

## IRAN:

# The Forging of a Weak Link

By S. D.\*

Referring to the conditions which give rise to a revolutionary situation, Lenin emphasised that it is not sufficient for the lower classes not to want to live in the old way, but it is also necessary that a crisis must develop within the upper classes, a crisis in the policy of the ruling classes themselves, leading to a fissure in their ranks through which the discontent and the indignation of the oppressed classes burst forth.<sup>1</sup>

Elaborating on Lenin's point, Stalin correctly points out that, "Formerly, the analysis of the prerequisites for the proletarian revolution was usually approached from the point of view of the economic state of individual countries. Now this approach is no longer adequate. Now the matter must be approached from the point of view of the economic state of all or the majority of countries, from the point of view of the state of world economy.... Formerly, the proletarian revolution was regarded exclusively as the result of the internal development of a given country. Now this point of view is no longer adequate. Now the proletarian revolution must be regarded primarily as the result of the development of the contradictions within the world system of imperialism, as a result of the breaking of the chain of the world imperialist front in one country or another."<sup>2</sup>

The development of a crisis during the mid-'70s in Iran, its subsequent transformation into a revolutionary crisis and the fissures within the ruling classes that laid the basis for the 1978-79 revolutionary situation and the ensuing February insurrection, which toppled the monarchy, were products of the coalescence of trends which, in a matter of some decades, had effected every aspect of Iranian

society. In fact, the "internal" development of Iranian society has been but a part of the organic (and of course contradictory) whole of the imperialist system, and simultaneously a particular expression of the motion of this system under specific conditions. Thus an analysis of the historical development of the Iranian revolution must, like all others, be a scientific Marxist analysis conducted in the context of the international situation which has had a decisive role in determining the "internal" development of Iranian society, particularly in its most general features.

This article is an initial assessment of the formation of a weak link of the imperialist system, the maturing of a revolutionary situation, and the world-historic preparation of the 1978-79 revolution in Iran. Due to the nature of this issue, this article is, on the one hand, a historical analysis in broad strokes and, on the other hand, a preface to the evaluation of the present situation and to the task of developing a programme of action in Iran, a task which remains outside the framework of this article.

### Aftermath of World War 2

World War 2 ended with U.S. imperialism emerging in a much stronger position than before, at the head of the bloc of victorious imperialists and thus at the top of the world imperialist system. The new division of the world resulting from World War 2 provided conditions for recasting the international structure of finance capital, enabling it to proceed in a new spiral of accumulation and expansion at a global level. Arising from the nature and necessities and in accordance with the laws governing the motion of finance capital in the imperialist epoch, the imperialist restructuring of the capitalist accumulation process had to involve extensive

transformations of the production relations. In the imperialist countries these transformations were essentially quantitative in nature, reflecting the further concentration and centralisation of capital, even though some qualitative modifications of the production relations in agriculture and handicrafts were also carried out.

However, the most significant qualitative transformations occurred in the dominated countries where, based on the economic and political power of the imperialists, further penetration of finance capital faced the most lucrative prospects for profitably extending itself by transforming pre-capitalist production relations to varying degrees in different countries and thus exploiting the opportunities for its global restructuring and control to the maximum, within the confines and political considerations conditioned by the international situation. Despite the significance of these transformations in the dominated countries, they were intended neither to bring about full-scale development nor to create organically integrated internal national markets. Their purpose was rather to most efficiently and profitably employ the exported capital in sites of accumulation internationally that could best serve the global profit maximisation, the division of labour and the political needs of finance capital. Such articulation of the division of labour within the circuits of accumulation on a global scale could only lead to further dislocations and disarticulations in the dominated countries, while integrating these lopsided national economies more closely into the world imperialist system.

Compared to the earlier periods of this century, or to the post-World War 1 years, capital set into motion after World War 2 had a much

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greater volume and higher concentration; furthermore, it had the political and military power of the U.S. to rely on. All this not only increased the ability but also further aggravated the necessity of capital to undertake these transformations, particularly in a number of key, "select" countries, in order to secure and optimise its reorganisation on a world scale.

