

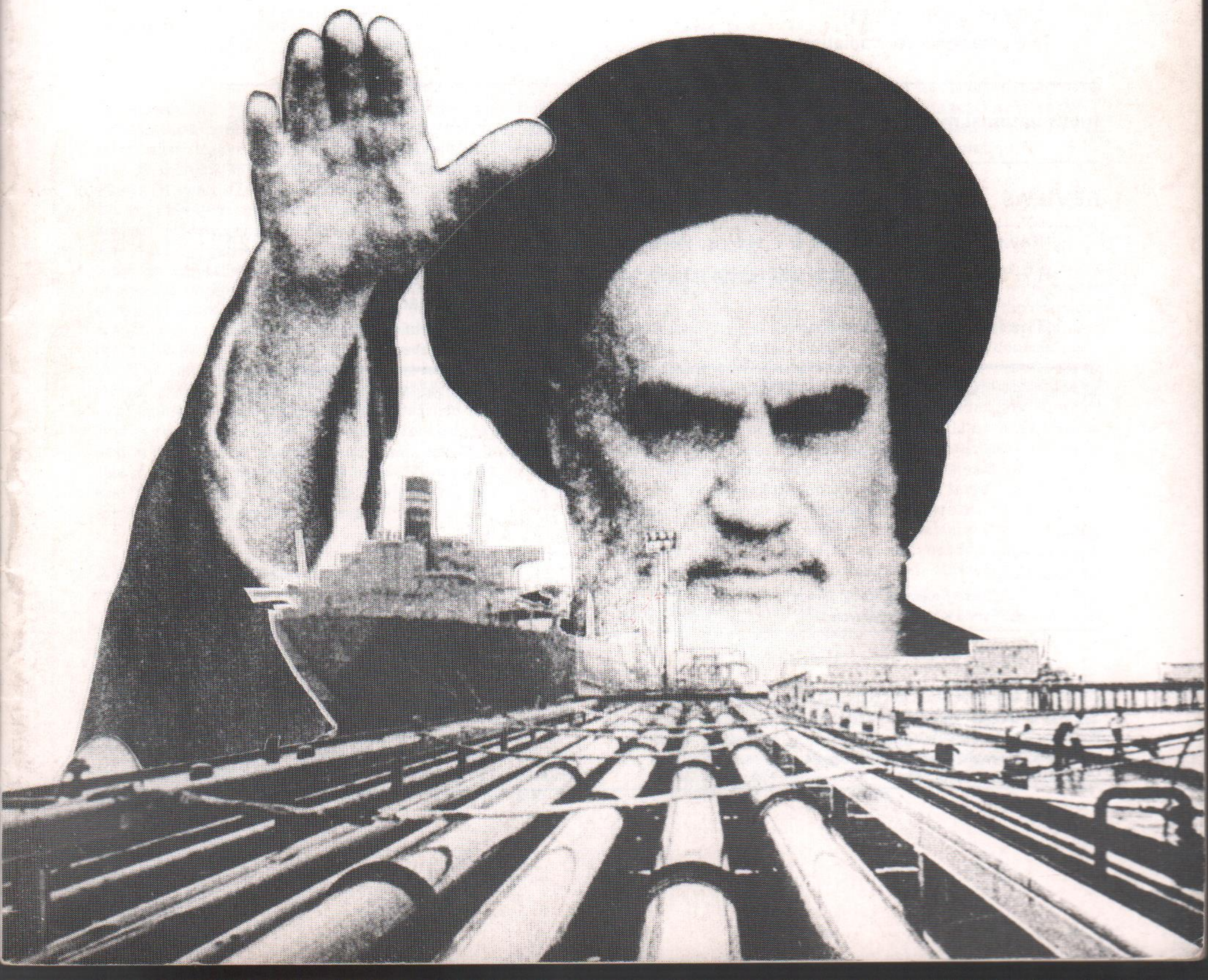
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Revolutionary Communist Papers No 6

Theoretical Journal of the Revolutionary Communist Tendency

Khomeini's capitalism: the imperialists close in



THEORETICAL JOURNAL OF THE REVOLUTIONARY COMMUNIST TENDENCY

REVOLUTIONARY COMMUNIST PAPERS

Number Six June 1980

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Editorial

THE MIDDLE EAST HEADS FOR WAR

'Whatever may be said in Washington, it is simply not true that the country as a whole is talking about the fate of the hostages in Iran, or anything to do with foreign policy. The country is talking about prices, mortgages and interest rates.'

Financial Times, 25 April 1980

To understand Washington's preoccupation with Iran we have to look beneath the barrage of bourgeois propaganda. Imperialist attacks on the Middle East are nothing new. Iran (1953), Jordan and Lebanon (1958), Oman (1957-59 and 1965), Kuwait (1961), Bahrain (1956 and 1965), North Yemen (1962-70) and Saudi Arabia (1963): all have suffered military intervention. In the period after the Second World War the imperialist powers sought to establish stable conditions for capitalist development in the region. This phase of imperialist domination coincided with the worldwide expansion of production during the post-war boom. Today matters are different. As world capitalism plunges into recession, the stability of the Middle East is essential to its survival.

The imperialist nations have been forced to use every means at their disposal to stay on top in the Middle East. The American journal *Business Week* warned that 'as OPEC pushes the West towards the edge of economic survival, the option of a military response becomes more and more reasonable'.¹ What is 'reasonable' for imperialism is war and more war. But why does the capitalist system have to rely on the forces of destruction for its survival?

A new phase of crisis

The recession marks a new phase in capitalist accumulation. During the recovery from 1975 to 1979 capitalism could barely overcome recessionary tendencies: profit rates declined and growth rates dropped. Even the subsequent upswing in production, resulting from US reflation in 1975, was insufficient to overcome the trend towards slump.

The root problem of the capitalist decline is the tendency of the rate of profit to fall.² As profits fall capitalists are reluctant to invest; this leads to an interruption in the

accumulation process. The solution to this problem lies in the rationalisation of production. Increases in productivity raise the rate of surplus-value. At the same time capitalists try to increase the rate of surplus-value by reducing the living standards of the working class.

Capital was not restructured in the transient revival of the late 'seventies. Capitalists staved off the full force of the recession by means of attacks on working class living standards and the regulation of competition in the world market. These measures allowed accumulation to proceed — but at a much slower rate than in the 'sixties. In the decade ending in 1973, the growth of industrial production averaged 5.6 per cent in Europe, 5.4 per cent in the USA and 10.5 per cent in Japan. Between 1975 and 1978 the figures were 1.1 per cent, 2.2 per cent and 3.9 per cent respectively. The superficiality of the 1975 recovery is confirmed by the stagnating productivity levels shown in table 1.

Table 1 Annual growth in GNP per employee
1963-79 (percentage change each year)

	1963 to 1973	1973 to 1979
US	1.9	0.1
Japan	8.7	3.4
Germany	4.6	3.2
France	4.6	2.7
UK	3.0	0.3
Italy	5.4	1.6

Source: OECD, *Economic Outlook*, December 1979

Productivity in Britain and the USA has been virtually stagnant since 1973. The persistence of stagnation after 1975 shows that the crisis is permanent: it will assume even greater proportions in the present phase of accumulation.

'Export capital or die'

The slow rate of accumulation since the mid 'seventies means that the present recession will be much more severe than the 1974-75 crisis. One indicator of this is the dramatic intensification of imperialist rivalries. No major capitalist power can survive the world recession without consolidating its position on the world market. This is why the *export of capital* is such an important feature of the present phase of the crisis. *The Economist* recently noted the stark alternatives facing the ruling class: 'Export capital or die'.³ Capital exports are crucial if profitable investment sites are to be secured and the export of commodities stimulated.

The expansion of foreign trade is an important counter-acting tendency to the falling rate of profit. The decline in industrial production restricts the demand for plant and machinery. As the domestic market becomes less and less capable of supporting accumulation, foreign trade allows the scale of production to be maintained. Trade with backward capitalist countries is particularly important because

1 *Business Week*, 19 November 1979.

2 For a discussion of the Marxist theory of crisis and the tendency of the rate of profit to fall see 'The recession: capitalist offensive and the working class', *Revolutionary Communist Papers*, No 3, July 1978.

3 *The Economist*, 27 October 1979.

it raises the general rate of profit. Imperialist countries obtain a transfer of additional value through trading with backward capitalist countries.⁴

The response of the advanced capitalist countries to the slowdown in accumulation between 1973 and 1979 was to shift their commodities and capital abroad. Although the rate of growth of world trade was halved between 1973 and 1978 the export of commodities has grown as a proportion of Gross National Product (GNP). In these years exports as a percentage of GNP rose from 17 to 20 per cent in France, in Germany from 23.4 to 27.1 per cent, in Britain from 23 to 24 per cent, in the USA from 6.7 to 8.5 per cent and in Japan from 10 to 11 per cent.

For Japan, the USA and Western Europe the backward capitalist countries have become the most important markets. But Asia, Africa and Latin America have other uses for imperialism too. Loans to backward capitalist countries are used to purchase commodities from the West. Credit ensures a continuing demand for Western commodities and helps prevent an even deeper recession.⁵

Struggle for survival

The export of capital also helps to secure sources of raw materials. Every industrial country relies on energy sources (especially oil and uranium), on minerals and agricultural products. Technological innovation and rising productivity mean that the proportion of capital invested in raw materials, relative to machinery, grows inexorably as capitalism develops.⁶ Thus the value of raw materials forms an increasing fraction of the commodity product and weighs more and more heavily on the rate of profit. To maintain profitability capitalists try to limit the prices of raw materials. This is why imperialist powers are forced to invest in new sources of energy and why the question of oil so preoccupies bourgeois economists. The direct control of raw material supplies is one of the main objectives of the export of capital.

Capital exports are vital in counteracting the effects of the crisis of profitability. Apart from stimulating trade, establishing new points of exchange and guaranteeing access to raw materials, investments abroad are profitable. Many British firms could not survive without their lucrative investments in countries where wages are low and raw materials cheap. In 1979, 44 per cent of the profits of Britain's largest engineering company Guest, Keen and Nettlefords came from its overseas operations. Again, Dunlop is running down its British plants: 97 per cent of its profits now come from abroad.⁷

The pursuit of a strategy of capital export by every major power leads to the exacerbation of international tensions. The most significant victim of the cut-throat rivalry on the world market is the USA. It is losing out to Japan and West Germany in the imperialist race for spheres of influence. And at home the productivity of American labour is falling.

The decline of US capitalism signals the end of the world system established under American hegemony after the Second World War. Today imperialist powers are making ready to redivide the world. The reorganisation of the world economy will not be a peaceful affair. Economic war leads to military conflict. As the imperialist powers step up their preparations to send troops into a whole variety of backward capitalist regions, it becomes more evident than ever that direct political control is the only way left open to safeguard investments, markets and raw material sources. The growing activity of the US armed forces in the Middle East shows the shape of imperialist oppression to come.

Time for a new carve-up

The decline of US imperialism is particularly striking in the Middle East. Capitalists from Japan, West Germany, France and elsewhere have forced many American firms out of the Middle East market. In the construction sector the USA has lost a share of Middle East orders to countries such as South Korea and India. In addition the political upheavals of recent months have accelerated the eclipse of American influence.

After the Second World War the USA was determined to rule the Middle East. Step by step it pushed Britain out of the last outposts of its crumbling Empire. By the 'fifties British imperialism could not hold onto its former dominant position in the region. The USA had successfully edged Britain out of Iran and was breathing down its neck elsewhere. The unsuccessful Anglo-French invasion of Suez in 1956 was opposed by the USA. This squalid episode marked the end of Britain's imperial pretensions in the Middle East.

The growth of nationalist opposition in Egypt and other Arab countries had severely weakened Britain's hold. Britain could no longer sustain long colonial wars and in the 'fifties decided to end its direct control of South Yemen, Kuwait, Bahrain and the 'Trucial' states. This decision was also based on the calculation that the transfer of power to sympathetic indigenous regimes was preferable to military occupation which could drive the masses into armed struggle against imperialism.

Britain's 1971 withdrawal from 'east of Suez' was its final acknowledgement of the fact that the USA had become the guarantor of capitalist relations in the area. The Eisenhower doctrine claimed this role for the USA in 1957 and it was confirmed the following year when US marines invaded Lebanon. The USA did not try to establish direct control; it preferred to exercise its domination through its client states. Israel became Washington's policeman in the Eastern Mediterranean. In the oil-rich Gulf region the USA tried to use Iran and Saudi Arabia to keep order. Saudi Arabia however was too weak to match up to the task. But the Shah of Iran was ready and willing to police the Gulf on behalf of imperialism. Iranian troops were sent into Oman and Iraq when the need arose.

The overthrow of the Shah in 1979 deprived the USA of its most important ally in the Gulf and upset the whole structure of imperialist domination in the Middle East. It was a threat to imperialist stability which could not have come at a worse time for Washington. The US economy was in deep trouble and American influence in the Middle East was now threatened by a massive popular revolt in Iran as well as by its imperialist rivals. President Carter realised that the USA's grip on the region could only be maintained by military might.

Send in the gun-boats?

The American military build-up since the fall of the Shah has been accompanied by a search for new local client states. The Egypt-Israel peace treaty of March 1979 was an attempt to establish a new security network based on the 'Cairo-Riyadh-Tel Aviv-Washington axis'.⁸ This initiative did not succeed because it left the Palestinian question unresolved. The Arab ruling classes of the Middle East risk increasing isolation from the masses if they are too closely identified with Israel. Saudi Arabia must pay lip service to the cause of the Palestinians and even Egypt is limited in how far it can antagonise pro-Palestinian sentiment in the Arab world.

The USA has considered breaking with Israel, but this option presents too many uncertainties. Apart from the Palestinian question, the USA and its local allies face the growing hostility of the workers and peasants in the Middle East. This is why events in Iran are so important. The overthrow of the Shah is a lesson the ruling classes of the Middle East are not likely to forget. They fear that events in Iran will give a coherent anti-capitalist focus to the mass unrest that prevails throughout the region. *Events in Iran call into question the entire imperialist strategy of maintaining stable capitalist relations through local client states.*

To uphold their domination of the Middle East the imperialists must ultimately fall back on direct intervention. This is the meaning of the recently formulated Carter doctrine which calls for an increased military presence in the Middle East.⁹ The British ruling class agrees: *The Economist* recently urged Washington to invade two or three islands off Iran just to teach Ayatollah Khomeini a lesson.¹⁰

The need to secure a steady supply of oil ensures that most imperialist powers will back up Washington's initiatives in the Middle East. The hysterical reaction to events in Afghanistan and to the seizure of American hostages in Iran shows that all imperialist powers have an interest in the stabilisation of the region. This consensus will continue until Western Europe and Japan feel that their own interests are threatened by US expansion in the Middle East.

The Western working class has a responsibility to defend the people of the Middle East. Our aim must be to build workers' opposition to the colonial policies of imperialism. Chauvinist propaganda against the people of the Middle East must be countered with an exposure of the imperialists' real designs. We have to show workers that no matter how reactionary Islam is, imperialism is a hundred times more reactionary. Imperialist oppression means the enslavement of the masses and the maintenance of social and economic backwardness in the Middle East. For the working classes of the USA, Europe and Japan any imperialist success means the consolidation of the power of their own ruling class. Defeat imperialism at home — prevent its expansion in the Middle East!

Frank Richards
19 May 1980

4 This happens because the production of commodities in a backward capitalist country requires more labour time than the production of commodities with the aid of the latest technology in advanced capitalist countries. On the transfer of value from less developed to more developed capitalist countries see K. Marx, *Capital*, Vol 3, Progress Publishers, Moscow, 1971, pp238-39.

5 This development is discussed by F Richards in 'The scramble for Africa', *Revolutionary Communist Papers*, No 5, September 1979, p10. Recently the Brandt Commission has proposed a 'massive transfer' of capital to backward capitalist countries 'which would greatly increase the effective demand for imports, and reduce the dole queues and idle factories in the industrialised world'. See *The Times*, 31 March 1980.

6 Marx argued: 'Other conditions being equal, the rate of profit, therefore, falls and rises inversely to the price of raw material'. See op cit, p106.

7 *The Economist*, 3 May 1980.

8 For a useful bourgeois account of this development see V Yorke, *The Gulf in the '80s*, London, 1980, p12.

9 This approach is summed up in Carter's 'State of the union' message: 'Any attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States. It will be repelled by use of any means necessary, including military force'. *The Economist*, 26 January 1980.

10 *The Economist*, 24 November 1979.

the next step

review of the Revolutionary Communist Tendency

Turkey, Iran, Kurdistan, Afghanistan. . .
Mugabe, Nyerere, Kaunda, Bokassa. . .
Carter, Schmidt, Thatcher, Botha. . .

Backward capitalist countries and their leaders are under mounting pressure from the rulers of world imperialism. *the next step* provides regular background and analysis of the international situation and the growing militarism of the imperialist countries. One theme runs throughout: the British labour movement must fight the oppression enforced and encouraged by the British bourgeoisie throughout the world.

This issue of *Revolutionary Communist Papers* continues our discussion of imperialism. It is a discussion of vital importance to the working class.

If theory is to be an instrument of revolutionaries it must be capable of assimilating the most recent developments within the imperialist system. To advance the clarification of these vital issues the RCT is holding an international conference on *Imperialism in the '80s*. Regular readers of *Revolutionary Communist Papers* will have an opportunity to debate the themes contained in this journal. Sessions are planned on the Middle East, Africa, Afghanistan, Ireland and on the theory of imperialism. We urge our readers to participate in this important event.

The RCT needs money. Our lack of resources prevents us from publishing the journal as regularly as it is necessary. Important articles such as 'State intervention and Second World War' and 'Reformism and the post-war labour movement' have had to be held up because of insufficient funds. Help us by taking out a subscription, selling the journal to your friends and sending us as much money as you can afford. We are interested too in your comments and criticism. Write and let us know what you think of *Revolutionary Communist Papers*. And buy our newspaper *the next step*.

Khomeini's capitalism: the imperialists close in

WESTERN IMPRESSIONS OF IRAN

Iran has now occupied the attention of the world for more than a year. With every passing month comes an escalation of imperialist pressure on it. The economic war waged against Iran shows the determination of the imperialists to crush the Iranian people.

The imperialists paved the way for intervention in the Middle East with a systematic propaganda campaign. They have portrayed the people of the region as the aggressor. According to bourgeois apologists it was the decision of the Organisation of Petroleum Exporting Countries (OPEC) to raise oil prices in 1973-74 that precipitated today's capitalist crisis. They explain away the dislocations caused by the anarchy of capitalist production as the deeds of unscrupulous sheiks. When it comes to Iran comparisons with Nazi Germany are standard fare. Usually sober, *Business Week* saw the capture of 50 American hostages in Tehran like this:

"The world is not just faced with what UN Secretary Kurt Waldheim keeps calling a "dispute" between the US and Iran. It is faced with a threat to the very foundations of civilised behaviour -- as it was 43 years ago when it sat passively while Adolf Hitler moved his troops into the Rhineland."¹

The imperialists' propaganda offensive is designed to prepare the Western working class for a colonial war. And it has to be said that, up till now, they have been successful in achieving this aim. The official labour movement accepts their view on Iran and has little sympathy for the struggles of the Iranian people.

The British Labour Party backs the imperialist war drive to the hilt. When Labour was in power Foreign Secretary David Owen remained intransigent, almost to the last, in his support for the Shah. After the hostages were seized, Opposition leader James Callaghan offered Tory Prime Minister Margaret Thatcher full approval for her condemnation of Iran and urged her to 'make some statement of support' for what he called 'our American allies', who, he said, were 'suffering deeply'.²

Class-conscious workers must resist the bourgeois hysteria about Iran. They have every interest in defending the Iranian people and thwarting the imperialists' plans for the region. The aim of this article is to contribute to the fight against the military subjugation of the Middle East.

The 'Marxists' and the mullahs

Our first task is to destroy the popular prejudice that the social upheavals in Iran are the product of Islamic fanaticism and Arab irrationality. This means that we must guard against the vulgar analysis current on the Western left.

The left has depicted events in Iran in a thoroughly empiricist fashion. It has failed to make a materialist assessment of the contradictory process that led to the Shah's overthrow. Instead of scrutinising class relations in Iran,

it has simply come out against the new regime or in favour of it.

For the international Spartacist tendency (iSt) the mass upsurge that preceded the downfall of the Shah was the work of the forces of darkness. *It failed to distinguish between the reactionary programme of Khomeini and the anti-imperialist aspirations of the masses.* That is why its paper *Workers Vanguard* wound up backing the Shah against the workers:

"What we need is a party that can transcend this kind of national chauvinism and counterpose a proletarian class axis to the current instability. In the absence of that *we could more easily justify giving support to the Shah*, as the Soviet Union is doing, than to these Muslim clerical reactionaries, because if they are able to consolidate power all the evidence is it could only be worse than Indonesia for the working class, for the peasants, for the national minorities and the women."³

While Marx stripped capitalism of the veil of religion to expose the social relations beneath, the iSt did the reverse. Just like *Time*, *Newsweek* and all the rest, *Workers Vanguard* represented class tensions as theology run riot.

