

Reflection on the Emerging Political Economy of Iran

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Introduction

In "traditional" academic analyses politics and economics were kept apart, the former typically dealing with the relationship between government and society and the latter with utility-maximising behaviour in the "market."¹ It is a very recent phenomenon, in the "West" partly inspired by the writings of Adam Smith and the classical economists,² partly by the theoretical tenets of Marxism, that the ideal-types "market" and "state" have merged into "inter-disciplinary" categories manifesting itself in the field of "political economy."³ In Iran and the wider Muslim worlds a comparative cross-fertilisation, albeit with a different terminology and disparate analytical emphasis, may be observed. At least since Muhammad Bagher al-Sadr 's publication

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of *Our Economy* in 1960, Jalal al-e Ahmad's and Ali Shariati's powerful critiques of unrestrained capitalism in the 1960s and 1970s respectively and Ayatollah Mahmud Taleghani's *Islam va Malekiyat* (Islam and Ownership), there has been a whole new corpus of ideas that float freely between the porous boundaries of "politics" and "economics." Indeed, students of (post-) colonial societies would add, that both for the Muslims worlds and the third world in general, political economics was not only an abstract, academic exercise but part of the overbearing empirical reality engendered by colonialism.⁴ How else can we explain the Tobacco revolts in Iran in 1891, the nationalisation of the sugar estates implemented by Fidel Castro in Cuba in 1960, China's "opium wars" against the British in the mid nineteenth century, Ghandi's protest against the British salt monopoly and the salt tax in the 1930s, Nasir's nationalisation of the Suez Canal in 1956, Mohammad Mossadegh's nationalisation of the Anglo-Iranian Oil Company in 1951 etc.? The anti-colonial struggle in the Third World was framed primarily in political-economic terms, that is in terms of the empowerment of the oppressed masses against imperialism. 'Without that struggle, without that knowledge of the practice of action,' writes Frantz Fanon in *The Wretched of the Earth* representatively 'there's nothing but a fancy-dress parade and the blare of the trumpets. There's nothing save a minimum of readaptation, a few reforms at the top, a flag waving: and down there at the bottom an undivided mass, still

living in the middle ages, endlessly marking time.’⁵ In the colonised third world then, the political and the economic sphere did not only merge theoretically; they did not only cross-fertilise in the paradigms of intellectuals as a means to rationalise the increasing interdependence between both fields of study. Questions transcending the boundaries of “the political” and “the economic” had an immediate, empirical quality because post-colonial theorists would agree state and society were penetrated by the colonial super-structure “all the way down.” There is an immediate methodological concern here: Is society always at the receiving end of political-economic dynamics? Is there a hierarchical relationship between market, state, society, individual and other agents?

Let me elaborate on those questions. The most prominent approaches to the political economy of West Asia post-colonial approaches but also to a certain extent the rentier state model and Marxist theory tend to presume a causal transmission belt between economic macro-structures and events “on the ground,” i.e. changes within society. I am aware that I am simplifying but it is perhaps true to say that all three approaches agree on a basic methodological premise: They tend to analyse political-economics in a top-down fashion, from the core to the periphery, from the macro-structure of the world economy to the society, from the capitalist system to the individual and they tend to consider the state as the primary locus for political-

economic activity and as the main focus of socio-economic change. These common points may be called the macro-structural economism in the analysis of state-society relations; the view that material dynamics are the primary factor determining the interrelationship between state and society and that the parameters of this interdependence are primarily defined by political and/or economic macro-structures which affect society from "above". What alternatives are there if we would want to reverse this interrelationship analytically, if we would want to develop a perspective that explores action on the societal level and not the seemingly pervasive macro-structures penetrating it? I would like to discuss this question with reference to current changes in the political economy of Iran and the effects it has on the dialectics between state and society.

