Chapter I

IRAN AT A GLANCE

A Brief History

Iran, potentially one of the richest countries in the Middle East, stretches over a total area of 635,000 sq. miles or 1,645,000 sq. km.¹ This vast tract of approximately 30 million people is scarcely populated and is bounded on the north by the Caspian Sea and the Union of Soviet Socialist Republics, on the south by the Gulf of Oman and Persian Gulf, on the east by Afghanistan and Pakistan, and on the west by Iraq and Turkey.

Iran is basically an agrarian economy and oil dominates the money-based economy. "The founder of the Iranian monarchy and creator of the first world empire was Cyrus the Great"². No country in the world today can claim the solidarity of one kind of government as monarchy is surviving in Iran for the last 2,500 years. "The recorded history of Iran starts some 2,500 years ago with the rise of the Achaemenian Empire, the Persia of classical antiquity."³ From Kurush, who was the founder of Kingship in Iran, to Mohd. Reza Shah, the present King of Iran, is a long list of substitution and succession of


kings in Iran, but at the same time it has been characterized by the governmental instability. Since the stability, maintenance of peace law and order have marked effects on the political and economic well-being of the people and provide healthy atmosphere for the economic development of the country. Thus, the instability of the government in Iran, through frequent substitution and succession of kings or rapid changes in the government, became one of the great obstacles in the way of her progress. Moreover, Iran remained under the strong influence of Russia and Great Britain for at least one hundred years. Due to this instability of the Government the whole economic fermament of Iran was undeveloped and shattered one.

Reza Shah the Great, the then military administrator, set on the throne of Iran in 1925 and took the entire responsibility of bringing reform in the social and economic conditions of Iran. So the 1925 was the advent of a new era and a turning point where from the gap between undeveloped and development started becoming narrower. It has been oftenly pointed out that the "history of Iran goes back, literally, thousands of years. The history of modern Iran begins in the early twenties when Reza Khan in the course of a few years climbed up from the status of Cossack soldier to the Peacock Throne of Persia when at the age of forty-eight, he on April 25, 1926, the crown on his head and became the Shahanshah (king of kings) of Persia, a new dynasty was founded and at the same time a change from a medieval to modern society was initiated." 4

4. Oslen, P. Bjorn and Pasmussen, Nossegaard: Development and Planning in Iran, October 1972(Unpublished) P.1
Although Reza Shah the Great did proceed with the policy of well-defined national planning, yet it was interrupted by the outbreak of the Second World War. So Shah channellized state directed efforts at the economic organisation in such a way as to touch all the fields of the economy, and bringing peace and prosperity in Iran. But again certain abnormal conditions appeared and interrupted this smooth running of the economy of Iran. Although during Second World War Iran did not indulge herself into it yet Britishers and Russians accused Iran of German's favouritism and eventually they imposed military enforcement. Consequently they exerted their strong influence over Iran and exploited oil resources of Iran for their own benefit. The emergence of all these happenings in Iran paved a stumbling block in the way of economic development.

Iran is a country which possesses an exceptionally vast treasure of natural resources which are pre-requisites for the economic development of the country. Unfortunately this possession of luxury of oil wealth and other natural resources became a major cause of attracting the attention of the different countries and consequently they involved their interests into the affairs of Iran, seeking oil concessions at different times. However, it may be pointed out that the oil resources of Iran were exploited by foreigners. Another factor which owes the responsibility of slow rate of economic growth has been the feudalistic system of landlords and peasants in Iran. It may be remarked that the mainstay of Iranians has been agriculture and the major working
force of the country engaged in it. Because of her mountaneous character of land only 10 percent of the total area of land is cultivatable and only half of this area is under cultivation at any time.

Unfortunately certain natural conditions have also been a constant threat to agriculture, i.e., poor soil and scanty rainfall. Another obstacle in the agricultural development was the inequality of distribution of land. Land was generally owned by the absentee landlords. The villager was scarcely the owner of land he worked. Landlords, living far off the land, used to appoint overseers and the work assigned to those overseers was the collection of rent, allocation of land and choice of crop with the consultation of the farmers. Moreover, the supply of water and seeds and often animals was in the hands of the landlords. These absentee landlords oftenly did neither take interest in the development of the land nor the welfare of the peasants who worked in the fields. The peasants themselves were of the opinion that the landlords took too much of the crop. The peasants were distrustful of their landlords. This thing created a sort of antipathy towards the landlord, consequently, the relation between the landlords and peasants became unhealthy. Moreover, the pattern of farming was old and the farmers applied old techniques of farming with old fashioned and ineffective implements of farming. "Feudal lords hindered the country's progress and industrialization. By keeping their serfs poor they also retarded the growth of the national economy. Having
accumulated most of the wealth of the country, they made large
capital investment in industry almost impossible except through
direct action."^ For centuries peasant-landlord relations in
Iran had remained unchanged. Peasants were grossly exploited
and there seemed to be no chance for them to escape from their
deporable lot.