However, capital does not restructure itself in a vacuum. The socialist camp had emerged out of the war—the imperialists faced the necessity of containing it, blocking its advance and ultimately suppressing it. The most important contradictions which the U.S. imperialists faced in their drive to favourably restructure the world imperialist order included: waves of revolution and national liberation movements which had developed and are still breaking out in dependent countries and the urgent necessity of finding ways to prevent, suppress or derail them; the consolidation and strengthening of the position of the lackeys of imperialism in order to secure the imperialists' domination of these dependent countries; and finally, the intense competition with other imperialist powers over new markets. The particular ways in which these contradictions unfolded, as well as their partial resolution or relative mitigation, profoundly affected and conditioned the development of the present spiral and the U.S. drive for hegemony within it.

### Imperialist Reforms in Iran

The all-around implementation of the imperialist-sponsored land reforms, begun in the winter of 1962-63, was planned to proceed in three stages through the decade; however, some pilot land reform programs had already been started twelve years earlier. According to the initial plan designed by an expert assigned by the U.S. Technical Cooperation Office linked to the U.S. State Department all of the Royal Lands, consisting of approximately 2,200 villages, were to be gradually distributed to the peasants over a period of nineteen years (1952-1970). Due to the political considerations prompted by the

heightening of the mass democratic, anti-imperialist movements, the implementation of this plan was hastened, and in 1951 the land distribution was undertaken in one of the villages belonging to the Royal Lands.<sup>3</sup> From this date on, until the winter of 1962-1963, only half of the objectives of this plan had been realised and a total of 517 villages (approximately 1% of all villages in Iran) had been put through this "reform."

The imperialists certainly had a rationale for this "gradualism." Any abrupt changes in land-holding patterns and property relations which could possibly lead to the unleashing of the peasants' initiative and enthusiasm from below clearly had to be avoided. At the same time the imperialists had to lure the feudal landlords with the profitable prospects of the land reform in order to win them over without having to resort to threats, since they continued to constitute a significant, if not the main, social base of the regime and tended to be suspicious of land reform to begin with. Also during this experimental period the imperialists had to develop and evaluate suitable means of implementing the desired reforms and to estimate and come up with the resource allocations, volume of capital and services required.

The onset of the 1959-63 crisis left no further room for such gradualism.<sup>4</sup> Although the 1959 "Law on Limiting Landed Property" was scuttled as a result of dissension in the ranks of the ruling classes, the subsequent rallying of the ruling classes around the Shah's clique and the support the latter enjoyed from the Kennedy administration made it possible to implement the land reform plan in 1963. And implemented it was.

The White Revolution was a programme designed to take control of the reins of social development "from the top"—i.e., by imperialism and its dependent local regime—and not to allow them to be led from below, by the workers and peasants or by middle forces—the national bourgeoisie and its allies. Beyond that, its objectives were far more complex than simply avoiding social turmoil and revolutionary up-

surges. Twelve Harvard economists had been assigned the task of analysing the political and economic conditions and the social forces in Iran in order to recast the entire social structure for the absorption of foreign capital, to create the most favourable conditions for the extraction of surplus value according to the needs of the global accumulation process and to guarantee the "stability" of Iran—prevention of revolution.

Undoubtedly these reforms were bourgeois in nature. If up to this time capitalist development in Iran had taken place mainly without the direct and planned supervision of the ruling classes and through the national bourgeoisie (and, to some extent, through the comprador bourgeoisie), then it could be said that after 1958, these developments took place from the top, by the compradors and feudals (and particularly a certain section of them, i.e., the Shah's clique) under the sponsorship of the imperialists and at the expense and subordination of the middle bourgeois forces and rivals in the economic arena.

### The 1000 Families

The nature and composition of the ruling classes was modified to a certain extent as a result of this process. While the power and influence of the feudal landlords, particularly those not closely linked to the Royal Court, was restricted, there was a sharp increase in the political and economic strength of the comprador bourgeoisie and the feudal landlords linked to the Royal Court. Taking advantage of their position, many landlords were able to engage in comprador-type undertakings and amassed tremendous wealth. A new phrase was coined to explain who runs the country: the 1,000 families (of compradors and feudals)! These developments also reveal and underscore how firmly the Iranian economy became locked into a particular place in the international division of labour under the dictates of foreign finance capital which would allow only a particular type of capitalism—namely the comprador-bureaucratic type—to develop. The characteristic features and lopsidedness of this type of develop-

ment were shaped and determined by Iran's particular place in imperialist production relations: as a producer of raw materials—primarily oil, a vast market for imperialist capital export and a source of cheap labour.

