CHAPTER - III

REVIEW OF LITERATURE

A review of the earlier research done in the area that one chooses to explore is indisputably very informative as well as highly rewarding in that it helps in identifying the thrust of the existing research, and in the formulation of the objectives of one’s own study. Though, serious research dealing with the development of the agricultural sector in Iran has not, as yet, proliferated, different research workers, nonetheless, seem to have dealt with different issues pertaining to the theme undertaken in this study. It would, therefore, be quite useful to review the research work as has been carried out by different research workers in the area during the past couple of decades. An attempt has, accordingly, been made in this chapter to critically examine the earlier studies. It is pertinent to note at the very outset that the present literature review exercise is by no means exhaustive or exhaustive all-embracing. Nevertheless, it endeavours to focus upon almost all the important studies that have been done in the area during the past couple of decades.

Broadly speaking, the available studies pertaining to the farm sector in Iran can be classified into two broad groups, viz., studies focusing on the
pre-Islamic Revolution period; and those covering the period following the Revolution. Alternatively, these two broad groups of studies can be called as pre-Islamic Revolution studies and post-Islamic Revolution studies. In the present study, this latter nomenclature has been retained for the sake of simplicity.

The Pre-Islamic Revolution Studies

Some important studies which belong to the pre-Islamic Revolution period can be briefly reviewed as under:

Analysing Iran’s foreign trade, Vager (1969) concludes that the import-substitution industrialisation strategy, as had been adopted in Iran in the early 1960s, was mainly responsible for the neglect of the agricultural sector. This, in turn, adversely affected the exports of the farm sector products and also culminated into the stagnation of non-oil export sector. His preoccupation with the policy questions of diversification of Iranian exports rather than continuing with the large dependence on the oil sector, in this regard, impelled him to emphasize the need for the development of the agricultural sector as an alternative.

Farhang (1971), in his study on the theme of economic changes in the productive activity in Iran during the period 1960-70, arrived at an important conclusion. While documenting the historical background of the relatively low level of agricultural development in comparison to other sectors of the Iranian economy, he observed that the emergence of such a situation, in part, could be attributed to the inadequacy of factor
endowments in terms of managerial and technical resources in the farm sector, and, in part, to the application of inappropriate monetary and fiscal policy of the government.

Kaiser (1976), in his study, observes the inter-linkages between the growth of the Iranian economy and that of the Europe or of the West as a whole. In this context, the author points out that Europe’s dependence on oil from the Middle East (including Iran) along with northern Europe’s technological possibilities and their agricultural supplies to this country (i.e. Iran) underlie these economic relationships. The study seems to suggest that long-term economic interests of both the trading partners, European Community and Iran, necessitate the intensification and further strengthening of these relations. The author notes that what is needed in this regard, are the periodic re-appraisals and the introduction of a diverse set of political, and economic correctives. These measures according to the author, would tend to serve the economic interests of both the trading partners uninterruptedly.

The study by Aresvik (1976) is based on an analysis of the introduction of improved wheat technology in Iran. The author, who had become quite familiar with the state of agriculture during the time of Shah, notes that many changes had taken place in the economy of Iran during this period. Land reforms were the main part of Shah’s efforts to develop the agricultural sector. However, in spite of these well-intended reforms the great agricultural potential could not be tapped in Iran due to numerous
factors. For example, the Shahanshah rejected the theories of slow evolutionary change even for agriculture. Furthermore, the introduction and rate of adoption of improved “biological-chemical technology”, also called Green Revolution technology, had been relatively slow in Iran. The study, among other things, laid great emphasis on the need for the introduction of improved technology in respect of wheat crop, which accounted for about 60 per cent of cultivated land each year. While this bias of the author in terms of application of improved technology in the case of this particular crop has attracted criticism, yet it was not without reason in that wheat happened and continues to be the major food item for a preponderant majority of Iranians. Labelling Iran as a sleeping giant in the matter of agricultural development, the study noted that there existed a tremendous potential for increasing the volume of wheat production through the full use of all the available water resources for irrigation development and introduction of well-adapted improved technology for the irrigated as well as rain-fed agriculture.