The Workers Revolutionary Party also identified Khomeini with the masses; but for it Khomeini's victory was as laudable as that of the Bolsheviks in 1917. In a polemic with the iSt, it observed:

"The dimensions of the revolution involved are indicated by the nationalisation of the banks and of the main bastions of imperialist power, the oil companies. If these are not what Lenin meant by the "commanding heights" of the economy, what is? By every Marxist assessment, one can say that the reconstitution of imperialist relationships would require full-scale counter-revolution."⁴

As for the International Marxist Group (IMG), British section of Ernest Mandel's United Secretariat of the Fourth International, its paper, *Socialist Challenge*, printed selected extracts from interviews with Khomeini to show his anti-imperialist credentials and compared him to the Father Gapon of the bourgeois histories of Russia's 1905 revolution.⁵ It enthusiastically reported that unveiled women played an active part in political discussions in his household.⁶ Eventually IMG national secretary Brian Grogan found himself joining in the chorus of 'God is great' on the streets of Tehran.⁷

The 'mystery' of Khomeini

Marxism has nothing in common with the impressionism of the radical left. The objective importance of Khomeini lies not in the sphere of religion but in the fact that he is the man for the job of restoring bourgeois power in Iran. His denunciation of striking workers, protest marchers and Marxism shows that his primary considerations are secular. His economic policies are capitalist and the international bourgeoisie has recognised as much. Commenting on Khomeini's summer 1979 nationalisations -- measures that the radical left saw as revolutionary -- the *Financial Times* noted that a number of bankers in London had felt that it was 'an encouraging sign' since it indicated that the government was

'taking overt responsibility' for a banking system which was 'in a terrible mess'.⁸

The imperialists understand that the Khomeini regime is not anti-capitalist. What worries them is the fact that the overthrow of the Shah has unleashed forces which they cannot control. The Khomeini regime can only survive with mass support. Yet the masses support Khomeini only insofar as he reflects their aspirations, not out of any desire to reinforce the rule of capital. This is the source of the tension between the regime and the masses. Khomeini must continue to make anti-imperialist noises lest he lose control of the movement he dominates.

The growing instability in the Middle East today gives the imperialists no time to waste. They cannot wait for Khomeini to consolidate bourgeois power. As long as the outcome of the class struggle in Iran is uncertain the imperialists will always be prepared to take matters into their own hands. The conflict between Iranian capitalism, the masses and the imperialists is shaping events in Iran. It is this conflict that we analyse below.

EIGHTY YEARS OF SERVITUDE

Imperialism and revisionism

Throughout this century the development of capitalism in Iran has been constrained by the dominant position of imperialist nations in the world economy. Iran's subordinate place in the international division of labour has not prevented the development of capitalist relations and the accumulation of capital. It has, however, narrowed the basis for capital accumulation and made it extremely vulnerable to the cyclical fluctuations of the world economy. Attempts to overcome the backward character of capitalist relations have continually been thwarted by Iran's relationship with the major imperialist powers.

From the protectionist policy of Reza Shah to the economic nationalism of Mossadegh through to Khomeini the Iranian bourgeoisie has sought to establish a viable framework for capital accumulation. The earlier strategies were inevitably abandoned in favour of accommodation with imperialism. Indeed the most successful period of capitalist development — the 'sixties' — was based on the close relationship that the Pahlavi dynasty developed with the United States. This led to Iran's integration into the world economy and complete subordination to imperialism. Alongside a number of other backward capitalist countries — Brazil, South Korea, Taiwan — Iranian capitalism was able to take advantage of the long post-war boom experienced by the world economy.

So rapidly did the forces of production expand in Iran and other backward capitalist countries during this time that a number of left-wing economists could come to ignore the dominant influence of imperialism. Michael Kidron, a prominent theoretician of the International Socialists (the forerunner of today's Socialist Workers Party), insisted that 'we don't have imperialism but we still have capitalism'.⁹ And in an article which continues to have considerable influence in reformist circles, Bill Warren contended that obstacles to capitalist development in the 'Third World' originated not in what he termed 'current imperialist-Third World relationships' but 'almost entirely from the internal contradictions of the Third World itself'.¹⁰ Indeed for Warren imperialism's overall impact on backward capitalist countries had become a progressive force which favoured their industrialisation. The same impressionistic approach characterises the work of Ernest Mandel. Following the oil

price rises of 1973 and the enormous rise in 'petrodollar' revenues accruing to OPEC states, Mandel declared the emergence of an 'Iranian Finance Capital'.¹¹ In other words Iran itself had become imperialist.

Today, the collapse of the Shah's regime and Carter's economic war shows that Iran has neither become imperialist nor escaped the effects of imperialist domination. Despite a rapid growth in the forces of production Iran could not transcend its economic backwardness or its subordinate status in the world economy.

While some writers have ignored the impact of imperialism on Iran others have endowed indigenous Iranian capitalism with a progressive mission. Throughout the 'seventies the dominant view on the Iranian left was that their country was not capitalist as such — it was a mixture of different 'modes of production' or 'dependent' capitalism. This approach mistook the backward capitalist character of Iran for something else. Its analysis was one-sided and failed to assess the contradictory movement of Iranian capital itself. This populist analysis is in reality the mirror image of Warren et al. Whereas Warren portrayed imperialism in a positive vein, sections of the Iranian left depicted their own capitalist class in that light. The problem became not *capitalist domination* but *foreign domination*. Bizhan Jazani, one of the leading theoreticians of the Fedai guerrilla group, argued:

'Foreign domination forms an important part of the prevailing system of exploitation in Iran, and since not all the exploiters and owners of internal capital are dependent on foreign domination, . . . the national bourgeoisie no matter how weak, is against the continuation and growth of foreign domination and comprador bourgeoisie. . . . Consequently it follows that the contradictions between labour and capital, with its social manifestation of a confrontation between the proletariat and the bourgeoisie, cannot be the principal contradiction of the system prevailing in Iran.'¹²

This vulgar analysis, with its hierarchy of contradictions, failed to recognise the *form* and *content* of the contradiction between labour and capital in a backward capitalist country. This contradiction cannot be counterposed to the anti-imperialist struggle for there is no logical distinction between the two. In every positive step forward the Iranian masses face not only their bourgeoisie but also the power of imperialism. The struggle of the proletariat takes the form of an anti-imperialist movement because the maintenance of capitalist relations in Iran necessitates the active intervention of imperialism. The problem is not 'foreign domination' as such, but the social force of capital.

A scientific analysis of capitalist Iran is indispensable for the advancement of the class struggle in the Middle East. The vulgar theories of 'dependency' have justified the politics of class collaboration with all its disastrous con-

- 1 *Business Week*, 17 December 1979, p116.
- 2 Quoted in *The Guardian*, 23 November 1979.
- 3 *Workers Vanguard*, 5 January 1979, our emphasis.
- 4 A Dragstedt, 'The Spartacists and the Iranian revolution', *Labour Review*, Vol 3, No 6, November 1979, p331.
- 5 *Socialist Challenge*, 9 November 1978.
- 6 *Socialist Challenge*, 18 November 1978.
- 7 See his account of the February 1979 fall of the Bakhtiar government in *Insurrection in Tehran*, International Marxist Group, London, 1979.
- 8 *Financial Times*, 9 June 1979.
- 9 M Kidron, 'International capitalism', *International Socialism*, No 61, June 1973, p16.
- 10 B Warren, 'Imperialism and capitalist industrialisation', *New Left Review*, No 81, September 1973, p4.
- 11 E Mandel, 'An Arab and Iranian Finance Capital emerges', *Intercontinental Press*, 4 November 1974.
- 12 B Jazani, *The socio-economic analysis of a dependent capitalist state*, The Iran Committee, London, 1973, p90.

sequences.¹³ Below we analyse the different phases of capital accumulation in Iran and in the discussion on the Iranian state we bring to light the contradictory character of this process.

The protectionist experience

Japan was the last capitalist nation to overcome its backwardness through a stringent policy of self-sufficiency and protectionism. By the time Iran attempted to loosen the grip of foreign capitalists over its economy and specifically over its oil resources,¹⁴ this strategy was insufficient for stimulating the expansion of capital.

Reza Shah lays the foundations

In the 'twenties, Reza Shah, father of the recently deposed monarch, attempted to use the power of the state to stimulate capitalist development. He faced formidable obstacles: absence of infrastructure, stagnation in agriculture and a backward class of landowners and merchants.

Reza Shah's moves against the landowners and other backward layers were tentative due to the fragility of his own power base. As a result his policies failed to transform the ruling sections of society into a group of capitalist farmers and industrialists. Reza Shah was more confident about extending the economic activity of the state. He established heavily subsidised state monopolies to encourage the production of consumer goods such as sugar, tea and cotton. Later jute, rice and carpets were taken under state control.¹⁵

The government tried to create the conditions which would allow industry to flourish. Highly restrictive import controls and rigid curbs on working class consumption were introduced.¹⁶ In 1933 Reza Shah negotiated a major increase in oil revenues from the Anglo-Iranian Oil Company (AIOC). These revenues provided finance for infrastructural and manufacturing projects.

Reza Shah's policies led to the establishment of a number of large-scale plants in textiles, food processing and for handling forestry and mining products.¹⁷ However, state investment and protection against foreign competition proved incapable of overcoming industrial stagnation: few of the new factories were profitable.¹⁸ Low quality, high cost and unreliable supply of goods from domestic factories ensured that the demand for imports remained as high as ever. Quotas only encouraged black marketeers, and government attempts to control the black market by varying the quotas caused confusion and did nothing to help industry.

In the absence of a strong bourgeoisie Reza Shah was dependent on foreign assistance for the maintenance of capitalist relations. When his pleas for economic support were ignored by the crisis-stricken British National Government in the mid 'thirties, he turned to other imperialists for help. Hitler offered attractive commercial terms and soon Germany became Iran's main trading partner.¹⁹ Yet it was Reza Shah's alliance with Hitler that led to his downfall early in the Second World War. The Allies needed to safeguard supply lines to the Soviet Union as well as control Iran's oil-fields. A combined Anglo-Russian invasion operation in 1941 forced Reza Shah into exile, leaving his son Mohammed Reza Shah to take over as the new Shah of Iran.

The Second World War brought Iran's tentative capitalist experiments to an abrupt end. State industries ground to a halt. Spare parts could no longer be acquired abroad and replacements for machinery were not available. However limited industrial development under Reza Shah had been, the expansion of the state apparatus under his rule had

important long-term consequences. The reorganisation of the state administration, the establishment of a standing army, the introduction of new business laws, the setting-up of Chambers of Commerce and the expansion of education created the framework for subsequent large-scale state intervention in the Iranian economy.²⁰

Mossadegh's national solution

Like Reza Shah, the radical Prime Minister Mohammed Mossadegh who came to power in 1951 wanted to solve the problems of the Iranian economy through economic nationalism. Yet unlike him, Mossadegh saw it as necessary to mobilise popular support for this strategy. Only in this way could Iranian capitalism be strengthened in its dealings with imperialism.

In the period between the Allies' withdrawal at the end of the war and the establishment of the Mossadegh regime an intense tension developed between Iranian entrepreneurs and foreign capital. The years following the Allies' invasion had seen an unprecedented growth amongst the bazaaris and small industry. The peculiar wartime conditions allowed for a massive growth amongst those servicing and supplying the armed forces in the country.²¹ This, together with the economic aid promised under the terms of the Tehran Summit agreement of 1943 for after the war, created a strong sense of optimism amongst the Iranian petit bourgeoisie.

However, the aspirations of the petit bourgeoisie ran counter to the interests of the imperialists. When the war ended a national development plan was commissioned from the firm Morrison Knudsen International. A Planning Board and later the Plan Organisation were set up to implement it.²² This required at least \$150m. But the expected loans never materialised because US imperialism considered Iran too unstable to risk large investments.²³ As a final rebuff, the Shah returned empty-handed from a trip to the USA in 1949, with the advice to implement land reforms.²⁴

It was the absence of any serious foreign support that forced the Iranian petit bourgeoisie and middle class professionals to embark on the course of economic nationalism. It was in this context that Mohammed Mossadegh established the National Front²⁵ in 1949 and began to push for the nationalisation of oil and, in a wider sense, for economic independence.²⁶ He quickly won support for his strategy from all sections of society. His denunciation of British interference in particular found a strong resonance among the masses.

In pushing for nationalisation Mossadegh believed he would have few problems. He believed the West needed Iranian oil and therefore that any retaliatory moves would be short-lived.²⁷ When the pro-Shah Premier Razmara was shot dead by religious zealots²⁸ in March 1951 for negotiating with the British, Iran's parliament, the Majlis, quickly accepted the nationalisation proposals and made Mossadegh Prime Minister the following month. The Majlis voted to seize all AIOC property in Iran. In return AIOC closed down the massive Abadan refinery. Under enormous popular pressure the Majlis went ahead with nationalisation in June 1951.²⁹

Mossadegh had good cause to believe that he was in a strong position. He had received tacit encouragement from the USA which wanted to supplant Britain's role in Iran. When Britain's Labour Government responded to the nationalisation by despatching troops to Cyprus and instituting an economic blockade, he still thought this would last only for a short time. He was badly mistaken. Saudi Arabia had surpassed Iran's peak oil production in 1951 and Kuwait did so in January 1952.³⁰ AIOC switched its oil-lifting operations to Iraq and Kuwait, with little loss of production.³¹ Iran, on the other hand, didn't even own a

single oil tanker. Oil production plummeted almost to zero as the British boycott, adhered to by American companies, began to bite.³²

Yet Mossadegh was undaunted by this. The economic blockade meant that many of the smaller indigenous industries enjoyed a brief resurgence.³³ At the same time the growing national bourgeoisie and a more militant working class forced Mossadegh to intensify his attacks on the Shah, the court and the landed aristocracy. In responding to this pressure the liberal Mossadegh was forced to become more and more dictatorial, demanding extraordinary powers for six months in July 1952 and, after some trouble, getting them in full.³⁴

The failure of economic nationalism

Using his increased powers Mossadegh introduced and then implemented a radical reform programme, mainly to placate the working class³⁵ which was, by this time, his main backer and to cement his mass support.³⁶ However, these steps lost him support among the petit bourgeoisie and the middle classes. These classes had united with Mossadegh in opposition to the role of Britain in Iran and against the authoritarian rule of the Shah. Once these questions were settled, Mossadegh's base of support began to fragment.³⁷

Most important of all the defections was that of Ayatollah Kashani and his supporters in the Mujaheddin-i-Islam in January 1953. Kashani, who had once stated that if the

Iran. The first two represented the economic interests and political aspirations of the modern middle class – civil servants, teachers, doctors, engineers, students – while the second two groups represented the traditional elements of the petit bourgeoisie – the merchants, bazaar shopkeepers, low-ranking clergy and theology students. See Y P Benab, 'Political organisations in Iran: a historical review', *Review of Iranian Political Economy and History*, (RIPEH), Vol 3, No 1, Washington, spring 1979, p37.

26 Indeed the latter point was more important, as at this time oil revenues made up only 15 per cent of government revenues. As one commentator put it: 'Cash receipts to the Persians were not as important as economic independence. The clash with the oil company was an inevitable stage in Persia's drive towards reconstruction and modernisation. Persia had seen major industries nationalised in Britain; they had seen Britain cheerfully recognising the nationalisation of oil and other industries in Burma... Talk of seven year plans was useless so long as the richest part of the country remained under foreign control and most of its revenues went abroad'. E P Elwell-Sutton, *Persian Oil: a study in power policies*, London 1955, p185.

27 He was strengthened in his resolve when he heard that Aramco, the US multinational, had agreed a 50/50 deal with Saudi Arabia in January 1951. See Stork, op cit, p50, for Iran's oil revenues 1913-51.

28 The Fedayeen-e Islam was a fanatical Moslem group led by Sayyid Navvab Safavi. Closely linked to clerical hardliner Ayatollah Kashani, it claimed a membership of 30-40 000. It confined most of its actions to armed attacks and assassinations. See F Kazemi, *Social mobilisation and domestic violence in Iran 1946-68*, Michigan, 1973, pp67-9.

29 In March 1951, 8000 dockers at Ma'ashur had downed tools and 40 000 oil workers in Abadan struck for 12 days demanding nationalisation. See A Ghotbi, *Workers say no to the Shah*, Campaign for the Restoration of Trade Union Rights in Iran (CRTURI), London, April 1977, p66.

30 R L Greaves, '1942-76: the reign of Mohammed Reza Shah', in H Amirsadeghi, ed, *Twentieth century Iran*, Holmes & Meier, New York, 1977, p76.

31 Stork, op cit, pp51, 53.

32 It fell from 243m barrels in 1950 to around 8m in 1952 and 1953. Ibid, p53.

33 Jazani, op cit, p60.

34 Mossadegh was briefly forced to resign, after the Shah had refused to grant these powers and give him control of the army. Almost a week of bloody rioting followed which forced the man who replaced him, Qavam es Sultaneh, out of office and allowed Mossadegh's reinstatement.

35 'In the period 1951-53 there were over 200 strikes on economic matters'. F Halliday, 'Iran: trade unions and the working class opposition', *MERIP Reports*, No 71, October 1978, p10. With the attempted ousting in July 1952 the still illegal Tudeh party reversed its opposition to the NF and began to actively support it, although under such pseudonyms as the 'National Society for the Struggle against Colonialism'.

36 'He transferred the stolen lands back to the state, shifted much of the Court budget to the Ministry of Health, forbade the Shah to communicate with foreign diplomats, and eventually forced members of the royal family, including the Shah, to leave the country. Mossadegh announced that the country would in future buy only defensive weapons. He reduced the military budget by 15 per cent, and cut the draft by 50 per cent. He transferred 15 000 men from the infantry to the less royalist gendarmerie, purged 130 senior officers, and established parliamentary committees to investigate corruption among the top brass, to scrutinise the qualifications of senior officers, and to prove that the constitutional laws intended the Shah to be Commander-in-Chief in name only.' E Abrahamian, 'Iran in revolution: the opposition forces', *MERIP Reports*, No 75/6, March/April 1979, p4. Note the similarity between these measures and those introduced by Khomeini early in 1979.

37 Hosein Maki, a potential heir to Mossadegh, left the government early in 1953. At the same time a large section of the Toilers Party, led by Mozaffar Baghai, broke from the NF when Mossadegh asked for an extension of power to implement his reforms. Mohsen Pezeshghpour, leader of the Pan-Iranist Party, opposed Mossadegh's anti-imperialist stand and sided with the Shah. Benab, op cit, p40.

13 Under the blow of recent events the Iranian left has begun to reappraise its positive assessment of the so-called national bourgeoisie. The Fedai has recently observed: 'In the present age the struggle against Imperialism cannot be separated from the struggle against the capitalist system'. See KAR (Labour), London, January 1980. Unfortunately this recognition has not stimulated the development of revolutionary theory adequate to the defence of the Iranian working class.

14 A summary of the early years of imperialist domination of Iran is contained in J Stork, *Middle East oil and the energy crisis*, Monthly Review Press, New York & London, 1975, pp8-12.

15 J Bharier, *Economic development in Iran 1900-70*, Oxford University Press (OUP), London, 1971, p86.

16 The 1931 Monopoly Trade Act placed quotas on 37 per cent of all imports and established a state monopoly on the export of wheat and opium. H Motamen, 'Iran's experience with import quotas', *Middle East Economic Papers*, 1955, p76.

17 As a consequence the national industrial workforce increased by 250 per cent between 1934 and 1938. Bharier, op cit, p172.

18 Ibid.

19 G Lenczowski, *Russia and the West in Iran 1918-48*, Ithaca, New York, 1949.

20 See A Banani, *The modernisation of Iran 1921-41*, Stanford University Press, New York, 1961, and B Jazani, *An introduction to the contemporary history of Iran*, The Iran Committee, London, 1977, p30.

21 'Entrepreneurs and contractors supplying the Allies became wealthy, land prices and house rentals went up, and in general the gap between rich and poor widened'. Y Armajani, *Middle East, past and present*, Prentice Hall, New Jersey, 1970, p345.

22 Bharier, op cit, p88.

23 This response may have been prompted by the peasant uprising in Mazandaran province in 1946. See J A Bill, *The politics of Iran*, Merrill, Ohio, 1972, p136.

24 This explains why, in the same year, the Shah redistributed large amounts of the land seized by his father and started a drive against 'corruption'. Even so, the USA responded with a grant of only \$25m, a figure so low it was considered an insult and led to rioting in the capital.

25 The NF consisted of four main groupings: the Iran Party, Pan-Iranist Party, the Fedayeen-e Islam and the Toilers Party of

oil was nationalised there would be no need for land reform,³⁸ broke away over Mossadegh's programme of legal reforms and proposals for a modern educational system. Although Kashani did not take the majority of the religious-orientated guild leaders in the bazaar with him, his support amongst the traditional small bazaaris made his defection to the Shah decisive.³⁹

On a wider scale, most of US imperialism's strategy in Iran had come to fruition. After the Second World War the USA had taken over much of Britain's imperialist role throughout the Middle East, and was now the dominant power in the region. Iran was one of the few countries where this was not the case. Up until 1951 Britain had had the sole rights to Iranian oil. The initial US support for Mossadegh was designed to weaken Britain's influence in Iran and win a share of the oil concession. The second part of this strategy, isolating Mossadegh, had occurred without too many hitches. But the third part, of replacing Britain as the main economic power in the area, required the overthrow of Mossadegh. It was to this end that the USA, after the July 1952 uprising, devoted itself.

