

This slight loosening of the reins sealed the fate of the shah. Political parties, labor organizations, and professional associations—especially lawyers, writers, and university professors—regrouped after years of being banned. Bazaar guilds regained their independence. College, high school, and seminary students took to the streets—with each demonstration growing in size and vociferousness. On September 8, 1978, remembered in Iran as Black Friday, troops shot and killed a large but unknown number of unarmed civilians in central Tehran. This dramatically intensified popular hatred for the regime. By late 1978, general strikes throughout the country were bringing the whole economy to a halt. Oil workers vowed that they would not produce any petroleum for the outside world until they had exported the “shah and his forty thieves.”³

In urban centers, local committees attached to the mosques and financed by the bazaars were distributing food to the needy, supplanting the police with militias known as *pasdaran* (Revolutionary Guards). They replaced the judicial system with ad hoc courts applying the *shari'a*. Anti-regime rallies were now attracting as many as 2 million protesters. Protesters demanded the abolition of the monarchy, the return of Khomeini, and the establishment of a republic that would preserve national independence and provide the downtrodden masses with decent wages, land, and a proper standard of living.

Although led by pro-Khomeini clerics, these rallies drew support from a broad variety of organizations: the National Front; the Lawyer's, Doctor's, and Women's associations; the communist Tudeh Party; the Fedayin, a Marxist guerrilla group; and the Mojahedin, a Muslim guerrilla group formed of nonclerical intellectuals. The rallies also attracted students, from high schools and colleges, as well as shopkeepers and craftsmen from the bazaars. A secret Revolutionary Committee in Tehran coordinated protests throughout the country. This was one of the first revolutions to be televised worldwide. Many would later feel that these demonstrations had inspired the revolutions that swept through Eastern Europe in the 1980s.

Confronted by this opposition and by increasing numbers of soldiers who were deserting to the opposition, the shah decided to leave Iran. A year later, when he was in exile and dying of cancer, many speculated that he might have mastered the upheavals if he had been healthier, possessed a stronger personality, and received full

pasdaran

Persian term for guards, used to refer to the army of Revolutionary Guards formed during Iran's Islamic Revolution.



PROFILE

Ayatollah Ruhollah Khomeini

Ruhollah Khomeini was born in 1902 into a landed clerical family in central Iran. During the 1920s, he studied in the famous Fayzieh Seminary in Qom with the leading theologians of the day, most of whom were scrupulously apolitical. He taught at the seminary from the 1930s through the 1950s, avoiding politics even during the mass campaign to nationalize the British-owned oil company. His entry into politics did not come until 1963, when he, along with most other clerical leaders, denounced Muhammad Reza Shah's White Revolution. Forced into exile, Khomeini taught at the Shi'i center of Najaf in Iraq from 1964 until 1978.

During these years, Khomeini developed his own version of Shi'i populism by incorporating socioeconomic grievances

into his sermons and denouncing not just the shah but also the whole ruling class. Returning home triumphant in the midst of the Iranian Revolution after the shah was forced from power in 1979, he was declared the Imam and Leader of the new Islamic Republic. In the past, Iranian Shi'is, unlike the Arab Sunnis, had reserved the special term *Imam* only for Imam Ali and his eleven direct heirs, whom they deemed infallible, and, therefore, almost semidivine. For many Iranians in 1979, Khomeini was charismatic in the true sense of the word: a man with a special gift from God. Khomeini ruled as Imam and Leader of the Islamic Republic until his death in 1989.

support from the United States. But even a man with an iron will and full foreign backing would not have been able to deal with millions of angry demonstrators, massive general strikes, and debilitating desertions from his own pampered armed forces.

On February 11, 1979, a few hours of street fighting provided the final blow to the fifty-four-year-old dynasty that claimed a 2,500-year-old heritage.

The Islamic Republic (1979–present)

Seven weeks after the February revolution, a nationwide referendum replaced the monarchy with an Islamic Republic. Liberal and lay supporters of Khomeini, including Mehdi Bazargan, his first prime minister, had hoped to offer the electorate the choice of a *democratic* Islamic Republic. But Khomeini overruled them. He declared the term *democratic* was redundant because Islam itself was democratic. Khomeini was now hailed as the Leader of the Revolution, Founder of the Islamic Republic, Guide of the Oppressed Masses, Commander of the Armed Forces, and most potent of all, Imam of the Muslim World.

