

## **Political Economy of Iran under the Pahlavi's**

Homa Katouzian<sup>1</sup>

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### **ABSTRACT**

Reza Shah and Mohammad Reza Shah Pahlavi, father and son, ruled Iran between (1926-1979). During their reign Iran saw all seasons, including modernisation, dictatorship, arbitrary rule, chaos, foreign invasion and revolution. It was also a period in which the Pahlavis' nationalist ideology clashed with democratic ideals, communist aspirations and – ultimately – Islamist beliefs. This article is an investigation in this regard.

### **1. Introduction**

**Dictatorship (1921-1930):** Reza Khan was an intelligent, hard-working, forthright and ruthless soldier, with an astonishingly powerful memory and a high degree of self-confidence that, with success, turned into arrogance. He was both an ideological nationalist and a pure pragmatist who would use whatever methods he thought were necessary to achieve personal and national goals. There is political vested interest among Reza Kahn's detractors and admirers in portraying his background, on the one hand as being mean and even base, and on the other, as that of a thriving middle class family of the time. However that may be, his literacy and knowledge of the world improved by informal education significantly over time, and to such a degree that when he proclaimed himself shah in 1926, the move was

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1. St Antony's College, Oxford University, Oxford, United Kingdom

E-mail address: [homa.katouzian@sant.ox.ac.uk](mailto:homa.katouzian@sant.ox.ac.uk)

accepted and indeed welcomed by many members of the modern upper and middle classes. Although certain deeply rooted cultural limitations remained with him all his life.

Reza Khan believed and even told a group of notables in 1924 when he was prime minister that he had been brought to power by Britain, no doubt thinking that Ironside and the others had helped his coup on the order of the British government. This reinforced the conspiracy theory held by many Iranians that foreign powers and especially the British were behind sometimes even the most unlikely events in the country. Highly intelligent and astute, Reza Khan was quick to learn and to adapt. He enjoyed an unshakable self-confidence which at first served him well, but easy success later turned into self-delusion. According to Mokhber al-Saltaneh (Mehdiqoli Hedayat) – his longest serving prime minister - he once said to the cabinet that ‘every country has a certain type of regime. Ours is a one-person regime’. He was a nationalist of the new cut, inspired by the Aryanist and Pan-Persian ideology which had been first formulated in the latter half of the nineteenth century but begun to gather real force only after World War I and in the wake of the hated 1919 agreement.

## **2. Theoretical literature**

**Nationalism:** Since the middle period of Naser al-Din Shah’s reign modern concepts of nationhood and nationalism had begun to emerge among a very small elite. These were men of whom two of the leading intellectuals, Fath’ali Akhundzadeh and Mirza Aqa Khan Kermani - in two successive generations - were probably quintessential examples. The emerging modern nationalists believed in Iran’s superiority, not only on account of its real and imagined ancient glories, but even more so because, as an Aryan people, it belonged to the Western European race which had created the great social and scientific civilization that was the contemporary Europe. And the frustration, not to say depression, of fervent nationalist intellectuals was the greater because of the glaring contrast between Iran’s real contemporary

backwardness and Europe's modern achievements, which they believed their country had failed to realize, mainly - if not solely - because of Arabs (later also Turks) and Islam. This new ideology of modern Iranian nationalism was to highly influence the official attitude and policy in the Pahlavi era, and even dominate the psyche of many Iranian intellectuals who were opposed to the Pahlavi regime

By 1921, and increasingly thereafter, many members of modern upper and middle classes were converted to Aryanist and Pan-Persian nationalism. Led by politicians such as Abdolhoseyn Temurtash and Ali Akbar Davar, and supported by the younger intellectual elite, they almost openly advocated the use of dictatorial powers to establish a unified army, stamp out chaos, build a modern nation state, reassert national sovereignty, force the nomadic tribes to settled life, separate religion from politics, extend modern secular education, promote modern industry, impose a uniform dress code, impose compulsory unveiling on women, impose the Persian language on the linguistic minorities, etc., which they naively believed would turn Iran into a western European type of society within a short space of time. What they did not anticipate was the likelihood of the dictatorship turning the clock back to arbitrary rule (*estebdad*) after Reza Khan became shah, and in time turning against themselves. Reza Khan had begun to emerge as the country's military dictator by June 1921 when Seyyed Zia was dismissed and driven out of the country. Nevertheless it took more than five years of power struggles before he could defeat all opposition and establish his own dynasty. He had virtually a free hand in organising the new army by uniting the old Cossack and gendarmerie forces under one command, and expanding and equipping them with more and better weaponry. Chaos in most provinces was put down even before Reza Khan became shah, once again demonstrating the ease with which prolonged and seemingly never-ending periods of chaos could be brought to an end by the existence of will in the centre. The matter was so urgent that in October 1925, in their speeches in the Majlis against the motion for making Reza Khan head of state, both

Taqizadeh and Mohammad Mosaddeq praised his success in stamping out the chaos.

**Reza Khan becomes Reza Shah:** Reza Khan and his supporters at first tried to remove the Qajar dynasty and declare a republic with himself as president. This met with severe resistance by the Majlis opposition who openly feared that he would then bid to become shah, and by the ulama who associated a republican regime with pure secularism. The general public, as opposed to the modern elite, were also against it. The republican campaign having collapsed in 1924, in 1925, Reza Khan and his supporters managed to bring down the Qajar dynasty and replace it with Reza Khan's own, something that had been probably intended from the beginning. For this they had to call a constituent assembly solely to elect and establish Reza Khan's dynasty. The elections for this assembly which met in December 1925 had been manipulated, but it did represent the commanding heights of the society, including many khans and provincial magnates, some prominent religious leaders, former leaders and figures of the Constitutional Revolution and so on. Seyyed Hasan Modarres, leader of the parliamentary opposition, offered a compromise for a certain degree of power-sharing upon Reza Shah's accession in 1926 which the shah at first accepted but before a year was out reneged on. By 1928, the shah had arrested, co-opted or chased out of politics all opposition.

**Return to Arbitrary rule (1930-1941):** In 1929 he arrested his minister of finance and ardent supporter Firuz Mirza Firuz on trumped up charges. This heralded the beginning of the change of dictatorship to arbitrary rule by fiat, since dictatorships, though not democratic, are normally constrained by law, and involve elite participation in decision-taking, whereas arbitrary rule is not bound by a legal framework outside its own will and involves no power sharing at all.

**An Iranian Mustapha Kemal Ataturk?:** Reza Shah has often been compared to Mustapha Kemal Ataturk, the founder of modern Turkey, whom he both admired and tried to emulate. The comparison is

understandable but misleading. Atatürk was a modern dictator who strove to modernise Turkish politics along with his nationalist and modernist drive – i.e. creating a secular nation state and modernising the economy and society – allowing for limited participation and consultation in political decision making. He was not an arbitrary ruler like traditional Ottoman sultans and caliphs, he was not financially corrupt, and – unlike Reza Shah – neither he nor his army and bureaucracy liberally took other peoples' lives and properties. The fact that Reza Shah's regime had been established after a revolution for law and against arbitrary rule was the most important reason behind his later unpopularity, to some extent even behind the incorrect charge of his being an agent of Britain which Iranians almost universally believed until recent times. Indeed it was in 1929, the year of Firuz's arrest and disgrace, that the Secretary of the American legation in Tehran wrote to the Department of State that 'it may be doubted whether a nation is benefited by such a disregard for law and justice... Unless the people can feel confidence in the legal establishment of their country, they will have no confidence in their Shah and his reforms, and no lasting good will be accomplished'.

From then onwards none of the shah's supporters, including ministers, military commanders, provincial governors, journalists, etc., was immune from sudden arrest, murder in jail, banishment and disgrace: By 1938, Abdolhoseyn Teymurtash, the able and strong minister of the royal court, the noted Firuz Mirza, the capable and faithful justice and finance minister Ali Akbar Davar, the learned Mohammad Ali Forughī, the shah's staunch supporter and servant even as prime minister, and many others like them had been murdered, driven to suicide, imprisoned, banished, exiled and dismissed in disgrace. This of course is not to mention the remnants of the old and totally pacified members of opposition such as Modarres and Mosaddeq. Meanwhile the modernisation drive had led to significant social, economic and cultural changes which were to continue until the shah's abdication in 1941. There was expansion in modern education – more

modern schools and institutes of higher education - industry and services, construction of roads and railways, centralisation and concentration of the army and bureaucracy, reform of the judicial system, forced removal of chadors and scarves, introduction of modern banking, etc. It is worth emphasising that much of this affected only a small percentage of economic and cultural activities, since around 85 percent of the population were illiterate as well as landless peasants, and large numbers of urban people were common labourers. Nevertheless it opened the way to modern developments which, despite social and political upheavals, still continue today.