Given this place and function, one can see that the intention behind this imperialist-inspired White "Revolution" was not to bring about a complete capitalist transformation of the Iranian countryside. In fact, in that period, they neither had nor could have achieved such an objective. Although these reforms pushed the capitalist process ahead in the countryside, and the doors of closed, autarchic rural society were set ajar for the penetration of capital, the pre-capitalist social structure was not sufficiently uprooted. Neither the scale of capital investments nor the relationship between different sectors of the economy were such that the capitalist initiative, especially among the peasantry at large, could decisively break the hold of pre-capitalist socio-economic impediments.

The plain objective of the reforms was to consolidate the Shah's regime on the basis of strengthening its central economic and political control and authority and to create a social base for it among the middle peasantry. The reforms, though selective and limited in scope, were expected to facilitate profitable investment of foreign capital by cheapening wage goods and expanding the market in the countryside for certain commodities in order to transfer value to and lubricate the strategic sectors controlled by imperialism. This explains why the bulk of the exported imperialist capital to Iran in the 1960s was directed to the cities and became operational in usury and banking, brokerage, trade and industrial sectors.

Consequently, the rural areas essentially remained dominated by the rotten, medieval, pre-capitalist relations. At the same time, however, with their backward structure of production and bureaucratic-usury forms of value transfer, they became ever more subordinate to the imperatives of foreign capital. An important factor that contributed to the character of the land reform was

the inconsistent and scattered nature of its implementation, which was motivated by political considerations of the Royal Court.

The regime selectively targeted those areas where it did not enjoy the support of the feudal landowners. Even where it was carried out, primarily low-yield lands were distributed to the peasantry on a 20-year lease basis through the Agricultural State Banks. Poor peasants with little or no land did not look too favourably on the prospect of small-scale farming on unproductive land. The 1967 Land Reform Bill even included a clause that allowed the landlords to buy back the *hagh-e nasagh* (the peasants' right to cultivate land that belongs to the landlord on a sharecropping basis). This did not automatically turn peasants into agricultural labourers and the landlords into capitalist farmers; in most cases it tended to reinforce either semi-feudal bondage or migration of peasants to the cities as marginalised semi-proletarians. From 1961 to 1978, the rural population decreased from 80% of the whole population to 55%. In this same period, the population of Tehran alone increased by 2.5 million. Kurdistan was not affected by the land reform, for the regime had to rely on the loyalty of the feudal *khans* to control the region.

The enclaves of capitalist farming that developed out of the land reform programme were few and mostly controlled and monopolised by the comprador-feudal forces which enjoyed the privileges of state financing. Some of the capitalist farming was undertaken either directly by foreign firms or by the Iranian bureaucratic-compradors backed by foreign capital, producing profitable cash crops.

### Disarticulation

The disarticulated and distorted nature of the economy, which was a direct outcome of imperialist domination, took on tremendous dimensions by the early '70s and was (and still is) a prime source of the crisis in Iran. An extremely backward, chronically crisis-ridden agriculture alongside a superficially and disproportionately developed

capitalist sector in the cities, which relied heavily on foreign goods for machinery, component parts, raw material inputs, technology and financing, could not help but wind up in crisis.

Even within the capitalist sector itself tremendous disparities developed between different sectors. Disproportionate investment took place in comprador-bureaucratic sectors which were dependent on imported capital goods and a costly infrastructure, while non-comprador sectors were unable to develop due to the lack of a relatively well articulated infrastructure and the lack of the necessary linkages with other sectors which could efficiently supply needs and reduce the cost of labour, raw materials and capital goods. A vicious circle developed between the crises in industry and agriculture, as disproportions in industry hurt agricultural production, driving up prices.