If, for genealogical purposes, we want to "locate" the source of political-economic action in contemporary Iran,⁶ it seems logical to ask about its "agents" or "engineers" in the first place. Explored from the perspective of mainstream political scientists, the answer is quite obvious: it must be the "self-interested" state that constitutes the primary unit of analysis, both nationally and internationally: 'Throughout modern history' writes Robert Gilpin symptomatically states have pursued policies promoting the development of industry, advanced technology, and

those economic activities with the highest profitability and generation of employment within their own borders. As far as they can, states try to create an international division of labour favourable to their political and economic interests. Indeed, economic nationalism is likely to be a significant influence in international relations as long as the state system exists.⁷

Indeed in our case, a quick look at the economic transformations immediately after the Islamic revolution in 1979 appears to show that the state is at the centre of the economic process in Iran. The revolution in 1979 initiated a massive programme of nationalisation of major sectors of the economy, including all private banks, insurance companies, all heavy industries (automobile, mining and metals etc.) and all factories and organisations who had accumulated unrecoverable debts. The Iranian state hence assumed direct and indirect authority over the national economy primarily through the National Iranian Industries Organisation, the Industrial Development and Renovation Organisation and a range of charitable and semi-public foundations such as the Bonyad-e Mostazafan va Janbazan (Foundation of the Oppressed and Self-Sacrificers), Bonyad-e Shahid (Martyr's Foundation), Bonyad-e Panzdah-e Khordad or the Bonyad-e Astan-e Qods-e Razavi. But does this economic structure automatically mean that society is always in a subordinate position relative to the

state and its economic macro-system? Is society always the “recipient” of “macro- pressures”?

In the first place, the appropriation of state power over the national economy is not concomitant with the expansion of state authority over society. It is not only that expanding the size of the state in fact raises popular expectation; that the state is likely to be held accountable for real and perceived socio-economic injustices, corruption in the public sector and social deprivation especially if the state presents itself as a moral and ethical guide as it does in the Iranian case.⁸ There is also a principal methodological issue at stake here. In my opinion, the “formal” power over economic regulations, administrations and institutions exercised by the state should not be confused with the “informal” power of society to criticise, refuse to submit and change these formal structures. The political economy of Iran, in other words, can not be explained in terms of the difference between that unit of analysis which is thought to formally hold economic power (i.e. the state) and the agent that submits to it (i.e. society). This is not only because the recent government-sponsored privatisation of major sectors of the economy including the banking sector and the provision of free trade areas has contracted the presence of the state in the national economy, a trend that has been re-emphasised by Ayatollah Ali Khamenei’s “action plan” aimed at ceding 80% of the shares of large companies to the Iranian public which

according to him will lead to a shift in the government's role 'from direct involvement in ownership and running the large companies to supervisory and guidance of different sectors of the economy to meet the regulations of the World Trade Organization (WTO) gradually'.⁹ It is not only this trend towards deregulation which has empowered society vis-à-vis the state that challenges the premise that economic macro-structures primarily operate in a top-down fashion.¹⁰ It is also due to the fact that the political economy always circulates, that it can not be monopolised by one single unit, the state, the multinational company or other agents.

Let me explain. Rational-choice theory has accustomed us to study political-economic phenomena in terms of cost-benefit calculations and/or the utility-maximising drive of homo oeconomicus. This type of analysis presumes that rationality is Unitarian, that it is solely based on material self-satisfaction and that the modern state, its complementary institutions and individuals themselves embody and exercise this rationality on a daily basis. But insofar as rationality is relative and not merely reducible to material concerns, rational choice theory does not tell us much about the way preference settings emerge. Consider the opposition of the bazaar network to the policies of the Shah, which was central to the success of the Islamic revolution in 1979. A simple cost-benefit analysis would deem that opposition "irrational-there was no immediate material gain involved. In my

opinion, it is problematic to analyse economic and political processes merely in terms of mono-causalities, as if self-interest is equal to material profit, as if it can be detached from what the constitution of the "self" is in the first place. Political-economic phenomena are both cyclical (rather than strictly hierarchical) and structural (they are overlaid by other factors, e.g. norms, values, and other cultural artefacts). They are engineered by a range of self-conscious agents which may be positioned on a multidimensional "analytical cycle" which encompasses the state, society, the bazaar, and the fruit merchant at the end of the street who all have different preferences that are not merely material. These "agents" then are not in a position of exteriority to the political economy. They are its effects, they are a) affected by the political-economic system and b) the social engineers of that very system. As a structural phenomenon then, the political economy is nothing other than the amalgamation of a certain number of interdependent agents (state, society, merchant, company etc.), who find themselves intrinsic to a system that affects their identities all the way down to their respective preferences and (material and non-material) interests.