**Reform of the Army:** Reorganization and rapid expansion of the army was Reza Kahn's first priority. By 1926 when he became shah, he had 40,000 soldiers and a small air force at his command. In 1941, the army had grown threefold to more than 120,000. To finance his ambitious plans for the expansion of the army he began to use any legal and illegal means. In 1928 the budget of the ministry of war was 122 million rials; by 1941, it had increased almost fivefold to 593 million rials. Virtually all the oil revenues which accounted for 13 percent of total government receipts as well as a third of the government's annual budget were spent on the military, and the shah also used other means, including confiscation of private wealth and property, to augment army's finances. This army was effective as a domestic force, notably in disarming and forcing the nomads to settle, but proved useless in the wake of the Allied invasion of 1941, mainly because even some of the least significant decisions had to be personally approved by the shah. The same happened in the revolution of 1979 when the army felt impelled to declare neutrality in the absence of his son Mohammad Reza Shah from the country. Reza Khan's 1923 conscription bill met with little opposition in the fourth Majlis, drawing support from even the opposition leader Modarres, but in 1928, the attempt at its full implementation led to resistance, though not bloodshed: the ulama, landlords, peasants, nomads and the bazaar were for fairly obvious reasons opposed to it. According to

Amin Banani 'the annual visits of the draft boards to the village and tribal areas were generally a dreaded occasion' and 'fear of recruiting commissions was an important factor in the major tribal revolts of 1929'. The family of every army officer was assigned one or more conscripts at home and used them as common domestic servants without pay.

**Sedentarisation:** After the early 1920s when the chaos had been put down, the principal aim of military campaigns against the nomads was to disarm the tribes for the first time in history. Beyond this however was the deeply resented and feared policy of forced sedentarisation of the nomads, since the shah and the nationalist ideologists saw nomadic life and culture as evidence of backwardness, and felt highly embarrassed by it towards the Europeans; they were also jealous of any autonomous power even if it was unarmed. Sedentarisation could never be justified on rational grounds, as it led to a great deal of death, destruction and hardship, and a sharp decline in the country's livestock production comparable to the effects of Stalin's forced collectivization of Soviet agriculture in the same period. According to Kaveh Bayat , a prominent modern Iranian historian, 'this programme of forced sedentarisation ...took a very brutal and, in some cases, genocidal form. In a short period of time the tribal life of Iran was transformed...through coercive and violent methods that virtually wiped out a large segment of the tribal population of Iran'. After the shah's abdication in 1941, almost all settled nomads returned to nomadic life, and the bitterness of their treatment in that period was to have serious consequences for their long-term relations with the state. It follows from the tribal policy that the state was highly centralised everywhere, with governors-general and governors sent to the provincial capitals and towns from Tehran, virtually all Persian speakers in non-Persian speaking provinces as well. Each province had a standing army division, and the police and gendarmerie's headquarters were in Tehran. All the higher civil and military appointments including cabinet members were made by the shah.

**Judicial and educational reforms:** The indefatigable justice minister Davar made great reforms to the judiciary, which were almost a faithful copy of the French system with suitable adjustments in the case of certain criminal and civil laws to the requirements of the Shari'a. It was done with efficiency and dedication, though it could not serve more than 5 percent of the population because, as noted, the great majority of people were poor and illiterate, and the new system was expensive and complicated. Various modern schools and university colleges had been founded from the mid-nineteenth to early twentieth century, but the post-Constitutional chaos had prevented any rapid expansion, just as in the case of judicial reform. This was now remedied by the expansion of both primary and secondary schools (including some for girls which had only had a couple of precedents), establishment of a coeducational modern university, and Teacher Training College. Also, in the 1920s and 30s, a few hundred state students were sent abroad for university education, mainly to France, Belgium and Germany.

It was an elitist educational policy, favouring the children of upper and middle classes, although the fees were nominal and it was open to all who had the means. History and literature glorified ancient Persia, denigrated Arabs and Turks, ignored the numerous Iranian ethnic groups which included Turks and Arabs, and pretended that Persian was the only language spoken in Iran. Some of this was probably difficult to avoid while the Aryanist and pan-Persian zeal and the glorification – in fact mythologisation – of the ancient past was widespread among the policy-makers. The most important criticism that can be levelled at the educational policy is that it was very high cost, and it did not address the country's needs for the growth of literacy. By the time Reza Shah abdicated in 1941, 90 percent of Iranians, including virtually the whole of the rural community, were illiterate. Nevertheless, according to recent studies, the total number of pupils increased sevenfold, from 1922/23 to 1941/42.



### **3. Oil, Economy and other Institutional Circumstances**

Economic policy like its political counterpart was highly centralist and state-dominated. The bazaar – the close-knit merchant and trading community - in particular was unhappy because much of the domestic and foreign trade was in the hands of the state. Landlords and peasants were also discontented because, through its monopoly, the state bought their products below market price; landlords were further disenchanted since the shah confiscated or bought at nominal prices their choicest estates, which also increased their sense of insecurity. Tariffs were high and viewed as a source of revenue rather than means of protecting the domestic market. The tax on tea and sugar was forbiddingly high and hit the masses of people hard since these (plus bread) were their staple food. The proceeds were entirely spent on the construction of trans-Iranian railways, at the then colossal cost of \$150 million, for which there was no economic justification at all, but which was seen by the shah and the elite as proof that Iran had now become ‘civilised’. Investment was made, mainly by the state, in modern industry and technology, largely in light industries such as textiles and sugar-beet mills, which led to higher industrial employment and the familiarisation of skilled labour with modern techniques. However, there was no strategy of industrialisation as such which would create an inter-related industrial network. The state had begun to buy a modern steel mill from Germany which was halted by the war’s intrusion in Iran. Meanwhile a national bank had been founded with German technical advice, and a couple of other banks – all of them state-owned – came into being in the 1930s. Hardly anything was done to improve the lot of the peasantry who made up more than eighty percent of the population.

The Anglo-Persian (later Anglo-Iranian) Oil Company had the concession for the exploitation of the country’s oil resources in the southwest, sold to William D’Arcy at the turn of the century, fifty-one percent of which was now owned by the British government. It was by far the biggest single employer and source of foreign exchange in the country.

In the 1920s Iranians entered negotiations with the Anglo-Iranian Oil Company in order to improve Iran's share of the proceeds. The negotiations dragged and no agreement was reached until 1932 when the company declared that Iran's share of the revenues was as little as a quarter of the previous year. In retaliation, the shah ordered the government to cancel the D'Arcy concession, Britain complained to the League of Nations, which led to negotiations in Tehran and the signing of the 1933 agreement. It was in many ways better for Iran than the previous agreement, except that, under pressure by the Company's chairman Sir John Cadman, the shah reluctantly agreed to the extension of the term of the contract by a further 30 years. This was clearly not in Iran's interest, and as Taqizadeh, who as minister of finance signed the agreement *ex officio*, said in detail in parliament in 1947, neither he nor even the shah had been happy about it, but when the shah gave in, he had had no choice but to sign it.

**Dress code and forced unveiling:** The official imposition of new dress codes, and even the forced removal of *hejab*, was based on another cherished nationalist modernist ideology. The law of December 1928 made it compulsory for all Iranian men to wear European dress (short jackets and trousers) and the 'Pahlavi hat', which was a variation of the French kepi. However, in 1935 the shah suddenly issued the decree that all men must wear the European chapeau or bowler hat, which most of them had never even seen. Unarmed protesters in Mashhad took sanctuary in the historic mosque adjacent to the shrine of Imam Reza, where, contrary to the traditional customs of taking *bast*, they were gunned down by police and soldiers. The Shrine's Trustee (appointed by the shah himself) who had apparently tried to act as an intermediary was blamed and summarily executed. He was related to Prime Minister Foroughi, but the latter's attempt at interceding with the shah led to his own downfall in disgrace. Shortly afterwards the shah told a sceptical Mokhber al-Saltaneh (Mehdiqoli Hedayat), the former prime minister, that the compulsory change of hat was intended to stop the Europeans from 'ridiculing us'. The shah's sudden

decree for the removal of women's *hejab* which followed a few months later in January 1936 was not openly resisted, coming so soon after the events in Mashhad over the European hat, but it left scars much deeper even than Reza Shah's tribal policy. Criticisms of *hejab* by modern intellectuals went back to the turn of the twentieth century, and entered the realm of wider public discussion at least from the end of World War I among the modern middle and upper classes. Iraj, the leading satirical poet, wrote against *hejab* and blind marriage arrangements, and emphasized that the covering of hands and faces by women was contrary to the teaching of the Koran. In circa 1918 the nationalist poet Eshqi wrote the long poem entitled 'the black shroud' which ended with the verse 'As long as women live in shrouds / Half of the Iranian people are not alive'.

Women activists and self-help organizers began to campaign for women's rights. The women's journal *Alam-e Nesvan* (Women's World, 1920-1934) which had been the longest running journal of its kind over the period was shut down by the government, along with many other women's journals, before the official banning of the *hejab* hit. The reason was that the shah would not tolerate any independent journal or organization even if they fully supported his regime. They were replaced by the official *Kanun-e Banuan* (Ladies' Centre). All the anti-*hejab* campaigners were opposed to the face veil which some women had already abandoned in the 1920s. The more radical of them also opposed the chador. But they were not against scarves, and hardly any of them believed that all women should be forced to remove their veils, as opposed to voluntary unveiling protected by the law. The new government decree meant that even scarves were banned. As Mokhber al-Saltaneh (Mehdiqoli Hedayat) wrote in his memoirs 'The police were ordered to pull the scarves off women's heads. The scarves were torn off or, if valuable, confiscated. The struggle between women and the police continued for some time.' Compulsory unveiling was received very badly by the large majority of women. In Europe it would have been tantamount to a decree declaring that women must go out topless. Some women remained at

home for as long as the shah was in power and the ban was in force, and had to go through the rooftops of the neighbouring houses to go to the public baths. In 1936, orders were given for government departments and the municipalities to oblige their members, employees and the local middle class residents, to attend social functions in the company of their wives. Some men took temporary wives to accompany them to the party. A few committed suicide. Not surprisingly, the ulama also received the decree very badly while not only the processions of *Ashura*, commemorating the martyrs of Karbela, but also religious congregations at homes or in Mosques were also banned.