Mossadegh was not at first too worried about defections from the NF. He recognised that the main threat to his regime was from the army.⁴⁰ His proposals to transfer control of the army from the Shah to the Prime Minister provoked the crisis which brought him down. Unable to win the backing of Majlis deputies he got into greater and greater difficulties. In June 1953 he turned to Eisenhower for aid but was rebuffed. By this time the opposition had lined up. It consisted of the Court, army generals, land-owners, large businessmen and a section of the clergy. His only real consistent support came from the working class and, belatedly, from the pro-Soviet Tudeh party.

Faced with such widespread opposition Mossadegh became increasingly isolated. The US and British-backed coup of August 1953 which returned the Shah to power brought to an end the attempt by the petit bourgeoisie and nationalists to develop the economy in the face of imperialist opposition. American imperialism achieved its aim of getting a share of Iran's oil resources. A new agreement in 1954 gave it 40 per cent of the concession. AIOC (now British Petroleum) took another 40 per cent, while 10 per cent was allocated to smaller companies.⁴¹

Mossadegh's strategy was doomed to failure because he could not mediate the interests of different classes in Iran. The bourgeoisie was too weak to stand up to imperialism so Mossadegh had to rely on the support of the working class to carry out his policies. But the concessions that Mossadegh made to his working class base only angered other sections of society. That's why he dared not offend the landlords by implementing land reforms.⁴²

Most of the middle class and petit bourgeoisie soon realised that mass mobilisation against imperialism would eventually threaten their interests. They opted for a deal with imperialism rather than countenance any radical threat to their class position. Imperialism was quick to oblige. As soon as oil production was restarted massive American loans flowed into Iran.⁴³ Economic policy once again fell into line with the requirements of imperialism.

The Shah's 'open door' policy

The restoration of the Shah's rule brought with it the integration of Iran into the world economy. To maintain the momentum of the boom in production the imperialist powers tried to destroy all obstacles to the free movement of capital in the backward capitalist regimes. In return Iran could benefit from the tremendous expansion of accum-

ulation in the imperialist regions. The enormous increase in demand for oil placed Iran in a favourable position on the world market. The economy expanded rapidly – at nine per cent per year during the 'sixties and 14 per cent in 1971-72, rising to 34 per cent in 1973 and 40 per cent in 1974.⁴⁴ Oil revenues and US aid funds made Iran one of the world's most lucrative export markets. Merchandise imports more than doubled between 1955 and 1959.⁴⁵

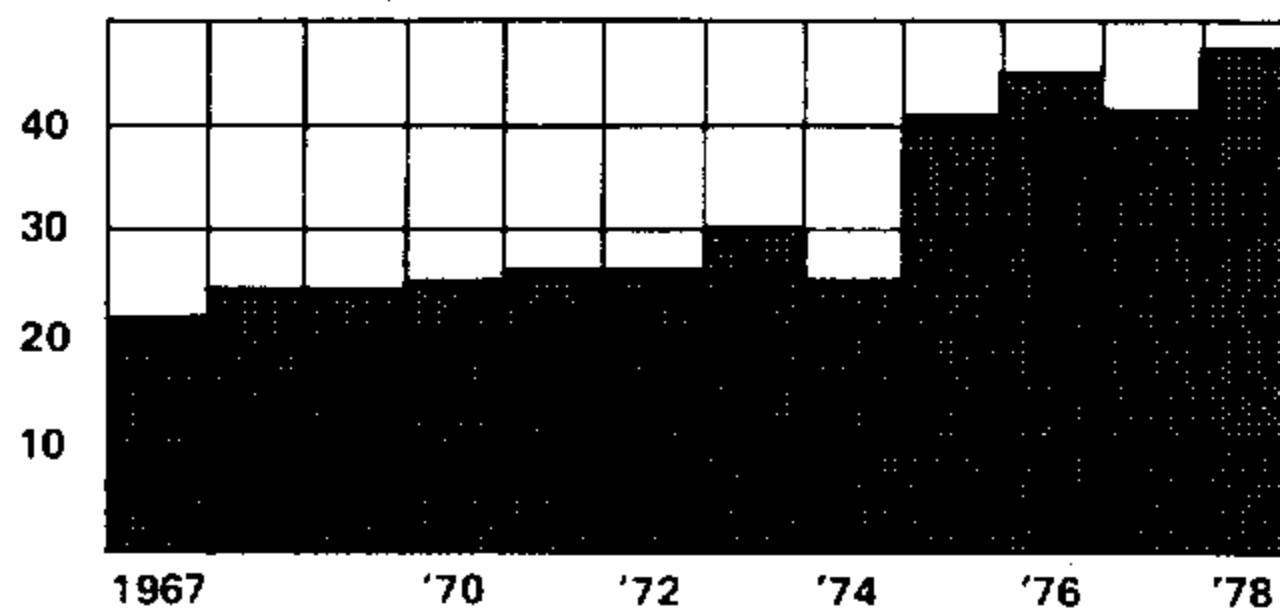
The flood of imports hit domestic production and contributed to high inflation, excessive credit and recurrent balance of payments crises in the early 'sixties. The subsequent imposition of import tariffs encouraged direct foreign investment in Iranian industry: rubber, chemicals, drugs, mining and aluminium were major spheres of investment. Most industries chalked up impressive annual growth rates during the Fourth Five Year Plan (1967-72), the height of the boom: chemicals 42 per cent; metal products 20 per cent; textiles, clothing and leather 12 per cent; and food, beverages and tobacco nine per cent.⁴⁶

By the 'sixties and early 'seventies the advanced capitalist countries were looking for outlets for the technology, patents and specialised skills associated with their stagnating chemicals, engineering and electrical components industries. An incessant stream of representatives from Britain, USA, Japan, Germany, France, Belgium and Italy came to Iran in search of contracts. Meanwhile, by the late 'sixties, indigenous industrialists had moved into the consumer goods sector, producing radios, refrigerators and cars for the home market. Investment in construction alone constituted 60 per cent of fixed capital formation.⁴⁷

Foreign and domestic investment was encouraged by the state. Over half the total public sector allocation of the Fourth Five Year Plan was taken up by five massive investments in heavy industry: the Esfahan steel mill, Arak heavy metals factory, Tabriz tractor plant, aluminium works at Ahwaz and the Khuzestan petrochemicals complex.⁴⁸

In addition to large-scale projects in industry and agriculture, state spending was directed into a major expansion of public sector services and defence. Public sector spending during this period was 43 per cent higher than the sum of the past three plans.⁴⁹ This trend continued in subsequent years: state expenditure as a percentage of GDP grew from 27 per cent in 1971 to 45 per cent in 1976 (see graph 1). The state also played a major part in creating suitable conditions for investment, establishing new financial institutions to mediate between imperialism and Iranian capital. The Shah's government displaced the traditional role of the bazaar money-lenders who could not operate under the tight credit policies proposed by the IMF in response to the balance of payments crises of the early 'sixties. The state rationalised the banking system, setting up a central bank and a number of investment banks. Several banks were established by the Iran government jointly with Dutch, British and Japanese participants.⁵⁰

Graph 1 State expenditure (current and capital) as percentage of GDP



World Bank, *World Tables*, 1976, and Bank Markazi Iran, *Annual Report and Balance Sheet*, 1978

This expansion in economic activity was made possible by the increase in oil revenue: \$34.4m in 1954-55 to \$18bn in 1974-75 – a 500-fold increase in 20 years. These revenues allowed the Iranian state to import means of production, consumption and heavy goods. As long as these revenues flowed in, the Iranian state could ignore the structural weakness of the economy. Deficit financing could prop up the inefficient industrial sector. And when agricultural production stagnated and Iran could not meet its needs, oil money brought food from the USA. Oil revenues could pay for imports and allowed the bourgeoisie to expand public services.

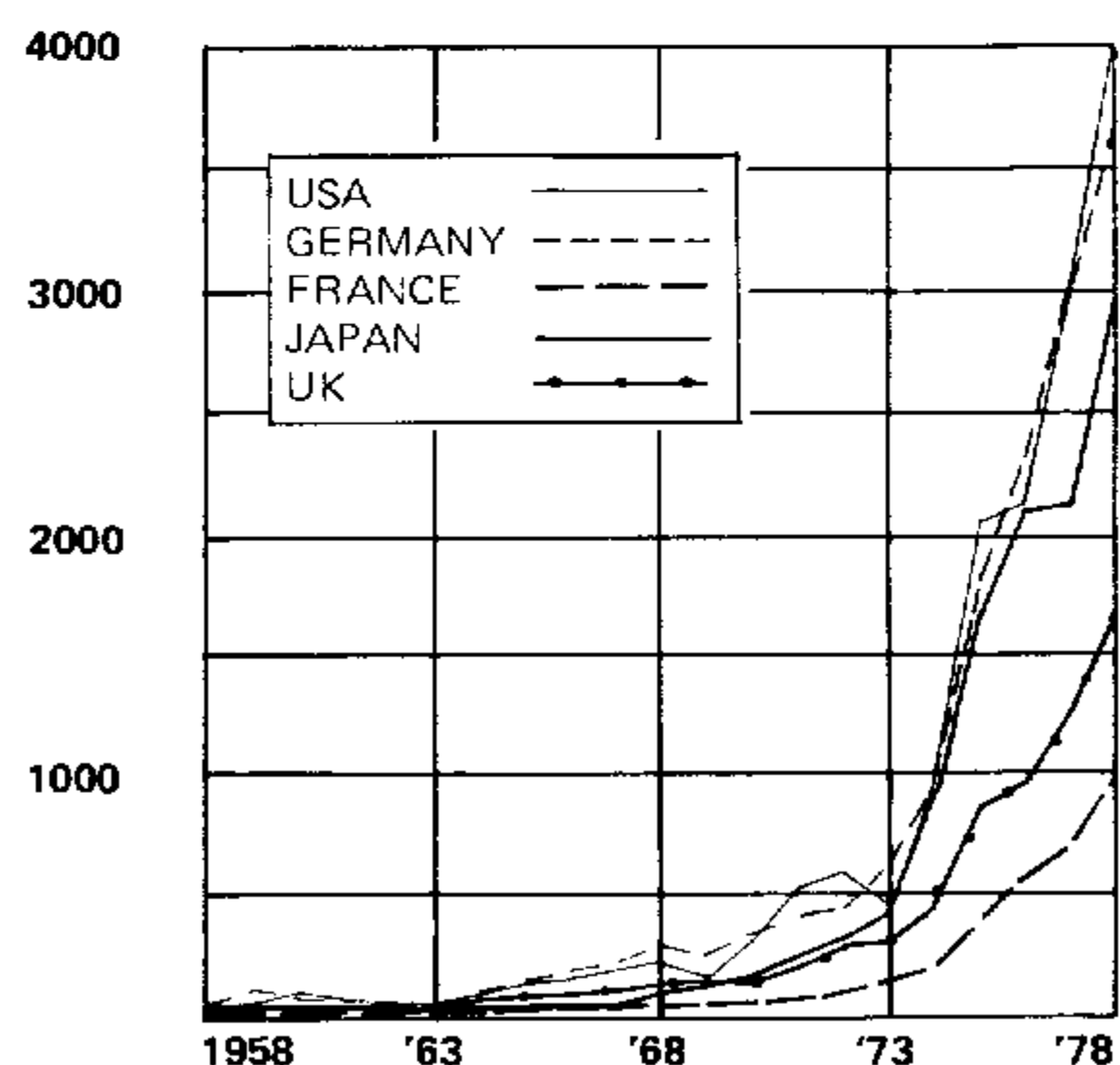
Table 1 Loans and suppliers credits received by central government (million US dollars)

	IBRD	US Govt	Fr/Ger	UK	Total drawings
1959-60	16	50	9	0.1	75.3
1965-66	4	46	24	0	75
1969-70	7	132	147	58	522
1970-71	11	152	47	25	546
1971-72	13	295	128	36	894
1972-73	32	289	90	132	848
1973-74	46	44	51	62	909
1974-75	57				616
1975-76					205
1976-77					377
1977-78					634

IMF, *Balance of Payments Yearbook*, 1965, 1970, 1976, 1978

But Iran's oil revenues provided no long-term solutions. The new industries remained uncompetitive and Iran continued to rely on high levels of imports. Accumulation in Iran was the accumulation of imports and debts (see table 1, graph 2). Once the world economy fell into a slump and Iran's oil exports began to fall the precarious nature of Iranian capitalism became all too apparent. The crisis confirmed that Iran was integrated into the world economy on the terms of imperialism: as a backward capitalist country it might reap some transient benefits, but it could not alter the terms of this relationship.

Graph 2 Commodity trade with major countries – IMPORTS (million US\$)



IMF, *Direction of Trade Yearbook*, 1979

THE STATE AND THE CLASS STRUGGLE

The backward capitalist state

The Iranian bourgeoisie, like its counterpart in other backward capitalist countries, has never been able to rule directly as a class. The bourgeoisie is too weak to rule in its own name. In advanced capitalist countries social relations are reproduced more or less spontaneously. In a backward capitalist region this is not possible – there the weak bourgeoisie is forced to use the state extensively to maintain social relations. The state compensates for the weakness of private capitalists by concentrating the resources necessary for investment in industry and agriculture.

Extensive state intervention in the economy is also reproduced in the political sphere. The capitalist class depends on the state to maintain social order to a much greater extent than in advanced capitalist regions. The low level of the forces of production in backward capitalist countries stimulates social tensions which do not permit class relations to be mediated through bourgeois democracy. The dictatorship of the bourgeoisie is exercised in more overt forms – one-party governments, military juntas, or individual rule. These regimes may claim a progressive mission like Kemal Ataturk or represent the forces of counter-revolution like Pinochet. Whatever claims they make they survive only through the denial of basic democratic rights of the masses.

The exercise of state power through cliques or individuals indicates the weakness of the bourgeoisie. The backward capitalist state does not only have to mediate between labour and capital. It must also respond to imperialist pressure and resolve the tension between the interests of foreign business and the indigenous bourgeoisie. So the complexion

- 38 Amirsadeghi, op cit, p75.
- 39 R W Cottam, *Nationalism in Iran*, Pittsburgh, 1964, pp278-79.
- 40 General Zahedi, for example, openly proclaimed his intention of overthrowing Mossadegh and most other senior officers shared the same view. Ibid, p281.
- 41 Stork, op cit, p55.
- 42 Armajani, op cit, p355.
- 43 Between 1953 and 1957 America granted \$500m in aid to Iran. M Zonis, *The political elite of Iran*, Princeton, 1971, pp108-9.
- 44 F Fesharaki, *Development of the Iranian oil industry*, Praeger, New York, 1976, p149.
- 45 International Monetary Fund (IMF), *Balance of Payments Yearbook*, Vols 10 (1957), 15 (1959), 17 (1964).
- 46 United Nations, *Annual World Statistics*, 1973. Comparison with the corresponding growth rates of these sectors in the previous four years – 5.5 per cent, 7.3 per cent, 9.5 per cent and 7 per cent respectively – gives an indication of the speed with which economic activity took off in this period.
- 47 Central Bureau of the Budget, *Prime Minister's report to Parliament*, Tehran, 1972, p36. These developments are reflected in the annual growth rates in sections of the Iranian economy between 1967 and 1972: construction 16.9 per cent; water and power 26.9 per cent; banking and insurance 14.9 per cent; public services 16.3 per cent; industry and mines 13.1 per cent. In 1971 the contributions of the various sectors to Gross Domestic Product were: agriculture 20.1 per cent; oil 22.1 per cent; industry and mining 20.6 per cent and services 37.2 per cent. Bank Markazi Iran (BMI), *Annual Report and Balance Sheet*, Tehran, 1971, p115.
- 48 J Bharier, 'A winning streak for development planners', *Financial Times*, Survey of Iran, 24 May 1968.
- 49 Ibid.
- 50 Iran Chamber of Commerce, Industry and Mines, *Iran in the 1970s*, Tehran, 1971, p122.

of the backward capitalist state reflects imperialist pressure.

The contradiction between the interests of imperialism and the indigenous bourgeoisie can be resolved in one of two ways. The bourgeoisie can accommodate to the wishes of imperialism, open up its economy to foreign interests and play the role that imperialism has designated for it. Alternatively, it can ignore foreign pressure, go it alone and embark on the road of economic nationalism. In reality the backward capitalist state will try to find a compromise between these two options. Its policies will be determined by the intensity of imperialist pressure, the opportunities available on the world economy, the strength of the bourgeoisie and the balance of class forces.

The backwardness of the forces of production limits the scope of the state to pursue an independent policy. Historically, the precondition for following an independent capitalist strategy has been the mobilisation of the masses, usually under the banner of nationalism and often by using anti-imperialist rhetoric. Only with the support of the peasantry, the urban petit bourgeoisie and the working class has the bourgeoisie felt strong enough to challenge the landowners and other parasitic layers hostile to capitalist development. At the same time, this mass support put the bourgeoisie in a stronger position to deal with foreign business and imperialist pressure. From Ataturk through Peron to Khomeini the bourgeoisie has rallied popular support to face up to foreign domination.

Since the bourgeoisie is forced to enlist mass backing through a variety of means — nationalism, religion, or anti-imperialist rhetoric — many observers have been confused by the *form* of the backward capitalist state. In particular the small size of the bourgeoisie has led many to see the state, not as the instrument of capitalism, but as the sum total of conflicting class interests or merely as a foreign imposition. This confusion is well illustrated by Hamza Alavi. He argued:

'The essential problem about the state in post-colonial societies stems from the fact that it is not established by an ascendant national bourgeoisie but instead by a foreign imperialist bourgeoisie. At independence, however, the direct command of the latter over the colonial state is ended. But, by the same token, its influence over it is by no means brought to an end.'⁵¹

Alavi concludes that 'the state in the post-colonial society is not the instrument of a single class'.

The state is no more autonomous in a backward capitalist country than in an advanced one.⁵² The class nature of a state cannot be determined by its political form — in its appearance Khomeini's Iran seems qualitatively different from Peron's Argentina. A state can only be characterised by its social content — by the social relations of production which it enforces. Engels denounced the assessment of the Prussian state as autonomous as 'the language of reactionaries',⁵³ because it obscured the true nature of capitalist domination.

Bonapartism in the post-war world

A personality like Peron or a military clique may appear unrelated to a specific class. Marxists refer to this phenomenon as Bonapartism. It means that the weak bourgeoisie cannot rule as a class and an individual or a clique is thrown up above classes to exercise power. The Bonapartist state enforces the existing social relations and can be nothing else but the rule of capital — whether direct or indirect. In advanced capitalist countries Bonapartism tends to be a brief interlude until the bourgeoisie feels strong enough to assume power directly. In backward regions the weakness of the

bourgeoisie gives Bonapartism a degree of permanence. In his discussion of Mexico Trotsky wrote:

'In the industrially backward countries foreign capital plays a decisive role. Hence the relative weakness of the *national* bourgeoisie in relation to the *national* proletariat. This creates special conditions of state power. The government veers between foreign and domestic capital, between the weak national bourgeoisie and the relatively powerful proletariat. This gives the government a Bonapartist character of a distinctive character. It raises itself, so to speak, above classes. Actually, it can govern either by making itself the instrument of foreign capitalism and holding the proletariat in the chains of a police dictatorship, or by manoeuvring with the proletariat and even going so far as to make concession to it, thus gaining the possibility of a certain freedom toward the foreign capitalists.'⁵⁴

However, there are limits to how far the Bonapartist state can go in consolidating its mass support. The more it arouses the masses and the more concessions it makes to workers and peasants, the more it loses control over its base. Bonapartist figures like Peron, Nkrumah and Sukarno discovered that if the masses remain mobilised against foreign interests they become radicalised and end up threatening the capitalist class itself. This is why Peron was eventually forced to crack down on the working class. The bourgeoisie needs the proletariat to support its fight against foreign capitalists. But it soon comes to fear the proletarian masses more than it fears imperialism. It appeals to mass anti-imperialist sentiment but also risks a movement getting out of hand. The bourgeoisie has no choice but to contain this threat. In the process its own position in relation to foreign capitalists is weakened.

This conservative and vacillating role of the bourgeoisie was clear to Engels in his discussion of Prussia:

'In politics there are only two decisive powers, the organised force of the state, the Army, and the unorganised, elemental force of the popular masses. How to appeal to the masses, the bourgeoisie had forgotten once and for all in 1848. It feared them more than it feared absolutism.'⁵⁵

Lenin made the same point about the weak Russian bourgeoisie. He argued that the bourgeoisie cannot even nationalise land, even though this would be in its own interest, because it lacks the courage 'to attack private landed property owing to the danger of a socialist attack on all private property'.⁵⁶ The more so today. Anti-imperialist rhetoric is one thing. A real anti-imperialist movement becomes a threat to the class position of the bourgeoisie itself.

In the post-war period every attempt to develop the forces of production through an independent capitalist strategy has failed. In the 'fifties and early 'sixties a number of backward capitalist states embarked on a course of protectionism and import substitution. This policy was presented in nationalist and anti-imperialist phraseology. The names of Sukarno (Indonesia), Nkrumah (Ghana), Peron (Argentina), Ben Bella (Algeria) and Goulart (Brazil) are associated with it.

In every case these regimes failed to go far enough for the masses, but went too far for the national bourgeoisie and for foreign capital. The imperialist powers resented curbs on the free flow of capital and commodities and controls on their investment. The Bonapartist states' inability to develop the forces of production along capitalist lines led to attacks on workers' living standards. Imperialists were able to use the resulting mass discontent to their advantage. Through the CIA and other agencies they backed indigenous right-wing forces to overthrow these regimes.