A new constitution was drawn up in late 1979 by the **Assembly of Experts** (*Majles-e Khebragan*). Although this seventy-three-man assembly—later increased to eighty-six—was elected by the general public, almost all secular organizations as well as clerics opposed to Khomeini boycotted the elections because the state media were controlled, independent papers had been banned, and voters were being intimidated by club-wielding vigilantes known as the **Hezbollahis** (“Partisans of God”). The vast majority of those elected, including forty *hojjat al-Islams* (middle-ranking clerics) and fifteen ayatollahs were pro-Khomeini clerics. They drafted a highly theocratic constitution vesting much authority in the hands of Khomeini in particular and the clergy in general—all this over the strong objections of Prime Minister Bazargan, who wanted a French-style presidential republic that would be Islamic in name but democratic in structure.

When Bazargan threatened to submit his own constitution to the public, the state television network, controlled by the clerics, showed him shaking hands with U.S. policy-makers. Meanwhile, Khomeini denounced the U.S. embassy as a “den of spies” plotting a repeat performance of the 1953 coup. This led to mass demonstrations, a break-in at the embassy, the seizure of dozens of American hostages, and eventually the resignation of Bazargan. Some suspect that the hostage crisis had been engineered to undercut Bazargan.

A month after the embassy break-in, Khomeini submitted the theocratic constitution to the public and declared that all citizens had a divine duty to vote; 99 percent of those voting endorsed it.

In the first decade after the revolution, a number of factors helped the clerics consolidate power. First, few people could challenge Khomeini’s overwhelming charisma and popularity. Second, the invasion of Iran in 1980 by Saddam Hussein’s Iraq rallied the Iranian population behind their endangered homeland. Third, international petroleum prices shot up, sustaining Iran’s oil revenues. The price of a barrel of oil, which had hovered around \$30 in 1979, jumped to over \$50 by 1981, which enabled the new regime, despite war and revolution, to continue to finance existing development programs.

The second decade after the revolution brought the clerics serious problems. Khomeini’s death in June 1989 removed his decisive presence. His successor, Ali Khamenei, lacked not only his charisma but also his scholastic credentials and seminary disciples. The 1988 UN-brokered cease-fire in the Iran-Iraq War ended the foreign danger. A drastic fall in world oil prices, which plunged to less than \$10 a barrel by

Assembly of Experts

Group that nominates and can remove the Supreme Leader in Iran. The assembly is elected by the general electorate, but almost all its members are clerics.

Hezbollahis

Literally “partisans of God.” In Iran, the term is used to describe religious vigilantes. In Lebanon, it is used to describe the Shi’i militia.

hojjat al-Islam

Literally, “the proof of Islam.” In Iran, it means a medium-ranking cleric.



The shah's statue on the ground, February 1979.

1998, placed a sharp brake on economic development. Even more serious, by the late 1990s, the regime was facing a major ideological crisis, with many of Khomeini's followers, including some of his closest disciples, now stressing the importance of public participation over clerical hegemony, of political pluralism over theological conformity, and of civil society over state authority—in other words, of democracy over theocracy.

Iran after 9/11

The terrorist attacks of September 11, 2001, and the subsequent American invasions of Afghanistan in October 2001 and Iraq in March 2002, had profound consequences for Iran. At first, the American war on terror brought Iran and the United States closer together since Iran for years had seen both the Taliban and Saddam Hussein as its own mortal enemies. Saddam Hussein was hated for the obvious reason that he had waged an eight-year war on Iran. The Taliban was hated in part because it had been created by Pakistan—Iran's main rival to the east; in part because it had massacred large number of Shi'i Afghans; and in part because being Sunni fundamentalists financed by the Wahhabis, the main Sunni fundamentalists in Saudi Arabia, the Taliban considered Shi'ism as well as all innovations since the very beginnings of Islam to be unacceptable heresies. In fact, these Sunni fundamentalists consider Shi'is to be as bad if not worse than non-Muslim infidels. Not surprisingly, Iran helped the United States replace the Taliban in 2001. It also used its considerable influence among the Iraqi Shi'is to install a pro-American government in Baghdad in 2003. It offered the United States in 2003 a “grand bargain” to settle all major differences, including those over nuclear research, Israel, Lebanon, and the Persian Gulf. Iran also offered to give a greater hand in helping the United States stabilize Iraq.