**Foreign policy and the Allied invasion (1926-1941):** Foreign policy largely followed the traditional methods of balancing Britain and Russia, except that Reza Shah was an incorrigible Anglophobe, and with the rise of Nazi Germany Iran steadily got closer to them both politically and economically. By the late 30s Iranian trade with Germany had increased enormously at the expense of both Britain (apart from oil) and the Soviet Union. When the war broke out, Iran declared neutrality but the shah, the military and much of the rest of the society were pro-German. This naturally worried Britain, especially as regarded the Royal Navy's oil supply. On 22 June 1941 Germany attacked Russia and this radically altered the situation, since as long as the Soviet Union was collaborating with Germany, Britain could not exercise real power over Iran. During July and August that year Britain and Russia jointly brought increasing pressure on Iran to expel about 2000 German residents whom they described as agents of Germany's war machine. Reza Shah, not quite taking notice of the great change after the German attack on Russia and not wishing to displease the Germans, took the matter lightly. The result was the Anglo-Russian invasion of 25 August. Reza Shah made the moderate and highly respectable Foroughi, whom he had previously banished, prime minister. Foroughi persuaded him to abdicate and managed with some difficulty to arrange the accession of Mohammad Reza

Shah. Reza Shah was sent first to Mauritius, then to Johannesburg where he died in 1944.

**‘Constitutional’ Chaos (1941-1951):** True to the Iranian tradition, the fall of the arbitrary state quickly resulted in chaos both at the centre and in the provinces, just as it had done in 1909, when Mohammad Ali Shah had been deposed. Things would have been far worse if the occupying forces had not in effect set a limit to how far it could go. The thirteenth Majlis was still in session, divided as it now was between short-term factions. A British diplomat in Tehran remarked that in ‘the chaotic conditions inevitable in the sudden change-over from pure despotism [*estebdad*] to an alleged constitutional and democratic regime there was a general scramble for the fruits, though not for the responsibilities, of privilege and office’. It is telling that between 1941 and 1951 no annual budget could be passed by the Majlis because of special interests and personal stakes, while the executive branch of the government was virtually a pawn on their chessboard. There were almost continuous incidents of chaos up and down the country. Some of these were large and historic, such as the major revolts in Azerbaijan, Kurdistan and the south. Some were less spectacular but made up for it in frequency, becoming a matter of monthly or weekly if not daily occurrence. After the fall of Reza Shah, there would certainly have been some disorder in a couple of provinces in reaction to his centralist and Pan-Persian policies. Yet it would have been much easier and quicker to deal with if destructive conflict had not been prevalent in the centre itself.

One notable example of the ongoing destructive conflict in the very centre and at the highest level of politics was that between the shah and Ahmad Qavam, whom the shah both feared and despised, during the latter’s short premiership between August 1942 and March 1943. The bitter conflict eventually led to the bread riots of 8 and 9 December, when the mob occupied the Majlis, looted the shops, and ransacked Qavam’s house and set fire to it. Most of the domestic politicians and foreign diplomats had little doubt that the shah had had a direct hand in the riots.

Apart from safeguarding the oil supplies, the biggest help to the Allies war effort was the so-called Persian Corridor, using the trans-Iranian railways as well as motor roads to supply some 5 million tons of war materials both to the Soviet Union and to the British forces in the Middle East. Having declared non-interference in the country's domestic affairs, the Allies nevertheless made important demands on the country which Iranian governments had little choice but to meet as long as the Allied troops remained in Iran. The rial (Iranian currency) was devalued by more than 100 percent. This meant that Allied purchases of Iranian goods and services cost them less than a half, and Iranian import of their products cost Iran more than twice as much as previously. The Iranian government was obliged to print money in order to extend credit to the Allies for their expenditures in Iran, to be paid back after the war was ended. These policies led to rampant inflation and scarcity of goods (especially bread), but just avoided a famine. Historians usually divide the period of Mohammad Reza Shah's rule into two parts: 1941-1953, the period of turmoil and democratic experiments which ended with the 1953 coup; the period 1953-1979, which they normally describe as the period of the shah's dictatorship ending with the revolution of February 1979. In fact, this second period should also be divided into two parts, with the cut-off point in 1963. In the first twelve years of his reign (1941-1953), Mohammad Reza Shah was a constitutional monarch; in the next decade (1953-1963) he was a dictator; but in the remainder of his reign until the revolution he was an absolute and arbitrary ruler.

#### **4. Political Movements in the 1940s**

Despite the chaotic atmosphere it generated, Reza Shah's abdication in 1941 and the restoration of political freedoms led to the emergence of a number of more-or-less effective political movements. The Tudeh party was founded shortly after Reza Shah's abdication. Later developments turned it into an authentic communist party, but for most of the 1940s it was similar to the

European popular anti-fascist fronts, made up of various leftist and democratic tendencies with a broadly reformist programme. It was led mainly by Marxist intellectuals, many of whom – known as the Fifty-three – had been released from jail after Reza Shah's abdication. The party pledged itself to constitutional monarchy and parliamentary government. It was clearly inclined towards the Soviet Union, but at the time Russia was popular even in the West. Many if not most of its original members left the party at three successive stages as it became more and more radicalized and later turned into an authentic communist party: at the revolt of Azerbaijan in 1945-46; at the party split of January 1948; and after the banning of the party in February 1949, when it went underground and – all but in name – became a standard Stalinist party of its time, including internal assassination. In the elections of 1943 for the fourteenth Majlis – the first to be held since Reza Shah's abdication – the party managed to send eight (out of a total of 136) deputies to parliament. At the time, it was the only well-organised political party with a clear political outlook and popular support. It had the support of the trade unions which emerged with the party's active encouragement and which were effectively controlled by it.

Alongside the emergence of the Tudeh party as the main voice of intellectuals and the modern educated elite, a religious movement began to grow and spread which was to anticipate the religious and Islamist movements of the 1960s and beyond. This was at once a response to Reza Shah's anti-religious policies, the Tudeh party, and other activities which the religious leaders and community found repugnant or dangerous. The Fada'iyān-e Islam was a small but highly vociferous and militant political group. Other Islamist organizations came into being in the 1940s which focused their activities against the Baha'i community, 'materialism' and Ahmad Kasravi, a sever critic of Shi'ism as well as Baha'ism who had nevertheless impacted the Shi'a activists' new religious outlook by prompting them to respond to his criticisms. None of these organizations aimed at establishing an Islamist state; some of them even received support

from the royal court and political magnates as antidotes to Tudeh and communism. One of the most active of these new-fangled organisations was ‘The Islamic Propaganda Society’, which in some respects anticipated the Hojjatiyeh anti-Baha’i movement of the 1950s and beyond.

‘The Society for Islamic Instructions’ was founded in 1943 to spread formal religious instructions ‘without intervening in current politics’, and by 1947, it had set up sixty-one Islamic schools. Other religious societies also came into being in the capital as well as various provincial centres. Alongside the religious organizations there appeared a number of Islamic journals, which, with different degrees of emphasis, advanced religious ideas and political views. Among the secular political groupings and factions that came into being after the abdication, three of the most important were the Iran party, Seyyed Zia’s National Will and Qavam’s Democrat party. The Iran party, with liberal and social democratic leanings, was mainly manned and led by European educated younger technocrats and university teachers. They were later to join the National Front, and some of whom, notably Shahpur Bakhtiar, the shah’s last prime minister during the revolution of 1979, later became world famous. Seyyed Zia’s National Will was formed after he returned from exile in 1943. It was a conservative-leaning pro-British grouping whose existence entirely depended on its founder and his ambition to form a government. The Seyyed was elected to the 14<sup>th</sup> Majlis for Yazd; Mosaddeq who was elected the first deputy for Tehran unsuccessfully opposed his letter of credence for his role in the 1921 coup. Seyyed Zia was still hopeful until the mid-fifties but later gave up his efforts and instead concentrated on his chicken farming business, although little was left of his party after Qavam put him in jail in 1946.

**Mohammad Mosaddeq:** Mohammad Mosaddeq (1882-1967) was born into a privileged family, his mother being a Qajar princess. After a period of government service, in 1908 he went to Switzerland where he obtained a doctorate in law from the University of Neuchâtel. During World War I he taught at the Tehran School of Politics and Law and served as deputy finance



minister, and in the early 1920s he was governor-general of the Fars Province, minister of finance, governor-general of the Azerbaijan province and foreign minister, before becoming a parliamentary deputy and opposing the change of dynasty. He was later jailed by Reza Shah for no clear reasons, but released through the intervention of the then Prince Mohammad Reza and put under house arrest until the shah's abdication in 1941. He came back to politics as the first deputy for Tehran in the 14<sup>th</sup> Majlis, but having unsuccessfully campaigned in the 15<sup>th</sup> Majlis elections, he declared his 'political retirement', until 1949 when he was persuaded to return to politics. In 1950-1951 he led the movement for nationalisation of Iranian oil – shortly to be known as the Popular Movement of Iran - and was elected prime minister in April 1951. The oil dispute having dragged and remained unsettled, his government was overthrown in August 1953 by a combination of foreign and domestic forces. He was jailed and banished for the rest of his life and died in 1967 as the most popular Iranian of his time.