The imperialists tried to keep the system afloat by financial injections. Not only were these cash infusions gauged and provided according to overall profit maximisation, but they were also to diminish over time. Thus, along with the continued functioning of the economy, a certain economic and social stability was achieved and, through the creation of a kulak-type rich peasant stratum as well as a new section of the petit bourgeoisie, a social base was formed for the regime. An organic part of it was the fascist-dictatorial rule which was the glue holding the overall system together.

Thus by the 1960s the ground had been prepared by the dispossession of millions of rural toilers under the shadow of bayonets and to the accompaniment of His Majesty's ear-piercing propaganda. Now these same masses would be called upon to reap the harvest of gold for the imperialist masters. However, this little "gold farm" was not situated in isolation, tucked away in a corner of another planet, but in a much contested region of our own planet Earth. And the developments in the world would not leave this farm untouched. In fact, the modern slaveowners of the world needed the overseers and foremen to perform duty far beyond the mere supervi-

sion of the slaves on the farm. The geographical position of this farm, its financial and human resources and the trustworthiness of its superintendents—all this gave it a choice position.

But there was also another hand at work. The hand of a very old Mole!

### The Nixon Doctrine and Iran

The report submitted by President Nixon to the U.S. Congress in 1969 was basically a response to the particular necessities and contradictions U.S. imperialism faced at the time. The necessity to check and suppress the revolutionary explosion of the oppressed peoples of Asia, Africa and Latin America was still the most pressing issue on the agenda, but the colossal economic and military cost of this "divine mission" of international policemanship needed to be reduced. This was very much linked to and conditioned by the growing contention between the U.S.-led Western bloc and the newly arising Soviet social-imperialist bloc, who were trying to infiltrate the national liberation movements by exploiting U.S. difficulties and the hatred and indignation caused by open and direct U.S. military intervention overseas.

The direct, naked presence of U.S. military forces in the stormy regions of the three continents had to be avoided as much as possible; at the same time, the task of policing had to be carried out even more aggressively, though now by local armed forces of faithful reactionary regimes acting under direct U.S. supervision. Particularly important was the strengthening and all-around modernising of the armies of certain countries able to play the role of regional gendarmes. To this end large parts of these countries' budgets were devoted to military expenditures. The formation of regional military-intelligence pacts and the establishment of military bases under U.S. sponsorship was necessary—this also called for the mitigation of disputes among local reactionary dependent regimes, under the leadership of regional gendarmes.

The crisis and the rivalry with the Soviet bloc further intensified the

need to undertake and protect profitable investments abroad. Banks and corporations started to build their various branches and subsidiaries in dominated countries under domestic local names. Making use of the cheap labour power and raw materials and the greatly reduced cost of production, customs, transport and insurance, goods had to be manufactured in the gendarme countries and sold in regional markets, thus providing means to strengthen the comprador bourgeoisie of the gendarme countries.

We have already mentioned the particular situation of Iran in the region. In addition to those particularities, the immediate result of the '60s reforms was compatible with the new plans of U.S. imperialism: on the one hand the destruction of the agrarian economy and the bankruptcy of large sections of the rural masses created a great industrial reserve army gathered around the cities, and on the other hand, the extreme poverty and desperate conditions of these masses provided the human resources needed for the extension of Iran's modern army.

Another factor which was militarily significant in choosing Iran as the gendarme of the Gulf region was Great Britain's need to withdraw its own military forces from the region, giving rise to a vacuum in the Western imperialists' military network. Given the overall condition of the Western lackeys there, no force other than Iran could fill this vacuum.

Unleashing the military and national chauvinism was the first step in implementing the Nixon Doctrine in Iran. The military budget soared by 32% in 1971, and during four years Iran became a major consumer of U.S. weaponry. Espionage bases were established in northern Iran (near the Soviet border) and all over the coasts of the Gulf, and military bases were strung across the Oman Sea. Helms, ex-chief of the CIA, was appointed U.S. Ambassador to Iran to organise and develop the Iranian espionage apparatus. The Iranian army was developed to half-a-million strong, and the number of U.S. military supervisors was raised

to nearly 6,000.

The military invasion of Oman to suppress the Dhofar and Oman revolutionary movements, and the occupation and annexation of three islands in the Gulf, were actually steps toward fulfilling the tasks the U.S. imperialists assigned the Iranian ruling classes. These tasks sometimes included places as distant as Lebanon, Zaire, Ethiopia, South Africa and Vietnam.