Beadmont et. al (1976) carried out a study on Iranian-Agriculture and its modernisation. This study also covers the period before the Islamic Revolution. An important observation made by this study is that with the growth of oil revenues and industrialization to which Shah also seemed to give priority sometimes, the traditional importance of the agriculture in the overall economy displayed a tendency towards decline. The study further noted that in Iran, agriculture has been dominated by the production of cereal crops for small scale local economies. High labour input use, low
levels of mechanisation, absence of application of improved High Yielding Varieties of seeds and practically very low use of chemical fertilisers are some of the other important features which, according to this study, characterised the Iranian agriculture. It is not surprising therefore that under such conditions, agricultural productivity was largely dependent upon the vagaries of weather, and the availability of water for irrigation rather than on the labour input use of the individual farmer. In an attempt to lessen the degree of environmental effect on farming activity, Iran initiated programmes of agricultural modernisation. These programmes were financed by oil revenues which, in the opinion of the author, provided large and assured sources of national income since the late 1950’s. Noting that the greatest changes had been brought about by the government action through a programme of economic planning and land reforms in Iran, the study observed that there had been tremendous resistance to these measures both from landlords and peasants. In an attempt to develop the lands irrigated by large dams and thereby utilise Iran’s agricultural potential more efficiently for purposes of agricultural modernisation, the Shah’s government later started pursuing a policy of agricultural polarisation by the formulation of large agro-business concerns. The introduction of these measures, according to this study, however could not make a dent on the deplorable conditions confronting the landless and agricultural labourers. Also of concern was the fact that many of the land holdings appeared to be too small to provide adequate returns, no matter how efficiently they were managed.
Maclachlan’s study (1977), on the structural changes in the Iranian economy holds the view that Iran was the first country in the Middle East from where the export of petroleum started on a significant scale. Again, the process of economic planning got initiated much earlier in Iran (i.e. in 1948) than in any other OPEC country. Furthermore, the country’s economy was more or less dominated by the agricultural sector in the sense that as late as in 1960, it accounted for over 60.0 per cent of total labour force. He believes that subsequent developments envisaging growing thrust on industrialisation, as is visible from country’s Third Development Plan, tilted the balance against the agricultural sector. Even the policy of land reforms which was pursued by the Shah during 1960’s proved to be counter-productive in this regard. The net outcome of these developments, according to the author, was that the relative share of the farm sector declined significantly both in terms of output and employment, generating thereby important structural imbalances, which in turn, have tended to become compounded over the period of time.

In an empirical exercise, Rezai (1978) discussed the problems of the Iranian economy which according to him, seemed to emanate from “confusions and conflicts”. The study sets out to examine the economic aspects of agriculture in Iran especially the one pertaining to its experiencing a comparatively sluggish growth rate. Regarding policy measures to effect the necessary correctives in this connection, the study suggests some changes in the policies like greater decentralisation of decision-making, higher priority for “Research & Development” work
related to regional types of farm management planning, higher priority for appropriate types of agricultural education, training and extension services and improvement in the supply of managers for state, para-state and private organisations. Better balance in price and trade policies, improvement of competition in marketing, expansion of sound agricultural credit schemes, and reconsideration of “structural” interventions are some of the other policy measures underlined by this study. A major limitation of this study has, however, been that it covers the pre – Islamic Revolution period and, as such, cannot answer many of the questions which have assumed significance in the changed context after the dawn of the Revolution.

Haliday (1979) maintains that the temporal growth of Iranian economy since 1950s has largely been the result of the government intervention. The author, however, observes that in the past, neither the Iranian bourgeoisie, nor foreign capital was, able or willing to invest in the agricultural sector for the sake of its development. In comparison, many efforts, on the other hand, were noticeable on the part of the government to develop the agricultural and the industrial sector for purposes of reducing dependency of the country both on exports of oil and import of foodgrains. Nevertheless, on account of the fact that such measures did not succeed either as path finders or as pace setters, the dependency on agricultural imports continued to grow. The author, therefore, firmly believes that colonial exploitation, subordination of the Shah to world imperialism and its international alignments could be mainly held responsible for under-development of the agricultural sector in Iran.
Bedore and Turner\textsuperscript{10} (1979) are of the view that an oil rich country such as Iran is inevitably bound to accord higher priority to the development of the industrial sector over the agricultural sector because of two factors: (i) availability of huge amount of oil and gas reserves in the country, and (ii) lack of suitable climate and inadequate development of infra-structure for the agricultural sector. In view of this it is not surprising, therefore, to note that the farm sector has tended to lag behind in relation to its non-agricultural counterpart.