**The Azerbaijan revolt:** Qavam was a strong personality and an independent politician, pragmatic but not unprincipled. He was prepared to deal with the great powers as they came, but was not a client of any of them. He formed his second ministry of the 40s in January 1946 with Soviet support in the wake of the revolt in the Azerbaijan province of Iran. There were many strands to the revolt in Azerbaijan. The Azerbaijanis had been oppressed and humiliated under Reza Shah. They aspired to a dignified status; and, as everywhere in the northern provinces of Iran, they were influenced by leftist ideas and demanded social and economic reform. The Soviet Union supported the reconstituted Azerbaijan Democrat party, led by an old communist, Ja'far Pishevari, and hoped to fish in troubled waters. The Soviet army was still occupying the province and the access areas to it, making it impossible for the Iranian central army to move up to the province when the Democrats declared autonomy in December 1945. There was not much love lost between Pishevari and the Tudeh leaders, yet, under Soviet pressure, the Tudeh uncritically backed the Azerbaijan revolt. Through 1946,

the initial sympathy of many in Tehran for the Azerbaijan Democrats began to melt away as fears grew of a plan to separate the province from Iran and join it to the Soviet Azerbaijan. The rebellion in Kurdistan and formation of the Kurdish 'republic' of Mahabad in January 1946, also with Soviet support, struck fear in Tehran even among those who had sympathy for the Kurds' and Azerbaijanis' legitimate grievances.

The shah had reluctantly agreed to Qavam's premiership, because he had the ability to deal with the situation and was acceptable to the Russians. Qavam's negotiations with the Soviets eventually succeeded: the Soviets would withdraw their troops; the Iranian government would try to settle the Azerbaijan crisis amicably; the Iranian government would grant a concession for north Iran oil to the Soviet Union subject to the approval of the Majlis which at the time was in recess. In March 1946 America issued strong notes of protest to the Soviet Union for its refusal to remove its troops from Azerbaijan, although there are doubts about President Truman's later claim that he had actually issued an ultimatum to the Soviets on the issue. In the meantime Qavam formed his Democrat party, which was intended to compete with the Tudeh party by putting forward a programme of social reform not much less radical than theirs. It was the prelude to the canny Qavam's invitation to the Tudeh party for a short-lived coalition government. It lasted only for three months during which there was a rebellion by southern tribes led by Naser Khan Qashqa'i, which was intended to counter the Tudeh and the Azerbaijan Democrats.

There was a peaceful settlement with the southern rebels shortly before the coalition with the Tudeh collapsed, following which Qavam sent troops to the Azerbaijan province ostensibly to ensure the freedom of the impending Majlis elections. Russia having abandoned Pishvari's government, and the Soviet troops having already departed, the Azerbaijan resistance collapsed in December 1946 - a year after the revolt - and most of its civilian and military leaders and officers crossed the border to the Soviet Union. The central army meted out a severe punishment to resistance

fighters and many non-combatants alike, Azerbaijani as well as Kurdish, whose 'republic' likewise fell to pieces. The ensuing 15<sup>th</sup> Majlis elections were manipulated by Qavam's party resulting in the overwhelming electoral victory of his Democrat party and his return to office. Encouraged by the shah, many of the party leaders eventually turned against him but before his government fell in December 1947, Qavam took the bill for the Soviet concession of north Iran oil to the Majlis in October. He was virtually certain that it would be defeated, as in fact it was, adding to Soviet and Tudeh anger and delighting the Anglo-American powers.

The Soviet demand for north Iran oil dated back to 1944 when, following earlier approaches by British and American companies, the Soviets demanded a concession for Iran's northern provinces. The conservatives resisted this demand and the Tudeh vociferously supported it, which resulted in some internal party criticism. Eventually, Mosaddeq submitted a bill to the Majlis which forbade the granting of any foreign concession without the approval of the Majlis, and which was passed by an overwhelming majority. That was the reason why Qavam's subsequent proposal in 1947 had had to be submitted to the Majlis. In his speech for his bill, Mosaddeq had incidentally attacked the 1933 oil agreement which had extended the D'Arcy concession for thirty years, and the attitude and behaviour of the Anglo-Iranian Oil Company in Iran. Following two abortive cabinets after Qavam, it fell to Mohammad Sae'd's second premiership in 1948-1949 to try and renegotiate the 1933 agreement to obtain better terms for Iran. Mohammad Reza Shah was anxious to curb the influence of the Tudeh party, extend his own power, and reduce the parliamentary chaos. The opportunity for banning the Tudeh party and amending the constitution to enable the shah to dissolve the Majlis arose after an abortive attempt on the shah's life on 4 February 1949. Nureddin Kiyanuri, a Tudeh leader later to become its first secretary under the Islamic Republic, was involved in the assassination plot, but the party as a whole did not have prior knowledge of it. The constituent assembly to amend the constitution met in the following April. It provided

for the establishment of an upper house, a senate, half of whose members would be directly appointed by the shah, and the other half by an electoral college; more important than that, it empowered the shah to dissolve parliament. Qavam, Ayatollah Kashani (a leading political cleric) and Mosaddeq objected, although the mere constitutional amendments did little to change the situation.

**Ayatollah Seyyed Abolqāsem Kāshāni:** Ayatollah Seyyed Abolqāsem Kāshāni (1882-1962) was born in a noted clerical family of Kashan. He went to the Shi'ite seminary in Najaf, Iraq, where he was qualified as a *mujtahed* during World War I. After the war he joined the anti-British campaign in Iraq and, in fear of arrest, fled to Tehran in the 1921. In 1925 he became a member of the constituent assembly which established the Pahlavi dynasty. During World War II he was interned by the Allies for fear of his possible opposition to their occupation of Iran. In 1949, and in the wake of an unsuccessful attempt on the shah's life, he was exiled to Lebanon on suspicion of having been privy to the plot, but was allowed to return to Iran during the campaign for the nationalisation of Iranian oil when he lent full support to the National Front. But later in 1953, he turned against Mosaddeq's government and briefly supported the August 1953 coup against him. This did not last for long and in 1955 he spent a short spell in jail, but he was no longer a popular political figure. He died in 1962. To recall, Qavam was still prime minister when the Majlis instructed the government to open negotiations with the AIOC after rejecting the north Iran oil concession to the Soviet Union. A deal, known as the Gass-Golsha'iyān or the supplemental agreement, was eventually negotiated under Mohammad Sa'ed, which moderately improved Iran's annual revenues. but the opposition saw this as too little too late. In the meantime Taqizadeh had announced in a Majlis speech that he had signed the 1933 agreement under duress, which had seriously put in doubt the legality of the agreement.

In October 1949 the National Front, a broad political formation of liberal democrats and nationalists led by Mosaddeq, was formed. Elections for the

16<sup>th</sup> Majlis had been largely rigged by the government in the provinces and now the battle lines were drawn for the Tehran elections. Mozaffar Baqa'i and Hossein Makki, who had led the opposition to the supplemental agreement in the previous Majlis, had brought out Mosaddeq from his self-declared 'political retirement' to lead the campaign for free elections and against the supplemental agreement. They and seventeen other protestors took *bast* at the royal palace against ballot rigging. Three days later they left and announced the formation of the National Front on 23 October. On the same day, the Tudeh party's official newspaper described its leaders as agents of imperialism as well as the royal court. New elections were held and seven Front leaders and Ayatollah Kashani who was still in Beirut in exile found their way to the Majlis. Shortly afterwards General Ali Razmara, the strong chief of the general staff, became prime minister. In the meantime an ad hoc oil committee of the Majlis chaired by Mosaddeq had been set up to deal with the oil question. The National Front faction was small but they enjoyed wide popular support. Razmara was an exceptionally able general and an astute politician. As prime minister, he pushed the supplemental agreement bill and had friendly relations with the British embassy; he attracted America's support as a strong leader who would save Iran from communism; he also made a commercial treaty with the Soviet Union, and had secret relations with the banned Tudeh party. The AIOC eventually offered Razmara a 50-50 deal (i.e. each party receiving 50 % of the net proceeds) after it became clear that the Majlis would not approve the supplemental agreement. For unknown reasons he did not make this offer public before he was assassinated in the Royal Mosque on 7 March 1951. Razmara's self-confessed assassin was a member of the Fada'iyān-e Islam; yet, from the start it was believed that the shah had had a hand in his assassination. Whatever the truth, there is evidence that the shah did not receive the news of the general's death with regret, since he firmly believed that Razmara had been planning a military coup. Shortly after Razmara's assassination, the Majlis unanimously passed Mosaddeq's oil nationalization

bill, nationalising Iran's entire oil industry, the only domestic political force which publicly opposed it at the time being the Tudeh party, since it saw it as a plot to replace Britain with America, and was still mindful of the Soviet claim to North Iranian oil. Hossien Ala's caretaker government lasted for only two months and Mosaddeq became prime minister on 29 April 1951.