From 1970 to 1975, 124 new U.S. companies invested in Iran (one-third of all investors in that period). These investments were in large part made in branches which were "export-oriented." Consumer goods manufacturing industries were expanded and the produced goods were exported to the countries of the region, and even to the Soviet Union.

Rulers of the Arab states of the Gulf, under U.S. pressure, apparently submitted to the chief gendarme role of Iran. The Nixon Doctrine was realised in an all-around way in this part of the world.

The Shah triumphantly prophesied the country's imminent arrival at the "gates of great civilisation," and of becoming one of the five greatest military-economic powers of the world! However, in an interview with a *Newsweek* correspondent, he spoke his heart: "The Nixon Doctrine.... This is what we are doing."

Hence, a huge and lopsided military, economic and political structure was being made to serve imperialist interests within the new scheme. The turning of events shook this structure so hard, and the structure itself was so bloated, that the sound of its collapse could be nothing less than the thundering of the 1978-79 revolution.

The consequence of world events, the laws of capital's motion, and the intensification of the fundamental contradiction of the imperialist system—all this subjected imperialist calculations and their corresponding "doctrines" to great changes.

### 1974-75 Recession and the Energy Crisis

The years 1974-75 were marked by an all-around recession of the

imperialist system. Although this recession paled in comparison with the next two—and especially with that of 1981-83—it was nonetheless the first and most pronounced indicator of the downturn of the motion of capital and the imperialist system in the post-WW2 period.

But the real turning point was the late 1960s: the colossal financial burden of policing its global interests was weighing ever more heavily on the U.S. economy and, despite these backbreaking expenditures, there was no possibility of anything but defeat in Vietnam. The revisionist Soviet Union, driven by the laws of imperialism, now cast aside its notorious “three peacefuls” and emerged as a strong rival to the U.S. and its bloc. Meanwhile, the law of the uneven development of capitalism was upsetting the post-WW2 imperialist order and creating a disequilibrium more and more unfavourable to the U.S. The large amounts of capital exports began to display a short-term negative impact on the U.S. economy. All these developments took place within the framework of a world market that, despite the transformations which took place in the 1960s, was increasingly eroded and saturated.

The crisis manifested itself initially in the spheres of finance and circulation. For example, the gold-dollar standard was abandoned, which both reflected and exacerbated the precarious state of the international financial network. The U.S. also faced a severe and mounting deficit in its foreign trade and payments. U.S. policy had to deal with these contradictions in order to cope with the crisis and simultaneously reinforce the U.S. position in the Western bloc and solidify the latter in the face of the challenge of the rival social-imperialist bloc.

To do this, the U.S. took a series of important measures. The financial implications of the “Nixon Doctrine” were more thoroughly implemented: a greater part of the costs of the bloc’s military expenditures were spread among the imperialist allies and the various puppet regimes. The U.S. reduced its military “donations” and, in

turn, increased the sale of armaments to its lackeys. Imperialist allies were pressured to make readjustments in their foreign trade so as to reduce the U.S. trade deficit. This was coupled with U.S. “permission” for countries under its domination to raise the price of their raw material exports (to the extent that it would not seriously undermine the U.S. economy), which provided the puppet regimes with some financial income which was in turn used on U.S. goods and arms. This was also intended to help reduce the balance of payments surplus of U.S. allies and return the dollars accumulated in the European market (the “Eurodollars”) to the U.S.—through the indirect route of countries dominated by the U.S.<sup>5</sup>

It is only within this framework that the so-called “Energy Crisis”—the Arab oil embargo of 1973 and the sudden four-fold increase in oil prices—can be explained. Europe and Japan obtained, respectively, 50% and 90% of their oil supply from the Middle East in 1973; the figure for the U.S. was only 10%. Considering the nature of the principal oil-exporting countries (Iran and Saudi Arabia), the U.S. was certainly capable of using oil leverage for its own purposes. In this case, the “oil weapon” was aimed to no small degree at the U.S.’ own imperialist allies.