These hopes, however, were soon dashed—first because President George W. Bush named Iran (along with Iraq and North Korea) as part of an “Axis of Evil,” that supported terrorism and were developing weapons of mass destruction. He

then refused to enter serious negotiations until Iran unconditionally stopped nuclear research. This cold-shouldering played a major role in both undermining the Iran's liberal President Khatemi and paving the way for the electoral victory of the bellicose and ultraconservative Ahmadinejad in 2005. Reformers did not want to be associated with an American administration that not only insisted Iran should not have a nuclear program but also aggressively advocated regime change in Tehran. For most Iranians, this again resurrected memories of the 1953 CIA coup. These issues increased tensions and brought Iran and the United States closer to a diplomatic, if not military, confrontation. The United States still insists that it will not negotiate with Iran unless it stops its nuclear enrichment program. Iran insists that its nuclear program has no military purpose and that it conforms to guidelines set by international treaties.

The United States would like to see “behavioral” change if not “regime change” in Iran. But the United States needs Iran's cooperation in Iraq to prevent the situation there from getting completely out of control. For now, the situation appears to be at a stalemate. Only time will show how the crisis will work itself out.

Themes and Implications

Historical Junctures and Political Themes

Khomeini argued that Islam and democracy were compatible since the vast majority of people in Iran respected the clerics as the true interpreters of the *shari'a*, and wanted them to oversee state officials. Islam and the democratic idea, however, appear less reconcilable now that much of the public has lost its enthusiasm for clerical rule. Khomeinism has divided into two divergent branches in Iran: political liberalism and clerical conservatism. These ideological currents, which will be discussed later in this chapter, are at the heart of Iranian politics today.

Democracy is based on the principles that all individuals are equal, especially before the law, and that all people have inalienable natural rights. The *shari'a* is based on inequalities—between men and women, between Muslims and non-Muslims, between legitimate minorities, known as the People of the Book, and illegitimate ones, known as unbelievers. Moderate clerics, however, advocate reforming the *shari'a* to make it compatible with individual freedoms and human rights.

By denouncing the United States as an “arrogant imperialist,” canceling military agreements with the West, and condoning the taking of United States diplomats as hostages, Khomeini asserted Iranian power in the region but also inadvertently prompted Saddam Hussein to launch the Iraq-Iran War in 1980.

Khomeini's policies made it difficult for his successors to improve relations with the West. He called for revolutions throughout the Muslim world, denouncing Arab rulers in the region, particularly in Saudi Arabia, as the “corrupt puppets of American imperialism.” He strengthened Iran's navy and bought nuclear submarines from Russia. He launched a research program to build medium-range missiles and nuclear power—possibly even nuclear weapons. He denounced the proposals for Arab-Israeli negotiations over Palestine. He sent money as well as arms to Muslim dissidents abroad, particularly Shi'i groups in Lebanon, Iraq, and Afghanistan. He permitted the intelligence services to assassinate some one hundred exiled opposition leaders living in Western Europe. These policies isolated Iran not only from the United States but also from the European Community, human rights organizations, and the United Nations.

THE U.S. CONNECTION



The Nuclear Power Issue

At the heart of U.S.-Iran tensions lies the nuclear issue. For Iran, nuclear technology—always defined as a “civilian program”—is a non-negotiable right of an independent nation, essential not only for its long-term energy needs but also to attain the hallmark of a developed country. It sees nuclear power as a matter of both sovereignty and modernity.

For the United States, any nuclear technology—even for peaceful purposes—in the hands of Iran is fraught with many risks. The United States argues that such technology could be expanded into a weapons program, and nuclear weapons could then be used on Israel or passed on to “terrorist organizations.” It seems that the only way to resolve the issue is for the United States to accept Iran’s civilian program, and Iran, in return, to provide verifiable

guarantees that its program would not trespass into the military realm. Under the Bush administration, negotiations broke down since the United States demanded that Iran cease forthwith all enrichment. Under the Obama administration, the United States has implicitly accepted Iran’s right to enrich so long as it provides verifiable guarantees that it would not enrich to the point of producing weapons. To pressure Iran to provide such guarantees, the Obama administration has persuaded the UN to place economic sanctions on Iran—especially on the Revolutionary Guards and elite members of the regime. These sanctions, however, will probably have little impact at a time when petroleum-exporting countries such as Iran are enjoying windfall wealth from soaring oil prices.