**Oil Nationalization (1951-1953):** While the shah and conservatives saw themselves as the natural clients or allies of Britain and (later) America, and the Tudeh of the Soviet Union, Mosaddeq pursued a non-aligned foreign policy which, since the early 40s, he had described as the policy of 'passive balance'. He saw the nationalization of Iranian oil as a necessary step towards the achievement of full independence and democracy. The strongest motive behind oil nationalization was thus political rather than economic, and that is why the movement was shortly to become known as the Popular Movement of Iran. He was willing to compensate the Anglo-Iranian Oil Company on similar terms to the recent nationalization of private industries in Britain, but AIOC demanded either a new concession with better terms for Iran, or full compensation to include the profit they would have made if they had continued until 1990. Britain was unhappy with a Mosaddeq government from the start, trying to bring him down via a Majlis vote of no confidence. Still, in the summer of 1951 they sent a negotiating team headed by government minister Richard Stokes, but no agreement was reached. There followed Iran's repossession of the oil operations in September 1951, leading to the boycott of Iranian oil by the main international companies (known as the Seven Sisters), backed by the Royal Navy in the Persian Gulf and beyond. Thus, Iran's principal source of public revenue and foreign exchange was cut off, while it had to pay the labour and maintenance costs of a virtually idle industry.

Britain's complaint to international bodies led to Mosaddeq's defence at the UN General Assembly who referred the case to the International Court, which Iran eventually won in July 1952. While he was in the United States, meeting both President Truman and Secretary of State Acheson, he agreed to

a compromise solution, but Anthony Eden, the British Foreign Secretary, turned it down. At the same time the World Bank offered to mediate by restoring and operating the production and export of Iranian oil for two years. This would have reduced considerably the scale of confrontation between Britain and Iran and might well have led to a permanent settlement of the dispute. Mosaddeq was receptive at first, but some of his influential advisors were against it, knowing that their Tudeh and rightist opponents would call it a sell-out. The Bank's attempt having failed, the government embarked upon a policy of 'non-oil economics' (i.e. running the economy and the country without the oil revenues) which in the circumstances it managed well by adopting realistic, albeit unpopular, policies; but clearly it could only be a short-term measure. The Anglo-Iranian oil dispute and domestic political strife added to the loss of oil revenues made it virtually impossible for the government to take major reformist decisions demanded by some of their supporters, notably Khalil Maleki, leader of the socialist Third Force party, such as land reform and enfranchisement of women. The religious establishment's open hostility resulted in shelving the plan for giving the vote to women. Regarding rural reform, late in 1952 a law was passed, based on the model of one that Qavam had previously passed, that obliged the landlords to give ten percent of their share of the output to the peasants and another ten percent into a rural development fund, though the government did not last long enough to see it through.

The British embassy continued their attempts to replace Mosaddeq by another government, and having decided that Seyyed Zia was too unpopular for the task, they focused their eyes on Qavam. In July 1952 the conflict between the shah and Mosaddeq regarding which of the two should appoint the minister of war led to Mosaddeq's resignation. There followed Qavam's ill-fated and short-lived ministry, the people's revolt against it, and Mosaddeq's reinstatement on the day that the International Court voted in favour of Iran's position that, contrary to the British argument, it had no jurisdiction in the dispute. Not long afterwards there began a rift in the

Popular Movement for both political and personal reasons. It was led by Ayatollah Kashani and Mozaffar Baqa'i who had been two of the most important figures in the Popular Movement. Meanwhile the political turmoil went on as before, the law being virtually passive towards the licentious behaviour of the press, unauthorized meetings let alone riots, as well as plots to bring the government down by illegal means. This serious internal dispute was now added to the unequal foreign conflict. And precisely for that reason, the Popular Movement would not have succeeded without a settlement of the oil dispute which would have been tolerable to Britain and America. That is why some of the less idealistic of Mosaddeq's advisors – e.g. Mohammad Soruri and Khalil Maleki - believed that he should settle for something less than 'the ideal', so as to save the movement and his own government. On the other hand, many more of his advisors were afraid of cries of 'sell-out', the minute he began to reach such a settlement. There was another brush with the shah in late February 1953 which, once again, Mosaddeq 'won'. This happened when the shah declared his intention of leaving the country, which led to unsuccessful anti-Mosaddeq riots with the aim of bringing down his government. Meanwhile the British and American intelligence services had begun to discuss (in November 1952) the possibility of instigating a coup against Mosaddeq by organizing and financing his domestic opposition, and they reached a definite agreement in April 1953. It was in the same month that Mosaddeq's opposition kidnapped and murdered the chief prefect of the police, for which both General Zahedi and Baqa'i, among others, were officially charged.

**The 1953 coup:** With no end in sight to the debilitating non-oil economics, no prospect of the settlement of the oil dispute, the unhappiness of increasing numbers of middle class people about the ongoing turmoil in the streets, and the revolt of almost half of the Popular Movement deputies, Mosaddeq, decided to hold a referendum to close the 17<sup>th</sup> Majlis and hold new elections, ignoring the opposition of some of his best advisors, such as Gholamhosyeh Sadiqi, deputy prime minister, and Khaili Maleki, leader of



the pro-Mosaddeq Third Force party. This played straight into the hands of his domestic and foreign opposition to put the coup plan into operation by obtaining from the shah a dismissal notice for Mosaddeq and a notice of appointment to premiership for General Zahedi. But before the commander of the royal guards could deliver the dismissal notice to Mosaddeq at 1 a.m. on 16 August 1953, the plot was discovered, the leading generals involved were arrested and the shah left the country. There followed two days of anti-shah demonstrations and rioting, some of which, according to publicly available CIA documents, was organized or augmented by the Anglo-American operators on site in order to frighten the public into an anti-Mosaddeq reaction. In view of the resulting acute sense of lawlessness and insecurity among the public on 18 August, the government banned public meetings and demonstrations the very next day. Taking advantage of the situation, the anti-Mosaddeq coup operators, including such powerful religious personalities as Aytollah Behbahani, managed to bring out a considerable number of people from the city's slums, and persuade parts of the army as well as the city police to join them. The Fada'iyan, Baqa'i's Toilers party and Kashani-supported Mojahedin of Islam – probably making up 500 individuals in all – also took part in the coup. Mosaddeq did not call for help while his home was being attacked. The coup-makers captured the Tehran radio station in the afternoon, and by the early evening it was all over. Thus, the shah who had gone to Rome via Baghdad thinking that all was lost returned to Tehran in triumph.

**Dictatorship (1953-1963):** The decade following the 1953 coup was a dictatorship comparable to the decade that had followed Reza Khan's coup in 1921. The coup did not quickly result in personal and arbitrary rule, although within a couple of years – certainly after his dismissal of Zahedi – the shah became by far the most powerful player in the country. Apart from its foreign sponsors, the coup had been the product of a coalition of social and political forces. Therefore, all the shah's allies shared in the power – although at a decreasing rate – until the revolt of 1963 when the shah

inaugurated his final phase, the period of absolute and arbitrary rule (*estebdad*). Three phases may be distinguished during the shah's dictatorship. 1953-55 was the period of consolidation of power and elimination of both the Popular Movement and the Tudeh party from politics. 1955-1960 saw the concentration of power and a rising economic boom which ended up in bust. This was followed by power struggles between 1960 and 1963 which the shah won. Between 1953 and 1955 Mosaddeq was tried and convicted in military courts and sentenced to three years in solitary confinement, and later was forced to live on his rural estate until his death in 1967. The Popular Movement parties were banned and their leaders and activists jailed for some time except for Foreign Minister Fatemi who was executed. There were attacks against the Tudeh party, and the discovery and destruction of its military network of more than 450 army officers dealt it a devastating blow, ending with the execution of scores of its members. Let it, however, be emphasised that, although Tudeh and Mosaddeqites were eliminated from politics, political and religious establishments still had a share in power and made up the shah's support and social base.

Relations with Britain were restored in 1954, and an agreement with a consortium of British, American, Dutch and French oil companies settled the oil dispute on a 50-50 basis for a period of twenty-five years. Following that, and in his first move to consolidate his own power, the shah dismissed Zahedi in April 1955 and sent him into honourable exile. The conflict between the shah and Abolhasan Ebtehaj was further proof of the concentration of power. Ebtehaj was the exceptionally able and honest head of the Plan Organization, then the chief agency for economic development, and was dedicated to financial honesty and the use of oil revenues for development projects rather than military expansion. Having failed to persuade the shah to back him on these views, he resigned in 1959 and spent a term in jail in 1961-1962. Meanwhile, the shah who at the time advocated the ideology of 'positive nationalism' (implying that Mosaddeq had been a

'negative nationalist'), had launched a two-party system. The *Melliyun* (purported to mean Nationalist) party was headed by Prime Minister Eqbal; the *Mardom* (People's) party was led by the shah's closest confidant and minister of the interior Asadollah Alam. It was no more than a window dressing exercise.

The religious establishment had been behind the new regime as it had played a significant role in the coup and its legitimization, and the shah's good relations with them peaked during the official anti-Baha'i campaign in 1955. The Fada'iyān-e Islam's newspaper *Nabard-e Mellat* was elated; yet, they made an unsuccessful attempt on Prime Minister Hossein Ala's life the following November since they were angry by his decision to join the Baghdad pact (later, Central Treaty Organisation). Five of them, including their leader Navvab Safavi, were arrested, tried and executed, but the religious establishment did not rally to their support. After the 1953 coup British influence in Iranian politics began to assume second place to that of America. Within a relatively short period a client-patron relationship was built up between Iran and the United States. American aid was crucial in the first two years before oil revenues could once again become a significant source of state revenue and foreign exchange. It was to continue throughout the 50s in the form of financial and military grants and later public loans. Iran dropped its policy of neutrality and non-alliance. In 1955, with strong US support, it joined a military pact with Britain, Turkey, Iraq and Pakistan, first described as the Baghdad pact, later the Central Treaty Organization (CENTO) after the 1958 coup in Iraq when that country left the pact. In 1957, the CIA sent a five-man advisory team to Tehran who in the course of the next four years helped organize and train an internal secret service which became known as SAVAK. The Soviet Union did not at first react as sourly as might have been expected to the American-sponsored coup of 1953, the suppression of the Tudeh party and Iran's alliance with the west. But they became increasingly concerned about the American influence and their use of Iranian military facilities for intelligence gathering and the establishment

of air bases along the Soviet border with Iran. However, their concern turned into public indignation and anti-shah propaganda in 1959, when the shah entered a mutual defence pact with the United States, at the same time as he had been negotiating with the Soviet Union for a non-aggression treaty. There was to be a thaw in the two country's relations beginning in 1963, following the decline of Cold War and the shah's victory in the domestic power struggles of 1960-63.