#### OPEC

It was in the midst of the Arab-Israeli War that the conditions came together to carry out this policy. At the October 1973 meeting of the oil-exporting Arab countries, a decision was made to reduce oil exports to the West at a rate of 5% per month. In some cases, this amounted to a virtual boycott. It was also decided to double the price of oil—a move fully supported by Iran. Three months later, during the OPEC Conference in Tehran (and with the Shah presiding!), the price of oil was doubled.

All of this was widely misinterpreted as a victory for the Third World. For Deng Xiaoping and his cohorts, the oil price rise was a justification for their thoroughly reactionary “Three Worlds Strategy.” They shamelessly tried to

pass off imperialist-concocted machinations as the manifestation of the growing independence and economic development of the oppressed countries, bestowing anti-imperialist attributes upon the bloody oppressors and the loyal dogs of the imperialists. In Iran itself the followers of Deng, the leaders of the Iranian Revolutionary Organisation of the Tudeh Party—later calling itself the Rengeberan Party (Party of the Oppressed)—praised the “progressive” role of the Shah and his majesty’s “anti-imperialist” stand! These reactionary sermons denied the necessity for revolution in these countries and promoted alliances with the Western imperialists, and ultimately with the U.S. against the Soviet Union.

The U.S. imperialists tried to have their cake and eat it too. Even as they benefitted to a large degree from the oil price hike they unleashed demagoguery about “Arab oil blackmail” which was presented as a “menace to Western civilisation” and promoted the illusion that the oil producers would be capable of bullying the imperialists themselves. This was not at all the case and it is an interesting aside to note the remarkable ease with which the Carter administration froze the assets of Iran after the overthrow of the Shah. This alone reveals the real workings of finance capital, its power and control over the international circuits of accumulation over which no puppet can claim property rights, through “blackmail” or otherwise.

As a result of the oil price hike, a “petrodollar” market developed alongside of and mainly at the expense of the “Eurodollar” market. Thus the tens of billions of dollars added to the revenues of the oil-producing countries were channelled and used to the advantage of the U.S.: to compensate the balance of payments deficit, to lubricate the sluggish economy, and generally to strengthen both the U.S. position within the bloc and the bloc as a whole vis-a-vis the Soviets. These measures could not of course “solve” the crisis—it was not the product of trade or currency reserve

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deficits to be cured by the right combination of monetary and fiscal measures, but instead stemmed from the inherent nature of capitalist production itself.

#### Crisis Mounts

The increase in oil revenues bolstered the Iranian regime financially. In one year alone, foreign currency income shot up from \$6.2 billion in 1974 to \$21 billion in 1975, leaving a surplus of \$8.2 billion.

But this unprecedented growth took place neither during an expansionary period of the current spiral nor even under average conditions but, rather, in the context of a persistent and intensifying worldwide crisis of the imperialist system. Furthermore, this huge increase of income was not (and, given the domination of finance capital, could not possibly have been) based on a sustained and all-around development of the productive base and economic capacity of the country but was instead artificially precipitated by U.S. policies catering to the needs of finance capital choked by its own accumulation crisis.

At the beginning of this course, the Iranian regime, relying on its stupendous oil income, threw the country's doors wide open to surplus commodities which were stock-piling in the hands of imperialist companies. Generous conditions were provided for those sectors which were either more crisis-ridden or more crucially located within the grid of international accumulation, in order to raise their profitability and restore their competitiveness. This period, aptly named the period of "open door policy," witnessed a massive assault on the economy by imperialist goods and capitals and by bureaucratic-comprador capitals as well. This intensified the exploitation of the proletariat and ended up driving the petit-bourgeoisie, national bourgeoisie and even non-bureaucratic (so-called "private") capital of Iran into bankruptcy. In a year's time, imports increased tenfold, to an astronomical \$9.3 billion in 1975. In 1976 the same figure was \$15.3 billion—26 times higher than the income generated by non-

petroleum exports.<sup>6</sup>

Besides lavishly providing for foreign imports, the government raised the import duties on the raw materials needed by industries (particularly non-state owned industries) which were competing with the foreign companies exporting the same commodities in Iran. These and similar measures openly favoured the imperialists and undermined those domestic industries already hard hit by the rise in production costs resulting from worldwide inflation. Even certain industries controlled by the comprador bourgeoisie were forced to reduce their output in deference to their imperialist competitors. The Iran National Company—the major manufacturer of automobiles in Iran—reduced its output by half to make room for thousands of surplus cars from its parent company, Peugeot-Talbot. Such policies struck at small production and medium-scale agriculture as well. As a result, unemployment rose throughout Iran.