Salmanzadeh\textsuperscript{11} (1980) covers the rural situation and processes of change in a relatively small area of Khuzestan in southern Iran. Focusing on the physical environment of the province, development plans, demography and even the village and family structure, the study attempts to analyse the change in rural economy and agricultural sector. It also undertakes a precise examination of farm Corporations, agri-business and Shahraks (small towns or new resettlement centres). The study points out that in the sample area, even with the use of traditional methods of irrigation, these institutions have been agriculturally highly productive. Furthermore, following the construction of a dam\textsuperscript{12} across the river Dez the potential for further agricultural growth could improve dramatically by the improved and assured availability of water for irrigation. While applauding as to how the imaginative scheme for the creation in Khuzestan of a total river basin development area on the model of the Tennessee Valley Authority (TVA) was implemented more or less continuously from the
early 1960s and was also successful in realising some important gains in the farm sector. The study, nevertheless, laments that those in charge of development in the province had developed towards local farming. However, in view of the fact that this study has had only a limited coverage, the findings emanating from it cannot be generalised for other areas. Moreover, since the study covers the period before the Islamic Revolution, it is not possible to make out, in the absence of fresh evidence, as to how the agricultural scene in the area has changed after the onset of the Islamic Revolution.

Thomas Walton (1980) seems to agree with Haliday about the economic consequences of the old regime (Shah’s). In this context, he argues that the adoption of pro-industrialisation policies coupled with phenomenal rise in revenues from oil and relative political stability contributed to the development of the industrial sector and to the underdevelopment of the agricultural sector. This pattern of development, according to the author, however, led to the unduly excessive dependence of the country on western technology and culture. Furthermore, its excessive reliance on oil revenues seems to have created some sort of a false paradigm of growth. Similar views have been echoed by some other scholars as well.

Katouzian (1981) believes that what has taken place in Iran was neither social and economic progress, nor modernization. Rather it may, at best, be labelled as “pseudo-modernism”, which in turn, has been faulted
by the oil revenues. In support of his assertion, he contends that when the government seemed to be claiming that the country was on “the threshold of great civilization”, the share of all agricultural and food items in imports was increasing, while the domestic production of these items tended to register a declining trend.

Tawanayan Fard (1985) focuses upon economic conspiracies of the imperialist countries in Iran. He says imperialism (especially the one having its roots in the USA and the UK) through its allies in Iran (as represented by the Shah’s regime) exploited the country’s mineral and other resources, captured the market and created a dependent structure in Iran’s economy. The author further argues that the priority given to the development of the industrial sector together with the hasty ambition of the Shah to realise “great civilization” changed the very structure of the Iranian economy and also surrogated the self-sufficient “agriculture framework”. Terming the emerging structure as the “fabrication framework”, the study noted that the development strategy followed in the country intensified the country’s dependence on imperialism for the import of agricultural commodities in general and of food items in particular.

Amid (1990), finds that a new agrarian system in the wake of land reforms replaced the traditional landlord-peasant system which was believed to have hampered agricultural and rural development. The study notes that even after the introduction of land reform measures agricultural growth rate did not rise markedly and there was hardly any improvement in
the standard of living of the majority of the farm operators. Providing a detailed analysis of the land reform and its economic consequences, the study notes that the widespread incidence of sharecropping in Iran might, in part, be owing to the high degree of uncertainty in farm sector. It also points out that while a land reform programme can redistribute only a limited amount of land, it might, however, succeed in convincing the landlords that they have to give up their traditional ruthless exploitative behaviour, become modern agriculturists and learn to live in a bi-model agrarian system.\textsuperscript{18} The study further maintains that sharp increase in oil income and the resulting urban boom might have come as a blessing for many poor people in the rural areas. The mass migration to cities might have raised the well-being of those who moved out of the villages and also reduced, in some measure, the pressures on those who did not. The net outcome of such a phenomenon, however, was that only a small group of rural people experienced increasing improvements in their welfare and poverty remained the lot of the majority in the countryside.