A second issue follows from the aforementioned: insofar as the political economy is a social construction, a structural phenomenon inhabited by a range of agents, it embodies not only a material rationale, but a spectrum of normative incentives that are not

necessarily “rational” in a strict cost-benefit sense. In other words, at the heart of the political economy there exists something that defines it as a project, and this is not the “treasury” (which functions as a means to achieve those aims), but values, norms and other cultural factors. In the Iranian context, this normative rationale has been quite explicitly stated in the writings of Ayatollah Taleghani:

Islamic economics are founded on the principles of right and justice, and are not based on any special group or class. In fact, from the point of view of Islam, the appearance of the features of classes is not a necessary inevitable thing or a irremediable social necessity. The appearance of classes is the result of the defect of individuals and society [due to their] not following right and just principles. It is the byproduct of transgression, oppression and colonialism. The form of society is only the reflection of individual relationships and individual relationships externalise the thoughts, minds and morals of persons. Let the thoughts and spirits of individuals change into any other form and the communal relations and social form must also change. Indeed God does not change the condition of a people, until they have changed it for themselves (Qur'an 13:11). Thus in history and in different areas in both large and small manifestations we can observe the appearance of

societies bound together without class.¹¹

A comparable emphasis on normative factors albeit with a transnational connotation can be found in Ayatollah Muhammad Bagher al-Sadr's *Iqtisaduna*:

If we look on this morality which man in the Islamic world lives as a truth represented in the being of the umma, we can put it to use in the economic program within the Islamic world by placing that program in a framework which marches with that morality so that it may become a force of impulsion and movement just like the morality of modern European economic programs was a great factor in the success of those programs because of the harmony between the two.¹²

For both Taleghani and Sadr normative ordinances informed by Islam are a prior to the cost-benefit rationale prescribed by capitalism. Moreover, according to them, the individual is not to be conceived as the lowest part of a hierarchical chain, an agent on which the state exercises unrestrained power and in so doing moulds the individual without being moulded itself. The state is penetrated from "above" by the umma and the normative structure of Islamic economics and from below by society and individuals themselves. This corresponds to the multidimensional, cyclical perspective sketched above. The state is but one actor in this cycle, and a comprehensive analysis of political

economics has to appreciate the impact of the other agents as well.

There is a third issue that follows from this: when I say that the political economy is cyclical, it does not mean that political- or economic power is distributed democratically or anarchically. This would be an idealist distortion of the empirical reality facing us on a daily basis. But it is not comprehensive to start with the international market system, globalisation, the state or governmental institutions and evaluate their impact on socio-economic factors assuming a causal transmission belt along the way. A typical example for such “descending” analysis is the rentier state model. The oil boom in the late 1960s and 1970s, it is typically argued, expanded the vulnerability of oil economies to the world market and fluctuations in the oil price, and increased consumption demand beyond the supply capabilities of these economies led to inflation and increasing dependency on imports, especially of luxury goods.¹³ One can always make these seemingly causal statements and one can always back them up with empirical “facts”. Indeed, it is a simple matter to argue that the dependency of oil economies on the world market as measured by foreign trade/Gross Domestic Product (GDP) rose from 50 to 84 percent in the period between 1970-1982. But to conclude that this trend increased the vulnerability (i.e. insecurity) of oil economies to fluctuations in world markets is only one possible interpretation.¹⁴ In other words, one can always argue the opposite case, that increased

interaction with the world economy enhanced the bargaining power of the “oil economies”, that the Saudi Arabian state would not be a trusted ally of the United States without its oil exports to that country, that Dubai would not have expanded into an international enterprise with economic stakes all over the world without its massively expanded links to the global economy and that Iran would not have been able to sustain a functioning economy in the face of the strident sanctions regime imposed by the United States without its multifarious presence in the world economy etc.

In my opinion, many factors can be deduced from macro-economics, the state, the international economy or other systems. But the central question remains: Are these effects hierarchical? Do they occur on a causal transmission belt starting with the most abstract entity down to society and the individual? I think in order to offer an alternative perspective to the mainstream it is useful to reverse analytically our units of analysis, establishing, an ascending (as opposed to descending) order of political-economic action. To that beginning one needs to explore historically, commencing from the lowest unit of analysis, how the political economy functions within society, within the family and with regard to those strata of society that are marginalized from the political and economic process such as children. We need to identify the mechanisms that led to the stratification of society, and the material dispossession or betterment

of a specific social group rather than lumping disparate objects of analyses together under abstract categories such as “demand” or “supply”, market and state or institutions and society.

