321.5 (20.0)
United Kingdom	78.2 (14.4)	75.0 (14.6)	114.7 (12.8)	162.7 (9.7)	297.5 (11.6)	529.5 (8.0)
France	21.2 (3.9)	28.8 (5.6)	45.1 (5.0)	77.5 (4.6)	120.5 (4.7)	242.1 (3.7)
Italy	19.5 (3.6)	22.2 (4.3)	41.4 (4.6)	67.9 (4.0)	112.9 (4.4)	199.4 (3.0)
Others	151.7 (27.8)	162.6 (31.7)	274.8 (30.6)	572.0 (34.1)	777.8 (30.3)	2136.8 (32.3)
TOTAL	544.2	513.5	898.4	1676.6	2570.5	6613.7

SOURCE: F. Fesharaki, Development of the Iranian Oil Industry, p.191

country with an advanced technology and considerable capital.

The world capitalist economy required a new leader with advanced means of production and new socioeconomic relations between the core and the peripheral countries. It fell to the U.S. to supply the leadership that propelled the world capitalist economy toward a new stage of development, termed "financial capitalism". England, because of its postwar socioeconomic woes, was not prepared to assume such leadership. Its support of old, established politico-economic patterns in the former colonies and newly independent countries did not meet the increased post-war requirements of the world capitalist economy and the peripheral countries. Therefore the United States, supported by the nationalistic tendencies of the peripheral countries with their new bourgeois activities, stepped into a prominent position and thereafter led core-periphery relations.

Iran, a country which had suffered from the domination of England over the past decades, shifted from English to U.S. allegiance. The Iranian political system and internal conditions paved the road for such a shift. Since the Second World War the U.S. had increased its influence in Iran through supporting the regime, and dependent bourgeoisie by granting aid, military assistance, and participating in socioeconomic projects and planning.

The U.S. because of its advanced capitalist development supported the bourgeoisie in Iran and ignored older established socioeconomic groups such as landowners and tribal lords. The U.S. was influential in getting the Iranian government, in 1961, to carry out some reforms, especially land reform, and eased the development of a dependent bourgeoisie.

Although relations between Iran and the United States had existed before World War II, it was the oil internationalization crisis in the 1950's which deepened American interest in Iran. Early American contacts with Iranian culture were American missionaries sent to Rezaieh, in northwest Iran, beginning in 1829, to work among the Christian Assyrians. They were followed by other groups seeking to establish churches and other socio-cultural activities.

The Iranian-American relations increased when the oil nationalization of the 1950's was intensified and two poles of the international socioeconomic system evolved. The Cold War between the U.S. and Russia pulled Iran into a crisis because of its strategic location and vital raw material needed by the industrial countries, its oil. The post World War weakened the European core countries to take their role in peripheral countries and suppress the political activists which were against the capitalist countries. Iran was one of the countries which had begun to move toward

politico-economic independence from the weakened European colonialist countries after World War II when the oil nationalization of 1950-53 attracted the United States to the region to participate in an oil conflict in which England could not function effectively. Iranian internal and foreign policies were then influenced by the U.S. presence in Iran and the region. The main purposes of the relations between Iran and the United States after the Iranian oil crisis until 1978 have been categorized by Ramazani:

The principal considerations underpinning the American concern in Iran were:

- (1) that the Anglo-Iran controversy might lead to stoppage of the flow of oil to Western European allies of the United States;
- (2) that the example of Iranian nationalization might have a adverse effect upon the United States' oil interests in the Persian Gulf area;
- (3) that the British departure from the south of Iran would mean the domination of eastern influence in the area; and,
- (4) that a breakdown of the Iranian economy in the face of turbulent domestic politics, particularly resulting from increasing Tudah influence, might drive Iran to a communist coup d' etat.

This last consideration was specifically related to the overall American interest in the containment of the Soviet Union and Communism. (1976:p.326).

The Iranian political power structure was influential in bringing the United States into Iranian socioeconomic affairs and political policy. Through its advanced technology

and surplus capital the United States made it possible for Iranian politicians, essentially the Shah and his internal allies to establish the political structure through organizing and unifying the ruling class. Thus the heterogeneous ruling class of the late 1950's, which was comprised of courtiers, high level military officers, big landowners, and some religious leaders and wealthy merchants, was molded into a homogenous and organized ruling class through some alterations and reforms such as happened in the Shah's White Revolution. The White Revolution revised the political system through isolating such traditional leadership groups as the tribal Khans, landowners and religious leaders, and attracting other groups to participate actively in socioeconomic decision-making under the domination of the dependent bourgeoisie and the leadership of the king.

During this period the United States became involved in Iran, "not as a counterweight to Britain and Russia, but as the predominant superpower and the partner of Britain in a global East-West conflict". (Ramazani, 1976:326). It is necessary to mention that U.S. direct intervention in Iran came about in 1953, when the C.I.A. removed from power the Prime Minister, Mohammad Mossadegh, who was the representative of the progressive government and opposed to external intervention. The removal of Mossadegh and the Shah's return to power

was the start of a dramatic period for Iranians. After replacing England as the dominant Western power in Iran, the U.S. played an important role in Iran's military, financial, and political systems, backed the Shah's regime, and made possible by channeling the flow of foreign capital into the country.

Paarlberg mentioned direct U.S. intervention in Iran in the post World War II period:

Only following the celebrated nationalization of the Anglo-Iranian oil company in 1951, did U.S. attention turn decisively toward Iran. At first the nationalization crisis only gave the U.S. another reason to refuse assistance to Iran, Great Britain remained Iran's chief antagonist, and the U.S. sought to play only a mediatory role. But through its direct role in the removal of Prime Minister Mohammed Mossadeg from power in August 1953, the U.S. did replace Britain as the dominant Western power in Tehran. After 1953 levels of direct contact between the U.S. and Iran increased dramatically (1978:21).

After the overthrow of Mossadeg's government, the independent, internal bourgeoisie declined. In contrast, the state machinery and dependent bourgeoisie acted rapidly to increase U.S. intervention in Iranian affairs. Paarlberg says:

...an initial \$million arrived within one month of the 1953 coup, and in fiscal year 1954, U.S. aid totaled \$127 million.... A landmark agreement was negotiated in 1954 to cover the re-entry of Western oil companies into Iran. This agreement ended the British monopoly and gave to five U.S. companies (Mobil, Gulf, Standard Oil of California, Standard Oil

of New Jersey, and Texaco) a combined 40 percent of the New Iranian Consortium (1978:22).

Through the aid, investment and support of the coup government trade relations between Iran and the U.S. increased dramatically. Excessive imports from the U.S. made possible an increase in the dependent bourgeoisie but undermined Iran's economic position. The U.S. companies, and Iranian state machinery and its allies proceeded to consolidate their economic and political power throughout the society. With the establishment of the U.S. trade center in Tehran in 1973, U.S. traders exported about \$2 billion in non-military goods into Iran. In these years, there were about 27,000 U.S. citizens working in various economic sectors of Iran.

Such trade was to establish a new socioeconomic system in Iran. The 1953 coup paved the way for this change; it removed, dramatically, all opposing political organizations from the scene, and opened up the society toward foreign-oriented policy. The following table (Table 18.) is an example of the United States' support of the Iranian political government during fiscal years (FY) 1967 and 1968.

Thus Iran in the 1960s became one of the peripheral countries in the Middle East because of its socioeconomic and political readiness for such development. This readiness arose from the availability of cheap wage labor provided by

TABLE 16: TECHNICAL AND ECONOMIC AID, GRANTS AND LOANS FROM
THE U.S. TO IRAN (in millions of dollars)

	Total	FY-1967	FY-1968
Technical Assistance	142.5	0.7	0.3
Other Economic Grants	239.3	0.0	0.0
Economic Loans (Aid Type)	221.4	0.0	0.0
PL 480	121.6	3.7	1.0
Export-Import Bank	233.5	103.1	33.1
Totals	958.2	107.5	34.4

SOURCE: Iran Almanac, 1972, p.275.

peasants migrating to the cities; huge markets for consumption of industrial production enhanced by opening up the rural areas for consumer consumption; dependent bourgeois groups prepared to handle such development; the existence of political allies within the society; the existence and growth of internal contradictions; and, finally, the state revenue derived from oil sales.

The following statements which was prepared for the U.S. Congress by Harold H. Saunders, Assistant Secretary of State for Near Eastern and South Asian Affairs, reveals the role of the leading core country in recent Iranian socio-economic development.

The interests of the United States in Iran have remained constant over the past generation. Because of Iran's importance to the security of the Gulf region, the future of the Middle East and the production of oil, we have a strong interest in a free, stable and independent Iran. We have persistently and actively pursued this objective since World War II.... We have helped Iran strengthen itself economically in two ways: (1) we have participated in Iran's modernization first through development assistance and then through the cooperation of private American firms; (2) American and other Western companies have worked closely in the development of Iran's oil production and marketing, thereby helping to provide the revenues which have been the main engine of Iran's economic development...

We have also responded to Iran's requests to help modernize its armed forces, which have played and will continue to play an important role in Iran's defense....The Iranian armed forces, in addition to helping neighboring Oman defend against insurgency, have helped protect Western access to oil supplies. (U.S. Congress 1976:13).

The leading core capitalist country thus participated directly in the coup d' etat of 1953, which ended in the overthrow of Mossadeg's government. The Shah and his regime brought the reforms of 1962 which were called the reforms from above or the Shah's White Revolution, and paved the road for American, Japanese and West European corporations to invest in Iran.

The result of such participation and cooperation was the peripheralization and disarticulation of the Iranian socioeconomic formation, and the emergence, expansion and domination of the dependent bourgeoisie. That is why the application of dependency perspective finds this class to be the allies of the foreign capitalists. Their interests are related to interests of the foreign capitalist countries. This class led to society toward a foreign-oriented policy. All of which explains the development of a dependent bourgeoisie and its dominance in Iran in recent decades.

As a consequence of our other interests in Iran, we have an interest also in Iran's internal development and stability. But in an effort to pursue this interest, we must in the future, as we have in the past, respect the rights of Iranians to decide how they shall order their own future. (Ibid, 1976, p:14).

To sum up, Iran as a peripheral capitalist country, not only was economically dependent on the core countries but was also influenced and supported politically by these countries

that were interested in securing their economic and political interests in Iran and the region. Increasing oil prices in the 1970s allowed Iran to buy arms and make itself a military power in the region. The development process of the world capitalist economy, according to the policy which trilateralism had raised, made it possible for countries such as Iran to have a function in a critical situation to secure the interests of the core countries. The political system in Iran which was dependent on core countries, especially the U.S. since World War II, was encouraged to cooperate with this policy through suppressing dissenting internal political organizations and individuals, and carrying out reforms planned by the U.S., Iran developed itself into a country which could control the region for years.

The flaws in this policy came to light in the late 1970s and produced some major critical situation for the core countries. For example, through the militarization of Iran the country became too strong for core countries to control. Therefore, it was deemed that the core countries should change their foreign policies to alleviate such possible dangers.

U.S. President Jimmy Carter's human rights emphasis in foreign policy illustrated such a change. This policy influenced the internal policies of peripheral and dependent

countries such as Iran, to decrease their emphasis on military might. It shows how the internal and external policies of the peripheral countries were affected and even determined by the core countries. This influence was also felt in any economic development planning in these countries, and the development of the dependent bourgeoisie in Iran was the direct result of the development of the peripheral capitalist formation. Through this class the core countries imposed their foreign-oriented developmental programs for Iran on the economy of the country. The events of the late 1970s showed how these programs created an internal crisis. The 1978 uprising in Iran was in protest of a regime which the Iranian people considered a puppet of the core countries, and the wholesale intervention of the core countries in Iranian affairs. Table 19, illustrating the geographical direction of Iran's non-energy import and export trade (1971-76) serves to finalize this discussion by indicating the magnitude and trends of this peripheral country's socioeconomic relationship with core countries on several continents.¹⁵

TABLE 17: GEOGRAPHICAL PATTERN OF IRAN'S NON-ENERGY TRADE (million dollars)

	1971/72		1972/73		1973/74		1974/75		1975/76	
	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import
AREAS:										
OECD Countries	143.6	1678.2	161.6	2179.6	232.3	3011.2	279.5	5426.0	240.5	9874.3
(USA)	(27.8)	(293.0)	(41.5)	(428.2)	(54.8)	(487.3)	(46.2)	(1321.5)	(46.4)	(2286.5)
(Japan)	(12.7)	(275.7)	(12.9)	(359.5)	(43.1)	(548.5)	(31.6)	(999.4)	(19.5)	(1853.1)
EEC Countries	89.8	920.0	106.5	1144.1	211.5	1627.1	175.2	2511.9	154.2	4666.9
(U.K.)	(10.8)	(228.0)	(15.0)	(297.5)	(29.4)	(351.2)	(21.7)	(529.5)	(14.3)	(1023.2)
(Germany)	(51.3)	(389.7)	(60.5)	(474.0)	(106.5)	(731.9)	(93.1)	(1185.5)	(80.7)	(2024.0)
Socialist Bloc	112.2	237.6	182.6	171.2	162.6	354.5	147.5	542.8	190.5	564.4
(Soviet Union)	(69.1)	(141.4)	(104.9)	(72.0)	(102.0)	(213.9)	(94.7)	(270.3)	(110.4)	(168.2)
RCD Countries	0.8	11.2	0.8	19.1	1.7	33.3	3.6	78.7	1.9	108.7
OPEC	19.6	8.6	22.3	11.3	38.6	31.0	69.7	44.9	56.8	110.2
CONTINENTS:										
Americas	31.7	313.8	43.5	462.6	57.3	598.2	49.9	1461.4	47.7	2516.6
Europe	206.9	1282.1	272.6	1495.2	401.6	2218.8	341.0	3363.7	348.7	5874.3
Asia	87.4	391.3	114.2	539.4	155.5	803.4	168.7	1613.4	170.1	3006.6
Africa	8.0	17.3	8.2	23.1	17.7	48.0	19.1	80.1	23.1	76.0
Australia	0.6	56.4	1.3	50.1	2.6	68.7	2.8	95.1	2.6	222.1
TOTAL	334.6	2060.9	439.8	2570.4	634.7	3737.1	581.5	6613.7	592.2	11695.6

SOURCE: J. Amuzgar, Iran's Economic Profile, p.151¹⁴

CHAPTER 8

DOMINATION OF THE DEPENDENT BOURGEOISIE IN THE SOCIOECONOMIC AND POLITICAL SYSTEM

In this study, the phrase "socioeconomic and political domination of the dependent bourgeoisie" refers to relations between the dependent bourgeoisie who dominate the politico-socioeconomic sectors of Iranian society and other groups subordinate to those groups.

The dependent bourgeois groups had been dominant in Iranian society since the Shah's White Revolution of 1962 and in sociological terms are considered a class. They have their own class-defined interests, in Iran's case appropriating and expropriating the society's surplus value.

In its membership the dominant dependent bourgeoisie in Iran included a ruling strata who occupied the top positions in the court and state machinery and military, religious, commercial, economic and social organizations. The King and his courtiers are at the pinnacle of this group and determine socioeconomic and political policy for the entire society. The group comprises a small, but powerful, minority of the population.

Throughout this study references to the dependent bourgeoisie and its socioeconomic and political domination refer

to this small group who comprise the ruling class. Other classes and socioeconomic and political groups were dominated by this class either by co-option or forceful suppression.

The following pages trace, historically, in the researcher's understanding of Iranian social stratification. The various strata or classes and their functions and roles within the socioeconomic structure are explained.

It was the White Revolution of 1962 which changed the class structure of the society and made the ruling class more homogeneous through isolating some of its factions or incorporating them into the dependent bourgeois mode of production. In the following table the various strata, their composition and functions are shown.

Historically, a small but powerful ruling elite has run Iran over the past centuries and in the present. It was the worldwide capitalist economy which penetrated Iran in the colonial nineteenth century and led the ruling elite of Iran's political system to assume a new form. The Iranian Asiatic social formation in the pre-capitalist period was ruled politically by an absolute monarchy. The dominant production in this period was agriculture from which the monarch extracted revenues through his courtiers, princely camps, tribal Khans and entitled landholders.

TABLE 18: IRANIAN SOCIAL CLASS STRUCTURE

STRATA	COMPOSITION	FUNCTIONS
1. Ruling Classes Before the White Revolution	King and Courtiers -Tribal leaders -landlords -capitalists, mer- chants, landowners -military leaders -religious leaders	Exploiters
2. Middle Class	-bureaucrats -small merchants -technocrats -small landowners -small producers -intellectuals	mediators
3. Lower Class	-workers -peasants -nomads -urban lumpens -rural lumpens	exploited

The ruling class in this period was comprised of courtiers, tribal Khans, princely camps, big merchant-landholders, high religious leaders, and top military officers. Through these functionaries the "king of kings" governed the society with a centralized power system that kept absolute power in the hands of the monarch. If he was strong enough to control the people, the country was ruled by the central government, otherwise, there was anarchy and chaos. The major characteristics of the Iranian political system, then and now, are the centralized government (interspersed with periods of anarchy) and the lack of popular participation in the political power system.

Although the penetration of world capitalism changed Iranian socioeconomic conditions and created a new social formation, the ruling class adapted itself to the situation and changed its policies as needed to serve its own and foreign allies' interests.

It took a few decades for the country to change from a pre-capitalist Asiatic mode to a peripheral capitalist formation. Through this period the former Iranian elites, dependent on the colonial countries of the nineteenth century, England and Russia, and later the leading core country, the United States, shifted from their former socioeconomic positions to run the newly established social formation, peripheral capitalism. Although shifting from their older

positions to new ones was not easy for the various groups of the ruling class, it was necessary or otherwise they would be isolated from the political arena. Hence the dependent bourgeoisie came into power, but it added other characteristics, dependence on the core countries.

The emergence of a dependent bourgeoisie from the former courtiers, tribal Khans, merchant-landowners, high level religious leaders and top military officers made this group more dominant and oppressive because the support of the core countries meant they responded more positively to core interests with the consequent peripheralization of the entire Iranian socioeconomic structure and relations. The Shah led this process to end in the dependence of the country on the core capitalists. A growing middle class, which were dependent on the dependent bourgeoisie, produced a new social phenomenon of consumerism.

The dominant class in Iranian society was composed of an inner royal elite and an outer non-royal elite circle. This point is important when we focus on the development of dependent bourgeoisie as a dominant class. This outer circle was formed by the former courtiers, tribal Khans, big merchant-landowners, religious leaders and high level officers and statesmen. Saikal describes this situation:

The key non-royal participants in the system were those who had proved their loyalty to the Shah, and who often possessed political, economic, military, religious, and tribal influence, or a combination of these, as a result of which they commanded a large body of followers. The Shah and these key participants formed the autocratic ruling elite of Iran. But this elite was closely directed and overseen by an 'inner elite'... composed of the Shah and his brother, two sisters, Prime Minister, Chief of the secret police, Joint Chiefs of Staff, and Court Minister. The role of the last was important in that he headed a ministry that formed a secret government parallel to the official one, guiding and checking the latter under the Shah's direct command... (1980:74).

These leading groups, under the control of the Shah, participated in the country's dependence through getting financial aid, military assistance and advisors, technology, and heading subsidiary consumer industries furnished by the core countries. Under this cadre of decision-makers was a middle class of bureaucrats, educated people, and the clergy who worked for the dominant dependent bourgeoisie but had no function in decision-making or in foreign relations, socio-economic planning or export-import activities. It was one of the major characteristics of such a regime that it did not allow other groups to participate in decision-making, even those who worked for the system. Saikal explains this dichotomous structure:

The participants in the power structure, by virtue of their powerful positions, manipulated the administration for their own ends and purposes... The roles of public servants were reduced to executing the dictates of the top few, and they had little or no part in decision-making; they even hesitated to make routine daily decisions. As a result, the governmental machinery was inefficient, and riddled with corruption, favoritism, and offered no effective avenues of communication... (1980:75).

As mentioned before, the dependent bourgeoisie emerged in Iran when the two rival colonialist countries, England and Russia, began to penetrate into Iran and became involved in its economic and political affairs. Iran, as a semi-colony of these powerful states, began socioeconomic transformation that gave the seeds of the dependent bourgeoisie an opportunity to grow. The dependent bourgeoisie eventually established a relationship with the ruling class which resulted in the bourgeois revolution of 1906. The purpose of the revolution was to establish for this group the socioeconomic and political domination of the entire society. This was achieved over six decades and two World Wars and transformed the internal socioeconomic and political formations from pre-capitalist to peripheral capitalist.

With a peripheral capitalist socioeconomic formation the country depended for its means of production, technology and industries on the core capitalists countries.

Such dependence resulted in social, economic, political and cultural domination by the dependent bourgeoisie after the Shah's White Revolution. Their influence expanded throughout the country until they dominated all the varied sectors of the Iranian economy. It will be the task of the next chapter to analyze the impact on these sectors.

Although it has been explained throughout this study, it is necessary to briefly review how this class eliminated other groups to dominate the mode of production, the political system and other socio-cultural institutions. The ascendancy of the dependent bourgeoisie began with the Shah's White Revolution of 1962. Events of that period ended the struggles of any remaining progressive groups such as independent entrepreneurs, small scale local merchants, and working class organizations. Not only were the progressive economic and political groups eliminated but also the landowners, tribal leaders and their socio-cultural institutions that had been supported by Iran's allies.