**The Post - Islamic Revolution Studies**

Here we review the studies focusing on the agricultural sector in the post - Islamic Revolution Period.

Azimi\textsuperscript{19} (1986) provides an analytical picture of the growth of the agricultural sector in Iran. He divides the main factors which influence the development of the agricultural sector into (a) natural such as land and water, (b) technical knowledge and machinery, and (c) production organisation and management. His main conclusion is that while the first
two factors are more or less available for the development of the agricultural sector in Iran but the third factor i.e. management and organisation is conspicuous by its absence. He further believes that changing the traditional organisation and management into its scientific and modern form is conditioned by time and other resources. The author, therefore, very rightly, looks upon the government to take the necessary correctives in this regard.

Razaghi (1988), in his important study, makes an interesting observation. His basic argument is that the growing ability of the country to import agricultural goods due to the availability of oil revenues, on the one hand, and high costs and low returns of the agricultural sector in Iran, on the other, provided virtually little incentives for the domestic as well as the foreign capital to develop the agricultural sector in the country.

Mojtahed and Esfahani (1989) have made an analysis of the agricultural development in Iran immediately after the Islamic Revolution. They find that in spite of a remarkable increase in the use of modern farm inputs such as fertilisers and farm machinery in the wake of the post-revolutionary government’s proclaimed emphasis on agricultural development and self-sufficiency in food, the agricultural sector of Iran has experienced low growth rate since the dawn of the 1979 Islamic Revolution. As regards causes of this weak performance, the authors have examined the trends in agricultural prices and investment expenditures. Their analysis shows that increased labour costs have reduced the
profitability of the agricultural production as a whole, and that the government’s lopsided control of agricultural prices has turned production incentives against foodgrains. Also, between 1978 and 1982, agricultural investment and research and development expenditures, especially meant for the infrastructural and basic research heads, had been significantly cut. The authors argue that these negative developments impeded the growth of the agricultural sector in the early 1980’s. The post-revolutionary development institutions have, however, helped increase the input use and redirect government resources toward smaller investment projects that benefit the category of small farmers and the rural poor. The more recent changes in the investment and research policies of the government, according to the authors, also seem to be favourable for the future growth of the farm sector. They also hold the view that the war effort and the decline in oil revenues during the post – Islamic Revolution period have been largely responsible for restraining the overall availability of development funds for the economic growth of Iran. This study, as mentioned earlier, is confined to the period immediately following the Islamic Revolution, i.e. the early 1980’s. Many developments have, however, taken place in respect of the agricultural scenario of the country since then. As such, the need of exploring the development of the agricultural sector in the later period can scarcely be overemphasised.

Ezkeya (1990) deals with the socio-economic factors inhibiting the agricultural growth of Iran. In this context, he maintains that the agricultural sector in Iran is dominated by cereal production which
accounts for over 85 per cent of total cultivated land. In his opinion, the backward structure and the weak policy support extended by the government to the agricultural sector in Iran are mainly responsible for its underdevelopment. It is further argued by the author that even the procurement prices (guaranteed purchase price as per the price support policy of the government) of several agricultural commodities have considerably increased during the post-Revolution period. These prices have, nevertheless, been much below the actually prevailing prices in the market, and as such, have been inadequate as compared to rapidly rising cost of farm inputs used in agriculture in respect of these commodities. In essence, the trend noticeable is towards the growing unremunerativeness of the agricultural sector in Iran.