The Islamic Republic is determined to remain dominant in the Persian Gulf and to play an important role in the world of states. It has one of the biggest armies in the region, a large land mass, considerable human resources, a respectable gross domestic product (GDP), and vast oil production. Iran also has the potential to become a nuclear power, the major source of tension in U.S.-Iranian relations.

But Iran’s GDP is only about equal to that of New Jersey, and its military hardware has been exhausted by war, age, and lack of spare parts. In the last years of the shah, military purchases accounted for 17 percent of the GDP; they now account for 2 percent. In 2005, Iran spent only \$4.1 billion on arms whereas Turkey spent as much as \$10 billion, Saudi Arabia \$21 billion, and even tiny Kuwait and United Arab Emirates together more than \$6.6 billion. What is more, Iran’s plans to develop nuclear power have been delayed because the United States has persuaded Europe not to transfer such technology to Iran and by a successful joint U.S.-Israeli cyber-sabotage program that injected a software “worm” into the computers used to control the production of enriched uranium. Therefore, Iran is unlikely to be able to develop nuclear weapons in the near future. Moreover, the United States, after 9/11 and the occupation of Iraq in March 2003, surrounded Iran with military bases in the Persian Gulf, Turkey, Azerbaijan, Georgia, Afghanistan, and Central Asia.

In the early years of the Islamic Republic in the 1980s, peasants continued to migrate to the cities because of the lack of both agricultural land and irrigation. Industry suffered from lack of investment capital. Inflation and unemployment were high. The population steadily increased, and real per capita income fell due to forces outside state control. To deal with these problems, some leaders favored state-interventionist strategies. Others advocated **laissez-faire** market-based strategies. Such differences over how to govern the economy are still being debated in Iran and are the source of much political contention.

The state-enforced emphasis on Shi’ism has alienated the 10 percent of Iranians who are Sunnis. In addition, the regime’s insistence on a theocratic constitution

laissez-faire

A term taken from the French, which means “to let be,” in other words, to allow to act freely.

antagonized some important clerics as well as lay secular Muslims, who lead most of the political parties. Similarly, the strong association of Shi'ism with the central, Persian-speaking regions of the country could alienate the important Turkic minority in Azerbaijan province. All of these trends put a strain on Iran's collective national identity.

Implications for Comparative Politics

The Khomeinist movement culminating in the 1979 revolution helped expand Islam from a personal religion concerned with the individual's relations with God into an all-encompassing ideology that dealt with political, legal, social and economic matters as well as personal ones. The slogan of the revolution was "Islam is the Solution." This expanded interpretation of Islam became known as **Islamism** and political Islam. Some social scientists substitute these terms for fundamentalism and religious populism. The direct product of this form of Islam was the creation of an Islamic Republic that was theocratic—a regime in which the clergy claimed special authority on grounds that as experts on theology they had better understanding of religion and therefore greater expertise than laymen in supervising the running of the state. This authority is based not on the claim they enjoy direct communications with God—they do not claim such privilege—but that they have scholarly knowledge of the scriptures and God's laws—the *shari'a*. This made the Islamic Republic a unique political system in the modern world.

Although this was the main contribution of the Islamic Republic to comparative politics, the reform movement of the 1990s did its best to counter it. The leading reformers, who labeled themselves the new Muslim intellectuals, argued that their intellectual fathers, the revolutionary generation, had mistakenly "bloated religion" and expanded it from personal ethics into an all-encompassing political ideology. In other words, they had turned faith into a total system of thought similar to twentieth-century European totalitarian ideologies—the other major isms. The new Muslim intellectuals set themselves the task of slimming down, narrowing, and lightening this over-bloated system of thought. In short, they turned away from Islamism back to a more conventional understanding of Islam.

It is this two contrasting interpretations of Islam that help explain the bitter conflict in contemporary Iran between reformers and conservatives, between so-called fundamentalists and liberal pragmatists, between supporters of Khatami and those of Ahmadinejad, between the generation that made the 1979 revolution and the new generation that came of age during the same revolution. They both consider themselves Islamic but have sharply different interpretations of Islam—especially when it comes to politics.