At this time internal contradictions between traditional modes of production, and the capitalist mode of production were visible, their support groups were angry and a revolutionary trend was building. On the other hand, an external factor, the world capitalist economy, carried its own contradictions and needed to expand to gain new markets for financial and

industrial investment. These two factors pressured the foreign-supported government of the Shah to take the capitalists' advice and carry out some reforms for benefit of the dependent bourgeoisie which was potentially ready to lead the society. The reforms comprised such amenities as making rural land available to peasants, minimal increases in workers' wages and further industrialization in the elites that made more jobs available. The policy was toward development desired by foreign capitalists, the creation of a consumer society. By such means the rural areas were opened up to capitalist markets by land reform and cheap wage labor flowed toward new industries growing in the larger cities, financed by foreign capital.

The dependent bourgeoisie, who facilitated such development by obtaining foreign aid and technology and heading new industries, absorbed its old allies and rivals, or isolated them outside the economic mainstream with the support of the court and state machinery and the world capitalists, it thus became a dominant force to push Iran further toward dependent capitalist development.

Binder talks about the composition of this dominant group in Iran:

The new subdivisions of the upper class are the Westernized importers, industrialists, and bankers. Not far removed from these are the big merchants, many of whom are religious and maintain a traditional attitude. Some members of this class have managed to rise from petty trading, under the unusual circumstances afforded by each of the two Wars. The others, for the most part, are (or were) important landowners, who have diversified their interests. (1962:p:175).

By their support and corporation with the dependent bourgeoisie the inner circle of the dominant group, the ruling class dominated all profitable sectors such as the industries, insurance, the banking system, fertile and productive agricultural lands, and the import and export sectors.

The dominant dependent bourgeoisie divided its activity influence all these socioeconomic spheres. This division was foreign-oriented because of the separate nature of activities in production and consumption. They were led by multinational corporations to invest their capital surplus in the most profitable areas. These areas did not include independent, internally-generated business which therefore declined further, as did independent agriculture.

As independent economic activity declined, dependency increased to such a critical extent that the government was even forced to import foodstuffs from the core countries instead of buying food from the internal market. The following table shows the growth of such imports from FY 67/67 to FY 75/76.

TABLE 19: IRAN'S FOOD IMPORTS (million dollars)

	1967/68	1972/73	1973/74	1974/75	1975/76
Food & Beverages	<u>35.3</u>	<u>210</u>	<u>322</u>	<u>865</u>	<u>1,581</u>
(Cereals)	(4.4)	(94)	(113)	(461)	(560)
(Sugar)	(12.6)	(26)	(76)	(157)	(537)
Animal & Vegetable Oil	27.4	59	61	240	291

SOURCE: J. Amuzgar, Iran: An Economic Profile, p.152.

Changes in the internal material base of Iran involved more than food. The economic policy of the ruling class and its allies was to facilitate the export of raw materials (e.g. oil) and import capital goods and investment, foreign-oriented factories and industrial products. This policy necessarily conflicted with the interests of various groups but the events of 1962 made such a trading relationship with the core countries possible. The following tables illustrate this relationship from 1959, through the 1962 period, up to 1974.

Through his reforms the Shah not only got the support of the leadership groups through organizing them into a new dominant class, he also obtained the support of the majority of Iranians and the United States. It was in this period

TABLE 20: COMPOSITION OF IMPORTED GOODS, 1959-68 (Millions of dollars)

	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
Intermediate goods	267.5 (49.2)	324.6 (42.2)	329.9 (53.4)	313.2 (57.2)	285.1 (55.9)	408.0 (55.0)	518.2 (57.7)	558.2 (57.9)	711.0 (59.7)	856.5 (61.7)
Industries & mines	217.7	261.9	260.6	234.9	221.9	317.9	410.1	444.5	545.3	641.7
Construction	26.2	40.4	35.5	49.8	34.8	58.8	69.2	74.7	120.8	147.0
Services	22.1	19.9	29.1	23.5	22.1	24.7	30.7	31.3	30.9	52.1
Agriculture & Live- stock breeding	1.5	2.4	4.7	5.0	6.3	6.6	8.2	7.7	14.0	15.7
Capital Goods	112.1 (20.6)	167.1 (24.3)	129.8 (21.1)	114.9 (21.0)	104.4 (20.3)	162.4 (21.9)	223.0 (24.8)	260.7 (27.1)	329.3 (27.7)	376.3 (27.1)
Industries & mines	60.1	84.1	74.8	81.0	54.0	72.8	132.1	160.1	230.2	231.1
Services	33.1	69.1	29.4	20.6	26.7	47.7	55.8	63.9	71.5	103.8
Agriculture	19.0	13.9	25.6	13.3	23.7	41.9	35.1	36.7	27.6	33.4
Consumer Goods	164.6 (30.2)	196.6 (28.6)	156.9 (25.5)	119.5 (21.9)	124.0 (24.2)	171.9 (23.2)	157.2 (17.5)	144.8 (15.0)	150.0 (12.6)	156.4 (11.3)
TOTAL	544.2	688.2	616.6	547.6	513.5	742.3	898.4	963.7	1190.3	1389.2

NOTES: () indicates percent of total

SOURCE: Adopted from F. Fesharaki, Development of the Iranian Oil Industry, p.55

TABLE 21: COMPOSITION OF IMPORTED GOODS, 1969/74 (millions of dollars)

	1969	1970	1971	1972	1973	1974
Intermediate goods	987.3 (64.0)	1068.5 (63.7)	1336.3 (64.8)	1596.2 (62.1)	2273.7 (60.8)	4266.4 (64.5)
Industries & mines	737.4	845.0	1110.9	1265.8	1912.0	3324.5
Construction	152.7	145.8	138.5	204.3	237.8	375.8
Services	64.4	52.7	57.8	97.4	76.3	444.1
Agriculture & live- stock breeding	32.4	25.0	29.1	28.7	47.6	122.0
Capital Goods	387.2 (25.1)	391.0 (23.3)	482.9 (23.4)	642.6 (25.0)	906.0 (24.2)	1330.9 (20.1)
Industries & mines	316.2	263.7	316.6	411.9	560.3	770.4
Services	30.9	91.2	132.7	168.4	237.0	464.6
Agriculture	40.1	36.1	33.6	62.3	72.7	95.9
Consumer Goods	168.2 (10.9)	217.1 (12.9)	241.7 (11.7)	331.6 (12.9)	557.4 (14.9)	1016.4 (15.4)
Total	1542.7	1676.6	2060.9	2570.4	3737.1	6613.7

NOTE: () indicates percent of total

SOURCE: Adopted from F.Fesharaki: Development of Iranian Oil Industries, p.57

that the regime began to sell state-owned industries to former landowners and the wealthier families to initiate capitalist relationships. Although it was announced that anyone would buy the state-owned industries or part of one, it was the wealthier families who did so, furthering the development of bourgeois domination of the society, a process speeded through oil prices increases in the 1970s. Saikal explains how land redistribution and industrialization were accomplished jointly through the reforms of 1962:

The land was thus balanced, to a considerable extent, by the public sale of state-owned factories to private shares. This reform was intended to achieve two inter-related objectives: to enrich the government with an additional source of revenue, so that it could finance the land reform effectively, and to provide the former landlords with a necessary stimulus to reinvest in industry the money they had been compensated for their lands. In this latter objective, the government sought to buy off the former landlords, and yet increase the share of private investment under its own guidance in developing the industrial sector. Many former landlords, however, soon managed to become industrial lords...(1980 :110-111).

The functions of the dependent bourgeoisie in this period were to distribute the oil revenue, encourage consumption, increase consumer industrial production, and raw material export and to build up new subsidiary and consumer production. The state machinery led by the Shah and his courtiers was the apparatus which controlled this foreign-oriented plan and thus moved the dependent bourgeoisie towards its

dominant position in Iran. As the machine of control run by the Shah, his secret police and the army, these top officials controlled the peripheral development of that country.

As the dependent bourgeoisie expanded its control over the society through its use of extensive oil revenues in the seventies and the support of the core countries, its domination was not only economic but also social, cultural and political. As such its members made policy and set standards led trends and established fashion; in so doing they encouraged their countrymen and women toward a Western lifestyle of conspicuous consumption. Parasitically, the people of Iran were demanding a Western style of life without having an appropriate economic base to justify this existence.

In the late seventies the political system achieved full peripheral capitalism; the country was entirely dependent on foreign technology and direction. While it was claimed that Iran would be an advanced capitalist country before the end of the century, analysis makes it clear this could only come about through continued dependence on foreign capitalist countries and multinational corporations. It would require an increasingly powerful dependent bourgeoisie to dominate all socioeconomic activity; extract more surplus value and production to escalate its flow out of the country

an even larger market for consumer goods, massive imports (\$12 billion in 1974) and even more investment. Most of the investment which was planned by foreign companies and their internal allies, consisted of spending for consumption. By 1974 the amount of this investment had reached \$42.2 billion, which included communications, telecommunications, housing, public buildings, capital and consumer industries. In the final chapter of this section the dependent bourgeoisie will be examined in five broad subsections to see how these sectors, some involved with consumption, others with investments, still others with the extraction of surplus value made up a cogent whole and interrelated with each other and the larger society.

CHAPTER 9

THE STRUCTURE OF THE DEPENDENT BOURGEOISIE AND ITS FUNCTIONS WITHIN THE PERIPHERAL SOCIOECONOMIC FORMATION

The peripheral capitalist social formation with its characteristic mode of production has emerged and developed over the past two decades to dominate other mode of production in Iran. Consequently the dependent bourgeoisie became the dominant social and economic class and subordinated other classes; with the leadership of the Shah and his royal circle they led socioeconomic planning toward further peripherization and militarization of Iranian society.

Over the past two decades peripheral capitalism was expanded into most sectors of the Iranian economy and undermined their internal processes to turn them toward peripheral development. The dependent bourgeoisie have then guided this development in the various economic sectors, enabling the ruling class and the state administration to direct overall socioeconomic decision-making and political policy making. The intent in this chapter, then, is to analyze the structure and development of the dependent bourgeoisie in terms of their sectors of economic activity, in other words, their functions. Although the composition of this class remains

the groups mentioned in previous chapters, the nature and characteristics of their activities divide them into specialized economic sectors. Thus the political economy of Iranian society divided the dependent bourgeois class into: commercial, industrial, bureaucratic, financial and agricultural dependent bourgeoisie. This division will provide guidance in this analysis.

The structure of the dependent bourgeoisie which emerged and developed over the last eighty years, evolved within a new dominant social formation by expanding its activity, not only in commercial areas, but in other sectors of the society such as industrial, agricultural, bureaucratic and financial. Although these dimensions of the dependent bourgeoisie have existed since its emergence in society, they assume new importance when the dependent bourgeoisie system becomes a dominant mode of production within a new social formation. Then, its branches began to penetrate specific sectors of the system and involve themselves as dominant participants in these areas.

Therefore, it is necessary to analyze the structure of this phenomenon to see how its activities within the society and extracted surplus production to be channeled outside the country. A specific characteristic of this complicated phenomenon is the direct relations and interests

of the state machinery directed by the monarch and his court; the dependent bourgeois class and the world capitalist economy, the three allies that determined the trends of development in Iran over the last two decades. The various divisions of the dependent bourgeoisie and their functions within the total system were:

- a. Commercial dependent bourgeoisie
- b. Industrial dependent bourgeoisie
- c. Bureaucratic dependent bourgeoisie
- d. Financial dependent bourgeoisie; and
- e. Agricultural dependent bourgeoisie.

The Commercial Dependent Bourgeoisie

The colonialist period in Iran began with commercial activities. Although the two rival colonialist countries, England and Russia, pursued different goals, they had common interests in wanting to dominate Iran for their own commercial purposes. Their competition in this field has its own history outside the scope of this study, but the consequences of this competition resulted in their involvement in Iran during its semi-colonial, neocolonial and pre-capitalist periods.

Commercial activities in semi- and neo-colonial Iran were the main goals of the rival colonialist countries and

the focus of pre-capitalist social relations that ended in the emergence of a dependent commercial bourgeoisie.

The formation of a dependent commercial bourgeoisie in the early nineteenth century was the basis for a dependent capitalist formation founded in Iran. Commercial activity was also the origin of other division of the dependent bourgeoisie.

Through history, commercial emphasis has been on import and export activities. The growth of the industrial and financial investment sectors caused a decline in the external function of commercial activity. But this sector, through participation in export and import, industrial subsidiaries and functioning as distributors of industrial products, saved its position.

In functioning as distributors of industrial products the commercial dependent bourgeoisie extended its activities into transportation, education, chain stores and even retail activities which caused some conflicts with traditional merchants and retailers.

Historically, commercial and trade activity has its roots in Iran's long distance trade before the colonial period. In the semi-colonial period merchants, traders and money dealers tried to modernize their activities, but colonial policy and state procedures did not allow the necessary flexibility.

Since the penetration of colonial capitalism the commercial bourgeoisie was divided into two groups: traditional merchants in the Bazaar communities, and a newly emerging dependent commercial bourgeoisie, who were the allies of foreign traders and supported by the state machinery and ruling class. The former were independent and locally-oriented. An alliance of religious leaders, and local traders and retailers participated in national and religious movements against the state and world capitalist penetration. As traditional commerce and trade activity had declined over recent decades and the new commercial dependent bourgeoisie was growing and developing, there was conflict between the two which was exacerbated by the fact that the former sided with religious and national movements against the regime, and the latter supported the government and Western-oriented activities.

In the post war period the dependent commercial bourgeoisie had a chance to extend and exploit a chaotic situation. The socioeconomic crises of this period provided a good opportunity for this group to demonstrate its potential future role.

The situation was reversed in the Mossadeg period when the government supported internally generated commerce. The dependent commercial bourgeoisie joined other opposition groups in anti-government activity. The overthrow of the Mossadeg

government brought another supportive regime to power and enhanced dependent commercial activity. The dependent bourgeoisie co-opted the landowning and ruling classes, paving the way, politically, for massive importation under an open door policy.

Thus the dependent commercial bourgeoisie accelerated their activity in the 1953-1961 period; the total value of imports increased from \$168 million to \$692 million (Ashraf, 1971:265). They participated in wholesale trade with the world capitalist economy and discovered new areas of profits by investing in the banking system, industrial sector, and construction activities. The following table shows the growth of Iranian imports from 1964 to 1973. It should be noted that, without exception, imports increased in every category and most showed an increase every year in the decade. The areas of intermediate agricultural products and capital agriculture expenditures are especially indicative of the overall decrease in farming in a formerly agrarian society.

The import of industrial goods blocked the development of indigenous independent bourgeoisie in Iran in the early nineteenth century. The open-door policy led to the production of most consumer goods by large Iranian capitalist and foreign investors, through the establishment of light industries. Trade between Iran and foreign core countries

TABLE 22: GROWTH COMPOSITION OF IRAN'S IMPORTS, 1964-73 (millions of U.S. dollars)

	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Intermediate goods	285.1	408.0	518.2	558.2	711.0	856.5	987.3	1068.5	1336.3	1596.2	2273.7
Industries & Mines	221.9	317.9	410.1	444.5	545.3	641.7	737.4	845.0	1110.9	1265.8	1912.0
Construction	34.8	58.8	69.2	74.7	120.8	147.0	152.7	145.8	138.5	204.3	237.8
Services	22.1	24.7	30.7	31.3	30.9	52.1	64.8	52.7	57.8	97.4	76.3
Agriculture & livestock breeding	6.3	6.6	8.2	7.7	14.0	15.7	32.4	25.0	29.1	28.7	47.6
Capital goods	104.4	162.4	223.0	260.7	329.3	376.3	387.2	391.0	482.9	642.6	906.0
Industries & Mines	54.0	72.8	132.1	160.1	230.2	239.1	316.2	263.7	316.6	411.9	560.3
Services	26.7	47.7	55.8	63.9	71.5	103.8	30.9	91.2	132.7	168.4	273.0
Agriculture	23.7	41.9	35.1	36.7	27.6	33.4	40.1	36.1	33.6	62.3	72.7
Consumer Goods	124.0	171.9	157.2	144.8	150.0	156.4	168.2	217.1	241.7	331.6	557.4
TOTAL	513.5	742.3	808.4	963.7	1190.3	1389.2	1542.7	1676.6	2060.9	2570.4	3737.1

SOURCE: F. Fesharaki, Development of the Iranian Oil Industry, p.138.

peaked in the areas of industry, technology and spare parts, organized and supported by the dependent bourgeoisie. Nickbin describes this situation:

Insofar as imperialism is concerned the results (of trade) have been very successful. Iranian imports have risen from 49,000 million rials in 1959 to the astonishing figure of 795,000 million rials, 90 percent of which has come from the few advanced capitalist countries--and this does not include military imports. Over 75 percent of the imports in the last five years were goods used in productive consumption, consisting of 45 percent capital goods and replacement parts and 30 percent raw materials and intermediate goods used in the new industries. (1978:11).

The following table shows how the commercial dependent bourgeoisie imported materials which had been produced in Iran before the penetration of capitalist relations (See Table 25).

It should be noted that a considerable proportion of the increased imports are intermediate goods for final manufacture in Iran's light industries. For this reason the commercial bourgeoisie, through import and export, gave rise to the industrial sector of the dependent bourgeoisie.

Industrial Dependent Bourgeoisie

The overall position of the industrial bourgeoisie before the period under study is crucial. This stratum, in

TABLE 23. MAJOR EXPORTS FROM THE U.S. AND FROM ORGANIZATION FOR ECONOMIC COOPERATION
AND DEVELOPMENT COUNTRIES TO IRAN

SITC #	TYPE	1971		1973		1975	
		U.S.	O.E.C.D.	U.S.	O.E.C.D.	U.S.	O.E.C.D.
00	Live Animals	150	615	712	2678	6646	10121
01	Meat & Meat Preparation	70	316	180	2939	1174	28132
02	Dairy Products & Eggs	323	4080	219	15199	231	34717
03	Fish & Fish Preparation	14	96	6	172	10	556
04	Cereals & Cereal Preparation	23891	36505	83611	90056	317535	359584
05	Fruits & Vegetables	103	294	97	600	1428	11539
06	Sugar, Sugar Preparation & Honey	21	857	1144	4707	2483	9390
07	Coffee, Cocoa, Tea & Spices	71	587	164	1883	277	3949
08	Feeding Stuff for Animals	257	2498	2368	8905	331	5467
09	Misc. Food Preparation	1897	3135	1962	5356	3943	53283
11	Beverages	9	486	28	1724	98	4615
12	Tobacco & Tobacco Products	2019	2050	3610	3749	24586	26345
22	Oilseeds, Oilnuts Oil Kernels & Flour or Meal of Same	7	104	696	780	324	394
23	Rubber-Natural, Synthetic and Reclaimed	516	2920	516	5727	1924	10801

TABLE 23: CONT.