### **5. Economic planning and managerial policies**

The flow of oil and foreign aid brought the economy out of the stagnant state of non-oil economics, with increasing consumption and imports benefiting mainly the upper and middle classes. In 1955 the Plan Organization was charged with the preparation and execution of the Second Seven Year Plan (1955-1962) for economic development, since the first plan had fallen by the wayside due to the oil dispute and loss of oil revenues. Total expenditures for the period came to about 70 billion rials. 48.0 percent of this was spent on infrastructure – transport, telecommunications, public utilities, etc. – 22.0 on agricultural projects, 14.0 on regional development, 8.0 on industry and mines and 7.7 on unanticipated costs. Thus, industry took very much the back seat in accordance with prevailing attitudes towards third world development at the time. Meanwhile, following Ala's caretaker cabinet, Manuchehr Eqbal's government (1955-1960) followed an economic policy of high consumption expenditure and liberal imports. Cheap money in the hands of the upper classes and speculators led to a thriving movement in urban land speculation, bidding up urban land and property prices and putting pressure on the housing market. In 1955, the country's balance of payments including oil was \$11 million, and excluding oil, -\$37 million; in 1960 the figures had respectively fallen to -\$219 and -\$583. There followed almost three years of economic depression and political power struggles from which the shah emerged triumphant.

**Amini's government (1961-62):**In 1960 the shah faced serious problems in both domestic and international spheres. There was runaway inflation and the consumer boom was about to turn into bust. In 1958 he had foiled a suspected coup by General Qarani, the army intelligence chief. The American embassy had been aware of Qarani's activities, and Ali Amini, then Iranian ambassador to Washington, was dismissed on suspicion of being involved in his plot. In 1960, Senator John F. Kennedy, a severe critic of corruption and waste of American aid in Iran and similar countries, had been elected president. The Soviet Union was still angry, conducting a scathing radio propaganda campaign against the shah and the royal family. The shah's declaration that the oncoming elections of the 20<sup>th</sup> Majlis would be free was largely to appease Kennedy, just as his 'liberalization' of 1977 was mainly a response to the election of President Carter. Amini, the second National Front and other peaceful opposition groups began to organize, but the elections were nevertheless rigged. What broke the camel's back was the teachers' strike in April 1961, when in the course of a massive but peaceful demonstration a teacher was shot dead by the police. The shah sent for Amini, whom he believed was America's candidate for premiership. Amini accepted the offer on the condition that the shah, using his powers under the 1949 constitutional amendments, would dismiss the parliament, knowing that the Majlis was packed with landlords and the shah's appointees who could bring him down any moment and would certainly not support his proposed land reform policy.

The shah both disliked and feared Amini who, although loyal, was both independent and capable, and wanted to trim some of the shah's dictatorial powers. The shah was also afraid that Amini's moderately liberal approach added to his land reform policy could help him steal the show both with the public and the Americans. The pro-shah and anti-reformist elements began to campaign against Amini. And to Amini's chagrin, the second National Front also led a relentless campaign against him on the pretext that he should immediately call 'free elections'. In January 1962, the Land Reform Law

for abolishing the landlord system and giving land to peasants - described as the first stage of the reform - was passed and ultimately affected 14,000 villages or 30 percent of the total (excluding hamlets), with 520,000 peasant households. The logic behind Amini's land reform programme was to create a wider and more secure base for the regime and enable and encourage public participation in economic and social development. He believed that a comprehensive land reform with compensation to the landlords would win the support of the peasantry and make agricultural development possible, while it would both persuade former landlords to invest (or lend to others to invest) in the urban sector, and encourage the urban bourgeoisie to invest in modern industry. By July 1962 when Amini fell he had no political force to depend on: the shah, the landlords, the second National Front and the Tudeh supporters were all against him. In a recent visit to America the shah had been reassured that he could dismiss Amini if he so wished. He was replaced by the shah's close confidant, Asadollah Alam. That marked the beginning of the shah's direct and personal rule.

**Land reform and the revolt of June 1963:** In January 1963, the shah took many, including his democratic and leftist opposition, by surprise when he put a six-point reform programme, described as the White Revolution, to referendum, which by official manipulation returned a 99 percent 'yes vote'! In different ways, the most important and controversial of these points were land reform (which had already begun under Amini a year before) and women's suffrage. As noted, Mosaddeq's hope to enfranchise women had been frustrated by the religious establishment's hostility towards it, and this time there was similar opposition by many if not most leading religious leaders. In practice, all elections were controlled by the state, but nevertheless, the act itself followed by sending a few women to the parliament, had an important symbolic social value, and would encourage greater emancipation and participation of women – limited, of course, to upper and modern middle class women - in society. Land reform was still the most controversial point of the White Revolution. It was well known that

the shah was opposed to Amini; therefore, the landlords and religious establishment who had provided the strongest social base of the regime after the 1953 coup expected a disruption of the land reform policy. Many ulama opposed, regarded it as violation of private property, both in response to the landlords' appeal to them for support, and because they were anxious of its consequence for the *owqaf*, the religious endowments, which was an important source of revenue for religious institutions. In practice, the land distribution programme was diluted when it moved to its 'second stage', but this was not apparent from the general policy principle in the shah's referendum.

At least as worrying for the landlords and the religious establishment was the fact that, in the long parliamentary recess, the shah had assumed personal rule and in effect abandoned his old allies. He brushed aside personal representations by pillars of the establishment and in effect banished them from court. It is highly instructive that at this time Taqizadeh who was both strongly in favour of land reform and women's vote, and who had not made any notable political pronouncement for more than a decade, drafted a letter addressed to the shah, complaining about parliamentary recess and violations of the constitutional law. It was intended to be signed by a number of elder statesmen, but was never actually sent. There is no reference in the letter to land reform or women's vote. It shows the deep concern of the political establishment for the shah's assumption of arbitrary power, as opposed to mere dictatorship in which they had acquiesced since 1953. Likewise, the modern middle classes were not opposed to the principles of land reform, etc. They were however opposed to dictatorship and were nostalgic about the freedoms enjoyed under Mosaddeq, who by this time had assumed an almost mythological status among most of the political public, particularly students, intellectuals and the bazaar. The strongest response came from the ulama and religious community in general, and Ayatollah Khomeini, in particular, who – though well known in the Qom seminary and among the specialist

circles - came to wide public notice as a result of this personal challenge, and quickly became a national figure. This led to the revolt of June 1963.

On 3 June (*Ashura*) the day of martyrdom in Karbela, demonstrators carried portraits of Khomeini, and chanted pro-Khomeini and anti-shah slogans. Defying government orders, Khomeini delivered a powerful sermon in a theological college in Qom, strongly attacking the shah himself. His arrest early next morning led to a public revolt, which reached its peak in the following day, 5 June, known in Persian as the *15<sup>th</sup> of Khordad*. The riots were violently suppressed with heavy loss of life. There followed a clampdown on the religious community, especially in Qom and Tehran. Khomeini was later put under house arrest, and only released after eight months. Still later, he was arrested and exiled to Turkey whence he was allowed to live in the holy city of Najaf in Iraq. This happened when he broke silence and delivered a long and stinging sermon against a new law which granted immunity from prosecution in Iranian courts to American technical and military advisors and personnel and their dependents in Iran, a highly unpopular law which was reminiscent of the hated capitulation agreements under the Qajars. Khomeini said in the sermon: If some American's servant, some American's cook, assassinated your *maraje'* [grand ayatollahs] in the middle of the bazaar, or ran him over, the Iranian police would not have the right to apprehend him ... Even if the shah himself were to run over a dog belonging to an American he would be prosecuted. But if an American cook runs over the shah, the head of state, no one will have the right to interfere with him. The revolt of June 1963 marked a watershed in the relationship between state and society from dictatorship to arbitrary rule, and inaugurated a new era which ended with the revolution of February 1979.

**The return of arbitrary government (estebdad):** The shah personally ruled Iran between 1963 and 1978. He tried to combine the role of a traditional arbitrary ruler with a modern revolutionary leader. In a brilliant observation made to close friends Senator Hasan Akbar said as early as 1964:



'His Majesty is trying to become both Xerxes and Fidel Castro; but this is impossible'. From the mid-1960's Iran began a process of rapid economic and social change. The most important single factor in determining both the pattern and the speed of economic change and industrialization was the oil revenue. Oil revenues are in the nature of economic rent: the cost of producing crude oil is little compared to the revenues that proceed from it. The revenues accrued to the state, and it was their disbursement by the state that determined the direction, pattern, pace, indeed the whole character of industrialisation and social change. Therefore, the combination of oil and state played the key role in determining the course of events. Yet, that need not have resulted in the same *pattern* of events, and the same or a similar *outcome*, had there not been an arbitrary government which would neither be subject to legal restraints, nor would allow any amount of independent advice and mediation.