Secondly, following the oil-price increase and at the behest of its masters, the regime undertook the granting of loans and credits to the crisis-stricken countries of the West and to some of the dominated countries.<sup>7</sup> According to the annual report from the *Bank-e Markazi Iran* (Central Bank of Iran), the sum total of such financial commitments at the end of 1975 amounted to \$11 billion, of which \$2.4 billion had already been delivered.

Finally, as part of the regime's role as regional gendarme for imperialism, military expenditures grew to mammoth proportions. Between 1972-1975, out of \$62 billion in oil income, no less than \$35 billion was spent on maintaining the army, buying arms, financing a reactionary, aggressive war against the people of Oman, paying military advisors, constructing bases, and so forth.

#### Balance of Payments Deficit

Thus in spite of its extensive oil revenues, the Iranian regime in 1976 ran up a balance of payments deficit, and its currency reserves began to shrink—from \$7.1 billion

to \$6 billion in 1976—and the trend continued. In that same year, the regime faced its first significant budget deficit in a decade—\$2.1 billion—and, from that time until the Shah's overthrow in 1979, the deficit grew annually. As a result, since 1977 the Iranian regime started to meet its financial commitments in the form of petroleum. Because of a shortage in credit and loans, it was also obliged to cancel, suspend or delay most of its projects, including even such major endeavours as the huge military base at Chah-Bahar.

Partly in order to meet its obligations to foreign companies, Iran also had to accept foreign loans in the following years: \$1.1 billion in 1976, \$1.2 billion in 1977 and \$1.4 billion in 1978. At the end of 1977, the Central Bank of Iran had to reverse a previously announced policy and reduce the volume of available credit. The result: a decrease in bank deposits, shortage of money and stagnation in the market. This contraction of credit reverberated throughout the entire economy.

The outcome of this matrix of policies was a sharp blow to the disarticulated capitalist economy of Iran. The disequilibrium between the export and import sectors was intensified by opening the door for the accelerated influx of foreign goods and by adopting policies which crushed domestic production and overall weakened non-petroleum export production, which had already lost most of its markets in the context of the world crisis. At the same time, these policies increased inflation and integrated the internal inflation with external inflationary pressures (exerted through the rising costs of imports, raw materials, machinery, etc.) and laid the basis for successive leaps in the rate of inflation. This in turn led to a decrease in the purchasing power of the masses. Together with the contraction of credit and money in the market, all this drove the majority of merchants involved in the import sector into bankruptcy.

#### Exploitation Intensifies

Thus the financial leap which resulted from the increased oil

revenue ultimately helped propel the Iranian economy into the turbulent vortex of a crisis which struck in every sphere of the economic and social life of the country. The immediate "natural" reaction of capital was to intensify the exploitation of the proletariat and the toiling masses. Numerous fascist laws were passed, the workers suppressed, and factories put under military rule led and organised by SAVAK (the Shah's secret police) and retired army officers. The government assaulted the masses economically by increasing indirect taxes, so that in 1976-77 60% of all taxes were indirect. All of this raised the resistance of the toiling masses, especially the working class—which was more conscious, and had the ability to manifest a powerful collective reaction. The waves of crisis gave way to waves of resistance!

In addition to the intensification of the exploitation of the masses, the intensification of the internal contradictions in other sectors also took place: between backward agriculture and advanced industry, between more advanced bureaucratic and comprador sectors and the non-comprador sectors, and so forth.

The petit bourgeoisie and national bourgeoisie were also deeply affected too. On the pretext of "fighting against price gouging," the regime adopted a militaristic policy of economic suppression of the petit bourgeoisie which, as the crisis deepened, began to afflict the middle bourgeoisie and even some elements of the comprador bourgeoisie as well.

In this situation, the policies of the government were increasingly limited to the protection simply of the narrow interests of a particular strata of comprador-bureaucrat capital, and those of several crisis-stricken imperialist countries, particularly of the immediate bosses of the Royal Court.