SITC #	TYPE	1971		1973		1975	
		U.S.	O.E.C.D.	U.S.	O.E.C.D.	U.S.	O.E.C.D.
24	Wood, Lumber & Cork	30	1100	134	1875	1439	8964
25	Pulps & Waste Paper	1002	1553	449	1439	2081	7822
26	Textile Fibers &						
27	Their Waste, Raw Silk	785	22297	1633	46094	664	122704
	Crude Fertilizers &						
28	Crude Minerals	1472	3075	2990	6152	29059	38623
	Metalliferous Ores						
29	& Metal Scrap	23	76	13	668	521	5467
	Animal & Vegetable						
33	Materials	646	1805	747	4167	2501	8003
	Petroleum & Petro-						
41	leum Products	1342	3699	2720	7628	5484	18587
42	Animal Oils & Fats	3148	3165	6401	7048	5224	6172
	Vegetable Oils &						
	Fats (non-hydro-						
	genated)	23779	27204	11423	22083	77447	97977
43	Fatty Acids, Waxed						
	and Hydrogenated						
	Fats & Oils	62	1057	37	1685	262	3651
51	Chemical Elements &						
	Compounds	5008	25768	5408	46570	20977	106102
53	Dyeing, Tanning &						
	Coloring Materials						
	(Natural & Synthetic)	0	15403	604	34760	1318	56023
54	Medical & Pharmac-						
	utical Products	7631	32134	12605	71838	22220	151973
55	Essential Oils &						
	Perfume Materials	413	3904	716	8038	2592	18243
56	Manufactured						
	Fertilizers	1579	11929	29	300	47319	50692

TABLE 23: CONT

SITC #	TYPE	1971		1973		1975	
		U.S.	O.E.C.D.	U.S.	O.E.C.D.	U.S.	O.E.C.D.
57	Explosives & Pyro-technic Products (Incl. hunting ammunition)	247	3398	2992	8497	2326	15849
58	Synthetic Resins, Regenerated Cellulose & Plastic Materials	1503	19321	19321	66161	11183	126202
59	Chemical Products & Materials, N.E.C.	3906	16134	5993	38732	23012	100838
61	Leather, Leather Manufacturers & Dressed Furskins	34	637	101	1588	421	3551
62	Rubber Manufacturers & Semifinished & Finished	1077	17647	2867	40373	10144	118675
63	Wood & Cork Manufacturers	95	3168	157	3908	920	37431
64	Paper, Paperboard & Manufacturers	3460	15183	4514	35447	17534	77940
65	Textile, Yarn, Fabrics, Made-Up Articles, Related Products	2031	58052	7715	160383	12564	245543
66	Nonmetallic Mineral Manufacturers, N.E.C.	1334	16526	1773	36598	4865	100347
67	Iron & Steel	6901	145826	19359	352630	249269	1495305
68	Nonferrous Metals	2006	18223	1330	40548	3341	102691

TABLE 23:CONT

SITC #	TYPE	1971		1973		1975	
		U.S.	O.E.C.D.	U.S.	O.E.C.D.	U.S.	O.E.C.D.
69	Metal Manufacturers, N.E.C.	6352	47085	13628	86349	42919	384555
711	Non-electric power Generating Machinery	24436	49288	38551	114255	64881	294699
712	Agricultural Mach- inery	3930	9301	11148	45607	80178	170067
714	Office Machines & Parts	1320	6702	2762	21447	21648	62939
715	Metalworking Machinery	1831	22093	4569	29551	31387	106271
717	Textile & Leather Machinery	4166	30646	4086	82969	4184	209412
718	Special Industries Machinery						212
	.1 Paper & Pulpmill	212	1510	424	11050	1404	12136
	.2 Printing & Book- binding	26	2740	593	7192	2071	18196
	.3 Food-processing	108	11160	132	4929	2371	22519
	.4 Construction & Mining	10484	16529	46211	79935	152516	368483
	.5 Mineral Crushing, Sorting, etc.	398	18043	1346	21636	16022	155116
719	Machinery & Appliances						
	.1 Heating & Cooling	10780	28361	14931	51328	67752	209781
	.2 Pumps, Compressors Filtering Equip- ment	8244	25881	17182	52627	41149	160852
	.3 Mechanical Handling Machinery	2718	15216	7629	33273	72809	228809

TABLE 23: CONT

SITC #	TYPE	1971		1973		1975	
		U.S.	O.E.C.D.	U.S.	O.E.C.D.	U.S.	O.E.C.D.
719	Machinery & Appliances						
	.4 Domestic Appli- ances (non-elec)	219	838	51	1448	283	5153
	.5 Power Tools	537	5469	670	12842	4245	46688
	.6 Calendering, Bottling, Pack- aging, Weighing, Vending, etc.	1352	6317	1560	12772	4611	56905
	.7 Bearings	462	2376	1207	4138	2751	12800
	.8 Mechanical Appli- ances	3340	26636	6692	49357	29973	171417
	.9 Metal Foundry Moulding Boxes, etc.	4343	19629	7755	46378	19689	119567
722	Electric Power Mach- inery & Switchgear	5104	46863	15008	78599	28482	235402
723	Electric Distribu- tion Equipment	510	11327	2614	30104	40166	111537
724	Telecommunications Apparatus	14006	88881	14484	109699	50108	248826
725	Electro-thermic & Electro-mechanical						
726	Household Equipment Electro-medical & Radiological Appar- atus	383	8391	1165	17412	11640	76264
729	Electric Machinery	1070	2336	1657	4523	4278	11063
		4397	36689	8842	71604	30883	62248

TABLE 23: CONT

SITC #	TYPE	1971		1973		1975	
		U.S.	O.E.C.D.	U.S.	O.E.C.D.	U.S.	O.E.C.D.
731	Railway Vehicles	14660	18765	7560	10460	14812	62248
732	Road Motor Vehicles	27658	85677	42482	283089	407836	1515512
733	Other Motor Vehicles	1002	2245	1015	6865	79651	126050
734	Aircraft	54807	84717	65127	108664	301625	399893
735	Ships & Boats	199	2048	393	46989	5257	100236
81	Sanitary, Plumbing & Lighting Fixtures	702	6415	722	13525	3233	32409
82	Furniture	291	4221	330	3718	1699	19522
84	Clothing & Accessories	196	2701	197	3563	1164	10135
86	Scientific, Medical, Optical, Measuring & Control Apparatus						
	Watches, Clocks	8364	33627	7884	59755	19446	164863
89	Misc. Manufactured Articles	1981	18546	3214	34203	23885	102095

SOURCE: Iran: A Survey of U.S. Business Opportunities, 1977, p. 14-15.

the pre-capitalist period, was not able to expand. Crafts were also one of the major revenue sources for state and local governors and were controlled by them, rather than by the craftsmen.

In the semi-colonial period several attempts were made by this stratum, to expand their operations and influence but this did not fit the purposes of colonial capitalist policy and they failed in favor of imported industrial materials.

The industrial bourgeoisie in the state capitalist period encountered serious obstacles, because industrialization efforts were focused on state-owned industries. This policy impeded the development of independent industrial bourgeoisie. In the post World War II period the industrial bourgeoisie had no opportunity to enhance its development in Iran because of the socioeconomic crisis in Iran and the world.

The period between 1941-1951 was allocated to the unfinished infrastructure which was begun under state capitalism in the Reza Shah period such as, expansion of roads and improvement of networks of communication. Most of these plans were U.S. military and economic interests and were utilized in the coming decade for strategic purposes.

It was in the 1951-1961 period that the private industrial bourgeoisie had a chance to grow rapidly. For example, industrial investment in 1956 increased from \$60 million per year to an estimated \$120 million (Ashraf, 1971:255).

One of the major characteristics of the development of the dependent bourgeoisie has been development and expansion of industrial sectors since the reforms of 1962. This was based, primarily, on foreign capital which was invested directly or indirectly in industrial sectors and especially in two major fields: mining and consumer industrial production. The role of state capital investment in mining industries was significant. Private capital investment in industrial sectors went, primarily, to consumer goods and transport. A major point in state investments in mining and steel was its intention to transfer this to the private sector.

Industrial development in recent years, and its expansion throughout Iran has been dependent on foreign capital, technology and foreign spare parts. A review of the nature of the capital investment, the kinds of industries which have been established, and the control of these industries will show how this part of the dependent bourgeoisie functions and is dependent on foreign-oriented policy.

The greatest part of capital investment in this field comes, directly and indirectly, from foreign capitalists. Various banks, which function with foreign capital, are the sources from which these industries, at high rates of interest,

obtain credit to invest in the industrial section. Consequently, most of the surplus flows out of the country, as interest payments, through these banks.

The dependent industrial bourgeoisie needed to buy foreign industries to establish in the country. This did not extend to investing in all the component parts of one or a few basic discrete industries. Instead they tended to buy various kinds of processes and needed to keep on importing new machinery and spare parts spending large portions of the country's currency to import such materials. This meant the country could not achieve industrial independence. It is difficult to know whether core countries deliberately fostered this dependence or whether the industrial bourgeoisie chose to buy the least expensive light industry processes--rather than the heavy components of basic industries that are more expensive.

By development of consuming industries, and the expansion of their production throughout the country, consumer and distribution groups appeared to distribute these consumer commodities and continue the development of their manufacture. The following table shows one area of Iranian consumer industrial production, TV and radio manufacturing for 1976. The point to note is that while Iran had the capacity to produce 497,000 tv sets that year, 200,000 picture tubes, a vital component of each set, would be produced locally,

TABLE 24: TV AND RADIO MANUFACTURERS IN IRAN IN 1976

NAME OF COMPANY	PRODUCTION CAPACITY (Units)
TV Manufacturers	
Pars Electric Co.	170,000
Azmayesh Mfg. Co.	60,000
Bermo Electronic Ind. Co.	2,000
Iran Radio & TV Co.	40,000
Kashani-Akharan & Partners Mfg. Co.	10,000
Kogfard Electronic Ind. Co.,	41,000
Mahboubi-Radjollah Co.	3,000
Mofid Mfg. Co.	60,000
Radio-Electric Iran Co.	60,000
Radio-Sharar Co.	45,000
Radio Manufacturers	
Mahboubi-Bodiollah Co.	3,000
Iran National Co.	10,000
Pictures Tubes for TV	
Transpic Company	200,000

SOURCE: Iran: A Survey of U.S. Business Opportunities, 1977
p.63.

leaving Iran's t.v. industry dependent on foreign manufacturers for the majority of these vital components.

Halliday mentions the characteristics and structure of the Iranian industries which has been developed in the last two decades:

...The state has invested directly in industry...The state has provided the funds for the private sector develop... The second agent of industrialization is the Iranian bourgeoisie. Historically there was no strong bourgeoisie committed to industrialization in Iran; private capitalist activity was based on trade and centered in the bazaar. The third final, agent in the industrialization, drive has been foreign capital. (149-151).

Bill states how former landowners, after the reforms of the 1960s, moved to invest in industrial sectors:

...The recent acceleration of the land reform program has estranged certain landlords from much of their land and there is good reason to believe that they might very well move from the landed to the industrial aristocracy. (1963:403).

The reason why the industrial dependent bourgeoisie developed in Iran and alienated indigenous and local products was a lack of ability to produce their means of production in the history of the Iranian economy. This was the major factor which made this section dependent on foreign technology. Iran could not produce its means of production and produce its means of subsistence, independently. The consequences

paved the road for foreign-oriented and foreign-imported industry, on the one hand, and the backwardness of internal crafts, traditional and modern factories.

The climax of this period, in which foreign industries and technology were introduced into the Iranian economy to establish new style industries for consumer production, luxury and second hand productions; was the Shah's reforms of 1962. In this period, because of the internal security for capital and technological investments and the international situation, Iran industrial sectors started to extend throughout the larger cities. Iranian industrialization was known as an example which destroyed all societal obstacles for development. But this was only one point of view. Another view presents the other side of the coin, showing the disarticulation, unequal exchange and inequality between Iranian social groups.

To sum it all up, although the Iranian economic profile shows that the development and extension of industry throughout the country made possible economic growth and income increases among the economic groups, it was certainly peripheral development. The consequences of such industrial development was the emergence of a dependent industrial bourgeoisie. This stratum became fully developed over the last two decades, and became one of the instruments of the state machinery.

The main features of the industrial sector of the Iranian society which resulted in the emergence of a dependent industrial bourgeoisie were: foreign-oriented and foreign-dependent; unequal development, disarticulation of the various economic sectors; and social and economic inequality.

Foreign-oriented and foreign-dependent industries, which characterize Iran's industrial and technological imports, mean a superficial development of the new industry onto the old traditional sectors. This process resulted in the emergence of the other aspects of peripheral development. Through the import of modern industry and technology traditional handicraft techniques were retarded, and subjugated the former one. The combination of Iran's industrial growth with these two kinds of industrial sectors were the major problems of economic development. The disarticulation of the socioeconomic formation and the struggle between the agents of these sectors were revealed through the recent movements in Iran. The agents of foreign-oriented and foreign-dependent industry were the dependent industrial bourgeoisie and the agents of the traditional, local crafts and industries were the independent and traditional craftsmen and industrialists.

The independent and traditional factories and industries could resist against the modern industries because of

the import of advanced technology and means of production and the support of the internal state machinery and the mediation of the world capitalist economy.

What was the purpose of world capitalist imports to the new industrial sectors of Iran, which were established throughout the populated areas? The major purpose was the export of surplus capital and the growth of technology and investment in periphery areas. Through this, the world capitalist economy exported its internal contradictions toward the rich and peripheral areas, such as Iran. The capital and technology were located in the areas in which labor and raw materials were already prepared, and the market for such production had been secured. Iran paved the road for such a process by preparing her internal conditions, getting the support of the world capitalist countries and increasing oil revenues. The landowners through releasing their capital from lands; the courtiers through investing their expropriated capital; the dependent commercial capitalists through plundering; and, finally, the foreign capitalists with their technology and the support of their states invested their capital in this profitable sector. They all created the new industries in Iran and established the dependent industrial stratum within the dependent bourgeoisie.

Although a recent attempt at reform was to open the rural and backward areas to capital relations and consumption through extending the new industry and technology to these parts of the country, the consequent process blocked this policy because of unequal industrial development from the standpoint of technology and geography. It is in the nature of peripheral development to result in such development. In fact, this is one of the core discussions of the dependency/world system perspective, the peripherization of the social functions of host countries through technological and capital imports. These imports are not requirements of the periphery but requirements for the world capitalist economy. It is, through this process, that economic development and especially industrial development of the periphery result in the disarticulation of the host country and growth of the dependent bourgeoisie.

Iran's economic development is a good example of this process. The traditional craftsmen and factories survived in remote areas of the villages and towns even though imported technology and industry was installed in the big cities and around the capital. Thus there was progress of one part and retarding of the other part of the sector.

The result of this kind of industrial development limits the growth of internal markets and the generation of

internal dynamic development which induces expansion of the division between labor and the internal market. It produces foreign-oriented loyalties and consequently the development of a dependent industrial bourgeoisie.

Bureaucratic Dependent Bourgeoisie

The state machinery and the monarchic political system is a frequent topic of discussion for scholars interested in the role of such an institutionalized system within the Asiatic social formation in Iran and some other peripheral countries. This particular social phenomenon attracts researchers who want to examine the functions of such a system in developing or sustaining development of the societies they govern.

The Asiatic societies and their Asiatic modes of production imply the role of the existence and persistence of such phenomenon in determining the fate of the societies in the pre-capitalist period and later when the societies were undermined by being peripherized, their social formations incorporated into the world capitalist economy.

The role and functions of the monarchic system and its court (and lately its bureaucratic administration) in the development of the social formation in Iranian society have been decisive. The relationships between the monarchic

state bureaucracy and the dependent bourgeoisie are a good example of its function in the dependence of the society.

The colonialist countries in the nineteenth century intervened in Iran with the consent and participation of the monarch and his court. Then there were a series of treaties, of concessions and agreements to formalize relations between the countries.

The emergence of the state capitalism in Reza Shah's period was a direct consequence of the influence of the monarchic system on trade and other activities. Through this experience it seemed that state activity in the economic sector, especially investment in public institutions, was necessary. Thus the state itself assumed a capitalist role and invested in various economic sectors to modernize Iran. This trend eased the incorporation of Iran into the world market. State capitalism in Reza Shah's period allowed the state machinery and bureaucracy to develop, and become an administrative force to impose the regime's goals on people.

This bureaucracy was the basis for emergence of a dependent bureaucratic bourgeoisie in that period. The state's financial, bureaucratic and military forces were in the hands of this statum and played a significant role in the development of the dependent bureaucratic bourgeoisie in Iran. They participate in any investment sector and appropriate from them to expropriate a higher degree of surplus.

They become fat by these investments through misuse of their political, administrative and military positions.

With control of natural resources, the state bank, and investments in industrial and mining fields, the expanding state bureaucracy found numerous ways of securing individual interests and private income. This happened, not only among high level bureaucrats and technocrats, but also among court officials and military officers. The Shah and his family were the largest capitalist in the country; they dominated great fertile lands, factories, mines and opened up various state and jointly merchandized units and cooperations.

...The other main result of the reform is that the state has intervened in the village, and is now in three ways the dominant power there... It has guaranteed and where necessary created private property in land... (Halliday, 1979;118-119).

Halliday also addressed the question of the origins of the increasingly large bureaucratic bourgeoisie. He found that many in this stratum had arisen from the ranks of dispossessed landowners after the reforms of the Shah's White Revolution.

...Some landowners have become part of the urban bourgeoisie while those with large holdings have been integrated into the new, composite, rural bourgeoisie. Some have become state employees of one kind or another; others have gone into private business. The state has indeed encouraged the conversion of landowners into urban capitalists by providing some of the dispossessed landowners with their compensation in the form of shares in government industries (Ibid, p. 134).

The reforms from above in Iran were done with the state machinery with its bureaucratic apparatus, police enforcement and the support of the U.S. Through them the Shah, his court and the state bureaucracy became more powerful than before. The bureaucracy, through its involvement in the land reform program, and import and export enterprises, attained a large proportion of the state's power and became the strongest stratum of the dependent bourgeoisie because of its political power, participation in foreign concessions and state capitalist background.

A major characteristic of the state bureaucracy was its involvement in economic investment. Although the regime wanted to see a new middle class emerge to support private capitalist development, it was primarily the state bureaucracy which participated in industrial, agricultural and export-import investment and activity. This created a conflict between dependent industrial, commercial and financial bourgeoisie and the dependent bureaucratic bourgeoisie and provided for the expansion of the state machinery into whole spheres of social relations to control the society. This was a contradictory situation because the nature of peripheral capitalist formation requires the development of capital relations and free enterprise activity to extract the utmost surplus. But the intervention of the state bureaucracy paralyzed this development. The state bureaucracy

wanted to dominate these strata with the help of the Shah and his police apparatus. But these strata wanted to have their own way for expropriation and appropriation of surplus production. This conflict situation increased when the state bureaucracy encountered financial problems in the early seventies because of decreasing oil revenues. The dependent bureaucratic bourgeoisie was the most powerful element of the dependent bourgeoisie and played a significant role in the domination of peripheral capitalism in Iran.

Amin talks about the nature of the bureaucratic dependent bourgeoisie in saying that "...the bureaucratic developments in the periphery need to be interpreted, in my opinion, in relation to their own setting, which is that of the formation of peripheral capitalism." (1974:386).

Looney discusses the attributes of the dependent bureaucratic bourgeoisie in running the state machinery. Although his language and approach differ from the perspective this study has chosen, he gives concrete examples of the original function of the state machinery. He says:

Another supporting element has been Iran's human sources, especially the role played by the country's top government administrators and entrepreneurs. As a result of the critical need for trained people and of the nation's traditional social values that placed education in an elite category, Iran has long given high status and positions of public responsibility to a small corps of highly trained people. In addition, a young group of highly educated

technocrats, many of whom were trained under the military education system initiated by the White Revolution, has played a dominant role in Iran's recent development success (1977:17).

The Financial Dependent Bourgeoisie

As mentioned in previous chapters, the traditional money dealers in the Iranian pre-capitalist period functioned as bankers in the semi-colonial period. Some attempts were made to establish a banking system, by big merchants and money dealers, but the monarchic system and the colonial policies of England and Russia distrusted this capitalistic activity and the result was their bankruptcy. Instead, the government permitted English and Russian banks to establish a banking system within the country.

State capitalism, in Reza Shah's period, did not allow private individuals to establish any banking system, but the government itself started the first state bank in Iran, which is now the Iranian National Bank.

The 1950's saw the emergence and development of a private banking system held by Iranians and foreign capitalists; in this decade about nine private banks and eight mixed banks were brought to life (Ashraf, 1971:266). In expanding the banking system in Iran, top officials and some

dependent capitalists enjoyed participation in this branch of profit-making activity.

Because of its high rate of profits, banking increased rapidly in the early sixties. Within the decade (1960s) about 824 units multiplied to 2,290 units spread throughout the country.

Most of the shareholders in these banks belonged to the court and royal family, or were top officials, generals and landowners or foreign capitalists. In the late 1960s and early 1970s most banking activity was still shared by a handful of families but during land reform, former landowners, invested their compensation in this branch of dependent capital activity.

The White Revolution initiated the policy that the world economic system and Iran's ruling class wanted. Since that period economic development has favored the rise of groups controlling the financial sectors of the country and they have become the politically and economically dominant group and close allies of the world capitalist economy. For example, the banking system is controlled by a financial group which is known to be comprised of dependent financial bourgeoisie who are allied with the multinational corporations. Through control of the banking system this group, with its foreign-oriented allies, could retard the growth of

domestic industrial, agricultural and commercial systems. This went on continuously throughout the 1960's when the power of the traditional economic sectors and their social relations were waning. The strength of the foreign capitalists, however, was on the rise.

The multinational banking system also had an exploitive role in the peripheral countries. All sorts of investments in these countries were possible through this financial system. It channeled the flow of surplus value from the periphery toward the core countries.

The banking system in Iran developed and dominated all areas of the economic sectors through controlling industrial, commercial and agricultural investment. Through the expansion of this sector, the expropriation and appropriation of surplus production and value became possible for foreign capitalists. The following tables show that multinational character of banking activities in Iran and the contributions of Iranian and foreign shareholders.

The foreign banking system in Iran is an excellent example of the overall economic dependence of Iran on core countries. In 1979 there were twelve major U.S. banks with about \$2.2 billion in assets which controlled most capital and investment activities. Table 29 shows the U.S. banks and their credit exposure, capital which was invested in loans, agricultural and industrial sectors of Iran in 1979.