The failure of long-term development in the period concerned was neither for want of economic resources, nor even because of political dictatorship. Dictatorships do allow for politics. They are based in law, even if the law may be unfair and discriminating. They have a social base either among the privileged social classes or some sections of 'the masses', or among both, as in some fascist and populist regimes. The government is not democratic, but nor is it due to the personal whim and will of one individual. As we have seen, Iran had already been a dictatorship since 1953. From 1964 onwards there was not just a lack of political development; rather, politics itself began to disappear from the public sphere. The regime lost its social base among the landlords, provincial grandees and religious establishment, without wishing to replace it with other, existing and /or emerging social classes. Even as early as 1964, when the state had beaten all opposition, substantially improved its foreign relations, and was looking forward to economic growth and prosperity, its fundamental failure was not missed on some, of whom Martin Herz, the American Political Secretary in the US embassy, wrote in an unusually long dispatch that not even the regime's clients and

beneficiaries supported it.”*Here, and not in particular activities of the exponents of the opposition, lies the real weakness of the regime...the Shah's regime is a highly unpopular dictatorship, not only by its opponents, but far more significantly, by its proponents as well.*”

Herz's reference to 'a highly unpopular dictatorship' meant precisely arbitrary government (i.e. *estebdad*), for which he neither had the concept nor the terminology. What was true in 1964 was scarcely less true in 1977, when a limited opening of the political sphere by the regime quickly led to massive protests and revolution. Much of this had been dreaded by the shah's most loyal servant and confidant Asadollah Alam, minister of the royal court. Alam's extensive confidential diaries covering the period 1969-1977, provide a first-hand account of the nature of the regime, its real weaknesses in the face of apparent success, and - indirectly - of the psychology of the man who was in complete command of all the key policies, be they domestic or foreign. The diaries which were published in 1991 (long after both Alam and the shah had passed away), contain ample evidence to refute the almost universal belief of the Iranian people that the shah was in the pocket of America. On the contrary, they clearly show that, rather than subservience to America, arbitrary government combined with superficial modernism as well as the shah's own persona were the real determinants of the shah's policies which ended up with the Revolution of 1979. The shah was certainly pro-American. Yet Alam's diaries amply demonstrate that - at least from the late 60s onwards - he saw America as his chosen grand (and admired) partner, rather than the master to whom he was slavishly bound by money or power. Yet, it is ironical that the diaries also contain much direct evidence, not just of the shah's own acute Anglophobia but his firm belief in the conspiracy theory of international politics, not excluding the United States.

Having given himself the title Aryamehr (Aryan Sun) in the mid-60s, the clearest manifestation of the shah's Pan-Persian Aryanism was the fabulous international celebrations, in October 1971, of the 2500<sup>th</sup> anniversary of the

Persian Empire, at the cost of several hundred million dollars, when the country's annual income per head was around \$350. They were deeply resented by almost the whole society. Alam says in his diaries that even the queen, now entitled Shahbanu, had been opposed to them. Shortly after the quadrupling of oil prices in 1973-74 in which the shah had played a significant role, he told Alam that his ambition was to turn Iran into a world power. A year later he wrote in his book *Towards the Great Civilisation* that 'To take the Iranian nation to the age of the great civilization is my greatest wish', and he went on to add that 'the great civilisation towards which we are now moving is not just a chapter in the history of this land. It is its greatest chapter'. A few months before, Alam had been horrified to learn that 'only 1 per cent of our villages have been supplied with clean piped drinking water...far more shameful is the fact that only one in twenty five villages has electricity...'The military, the parliament, the long-lasting administration of the cultured but subservient Amir Abbas Hoveyda, had no will of their own, and when the loyal Alam told the shah that he could at least allow free municipal elections, the shah replied that even that would be harmful 'because the people would then want to talk about such matters as inflation'.

**One-party state:** In March 1974, shortly after the fourfold increase in the oil prices, official party politics took a dramatic turn. At a suddenly-called press conference, the shah disbanded the two official *Mardom* and *Iran-e Novin* parties, and replaced them with the single National Resurgence party. Membership of the new party was in effect made compulsory for all Iranians. In a famous speech, the shah classified his subjects into three groups: the great majority who, he said, were behind the regime; those who were passive and neutral and should therefore 'expect nothing from us'; and dissidents and critics, for whom there was no room in the country and who were free to apply for passports and leave Iran. The people, great as well as small, felt insulted and humiliated. Abolhasan Ebtehaj, the country's first and most able technocrat and former head of the Plan Organization who had

founded his own private bank, later remembered that ‘I telephoned Hoveyda, who was the party’s general secretary. I said “this means that I have to join the party, because I can’t leave Iran”. “Yes” he said. I said, “what should I do?” he said he would send me a piece of paper to sign...meaning that I had become a party member. That’s all, just a signature... The shah’s grip on the military was tight. The power and privileges of military officers went considerably beyond their good pay and conditions. Their military uniform, which they regularly wore in public, conferred extraordinary authority, and they could intimidate ordinary people in public. Military organizations could also violate private property (especially urban land) whenever it suited their purpose. All this served to cause a great deal of public resentment against military officers and networks.

Yet, powerful as the military personnel and organisations were in relation to the ordinary public, they were completely powerless regarding their own professional tasks and activities. The shah was personally in charge of all arms purchases, he made all the appointments and promotions of the senior and general staff, and heads of services, departments, and operations had to report directly to him. The highly-regarded General Fereydon Jam, chief of staff (1969-1971), resented the fact that ‘officers were all responsible without having power...Not even the army commander had the right to use more than a company in his area ...It is clear that such an army which in normal times would have to seek permission to breathe, will have no-one to lead in a crisis, and will disintegrate...exactly as it in fact did.’ General Jam, General Hasan Toufanian, and Admiral Amir Abbas Ramzi Atai are all at one in emphasizing the lack of coordination between various military establishments and the requirement that all the service chiefs both report directly to the shah and obtain permission from him for the slightest decision. SAVAK, founded in 1957, was the shah’s secret police, though there were other security and intelligence-gathering networks, each watching the others and all of them being under the shah’s direct control. SAVAK was a large and ruthless security organization whose power, influence and sphere

of operations grew from the mid-1960s in consequence of the inter-related growth of the shah's arbitrary power as well as the steady, and later explosive, increases in the oil revenues. It not only suppressed political dissidence and the urban guerrilla movements, but also struck widespread fear in the hearts of high and low alike in an attempt to obliterate any word of criticism, however harmless, even in private. This played an important role in spreading anger and frustration against the regime.

**New Foreign policy:** From 1963 onwards the shah personally conducted his own largely successful foreign policy. US Ambassador Armin Meyer recalled that after his audiences with the shah, the foreign minister would 'pick my brains to educate himself as to what was on the Shah's mind.' Most important in the field of Iranian foreign relations were the United States (and Britain), the Soviet Union (and the Eastern European countries), and the Arab (and Islamic) world. In the period of his absolute rule the shah managed to maintain and enhance the support of America and Britain, establish friendly relations with the Soviet Union and East European countries, be on good terms with Arab kingdoms, maintain friendly relations with Israel and even reach an accord with Mao's China. At the same time, the defeat of the Egyptian leader Gamal Abd al- Nasser in the 1967 Arab-Israeli war, and his death a few years later largely removed the threat of Nasserism, the symbol at the time of Arab nationalism. The shah even managed to bring Saddam Hussein to heel in 1975. The shah's American card became much stronger upon Richard Nixon's assumption of the presidency (1969-1974). Nixon almost gave the shah a *carte blanche* for ordering arms from the US, and openly asked him to keep the peace in the Persian Gulf on behalf of America. Relations remained unchanged under Gerald Ford (1974-1976), but they took a new turn on the election of President Carter with his more liberal international policy and public espousal of human rights.

Relations with the Soviet Union improved and normalized in the 60s and 70s, although not to the extent of disturbing Iran's alliance with the West.

This included better trade relations, the most important results being the Soviet construction of Iran's first modern steel plant in Isfahan, a machine-tools factory in Arak, export of Iran's natural gas to the Soviet Union, as well as purchases of arms and military equipment from Russia and some East European countries. The most engaging foreign conflict in the late 60s and early 70's was with neighbouring Iraq. The Iraqi regime was fiercely nationalist as well as pro-Soviet, and saw itself as Iran's rival power in the Persian Gulf. But the specific cause of conflict with Iraq was the age-old dispute over Iran's rights in the Shatt al-Arab waterway. Iraq welcomed General Teymur Bakhtiar, the founding SAVAK chief who, having been sacked, was now plotting against the shah, but was killed by an Iranian undercover agent in 1970. In 1971-72, Iraq resorted to the persecution and mass expulsions of Iraqi Shi'ites of Iranian origin. And so, when the Kurdish revolt in Iraq kicked off the shah used it as an opportunity to retaliate and try to stem Iraqi hostility by providing effective support for the Kurdish insurgents. The tactic worked, and in 1975 in a summit of the Islamic countries in Algiers, Saddam Hussein capitulated and made peace with the shah. All this while, the highly dictatorial Ba'athist Iraqi regime was very popular with the Iranian people, and not least with the intellectuals. And this was so simply because of its confrontation with the shah's regime, this being further proof of the fundamental conflict between state and society in Iran, especially now that the state was strong and repressive.