A wave of imperialist-supported coups spelled the end of the independent capitalist option. Mossadegh in 1953, Peron in 1955, Goulart in 1964, Ben Bella in 1965 and Sukarno and Nkrumah in 1966 were overthrown in right-wing coups. That many of these countries later experienced high

growth rates is not accidental. Once social stability was established by a strong authoritarian regime, imperialism was ready to make investments. The destruction of trade unions and other mass organisations was just what foreign capital was looking for. A cheap labour force, an open economy and the worldwide post-war boom were the ingredients for the high growth rates achieved by a number of backward capitalist countries.

The demise of populist Bonapartism and its replacement by military juntas and right-wing cliques showed that capitalist relations could only be maintained through brutal oppression and in partnership with imperialism.⁵⁷ Nevertheless the Stalinists have commended 'left-wing' Bonapartism to the masses time and time again. Let us see what their support for the national bourgeoisie and their illusions in the capitalist state meant for the workers and peasants of Iran.

The rise of Tudeh

The restoration of the monarchy in 1953 was preceded by a decade of class struggle. The Mossadegh regime tried to direct the anti-imperialist sentiment of the masses towards his economic nationalist programme. The main instrument for winning the masses to the objectives of Iranian capitalism was the Tudeh party.

The Tudeh party was formed in 1941 by survivors of the Communist Party of Iran. It put itself forward, not as a communist party, but as an anti-fascist organisation struggling to defend the 1906 constitution.⁵⁸ In 1943 it formed a 'Freedom Front' to prevent fascism and the restoration of dictatorial rule. Tudeh's radical nationalism and its commitment to bourgeois democracy evoked a popular response. In the 1943-44 provincial elections Tudeh gained widespread support, particularly in the north and around Isfahan.⁵⁹ Most important Tudeh became the dominant force in the working class. Although it had only around 25 000 members at this time, more than 400 000 workers were affiliated through the Central Council of Unified Trade Unions (CCUTU) formed in 1944 and controlled by the Tudeh party. The influence of the party in the working class was very strong; 75 per cent of its members were workers, while in the Khuzestan oil fields membership of the party was almost 100 per cent. As the Labour attaché at the British embassy commented in December 1946: 'During the heyday of Tudeh in Khuzestan there was both a trade union and a highly organised system of Tudeh shop stewards and spokesmen'.⁶⁰

The radicalisation of the Iranian masses allowed Tudeh to become an important political force. However, as Tudeh lacked political independence from the Soviet bureaucracy and the Iranian bourgeoisie, it ended up as the policeman of the mass movement.

While the Soviet Army still occupied the north of Iran its main concern was to gain an oil concession similar to the one controlled by the British in the south. In 1945 Tudeh deputies argued — alone — in the Majlis for such a concession; party members in the factories of the north went on strike to try to obtain it. To achieve the Soviet bureaucracy's objectives Tudeh took up the cause of Iran's oppressed minorities to exert pressure on the central government.

Both the Azerbaijanis and the Kurds had been in *de facto* control of their regions since 1941 and they were now encouraged to seek autonomy. The Azerbaijani Democratic Party (ADP), led by Sayyed Pishevari, and the Kurdish nationalist party, the Kommola, both received support from the Soviet authorities. Long-standing grievances against the central government and proximity to the Soviet border ensured that these moves were well received. In Azerbaijan

the regional trade union bodies and Tudeh party organisation joined the ADP in September 1945 and by November a general insurrection had begun. Pishevari was elected Prime Minister of the new republic in December 1945.

In Mahabad, the centre of Iranian Kurdistan, Qadi Muhammed, a Moslem judge was appointed (under Soviet pressure) leader of the Kommola. In September 1945 he and other tribal leaders went to Baku in Soviet Azerbaijan where they were assured of support for their uprising. With the support of Iraqi Kurds led by Mustafa Barzani a Kurdish Peoples' Republic was formed in December 1945. Qadi Muhammed was elected president.⁶¹

Tudeh hands over the mass movement

Soviet support for the uprisings in Azerbaijan and Kurdistan had little to do with recognition of their rights to national self-determination. It was a means, and a desperate one at that, of putting pressure on Tehran in the hope of bringing to power a government which would be favourable to a Soviet oil concession in the north of the country. The declaration of two republics immediately exerted a tremendous pressure on the latest reshuffled government, now under Ebrahim Hakimi, a moderate. When the Soviet Union made clear its opposition to Hakimi, a left-of-centre coalition, led by the liberal Qavam and including the Tudeh party was formed in January 1946.

Tudeh's support for the Qavam government demonstrated the Stalinists' willingness to collaborate with the bourgeoisie. Qavam was able to use Tudeh support to erode the strength of the mass movement. His promise of an oil concession for the Soviet Union at a future date was suf-

51 H Alavi, 'The state in post-colonial societies: Pakistan and Bangladesh', *New Left Review*, No 74, July 1972, p62.

52 For a methodological critique of the theory of state autonomy see F Richards, 'Revisionism, imperialism and the state: the method of *Capital* and the dogma of State Monopoly Capitalism', *Revolutionary Communist Papers*, No 4, February 1979, pp4-28.

53 F Engels, 'The housing question', *Marx-Engels Selected Works*, Vol 2, Progress Publishers, Moscow, 1975, p348.

54 L Trotsky, 'Nationalised industry and workers' management', *Writings of Leon Trotsky, 1938-39*, Pathfinder Press, New York, 1974, p326.

55 F Engels, *The role of force in history*, International Publishers, New York, 1968, p62.

56 V I Lenin, 'The agrarian programme of social democracy in the first Russian revolution, 1905-07', *Collected Works*, Vol 13, Progress Publishers, Moscow, 1972, p322.

57 As one bourgeois commentator delicately observed about post-Sukarno Indonesia: 'Politics in Indonesia are no longer in command. Indonesia is a classic illustration that developing nations must resolve political contradictions and conflicts into some form of *modus vivendi* before development problems can be meaningfully tackled.' *Far Eastern Economic Review*, 11 November 1972.

58 Benab, op cit, p35.

59 S Zabih, *The Communist movement in Iran*, University of California Press, Berkeley, 1966, p79.

60 Cited in 'Labour conditions — Anglo Iranian Oil Co — Persia', C Chaqueri, ed, *The condition of the working class in Iran*, European committee for the defence of democratic trade union rights in Iran, Florence, 1978, p259.

61 For more detailed accounts see W Z Laqueur, *Communism and nationalism in the Middle East*, Routledge & Kegan Paul, London, 1961, pp229-31, and W Eagleton, *The Kurdish Republic of 1946*, OUP, London, 1963.

ficient to get the Soviet army to withdraw from Azerbaijan. This sell-out of the oppressed nationalities was hailed by Tudeh as a victory.

Qavam next turned his attention to Tudeh's working class base. Tudeh's influence was at its peak. Half a million marched under its banner in Tehran on May Day 1946. In July a three day general strike took place in the Khuzestan oil fields where workers demanded labour laws and higher pay.⁶² To try and counter the growing strength of the Tudeh, Qavam formed a new party, the Iranian Democratic Party (IDP) and announced his intention of forming a government-sponsored union to combat the power of the Tudeh-controlled CCUTU.⁶³

Yet the Tudeh willingly joined a coalition government with the IDP in August 1946, providing three Cabinet Ministers. The IDP, representing the landed aristocracy and bourgeoisie, found Tudeh a useful instrument for controlling the working class. The success of this strategy was illustrated during the bloody general strike in Khuzestan in July 1946. There were heavy casualties on both sides and the British Labour Government threatened to invade Abadan after several British civilians were killed. It was Tudeh party members who controlled the situation. Dr Radmanesh, general secretary of the party and Reza Rusta, first secretary of the CCUTU, went to Abadan and quickly got the workers there to call off their general strike even though their demands had not been met.⁶⁴

Although instrumental in the setbacks suffered by the mass movement, Tudeh itself came under attack once the bourgeoisie felt strong enough to move against the oppressed minorities. With the acquiescence of the Soviet Union, still waiting for the oil concession, the republics were crushed. The march on Azerbaijan took place in December 1946, just a year after the republic was formed. It was followed by executions and imprisonment, although Pishevari and most of the ADP leadership escaped to the Soviet Union. The Kurdish republic collapsed shortly afterwards and Qadi Muhammed was executed in March 1947.⁶⁵ Barzani returned to Iraq and finally he too was forced north into Soviet Azerbaijan.

The craven role of Tudeh in this whole episode was the main factor behind the defeat of the mass movement and also of its own decline as a political force. The final ignominy came in 1947 when the Majlis tore up the agreement which promised an oil concession to the Soviet Union.

The betrayal of the two republics had been for nothing. The demise of Tudeh coincided with a period of reaction. The bourgeoisie attempted to consolidate its rule through giving power to the young Shah. The balance of class forces did not allow this strategy to work: from 1949 onwards a series of upheavals shook Iran which culminated in the general strike of 1951. To re-establish social order the Shah acceded to the appointment of Mossadegh as Prime Minister. One royalist Senator explained why: 'Class tensions have reached such a point that they threaten the whole fabric of society. . . . The only way to save Iran is to unite all classes against the foreign enemy'.⁶⁶

During the Mossadegh regime the Tudeh party acquired new scope to mobilise the working class behind the programme of economic nationalism. From 1952 onwards Tudeh subordinated working class interests to that of the bourgeoisie and by 1953 Tudeh had become the backbone of support for Mossadegh. By this time Tudeh could not even bring itself to pay lip service to the cause of the oppressed minorities lest it offend the bourgeoisie.

Tudeh's service to the bourgeoisie during this period cannot be over-estimated. It not only contained the struggles of the mass movement but also directed the working class behind Mossadegh's economic nationalism. Tudeh's liquidation of class politics and its betrayal of the national minor-

ities paralysed the mass movement and allowed the Shah to return to power with little opposition.

The Shah triumphant

The 1953 coup dealt a death blow to the pretensions of economic nationalism. The Iranian bourgeoisie was too weak to go it alone. The state was reorganised to allow foreign capital to lead the way. Political stability was established through mass arrests and executions. The whole repressive apparatus was strengthened, culminating in the formation of SAVAK in 1957.

But political stability was not enough to attract foreign capital. In 1955 legislation was introduced to make the entry of foreign capital into Iran easier. The Shah swiftly dealt with those sections of society — landlords and the bazaar petit bourgeoisie — who feared foreign competition and opposed the free flow of foreign capital. His control of the state enabled him to deal with petit-bourgeois opposition to the consequences of capitalist development. The aim of the Shah's 'White Revolution' in 1963 was to eliminate social obstacles to capital accumulation. In urban areas the predominant role of the bazaar and in the countryside the system of absentee landlord/share-cropper relations had to be abolished.

Small concessions to the peasantry and the working class, combined with the policy of terror, ensured that the Shah had a free hand to deal with landlords and the petit bourgeoisie. By 1963 the Shah had crushed this opposition. Landowners received generous compensation for property confiscated during the land reform. The door was now open to uninhibited collaboration with imperialism.

It is important to understand that the Shah's land reform, his enfranchisement of women and the establishment of a Literacy Corps were designed to rationalise capitalist relations. His aim was to reorganise the state along efficient lines and eliminate all obstacles to the free flow of capital. He was prepared to challenge the landlords and merchants because they were opposed to the measures necessary for the expansion of capital. The legacy of petit-bourgeois and middle class opposition to the Shah which surfaced in the unrest of 1963, stemmed from their fear of foreign competition. They were not opposed to capitalism as such but they opposed a form of capitalist development that threatened their position. The Shah showed no sentimentality as he directed the power of the state to remove obsolete social relations from the path of capitalist development. The high growth rates that Iran achieved during the post-war boom appeared to vindicate the viability of the Shah's strategy.

THE SHAH'S BUBBLE BURSTS

The vulnerability of Iran

The world recession of the 'seventies caught Iran halfway along the road to industrialisation. The crisis revealed the dependence of the economy on oil, the inability of existing industry to compete on the world market and the failure of the Shah's agricultural development programme. The severity of the domestic recession from 1976 onwards shook the Pahlavi dynasty to its foundation; the consequent political upheavals in 1978 resulted in the collapse of the Shah's regime.

Iran's vulnerability first showed itself in sensitivity to

fluctuations in oil demand. Second, it appeared in the increasing role the state was forced to play in every aspect of the economy. When there was a shortfall in anticipated oil revenues in 1975, the rate of growth plummeted from 33.9 per cent in 1973 and 41.6 in 1974 to 2.6 per cent in 1975-76. Oil revenues supplied 80 per cent of the funds for the Fifth Five Year Plan (FYP): as Western oil demand fell projects were postponed, cancelled or delayed.

All government attempts to promote industrialisation failed to overcome Iran's dependence on oil revenues. As the boom proceeded this dependence increased. Oil revenues never fell below 70 per cent of total export earnings in the post-war period: after the 1973-74 OPEC price rises they rose to 89 per cent.⁶⁷ Iran's share of total foreign exchange receipts from non-oil exports fell continually, reflecting the inability of domestic industry to break into the world market (see table 2). The crisis hit Iran before many of the state's major industrialisation projects were complete. It also revealed the low productivity and low competitiveness of the industries established by foreign and domestic capital through the Shah's industrialisation drive.

Table 2 Current account: 1959-60 to 1977-78
(million US dollars)

Year	Total export earnings	Receipts from export of goods (non-oil)	Oil revenues	Oil revenues as percent of total
1959-60	502	95	335	66.7
1965-66	817	132	608	74.4
1969-70	1518	231	1099	72.4
1970-71	1690	253	1268	75.0
1971-72	2734	329	2114	77.3
1972-73	3337	403	2536	75.9
1973-74	6366	548	5067	79.6
1974-75	20922	563	18671	89.2
1975-76	21972	447	19074	86.8
1976-77	24404	472	20671	84.7
1977-78	25989	595	20926	80.5

Bank Markazi Iran, *Annual Report and Balance Sheet*, 1971, 1975, 1978

Iran's development programme for agriculture was a flop. The Shah's 1963 land reforms failed to raise output: the area under cultivation fell absolutely, production of staple foods declined, imports of agricultural products soared.⁶⁸ The reforms did succeed, however, in driving millions of peasants off the land and into the cities where their demands for food and housing rapidly outstripped supply.⁶⁹ The state was obliged to step in with massive subsidies and imports to keep down the cost of workers' means of subsistence.

Under the impact of the crisis the narrow basis of capitalist accumulation was clearly revealed. The bourgeoisie became increasingly reluctant to invest in Iran and, despite the ambitious development programme, the state systematically failed to transform its revenues into capital. Instead, private domestic capital and state revenues were channelled back to the advanced economies to be invested in imperialist firms. The Shah's purchase of a 25 per cent stake in the West German Krupp trust showed the limited potential for capitalist development in Iran. As the recession intensified the transfer of revenue became a flood. In the months before the fall of the Shah billions of dollars were shifted out of Iran. By this time accumulation had reached the point of stagnation.

Industrial stagnation

The state has always played the leading role in Iran's industrial development. From the days of Reza Shah, the government aimed to initiate industries and then pass them over to private capitalists once they were profitable concerns. The state continued to provide subsidies and protection from foreign competition. This was the pattern followed at every new wave of industrial expansion — from food processing and textiles in the 'thirties, to durable goods, car assembly industries and the establishment of state-financed means of production industries in the 'seventies.

Attracting private capital to invest in spheres of industry in line with the state's development strategy had never been easy. However, the Shah found particular difficulty in promoting private capital investment in the manufacturing industries essential to his industrial strategy for the 'seventies. Low rates of return over long periods interested neither Iranian nor foreign investors who were after high profits — and fast.⁷⁰ They found more lucrative investment opportunities in import/export trade, construction⁷¹, consumer goods production and the extensive small-scale manufacturing sector. Speculative investment went into real estate or abroad.

Between 1967 and 1978, a large proportion of national income, mainly financed through state expenditure, went into the services sector. The most important component in services was spending on defence which rose ten-fold between 1971 and 1975. Despite all efforts, industry, non-oil mining and construction did not increase their share in Gross National Product (GNP). And the relative fall in the share of agriculture reflected not so much the development of industry as the former's absolute stagnation (see table 3).

62 F Halliday, 'Iran: trade unions and the working class opposition', *MERIP Reports*, No 71, October 1978, p8.

63 This union, known as the Federation of Trade Unions of Iranian Workers (ESKI), organised attacks on workers' clubs and attempted to get CCUTU closed down. See World Federation of Trade Unions (WFTU) Report, 'Trade union situation in Iran', in Chaqueri, op cit, pp108-38.

64 Zabih, op cit, p113. The general strike in Abadan received worldwide attention for the killings which occurred. A WFTU delegation arrived in Iran in 1947 to investigate the events surrounding the strike.

65 Laqueur, op cit, p20.

66 Cited in E Abrahamian, op cit, p4.

67 BMI, *Annual Report and Balance Sheet*, Tehran, 1978, pp146-47.

68 Wheat imports constituted 20 per cent of consumption; rice imports 15 per cent. See 'Iran', *Middle East Economic Digest (MEED)*, Special Report, February 1977, pp16-17. Red meat imports constituted 25 per cent of consumption, *Financial Times*, 3 March 1979.

69 From 1957 to 1977 250 000 peasants migrated to the cities each year, *Financial Times*, Survey of Iran, 25 July 1977. By the late 'seventies food consumption was increasing at the rate of 10-12 per cent per year, while food production rose at a mere 2-4 per cent per year.

70 'A US State Department official responsible for Iran whom I interviewed in October 1976 pointed out that US firms in Iran worked on a "get it while you can" basis. They assumed that an investment was only worth while if they could get their money back in 4-5 years. Ironically many Iranian businesses operate at a higher rate, requiring returns of 30 per cent or over from an investment,' F Halliday, *Iran, dictatorship and development*, Penguin, 1979, p156.

71 In the periods of faster economic growth between 1968-77 construction activity constituted more than 60 per cent of total fixed capital formation. BMI, *Annual Report and Balance Sheet*, Tehran, 1978, pp96, 97.

Table 3 Distribution of GNP by sectoral origin (%)

Year	Agriculture	Industry, mining & construction	Oil	Services
1959	32	17	10	41
1961	29	15	18	37
1963	27	17	21	36
1965	25	18	22	36
1967	22	19	23	35
1969	21	20	25	34
1972	18	22	20	40
1974	10	16	46	28
1976	9	19	37	35
1978	9	19	36	36

Bank Markazi Iran, *Annual Report and Balance Sheet*, 1971, 1978

The crisis exposed Iran's failure to develop the heavy industries and the infrastructure essential for a modern capitalist state. But it also revealed the backwardness of those sectors of the economy such as textiles, food processing, consumer durables and chemicals that appeared to flourish in the early 'seventies. What were the problems that plagued Iranian industry?

By the late 'seventies Iran could boast a number of impressive achievements: the Isfahan steel mill, the Khuzestan petrochemicals complex and even a modern transport industry. But most of the Iranian manufacturing industry continued to operate in small units rather than expand into big plants. Small-scale production catering for the restricted home market could not take advantage of massive investment in new plant to raise productivity. Even in the modern factories productivity lagged: it still took almost twice as long to assemble a General Motors Chevrolet in Iran as compared with Germany.

Low productivity, even in the modern complexes, was the culmination of the problems facing Iranian industry. Despite pouring money into infrastructure and telecommunications from the 'thirties onwards,⁷² basic inefficiencies contributed to high costs and held up development in industry. Long delays at Iranian ports while goods rusted or rotted and other bottlenecks in production became notorious. The shortages of skilled labour, requiring the importation of workers from as far away as South Korea, was an obstacle to industrial development.⁷³ The inadequacy of the financial market created difficulties and delays in the provision of credit necessary to encourage investment.⁷⁴ Long-term credit for heavy industry projects was particularly scarce despite the provision of state-backed investment loans.⁷⁵

However, production boomed in the mid 'seventies in industries such as machine tools, tyres, detergents and pharmaceuticals.⁷⁶ Tariff barriers encouraged direct foreign investment in these areas of the economy and foreign capital began to enter Iran in increasing quantities after 1973 (see table 4). This investment in sectors in which Iranian capital was not yet established was stimulated by the growth of the home market based on expanding oil revenues.