With the exception of a sugar refinery, match factory
and scattered primitive metal working facilities, the industry
existing in Iran's overwhelmingly agricultural economy prior
to 1925 consisted mainly of hand labour enterprises such as
rug and silk weaving. "Large scale manufacturing industry,
defined to comprise factories with ten or more workers, did
not exist in Iran at the turn of the century. Manufacturing
activity was confined to small workshops, and although a wide
range of commodities was produced only carpets, shawls, woolen
and cotton fabrics, silk-stuffs and leather products were
imported in volume or value terms."^6

When Reza Shah the Great assumed power in 1925, the
first attempt was made to develop the country's industrial
capacity. From 1925 to 1940 state enterprises were formed to
produce goods derived primarily from country's indigenous,
agricultural based resources. Consequently the concentration

5. Iran, Facts and Figures: Twelve Points of White Revolution,
Ministry of Information, Tehran, Iran, March 1970 P.7

London Oxford University Press, 1971 P.170
was on cotton, woolen and silk textiles. Certain other new industries were established during the 30s and a great deal of interest was taken to divert the attention of the people from agriculture to industry which is deemed to be a quick and sure way of economic development. But the Communist activities which were very frequent in Iran gave a setback to the industrial sector by way of injecting the minds of labourers propagating a sense of exploitation by the entrepreneurs. Consequently, the labourer-management relations were disturbed. As a consequence of the upheavals of the Second World War, additions to Iran's productive capacity were minimal. "This slow development of large-scale industry took place against a background of a lack of integration in the economy, and a generally low level of customs duties (about 4-5 percent) on imported manufacturers, not to mention a series of political changes."7 Thus, the industrial sector could not develop properly and agriculture retained the major role.

"The development of modern industry in Iran gave rise to a growing working class as early as the first half of the 19th century. This class grew appreciably after the discovery of oil, and the development of light industry and mining under His late Majesty Reza Shah the Great (1925-1941). But the real growth of the working class began from the early 1950s."8

7. Ibid. P.171
8. Facts and Figures, Iran, Iranian Workers after White Revolution. No.8 published by the Ministry of Information, Tehran, Iran October 1969 P.1
Though Reza Shah the Great worked for about one and a half decade but within this period created conditions favourable to the growth in Iran. Under certain abnormal political conditions of Iran, Reza Shah Pahlawi in 1941 "under the impact of the invasion of the allied forces, resigned in favour of his son." Mohammad Reza Shah, the present king of Iran, after ascending the throne of Iran at the age of 21 years, brought great revolution in the social and economic life of Iran, giving a big push to agriculture, industry, trade, commerce, handicrafts, banking, military organisation, etc. Medical facilities, education, means of transportation and communications were improved. For the advancement of the country the urgency of proceeding up with the policies of harmonious development of all the sectors of the economy was realized. Mohammad Reza Shah gave great stimulation to work which had already been started during the reign of his father and executed new plans for work which had not been touched till then.

As we are aware of the fact that every major war, despite its destructive elements creates some constructive elements also and that is the transformation of the thinkings of the people. The reason for it may be owned either to the realization of hardships during the war or the technological

progress achieved during war. Therefore, the aftermath of the Second World War as a reaction created a strong sense of nationalism among the Iranians which led to the development of an antipathy towards the Britishers and consequently the oil facilities were nationalised in 1951. In the immediate years following the nationalization of Anglo-Iranian Oil Company, the oil supply was stopped as a result of the refusal of some foreign powers to buy the oil but latter on the disputes were settled and exports of oil were resumed. In the last twenty-two years there have been extensive and profound changes in the economy of Iran. In order to bring a complete social and economic change and improving the standard of living of Iranians, Shah prepared a 12 point programme of progress. The recent rapid economic growth is the consequential result of the successful implementation of the 12 point programme which is drastically affecting the social and economic lives of Iranians. It has injected the minds of Iranians and has infused among the individuals a sense of extraordinary inspiration of the work for progress. Previously a worker had to have a sense of being exploited by the entrepreneur while at the present this sort of feeling has wiped off and worker feels a sense of participation in the enterprise. In Industry now a worker shares 20 percent in the profits of the enterprise which induces the worker to work hard and to increase the output.
The previous system of feudal landlords and the peasants has been changed now and the fruits of labour are being enjoyed by the farmer himself rather than the landlords. It gives him a sort of acceleration while he works the field and he feels that he is working for himself. Recently when the king visited Maraghen, a farmer said to the king, "It is like being born again." This indicates the enthusiasm and feelings of farmers in Iran. The economy, therefore, underwent vast changes due to the efforts of Reza Shah, who has proceeded up with his policy of all-round development by way of implementing his 12 point programme. To quote Mohammad Reza Pahlavi "When there is a need for a revolution in my country I will lead it."11

The programme may be summarized as follows:-

1. The abolition of the peasant-landlord tenure system and the re-distribution and sale to their former peasants (on easy terms) of all handed estates in excess of one village.

2. The public ownership of all forest lands of the nation for the purpose of conservation, proper management and better utilization of their resources.

3. The public sale of state-owned industrial enterprises to private corporations and individuals to raise funds to finance agrarian reconstruction and development


programmes creating profitable investment opportunities for former landlords in particular and for small savers in general.

4. Incentives for increased labour-productivity by means of profit sharing arrangements between industrial workers and management to the extent of 20 percent of net corporate earnings.

5. The amendment of the electoral law so as to grant voting and other related rights to women, extending equal and universal suffrage to all Iranian citizens regardless of sex.

6. The formation of education corps from High School teachers and multipurpose village-level workers in rural areas, combating illiteracy, superstition and ignorance.

7. The formation of Health Corps from physicians and dentists to bring free medical attention to rural areas, improving sanitary conditions and health standards.

8. The formation of development and agricultural extension corps to modernize the physical structure of the village and help farmers acquire new skill, necessary to raise farm productivity.

9. The establishment of village courts to hear minor local cases so that they may be settled programatically, equality and speedily, bringing the rule of enlightened modern law to the villages.
10. Nationalisation of country's water resources for the purpose of conservation of fresh water supplies through modern scientific practices assuring judicious use of water in agriculture.

11. An extensive reconstruction programme in urban and rural areas to improve living standards of the whole nation.

12. A complete administration and educational reorganisation of government agencies to meet the more exacting requirements of the times.\textsuperscript{12}

\textsuperscript{12} Ibid. P.3