TABLE 25: IRAN: MAJOR IRANIAN BANKS IN 1975

Commercial Banks (All addresses Tehran)	Year of Establish- ment	Issued Capital (Millions of U.S. Dollars)	Ownership (Percent)	
			Iranian	Foreign
Bank of Tehran	1952	11.4	65	35
Bank Omran	1946	10.6	100	--
Bank Etebarat Iran	1958	9.9	60	40
The Foreign Bank of Iran (Bank of America)	1958	9.9	60	40
Distributors Cooperative Credit Bank	1959	8.5	100	--
Russo-Iran Bank	1924	8.5	--	100
Bank Bazargani Iran	1949	7.1	100	--
Mercantile Bank of Iran and Holland	1959	7.1	65	35
Bank Pars	1952	7.1	100	--
Bank Binnch Iran	1958	5.7	100	--
The Bank of Iran and the Middle East	1959	5.7	60	40
The Irano British Bank	1958	5.7	60	40
Bank Melli Iran	1928	227.0	100	--
Bank Shahriyar	1973	71.0	100	--
Bank Saderat Iran	1952	42.6	100	--
Bank Sanaye Iran	1973	42.6	100	--
Bank Dariush (Continental Bank of Chicago)	1974	28.4	65	35
International Bank of Iran (Chase Manhattan)	1975	28.4	65	35
Irano Arab Bank	1975	28.4	66	34
Bank Sepah	1925	21.3	100	--
Bank Kar	1958	14.6	100	--
Bank Refah Karagaran	1960	14.2	100	--
The International Bank of Iran and Japan (Bank of Tokyo)	1960	14.2	100	--
Iranian's Bank (Citibank, N.Y)	1959	14.2	65	35
<u>SPECIAL BANKS</u>				
Bank Markazi Iran	1960	354.6	100	--
Agricultural Cooperative Bank of Iran	1933	299.0	100	--
Bank Rahni Iran	1938	142.0	100	--
Industrial & Mining Develop- ment Bank of Iran	1959	89.5	85	15
Bank Sakhteman	1974	85.2	100	--
Industrial Credit Bank	1956	61.3	100	--
Agricultural Development Bank of Iran	1968	56.8	100	--
Bank Iranshahr	1958	42.6	100	--
Development & Investment Bank of Iran	1958	42.6	100	--
Development Bank of Azarbayjan	1975	14.2	100	--
Development Bank of Khazar Rasht	1975	14.2	100	--
Development Bank of Khuzestan Ahvaz	1975	14.2	100	--

SOURCE: Adapted from Iran A Survey of..., 1977, p. 49.

TABLE 26: IRAN: FOREIGN BANK REPRESENTATIVE OFFICES

ABECOR (associated Banks of Europe)

Algemene Bank Nederland N.V.....	Netherlands
Banque de Bruxelles Lambert S.A.....	Belgium
Bayerische Hypotheken and Wechsel Bank.....	West Germany
Dresdener Bank AG.....	West Germany
Oesterreichische Laender-bank.....	Austria
Banaca Commerciale Italiana.....	Italy
Bank of America.....	United States
Bank of Tokyo Ltd.....	Japan
Bankers Trust Company.....	United States
Banque Nationale de Paris.....	France
Banque de Paris et des Pays-Bas.....	France
Banque Rothschild.....	France
Barclays Bank Ltd.....	England
Bayerische Vereins Bank Munich.....	West Germany
Berliner Bank AG.....	West Germany
Vereins and Westbank AG.....	West Germany
Brandt Ltd.....	England
Grindlays Bank Ltd.....	England
The Chase Manhattan Bank.....	United States
Commerz Bank AG.....	West Germany
Credit Lyonnais.....	France
The First National Bank of Chicago.....	United States
Citibank.....	United States
The Fuji Bank Limited.....	Japan
Berliner Handels-Und Frankfurter Bank.....	Germany
Credit Commerciale de France.....	France
Krediet Bank Bruxelles.....	Belgium
Nederlandsche Middenstands Bank, N.V.....	Netherlands
Privat Banken A/s.....	Denmark
Williams and Glyn's Bank, Ltd.....	England
Korea Exchange Bank.....	Korea
Lloyds Bank International Ltd.....	England
Manufacturers Hanover Trust Co.....	United States
Morgan Grenfell & Co. Ltd.....	England
Midland Bank Group.....	United States
The Philadelphia National Bank.....	United States
Societe Generale.....	France
Swiss Credit Bank.....	Switzerland
The Sumitomo Bank Ltd.....	Japan
Union Bank of Switzerland.....	Switzerland
Swiss Bank Corporation.....	Switzerland

SOURCE: Adapted from Iran, A Survey of..., 1977, p.150

TABLE 27: CREDIT EXPOSURE OF AMERICAN BANKS IN IRAN AS OF FEBRUARY 1979

Group	Bank	Location	Credit
A	Citibank	New York	\$200 million
	Chase Manhattan Bank	New York	or more
B	Chemical Bank	New York	Between
	First National Bank	Chicago	\$100
	Manufacturers Hanover Trust Co.	New York	and
	Morgan Guaranty Trust Co	New York	\$200
	Bank of America	San Francisco	million
C	Wells Fargo Bank	San Francisco	\$100 million
	Security Pacific National Bank	Los Angeles	or less
	First National Bank	Boston	
	Western Bancorp	Los Angeles	
	Crocker National Bank	San Francisco	
Estimated Total			\$2,200 million

SOURCE: Adapted from I. Fatemi, "The Iranian Revolution," 1980, p.316.

Among the thirty-seven banks which operated in Iran, thirteen of them had foreign partners. The total foreign investment in the Iranian banks was about \$75 million (Ibid, p.311).

The financial dependent bourgeoisie, through its active participation in the banking system in industrial and agricultural projects, subjugated sensitive socioeconomic organs of the political system. The Shah and his family were some of the major investors in these areas. The insurance institutions were another sect which was attractive to this group. The following table shows this activity.

Agricultural Dependent Bourgeoisie

After the land reforms domestic Iranian agricultural production decreased rapidly and paved the way for foreign oriented agricultural production. The result of this was the importation of even dairy products for people in cities and rural areas. Meanwhile, large agribusinesses were underway on the fertile lands expropriated by courtiers, high level military officers and merchants to cultivate food stuffs required by the world market. Fertile farms were highly mechanized by foreign companies and their internal allies.

TABLE 28: ACTIVITIES OF FOREIGN AND IRANIAN INSURANCE COMPANIES IN IRAN IN 1976

Company	Year Established	Registered Capital in thousands of U.S. Dollars
Yorkshire Insurance	1929	N.A.
Inyostrakh Insurance	1931	N.A.
Iran Insurance Co.	1935	2,960
Sharg Insurance Co.	1950	1,481
Arya Insurance Co.	1952	1,480
Pars Insurance Co.	1955	740
Milli Insurance Co.	1956	900
Alboiz Insurance Co.	1959	1,480
Asia Insurance Co.	1959	740
Omid Insurance Co.	1960	810
Construction Labor Insurance Co.	1964	740
Dana Insurance	1974	7,400
Hafeez Insurance Co.	1974	14,800
Iran-America International Insurance Company	1975	14,800
Crasi Savoye Iran	1975	N.A.

SOURCE: From Iran A Survey of..., 1977, p.152.

The government contributed to such production by building dams where necessary, financing some agribusiness operations and giving operators the right to expropriate private and state lands for such uses.

The development of a dependent agricultural bourgeoisie resulted as the Iranian agricultural economic sector became dependent on foreign-oriented production. From being one of the net exporters of agricultural products, Iran became, after the White Revolution, one of the countries which had to import the agricultural products necessary for people's daily consumption.

Hence the White Revolution alienated the large landowners but the material base of that system remained allied with the political system. The goal of the land reforms was to free this material base for new development but it was also a response to peasant or working class demands for better living standards and ownership of land. It came about because it was to restore agricultural profitability by forming a new alliance with the world capitalist economy. It was successful because a new agricultural class began to emerge and organize in cooperation with that world system, which the analyzing of such phenomenon is the task of this study.

It was supposed that land reform would help to supply the accumulated needs of industries with cheap peasant labor and a flow of industrial products toward rural villages. But the policy affirmed the former landowners were welcome to participate in the new production order if they so chose. Most did and this group was incorporated into the new political and economic order and restored to some strata of the dependent bourgeoisie, such as the dependent agricultural group.

However, the economy encountered some severe shortages of foodstuffs, and the government began to import them on a large scale. The food crisis remained acute through the 1960s and 1970s; official figures for the output of rice, wheat, meat and other foods were literally lower than before land reform.

The following table presents the production of major agricultural crops from 1969 to 1977. It shows how agricultural products declined during these years, even though land reforms had been carried out.

The dependent agricultural bourgeoisie was the newest member of the dependent bourgeoisie and arose through land reform. Although some fertile lands in Iran have been newly cultivated in that last decades and mechanized for agricultural production, it was through land reform that most of the profitable lands were mechanized and went under cultivation.

TABLE 29: PRODUCTION OF MAJOR AGRICULTURAL CROPS FOR
SELECTED YEARS 1969-1977 (in thousands of tons)

Commodity	1969	1972	1975	1977
Wheat	4,400	3,700	4,700	5,000
Sugar Beets	3,410	3,980	4,300	5,250
Barley	1,160	900	863	1,100
Rice	960	1,050	1,313	1,400
Cotton	454	444	715	425
Oilseeds	10	46	79	89
Green Tea	81	65	96	88

SOURCE: Adapted from Iran, A Country Study, 1978, p.433.

This cultivation and mechanization was not performed by local farmers and peasants, but by large landowners, courtiers, state bureaucrats and foreign investors.

One of the goals of reform was to open up the rural areas to capitalist production. By doing this, the socio-economic structure of the Iranian society changed through industrialization to a peripheral capitalist formation which replaced traditional agricultural, handmade and manufactured products with the fruits of capitalism on the world market.

The other goal of land reform was to establish a large scale agribusiness sector in fertile areas to take advantage of agricultural mechanization and economies of scale to produce agricultural products for a worldwide market. The necessary communication systems, roads, airports and other import and export facilities were undertaken by the government. The consequences, however, of this world market-oriented policy were drastic decrease in agricultural production for the domestic market.

...Although it was carried out under the slogan of 'land to the tiller', and thereby supposed to have an egalitarian character, the implementation of the reform has been such as to create new social division in the countryside, in fact to create a capitalist class structure in place of the earlier pre-capitalist one.

Reform has consequently created a new rural bourgeoisie and a new proletariat. The bourgeoisie's members include some of the old landowning families who have in one way or another retained land, plus those members of the previously better-off peasantry who have become owners too (Halliday, 1979:103, 118).

This decrease was so great that Iran became, from being a net exporter of foodstuffs, a net importer of food to feed its population daily (207,113.3 metric tons exported vs. 3,185,950.5 metric tons imported in 1975).

The decrease in domestic food production worsened as peasants moved toward wage labor in the cities' newly established industries. Thus, indirectly, one of the core countries' major goals, access to cheap labor in the peripheral countries, was accomplished.

With the advantages of cheap wage labor in rural, as well as urban areas, mechanization, large fertile lands, inexpensive artificial irrigation, an influx of cash from foreign capitalists and the sale of luxury products, farming gave way to agribusiness and agriculture became profitable enough to give rise to a dependent agricultural bourgeoisie.

Table 32 points out the sources of foreign investment in Iranian agriculture and its effects. It should be noted that some of the largest multinational corporations are represented. As to where the money is going, Table 33

showing the projects that were granted loans indicates that agribusiness received more than three times the amount granted its nearest competitor.

To sum up, the dependent agricultural bourgeoisie in Iran is a new phenomenon whose emergence began with the road, dam and railroad construction that followed World War II. Although Reza Shah dispersed the tribes in the arable areas to incorporate their lands into the crown, it was land reform which resulted in the rise of agricultural bourgeoisie. Numbers of peasants, expelled for their lands, began to rush toward large cities to join the labor army of the newly organized industrial sectors.

Many agricultural corporations, established in the Khusitan, Azarbijan, Gurgan, Fars and Mished areas, within a decade after land reform, grew rapidly to become one of the most profitable sectors in the economy. Because these corporations produced luxury foods for export, this agricultural development also resulted in a scarcity of domestic agricultural products and the net importation of food to feed the Iranian people.¹⁷

TABLE 30: FOREIGN INVESTORS IN IRANIAN AGRIBUSINESS

Name of Agribusiness	Date Established	Hectares	Investors
Iran-American Agro Industrial Company	1970	20,263	N.H. Agro-industries Co., private Iranian investors, ADBI
Iran California Co.	1970	1,050	Transworld Agricultural Development Corporation, Bank of America, ADBI, John Deere and Co., private Iranian investors, Khuzistan water and power
Iran Shellcott	1971	15,796	Shell international, Mitchell Cotts Development, Finance Co., Ltd. ADBI, Bank Omran.
Internation	1973	16,690	ADBI, Ahwaz Sugar Beet & Refinery Co., Khuzistan Water & Power Authority, Chase International Investment Corporation, Mitsui and Co.Ltd. Hawaiian Agro-nomics Co., International Diamond A Cattle Co.

SOURCE: Adapted from Iran, A Survey of U.S. Business Opportunities, 1977, p.19.

TABLE 31: PROJECTS GRANTED LOANS BY THE AGRICULTURAL DEVELOPMENT BANK (IRAN) IN 1975

Types of Activity	No. of Projects	Loan Amount (in U.S. dollars)
Cultivation & sheep raising	277	51.3
Poultry farms	89	103.0
Orchards	157	29.4
Dairy Farms	59	31.0
Agri-business	19	320.8
Agricultural services	7	12.1
Distribution and marketing	12	70.5
Industrial Relative to agriculture	62	75.8
TOTAL	682	694.8

SOURCE: From: Iran, A Survey of U.S. Business Opportunity, 1977, p.25.

PART IV

THE MAJOR EFFECTS OF THE DOMINANT DEPENDENT BOURGEOISIE ON IRAN'S SOCIO-ECONOMIC FORMATION

The peripheral capitalist social formation and its class relations in Iran over the last two decades created some undesirable conditions and major problems for Iranian society. The creation of the dependent bourgeoisie and its domination throughout the society was not a minor event to be ignored. Foreign political, economic and cultural penetration and influence were revealed in the actions of this class. It was apparent that the dependent bourgeoisie were direct allies of the core countries which expropriated and appropriated Iranian revenue for uses outside the country.

The main factor with which Iran had to contend was that its international situation and its internal socio-economic conditions. Thus, any international recession, crises, or economic fluctuations affected the Iranian economic and social formation.

Following the Shah's White Revolution the reforms of the 1960's and resulting economic growth changed the Iranian

socioeconomic formation; it could not effectively improve the Iranian social conditions of life as the Shah claimed and the people expected. The oil revenue increased, heavy and light industries were established around Tehran and the bit cities and the military bases and power were restored, but Iran could not afford decentralized planning and policy for independent economic and societal development. The Shah and his political allies did not concern themselves with social services such as education, health, socioeconomic equality, social justice and popular participation in polity. The suppression of the people did not allow them to form political organizations to participate in socioeconomic policy making.

Saikal describes the situation:

By the end of 1975, after two years of high government spending, heavy importation of advanced industrial and military capital goods, and increased foreign investment (particularly by multinational corporations, mostly in specialized and capital, intensive industries, led by petro chemicals and rubber), Iran was confronted with a serious shortage of trained manpower and an abundance of technical, infrastructural, and administrative bottlenecks, as well as a spiralling inflation, a drop in its agricultural production, and social imbalances...since the cities, especially Tehran, were the major centers for the sudden increase in capital accumulation and economic/industrial activities, the rural population began migrating to the cities in search of better employment and wages more rapidly than had been expected. (1980:184).

Although land reform had occurred in Iran and land-owning as a mode of production had already disappeared from the economy, agricultural production not only did not increase, but decreased rapidly. Migration of the peasants toward big cities, expropriation of the fertile lands by the former landowners, courtiers and top officials, and foreign companies paved the way for decreasing the livestock and food production; the independent agricultural bourgeoisie started to plant and produce the products that were required by the world market.

This sort of agricultural activity meant the regime had to become a net importer of livestock and agricultural goods. As the result of such a policy, the government imported \$2,500 million worth of food which was 10 percent of the oil revenues of 1977 (Ibid:184).

The conflict between the town and villages, not only did not decrease, but over the last two decades it increased because of the increasing income in the urban areas and the build up of industries and other facilities. The villages became isolated, alienated and fragmented areas. Capitalist relations, such as the consumer life style supported by the regime's propaganda, became dominant and deformed the life in the villages without giving them a suitable means of life. It resulted in movement of the villagers toward the cities

for higher paying, less onerous jobs. The consequence was a further decrease in agricultural goods and foods.

Foreign and internal investors, through investing in much more profitable economic sectors such as petro chemicals, pharmaceuticals, rubber, electrical appliances, automobiles, and transport and metallurgical industries paved the way for the dependent industrialization of the Iranian economy. The result was a flow of the surplus out of the country, import of technology, and advisors, and the decline of the traditional Iranian domestic factories and industries because of the foreign-oriented policy of the government.

Since the reform program had been planned from outside it satisfied the requirements of the world capitalist countries, but did not meet the needs of most Iranians for socioeconomic development. Therefore, the reform or the so-called "revolution from above" could not win the people's support and the socioeconomic contradictions started to show. The increasing gap between the ruling class and dependent bourgeoisie and the other classes led to protests and resistance against the reforms. The progressive and reactionary groups were against the economic programs. Although there were increasing oil revenues and the U.S. backed the regime and the reform program, it could not improve the socioeconomic conditions of most peoples' lives because of its dependence on foreign requirements and the development of peripheral capitalist relationships among the people.

Recent events have revealed the antagonistic relations present in the society over the past few decades. The political pressures and lack of political organizations because of an autocratic monarchy increased the protests and resistance against the government and led progressive and reactionary social groups to rise against the regime. The partisan struggles, the peoples' flight from rural areas to urban settlements and a dissatisfied intellectual group pushed the regime to a critical point. International events such as an economic crisis of world capitalism and Jimmy Carter's human rights policy created conditions in which internal protesters could stand against the regime to show their hate to the regime, which was not for the regime, alone, but for its foreign allies as well.

We will examine these events in this part of the research to show how the dependent bourgeoisie through its domination caused the problem which eventually resulted in the overthrow of a regime which was supposed to be one of the strongest pro-Western governments in the periphery areas.

CHAPTER TEN

SOCIO-ECONOMIC CONDITIONS AFTER THE SHAH'S WHITE REVOLUTION: THE PRESENCE OF MULTINATIONAL CORPORATIONS IN PEOPLE'S EVERYDAY LIVES

Inspite of the Shah and his regime's claims, and although the country had vast oil revenues, the majority of people in urban and rural areas were poor. The imposed reforms could not cover the ugly face of a regime which was dependent on foreign-oriented development. The only internal group which benefitted from the situation was the dependent bourgeoisie who piled the country's wealth in foreign banks. Saikal explains the Shah's White Revolution as follows:

Eventually, in 1963, there unfolded a reform program, which had already been initiated by his American-backed Prime Minister, 'Ali Amini (1961-1962), within the framework of what the Shah called, 'The White Revolution' (Engelabe Sefid). The program entailed both domestic and foreign policy changes, with important implications for the Shah's domestic and regional position and for Iranian-American relationships. (1980:p.171).

Despite the reforms of the 1960s, the continued American military and financial aid and the increasing oil revenues in the 1970s, the Iranian economy was in the grip

of rising prices, pervasive waste and corruption. Hence, the dependence of its socioeconomic growth on foreign-oriented planning could not help the socioeconomic conditions of life, but only deepened the dissatisfaction, protesting and unorganized mass uprisings during the last two decades.

Through reliable statistical data the political economists who are specialists in the Middle East and the Iranian society have discovered the characteristics and the nature of the recent economic growth. Generally, the period under study can be divided into two sub-periods in terms of Iranian economic development: the period between the beginning of the reforms in the 1960s until the increase in oil prices in the early 1970s, and from then until the uprising of the Iranian people against the political regime in 1978.

Although the first sub-period includes the Shah's reforms and the massive military and economic assistance of the United States, it was socially and economically an unsuccessful period from the regime because of its failure to effect real reforms in the socioeconomic and political arena. The reforms did not give the opportunity to social groups to participate in socioeconomic planning, they were fooled by the regime over and over. The regime got their support illegally to stabilize its political system. Hence, the economic problems were not resolved, the political suppression increased and the people were threatened by secret

police and paramilitary groups. This situation revealed the failure of the Shah's reforms which were supposed to improve the socioeconomic and socio-cultural conditions for life. It only worsened the people's social and individual condition. The protests of various cultural, religious, economic and intellectual groups finally exposed the socioeconomic situation under this period.

In the second sub-period, the regime, through the sudden influx of vast oil revenues, could "paper-over" the socioeconomic problems for years, which helped them to retain power through the fifth plan. This economic plan for rapid growth, not only did not decrease Iran's core-peripheral relations, but it increased its economic cooperation with the United States and made it possible for the United States to realize its interests in the Middle East. The following statement by U.S. officials reveals the Iranian socioeconomic situation after the reforms of the 1960s and the rise of oil revenues.

Imports afforded the only way to improve conditions for the population. Hence the authorities annually used a large share of the foreign exchange received from exports to purchase goods abroad, such as foods, medicines, and machinery. Imports (excluding military) increased from U.S. \$688 million in 1960 to U.S. \$12.8 billion in FY 1976, an average increase of about 20 percent a year. Imports accelerated sharply after 1973 (increasing by 77 percent in FY 1974 and 77 percent in FY 75 because of the large investment program and government imports to fight inflation. Imported increased by about 10 percent in FY 1976. (Iran, A Country Study, 1976, p.258).

This information is shown in the following Table.

(Table 34).

Thus the consequences of the peripheral capitalist development in recent years not only did not increase agricultural products and some other economic consumer sectors, but it rather miserably decreased these economic sectors. The land reforms of 1962 and the economic growth of the early 1970s only contributed to declines in domestic agricultural development. Comparatives Tables (35 and 36) show the relationship of recent Iranian economic growth and the effect on the agricultural sector.

Comparing these two tables shows that there was little relation between an annually rising G.N.P. and the annual fluctuations of total and per capita agricultural production. In contrast, agricultural production generally declined.

Economic growth in Iran which coincided with land reform and generally with the Shah's White Revolution was the result of increasing oil revenues which paved the way for rapid peripheral capitalist development. It made possible the growth of big companies belonging to dependent bourgeoisie and the influx of foreign investments to bourgeois agricultural and industrial sectors, as we see in this work.