Summary

The Iranian state—unlike many others in the Middle East—is viable and well established. It has a long history. Its official religion—Shi'ism—binds the elite with the masses, the government with the governed, the rulers with the ruled. Its ministries are embedded deep into society, providing multiple social services. It has substantial oil revenues, which, although fluctuating, provide the government the means to finance the ever-growing ministries. What is more, the recent past—especially the Islamic Revolution and the eight-year war with Iraq—has helped create a strong sense of national solidarity against the outside world—not just against the West but also much of the Sunni Muslim World.

Islamism

A new term for the use of Islam as a political ideology. Similar to political Islam and fundamentalism.

SECTION 2

POLITICAL ECONOMY AND DEVELOPMENT

Focus Questions

What are some of the ways in which the oil industry has advanced or distorted development in Iran?

What impact did the shah's economic policies have on Iranian society?

Has life improved for most people in the Islamic Republic—especially in the 1990s?

What role do oil revenues play in integrating Iran into the global economy?

rentier state

A country that obtains much of its revenue from the export of oil or other natural resources.

State and Economy

British prospectors struck oil in Iran's Khuzistan province in 1908, and the British government in 1912 decided to fuel its navy with petroleum rather than coal. It also decided to buy most of its fuel from the Anglo-Iranian Oil Company. Iran's oil revenues increased modestly in the next four decades, reaching \$16 million in 1951. After the nationalization of the oil industry in 1951 and the agreement with a consortium of U.S. and British companies in 1955, oil revenues rose steadily, from \$34 million in 1955 to \$5 billion in 1973 and, after the quadrupling of oil prices in 1974, to over \$23 billion in 1976. Between 1953 and 1978, Iran's cumulative oil income came to over \$100 billion.

Oil financed over 90 percent of imports and 80 percent of the annual budget and far surpassed total tax revenues. Oil also enabled Iran not to worry about feeding its population. Instead, it could undertake ambitious development programs that other states could carry out only if they squeezed scarce resources from their populations. In fact, oil revenues made Iran into a **rentier state**, a country that obtains a lucrative income by exporting raw materials or leasing out natural resources to foreign companies. Iran as well as Iraq, Algeria, and the Gulf states received enough money from their oil wells to be able to disregard their internal tax bases. The Iranian state thus became relatively independent of society. Society, in turn, had few inputs into the state. Little taxation meant little representation.

From the 1950s through the 1970s, Muhammad Reza Shah tried to encourage other exports and attract foreign investment into non-oil ventures. Despite some increase in carpet and pistachio exports, oil continued to dominate. In 1979, on the eve of the Islamic Revolution, oil still provided 97 percent of the country's foreign exchange. Foreign firms invested no more than \$1 billion in Iran—and much of this was not in industry but in banking, trade, and insurance. In Iran, as in the rest of the Middle East, foreign investors were put off by government corruption, labor costs, small internal markets, potential instability, and fear of confiscation.

Despite waste and corruption, there was significant growth in many modern sectors of the economy under the shah. (See Table 13.2.) GNP grew at an average rate of 9.6 percent per year from 1960 to 1977. This made Iran one of the fastest-growing economies in the world. Land reform created over 644,000 moderately prosperous farms. The number of modern factories tripled. The Trans-Iranian Railway was completed. Roads were built connecting most villages with the provincial cities.

Table 13.2 Industrial Production

Product	1953	1977
Coal (tons)	200,000	900,000
Iron ore (tons)	5,000	930,000
Steel (tons)	—	275,000
Cement (tons)	53,000	4,300,000
Sugar (tons)	70,000	527,000
Tractors (no.)	—	7,700
Motor vehicles (no.)	—	109,000

Source: E. Abrahamian, "Structural Causes of the Iranian Revolution," *Middle East Research and Information Project*, no. 87 (May 1980), 22.

Iran's Economy under the Islamic Republic

Iran's main economic problem has been instability in the world oil market. Oil revenues, which continued to provide the state with 80 percent of its hard currency and 75 percent of its total revenues, fell from \$20 billion in 1978 to less than \$10 billion in 1998. Oil revenues did not improve until the early 2000s when they increased to \$17 billion in 2000, \$44 billion in 2005, and over \$55 billion per year by the late 2000s. This increase was due not to rise in production—in fact, total production in 2005 was a third less than in 1975—but to the dramatic rise in the price of oil in the international market. The price of a barrel of oil jumped from \$14 in 1998 to \$30 in 2000, \$56 in 2005, and topped near \$100 in 2008.