Buoyant domestic demand and protection against foreign imports, together with state subsidies and incentives such as tax relief, stimulated rapid growth in consumer goods industries. In these conditions capitalists were able to compensate for low profit rates by raising prices. Together with the extension of state spending this led to a rise in inflation – by 1976 it had reached around 30 per cent.⁷⁷

The greenhouse conditions created by the state-led oil boom could not provide the basis for industrial development. Iranian industry was too feeble to survive the harsh competitive climate of the world market. Back in the 'fifties the liberalisation of trade relations between Iran and the

rest of the world led to the collapse of the textile industries which, under conditions of an imperialist trade boycott, had expanded. Conditions today are much more difficult and competition much fiercer. Even in petrochemicals, which has the advantage of cheap raw materials, costs in 1978 were 50 per cent higher than on the world market.⁷⁸

Table 4 Foreign capital flows – private sector (million US dollars)

Year	Direct Investment			Long-term loans	
	Oil	Other	Net	Drawings	Net
1959-60	-1.5	4.8	3.3	12.2	-7.8
1965-66	71.0	9.0	80.0	7.0	6.0
1969-70	-15.0	43.0	28.0	20.0	14.0
1971	57.0	8.0	65.0	40.0	33.0
1972	81.0	3.0	84.0	36.0	-2.0
1973	0.0	471.0	471.0	0.0	-7.0
1974	0.0	269.0	269.0	0.0	-31.0
1975	0.0	116.0	116.0	0.0	-97.0
1976	0.0	664.0	664.0	0.0	-201.0
1977	0.0	687.0	687.0	0.0	-247.0

(-) sign indicates repayments

IMF, *Balance of Payments Yearbook*, 1965, 1970, 1976, 1978

These were the problems that confronted the Shah in the late 'seventies. His government had to adapt to the changing demands of imperialism and at the same time resolve the problems of industrial backwardness. This required the production of agricultural raw materials and inputs to industry and sufficient food to cover the means of subsistence of the urban working class. Private capital units had to be streamlined and rationalised. The state, faced with growing inflationary pressures, had to cut its unproductive expenditure and redistribute its resources to push ahead with the massive programme of investments in heavy industry.⁷⁹

Individual capitalists, accustomed to the quick returns of the boom years, became increasingly reluctant to invest under crisis conditions. As the state extended its activities to promote capital accumulation they were squeezed out. Even by the early 'seventies the share of total investment by the private and public sectors had been reversed when compared with the 'fifties: 33.7 and 66.3 per cent for public and private sector investment in 1959 had become 54.7 and 45.3 per cent by 1972.⁸⁰ Figures for fixed capital formation (which give a better indication of new capital investment) show the continuation of this trend into the late 'seventies: in 1972 the shares of public and private sectors were 49.9 and 50.1 per cent. The increased revenues available after the 1973 oil price rises saw fixed capital formation by the state rise to 57.6 per cent of the total by 1977 (see table 5).⁸¹

Table 5 Fixed Capital Formation 1972 and 1977

	% of Gross National Expenditure		% of Gross Domestic Fixed Capital Formation	
	1972	1977	1972	1977
FCF in machinery	9.1	11.9	39.3	34.9
– private			27.0	19.3
– public			12.3	15.6
FCF in construction	14.2	22.3	60.7	65.1
– private			23.1	23.1
– public			37.6	42.0
Total FCF	23.3	34.2		
– private			50.1	42.4
– public			49.9	57.6

Bank Markazi Iran, *Annual Report and Balance Sheet*, 1978

Agricultural decay

The Shah made land reform the centre piece of his 'White Revolution' of 1963. Later he presented it as the radical 'Shah-People Revolution' in an effort to win popular support for his repressive regime. His agrarian programme aimed to stimulate capitalist agriculture. Its objective was to increase productivity and raise the output of raw materials for industrial processes (cotton, tobacco, sugar beet) and foodstuffs (wheat, barley, rice). Costs in purchasing means of production and workers' means of subsistence would thus be kept to a minimum. The Shah's programme envisaged the promotion of capitalist relations in the countryside. By creating capitalist farmers on the one side and landless labourers on the other, the land reforms were intended to replace the old landowning classes, free capital for industrial development and widen the domestic market.

Year	Wheat	Barley	Rice	Cotton	Sugar beet	Tea
1966-67	4381	1080	788	338	1900	59
1967-68	3800	1035	930	405	2857	63
1968-69	4200	810	980	545	3410	80
1969-70	4030	860	1020	520	3480	76
1970-71	4000	880	1060	485	3800	80
1971-72	3800	800	1040	450	4000	52
1972-73	4500	1000	1200	618	3949	88
1973-74	4600	923	1334	615	4240	93
1974-75	4700	860	1313	715	4300	96
1975-76	5500	1400	1430	470	4670	80

121 1313 131

Year	Wheat	Barley
1950	900	1010
1963	750	830
1967	1050	1360
1972	900	921
1973	921	659
1974	820	645

15

Redistribution and re-allocation of land created a sense of insecurity of tenure among Iran's peasants. They saw too little reward and insufficient incentive to change their traditional techniques, given the risk involved and the fear that they might ultimately be dispossessed.⁸⁸ As a result, far from extending cultivation the reforms led to the abandonment of farms as peasants flocked to the towns.⁸⁹

Iranian capitalists were unwilling to invest in the agricultural sector. The obstacles to capitalist development meant that despite large state investments little changed. Expenditure on agriculture in each of the FYPs fell, from 20 per cent of the total allocation in the second plan to only 6.2 per cent in the fifth one.⁹⁰ The weak bourgeoisie could not solve the agrarian problem. Private capital was unable to reorganise and restructure agriculture because of the uncertain returns on its investment. The bourgeois state found it impossible to take direct control of the land. It was too radical an option. Falling far short of this, the state's most vigorous efforts could only have a limited effect. At the end of the Fourth FYP in the early 'seventies the Shah saw that his land reforms had failed to develop capitalist agriculture. He prepared to take more drastic measures.

A new spate of state intervention aimed to convert small peasant holdings into large-scale farm corporations and highly capital-intensive agro-businesses for processing agricultural products in rural areas.⁹¹ Minister for Agriculture during the Fifth FYP, Mansour Rouhani, referred to this new policy as 'the industrialisation of agriculture'. But as in all other sectors of the Iranian economy this could only mean attracting more foreign capital and state aid. Concessions such as a ten-year tax holiday were given to encourage investment in agro-business and to entice foreign capital. The reform programme was extended to include provisions for appropriating land belonging to the clergy and for taking over small plots of less than 10 hectares. State aid was increased substantially and all previous debts to the state were cancelled.⁹²

By the late 'seventies it was apparent that the Shah's ambitious policies had failed to deliver the goods. Even agro-businesses were dogged by problems arising out of the inadequate infrastructure, by low productivity and labour shortages.⁹³ Attempts to get peasants to work in these enterprises were unsuccessful. They preferred to cling to their subsistence plots or to move off to the city.⁹⁴ While agro-businesses and farm corporations produced only 10 per cent of Iran's agricultural output they had at the same time the effect of deterring the rest of the peasant farmers. The problems that had existed before the drive towards capital-intensive agro-business remained unsolved. Large-scale enterprises continued to be seen as a threat by all smallholders. They were discouraged from investing in larger-scale and more intensive production. As Iran still relied on the produce of its small farmers, the result was disaster.

The Shah had hoped to use land reforms and state investments to encourage the capitalist transformation of agriculture under predominantly private ownership. By the end of the 'seventies he presided over a massive state bureaucracy extending to every rural co-operative and village, but incapable of generating growth. The reforms had created a surplus rural population which swelled the shanty-towns and slums of Iranian cities. The farmers left behind could not produce enough to feed this fast-growing urban population. By 1977, Iran, which had been self-sufficient in food production in the late 'fifties, was in a position of having to import 15, 20 and 25 per cent of its rice, wheat and red meat requirements respectively.⁹⁵ Together with these food imports, more state intervention and subsidies to the farmers were necessary to make good the shortfall of agricultural produce.⁹⁶

The Shah goes it alone

The Shah used the reforms associated with the 'White Revolution' to win popular support. With the land reform he obtained the backing he needed to stabilise his regime from the small farmers. And as long as the economy expanded and Iran held its excellent credit rating with finance capital, the Shah's iron grip over the weak bourgeoisie was not challenged.

Table 7 Capital account: 1959-60 to 1977-78 (million US dollars)

Year	Inflow of private loans & direct inv.	Long term loans & credit	Repayment of long term loans and credit	Total receipts in capital account
1959-60	0.0	117.7	-48.9	117.7
1965-66	4.8	80.3	-61.1	85.1
1969-70	33.0	536.8	-155.3	569.8
1970-71	50.2	624.1	-248.6	674.3
1971-72	55.6	958.2	-326.5	713.8
1972-73	86.1	977.6	-455.2	1064.7
1973-74	209.0	1296.0	-541.2	1453.1
1974-75	445.0	257.0	-1312.7	702.0
1975-76	661.0	300.0	-729.0	961.0
1976-77	617.0	560.0	-711.0	1709.0
1977-78	1574.0	1502.0	-681.0	3881.0

Bank Markazi Iran, *Annual Report and Balance Sheet*, 1971, 1975, 1978

Yet words of warning began to filter through from the technocrats in the massive state bureaucracy. They reminded the Shah of the limited nature of Iran's oil revenues,⁹⁷ failure of the capital-intensive agricultural projects,⁹⁸ and the economy's increased reliance on imported food and industrial inputs. These warnings began to merge with the discontent voiced by sections of the petit bourgeoisie. They proposed a different strategy with less reliance on oil revenues, more emphasis on small-scale farming and labour intensive rural industries, import controls and greater social welfare spending. But in vain.

Only when the Iranian economy fell into a slump in 1976 was the Shah shaken into action. He reduced tariff restrictions to force the Iranian bourgeoisie to increase productivity and adopted austerity policies to attack the working class and curb inflation. The relationship of Iranian capital to the world economy led the Shah to pursue policies reflecting imperialist priorities – not domestic social pressures.

In agriculture, the desperate drive from 1975 onwards for further centralisation of land into corporations and agro-businesses could only worsen the Shah's already weakening support in the rural areas. Whereas previously the capital-intensive schemes had mainly attempted to bring new land under cultivation, this latest strategy turned to the appropriation of smallholdings.⁹⁹

In industry the hopes had been highest and thus the disenchantment was greatest. The Amezgar Government which replaced Premier Abbas Hoveyda in August 1977 tried to reduce the 30 per cent inflation rate by increased taxation, price controls, an attack on 'profiteering' and a 'campaign against laziness'. The 'campaign against laziness' – in reality an attack on the working class – aimed to discourage high wage claims and increase the intensity of work. The Minister of Labour and Social Affairs, speaking to a state-run Workers Organisation of Iran meeting, made it very clear what was expected:

'it is the duty of employees and the employers to undertake all steps in their command to increase their overall production. Any steps which are taken against these principles are against national interests and will amount to treachery. Any effort which disturbs the triangle of the government, the employee and the employer will prove damaging to the nation.'¹⁰⁰

The anti-profiteering campaign — a drive to improve the competitiveness of domestic production — met with a hostile response from the commercial sector. Youths from Iran's sole legal party, Rastakhiz, carried out raids on traders and merchants in the bazaars and on several capitalists in the manufacturing sector during the campaign against corruption and price rigging. During the campaign, aimed mainly at the bazaaris, prominent businessmen were imprisoned, foreign construction companies (Medicor, Sedim and Cementation) were charged with inflating prices for their hospital construction projects and a row with Tate & Lyle ended with the cancellation of orders. Unwilling to tolerate the price controls imposed by the state, the tyre manufacturing firm Goodrich pulled out altogether from the operation it had run for 15 years.¹⁰¹

In addition a profit sharing scheme was launched in 1975 requiring companies to distribute 49 per cent of their shares to the public. This and the anti-profiteering campaign strengthened uncertainty and suspicion among the bourgeoisie and foreign capital towards the state. Although the shares scheme was only partially implemented, fears about it contributed to the drop in the level of investment in 1975 and the transfer abroad of private and domestic capital, estimated at US\$2 billion.¹⁰²

These developments only highlighted the lack of confidence individual capitalists had in the Shah's strategy. They also exposed the weakness of the capitalist production units that had been established. Despite tax incentives and easy credit, new investment in industry declined throughout the Sixth FYP.¹⁰³ As the *Tehran Economist* indicated:

'It is ... unfortunate to note that the number of dissolved companies is on the increase. Our discouraged industry operators must be encouraged and motivated to reinvest their capitals and savings in our industries.'¹⁰⁴

However, by 1978 tax incentives and subsidies were no longer effective policy instruments for the state. Stagnation, uncertainty and increased international competition on top of political instability reduced the ability of the state and the bourgeoisie to manoeuvre between the working class and imperialism. The bourgeoisie had become increasingly alienated from the Shah's policies leaving the state with no other choice but to go it alone.¹⁰⁵ Moreover, it was becoming all too apparent that the Shah's methods were incapable of containing the working class.

CLASS STRUGGLES IN IRAN

The world crisis of capitalism revealed not only the persistence of structural backwardness in the Iranian economy but also the growing isolation of the Shah from most sections of Iranian society. The economic strategy pursued by the Shah's state caused major upheavals for the petit bourgeoisie

production, mediocre yields, neglect of harvests, lack of manpower for picking citrus fruits in the Guilan, or the harvest of opium poppies in Hamadan. Everywhere the rural exodus is robbing the peasant world of its most active elements and leaving fields lying fallow. The traditional irrigation canals, the qanats, are drying up or falling apart due to lack of repair or because of the lowering of the water table caused by uncontrolled machine pumping.' Nobari, op cit, p42.

- 90 H Aksari & S Majin, 'Recent economic growth in Iran', *Middle Eastern Studies*, Vol 12, No 3, 1976, pp118-21.
- 91 By 1975, 65 corporations had been established, covering 232 000 hectares of land; 78 000 hectares were operated by agro-business; approximately 30 000 villages, forming 8361 co-operatives, had been amalgamated into 2697 co-operative units by 1974. EIU, *Iran Quarterly Economic Report*, 1972-75 passim.
- 92 Credit extended by the Agricultural Co-operative Bank of Iran rose from 9582m rials in 1972 to 14 381m rials in 1973, 19 993m rials in 1974 and 31 116m rials in 1975. BMI, *Annual Report and Balance Sheet*, 1975, p197.
- 93 The 1974 World Bank report already indicated the failure of one of the largest development schemes in Khuzestan: 'It has not been clearly established that the large-scale investments undertaken for the agricultural development of Khuzestan have been economically or socially successful. The increase in agricultural production was only achieved with massive capital investments, financial losses on the part of the agro-business corporations and the government's failure to earn anything due to its concessions in rents, custom duties and water prices, its policy of lending at low interest rates and other forms of subsidies to agro-business. Ten years after completion of the dam, the fact that only a fifth of the area concerned has been put into production... has extremely serious implications for the economic viability of the investments made'. Cited in Nobari, op cit, p45.
- 94 A senior executive from Mitchell Cotts Ltd, an international firm managing agro-businesses in 20 countries from Brazil to Ethiopia, spells out the problems the company faced in Khuzestan: ' "Khuzestan is not like Africa" where manual labour is forthcoming at very low wages. Peasants didn't want to work for the agro-businesses, he said, because they weren't faced with absolute economic necessity. They can "pick and choose".' Quoted in H Richards, 'Land reform and agribusiness in Iran', *MERIP Reports*, No 43, December 1975, p17.
- 95 MEED, Special Report, 'Iran', February 1977, pp17-20.
- 96 As inflationary pressures grew, the state once again increased subsidies to farmers, raised the guaranteed price and reimbursed 20 per cent of fertilizer costs to keep politically sensitive food prices down and to stabilise the cost of feeding workers. EIU, *Iran Quarterly Economic Report*, first quarter, 1974, p10.
- 97 Unlike other oil exporting economies, Iran is distinguished not only by its larger population and relatively developed services, but also by high import needs which have to be financed through limited oil revenues. This was why the quadrupling of oil prices was so heavily pushed by Iran in 1973. Furthermore, major problems plagued the oil industry by the mid 'seventies. No new oilfields had been found. Pressure in the reservoirs had fallen. Greater emphasis on natural gas or schemes to raise the pressure in the existing reserves needed massive investments which the imperialist companies were not interested in making.
- 98 Iran's agro-business involved large losses for the foreign companies involved: by mid-1976 Shellcott had accumulated losses of 403m rials, Iran California over 100m rials by 1975 and Iran America wound up its business altogether in 1975. R Graham, *Iran: the illusion of power*, Croom Helm, London, 1978, p124.
- 99 EIU, *Iran Quarterly Economic Report*, third quarter, 1975, p10.
- 100 Quoted in *Tehran Economist*, 23 September 1978.
- 101 MEED, Special Report, 'Iran', February 1977, p5.
- 102 Ibid.
- 103 *Financial Times*, Survey of Iran, 25 July 1977.
- 104 *Tehran Economist*, 15 April 1978.
- 105 For example, the state's attempts to woo private capitalists to undertake production in industries related to petrochemicals failed. One commentary noted that 'as the industrialists were not coming forward... at the expected rate, the National Petrochemical Company says it will be taking the lead in downstream investment itself'. *Financial Times*, Survey of Iran, 12 September 1978.

88 'The small peasant farmer class created during the land reform appears to be in a precarious position... the threat of collectivisation will give little sense of security. At the same time, the relative income of the farming population continues to drop alarmingly vis a vis non-agricultural and especially urban occupations.' Economic Intelligence Unit, (EIU), *Iran Quarterly Economic Report*, third quarter, 1975, p10.

89 'Many observers report disorganisation in the new units of

without any prospect of future prosperity. The working class and peasantry continued to experience oppression. As shown above even sections of the bourgeoisie eventually became disenchanted with the Shah. Without support from any significant social force in Iran the Shah could maintain control only with the help of imperialism and through systematic coercion.

The bourgeoisie was too weak to give the Shah effective support. It had to rely on the state to instigate economic development and maintain political control. As the armed forces and the civil service expanded the state became the country's major employer, intervening in all spheres of industry, agriculture and services. The vast bureaucratic machinery was presided over by the Shah who headed the armed forces and the civil service and personally initiated all major government policies. The vast influence he exercised was symptomatic of the incoherence of the capitalist class: its class power was personified in one man.

Behind the Shah stood imperialism. US imperialism helped build up the army and reorganise the state bureaucracy. But imperialist aid notwithstanding the Shah could never eradicate the opposition forces. And once Iran's boom came to an end even repression was insufficient to contain the growing unrest. To understand the class character of the Iranian revolution we have to look at the relationship between the working class and the petit bourgeoisie.

The working class

The prominent role it played in the overthrow of the Shah highlighted the enormous growth of the Iranian working class. At the beginning of the century 90 per cent of the labour force worked in agriculture. By 1945 this had fallen to 75 per cent and to 47 per cent by 1966. It is now less than 40 per cent of the workforce. Out of a total working population of 10.6 million in 1977 an estimated 6.8 million worked outside the agricultural sector, including 2.5 million in manufacturing.¹⁰⁶

In contrast to most countries in the Middle East, the working class in Iran has played a prominent role in political events throughout the last 70 years. It is estimated that already in 1920 there were at least 12 unions with a total membership of over 20 000.¹⁰⁷ Many of them were affiliated to the Red International Of Labour Unions. In the mid 'forties the Tudeh-controlled CCUTU claimed over half a million members.¹⁰⁸

Once the Shah came to power all trade unions were banned and many militants imprisoned. The introduction of harsh labour laws in 1959 were combined with palliatives such as the social insurance provisions of 1960 and the 'profit-sharing' for selected workers announced as part of the White Revolution. The 1959 Labour Law provided the basis for the state-run unions which were set up in the 'sixties. It denied even basic rights, such as the right to strike.¹⁰⁹ The imposed union structure also led to fragmentation — often dozens of unions existed in the same industry.¹¹⁰

Repression continued throughout the 'sixties. Although faced with sporadic opposition,¹¹¹ the trend was towards physical harassment and direct social control over the workplace.¹¹² In SAVAK the regime had an organisation in the factories responsible for 'placing spies on the shop-floor, compiling files on workers, appointing retired army officers as plant managers, establishing state unions, black-listing "troublemakers" and resorting to violence to break strikes'.¹¹³

Iran's industrial sector has changed remarkably over the last 15 — 20 years. Between 1959 and 1972 industry's share of Gross Domestic Product (GDP) rose from 13.6 per

cent to almost 20 per cent.¹¹⁴ Although there have been considerable increases in productivity, most of this is attributable to the installation of automatic and semi-automatic machinery — little, if any, has come from improvements in the quality of labour.¹¹⁵

As Iran's economy expanded during the 'sixties and early 'seventies the demand for a skilled and disciplined workforce was not met. Even today 63 per cent of workers are illiterate, while 85 per cent have not progressed beyond primary education.¹¹⁶ The labour force has grown at a rate of 300 000 per annum, but it is mainly comprised of uneducated peasants forced off the land.¹¹⁷ Iranian industry has only been able to employ a fraction of the available workers.¹¹⁸ The shortage of skilled labour forced the regime to recruit abroad. Around 50 000 men were brought in from South Korea, Pakistan and the Philippines.¹¹⁹

The state sector has been the most important area of growth in the labour force during the last ten years. Between 1966 and 1976 the number of state employees increased by 727 000.¹²⁰ In the extractive industries an average of 77 per cent of the workforce is employed by the state, rising to 85 per cent in oil and 88 per cent in coal mining.¹²¹

The state has its strongest presence in the high investment raw material sector. This reflects the inability of Iranian capital to invest and develop these important industries. Recent state investment in metallurgy and engineering — covering a total of 350 000 workers — led to an increase of 240 per cent in the workforce from 1966 to 1976.¹²² Most private investment has gone into construction where there is no need for a trained labour force and where capital costs are low.

Table 8 Breakdown of wage labourers 1956-76
(thousand workers)

Occupation	Status	1956	1966	1976
Agriculture	private	919.0	795.5	635.1
	public	35.0	-	36.2
Mining	private	10.2	18.2	20.0
	public	13.5	-	72.3
Manufacturing	private	455.9	732.9	752.6
	public	68.6	54.8	140.9
Construction	private	280.4	454.9	1 007.1
	public	27.2	-	13.3
Utilities (electricity, water, transport, communications)	private	114.9	127.0	170.9
	public	44.5	88.7	162.5
Commerce	private	62.4	125.2	196.9
Banking	public	11.6	28.6	63.3
Services	private	329.8	311.9	224.6
	public	247.8	473.9	1 200.6
Unclassified	private	73.1	69.9	31.6
	public	2.5	3.9	6.9
All activities	private	2 245.7	2 635.6	3 038.8
	public	450.8	662.6	1 696.1
	total	2 696.5	3 298.2	4 734.9

Source: Behrang, op cit, p201

The Iranian working class grew from 2.7 million in 1956 to 4.7 million in 1976 — a 76 per cent increase. Employment in the public sector in the same period expanded by 276 per cent. Table 9 shows that the proportion of workers in private employment declined from 83 to 64 per cent. It also shows that workers have drifted from being self-employed to being wage-labourers.