In contrast to domestic agricultural production, industrialization proceeded at a rapid rate of growth. This

TABLE 32: COMPOSITION OF IMPORTS, 1971-75 IN MILLIONS OF
U.S. DOLLARS

Commodities	1971	1973	1974	1975
Food	174	332	865	1581
Chemicals	164	356	649	835
Basic Manufactures	692	1348	2380	3538
Machinery and Equipment	<u>866</u>	<u>1403</u>	<u>2109</u>	<u>4973</u>
TOTAL IMPORTS	1886	3439	6003	10929

SOURCE: Adopted from: Iran: A Country Study, 1978, p.426.

TABLE 33: GROSS NATIONAL PRODUCT 1960-1972 (in 1971 Prices)

Year	Total GNP (Millions of U.S. \$)	Rate of Growth	Per Capita GNP	Rate of Growth
1960	5040	--	234	--
1965	6970	7.7	281	4.0
1966	7510	7.7	294	4.6
1967	8390	11.7	319	8.5
1968	9200	9.6	340	6.6
1969	10020	8.9	359	5.6
1970	11150	11.3	389	8.3
1971	12750	14.3	428	10.0
1972	14400	12.9	470	9.8

SOURCE: From Hossein Askari and Shuhrah Majin, Recent Economic Growth in Iran, 1976, p.106.

TABLE 34: INDEX OF AGRICULTURAL PRODUCTION (1961-65 = 100)

Year	Total Production	Rate of Growth	Per Capita Production	Rate of Growth
1960	88	--	96	--
1965	105	+3.9	99	+0.6
1968	133	+8.9	115	+3.0
1969	128	+3.9	108	+6.1
1970	133	-3.19	109	+ .9
1971	119	-10.5	94	-13.8
1972	133	-11.7	102	+8.5

SOURCE: Ibid, p.106.

growth included subsidiary industries such as automobile, bus, truck, refrigeration, oil and gas production. Most of these industries were supported by foreign capital and investors. The following United Nations statistical data indicates how this recent development affected the Iranian socioeconomic structure and led it toward peripheral development. (Table 37).

These figures should be compared with the contributions of such economic growth to the major Iranian economic sectors. They indicate the recent economic growth was due to increasing revenues from oil. (Table 38).

The economic growth and its effects on Iranian socioeconomic formation are apparent if we consider the rate of the contributions of such growth to GNP by major sectors. Overall the following statistical facts issued by the Iranian government at the time, explain the characteristics of recent socioeconomic changes in Iran. (Table 39).

It was this economic growth that prompted Keddie, the American sociologist and specialist in Iran, to discuss the Iranian economic problems:

Perhaps the largest social problem of recent years is the constantly growing gap between income strata. This increasing income distribution gap is felt between city and countryside, between the Tehran region and the provinces, and between the lower and upper classes. While the rich, helped by the possibilities arising from Iran's huge oil income, have been getting much richer, and new people have been joining the ranks of the rich, most of the poor have been getting only a little richer (1978:323).

TABLE 35: INDEX OF INDUSTRIAL PRODUCTION (1963=100)

Year	Ind. Prod.	Rate of Growth %	Mining	Rate of Growth %	Manu- factur- er	Rate of Growth %	Electri- city & Gas	Rate of Growth %
1960	75	--	76	--	75	--	65	--
1965	127	13.9	127	13.4	125	13.3	143	24.0
1967	170	16.9	177	14.9	157	12.8	199	19.6
1968	196	9.4	195	10.2	174	10.8	194	-2.5
1969	229	23.1	246	26.1	195	12.1	285	46.9
1970	251	9.6	263	6.9	218	11.1	381	33.9
1971	299	19.1	314	19.4	256	17.4	496	30.2

258

SOURCE: U.N. Statistical Yearbook and U.N. Monthly Bulletin of Statistics, represented in Ashati's Article, 1976, p. 108.

TABLE 36: CONTRIBUTION TO GNP BY MAJOR SECTORS

Year	Agriculture & Livestock	Manufac- ture & Mining	Oil (Iran- ian Share)	Construc- tion	Water & Elec- tricity	Services	Net Income From Abroad	Non-Oil GNP
1959/60	34.3	8.7	10.6	5.2	.7	40.5	--	89.4
1963/64	25.3	11.7	20.8	4.2	1.2	37.3	--	79.2
1967/68	23.5	14.4	14.3	6.2	1.1	40.5	--	85.7
1968/69	21.3	10.5	25.1	5.5	2.1	35.5	--	74.9
1969/70	19.3	13.6	26.2	3.8	2.2	34.9	--	73.8
1970/71	19.9	15.6	18.7	4.2	2.5	41.6	-2.5	81.3
1971/72	16.5	16.0	20.0	4.2	2.6	42.9	- .1	80.0
1972/73	16.0	16.5	19.5	4.2	2.7	43.5	-2.4	80.5

SOURCE: Central Bank of Iran, Annual Report, represented in Asgari's Article, 1976, p.109.

TABLE 37: CONTRIBUTION TO GNP BY MAJOR SECTORS (RATE OF GROWTH)

Year	GNP (Factor Cost)	Agriculture & Livestock	Manufacturing & Mining	Oil (Iranian Share)	Construc- tion	Water & Services Electricity	Net Income from Abroad	Non-Oil GNP
1959/60	--	--	--	--	--	--	--	--
1963/64	5.7	-2.2	14.6	35.3	-.2	27.5	3.3	2.3
1967/68	10.2	+7.6	20.4	-.9	-27.4	9.5	13.2	13.1
1968/69	9.6	-.6	-20.4	+92.4	-.3	99.8	-3.7	-4.2
1969/70	16.0	+4.9	+51.6	+20.9	-19.6	23.9	13.6	14.3
1970/71	2.2	+5.5	+16.1	-26.7	+12.8	15.7	21.9	12.5
1971/72	16.8	5.0	+16.9	+21.8	+13.6	19.7	18.1	15.6
1972/73	10.7	+10.0	+17.0	+10.7	+12.9	17.5	14.5	10.8

SOURCE: Central Bank of Iran, Annual Report, From Asgari's Article.

Although over the last decades the government created many institutions designed to paper over the class contradictions and people's dissatisfaction but the struggles and events of recent years have demonstrated that it is hard to suppress the basic contradictions among and between the classes by superstructural reforms. These institutions were rejected by the people or failed on their own but the dependent state kept coming forth with new innovations in the belief that the fundamental contradictions between peripheral capitalism and the rest of the people could be blunted. The creation of political and cultural organizations to manipulate the people, however, was no longer a successful policy for the state. Even when the state attempted to mobilize the people while denying the class structure and proclaiming itself the representative of the entire population, it could not convince the people to participate its institutions and other economic plans. The state's propaganda organization could not influence the people either. The gap between the people and the state widened and international political and economic issues increased this gap. The result was the eventual overthrow of the political system by a popular uprising.

The Shah's White Revolution had attempted to modernize Iran from above with the support of the core countries and their political and economic aid. This was not a goal that the people wanted, especially the educated groups and those

out of political and economic favor. There was a gap between the Shah's reforms and the radical changes which many of the people wanted. The reforms from above had two major goals: (a) to widen the world capitalists' markets throughout Iran creating a consumer society to absorb internal and external industrial products. The resultant dissatisfaction of peasants with low rural wages and their exodus to urban factories gave the capitalists, as a by-product, cheap wage labor; (b) to release and decrease the pressures building from the conflicts between the classes which seemed likely to explode.

The reforms and development in some sectors were successful but success in development was dependent on foreign oriented planning and benefitted only small sections of the Iranian population. The gap between the rich and the poor increased.

Some major failures in the regime's development planning increased the conflictual situation. The land reform, as we have already seen, made the country dependent for food on imports purchased with its oil revenues. These ill-conceived plans also redirected agriculture toward production of industrial materials, such as cotton.

The following table (Table 40) shows how the government distributed the revenues between the various economic sectors over the last two decades, and the increasing

TABLE 38: RELATIONSHIPS BETWEEN IRAN'S VARIOUS ECONOMIC SECTORS DURING THE THIRD, FOURTH AND FIFTH NATIONAL DEVELOPMENT PLANS

	Plan III 1963-1967	Plan IV 1968-1972	Plan V 1973-1977
Petroleum	17.3	19.5	48.5
Industries & Mines	20.4	22.3	16.1
Services	38.3	40.0	27.0
Agriculture	<u>24.0</u>	<u>18.2</u>	<u>8.2</u>
TOTAL	100.0	100.0	100.0

SOURCE: Adopted from Nabori, Iran Erupts 1978

de-emphasis of agriculture in each succeeding plan. The main emphasis was on the oil industries and oil extraction to support the state machinery, military projects and the imports of food stuffs to quiet dissent.

Through the influx of oil revenues, then, the Iranian market was opened to suppliers worldwide. Enormous multinational companies began to avail themselves of the sales opportunities in Iran and the socioeconomic policy of the state favored these companies. The government promulgated import regulations to encourage the import of commodities from foreign companies to make up the agricultural and livestock deficits and bring in modern manufactured goods. The internal

market and producers declined further because of their inability to compete with foreign products. In fact, the Iranian economy became a subsidiary of the world capitalist economy and Iranian society because consumers of the products of world market. This polity was discussed in an official report to the U.S. Congress.

Iran has become a major market for U.S. agricultural and industrial exports. In November 1974 the United States and Iran established a Joint Commission on Economic Cooperation designed to intensify cooperation on economic matters and to enlist the services of the American public and private sectors in Iran's development effort. In March 1975 the Commission established a target of 15 billion in trade, exclusive of oil and military items, over the 1975-80 period. At its meeting in August 1976, the Commission agreed that a target of \$26 billion was attainable over the same period; if Iran's oil exports to the United States were taken into account; total non-military trade was expected to exceed \$40 billion over that period. Bilateral cooperation was agreed upon in the fields of energy, technical cooperation and housing (U.S. Congress, Report of a Staff Survey Mission..., 1977, p. 133).

This official report of a U.S. Congress Mission Staff reflected the perspectives which the Iranian government and the core countries had planned for the Iranian economy. After the reforms of the 1960s, world market products, from yoghurt to T.V.s, spread throughout Iran. The webbed network of the dependent bourgeoisie extended to the comporadare trade system in the Iranian economy. From the retailers in

the villages to the capitalists in Tehran, they were the sellers of the foreign-oriented Iranian goods and foreign imports.

Table 41 shows the increasing rate of growth in imports of foreign goods from 1959-1975.

The large profits of multinational corporations, which were invested in periphery countries, was one of the factors to deepen the dependence of these countries on the core countries. The flow of capital, capital equipment, techniques and technology toward the periphery countries, and their provision of cheap wage labor, raw material and a growing consumer market for industrial production consumption, created enormous profit opportunities. Table 42 shows the percentage share of several core countries' trade in Iran and Table 43 shows the multinational corporations' profits.

Iran is only the section in which the multinational corporations have invested in industrial or relevant sectors. The rate of profits in the oil sector is sometimes more than 60 percent (Safari, 1980, p.197).

TABLE 39: ANNUAL RATE OF GROWTH OF IMPORTS IN CONSTANT 1972 PRICES, 1959-1974

Year	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
Imports of Goods	58.4	59.8	55.8	49.5	45.3	64.1	75.9	88.7	110.7	131.3	142.2	156.8	202.5	241.0	308.8	454.9
Annual Rate of Growth (%)	--	2.4	-6.7	-11.3	-8.5	43.7	16.6	16.9	24.1	19.2	8.4	10.1	29.1	14.0	27.3	48.3

SOURCE: Adopted from Pirasteh's thesis, 1976, p.72.

TABLE 40: DISTRIBUTION OF INDIVIDUAL CORE COUNTRIES' PERCENTAGE SHARE IN IRAN'S FOREIGN TRADE, 1960-1974

YEAR	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
United States	12.4	11.6	11.7	11.1	11.3	11.6	12.4	11.0	10.6	9.2	11.2	13.9	13.4	9.8	15.0	14.3
United Kingdom	14.0	14.1	9.2	16.7	14.2	12.6	13.4	17.4	14.4	10.7	8.3	8.2	9.1	9.3	7.3	8.7
Germany	17.7	18.6	19.8	10.9	11.3	11.7	12.7	12.3	12.3	14.4	14.5	13.5	12.3	14.5	12.4	13.7
Japan	4.5	6.2	7.2	6.9	11.1	11.8	14.3	17.2	19.8	23.3	24.8	23.9	22.9	21.4	20.1	22.4

SOURCE: Adopted from, International Monetary Fund, International Bank for Reconstruction and Development, Direction of Trade, (1960-July 1976) and cited in Pristah's Thesis, 1979, p. 131-132.

TABLE 41: THE RATE OF PROFITS OF MULTINATIONAL CORPORATIONS
(IN PRESENT \$)

Areas	Early 1960s	Early 1970	Late 1970s
Core	10.2	10.5	11.9
Periphery	17.9	21.0	25.2

SOURCE: Adopted from Hamid Safaris' book,

The emergence of American oil companies in Iranian oil production after the coup de 'etat of 1953 marked the decline of Britain influence in the region and rise of the United States as the leading influential core capitalist country. Previously (in 1950) the Anglo-Iranian Company had produced 665 thousand barrals of oil a day in Iran (Stabaugh, 1978; p:211).

The following tables show the core countries' influence and investment in Iranian oil production after the coup de'ta of 1975.

Table 46 shows the increase in investment through succeeding years.

TABLE 42: PARTICIPANTS IN THE IRANIAN CONSORTIUM, 1955

Company	Nationality	Share (Percent)
British Petroleum	British	40
Royal Dutch/Shell	60/40 Dutch,British	14
Exxon	United States	7
Socal	United States	7
Texaco	United States	7
Mobil	United States	7
Gulf	United States	7
CFP	French	6
Iric. Group	United States	5

SOURCE: From United States Senate Hearings, reproduced by R.B. Stabaugh, "Iranian Oil Policy" in G. Lenczowski, 1978, p.214.

TABLE 43: FOREIGN INVESTMENT IN IRAN IN RIALS, NOVEMBER 1956-DECEMBER 1970

Investers' Nationality	Number of Companies	Proposed Investment	Actual Investment
American	37	3,039,970,000	3,719,080,890
German	25	1,847,875,000	838,229,195
British	20	1,098,073,926	844,972,567
French	10	622,944,674	337,593,965
Dutch	8	192,000,000	203,227,667
Japanese	<u>7</u>	<u>251,650,000</u>	<u>76,987,220</u>
TOTALS	107	1,052,513,600	6,020,091,504

SOURCE: Adopted from Iran Almanac, 1972, p:282.

TABLE 44: FOREIGN-PRIVATE INVESTMENT IN IRAN (MILLION RIALS)

1968-9	1969-70	1970-1	1971-2	1972-3	1973-4	1974-5	1975-6
1,583	3,264	2,318	1,472	1,336	4,044	4,500	3,976

SOURCE: Adopted from Halliday.

The following Table indicates how much and what kind of products Iran exports.

TABLE 45: COMPOSITION OF NON-OIL AND GAS EXPORTS, 1970-1974
(IN MILLIONS OF U.S. DOLLARS)

Non-Oil Exports	1970	1972	1973	1974
Traditional Commodities (such as carpets, cotton and caviar)	227	337	523	415
New Industrial products (such as soaps, shoes, clothes and vehicles)	51	103	104	162
Totals	278	440	627	577

SOURCE: Adopted from Iran: A Country Study, 1978, p:427

The above table must be compared with the following table to understand the growth of the Iranian economy after the Shah's White Revolution, after the rise in oil prices and revenues and the benefit of U.S. and other core countries' technological, financial and advisory aid.

The industrialization and the economic growth in Iran under the Shah's regime in the past two decades was undeniable. The point is that such industrialization and economic growth did not meet internal needs and requirements. What happened in Iran was needed by the world capitalist economy. It made

TABLE 46: CRUDE PRODUCTION AND OIL REVENUES IN SELECTED YEARS

Year	Average Barrels Per Day (in thousands)	Oil Receipts (in millions of U.S. dollars)
1955	329.2	96.2
1959	927.3	262.4
1961	1,314.2	343.2
1965	1,885.4	514.1
1970	3,828.6	1,109.3
1974	6,021.7	21,443.2

SOURCE: Adopted from Iran: A Country Study, 1978; p:431.

possible the incorporation of the Iranian economy into the world economy in the service of the multinational corporations that needed Iran's raw materials, such as oil and copper, and needed Iran's people as consumers of their industrial production. The capital investment and the flow of subsidiary industries to Iran did not make Iranians happy, but made the Iranian economy subjugated and dependent. The hegemonic dependent bourgeoisie within Iran led this effort to industrialize the Iranian economy in a manner oriented toward foreign markets. The presence of the various multinational companies in the everyday life of the Iranian people thus became a familiar phenomenon. Halliday explains this:

Prior to the 1950s the only significant foreign investment in Iran was in the oil industry...The first moves to encourage foreign capital to invest elsewhere in the economy were taken after the 1953 coup. They were given five year's exemption from taxation. By the mid 1970s over 200 firms had invested in Iran. The largest investor had been the U.S.A., which by end of 1974 had 43 firms investing in Iran.... In 1975-6 Japan accounted for 43 percent of all foreign investment, with much of this going into capital-intensive petrochemical projects. (1979:153-4).

The following table shows the nature and characteristics of recent Iranian economic development resulting from foreign influence.

The main issues which characterized the dominant peripheral capitalism produced in Iran since 1962 can be summarized as:

TABLE 47: A SUMMARIZED BALANCE OF PAYMENTS (FOREIGN EXCHANGE RECEIPTS AND PAYMENTS) FOR
IRAN 1959-1975 (\$ Million)

	1959	1960	1961	1962	1963	1964	1965	1966	1967
I. Current Account									
A. Current Receipts	501.6	528.1	538.7	569.8	618.8	701.4	817.3	940.8	1175.5
1. Oil Sector	335.4	358.9	391.3	437.2	470.8	555.4	607.5	715.8	857.4
2. Gas Export	0	0	0	0	0	0	0	0	0
3. Goods Export	94.7	105.6	88.5	82.1	96.9	88.8	132.0	143.8	197.5
4. Services Export	71.5	63.6	58.9	50.5	51.1	57.2	77.8	81.2	120.6
B. Current Payments	-611.1	-597.9	-565.9	-527.7	-548.1	-759.2	-932.5	-1089.2	-1387.8
1. Goods Import	-520.0	-504.7	-490.1	-438.9	-443.7	-642.7	-791.1	-951.7	-1205.2
2. Gold	0	- 0.6	- 0.5	- 0.4	- 0.2	- 0.3	- 0.5	- 1.2	- 1.8
3. Services Import	- 91.1	- 92.6	- 75.3	- 88.4	-104.2	-116.2	-140.9	-136.3	- 180.8
C. Net Current Account	-109.5	- 69.8	- 27.2	42.1	70.7	- 57.8	-115.2	-148.4	- 212.3
II. Net Capital Account	68.8	16.6	89.4	2.2	- 40.1	- 45.2	19.4	119.7	214.2
III. Overall Foreign Exchange Balance	- 30.0	- 55.4	61.4	30.3	30.6	95.4	- 52.3	- 24.4	- 3.1

TABLE 47: CONT

	1968	1969	1970	1971	1972	1973	1974	1975
I. Current Account								
A. Current Receipts	1325.1	1518.7	1690.1	2733.5	3337.2	6465.9	21,145.0	21,700
1. Oil Sector	958.5	1099.0	1268.4	2114.1	2536.0	5066.6	18,670.8	19,100
2. Gas Export	0	0	6.0	35.8	61.2	87.2	131.2	
3. Goods Export	208.1	231.3	252.8	328.5	403.3	547.8	563.1	2,600
4. Services Export	158.5	188.4	162.9	255.1	336.7	664.3	1,779.9	
B. Current Payments	-1804.7	-2072.2	-2365.1	-3014.8	-3502.4	-5899.5	-12,930.5	-18,400
1. Goods Import	-1526.8	-1723.0	-1980.2	-2567.6	-2990.4	-4951.7	-10,332.8	
2. Gold	- 2.4	- 6.1	- 5.9	- 2.8	- 2.6	- 3.0	- 10.7	
3. Services Import	- 275.5	- 343.1	- 379.0	- 444.4	- 509.4	944.8	- 2,587.0	- 3,100
C. Net Current Account	- 479.6	- 553.5	- 675.0	- 281.3	- 165.2	466.4	8,214.5	3,300
II. Net Capital Account	384.1	398.8	413.4	667.8	592.0	893.3	-3,265.3	-4,270
III. Overall Foreign Exchange Balance	- 99.7	- 70.9	- 239.8	478.8	492.9	1150.6	4,919.4	- 970

SOURCE: H. Pirasteh. The Role of International Trade in Iran's Economic Development, 1976

- a. The decreasing agricultural production and the consequent need to import such products for mass consumption caused by the peasants flight from farms to work in urban areas as wage laborers in the developing industries. Thus most of the agricultural areas were expropriated by the agricultural bourgeois and foreign firms for cultivation of foreign-oriented products.
- b. The uneven development that led the society toward conflict by creating big gaps between ethnic groups urban and rural areas, Tehran and the other cities, and between various social and economic groups. The result was appropriation of the country's surplus by the dependent bourgeoisie and their foreign allies.
- c. The peripheral mode of production and its technological dependence disarticulated the Iranian economic system and produced richly developed areas, created by establishing non-productive manufacturers and non-competitive industries feeding the world market, and underdeveloped urban and rural areas which produced traditional products for local markets.
- d. Expansion of the state machinery through the development of a dependent bureaucratic bourgeoisie

that garnered and controlled foreign aid and investment and thus controlled much of the population. Inefficiency, nepotism, and corruption in this element resulted in the inefficiency of the total state apparatus in planning for socioeconomic development based on internal needs and priorities.