As Iran embarks on its “20 year vision” economic development programme initiated by the State Expediency Council in 1999 and aimed at turning Iran into the strongest West Asian economy by 2025, the country is likely to experience fundamental changes.¹⁵ In order to capture these changes analytically, I would say that we should direct our research on the nature of Iran’s political economy in its entirety, not merely on the micro and macro-economic indicators, growth rates, utility-maximisation or other “factual” abstractions. Sustainable development in Iran demands critical analyses, research that is geared towards ascending micro-structures, towards the pluralistic momentum driving Iranian society and affecting government from below,¹⁶ towards the devastating effects of environmental destruction, towards localised systems, in short, towards “strategic planning” that appreciates how political-economic dynamics at a given moment, in a precise socio-economic context function with regard to the smallest carriers of Iranian society. It is only if we explore these micro-mechanisms; investigate their economic utility and political rationale in a given cultural context, that we can comprehend how these micro-structures constitute themselves within the emerging political economy of Iran. □

Notes:

1. For an introduction into the field see James E. Alt, Alberto Alesina, 'Political Economy: An Overview', in Robert E. Goodin and Hans-Dieter Klingemann (eds.), *A New Handbook of Political Science*, Oxford: Oxford University Press, 1996, pp. 645-674.
2. I am of referring to Smith's seminal *An Inquiry into the Nature and Causes of the Wealth of Nations*.
3. See further Charles Kindleberger, *Power and Money: The Economics of International Politics and the Politics of International Economics*, New York: Basic Books, 1970.
4. For an overview see Gregory Gause (ed.), *Postcolonial Discourses: An Anthology* Oxford: Blackwell, 2001. See also Edward Said, *Culture and Imperialism*, London: Vintage, 1994.
5. Frantz Fanon, *The Wretched of the Earth*, translated by Constance Farrington, New York: Grove Weidenfeld, 1963, p. 148.
6. For my understanding of genealogical analysis see Arshin Adib-Moghaddam, *The International Politics of the Persian Gulf*, London: Routledge, 2006, and Arshin Adib-Moghaddam, *The Question of the Islamic Republic* (forthcoming).
7. Robert Gilpin, *The Political Economy of International Relations*, Princeton: Princeton University Press, p. 34.
8. See also G. John Ikenberry, 'The International Spread of Privatisation Policies: Inducements, Learning, and 'Policy Bandwagoning,'" in Ezra N. Suleiman and John Waterbury (eds.), *The Political Economy of Public Sector Reform and Privatisation*, Boulder: Westview, 1990, pp. 95-96.
9. 'Iran: Supreme Leader issues guidelines for privatisation drive', IRNA, 2 July 2006.
10. See also Paul Starr, 'The New Life of the Liberal State: Privatisation and the Restructuring of State-Society Relations', in Ezra N. Suleiman and John Waterbury (eds.), *The Political Economy of Public Sector Reform and Privatisation*, Boulder: Westview Press, 1990, p. 39 ff.
11. Ayatollah Mahmud Taleghani, 'The Characteristics of Islamic Economics', in John J. Donohue and John L. Esposito (eds.), *Islam in Transition: Muslim Perspectives*, second edition, Oxford: Oxford UP, 2007, p. 234. His *Islam wa Malekiyat* (Islam and ownership) has been translated by William Darrow, Houston: Islamic Distribution Center, n.d.

12. Mohammad Bagher al-Sadr, 'The Psychological Role of Islam in Economic Development' in Donohue and Esposito (eds.), *Islam in Transition*, p. 257.
13. See among others Abbas Alnasrawi, *Arab Nationalism, Oil and the Political Economy of Dependency*, London: Greenwood, 1991; Michel Chatelus, 'From the mirage of rent to the burden of debt: adjustment and insecurity in Arab economies', in Bahgat Korany, Paul Noble and Rex Brynen (eds.), *The Many Faces of National Security in the Middle East*, New York: Macmillan, 1993, pp. 145-168 or Jaqueline Ismael, *Kuwait: Dependency and Class in a Rentier State* Gainesville: University Press of Florida, 1993.
14. See Raymond Hinnebusch. See his *The International Politics of the Middle East*, Manchester: Manchester University Press, 2003, p. 45 ff.
15. For a critical analysis see '20 Year Vision: Opportunities and Challenges', *Iran Daily*, 29 November 2006, p. 6.
16. See further Arshin Adib-Moghaddam, 'The Pluralistic Momentum in Iran and the Future of the Reform Movement', *Third World Quarterly*, Vol. 27, No. 6 (June 2006), pp. 665-674.