Table 9 Composition and distribution of the workforce (in %)

	1956	1966	1976
All workers	100	100	100
a) self-employed	53	50	45
b) wage labourers	47	50	55
All wage labourers	100	100	100
a) private sector	83	80	64
b) public sector	17	20	36

Source: Behrang, op cit, p195.

Those who did not leave the country for the cities worked as artisans in small workshops. This became a refuge for the rural under-employed. Of the 193 000 workers who worked less than 15 hours a week in 1978, two-thirds were from rural areas. However, as table 10 reveals, over the last decade traditional handicrafts have declined dramatically.

Table 10 Decline of traditional occupations

Occupation	1966	1976	Variation
Bakers	17 500	12 700	-4 800
Millers	81 500	70 700	-10 800
Shoe-makers	17 100	3 200	-13 900

Source: Behrang, op cit, p199.

The working class formed from proletarianised peasants and artisans had to be hammered into shape by capital. The response of factory owners and managers to low productivity in the 'seventies was to try and intensify the work process. This provoked an increasing number of strikes and disruptions through sabotage and go-slows.¹²⁴ These strikes occurred despite their illegality and the harsh repression which followed. As one survey commented: 'where employers have tried to impose restraint they have frequently found a well organised labour force capable of go-slows and strikes (even though illegal) which by and large have succeeded'.¹²⁵

Many of these strikes were of short duration — usually 2 to 3 hours — and a surprisingly high percentage were successful, especially amongst skilled workers. They could not be replaced easily and were thus in a strong bargaining position. At the same time increasing numbers of workers left their jobs in search of better pay.¹²⁶ The regime responded by raising industrial wages — at an average of 30 per cent in Iran's 21 major industries between 1974 and 1975.¹²⁷ As well as granting substantial increases (to skilled workers) the Ministry of Labour insisted on a minimum of a month's extra pay to placate rising resentment against the regime.

The state's granting of selective pay increases widened the differential between skilled and unskilled workers:

'Ordinary labourers' income rose relatively slowly but skilled workers like welders, carpenters, machine-operators, mechanics, pipe-fitters or technically or professionally trained personnel could dictate terms. Scarce labour was poached and government workers often left for the higher-paid private sector. While an unskilled construction labourer was earning \$5.50 per day, a pipe-fitter could take home \$440 — 460 per month.¹²⁸

Yet wage increases barely kept up with the rate of inflation and the high cost of accommodation in the cities. Whereas the wages of most skilled workers remained roughly in line with inflation, unskilled workers suffered a declining standard of living over the past 3 to 4 years. Many were forced

to live in the shanty-towns outside the main urban centres.

Attempts to introduce 'profit-sharing' in 1975 aimed to further strengthen the division between skilled and unskilled workers. Out of a potential five million beneficiaries, only 295 000 received any sort of payment.¹²⁹ The compulsory share allocation scheme, enshrined in the 13th principle of the Shah-People Revolution, was not designed to benefit the whole working class but a small section of it. When these measures failed to make an impression on the rising militancy of the working class a new law was prepared establishing a work card and a cease-work card which were to record, along with personal details, the reason for stopping work.¹³⁰ In 1978 another law which the Majlis declined to pass threatened to do away altogether with bonuses and to tie wage increases to productivity. This provoked a series of strikes in what were already unstable conditions, and it was quickly dropped.¹³¹ The regime recognised that the time for coaxing and cajoling the working class had come to an end.

106 Halliday, 'Iran: trade unions and the working class opposition', op cit, p7.

107 'Le mouvement syndical en Iran', in Chaqueri, op cit, pp88-94.

108 For a breakdown of CCUTU membership see 'Labour and trade union movements in Persia', in *ibid*, pp226-35.

109 The text of this law is reproduced in Ghotbi, op cit, pp106-29.

110 'There are said to be 620 trade unions and 20 labour federations, but their existence is largely nominal.' W Elkan, 'Employment, education, training and skilled labour in Iran', *Middle East Journal*, spring 1977, p179.

111 For a Tudeh party account of opposition during this period see A Arkedani, 'Towards a national democratic front in Iran', *World Marxist Review*, Vol 8, No 9, 1965, p32.

112 A description of conditions in the gigantic Soviet-built steel mill in Isfahan illustrates this: 'The steel mill Aryamehr at Isfahan employs 3000-3500 workers. To keep an eye on them there are a further 500 "security" officers (secret police agents) who extend their snooping even to the private lives and households of the workers. But as well as this, an armed company of soldiers "protect" the main doors of the factory "probably from the invasion of foreign enemies". Rumours have now begun to go around the factory that it is the authority's intention to establish a garrison near the factory for its additional "protection".' T Jalil, *Workers of Iran: repression and the fight for democratic trade unions*, CRTURI, London, 1976, p33.

113 E Abrahamian, 'Iran: the political challenge', *MERIP Reports*, No 69, July/August 1978, p8.

114 Graham, op cit, p45.

115 W H Bartsch, 'The industrial labour force of Iran: problems of recruitment, training and productivity', *Middle East Journal*, winter 1971, p15. See also Elkan, op cit, p186.

116 Behrang, *Iran: le maillon faible*, Maspero, Paris, 1979, p178.

117 International Labour Organisation (ILO), *Employment and incomes policy for Iran*, Geneva, 1973, pp23-26.

118 Bartsch, op cit, p25.

119 *MEED*, Special Report, 'Iran', February 1977, p5.

120 Behrang, op cit, p179.

121 *Ibid*, p184.

122 *Ibid*, p190. It has also given rise to a large artisan-based repair industry.

123 *Ibid*, p198.

124 *Ibid*, p264.

125 *Financial Times*, Survey of Iran, 25 July 1977.

126 'The annual turnover in many plants rose to the 45-50 per cent range as unskilled workers left in search of better paid jobs'. *Financial Times*, Survey of Iran, 12 September 1978.

127 *Financial Times*, Survey of Iran, 25 July 1977.

128 Graham, op cit, p90.

129 Jalil, op cit, p28.

130 Behrang, op cit, p264.

131 *Financial Times*, Survey of Iran, 12 September 1978.

Throughout 1978 the Shah's regime showed its preparedness to use any kind of brutality to smash the working class. However, it was unsuccessful because by then the degree of resentment against the regime was too great to be quelled. Fifty to sixty per cent pay rises – and some of 100 per cent – in autumn 1978 made little difference to the number of strikes. When the oil workers went on strike at the end of October the Shah's days were numbered.

In the period between the 1973 oil price rise and the mass demonstrations in 1978 the working class was beginning to play a more active role in Iranian politics. Although equipped with an almost unparalleled repressive apparatus the state was forced, through shortages of skilled labour, to grant wage increases broadly in line with inflation. But as economic conditions deteriorated even this became impossible. Open repression was soon to become the only policy left to the Shah.

The bazaar and the mosque

The Shah brought nothing but insecurity for the petit bourgeoisie. Small traders, craftsmen and entrepreneurs saw their position undermined by the growth of state activity in industry and commerce. The self-employed were joined by service sector employees in their resentment of the Shah's arbitrary rule. These social groups were not opposed to capitalism, but to the precarious existence they experienced under the Shah's rule.

The bazaar is a remnant of Iran's past, the centre of mercantilism and petty commodity production. Although its influence has declined in recent times it still plays a major role in the economy. The bazaar handles one third of Iran's imports and two thirds of the retail trade. Its traditional functions in money-lending and banking have been increasingly usurped by the state, but it has adapted to modern conditions and still participates in credit and insurance. While economic growth had already undermined the traditional importance of the bazaar, the recession brought falling trade, bankruptcies and chaos in this sector.¹³² During the boom ample flow of money from oil revenues, speculative activity and the expanding home demand allowed money-lenders and petty commodity producers to flourish. This was despite the growing role of modern commercial, distribution, and production methods. But at any sign of downturn in the supply of oil revenues and tightening credit, the bazaar was the first sector to feel the impact. Bankruptcies soon followed. The bazaar's vulnerability was exposed in the mid 'seventies when the Shah attempted to rationalise the operations of the 'overheated' economy. But the bazaar is more than a disparate collection of floundering small businessmen. It has provided a cohesive social and political milieu from which to organise opposition to the Shah.

The mosque is never far from the bazaar in Moslem societies. The majority of the dominant Shia clergy in Iran (there are an estimated 180 000 clerics) is of petit-bourgeois origin and the mullahs have always represented the interests of the traditional petit bourgeoisie. The mullahs opposed the Shah because of the threat his regime posed to their position of dominance.¹³³ The extension of capitalist relations into the countryside threatened their role as landowners and leaders of the community. The Shah's attacks on the bazaar challenged the whole social system of which the mosque was the centre.¹³⁴ It is no accident that it was from the period of opposition during the 1961-63 monetary crisis that Khomeini emerged.

Through the mullahs the petit bourgeoisie was able to express its opposition to the Shah in a form which had

widespread appeal. The network of mosques and the intimate connections between the clergy and the bazaar provided a sound basis for a joint front against the Shah. Yet Islam not only legitimised the economic activity of the petit bourgeoisie: it could appeal to other classes as well. In the absence of clearly defined class politics religion managed to unite all classes against the oppressive Iranian regime.

The religious leaders gave expression to the mass discontent that prevailed in Iranian society. Ayatollah Khomeini's uncompromising denunciation of the Shah corresponded to the sentiment of the masses. Islam provided a powerful cohesive force for the mass movement. It shaped the activity of the working class whose goal was restricted to the overthrow of the regime. As a result the contradictory interests of classes were suppressed beneath anti-Shah rhetoric. And the petit bourgeoisie acquired the leadership of the mass movement.

The fall of the Shah

Despite desperate attempts to cling on to power the Shah's regime was overthrown in February 1979. The intensification of repression and the slaughter of protestors could not compensate for the regime's isolation. Indeed, the thousands of indiscriminate killings only fuelled the anti-Shah movement. The movement of opposition which had been restricted to a small group of intellectuals¹³⁵ in 1977 came to embrace wider and wider sections of Iranian society. What started off as protests by a handful of dissidents soon spread to encompass the entire religious and bazaar community.¹³⁶

By October 1978 large sections of workers began to take strike action for the first time. The initial reasons were economic: raging inflation had reduced their ability to buy even the necessities of life – especially accommodation.¹³⁷ The wave of strikes which began with the walk-out of bank employees on 3 October was quickly followed by strikes in telecommunications, post and telegraph, railroads, bus services and airlines; 70 000 oil workers stopped work in Khuzestan, 30 000 production workers at the Beshar industrial group, and 30 000 workers at the Isfahan steel mills. By November many of the strikers' demands had taken on a limited political character. They called for the release of political prisoners, the lifting of martial law, an end to censorship and the removal of SAVAK agents from workplaces.

Yet the protest movement remained firmly under the political direction of the clergy, and particularly Khomeini. His pronouncements from exile and irreconcilable stand in opposition to the Shah won him support from all sections of Iranian society. The petit-bourgeois politicians of the National Front, however, were less successful. The Shah made it clear that he was willing to make some kind of compromise with them. In response they announced their readiness to form a government under the Shah, and on 24 October 1978 they rescinded their call for the abolition of the Majlis. But by this time such enormous social forces had ranged themselves against the Shah that these compromises were quickly reduced to insignificance. Karim Sanjabi, a former Minister of Labour under Mossadegh and founder of the secular Iran Party, was perhaps the most skilful of the politicians who tried to bridge the gap between Shah and people. But he, like his fellow party member Dr Shahpour Bakhtiar, was swept aside.

It was principally working class strike actions which brought the Shah and his collaborators down. Mass demonstrations can only go on so long in the face of bullets and bayonets. But with oil production virtually at zero and all other sectors of commerce and industry at a halt, the

Shah was forced from power. As the *Financial Times* commented: 'Once strikers really applied pressure in key areas such as customs, banking, and of course the oilfields, their's proved perhaps the most effective weapon to bring the Shah to the realisation that he had to go if the country was to be saved'.¹³⁸

It was a foregone conclusion when Bakhtiar was appointed Prime Minister by the Shah in January 1979 that he would not last for long. His 33 days in office were marked by further massacres among the ever-growing crowds that demanded the return of Khomeini. The Shah's departure and the arrival of Khomeini to the welcome of literally millions of people provided the conditions for his overthrow. The insurrection in Tehran on 10-12 February which forced Bakhtiar out was led by the homafars — airforce technicians — and aided by the leftists of the Fedai and Mujahedin.

All change?

The overthrow of the Shah's regime represented an important step forward for the working class. The struggle marked the growing involvement of Iranian workers in political life and facilitated the development of working class organisations. The fall of the Shah was also a set-back for imperialism and has forced the USA to consider its strategy in the Middle East.

The positive results of the revolt should not blind us to the new dangers facing the workers' movement. All classes had an interest in overthrowing the Shah but for contradictory reasons. The question at issue is which class interest will prevail.

The capitalist class had had enough of the Shah. Capitalists were dissatisfied with the lack of control they had over their own investment and their lack of direct political power. A significant section of this class had come to see the Shah's open door policy towards foreign business as a threat to its long-term interest. The more farsighted had come to understand that the Shah's regime was too isolated to guarantee the maintenance of capitalist relations. This was why the bourgeoisie would be more effective in dealing with the crisis of Iranian capitalism.

The aim of the capitalist class is to restore law and order as fast as possible. It is prepared to accept Khomeini as long as he enjoys mass support and can restore social stability. But the continuing fluidity of the situation shows that the capitalist class is unable to exercise firm control. Contradictory class pressures have forced Khomeini to vacillate and have thwarted the consolidation of bourgeois power.

Although Khomeini attempts to strengthen the existing social relations he is continually forced to respond to pressure from the petit bourgeoisie and the working class. He cannot ignore the views of the masses because the Iranian state is too weak to deal with them. That's why Khomeini continues to pay lip service to the anti-imperialist struggle.

The maintenance of the Khomeini regime depends on continued support from the petit bourgeoisie. Only a few months after Khomeini's accession to power the flimsy unity between the different social classes which had brought down the old regime began to crumble. Khomeini's attempts to unite the nation around a common programme met with resistance from the oppressed nationalities, as well as workers, women and the left. Khomeini responded by appealing to petit-bourgeois sentiment. His populist mixture of radical Islam, Persian nationalism and the glorification of petty commodity production is designed to activate the petit bourgeoisie in the restoration of social stability.

The Ayatollah has managed to create an active petit-bourgeois movement to run the country. It was recently

reported that, while Workers' Councils evolved only slowly after the revolution,

'Committees for Islamic Revolution sprang up almost overnight at the time of the revolution a year ago. Led by the local merchants and the mullahs, they faithfully reflect the petty bourgeois nature of the Iranian revolution. They are the eyes and ears of the regime as well as its chief mobilisers of popular support. It is the local Committees that have organised the numerous mammoth marches past the American embassy'.¹³⁹

These committees have recently been merged with the 27 000-strong Pasdaran (Revolutionary Guards) by the Revolutionary Council, the small group of clergymen and advisers which played a major role in shaping the new regime in Iran.

The bourgeoisie, for the time being, has no choice but to allow Khomeini to rule. It is too weak to exercise power on its own and despite its distaste for the petit-bourgeois movement it knows that Khomeini's rule is essential for the preservation of capitalist relations. Khomeini after all has been successful in realising many of his objectives. He has been able to isolate opposition forces and crush them one by one: women, the oppressed nationalities and left-wing groups have all felt the power of Khomeini's 'revolutionary guards'.

Persian nationalism has become a potent weapon in neutralising the working class. The fighting in Kurdistan and other regions and the seizure of the American embassy last November have been used to whip up nationalist fervour. On these questions Khomeini has been able to build a consensus similar to the widespread hatred for the Shah.

The fact that Khomeini is forced to adopt the language of anti-imperialism and make concessions to mass sentiment illustrates the weakness of the regime. Khomeini has to move slowly in consolidating bourgeois power lest he lose his grip on the masses.

132 Regular attempts by the Shah in the early 'sixties and again in the mid 'seventies to rationalise and control the bazaar, and gestures towards instituting price and profit controls provoked intense hostility. In the first two weeks of the anti-corruption campaign of 1975 the price of 16 000 items was cut and 7750 people arrested for profiteering. See Graham, op cit, p94.

133 See V Garoussian (Riazi-Daroudi), *The ulema and secularisation in contemporary Iran*, Michigan, 1976, for an account of this process.

134 The mosque is an institution very different from a Western church. A *Times* reporter remarked that it is 'in an ordinary Iranian's life... like a cross between a non-conformist chapel and a working mens' club. It is often the only form of social gathering; it provides superior welfare than the state, such as in the recent earthquake disaster; and during the periods when free political thinking has been suppressed, it has been the only form of dissent.' *The Times*, 25 November 1978.

135 See L Phillipe, 'Voices that cannot be ignored', *Index on Censorship*, Vol 7, No 1, January-February 1978, p15ff.

136 Other significant professional and trade organisations which joined the new National Front were: League of Merchants and Craftsmen of Tehran's Bazaar; Association of Attorneys of the Ministry of Justice; National Organisation of University Collegiates; Lawyers Guild; Association of Iranian Writers; Committee for defence of political prisoners; National Front of Journalists. See Benab, op cit, p74. The NF also included various radical, pan-Islamic and neo-fascist groupings.

137 The real value of wages was almost halved as a result of price rises.

138 *Financial Times*, 17 January 1978.

139 *New Statesman*, 8 February 1980.

There is nothing irrational about the Khomeini regime. Many times in the past, the bourgeoisie has relied on 'madmen' such as Hitler to save capitalism. Whatever Khomeini's personal motives his policy coincides with the interests of Iranian capitalism.

The stagnation of Iranian capitalism, compounded by the recent upheavals, requires radical solutions. The measures taken by the Khomeini regime are designed to give Iranian capitalism more protection and to organise the relationship between indigenous capital and imperialism. After the fall of the Shah, the new regime led by Mehdi Bazargan embarked on a road similar to that taken by Mossadegh in the early 'fifties. The renewed emphasis on economic nationalism stems from the recognition that Iran must protect itself from the effects of the slump. The exodus of large capitalists after the revolution forced the state to embark on large-scale nationalisation of the banking and insurance sectors as well as in industry. All these moves were necessary to stave off the total collapse of the Iranian economy.

Khomeini's policies are not simply responses to the immediate situation. They express the desire of the bourgeoisie to regain control over the accumulation of capital in Iran. As today's President of Iran Bani-Sadr argued before the fall of the Shah:

'We have to act on all levels: economic, political, social, cultural and ideological. On the economic level we think that development in dependency is impossible. That means we must cut all organic ties that exist only to make us dependent on the outside. The present banking system, for instance, must be destroyed, and another one established to take its place if necessary. Iranian currency must be freed from its ties to the American dollar. Petroleum must be integrated into the Iranian economy. Our present economic ties with foreign currencies must be dissolved by changing the structure of importation and by reorganising and redistributing activities in the various sectors of the economy.'¹⁴⁰

To rationalise the economy, many of the Shah's prestigious projects were cancelled with full compensation. At the same time the regime continued to encourage foreign investment. The government does not want to break all links with imperialism; it merely wants to put Iran in the best possible bargaining position. It tried, for example, to obtain investment from the EEC and Japan to loosen its dependence on US imperialism.

At present the government is unable to implement its economic strategy due to economic chaos and political unrest. Most factories still functioning are doing so at half capacity. An article in the daily newspaper *Ettelaat* recently noted that 'a crisis has gripped Iran's light and heavy industries. Production has declined considerably in many industries, and, in some cases, has stopped completely'.¹⁴¹ The SAIPA car company which produces the French Citroen Dyane and Renault has laid off 40 per cent of its 2500-strong workforce.¹⁴² But strong working class opposition to these conditions recently forced the Revolutionary Council to approve a massive grant for investment to cut unemployment, totalling 10bn rials (£143m). The money is earmarked for investment in distributive co-operatives.¹⁴³

Lack of spare parts, foreign loans, imported supplies and managerial and technical staff keep the level of output low despite the still buoyant demand in the cities. To prevent massive lay-offs and more instability the state has made available loans to pay wages and salaries, despite the low levels of output. The present government has also undertaken cheap, low-cost housing projects. These have provided jobs in the cities and marginally alleviated the chronic housing problems which have survived from the

period of the Shah.¹⁴⁴

The most urgent problem of all is the cut-back in oil production from 5.5m barrels a day in 1978 to an estimated 2.5m b/d. Despite claims to the contrary, the level of output during the first few months of 1980 — barely 1.5m b/d — is not due to voluntary or conservationist policies. Falling pressure in the oil reserves, shortage of spare parts, continuous juggling with the bureaucracy of the National Iranian Oil Company (NIOC), working class unrest in the refineries and recently the weekly recurring bombing of the pipelines by Arab separatists are the main reasons for the drop. The imperialist economies have been reducing their reliance on Iranian oil in response to this unstable demand.¹⁴⁵ At planned levels of 2.5m b/d increased oil prices should prevent a fall in revenue. However, these planned levels are unlikely to be met.