- e. Such economic chaos engendered social disruptions and forced the monarchic system to depend on the armed forces to secure the state and its foreign capital investments. The state's motives in expending oil revenues for military purchases were thus to meet such an eventuality.
- f. These devices failed when the second economic crisis since the mid-1970's occurred. Oil revenues went down when the world market decided to reduce the use of oil and other petroleum products. Dependence on this single raw material had obscured the underlying problems of the monarchy and its wide spread economic and social apparatus. Thus, when there was an uprising led by a popular religious figure, and the world capitalist countries failed to support the Shah, the regime toppled.¹⁸

CHAPTER ELEVEN

RADICAL MOVEMENTS AGAINST THE DOMINANT POLITICO-ECONOMIC SYSTEM AND THE CORE CAPITALIST COUNTRIES

It had taken about two decades for the Iranian monarchy and its state machinery to repress and eliminate internal oppositions to pave the way for the peripheral socio-cultural and politico-economic development extant between 1962-1978. The role and position of the U.S. after World War II, was to aid and support the regime. The Shah's White Revolution in 1962 was a period that the regime after the reforms, examined and designed Iranian foreign policy. Along with the suppression of internal oppositions, the regime was willing to repress by threats in the Middle East because any changes in the political conditions of the conservative regimes, in the region were a direct threat to the monarchy in Iran.

By the "reforms from above" and the imposition of the dependent bourgeoisie as a politico-economic dominant system in Iran, the monarchy and its state machinery with its military power assumed the role of the old colonial capitalist, England, and secured the stability of the region with economic, political and military support from the U.S. Thus, Iran, after the Shah's White Revolution, became the gendarme of the region (Halliday, 1979:251).

There were two effective factors for which Iran had been chosen by core countries for such a position in the Middle East. These two factors were: internal and external. The major internal reasons for the regime's foreign-oriented policies were: (a) lack of internal support from progressive groups; (b) lack of socio-cultural cohesion in Iran; (c) repression of all political groups by the regime in order to secure the state; (d) the existence of various modes of production and consequently various classes and contradictions among and between classes; and finally (e) the existence of the resources for gaining such a position, such as, oil and population. The main external factors which led the Shah's regime to be the world capitalists' ally were: (a) the country's strategic position in Asia; (b) the U.S. support of the regime since World War II; (c) the importance of securing the oil producing countries from any threats; (d) the country's long boundary with Russia; and, most important (e) its developing dependent bourgeoisie.

The domination of the dependent bourgeoisie in Iran was the key to achieving its position as the core countries' ally. Although, Iran by achieving its economic development secured the flow of capital and its investments throughout the country, recent events in Iran had revealed the conflicts and contradictions which the regime had covered up. Through suppressing its oppositions and getting the support of the

core countries, Iran was delivered sophisticated military equipment. The two following tables show the militarization of Iran through increases in its defense budget, and purchase of military equipment from the U.S.

However, oppositional politics had taken a socio-economic stand against the dominant political system since the early years of the Pahlavi's regime, because the nature and politics of the regime were foreign-oriented, foreign-supported, and oppressive. Over the past decades, the regime had not only suppressed nationalist, religious, and socialist tendencies, but also suppressed the independent bourgeoisie which attempted to be active in creating independent capitalist social formation.

The history of the early twentieth century is full of such struggles against the Pahlavi's regime. The core countries, led by England and then by the United States, supported this polity and aided the government in suppressing progressive socioeconomic activities. The result was a fragmentation of Iran's political organization and group efforts at mobilizing the people against socioeconomic inequalities. Long unsuccessful, the underground and resistance groups persisted in Iran and revealed themselves where and when it was suitable. Thus, the struggles continued in various forms over the past century.

TABLE 48: IRAN'S DEFENSE BUDGET 1970-77 (IN U.S. \$ MILLIONS AT CURRENT PRICES)

Year	Defense Budget	Percentage Increase Over Previous Year
1970	880	--
1971	1,065	17
1972	1,375	29
1973	1,525	11
1974	3,680	141
1975	6,325	72
1976	8,925	41
1977	9,400	5

SOURCE: Halliday, Iran: Dictatorship and Development, 1979

TABLE 49: U.S. MILITARY SALES TO IRAN 1950-1977 (IN U.S. \$ MILLION AT CURRENT PRICES)

Year	
1956-69	757.0
1970	113.2
1971	396.8
1972	519.1
1973	2,157.4
1974	4,373.2
1975	3,021.0
1976	1,458.7
1977	4,213.0
1950-77	17,669.4
Estimate	

SOURCE: F. Halliday, 1979

Therefore, the social movements which have occurred over the past two decades represent the nature, characteristics and trends of the dominant socioeconomic system. The slowly organizing development of peripheral capitalism in Iran over the past decades and its situation since 1962 in which it dominated the socioeconomic system revealed its ultimate purpose. Various groups over the last decades, from progressive to reactionary, represented their suppression by the monarchy and dependent bourgeoisie. The participation of all these social groups in people's uprising of 1978-1979 shows the dissatisfaction of all the classes and strata with the regime.

The participation of the workers in radical movements was not surprising. Their conditions of life in urban areas reveals that the goals of the political system and its socioeconomic plans were not for the common peoples' betterment but for the development of peripheral capitalist relations. The inflation, rising prices of housing, schooling and food were significant factors showing that the recent economic growth and industrialization were no boom for the working people.

The local and indigenous merchants, craftsmen, and supporters of independent bourgeoisie tendency in the bazaars of the Iranian cities, especially in Tehran, were also against the regime and its socioeconomic programs. These groups had been isolated from socioeconomic activities during the

Pahlavis regime in favor of dependent bourgeoisie. They showed their dissatisfaction by participation in various movements that supported their interests and opposed those of the Shah and his allies.

The educated middle class, composed of several social groups with various economic and social backgrounds, opposed the regime and its socioeconomic plans. These social groups, state employees, university students, private companies' employees, technocrats, and teachers, analyzed and understood how the penetration of the world capitalist economy had turned the Iranian economy into a peripheral capitalist formation. They could see how the political system through the dominant dependent bourgeoisie had exploited the society in their own interest and the interests of foreign companies and dispersed the surplus value to foreign banks. This realization made these groups angry with the regime, the dependent bourgeoisie and the foreign countries which supported this system.

The religious groups and their protests and struggles against the regime are known throughout Iran and the world at the present time. These religious movements in Iran have their own historical background that needs to be considered in Iran's socio-cultural and politico-economic context. The recent Iranian developments have religious characteristics

that extend back before the Iranian constitutional revolution of 1906. The penetration of the capitalist influence into the colonized countries in the early nineteenth century that continued throughout the twentieth century made the religious leaders and their supporters angry with the political system. The foreign-oriented socioeconomic system, the presence of the foreign companies and foreign advisors and, most importantly, the penetration of Western lifestyles, was taken as a threat by the religious groups. The continuous opposition of these cultural groups against the political system over the last two decades made them one of the major politico-religious forces that threatened the established political system.

Nationalistic tendencies in history of Iran also have a significant place in Iranian social movements. Most of these movements were against the central government and its foreign allies and their repression of ethnic groups in Iran. The influence of the bourgeois tendency on Iranian society, the domination by the colonial powers in the nineteenth century and the influence of world capitalist economy on the Iranian socioeconomic system in the twentieth century led nationalist movement to rise up against the internal political government and its foreign supporters. The exploitation and suppression of ethnic groups in Iranian society was and is one of the worst characteristics of the central political

system over the last few decades. Strong protests against this system, which had governed the society through suppression, arose from nationalist tendencies.

In this chapter, the social movements which arose as a direct result of the domination of the dependent political system and its dependent bourgeoisie will be discussed. It was the emergence and development of the peripheral capitalist formation which changed the social structure in Iran and gave new impetus to radical and reactionary social movements. These movements were different from the others which had occurred repeatedly in Iran over the past centuries. Their purposes, tactics and strategies were a reaction to the established political system, the socioeconomic conditions of life and, finally, dependent on the international situation.

To analyze the major characteristics of these Iranian socioeconomic movements, they have been divided into four categories: (1) nationalistic movements; (2) religious movements; (3) bourgeois movements; and, (4) socialist movements.

Briefly, I will review these movements to show how all these socio-cultural and politico-economic groups became united against the political system. The suppression policy of that system and the continued struggles of the Iranian people were the critical and determinant forces of the Iranian socioeconomic formation. Recent Iranian history is full

of mass uprisings, armed struggles, socio-cultural and political protests. The resistance of the people which represented the struggle between people and the political government never stopped.

The Nationalist Movements

Iran is a multinational society comprised of various ethnic groups which are different in terms of language, culture, religion and socioeconomic conditions of life. Over the past centuries the ethnic groups had their struggles against each other to exert their authority over the society in interests of their own members. It was the penetration of the colonial-oriented capitalist mode of production in the early nineteenth century which gave these ethnic groups the idea they would have to struggle for their identities.

Briefly, the Fars, Azarbaijanis, Kurdish, Gilakis, Mazandarani, Turkmanis, Baluchis and Arab ethnic groups were involved in process of establishing an Iranian country. The Fars ethnic group has, however, dominated the other ethnic groups politically, economically, and culturally.

The nationalist movements over the past decades, especially after the Constitutional Revolution of 1906, had specific characteristics. These movements opposed unequal living conditions among the different ethnic groups and suppression of their identities by the dominant ethnic group, namely, the Fars, and the central government.

For example, the Azarbiajanis movements lead by Sheikn Khiabani in the early twentieth century and the Pishararis movement in 1945 were all against the domination and exploitation of the central government which had suppressed these people over past decades. Keddie talks about the nationalist Azarbaijani movement of 1905-11:

A Democratic party was formed under Sheikn Mohammad Khiabani, a leader of the 1905-11 movement in Azarbaijan . By April 1920, it was strong enough to force the government's agents to quit Tabriz. The movement was reformist and also expressed newly awakened national sentiments of the Turkish-speaking Azarbaijanis, some of whom felt oppressed by the Persian central government. Khiabani formed an autonomous local government and renamed the Province Azadistan (Azadafree). Reforms like price control were undertaken to counteract continued inflation. The success of the Azarbaijani movement encouraged similar forces elsewhere.... The government suppressed the Azarbaijani movement through use of the Cassack Brigader. Khiabani was killed and reprisals taken. (1981:83-85).

All the nationalist-oriented movements were suppressed by military forces over the decades and the domination of the central government was a well known characteristic of the Iranian political system. The government put down any movement that threatened the central government. For example, in 1921, the central government overran the Jangal movement of Gilan and suppressed it.

In the same year they destroyed the Kurdish movement in Kurdistan and the Khorasanian movement in northeast Iran with its superior armed forces (Keddie, 1981:88-89).

From 1940 to 1978 the political system attempted to overpower and isolate the ethnic groups by politics of "divide and govern". It suppressed all ethnic movements throughout this period, and, not only did not allow these people to participate in their own economic and cultural affairs, but tried to assimilate them into the dominant ethnic groups, the Fars.

The attempts of the central government failed and ethnic struggles continued for improved living conditions and socio-cultural identity. The participation of the various ethnic groups in recent revolutions, in spite of their ethnic diversity reveals the broad base and strength of their dissatisfaction with the established system.

The Religious Movements

Socio-cultural factors have been fundamental forces in the formation of social life and social relations in Iran from its earliest periods. Religion as one of the major institutions of socio-cultural phenomena has shaped the historical and societal process of social movements in Iran. It has had progressive or reactionary effects on these movements. Thus religion has had an active role in Iranian culture.

In the politico-economic spheres of social life, the function of religion, as an ideological instrument of the political system, has been significant. Every social movement against or for the established political system has had a religious element.

Iranians have often appealed to religion to protest against their socioeconomic conditions of life. It is a characteristic of the Iranian society like other Asian societies which maintains religion as an instrument to show the suppression and critical socioeconomic conditions of life. That is why the social scientists involved in Asian studies discuss the specific religions historical development of these countries.

The state and religion have had a close relationship to each other. Together they have dominated the country's social life throughout Iranian history. When they cooperated with each other the society was stabilized by their united power and the powerful alliance of spiritual and secular ruling groups. When they have been in conflict the society has been unstable.

The kings and ruling class in Iran have attempted to retain the support of religious leaders through giving them lands, some part of the state revenues, and social or cultural positions. The religious leaders, like any other socio-cultural group, related primarily to their socioeconomic

positions. Some promoted the ruling class because of their own high positions in that ruling class. Others took the common people's side in any conflict because their own socioeconomic positions identified them with the lower and middle classes. On this basis Iran's religious leaders have historically formed two factions.

Frequently, throughout Iran's history the religious leaders have stood with the people against changes desired by the ruling class. In other words, if socioeconomic changes went against the established religious norms, behaviours and beliefs, religious leaders took a conservative position and conflicts between the ruling class and these leaders were produced. The common people tended to the religious side because of their own protests against a ruling class that was repressive and exploitive.

Although the ruling class in Iran was composed of the king, his courtiers, tribal Khans, landholders, religious leaders, top military officers, high state bureaucrats and wealthy merchants, it was the religious leaders who could mobilize the people because of their great commitment to religion. This was an instrument in the hands of the religious leaders who used it to threaten the king and the ruling class now and then.

In the recent century the functions of religion in Iranian socioeconomic movements has been to oppose the penetration of capitalism since it began with the colonialist

ideology in the early nineteenth century. This penetration, not only disarticulated the Iranian economy, but also culturally alienated the Iranian people from their folk-ways.

Hence, socioeconomic and politico-cultural positions of the religious groups were threatened by these changes, which also worsened living conditions for the common people. Thus socioeconomic changes and religious ideology have paved the way for the protests and uprisings of the people in this century. In these events most of the religious leaders have been on the side of the people because their own situations were threatened as well as the peoples' by the processes of dependent capitalist social formation.

Religious movements over the last decades were suppressed by Pahlavi's regime not only because they have had reactionary tendencies, but mostly because of the nature and characteristic of the regime, which supported the core countries, and the foreign-oriented socioeconomic reforms, which led Iran into a peripheral capitalist formation.

The participation of the major religious leaders in the early days of the Iranian constitutional revolution of 1906, the oil nationalization of the 1950s and the events of 1964 and the struggles of the "Mujaheddin Khalg's Organization" were cases in which they supported the popular movements to overthrow political systems which had not been able

to meet the people's needs. The recent Iranian uprising of 1978 was another such case. The people and the religious leaders successfully overturned a monarchic system which was dependent on foreign powers. The socioeconomic conditions of life, inflation, the gap between the rich and the poor, and suppression of political organizations and political parties combined to produce popular resentment in concert with religious ideology that produced Islamic revolution.

It is not, therefore, comprehensive to simply say that this revolution was "an upsurge of religious revivalism against materialism and corruption in high places" or "a rejection by the common people of the socioeconomic benefits of modernization and Westernization" or "a spontaneous reaction by a democratic faith against tyranny and absolutism" or, finally, to attribute to, "the most prominent of its leaders, the Ayatollah Khomeini, almost supernatural, messianic powers" (Elwel-Sutton, 1979:392). All these factors contributed but might affect. They were not the key to the massive movement. The key was the socioeconomic conditions under which people lived which pushed them to take action against the system. In this situation any available method or instrument would have been tried. Religion was and is a profound ideological social institution which has often been at the forefront of social movements. It is not surprising that people of various social and cultural backgrounds accepted the leadership of

religiously-oriented movement against the unjust, oppressive and autocratic authorities in Iran. Religious ideology has frequently been one of the channels through which Iran's people found the fortitude to bear suppression and the strength to rise up against it.

The Bourgeois Movements

The influence of western type bourgeois ideology and the penetration of the colonialist countries and capitalist relations into Iran since the early nineteenth century created new socioeconomic relations among the Iranian people. The rise of urban settlements against the monarchy and the critical social conditions of life in the middle of the nineteenth century generated the protests which ended in the constitutional revolution of 1906.

Although various groups with various ideologies participated in this revolution, it was characterized as a bourgeois revolution in which the merchants, craftsmen and urban dwellers had a significant role in a radical movement against a despotic monarchic system. It was also interpreted as a reaction to the penetration of Iran by capitalist countries with a colonial ideology, which prevented the rise of new independent bourgeoisie and paved the way for the emergence of dependent commercial bourgeoisie. From the constitutional revolution of 1906 until the early 1960s there were struggles

between the independent bourgeois sectors and the dependent bourgeoisie, that were aided by various socioeconomic groups that supported one or the other.

Bourgeois-oriented movements over the past few decades, however, were mostly against the political system because this bourgeois was independent and locally oriented. That is why these movements opposed the dependent bourgeoisie, which was foreign-oriented and foreign-supported, and the dominant political system which supported the dependent bourgeoisie and was part of it.

The independent bourgeoisie and its ideology had survived in Iran with considerable evidence of vigor, even through conflicts, until it encountered the emergence of the dependent bourgeoisie. The dependent bourgeoisie because of its favored position did not allow the independent bourgeoisie to develop or even maintain its former strength. The consequence was conflict between these two.

The history of Iran's political parties and their struggles is largely the ideological confrontation of the independent entrepreneurs and the dependent bourgeoisie. The last rise of the independent bourgeois movement came in the early fifties when the Mossadegh government came into power. This government took some serious action on foreign import-export activity and encouraged the development of independent

bourgeois activities. The nationalization of Iranian oil was one of the major actions taken by the leaders of Mossadeg's government.

It was the Shah's regime, with its internal and external allies, that overthrew the Mossadeg government in 1953, and restored the pro-Western Zandegi's government which was dependent on the core countries. After this the independent bourgeoisie began to decline, its members absorbed or co-opted by the dependent oriented bourgeoisie. The struggles of this socioeconomic group did not, however, disappear completely from the society. In any socioeconomic movement it stood against the dependent socioeconomic and political system.

Bourgeois-oriented movements had their own ideology. Their capitalist structure was designed to allow internal craftsmen, factories, and merchants to grow and function independently. It was against the domination of the core countries and also the autocratic rule of the monarchic system which governed the society. The independent bourgeois ideology defined the role of the king as a mandate to reign but not to govern. The middle class had supported this ideology and the bourgeois movements over the past decades but the dependent bourgeois domination and the radical movements arising because of the situation of the Iranian socioeconomic system caused support for this ideology to wane over recent decades.

Its elements remain within the socioeconomic system, however, as do its supporters.

The Socialist-Oriented Movements

The origins of the socialist tendencies and movements in Iranian society date back to early history of Iran which the Mazdak movement in late Sasanid period (550's). But the more recent socialist-oriented movements in Iran which have had considerable political effects on socioeconomic movements originated in the late nineteenth century when Iranian political factions were getting organized against the political system and the colonial capitalist countries.

The socialist-oriented groups participated in the constitutional revolution of 1906, but could not greatly influence the political system and sway the people. Although there were some socialist-oriented political organizations and publications in the post constitutional revolutions, it was in the late period of the Reza Shah's reign that the socialist-oriented ideology came to the fore. Groups with this orientation established their first political organization in the early 1940's, and called it the "Tudeh Communist Party". This party had an active role in the Second World War period, organizing several strikes and demonstrations which were comprised of workers and the lower middle classes.

Although some socialist-oriented governments were established in some parts of Iran over the past decades, namely in Azarbaijan in 1945 and in Kurdestan in 1945, and some socialist organizations and parties, the movement was not able to gain an organized socialist perspective with any realistic plan for socioeconomic and political success. Although the orientation has had some respectable leaders and strategies they have not been able to function effectively in the Iranian society where absolute royal power has not given people the right to participate in political decision-making. Other obstacles which prevented expansion of the socialist ideology among the lower classes, namely, the domination of core capitalist interests in Iran. The gap between the political organizations which hold such ideology, and the people is the major problem in organizing successful socialist-oriented movements.

The role and functions of socialist-oriented groups have been noticeable in recent political movements and revolutions in Iran. The participation of socialist partisans in the constitutional revolution of 1906, the nationalist movement of Gilan, Azarbaijan and Kurdestan have affected the Iranian socioeconomic and political situation. The armed struggles of socialist organizations since the late 1960's have showed others that the dominant politico-economic system was not all powerful.

The existence of the socialist-oriented ideology, organizations and political bodies in Iran was one of the major threats to the political system and its core allies. Most of the state revenues allocated to the army went to prepare the military for suppression of such ideology. It is little wonder that Iranian socialist movements and ideology achieved minimal political identity and organization. Keddie mentions the role of the government and capitalist countries in suppressing socialist-oriented movements and ideology:

The new American Ambassador to Iran, George V. Allen, was a major supporter of an Iranian anti-Communist policy. Since the withdrawal of Soviet troops the Russians had less influence in Iran than the United States, and only the Tudeh and its allies were effective instruments of pro-Soviet policy. Soon after Allen's arrival, in November 1946, the Qavam government sent troops north to put it down very brutally. Some leaders fled, some hid, but others were executed. In Kurdistan, the leaders were shot, and numerous jailings also occurred in both areas. The economic and social problems of Azarbaijan and Kurdistan grew after the re-establishment of central government control, and there was a severe famine in Azarbaijan in the winter of 1949. (1981:122).