Almasi (1992) observes that though the Iranian economy, during the past couple of decades, has always been dependent on oil, but the importance of the agricultural sector cannot be minimised. Although the percentage of population engaged in agriculture has declined over the years since 1978, there is no doubt that, in absolute terms, the agricultural sector has been an important source of employment in the country. He finds that the development of Iran remains partly dependent upon increasing the productivity of the agricultural sector. That agriculture has to be developed for its contributions to the Gross Domestic Product (GDP), employment of labour force, foodstuffs for rising population, earning foreign exchange and its contribution to the industrial development of the country, is an important observation made by this study. He maintains that the increase in
output of various crops was anything except steady. It resulted largely from an expansion in the area under cultivation. The growth of productivity was too slow in the case of many individual crops to catch up with the levels attained in other countries. Besides, the study also notes the inequitable distribution pattern of gains of agriculture across regions. According to this study, the growth rates have been much higher in the northern and the southern regions as compared to the central and eastern regions of the country. In terms of various policy measures, the study underlines the need for correcting the regional imbalances, restructuring of the marketing of agricultural produce and above all diversifying the farm sector for purposes of making it more efficient as well as remunerative. The implementation of these measures, in the opinion of the author, would step up agricultural production, which in turn, would contribute in the acceleration of the pace of overall economic development of the Iranian economy. The agricultural sector, therefore, should continue to be regarded as the “core of economic independence” by the government of Islamic Republic of Iran, he pleads in no uncertain terms. The various shortcomings which presently characterise the agricultural price policy need to be attended to through appropriate remedial measures. The study by Almasi, though useful in that it touches upon the trends and problems of agricultural production in Iran, suffers from the major limitation because it is conspicuously silent about the infrastructural, institutional and technical factors which affect the pace and pattern agricultural development, in the modern system of agricultural production.
Rowneghi (1995), in his study, makes an interesting observation. He divides the main problems which influence the agricultural sector into:

1. Insufficiency of farmers' income, (average per capita farm income is about one-fourth of the non-agricultural sectors in Iran);
2. Insufficiency of agricultural products due to small agricultural area, low level of farm productivity (yield), rapid growth of demand for food owing to rapid population growth in the country and migration of rural population to the urban areas;
3. Low standard of living in the rural areas.

He further believes that the major thrust of agricultural policies should be such as to solve these three problems. The various policy measures which should be adopted in this connection are the provision of adequate finance for investment in the farm sector, important overhauling of the existing faulty price policy in respect of agricultural products, improvement through proper streamlining of the distribution system of agricultural products and better management of the sector in a way which would encourage the undertaking of the small and cottage industries in the rural areas.

The main conclusion that emerges from the above mentioned studies is that the observed dualistic pattern of development in Iran, more or less, in the pre-Islamic Revolution period conformed to the foreign enclave type of dualism with very far-reaching serious repercussions for the post-Islamic Revolution period. This has been particularly so in respect of the agricultural sector primarily because the development of the oil-based industry together with the neglect of the agricultural sector indeed tended to perpetuate the said observed pattern further. Viewed from this point, such
studies assume significance for the reason that these offer us some useful insights into the functioning of the Iranian economy during the past couple of decades. There are, nevertheless, some important weaknesses which conspicuously characterise these studies. First, most of the studies on the agriculture of Iran being descriptive are bereft of a rigorous empirical substance. Accordingly, in most such studies, the conclusions concerning the performance of the agricultural sector also seem to be mere conjectures, not being based on solid empirical analysis. Even those falling in the category of empirical studies have used only the mean values percentages and growth rates for analysing the process of agricultural development in Iran. And second, these studies, at best, constitute only the disjointed bits of the pattern of agricultural development in Iran. This problem has possibly arisen because each of these studies has had only a limited scope of enquiry in that it covered only a particular or at the most a few aspects of agricultural performance in Iran. As a consequence, comprehensive information is not available regarding the development of the agricultural sector in Iran which, even after the dawn of the Islamic Revolution in 1979, continues to be an important constituent of the Iranian economy in terms of labour absorption. These are obviously big research gaps. The present study is an attempt to bridge one such gap.
NOTES AND REFERENCES


7. It is not out of context to observe that crude oil was discovered in Iran in 1908 at Masjid Soleyman. As such, Iran is one of the earlier group of countries involved in the production and export of this important commodity which is sometimes termed as liquid gold.


12. The said dam was constructed during the period 1958–62. Obviously, this represents the period before the land reforms were introduced in Iran.


18. It may be construed as an agrarian system in which very small peasants co-exist with large landowners.