Contemporary Iran is awash in oil money. But the country's economic situation has been complicated by the population explosion, the Iran-Iraqi war, and the emigration of some 3 million Iranians. The annual population growth rate, which had hit 2.5 percent in the late 1970s, jumped to nearly 4 percent by the late 1980s, the highest rate in the world. The war wrought on Iran as much as \$600 billion in property damage and over 218,000 dead. The Islamic Revolution itself frightened many professionals and highly skilled technicians, as well as wealthy entrepreneurs, and industrialists into fleeing to the West.

The overall result was a twenty-year economic crisis lasting well into the late 1990s. The value of real incomes, including salaries and pensions, dropped by as much as 60 percent. Unemployment hit 20 percent; over two-thirds of entrants into the labor force could not find jobs. Peasants continued to flock to urban shantytowns. Tehran grew from 4.5 million to 12 million people. The total number of families living below the poverty level increased. By the late 1990s, over 9 million urban dwellers lived below the official poverty line.⁴ Shortages in foreign exchange curtailed vital imports, even of essential manufactured goods. What is more, the regime that came to power advocating self-sufficiency now owed foreign banks and governments over \$30 billion, forcing it to renegotiate foreign loans constantly. In the 2005 presidential elections, these problems help explain the strong victory of Ahmadinejad, the conservative populist candidate.

Nevertheless, the Islamic Republic has scored some notable economic successes. The Reconstruction Ministry built 30,000 miles of paved roads, 40,000 schools, and 7,000 libraries. It brought electricity and running water to more than half of the country's 50,000 villages. The number of registered vehicles on the roads increased from 27,000 in 1990 to over 3 million in 2009. More dams and irrigation canals were built, and the Agricultural Ministry distributed some 630,000 hectares of confiscated arable land to peasants and gave farmers more favorable prices.

The government has exercised control over most of Iran's economy for the entire history of the Islamic Republic. Reformist president Khatami took steps to reduce the role of the state in governing the economy by allowing privatization in some sectors of the economy (including banking) and relaunching a stock market to sell shares of government businesses to private investors. Even Ayatollah Khamenei, the chief religious leader, and current conservative president Ahmadinejad have endorsed privatization. Ahmadinejad has initiated a program to give "justice shares" of state-owned industries to low-income citizens. Nevertheless, about 70 percent of the Iranian economy continued to be under state control.

The recent rise in petroleum prices has greatly helped the situation. Foreign reserves have increased to \$4.8 billion, stabilizing the currency and improving the country's creditworthiness. Iran has become one of the few developing countries

to be free of foreign debt. It has been able to set aside some oil revenues as a hedge against leaner times. Both the official unemployment and inflation rates, while still high, have fallen, and the currency has stabilized. The government has floated its first international bond, and foreign investments have been contracted to flow into oil and gas ventures, petrochemicals, minerals, and car factories. UN sanctions, however, have stymied such inflows. Of course, oil revenues have also allowed the government to channel large additional funds into the infrastructure. President Ahmadinejad has promised to steer more of the oil wealth to projects and programs that directly help the poor.

Despite initial setbacks, Iran has been able to become more self-sufficient in food production. Ironically, the impressive growth in private cars and public transport strained the refineries and forced Iran to become more dependent on imported gasoline. What is more, the oil revenues enabled the government to allocate as much as \$100 billion a year subsidizing essential goods such as bread, heating fuel, gasoline, sugar, rice, milk, and cooking oil. In 2011, it made the bold move of trimming these subsidies, and, instead, giving cash directly to the poor.

Society and Economy

During the shah's reign, a huge amount of state investment went into social welfare. Enrollment in primary schools grew from fewer than 750,000 to over 4 million; in secondary schools from 121,000 to nearly 740,000; in vocational schools from 2,500 to nearly 230,000; and in universities from under 14,000 to more than 154,000. Between 1963 and 1977, the number of hospital beds increased from 24,126 to 48,000; medical clinics from 700 to 2,800; nurses from 1,969 to 4,105; and doctors from 4,500 to 12,750. These improvements, together with the elimination of epidemics and famines, lowered infant mortality and led to a population explosion.

The shah's approach to development, however, increased his unpopularity with many sectors of Iranian society. The shah believed that if economic growth benefited those who were already better off, some of the wealth would gradually trickle down to the lower levels of society. But these benefits got stuck at the top and never trickled down.