By the use of these tactics the central government over the past decades suppressed other political ideologies and organizations that threatened its rule. No competing political organization could organize itself openly and go to the people to make plans to meet their needs and ask for their

support. The result was political, social and economic domination by a corrupt foreign-oriented socioeconomic system which extracted the surplus from society for its internal and external allies.¹⁹

CHAPTER TWELVE

CONCLUSION AND RECOMMENDATIONS

SUMMARY

Although the economic and military growth since 1962 has been significant and changed Iran's socioeconomic conditions of life, it has failed in providing socioeconomic development to better the lives of Iranians because of its foreign-oriented development, peripheral capitalist formation and repressive political system. For the Shah and his regime strong military power, anti-Communist and pro-Western tendencies and a high rate of economic growth were the means to maintain himself and his political system in favor with the Iranian people and his Western allies.

The core capitalist countries, for their part, wanted the Shah's political system to stabilize Iran's internal situation and the region, for their political and economic benefit. These allies did not concern themselves with how the Shah and his dominant ruling class maintained their power in Iran or the fate of the common people under his regime.

The politics in Iran, were for the benefit of the internal ruling class, the dominant dependent bourgeoisie, and

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the multinational corporations of the core countries. This unholy trinity arose from the nature of the Iranian political system which was deeply rooted in characteristics of the socioeconomic formations of the Iranian pre-capitalist and peripheral capitalist periods.

Development of the dependent bourgeois in Iranian society over the last decades was the direct consequence of the historical processes of socioeconomic formation and the penetration of the world capitalist economy in search of markets and raw materials. The domination of the dependent bourgeoisie as a ruling class, composed of the older ruling class from elite families and some newly emerged and foreign-allied wealthy families, was the result of developmental processes in recent decades which had pushed the Iranian society and its political system to alter ruling class composition through some reforms. In the early 1960s the Shah's regime reluctantly accepted the leading core countries advice to modify the worst conditions of Iranian life with an apparently modern new program that did little to diminish exploitation, just obscured it while the old fashioned polemics continued, temporarily out of sight.

Isolating some strata of the ruling class, such as landowners and tribal Khans was the real intent of the reforms which were carried out in Iran. The Shah and his political minions, without truly involving the people and getting their participation in socioeconomic decision-making and

planning, advanced the reform plans in several steps. The regime eased the way for isolated ruling groups to participate in new economic plans and subtly co-opted them into a growing dependent bourgeoisie. Thus the new dependent bourgeoisie, with old content but new form, gained new power to dominate the economy and sped the society toward peripheral development.

Two decades of successful peripheralization of the Iranian socioeconomic formation resulted in full dependence of the Iranian political, economic and cultural system on the world capitalist economy.

Although the political system and its foreign allies succeeded with their main objectives, the regime could not save itself from the popular insurrections. It was, finally, a mass uprising of the Iranian people in 1978 which overturned the Shah's monarchic system in early 1979 and established the "Islamic Republic".

It had been obvious for some time that the regime would be overthrown, but no one had expected it to collapse so soon. International conditions made possible the Iranian's open opposition toward the regime with its suppression, its domination, and its foreign allies. Saikal analyzes the failure of the Shah's reform program:

Iran achieved a capacity to strengthen its bargaining position in the conduct of its regional relations, winning friends and pursuing a resolute stand against what the Shah regarded as 'subversive/ Communist' forces. But the Shah's progress in strengthening and exerting Iran's position as the anti-Communist, pro-Western power in its region failed to transform Iran into a self-generating industrial and military power. His policies were not only unsuccessful in fulfilling their original objectives, but also caused serious tension within Iran and its region. This was largely because they were, on the one hand, over-ambitious in their objectives, poorly planned, badly coordinated, and mismanaged; and, on the other hand, they were based on a frail domestic political structure (1980:182).

The reform program changed the Iranian social formation through transition of the dominant mode of production from agriculture to peripheral capitalism. In the process, social relations changed drastically. New strata within the ruling class appropriated the socioeconomic organs of society and forced itself into power as the dominant class, the dependent bourgeoisie.

With its relatively improved socioeconomic conditions Iran's government considered itself the leader of the Gulf area. This not only was supported by the ruling class but also by the core countries to keep the region, with its vast oil fields, secure from any kind of radical movement. The military expansion of the regime through sophisticated army gear brought from the U.S., France and England was an example

of its efforts to maintain the security of the flow of oil from the region toward the industries of the core countries and also secure foreign capital investments. Functioning as the policeman for the region, Iran, without any benefit for the Iranian people but only for the regions and foreign capitals, suppressed radical movement in Oman and participated in Somalia's war against Etupi. In this way the regime spent huge amounts of revenue on war material for its own security and in the interests of foreign allies.

Because of the socioeconomic reforms, the regime had the opportunity to suppress all organized and non-organized opposition. It proceeded through such undercover organizations as SAVAK and the secret police, extending a reign of fear and domination even into families. The people had food for survival but few dared to participate in everyday social or political activities. Instead, they lived behind walls of silence afraid to ask about the ordinary realities of life, not daring to venture an opinion or comment, even in their homes.

The Shah's reign had withing it, though, the seeds of its own destruction. He valued education and the resulting expansion of schools, high schools, universities, libraries and mass media that came about under his direction gave an opportunity to some people to gain new ideas on polemics and conditions of life elsewhere among the nations, various social systems and ways of thinking.

Such knowledge fanned the resentment of oppressed Iranian people and they began to speak up, to protest, to struggle and even riot in the streets. The government was blind to the roots of these struggles and put out the brush fires caused by oppression with even more suppression, with army troops and secret police, and by execution and dispersion.

The regime did not want organizations or individuals to participate in social and political activities. It wanted them to be "yes" men but not to question or verify the social realities. The Shah wanted popular support, or at least no dissention, but only on his own terms, without sharing any power or decision-making. Thus dissention and dissatisfaction continued, as did oppression.

The economic crisis of 1976 had a profound effect on dependent capitalism in Iran. Its consequences were a slow down of industry and a decline of capital investment in various Iranian economic sectors. By starting as a decline in investments flowing into Iran, the diminished inflow continued to slow to the point at which it became a net out-flow as the dependent bourgeoisie transferred abroad their accumulated capital assets. The dependent state facilitated the drain on resources from Iran through a dependent and foreign-oriented banking system. What eventually remained from once enormous accumulated assets were some deserted and bankrupt building, factories and industries.

Suddenly the country faced failure after decades of growth and development in most of its economic sectors. The consequences of dependent development that any peripheral country will have to face had caught up with Iran because its dependent industry, technology, state machinery and economy rose and fell with the fortunes of the countries on which it depended. Iran was not excepted from this general rule. The worldwide market of leading world capitalist economies incorporated peripheral economies into its system, not on an equal basis on behalf of equal development, but often for extracting surplus value through the mechanisms of import and export of industry, technology and finance.

CONCLUSIONS

Although the fundamental bases of all societal movements and revolutions are rooted in socioeconomic factors, each society's radical movements are crystalized within some specific parameters. Iran's recent radical movements and changes are no exception. The major objectives of Iran's social movements and revolutions over the last century have been three primary goals: (1) equal opportunity to benefit from socioeconomic development; (2) nationalism; and, (3) popular participation in decision-making processes.

Although the political organizations and the people who support them have emphasized some other aspects of the

most recent revolution, it was one or more of the above-mentioned goals which were the dominant motivation for the people who participate in it. The social objectives in the "socioeconomic" sense, in this context, represent aspirations to change the socioeconomic conditions of life. Local Iranian insurrections before the White Revolution of 1962 in rural areas and the nationalization of oil industries in 1952, and also the strikes and insurrection in urban areas, especially Tehran, before the Islamic Revolution of 1979 were examples of socioeconomic striving for radical changes.

The nationalistic social movements emphasized the political aspects of dependence which have undermined the sovereignty and independence of Iran. This includes internal and foreign domination. Most of the radical movements in Iran in recent decades have had one or more of these objectives. Khiabani's movement in Azarbiajan, the Jangal movement in Gilan, and the Coup de ta of 1921 by Reza Khan are three examples of such movements.

Participation in decision-making processes requires the people's involvement in their own destinies. The existence of a despotic autocracy in Iran over the past centuries has prevented popular freedom and participation in socioeconomic decision-making processes. The constitutional revolution of 1906 and the people's uprising in 1978 resulted from such repression.

The religious thread running through Iran's radical movements has a long history. Most of the movements in Iran against internal despots and external invaders have had religious overtones. The recent decades have witnessed such movements as Babis, the religious uprising of 1963 against the White Revolution, and the Islamic Revolution of 1979.

The struggles against socioeconomic inequality, internal or external dependence, despotism and cultural deprivations (religious) have had a long history in Iranian society. Each struggle has been carried out by its own organizations and supporters but the fundamental goal of all of them was improvement of socioeconomic conditions of life in Iran, with a specific emphasis on particular aspects of social life.

RECOMMENDATIONS

There exists no single country which does not have a relationship with other countries. The developments of communication, mass media, technology and the increasing expectations of all classes necessitate interrelationships with each other. This interdependence between societies supplies human needs through societal, scientific and economic exchanges for further progress and development. These exchanges make it possible to overcome the poverty, starvation and any discrimination and exploitation within and between human societies.

The major disputes and dilemmas emerge when such interdependence becomes drastically out of balance resulting in exchange and, consequently, unequal development.

To search out the roots and causes of such a phenomenon, one must look at the mechanisms and nature of the capitalist mode of production. Capitalism functions wherever it finds profit. Profit arises from surplus value and results in capital accumulation. Surplus is created from human labor.

Capitalism, therefore, needs to extract surplus to obtain capital accumulation and invest it in available markets; both internal and external. With this process for development and expansion, it is in the nature of capitalism to create inequality within and between groups of people. Thus, development and underdevelopment are two sides of the capitalist coin.

The flow of capitalism from a core capitalistic country into a country which has different modes of production results in a rejection of capitalism or changing such a country to meet capitalist needs and ends. The pre-capitalist period in Iran is one example of a society which did not reject capitalism. Qualifications which determine the method of penetration into this country depend on the nature of the guest capitalists and the extant phase of capitalism. In any case, the consequences will be the establishment of an

unequal relationship between the core capitalist country and the other country; the process will end in the peripherization of the economic sectors of the host country because core capitalist policy will heavily influence the decisions and planning of the host country. From the viewpoint of capital circulation, this means favorable economic planning is more profitable for capital than for the host country. In any relationship between core and peripheral countries, the outcome tends to favor the stronger, or core, country.

Conflicts emerge in the host society when established modes of production are confronted with the new capitalist mode of production and competition for essential markets, raw materials, labor and political influence arises. To resolve such conflicts guest capitalists may seek allies within the host country. Depending on the nature of the country, state officials, merchants, landholders, or tribal leaders may be potential capitalist allies. What invariably evolves is either a societal rejection of capitalism or a new social formation with capitalist relations. Such formation prepares the groundwork for future development of the economy of the host society: dependent development with a coalition formed between the capitalist country and its internal allies to seek out and profit from surplus. The state machinery secures the capital by getting its share of the obtained surplus and the support of the core countries.

A dependent bourgeoisie is formed from the internal allies of capitalism who pave the way for capital penetration throughout the society using the mechanisms which then govern the host society.

Independent socioeconomic development for a given dependent and peripheral social formation in the world capitalist economy is an utopian impossibility. It is impossible to have a trace of independent capitalist development within such a closed world system. Divisions of labor among the core and periphery countries worldwide have been attained after several wars. The achievements that the core countries have attained over the past centuries, structurally and historically, belong to these countries. They can be maintained only by continuing core-periphery relations. Capitalist development is inherently uneven development and unequal exchange. The peripherization of some human societies is a natural consequence of the historical development of capitalism and can be eliminated only for rejecting the dependent capitalist mode of social formation.

There are two ways for currently peripheral countries to achieve socioeconomic independence. First is an unexpected event which will end in the collapse of the world capitalist economy. Such an event might provide ways for peripheral countries to release themselves from the socioeconomic and politico-cultural domination of the core countries.

The only other way would be for the peripheral countries to reduce and withdraw from relations with the capitalist countries. This would require considerable commitment and a long period of struggle for the people of the country. It is a difficult approach because of the socioeconomic dependence of these peripheral countries on core countries. For example, one of the main elements of such an approach would be an independent, democratic government and political system. Such a government with a socialist orientation would be a way these countries could cut down their relations with capitalist formations and release themselves from the domination of core capitalist relations.

To approach such a long term goal, Iran would need some developmental changes in order to maximize the potential of its strategic geographical location and raw material resources. These changes and their relationship to Iranian historical development and the nature of world capitalist penetration form the discussion for the final pages of this dissertation.

Indigenous economic development and infrastructural changes for the improvement of Iranian socioeconomic life could be achieved only by complete termination of the present peripheral mode of production. Hypothetically this would be possible through establishing new independent foreign relations and instituting new socioeconomic relations among

the Iranian people, giving them equal access to the country's resources for their individual and social needs, and letting all the people participate in social and economic decision-making.

The reason why democracy in Iran would have priority over other important aspects is the specific historical development of Iranian society. It is also the only way in which progressive socioeconomic groups can succeed in preparing the way for a conscious organizing of the people against internal and external obstacles and domination. Political organizations and parties will mature through becoming involved in social issues and people from various economic backgrounds will be able to evolve an ideology to fit the societal realities. With a concrete ideology, each social class will understand its class interests and role in an independent socioeconomic development process. The classes will elect their own agents, then, for political and socioeconomic responsibilities. In this situation, the society can implement real development and the efforts of government and other institutions would be intended to promote improvement in the people's social and individual lives.

The fundamental question raised here is: how can the Iranian society achieve such a condition, considering its historical background and existence of the world capitalist economy? It is not an easy question. The general perspective

is that the people must handle their own socioeconomic and political affairs in order to preserve their own interests. The people are the essential element in this process. They would have to be aware and fully understand the social and individual ramifications of any issue, the international situation and the concrete societal realities. Thus, they would be able to elect their government and participate fully in the socioeconomic and political affairs of their country. Still, there exist various dilemmas here. A democratic government in any given society requires the people's participation in the entire gamut of socioeconomic activities. Decisions must be made as to how this is to be achieved.

In the conflict tradition, we should pay attention to productive forces and relations to realize the social conditions of life and forces for socioeconomic activities. Through this process, we will be able to examine the capacity of the social groups to achieve their own socioeconomic demands. Generally, this perspective is valid. It has been a guide for this study. But, in concrete analysis attention must be paid to the social realities. In the context of Iranian society, there were some fundamental issues which prevented the functions of material bases, productive forces and relations and goals from achieving their ends. At the time, it was not the modes of production which blocked popular participation and democracy in the society but superstructural phenomena. That is, the productive forces and

relations were blocked by other obstacles. Therefore, concrete analysis requires consideration of specific conditions of the issues which have prevented an independent developmental process.

As considered in the theoretical analysis in Chapter One, each society comprises productive forces, productive relations, and super-structural phenomena. Modes of production, consisting of productive forces and relations, are the material bases of the society. The superstructure, consisting of social beliefs, norms and behaviors, pave the way for accepting production relations, such as class relation. In Iran the productive forces and relations had the potential for independent, democratic development but the superstructure presented overwhelming obstacles. What needs to be done is to develop social, political, cultural and economic awareness among the population to establish an ideology that will not prevent independent development. Through this the social groups would be able to participate, seriously, in their socioeconomic activities to secure their individual and collective interests against the interests of foreign-oriented development and foreign capital.

Based on the development of productive forces and relations, progressive political organizations would need to utilize their energies and potential in educating the people toward social awareness and understanding the concrete

realities of their society. This process would help the people evolve an ideology consistent with their own social realities and prepare to order their own destinies by participating in the popular decision-making of a socioeconomic democracy.

The material base of a new Iranian socioeconomic system is in place. Through reducing and alleviating the super-structural obstacles, each ethnic group would be able to exercise its own economic, social, cultural rights to improve its quality of life without facing insurmountable economic gaps between those who have and those who have not. The government, as the representative of all the groups, would support and facilitate socialist-oriented planning, allowing the society an independent political and economic system that will resist future dependence and peripheral development.

The main efforts to create this situation would have to be focused on the following areas to create the conditions for achieving the above goals.

A. External - Elimination of socioeconomic dependency, which requires these major steps:

- (1) breaking down core-periphery relations to throw off any kind of domination by foreign capital and its internal allies, the dependent bourgeoisie.
- (2) nationalization of all foreign resources.

- (3) planning to change foreign-oriented dependent capitalist relations within the society.

B. Internal - Attention to the internal conditions of life: the socioeconomic and politico-cultural institutions and their functions. Without fundamental change in internal social and economic relations, and without an organized political ideology, such attempts will be impossible to eliminate the external and internal economic and socio-cultural domination. Thus the following steps are needed:

- (a) nationalization of all natural resources
- (b) participation of the people in all societal activities
- (c) elimination of any kind of discrimination such as: national, economic, cultural, and political.
- (d) democratization of state machinery.
- (e) leading the political organization toward such organized and ideological institutions through the understanding the social and cultural realities.
- (f) giving the people real knowledge of their socioeconomic and cultural conditions to achieve independent opinions for social and individual decision making.
- (g) giving opportunity to intellectuals to participate actively in the whole transitional period and lead the technology and bureaucracy sectors in the service of the entire society.²⁰

ENDNOTES

ENDNOTES

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of this Western social scientists have called oriental formations "Asiatic Social formations".

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13. Although throughout this work the relations between core capitalist countries and Iran has been analyzed, it is emphasized that the goal of this study is to trace the nature of the relations of the core capitalist countries with Iran but not the socialist countries such as Russia. It needs further study in this field to see the relations of socialist countries with peripheral countries.