The most sensitive issue facing the shah in his relations with both Britain and his Arab neighbours in the Persian Gulf was the question of Bahrain's independence after the British withdrawal from the Gulf. Iran had a historical claim to Bahrain, as well as the islands of Abu Musa and the Greater and Lesser Tunbs which are virtually uninhabited, but are strategically located in the Strait of Hormoz, and to which the then Trucial States (now the United Arab Emirates) also lay claim. The shah did not want to go to war with Britain and /or Arabs over Bahrain, whose population was overwhelmingly Arab. In the end, long and protracted negotiations with

Britain led to Iran's recognition of Bahrain in 1971 as a sovereign country following the report of a UN mission that the people of Bahrain wished their country to become fully independent after British withdrawal. But Iran would not leave empty handed. The day after British withdrawal from the Persian Gulf, the Iranian Navy occupied the three islands mentioned above. The departure of Britain combined with the strong support by President Nixon and the end of Iraq's confrontation with Iran meant that by the mid-1970s Iran had become the foremost player in the Persian Gulf. Thus by the time the anti-regime protest movement began in 1977, the shah's regional and international policy had been so successful that his only enemy was Colonel Gaddafi of Libya. Nevertheless he came to believe that the revolution against him had been engineered by America and Britain. The Iranian revolution of February 1979 will be discussed in chapter 5. Before that, we shall take a brief look at the impact of the shah's White Revolution for the society and economy in the 60's and 70s.

**The impact of the White Revolution:** In 1979 Iran was incomparably richer than it had been fifteen years earlier, and – though unevenly - all the sectors of the economy had considerably expanded. None of this would have been possible without the steady growth, and later explosion, of the oil revenues. In 1963, they were \$300 million; in 1977, they had risen up to \$24 *billion*. Oil therefore was the engine of growth and cause of a substantial rise in general living standards, but given that it was almost a free gift and the state directly received its revenues, it also led to negative impacts on political, economic and social development. In the crucial years following the restoration of arbitrary rule, the growing revenues enhanced the power of the state, making it free from the need for foreign aid and credit, and became much more independent from world powers in choosing its foreign as well as domestic policies. Likewise, the oil revenues made the state largely independent from the domestic economy such that by 1977, oil contributed almost 77 percent of state revenue which was received in foreign exchange. It was the state expenditure that determined the course and strategy of social

and economic change, and the state sector grew much more rapidly than the private sector, although the latter's growth itself was mainly due to state expenditure.

The initial six principles of the White Revolution of 1963 were later gradually extended to include other measures without further referendums, leading to a sense of social insecurity, such that by 1977 many believed that the next principle of the White Revolution would nationalise all urban property except personal dwellings. The second stage of the land reform that followed Amini's first stage was similar to it, but it was more favourable towards landlords. In both cases peasants without traditional right of cultivation - about one-third of the villagers - were excluded, and this encouraged many of them to migrate to towns. Hasan Arsanjani, the architect of the original first stage, wanted a relatively autonomous cooperative movement run by the peasantry, but the shah later opted for a system that was bureaucratically controlled. The third and fourth stages could not be realistically described as land reform. The shah's vision was to turn Iran into a modern industrial society within a short period of time. But, on the one hand, the reliance on petro-dollars apparently removed the need for agricultural exports to provide the necessary foreign exchange; and, on the other, the shah believed that in the eyes of the world a fairly large rural society was a sign of underdevelopment. This attitude was behind agricultural policy from the late 60s onwards.

The third stage was the creation of agricultural corporations for each of several villages taken together in which the peasants would receive paper shares on the basis of the size of their plots. In practice, this forced the small share-holders to sell their shares and become rural or urban labourers. The fourth stage of agricultural policy was even more destructive and less relevant than the third stage. It was a policy of creating giant agri-business companies in some of the most fertile areas of arable production. The peasants were forced to sell their lands as well as their homes at administrative prices and become landless farm labourers on daily wage, and



living in substandard housing estates which lacked the communal environment of the village. In one case in the Khuzistan province 58 villages were demolished to make way for one agri-business company. Yet, as in the case of farm corporations, the agri-businesses performed less efficiently than the existing agricultural systems. Educational policy was much more successful. Now that the oil revenues were flowing in, the economy was expanding rapidly and incomes were rising, and there were increasing job opportunities for educated men and women. As a result the demand for more and higher education also expanded fast, more and more social classes expecting their children to be educated at the highest levels. New schools came into being all over the country, though many more in towns than in villages. The number of primary school students, girls as well as boys, increased more than threefold between 1962 and 1977. The growth of secondary education was even more impressive: there was more than an eightfold increase between 1962 and 1978. Yet the philosophy, style, quality and results of secondary education were criticised by some educationalists for their insufficient care for science and technology, and the emphasis on memorizing rather than acquiring a critical faculty.

Higher education also expanded rapidly both at home and abroad. Following 'the educational revolution' in the late 60s (one of the principles of White Revolution) the state decided to expand universities and colleges. In 1962 the number of university students was 27,000, but by 1977 it had risen almost to 69,000, although once again there were complaints about standards regarding both teaching and research. Yet, true to the sharp conflict between society and state, not only the university and secondary school students, but eventually even the primary school children joined the anti-shah demonstrations in 1978 and 1979. The growth of oil revenues and, therefore, middle class incomes, the demand for higher education still being higher than its supply, and the higher prestige and income prospects attached to western education combined to lead to a rapid growth of students studying in Western Europe and the United States. Their number increased from

about 15,000 in 1962 to 40,000 by 1977, a great increase, most of which occurred in the 1970s, especially after the quadrupling of oil prices in 1973-1974.

There was a continuing rise in the number of girls at schools; there was also a corresponding increase in the number of women attending colleges and universities, and even women students going abroad. This, together with a more open attitude on the part of the state and society, and the introduction of modern means of birth control, led to the growth of female employment in the modern economic sectors and the professions. By 1977, there had been a number of women Majlis deputies, senators, ministers and higher civil servants. The law still discriminated against women regarding divorce, inheritance, custody of the children, etc. However, there was a growing tendency for modern women to obtain the right of divorce in their marriage contracts. Furthermore, the Family Protection Law of 1967 made it possible for other women to apply to an appropriate court for divorce on certain grounds; and while it did not abolish polygamy, it applied certain restrictions to it. In general, the 60s and 70s saw significant advances in the position and status of (mainly upper and middle class) women. The economy expanded fast thanks to the oil revenues which were received and disbursed by the state: in 1975, oil contributed more than 84 percent of government revenues, only less than 16 percent being received via all other sources. Population also grew rapidly at an average annual rate of about 2.7 percent in consequence of falling death rates and rising birth rates, both of which were directly or indirectly influenced by rising living standards.

The growing oil revenues, accrue as they did in foreign exchange, made possible the import of modern technology and machinery, leading to high levels of investment in modern manufacturing, services and construction. Yet, while modern economic sectors thus expanded, economic development did not proceed in any long-term and self-sustaining sense, because the strategies pursued by the state were unhelpful to the objectives of long-term and irreversible economic development. In particular, the import-substitution

(as opposed to export promotion) strategy of industrial development did not allow the emergence of a modern export sector. In other words, the economy was permanently dependent on oil revenues. The decline of agriculture made matters worse. It ceased to be a net export-earning sector, for, among other problems noted above, Iran's currency was overvalued, and this made her agricultural products expensive in the international market: throughout the period, the rial's rate of exchange was maintained at between 70 and 75 rials to the American dollar because the shah attached prestige value to a high rate of exchange. Foreign exchange receipts being due to an unpredictable gift of nature, and saving rates being low or negative, the country had not achieved self-sustaining development at the time of the revolution of February 1979, nor in 2012 in spite of the considerable expansion of the economy.

Economic growth, although high, was very uneven. Apart from oil, it was services rather than manufacturing that had the highest share in the national output. In 1977 the share of modern as well as traditional manufacturing, and construction in non-oil output, was 29.7 percent, whereas the share of services was 55.6 percent, while agriculture - on which about half the population depended - claimed the remaining 14.7 percent. The share of oil and services put together was almost 70 percent of total national output. While the national income grew in all sectors of the economy, its distribution was highly unequal. This was partly due to the different rates at which the economic sectors grew and partly a consequence of state expenditure policies. In particular, the continuing relative decline of agriculture and the urbanization policies of the state meant that the rural society was constantly losing in incomes and welfare relatively to the towns.

## **6. Conclusion**

Reza Shah was both an ideological nationalist and a pure pragmatist who would use whatever methods he thought were necessary to achieve personal and national goals. Reza Shah and Mohammad Reza Shah Pahlavi, father

and son, ruled Iran between 1926-1979. During their reign Iran saw all seasons, including modernisation, dictatorship, arbitrary rule, chaos, foreign invasion and revolution. It was also a period in which the Pahlavis' nationalist ideology clashed with democratic ideals, communist aspirations and – ultimately – Islamist beliefs. While the rural population was about 55 percent of the total in 1977, its share of total consumption was almost one-third of urban consumption. This led to an increasing rate of rural-urban migration, creating problems for urban employment, urban housing, etc. The shah's strategy of economic development led to constraints, bottlenecks, inflationary pressures, and above all the frustration of expectations despite the fact that almost all sections of the population had gained in welfare over the period 1963-1977. It thus contributed to social discontent and revolutionary trends, But it was by no means the economic factors alone or primarily that determined the fundamental causes of the revolution of February 1979. That is when the whole society, rich as well as poor, high as well as low, burst out in a historic revolt against the state.

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