In fact, wealth trickled up: In 1972, the richest 20 percent of urban households accounted for 47.1 percent of total urban family expenditures; by 1977, it accounted for 55.5 percent. In 1972, the poorest 40 percent accounted for 16.7 percent of urban family expenditures; by 1977, this had dropped to 11.7 percent. In Iran's cities, the rich were getting richer, and the poor were getting poorer.

The new factories drew criticism that they were mere assembly plants that used cheap labor and were poor substitutes for real industrial development that would benefit the nation. The shah's public health programs still left Iran with one of the worst doctor-patient ratios and child mortality rates in the Middle East. The per capita income in the richest provinces was ten times more than in the poorest ones. The ratio of urban to rural incomes was 5 to 1. Land reform created a small layer of prosperous farmers but left the vast majority of peasants landless or nearly landless (see Table 13.3). By the mid-1970s, Iran was one of the most unequal countries in the world.⁵

These inequalities created a **dual society**—on one side the modern sector, headed by elites with close ties to the oil state, on the other side the traditional sector, the

dual society

A society and economy that are sharply divided into a traditional, usually poorer, and a modern, usually richer, sector.

clergy, the bazaar middle class, and the rural masses. Each sector, in turn, was sharply stratified into unequal classes (see Figure 13.2).

The upper class—the Pahlavi family, the court-connected entrepreneurs, the military officers, and the senior civil servants—made up less than 0.01 percent of the population. In the modern sector, the middle class—professionals, civil servants, salaried personnel, and college students—formed about 10 percent of the population. The bottom of the modern sector—the urban working class, factory workers, construction laborers, peddlers, and unemployed—constituted over 32 percent. In the traditional sector, the middle class—bazaar merchants, small retailers, shopkeepers, workshop owners, and well-to-do family farmers—made up 13 percent; the rural masses 45 percent.

These inequalities fueled resentments, which were expressed more in cultural and religious terms than in economic and class terms. Among the fiercest critics was Jalal Al-e Ahmad (1923–1969). He argued that the ruling class was destroying Iran by mindlessly imitating the West; neglecting the peasantry; showing contempt for popular religion; worshipping mechanization, regimentation, and industrialization; and flooding the country with foreign ideas, tastes, luxury items, and mass-consumption goods. He stressed that developing countries such as Iran could survive this “plague” of Western imperialism only by returning to their cultural roots and developing a self-reliant society, especially a fully independent economy. Al-e Ahmad is deemed to be not only the main intellectual critic of the old order but also the founder of the “back to roots” movement in Iran that influenced the Islamic Revolution that overthrew the shah.

Al-e Ahmad’s ideas were developed further by another young intellectual, Ali Shariati (1933–1977). Studying in Paris during the 1960s, Shariati was influenced by Marxist sociology, Catholic liberation theology, the Algerian revolution, and, most important, Frantz Fanon’s theory of violent Third World revolutions against colonial oppression as laid out in *The Wretched of the Earth* (1961).

Shariati argued that history was a continuous struggle between oppressors and oppressed. Each class had its own interests, its own interpretations of religion, and its own sense of right and wrong. God periodically sent down prophets, such as Abraham, Moses, Jesus, and Muhammad. Muhammad had been sent to launch a dynamic community in “permanent revolution” toward the ultimate utopia: a perfectly classless society.

Although Muhammad’s goal had been betrayed by his illegitimate successors, his radical message had been preserved by the Shi’i Imams, especially by Imam Husayn, who had been martyred to show future generations that human beings had the moral duty to fight oppression in all places at all times. According to Shariati, the contemporary oppressors were the imperialists, the modern-day feudalists, the corrupt capitalists, and their hangers-on. He criticized the conservative clerics who had tried to transform revolutionary religion into an apolitical public opiate. Shariati died on the eve of the revolution, but his prolific works were so widely read and so influential

Table 13.3

Land Ownership in 1977

Size (Hectares)	Number of Owners
200+	1,300
51–200	44,000
11–50	600,000
3–10	1,200,000
Landless	700,000

Note: One hectare is equal to approximately 2.47 acres.
Source: E. Abrahamian, “Structural Causes of the Iranian Revolution,” *Middle East Research and Information Project*, no. 87 (May 1980).