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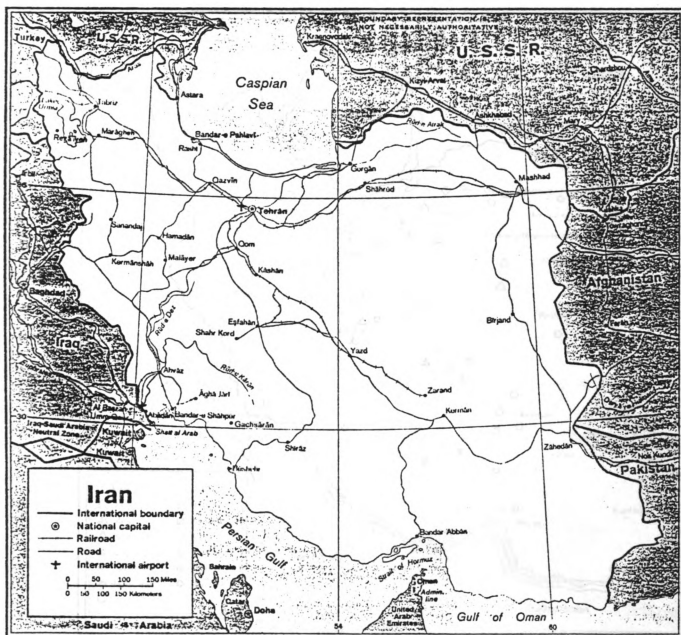
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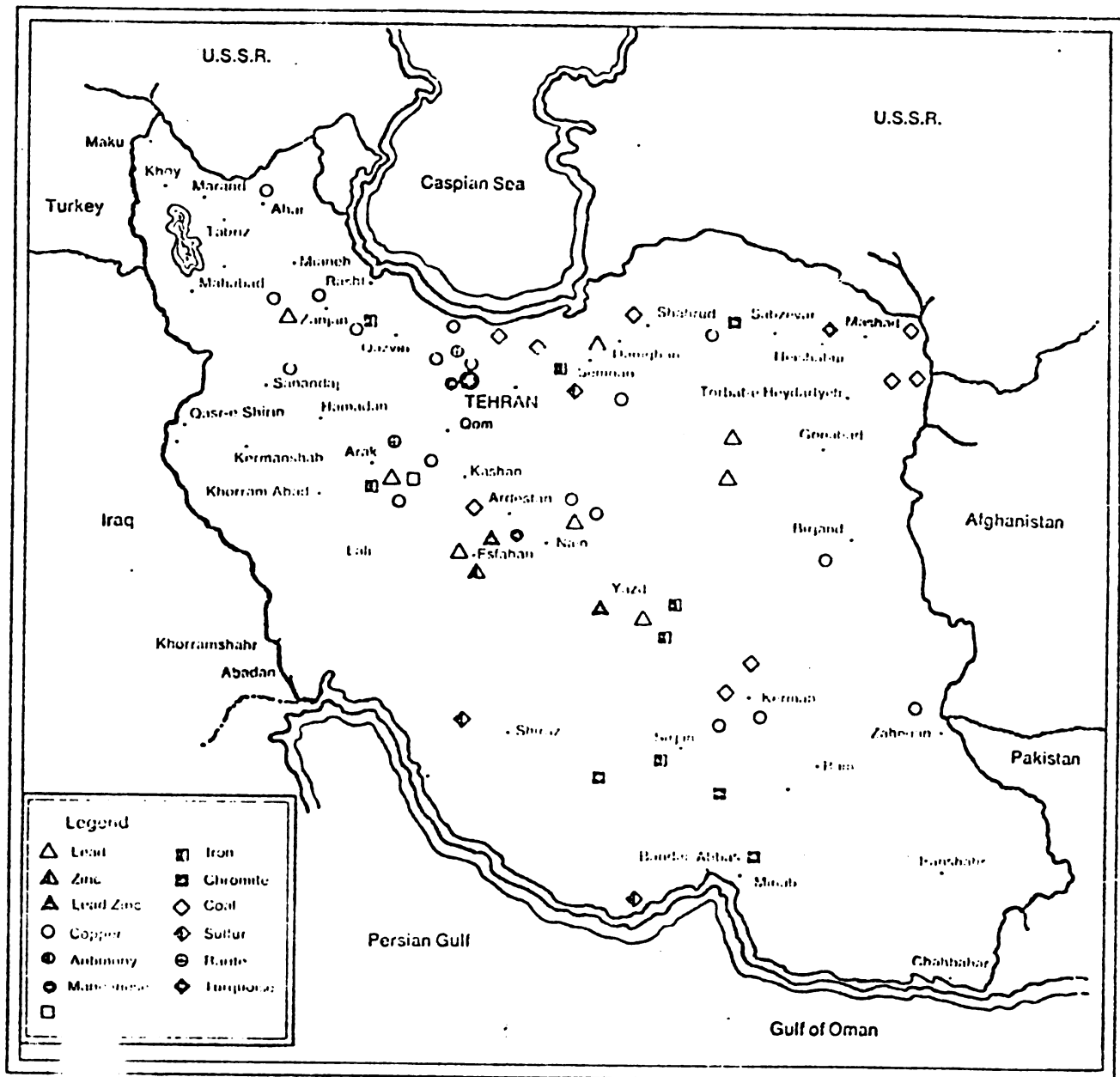
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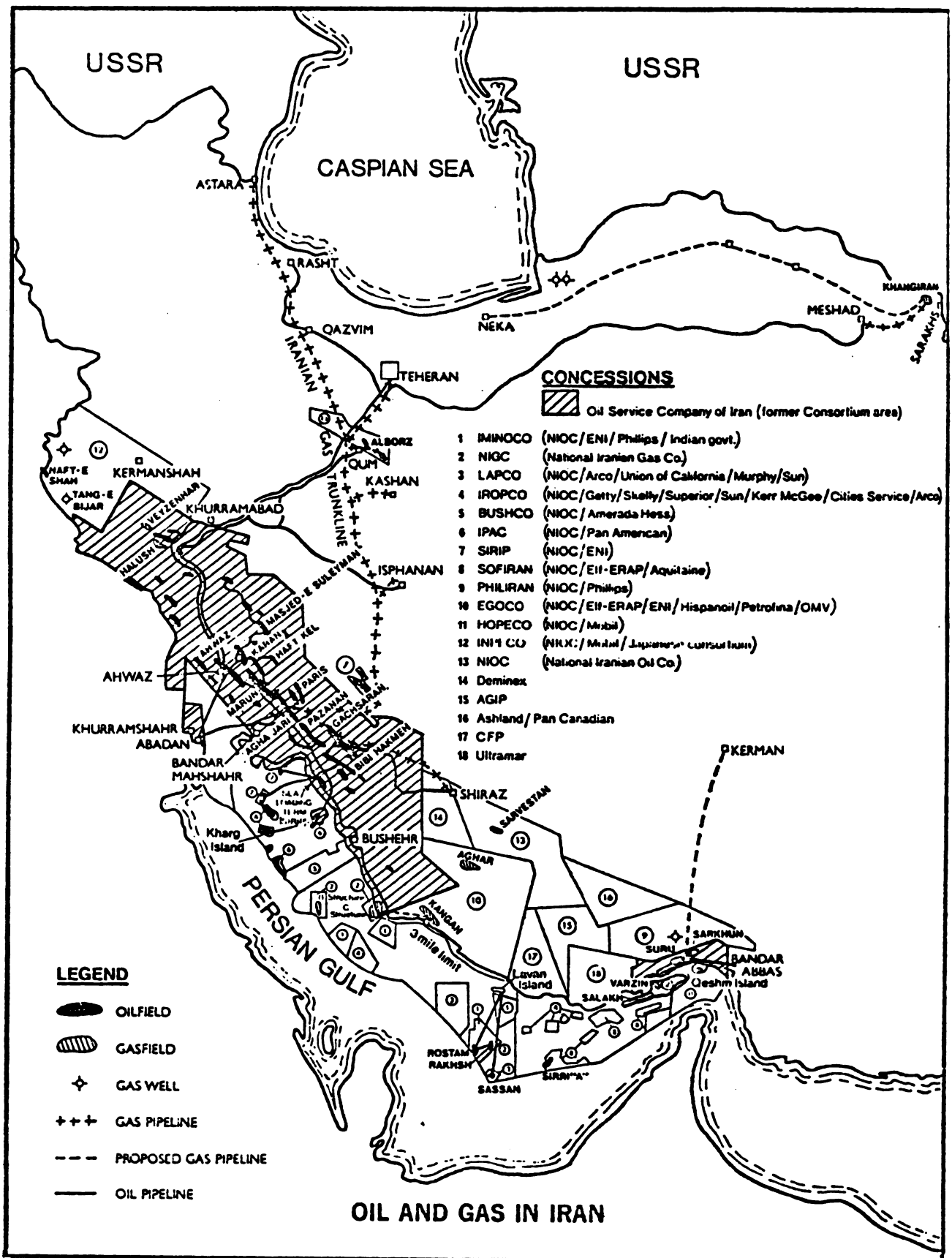
APPENDICES

APPENDIX A

MAPS OF IRAN

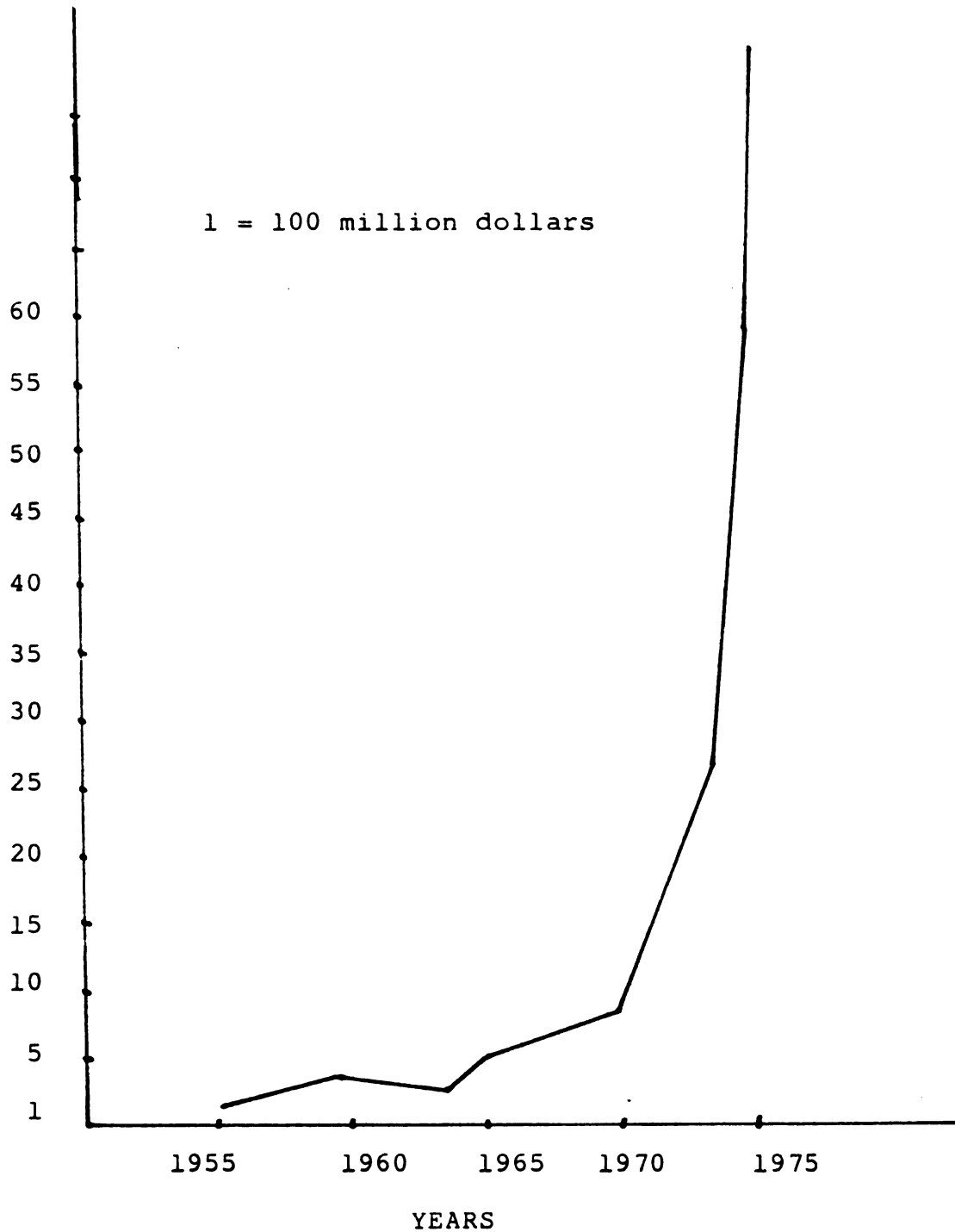






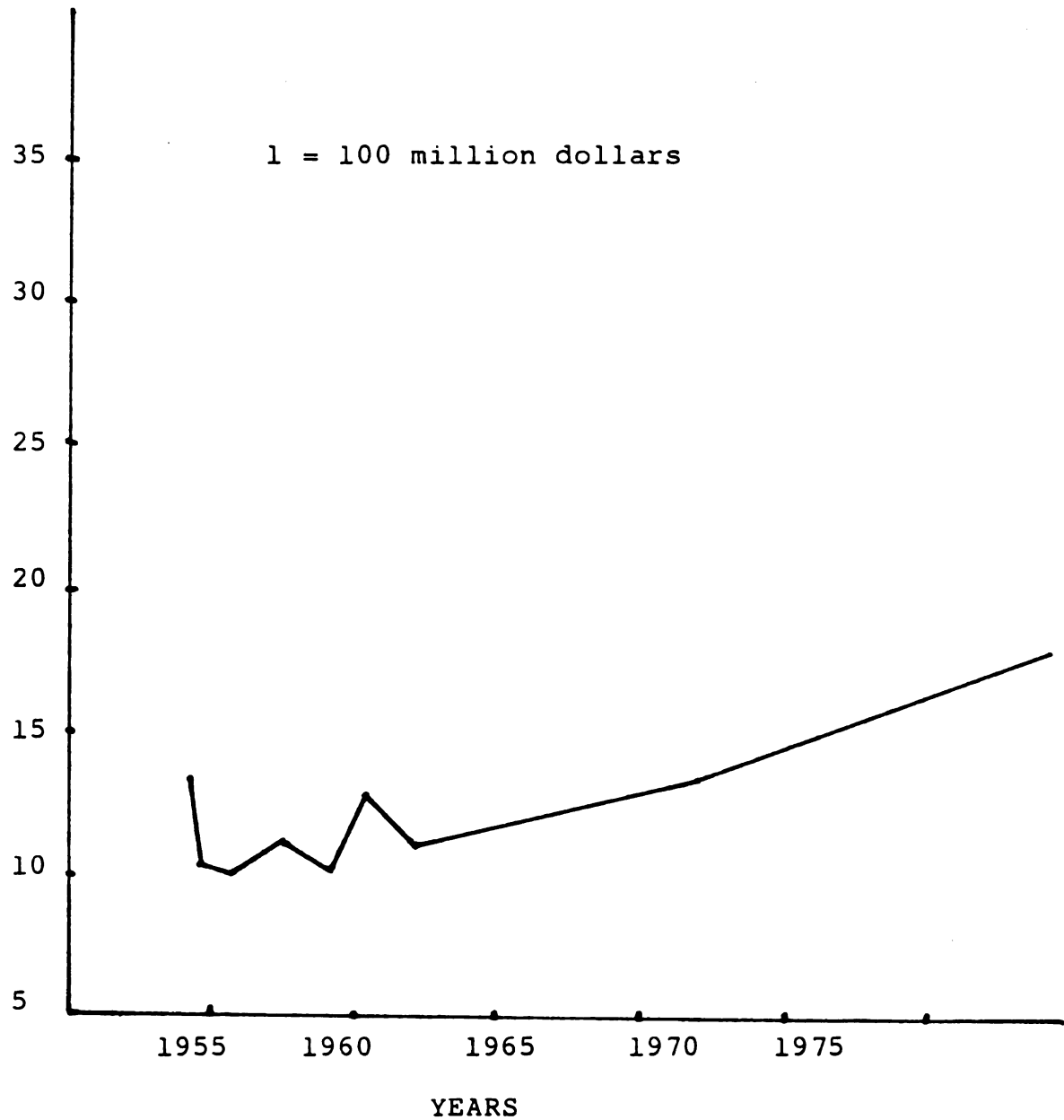
APPENDIX B

GRAPHS



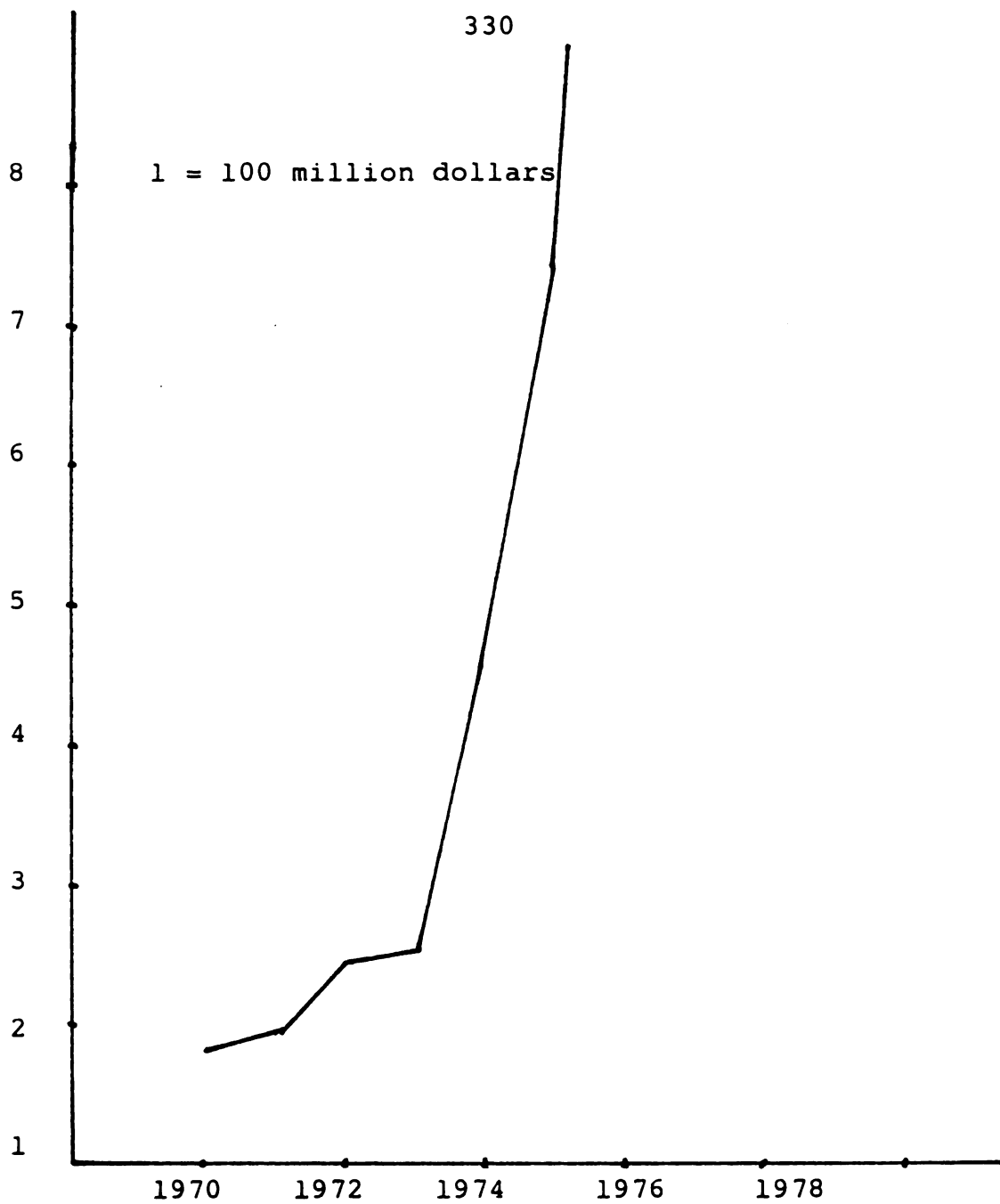
GRAPH 1: The Increase of Imports of Goods To Iran Over the Past Two Decades

SOURCE: Based on various tables presented in the dissertation.



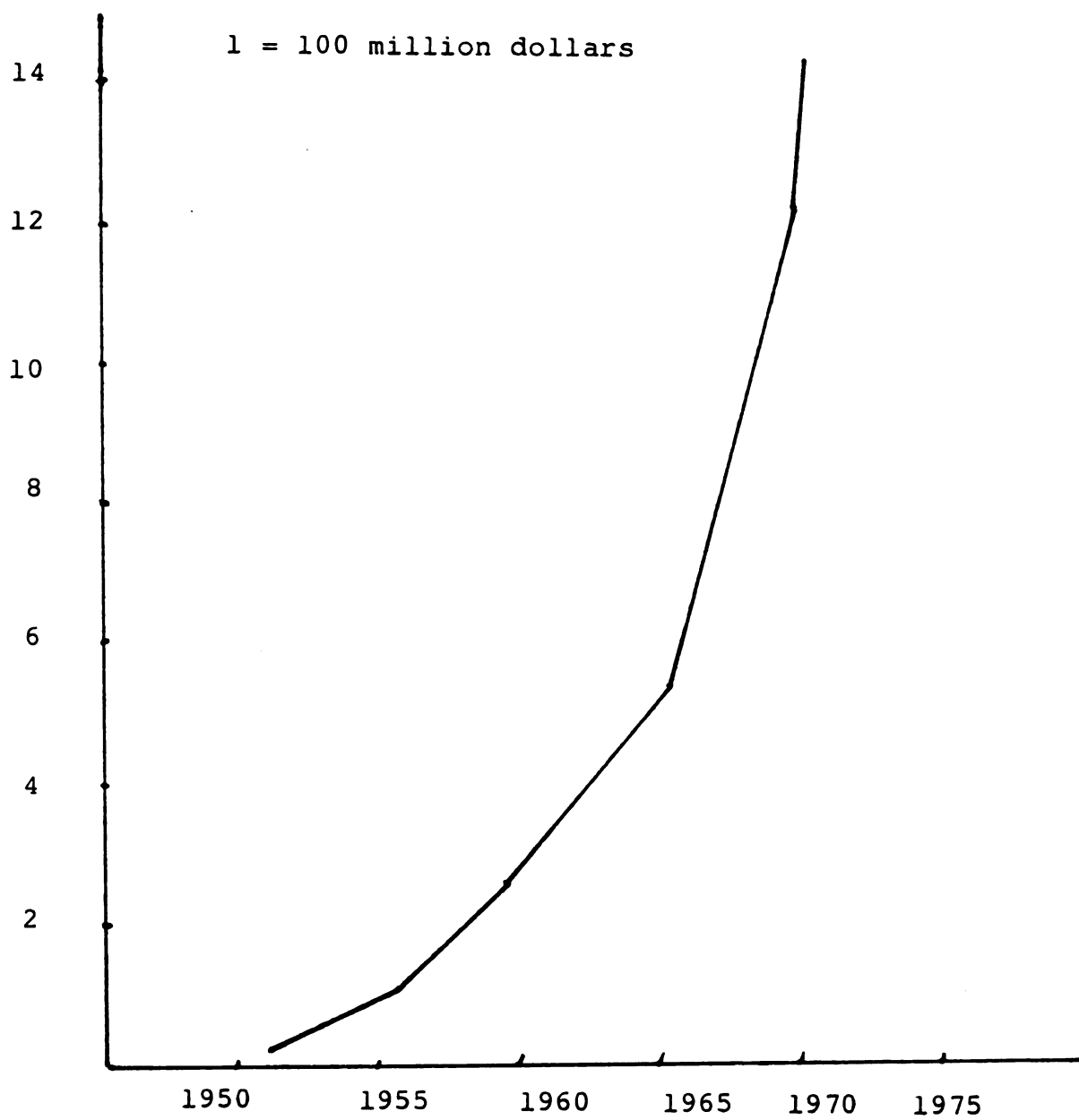
GRAPH 2: Iran's Decreasing Non-Oil Exports, 1955-1980.

SOURCE: Based on tables presented in the dissertation.



GRAPH 3: Rate Of Invest In Iran's Defense Budget

SOURCE: Based on tables presented in the dissertation.



GRAPH 4: Iran's Oil Revenue Increases

SOURCE: Based on tables presented in the dissertation.

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