

QUESTION: HOW HAS THE REVOLUTION ALTERED PROSPECTS FOR DEMOCRATIC CAPITALISM?

In this research paper, while we are searching the answer of the question, which is above, we first examine the economy of Shah Pahlavi era then the reason for revolution and Ayattollah Khomeini's economic policy.

Reza Pahlavi followed capitalism as a model. In his era foreign capital investment began because Pahlavi gave privilege to them. Also, west's demand on textile and carpet was increased so those sectors refreshed. In the beginning of the 20 century, the most modern economic sectors were on the hand of foreign capitals and local bourgeoisies. But when oil found in Iran, Britain came to the region with an indirect way. In 1925, the economic program was to make local bourgeoisie stronger, not to provide capital from abroad and develop with oil income and taxation. He wanted to protect local industry with high taxation. Government provided special capital and industry developed. But while he was making those he lay on worker and applied force to them. In Iran developing capitalism means to develop small and weak bourgeoisie with government help but it provide unequally and conflict between capital and labor.¹

In 1960, economy was based on import substituting industry which neglects small scale production and agricultural production. The more, between 1946 and 1979 there was a fundamental change in economy because it transferred to industry from agriculture.²

In 1963-1973, inflation was decreased, economy developed fastly and real income was increased. Sector of producing increased %20, annual growth is %11.4 it was very big number because in industrial countries it was %3.1. Moreover, as a result of this events community was glad because there is no unemployment, wages of workers were increased and there was a huge migration from villages to country (agricultural production decreased and price of foods decreased). Also, Shah began to liberalize country.³

On the other hand, because of the unchecked economic development, unequal expense between sectors affected the stability in the community negatively. Income distribution was not equal which create huge difference between classes. The more, corruption and poverty began in the country.⁴ As a result of this workers began strike, Shah assigned new president and ministers but workers did not want this, they wanted to let down Shah. Pahlavi tried to find solution for economic crisis and assigned new minister who followed strict economic policy with binding credits and

¹ Marmara, Olacay, Çalıntı Bir Devrimin Öyküsü: Iran 1979, Şubat 2006

² Nasr, Vali, Iran, Kopstein and Lichbach

³ Arı, Tayyar, Iran, Irak ve ABD, Alfa Yayınları, Ocak 2004, pp:337

⁴ For more information you can see www.ufukcizgisi.com

narrow expense so stagnation began in many sectors which were led by rich classes to left the country. All solutions were useless and not enough to intercept the workers.

Thus because of all those economic difficulties workers strike became stronger, general strikes began, oil and electricity was cut down, the interests of bourgeoisie and ecclesiastic came together, and workers who got rid of from Shah's policies came together with mullah. So Pahlavi lost his capability and left the country.⁵

As we can see, those were the starting point of the revolution. Iran revolution started in 1978 but the conditions were determined before with economic difficulties. Khomeini was talking to support the revolution and said workers to go on like that, but when the revolution finished Khomeini blamed workers for making agency for imperialism.

During the revolution economy is in the second step because basic motivation was political, Khomeini did not have any clear thought about the economy. The more, while revolution giving big motivation about the political aim, it did not gave any motivation for technology, business sense and disciple for rational working. On the other hand, when Khomeini got power he sees that there was a production problem so to stop this he tried to take the workers who were in the streets to the production arena. The big bar to the economic rationalization was tried to protect poor peoples with decreasing the price of oil because with this oil was wasted and country depend on oil and not make technological structuring.⁶ Moreover, with the revolution, economic life was again under the control of bourgeoisie and restructured for them. Regime continued to help the capital owners, exploiting labor got easier than the Shah Era, and workers lost their organization right.⁷

In Khomeini era, there was a great etatism policy. The war with Iraq brought great damage to the country because the control of the oil rich province was lost and he intercept the developing of the country and push the community back. Also, in 1988 oil production is decreased %36 from 1976's production. Because of the war people saw great damage and poverty; all money was spending for war. But interestingly, people continued to support the Khomeini.⁸

After 1979, state owned %80 of the Iranian economy and state have to distribute job because weak and private sectors did not create enough job opportunity.

Iran accepted isolation after the revolution but it not means that to stop commercial relation with west and selling oil to them. It wants to buy some food and necessary mechanic equipments from them.⁹After the death of Khomeini, Iran started to develop its relations with its neighbors because of big economic problems.

⁵ Özgür, Güveda, Iran Devrimi 26 Yaşında, cnntürk, 11/02/2005

⁶ Akyol, Taha, Iran'da Jakoben Devrim Sorunları, Milliyet, 26/12/1996

⁷ Özgür, Güveda, Iran Devrimi 26 Yaşında, cnntürk, 11/02/2005

⁸ Gökçe, Deniz, Iran Ekonomisi 2, Akşam, 16/04/2006

⁹ Arı, Tayyar, Iran.Irak ve ABD, Alfa Yayınları, Ocak 2004, pp:353

To sum up, we saw the difference between Pahlavi era and Khomeini era. In Pahlavi era, capitalism was developed but workers were exploited so they did not have any chance to see the benefits, economy grew but there were no money in the hands of people. If they got their income, they would not have gone strike and Iran develops better with the help of foreign capitals. In Khomeini era, country closed its doors to foreign capital. The more, the concept of human was lost because there were no people who give direction to money. Today the most important barrier in front of capitalism is Islamic Law, because Iran does not engage with world capital.

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