As before the Shah's downfall, oil revenues are paying for the stop-gap policies and the financing of state projects aimed at putting off working class opposition and imperialist pressure. Also contributing to stability at present is the continued functioning of the bazaar and the small manufacturing units around it. The clergy/bureaucracy has so far left this stratum alone, not only for political reasons but also because of its economic importance. However, with increasing uncertainty and decreasing oil revenues, even the 'owner-managers' of these small commodity production units 'are reluctant to commit themselves to new investment or import orders'.¹⁴⁶

Any fall in oil revenues spells disaster for the Iranian economy. The ruling clique has yet to resolve the problem of stagnation in agriculture and Iran remains more than ever dependent on imported food. Food imports cover 30 per cent of total food requirements, amounting in value terms to \$2b per year.¹⁴⁷ In addition to the general problem of stagnating agriculture, the region with the most fertile and best irrigated land is Azerbaijan, where increased moves towards autonomy pose a further threat to Iran's food supplies. The present government's agricultural policy aims to renew emphasis on small-scale farming. It has encouraged migration back to the land from the cities where unemployment has risen to over 30 per cent. A number of the large agro-industry complexes have been split up and attempts are being made to provide farmers with credit. But the lack of agricultural inputs such as fertilizers and sprays seems to make the use of such funds impossible.¹⁴⁸ The whole process is complicated by the widespread land occupations which occurred immediately after the overthrow of the Shah, particularly in Kurdistan and the Turkoman areas.

The main problems facing the Khomeini regime are political. Before a viable economic package can be implemented social order has to be restored. But Khomeini cannot simply turn against the mass movement and risk isolation from his power base. All the regime can do is exercise selective repression while slowly building up the power of the state. For the moment Khomeini is forced to rely on the petit-bourgeois movement to maintain social order. He must consolidate this movement and strengthen state power before he can take on the mass movement.

The imperialist equilibrium

The collapse of the Shah's regime has greatly upset the equilibrium established by imperialism in the Middle East. US imperialism in particular has suffered a set-back. But the hysterical reaction of US imperialism has little to do with fear of Khomeini's political programme. Indeed, the new regime has given repeated assurances that it intends to honour its international obligations. This is why the initial

imperialist response to the overthrow of the Shah was quite subdued: 'All around the capitals of Europe, North America and Japan, the official line has been that the western nations remain unperturbed by the Shah's overthrow.'¹⁴⁹

Although a number of projects were cancelled by the new regime relations with most imperialist powers remained cordial, and Iran continued to encourage foreign investment. It is true that there were new restrictions on capital flows and the government wanted investments which 'don't conflict with our Islamic doctrine'.¹⁵⁰ But these were minor irritants to which imperialism had long been accustomed. Despite the initial response to the seizure of the American embassy in November 1979 it looked as if a rapprochement was on the cards. Iran's Peykan automobile assembly plant was expected to resume operation at the end of December. Chrysler (UK) was fairly confident that its major contract to supply car kits to Iran National would be renewed.¹⁵¹ *The Financial Times* happily reported:

'Iran has been presenting a more conciliatory and positive attitude in its dealings with European banks over the past few weeks. One of the clearest signs of this change of heart was the decision taken earlier this month to renew a substantial dollar deposit with Barclays Bank, London.'¹⁵²

Yet for all the new agreements US imperialism wasn't happy. Iran's reintegration into the world economy was taking place at America's expense. The Iranian government's strategy was to diversify trading ties so as to decrease the influence of the USA over the economy. As one report noted: 'Iran is hoping to develop a trading link with the EEC countries and Japan as a means of reducing its dependence on the US and the USSR'.¹⁵³

It is Japan, Germany and France who have benefited from the weaker presence of US capital. These countries are followed by the newly developing capitalist economies such as South Korea, New Zealand and India. These economies have been able to adapt to the more restrictive terms on which the Iranian regime has made international contracts. New Zealand has been successful in obtaining large orders of meat exports while South Korea has won many contracts in construction — further narrowing the edge US imperialism once held.¹⁵⁴

The declining influence of the USA in Iran is paralleled by its decline throughout the Middle East.¹⁵⁵ America's failure to maintain its share of the Middle East market has forced Carter to resort to force. Washington's economic war against Iran is designed to bolster US prestige in the Middle East while causing considerable damage to Iran's economy.

Khomeini would like to come to a *modus vivendi* with imperialism. But imperialism sees Iran as a threat as long as the masses are politically active. One German businessman gives a striking example of this problem:

'Iranian workers seized six employees of the foreign company, locked them in an office and then demanded to see the company's books. They showed that the company was bankrupt, but they also showed that the European company had a bank account in Switzerland. According to the West German, the workers refused to release their European hostages until the parent company despatched funds to settle all wage claims at the plant.'¹⁵⁶

As long as this state of affairs continues Khomeini will have to pay lip service to anti-imperialism. The widespread hatred towards foreign domination is used by the regime to suppress class antagonism. The government can take measures in the interest of the capitalist class such as nationalisation, control of trade and foreign business and present them as anti-imperialist measures. Anti-imperialist rhetoric has consolidated the regime's authority and won support for its

economic strategy. For the time being imperialist pressure has provided the regime with an issue for mobilising and controlling the masses.

THE PROSPECTS FOR SOCIALISM IN IRAN

The working class in Iran has formidable foes. It is confronted by a regime which is fundamentally anti-proletarian. Khomeini made this clear when, after the fall of the Shah, he denounced striking oil workers as 'bandits and unlawful elements'. The regime is determined to crush left-wing organisations and its diatribe against Marxism is a prelude to an offensive against the working class itself. At the same time Iranian workers are directly threatened by the annexationist ambitions of imperialism. Despite these dangers the potential for proletarian politics is considerable. The bourgeoisie stands discredited and it is forced to rely on the petit bourgeoisie for its survival. While the bourgeoisie is weak the working class is relatively large. The social importance of the proletariat was shown in the decisive role it played in the overthrow of the Shah.

At present the proletariat's potential is far from realised. Throughout the upheavals of the past two years working class activity has been submerged in the amorphous petit-bourgeois movement. Both organisationally and politically there is no proletarian alternative to the movement of the petit bourgeoisie. The left has not been conscious of the necessity for organising workers as a class and against capitalism. While Khomeini has been able to build Islamic national unity, there has been no systematic challenge to his movement. As a result he retains influence over workers and can mobilise them when he needs to — as in the attempts to silence the left on Iran's campuses in April 1980.

The Iranian working class has not fought consistently against the anti-democratic measures taken by the Khomeini regime. The vicious attack launched against the rights of

140 Quoted in 'The present economic system spells ruin for the future — an interview with Abol-Hassan Bani-Sadr', Nobari, op cit, p127.

141 Cited in *Financial Times*, 8 January 1980.

142 Ibid.

143 *Financial Times*, 22 February 1980.

144 *The Economist*, 23 February 1980.

145 In 1974 BP imported 2m b/d from Iran — approximately 50 per cent of its total supplies. In 1980 it will only get 125 000 b/d. Only the Japanese have kept their share of Iranian oil exports at the same level, although falling absolutely at 19-24 per cent. *Financial Times*, 4 January 1980 and *The Guardian*, 15 January 1980.

146 *The Economist*, 23 February 1980.

147 *Financial Times*, 24 September 1979.

148 EIU, *Iran Quarterly Economic Report*, third quarter, 1979, p10.

149 *Middle East International*, 19 January 1979, p8.

150 *The Wall Street Journal*, 26 December 1979.

151 Chrysler (UK) car kit supplies to Iran make up more than half of the company's exports. *The Guardian*, 29 December 1979.

152 *Financial Times*, 30 January 1980.

153 EIU, *Iran Quarterly Economic Report*, first quarter, 1980, p11.

154 Iran and India have recently decided to continue their joint investment in the Kudremukh Iron Ore project in India, previously agreed with the Shah. *Financial Times*, 15 February 1980.

155 For a discussion of this development see N Jenkins, 'The imperialists close in', *the next step*, No 2, January 1980, p16.

156 *The Wall Street Journal*, 26 December 1979.

women met only sporadic opposition. Persian chauvinism directed against the oppressed nationalities – the Kurds, Azerbaijan Turks, Arabs, Baluchis and Turkomans – has not been countered by the working masses. Failure to repel these bourgeois attacks has left the Iranian proletariat divided. Today the struggle for the liberation of women and for the democratic rights of the national minorities has an immense significance for the development of independent working class politics.

The crisis of working class politics cannot simply be explained by state repression. The anti-working class measures taken by the Shah, particularly the ban on working class organisation, meant that the proletariat had to organise illegally. The demise of proletarian politics began long before SAVAK came into existence; it was the result of the defeats suffered by the workers' movement in the 'forties and the 'fifties. For these the Tudeh party bore the main responsibility.

Communism became a dirty word through the actions of Tudeh and the Soviet bureaucracy. Their betrayal of the oppressed nationalities and their tail-ending of the petit bourgeoisie paralysed the development of anti-capitalist politics in the working class. Lacking a conscious class leadership workers became influenced by petit-bourgeois politics. This is why the working class, despite its central role in the overthrow of the Shah, took its lead from the petit bourgeoisie.

The legacy of Stalinism

Stalinism has a long and sordid record in Iran, as we saw in our analysis so far. During the Shah's regime Tudeh maintained a clandestine existence. Most of its activity was concentrated in exile politics. Throughout this period Tudeh urged workers to ignore their own interests and form a bloc with other classes. The programme of Tudeh was explicitly bourgeois democratic, not anti-capitalist. The Tudeh's Seventh Plenum in 1960 explained the party's strategy:

'The reactionary regime of Iran, composed of big landlords and capitalists dependent on imperialism and led by the Shah, is the genuine and positive manifestation of the domination of imperialism and feudalism in our country. Therefore, the main task of the revolution in the present stage must be the transference of political power from these big landlords and capitalists to a regime of national democracy representing the united independence-seeking, patriotic and freedom-loving forces ie workers, peasants, the petit bourgeoisie (tradesmen, shopkeepers), intellectuals, civil servants, and the nationalist capitalists whether merchants or owners of industries.'¹⁵⁷

Calling for the 'democratisation of the monarchy' Tudeh sought a formal alliance in the early 'sixties with the revived National Front – the petit-bourgeois opposition to the Shah. Although this was turned down, Tudeh continued to support the NF. It advanced no independent policy on the Shah's land reforms. Most of its remaining leadership was again forced into exile after the street massacres in June 1963.

Tudeh had little to do with the explosion of popular discontent against the Shah in the late 'seventies. The Kremlin gave full backing to the Shah until September 1978 when it became apparent that his days were numbered.¹⁵⁸ Tudeh now tentatively joined the opposition. It continued its policy of following behind the bourgeoisie and petit bourgeoisie, calling for a 'national coalition front on the basis of a national and democratic programme' with the goal of establishing 'a national coalition government, to put an end to the political, economic and social crisis'.¹⁵⁹ It shared the concern of the national bourgeoisie – and the Soviet bureaucracy – to restore stable capitalist relations as speedily

as possible. The Stalinists used what influence they retained in the working class to ensure that the struggle against the Shah did not threaten capitalist stability in Iran.¹⁶⁰

At the same time the Tudeh party went overboard to ingratiate itself with the clergy. Ehsan Tabari, editor of *Dunya*, the party newspaper, hailed the progressive ayatollahs:

'Today the Iranian people and the progressive clergy such as Ayatollah Khomeini and Ayatollah Shariatmadari are fighting those self-proclaimed Muslims who are entirely at the service of the Shah and SAVAK. This is a war against reaction and oppression. It is a struggle for justice in the spirit of the teachings of Mohammed, Ali and Hussein. The Tudeh party of Iran has shown solidarity with the progressive Muslim clergy in their struggle for freedom and democracy because our party is fighting for the same cause.'¹⁶¹

What this abject capitulation before the religious leaders of the petit bourgeoisie meant became clear when, after the Shah's overthrow, the new regime began to restore capitalist stability. As Khomeini's government moved against the left, closing down party offices and banning newspapers, the Tudeh was silent.¹⁶² The Tudeh party backed Khomeini in his repression of the Kurds and the Turkomans when they demanded national rights. It encouraged striking oil workers and other groups to return to work after the fall of Bakhtiar. And Tudeh mobilised support for Khomeini's referendum on his reactionary Islamic constitution in December 1979 when even the radical petit-bourgeois nationalists boycotted it. *The Daily Telegraph* was bemused:

'Iran's Communist Party – the Tudeh party – was trying yesterday to get its members out into the polling booths to vote yes in the referendum, even though many aspects of the constitution are in direct conflict with its own views.'¹⁶³

The same article noted that some people had 'contemptuously labelled the secretary general "Ayatollah Kianouri" for slavishly backing the clergy.'¹⁶⁴ Stalinism in Iran continues to play its reactionary role and acts as a political wing of the petit bourgeoisie.

The Fedai: left alternative?

During the past year the Fedai has borne much of the brunt of Khomeini's attacks on the left. It is an influential organisation that claims to be revolutionary. What contribution can the Fedai make to the struggle for proletarian power?

The absence of any open workers' party in Iran after 1963 and of independent working class politics led to a new tradition in Iranian radical politics. Former young members of the National Front and the Tudeh party began to form reading groups in strict secrecy to try and establish a new method of work. Many were influenced by the writings of Régis Debray on the Cuban revolution. Independently, a number of these groups came to the conclusion that the only way to make contact with the masses was through armed struggle. The repressive conditions, they believed, ruled out open political activity.

Bizhan Jazani formed one such group in 1965. Many of its members were captured three years later, tortured and eventually murdered in prison. Some of those who escaped arrest fled the country and went to Palestine to fight with the PLO and PLFP. On their return in 1970 they fused with several other groups, including that around Massoud Ahmadzadeh, to form Sazman-Cherikhaye Fed-aye-en-e-Khalq (Organisation of Iranian Peoples' Fedai Guerrillas, OIPFG). Their manifestos¹⁶⁵ written at the time

attempt to show that the only way to break out of the hopelessness and isolation facing Iranian revolutionaries is to create, through armed struggle, a political atmosphere in which workers can press forward political demands. Debates took place on whether the armed struggle should precede or follow the formation of a workers' party.

The Fedai's first operation, at Siakhel in northern Iran, although militarily a complete failure, provided the inspiration for a new generation of Iranian militants. During the next 10 years more than 300 guerrillas were killed in action or executed by the Shah's regime. But the heroism of OIPFG militants should not blind us to the political defects of its strategy. The guerrilla strategy was a response to the passive reformism of the Stalinists. The organisation's founders were not prepared to wait for an improvement in conditions. Ahmadzadeh argued:

'And what is our road? Today, sitting in wait for the extensive spontaneous mass movement to then guide it, without having engaged in revolutionary action, without having attempted to thoroughly furnish the subjective conditions through revolutionary action itself, is tantamount to following the spontaneous movement in circumstances such as those in Russia; it signifies precisely the acceptance, in practice, of the existing situation.'¹⁶⁶

It is one thing to refuse to sit around passively and another to see 'revolutionary action' as a substitute for winning workers to revolutionary politics. The guerrilla strategy was seen as the detonator of mass action:

'At the present time it is only through the most acute form of revolutionary action, that is, through armed struggle, and the shaking of that colossal barrier that the vanguard can show the masses the struggle which finds its course in history. It must be shown that the "struggle has really started, and its progress requires the support and active participation of the masses" (paraphrasing Régis Debray).'¹⁶⁷

The OIPFG carried on sporadic guerrilla activity throughout the 'seventies. Although its heroic actions won it a degree of credibility, its political influence remained limited. This is not surprising. The OIPFG could not advance a clear proletarian alternative. In essentials its political programme was similar to that of Tudeh. Thus the OIPFG sought to postpone the anti-capitalist struggle till after the masses settled accounts with imperialism. Just before the fall of the Shah it argued:

'To place on the daily agenda, either practically or theoretically the resolution of the contradiction between labour and capital, to ignore the contradiction between the masses and imperialism, or to see it as insignificant, and to subscribe to the position that the dissolution of the contradiction with imperialism (ie the democratic revolution) is overshadowed by the contradiction between labour and capital (ie the socialist revolution) is contrary to and incompatible with these orientations.'¹⁶⁸

Rather than advancing the struggle against imperialism from a working class point of view the OIPFG sought the collaboration of all classes in a 'united anti-imperialist front'. In this approach it was adopting Tudeh's proposals of the late 'fifties. The only difference between these organisations has been the willingness of the OIPFG to take up the armed struggle and a commitment to individual sacrifice.¹⁶⁹ The failure to pursue the struggle against the Shah along class lines meant that the OIPFG was unable to differentiate itself clearly from the petit bourgeoisie.

The reactionary consequences of the OIPFG's strategy were demonstrated after the Khomeini/Bazargan government came to power in February 1979. The OIPFG, besides demanding a peoples' army and nationalisation, sought representation in the new anti-working class government.¹⁷⁰ In

so doing it conferred respectability and credibility on the new government. Instead of trying to show to advanced workers that the new regime was aiming at the re-establishment of capitalist social relations, the Fedai overlooked its

157 Cited in Zabih, op cit, p222.

158 Brezhnev sent the following message to the Shah on his birthday on 26 October 1978: 'Your majesty Mohammed Reza Pahlavi, light of the Aryans, King of Kings of Iran: On the occasion of a day of national rejoicing for the Iranian nation – the birthday of your majesty – please accept the sincere greetings of the Executive Committee of the Supreme Soviet of the USSR, and my own as well. For you I wish good health and happiness. For the Iranian nation, I wish progress and success. I am certain that the good neighbourly relations between Iran and the USSR are to the benefit of both countries, and that they will have an all-round expansion leading to the consolidation of peace and stability in Asia and the entire world'. Cited in *Intercontinental Press*, 20 November 1978. At the time the Pahlavi regime was engaged in mass killings of workers demonstrating against the Shah. Hua Guo Feng's message was equally sycophantic.

159 The aim of this united front should be: 'to overthrow the Shah's dictatorial regime, to abolish the monarchy and to set up a national coalition government with representatives of all anti-dictatorial forces fighting for national independence, democratic freedoms, the normalisation of the economy and the improvement of the people's living conditions.' 'Tudeh party calls for United Front', reprinted from *L'Humanité*, 6 September 1978 in *MERIP Reports*, No 71, October 1978, p5.

160 Tudeh retained a core of supporters inside and outside the country throughout the Shah's reign, although its activities were mainly concentrated in exile politics. When the party recommended open activity in 1979 many were surprised at its size: on May Day it rallied 8-10 000 supporters in Tehran. It still has some support amongst oil workers and other sections of the working class. A recent estimate of membership is 35 000. See 'Summary report of the Commission sent by the Association of Jurists to investigate arrests in Khuzestan', London, September 1978.

161 See *MERIP Reports*, No 75/6, March-April 1979, p29. Iraj Eskandari, former general secretary of the Tudeh party, went further in his slavish attitude to the clergy: 'We cannot but welcome the fact that the religious movement is performing currently an important role in mobilising the democratic and national forces against the Shah's dictatorial, unpatriotic and pro-imperialist regime... The situation would be different if the matter concerned the creation of a theocratic state. But as far as we know, the Iranian religious leaders have not called at all for anything of the sort.' Ibid, p30.

162 The Tudeh party's reward was that its paper *Mardom* was the only left-wing paper allowed to re-start publication in September 1979, after the others had been closed down.

163 *The Daily Telegraph*, 3 December 1979.

164 But the Tudeh Party is not totally unselective about its political fellow travellers. The *Morning Star* carried Kianouri's message: 'We want the establishment of a national front embracing all of Iranian society except right-wing fanatics and, of course, left extremists'. (3 December 1979)

165 See A P Pouyan, *On the necessity of armed struggle and refutation of the theory of "survival"*, OIPFG, Sweden, 1971; M Ahmadzadeh, *Armed struggle: both a strategy and a tactic*, New York, 1977.

166 Ahmadzadeh, op cit, p38.

167 Ibid, p40.

168 *More on the fundamental tasks of Marxist-Leninists in the present stage of development of the communist movement in Iran*, OIPFG, November/December 1978, p11.

169 The political similarity between the two organisations is illustrated by the fact that in mid 1976 one group within the Fedai disillusioned with the armed struggle – the Fedai Munsh'eb – established links with Tudeh and later totally merged with it. See E Abrahamian, 'The guerrilla movement in Iran, 1963-1977', *MERIP Reports*, Vol 10, No 3, March-April 1980, p8.

170 *Financial Times*, 16 February and 18 April 1979.

class nature. Instead of capitalising on the fact that oil workers were only reluctantly going back to work and that demonstrations were taking place demanding land reform, the OIPFG contented itself with trying to push a vaguely socialist programme onto a bourgeois government. The other major guerrilla group, the Islamic Mujaheddin, made similar mistakes.¹⁷¹

Errors such as these led to a regression amongst the radical forces in Iran in the ensuing months. By August their isolation was sufficient to enable reactionary Islamic mobs to ransack the OIPFG headquarters in Tehran with impunity. From leading demonstrations of 100 000 in February they were reduced to this indignity. At the same time almost the whole of the liberal and left press was closed down.

The OIPFG's inability to give radicalised workers a lead left it isolated and open to attack. It also allowed the Tudeh party to establish itself as a significant force in Iranian politics.

Throughout most of 1979 the OIPFG acted as the radical critic of the regime. Its amorphous challenge to the regime has been easily dealt with. Many of its demands, such as the sweeping nationalisation it proposed, have been carried out in full by Khomeini. *The Economist* recently commented:

'When the Fedayin and the Mujaheddin organisations announced their similar programmes a fortnight after the revolution a year ago, they caused shudders in Tehran and Qom with their call for sweeping nationalisation, the takeover of multinational companies, the expulsion of foreign experts, the organisation of a people's army, local autonomy for ethnic minorities, land for the peasants and the administration of factories by workers' committees. But now much of the nationalisation programme has been implemented. The authorities themselves have taken up the cry of 'land to the peasants' and, unwillingly, have acquiesced in the takeover of housing by students and revolutionary committees.'¹⁷²

The OIPFG is not a stable political force. Despite its confused political outlook it has moved in a leftward direction under the pressure of events. It has played a positive role in defending oppressed nationalities. Its cadres fighting in Kurdistan and in the Turkoman areas in the north have won it respect. Recently reality has forced the OIPFG to reassess its strategy. As the anti-proletarian character of the regime has become more manifest, the OIPFG has moved in a more radical direction. It now claims as its goal the building of a revolutionary working class party and the demarcation of the proletariat from the petit bourgeoisie.

These positive steps have been undermined by the confused nature of the OIPFG's politics. Its minimum programme published in March 1980 contains an abstract list of democratic demands and provides no strategy for building a working class vanguard.¹⁷³ The programme of the OIPFG cannot arm the working class against its enemies.

Revolutionaries in Iran have a long and difficult job ahead of them. The politics of class collaboration have a long history in Iran. The first step towards destroying this tradition is a ruthless campaign against the domination of petit-bourgeois politics over the proletariat. Until this is carried out the working class will be unable to play its historic role in Iran.

Khomeini's Iran in the balance

The overthrow of the Shah expressed the crisis of Iranian capitalism in an acute form. It is a crisis which requires a new political solution. The Khomeini regime is part of that

solution. But it is a solution which creates new contradictions for Iranian capitalism. The masses did not overthrow the Shah to save capitalism. Their aspirations and strength constitute a major obstacle to the reorganisation of the state machinery and the consolidation of bourgeois power. Khomeini knows this; his strategy depends on reconciling the expectations of the masses with the reorganisation of Iranian capitalism.

For the time being Khomeini's rule depends on the support of the petit bourgeoisie. At the same time he has sought to win or at least neutralise the working class. Khomeini must make concessions to these sections of society to retain control over the mass movement. The present regime maintains capitalist relations through its petit-bourgeois support. For this reason Khomeini cannot identify too closely with the bourgeoisie. Through the formation of the 'Revolutionary Council' he has distanced himself from the bourgeois politicians and bureaucrats who carry out the technical functions of the state. For the same reason Khomeini stood aloof and did not publicly support any of the presidential candidates. In the same vein he has continually refused to defend prominent bourgeois government officials — Bazargan, Ghotbzadeh, Bani-Sadr — who were compromised in the eyes of the masses.

Khomeini's authority is based on his claim to speak for Iranian society as a whole. His regime purports to stand above class interests. He must continue this course for the regime not only needs to establish social order but also change the terms of the relationship between Iran and imperialism. Khomeini's government, with its anti-imperialist posturing, is a preparatory phase for the implementation of an economic nationalist strategy. One barrier to this strategy is the reluctance of imperialists to reorganise their relationship to the region without any firm guarantees. The major obstacle, however, is the mass movement and its yearning for a better life.

The bourgeoisie may resent the activities of the 'Revolutionary Guard' or the tension created over the American hostages but this is a price it is prepared to pay. It knows that Khomeini and his petit-bourgeois movement are necessary for controlling the masses and for the consolidation of bourgeois power. With the collapse of the Shah's state — the army in particular — only Khomeini's movement has the power to keep order. While the bourgeoisie's objective is the centralisation of state power it is prepared to achieve this gradually.

Khomeini for his part has attempted to strengthen state power through a mixture of populism and selective repression. His initial attacks appealed to Persian chauvinism and were directed against isolated sections — women and oppressed nationalities. With every attack he has attempted to retain ideological domination over the masses and build up a mass movement. His relative success in doing this has allowed the regime to attack the left and sections of the working class whilst retaining popular support.

The seemingly contradictory phenomenon of banning left-wing papers, denouncing Marxists and strikers, while attacking US imperialism stems from the instability of class relations. While the regime is not strong enough to have its way it must be sensitive to mass pressure. At present the main instrument for containing the masses is Persian nationalism in the form of Islam. This has a wide resonance and appeals to widespread anti-imperialist sentiment. At the same time the government can build on this positive sentiment and direct it in a nationalist direction.¹⁷⁴

Despite the regime's widespread influence class relations remain fluid. Khomeini has yet to establish a coherent petit-bourgeois mass movement. His disputes last year with Ayatollah Taleghani and Shariat Madari show that he does not have complete control. The revolt of the oppressed nation-

alities, particularly of the Kurds, constitutes a permanent source of danger to the regime. And the working class has not yet been defeated. This state of affairs cannot be but temporary. The alternatives are either the regime losing control over the masses or the consolidation of bourgeois power. While this struggle is taking place imperialism stands by ready to intervene.

Nick Jenkins
Inez Landa

- 171 For the background of the Mujaheddin see Abrahamian, 'The guerrilla movement in Iran', op cit, pp 8-12. Its political strategy since the fall of the Shah can be found in *Mojahed*, People's Mujaheddin Organisation of Iran, Tehran, 11 February 1980.
172 *The Economist*, 23 February 1980, p32.
173 *KAR*, London, April 1980, pp1-3.
174 Trotsky's remarks about the Polish petit-bourgeois dictator Pilsudski are relevant to this discussion. He wrote: 'In order to mobilise the petit bourgeoisie of the city and countryside, as well as the backward section of workers, it is necessary to have in one's hands such political resources as the traditions of petit-bourgeois socialism and the revolutionary national liberation struggle.' See 'Pilsudskism, fascism and the character of our epoch', *Writings of Leon Trotsky, 1932*, Pathfinder, New York, 1973, p161.

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Iran's national minorities

The national question in Iran is of immense importance. Any threat by one of Iran's minorities of secession or even the demand for autonomy immediately highlights the fragile nature of the regime. This is why the Shah moved so decisively against the Mahabad and Azerbaijan republics in 1946. He called himself 'Aryamehr' – Light of the Aryans – in an effort to gloss over the fact that Persians are actually a minority in Iran.

Persians make up about 45 per cent of Iran's population of 35 million; they inhabit the mountainous central areas of the country. They are surrounded by five other main groups, each of which, to a greater or lesser degree, sees itself as a separate nationality – the Kurds, Azerbaijan Turks, Arabs, Baluchis and Turkomans. Besides being divided culturally, Iran's minorities are also divided between the different factions of Islam. The majority are Shi'as, but there are about 4.5 million Sunni Moslems and a smaller number belong to the Bahai sect.

Iran's ethnic make-up

	Total (in million)	%Shia	%Sunni	%Bahai
Persians	16.5	90	5	4
Azerbaijan Turks	12.0	95	5	-
Kurds	3.5	35	65	-
Arabs	2.0	70	30	-
Baluch	0.5	20	80	-
Turkoman	0.5	5	95	-

Source: *Financial Times*, 5 September 1979

The nationalities question in Iran reasserted itself after the overthrow of the Shah in February 1979. The Shah's Persian-chauvinist regime had crushed any movements which tried to establish separate cultural identities. In the aftermath of the February insurrection the Kurdistan Democratic Party, the principal Kurdish opposition party, emerged from clandestinity and began to organise in the region.¹

Khomeini's regime quickly recognised the threat posed by the national minorities, and troops were sent in to suppress them. The instability of the new regime demanded their complete subjugation. Furthermore, the operations against these areas were important for consolidating and strengthening national sentiment behind Khomeini, so much so that when fighting first started in Kurdistan – at the instigation of Islamic Guards – Khomeini's calls for volunteers to fight the 'satanic' Kurds were enthusiastically received.

One after another the minorities were probed and 'taught a lesson'. The groups in which the Sunni faction predominated received particularly harsh treatment. Turkomans and then Arabs were attacked indiscriminately during April and May 1979.² In Gonbad-e-Kabus, the main Turkoman town in northern Iran, dozens of people were killed during fighting in March and April, after Turkoman farmers began taking over land given to top army officers and civil servants by the Shah.³ The fighting in Khuzestan has exacerbated tensions between Iran and neighbouring Iraq. Iraq has been accused of supplying weapons to the Arabs and casting a covetous eye over the Khuzestan province which it regards as part of the Arab world.

The Baluchis have caused the least problem to the new regime. By far the most under-developed of the regions, Baluchistan is still largely dominated by the local Sardars – tribal leaders. Its population exists largely by smuggling and livestock herding. They were the last to move against the Shah. However, Iranian Baluchis feel a close affinity with their brethren in Pakistan where nationalist politics are much stronger. The idea of an independent Baluchistan encompassing the Iranian and Pakistani territories could prove to be very appealing at a later date. As Sunnis they presently see little future in a Shia-dominated theocratic state.

The 12 to 14 million Azeris, or Azerbaijan Turks, are by far the largest minority in Iran. The province of Azerbaijan, capital Tabriz, is a very rich farming area. Azeri Moslems are almost all Shia, which explains why they have closer links with Tehran than Sunni Turkey, although they speak Turkish. Over one million Azeris live and work in the Tehran bazaar and prominent members of the government, such as former Premier Mehdi Bazargan, come from the region.

In contrast to the rest of Iran's Shi'as, the Azerbaijanis give their allegiance to Ayatollah Kazem Shariat Madari, rather than Khomeini. Shariat Madari is in fact the senior of the two men in terms of learning. He sees no role for the clergy in politics. Rather, he argues, it should be in permanent opposition because Shia Moslems should regard all temporal authority as inherently imperfect. For advocating these views Shariat Madari, despite his seniority, was excluded from the ruling Revolutionary Council after the fall of the Shah.

Throughout 1979 Shariat Madari made clear his opposition to the dominant role being played by Khomeini and his assumption of the post of 'religious adviser'. His criticisms of the excesses of the revolutionary courts and committees and arbitrary confiscations were popular with the well-to-do farmers and middle class who largely support him. Their alienation from the present regime was reflected in the large-scale boycotts of the recent referendum on the Islamic constitution and their support for the now defunct Azerbaijan-based Moslem Peoples Republican Party. Many people were killed when Shariat Madari's supporters took to the streets of Tabriz in December 1979 to protest against the lack of guarantees for minorities in the proposed constitution.

The national question in Iran has not been settled in any of the minority regions. Through armed struggle the Kurds, and to a lesser extent the Arabs, have won a degree of autonomy. But nowhere have cultural and national rights been guaranteed. Clashes are continuing in most areas. Revolutionaries support the demand for national rights where these demands are being raised. In Iran today this is particularly important to combat the dominant Persian chauvinism. The Khomeini regime is using every opportunity to strengthen Persian nationalist sentiment as a way of consolidating all classes around it. Every effort must be made to ensure that it is not successful.

1 For a fuller analysis of Kurdish politics in Iran up to and after the February insurrection see N Jenkins, 'Iran: Kurds against Khomeini', *the next step*, No 1, November 1979.

2 'A threat to the pipelines', *Financial Times*, 14 July 1979.

3 *Financial Times*, 28 March 1979.

Book reviews

REVISING CAPITAL

B Fine & L Harris, *Rereading Capital*, Macmillan, London, 1979, pp184, £3.50.

The early 'seventies witnessed a revival of interest in Marxism among academic economists. Exasperated by the failure of bourgeois economic theory to explain the ever-worsening capitalist crisis, lecturers discarded their copies of Lipsey and Samuelson¹ and turned their attentions to *Capital* and the *Grundrisse* instead. But most members of the new generation of 'Marxist economists' made no break with the bourgeois world view. They merely gave it a radical slant. Phrases such as 'dialectical' and 'contradiction' began to pepper the pages of books which saw the cause of inflation and falling profitability in trade union militancy.² Many of Marx' fundamental categories, such as value, productive labour, accumulation and competition, were either discreetly redefined or rejected out of hand.

Rereading Capital proclaims itself a commentary on the debates that sprung up around these topics. Written by two leading Communist Party economists, it is a theoretical apology for the politics of contemporary British Stalinism. This is why it deserves a critique. Lenin pointed out that without revolutionary theory there could be no revolutionary movement. The converse is true: opportunist politics always seek a justification in revisionist theory — theory which 'revises' Marx to make him more suited to modern times.

Although it is openly critical of many of Marx' conclusions Fine and Harris obviously want *Rereading Capital* to be seen as a serious analysis, one faithful to the spirit — if not exactly the letter — of Marx. Again and again we are told that 'production is determinate', as against bourgeois economists who focus on the sphere of circulation, and that there is a 'fundamental antagonism of the bourgeoisie and proletariat'. This all seems rather removed from the CP we know so well, the CP of vulgar underconsumptionism³ and class collaboration. Yet it isn't.

Rereading Capital is presented as an attack on two dominant trends in the debates: 'Neo-Ricardianism' and 'Fundamentalism'. The neo-Ricardians go too far. They reject outright Marx' theory of value and his analysis of capitalism. 'Fundamentalists', on the other hand, have the audacity to defend Marx' critique of political economy on key issues. Fine and Harris try to use Marx to expose the errors of both 'one-sided' schools and advance their own views. In fact they manage only to take revisionism to a new level of sophistication. Their success in this is particularly interesting on two issues.

First, the formation of an average rate of profit across different branches of industry — the transformation 'problem'. Marx explained the formation of an average rate of profit and prices of production through the flow of capital from less profitable to more profitable branches of industry (*Capital*, Vol 3, Lawrence & Wishart, London, 1974, p195). Fine and Harris repeat the familiar allegation that this is 'inadequate': Marx 'failed' to transform the capital advanced into prices of production (p24). Despite protestations to the contrary, this position puts them firmly in the camp of the neo-Ricardians, distinguishing between a so-called 'value rate of profit' and a 'price rate of profit'.

They come to this conclusion because they make the

same mistake as other revisionists. The transformation 'problem' is presented in the manner of bourgeois economics, as a mathematical system of simultaneous equations based on the reproduction schemes in the second volume of *Capital*. This is not only methodologically incorrect (see R Rosdolsky, *The making of Marx' Capital*, Pluto, London, 1977, chapter 30, for a discussion on this). It also leads to such absurdities as the total value of commodities being different from their sum of prices, or total profit representing something other than total surplus-value.

Fine and Harris try to live with the consequences of their analysis by ignoring them; and second, as Marx commented on an earlier bourgeois economist, by rendering them 'sublime through a mystifying mode of expression' (*Capital*, Vol 3, p397). They are, they claim, studying the 'articulation between production, exchange and distribution and their displacements' (p37). So anything goes.

It is when Fine and Harris deal with the theory of crisis that the consequences of their articulate brand of revisionism become clear. On the question of the tendency of the rate of profit to fall we are offered an outright distortion of Marx. This is not surprising. Marx held his explanation of the cause of capitalist crisis to be absolutely central to his theory; when revisionists come to prove him wrong they tend to show their true colours very distinctly.

Fine and Harris kick off with idiotic definitions of Marx' categories. Marx defined the technical composition of capital as 'the relation between the mass of the means of production employed, on the one hand, and the mass of labour necessary for their employment on the other' (*Capital*, Vol 1, Lawrence & Wishart, London, 1974, p574). Fine and Harris redefine it as 'the ratio of the mass of means of production consumed per production period (ie abstracting from fixed capital) to the mass of wage goods' (p59). In fact Marx did not 'abstract' from fixed capital. Nor did his definition have anything to do with 'the mass of wage goods' — presumably a measure of the number of workers' lunch packets that capitalists cast into the machinery to keep it going.

Having consigned the technical composition of capital to oblivion, Fine and Harris proceed to give the value and organic compositions of capital the Black Hole treatment. The aim is to deny that the value composition of capital tends to increase with accumulation (p63). Having removed this essential prop to Marx' theory, the authors go on to reformulate what Marx termed 'the most important law of modern political economy' — the tendency of the rate of profit to fall — as the 'law of the tendency of the rate of profit to fall and its counteracting tendencies' (p64). According to them the rate of profit need not actually fall. It only has an 'abstract tendency' to do so because of the

1 American Nobel Prizewinner P A Samuelson's *Economics*, and his British counterpart, R G Lipsey's *Positive Economics*, have long been standard texts for the student of bourgeois economic theory.

2 The most famous is Glyn and Sutcliffe's *British capitalism, workers and the profit squeeze*, Penguin, 1972. Glyn is a member of the Militant tendency and Sutcliffe a member of the Workers Socialist League. The CP journal *Marxism Today* has been full of articles along the same lines. A clear example is 'Inflation and crisis' by Bob Rowthorn in the November 1977 issue.

3 Underconsumptionism is the theoretical basis for CP industrial organiser Mick Costello's pamphlet *Cut the dole queues*, CPGB, 1979. Costello calls for an 'increase in purchasing power' to stimulate demand and revive the economy. Of course he supplements his utopianism with the reactionary call for import controls to protect British industry.

Fine and Harris do not realise that it is precisely because there are counteracting influences that the law of the falling rate of profit acts only as a tendency (*Capital*, Vol 3, p234). Marx showed that the counteracting tendencies were unable to overcome the long-term decline in profitability. Fine and Harris are back in the realm of bourgeois economy. They portray an unregulated economy which suffers cyclical fluctuations but no immanent tendency towards collapse. Along the way they destroy the scientific basis for the struggle for socialism, denying that the crisis can only be resolved in the interests of capital through a relentless attack on the working class.

Fine and Harris' national-reformist politics do not end with Marx. Lenin's *Imperialism, the highest stage of capitalism* was, it appears, 'specific' to the early twentieth century (p150); the relationship between unity and rivalry in the imperialist camp must now be 're-examined' (p161).

Rereading Capital is a by-product of the degeneration of Marxist ideas and of their virtual disappearance as a force in the labour movement. Things were not always so. In 1872 Marx wrote to a French correspondent: 'I applaud your idea of publishing the translation of *Das Kapital* as a serial. In this form the book will be more accessible to the working class, a consideration which to me outweighs everything else' (*Capital*, Vol 1, p30). Fine and Harris may be surprised when *Capital* becomes a best-seller. But the time will come. Meanwhile, the sooner academic bookshops start to re-
mainder *Rereading Capital* the better.

[illegible]

This book is the product of impressive research. Davies provides some interesting information on the white working class in South Africa.

Charles Longford

J Bloomfield, *Passive revolution: politics and the Czechoslovak working class, 1945-48*, Allison and Busby, London, 1979, pp290, £3.95.

The working class movement needs a scientific theory of East European societies. Left-wing authors have written many texts on this issue but have failed to penetrate their subject matter. Many Western authors are unfamiliar with the available source material and often write superficial accounts based on secondary data. The real problem however is a theoretical one. The concepts and categories applicable to Western capitalist society cannot be used indiscriminately

for the study of Eastern Europe. A failure to grasp the laws of motion of Eastern Europe leads to a narrow and impressionistic investigation of the subject matter.

Bellis has written a useful summary of theories of Soviet society. It can aid the reader unfamiliar with the literature to acquire a knowledge of the basic texts. But, unfortunately, *Marxism and the USSR* is nothing more than a summary; the author's review of the texts is not based on a coherent theoretical standpoint. Such a book may be useful for undergraduate courses but it does not advance working class theory.

Of the two books on Czechoslovakia, Fišera's is the better one. It is a useful compilation of essays and documents written during the years 1968-69. This book will be welcomed by those who are familiar with developments in Czechoslovakia. However, the insubstantial introduction to the text does not provide any guidance for the Western reader.

Bloomfield's *Passive revolution* deals with the crucial developments of the immediate post-war period in Czechoslovakia. The establishment and consolidation of the Stalinist regime resulted in the destruction of the Czechoslovak working class movement. Bloomfield's detailed study of these years lacks any scientific content. As a result he is unaware of the counter-revolutionary role of the Soviet bureaucracy and its allies in Prague. *Passive revolution* remains captive to the preoccupations of bourgeois political sociology.

Béla Horvat

Cambridge Journal of Economics

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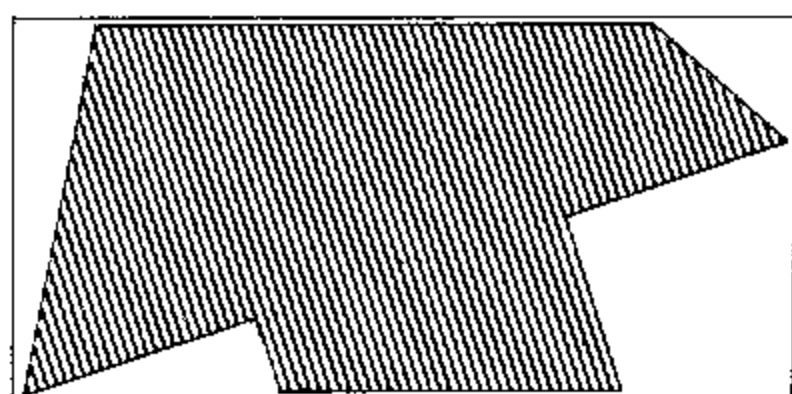
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