At the beginning of the plan to make Iran the regional gendarme, some elements of the Iranian comprador bourgeoisie based in the "private" sector had envisioned extending its market to the whole region and forming a "regional common market"—an \$8 billion

export market. These forces had to face the fact that because of both international and internal crisis, not only did they have to leave these "outside" markets directly to the "mother" imperialist capitals, but also had to provide a market of \$15-\$20 billion for the surplus goods of the imperialists and had to themselves undertake appropriate measures in the service of diminishing the imperialist crisis. This meant that, except for an elite grouping, the rest of the bourgeoisie even had to worry about its "own" market too. These conditions led sections of the comprador bourgeoisie based in the private sector to enter into disputes with the ruling clique.

Now the waves of crisis were reaching higher than ever, touching the upper reaches of society!

### Death Leap

In the period following the 1959-63 crisis and the stabilisation of the Shah's position, the U.S. manoeuvred to maintain the stability of its set-up in Iran, including through the participation of all the reactionary cliques and gangs in the government. In order to accomplish this, the U.S. allowed these various cliques to form a "minority" and a "majority" party, while accepting the Shah's Royal Court as the major executive organ with all other forces subordinate to it. But the initially farcical, orchestrated relations between these parties and with the regime didn't advance as smoothly as had been hoped, as events on a global and national scale took unexpected turns.

The intensification of the crisis internationally interpenetrated with the internal contradictions of the Iranian ruling classes. The onset of attacks on some of the Shah's domestic policies by some of the imperialist media and the reactivation of rival factions within Iran's ruling classes were examples of such contradictions, as were the attacks by the leader of the *Mardom* party—the "minority"—on the policies of the prime minister and the administration of the *Iran-e-Noveen* party—the "majority." The stability of the regime was threatened. In view of its increasing-

ly important regional role, this was a serious problem for the imperialists. And so the counter-offensive of the Shah's clique began.

The leader of the "minority" party was assassinated and, a month later, in the winter of 1974, the "dual party" system itself was cancelled by the Shah. The formation of an all-encompassing single *Rastakhiz*—"Resurrection"—party was decreed.

The conditions which compelled the formation of this party must be searched for thirteen years prior to its actual creation.

As noted before, the imperialist land reform of the early 1960s had both economic and socio-political objectives. The "White Revolution" succeeded to the extent that it did broaden the influence of imperialist capital in Iran and create a vast market for imperialist goods and investments. But it failed to build up a base of support among the masses for the regime. This failure became evident even by the end of the '60s. However, despite this, the regime enjoyed relative stability during this period, and the plan to turn Iran into a regional base of imperialism was carried out on this basis.

But as the importance of the regime increased in the regional balance of forces, the need for continued stability increased too. This called forth more militarisation of social life, more centralisation of the political order, and moves for a more developed form of fascist and terroristic rule. In turn, the intensification of crisis, the growth of resistance from below, the heightening of in-fighting in the upper classes, and the acute failure of the reforms to create a durable mass base for the regime—all evidence of the regime's genuine precariousness—accelerated the moves in that same direction.

The imperial *Rastakhiz* proved in fact to be SAVAK remoulded in the form of a party. It was the open declaration that the Shah was implementing the plans of the CIA to stabilise Iran.

The formation of this party was intended to finish the unfinished work of the "White Revolution":

to create a social base for the regime. But the purposes of the "White Revolution" and Rastakhiz were not exactly the same.

In the "White Revolution," the bayonet was in the service of carrying out the Imperial reforms, whereas in Rastakhiz the bayonet was the only thing the regime was promising. In the "White Revolution," the regime tried to wash its bloody hands with economic and welfare promises; in Rastakhiz even the notion of social welfare was drenched in blood. The "White Revolution" sought to form a social base by actually winning over some of the masses; Rastakhiz sought only to bring together all the social groupings, the gangs and the cliques who already supported the Shah's fascist despotism, and weld them into a pillar of the regime. And finally, if the "White Revolution" saw the Iranian comprador bourgeoisie attempt to "bourgeoisify" the monarcho-feudal regime, the events leading to the formation of Rastakhiz, and particularly the decree of Rastakhiz itself, was nothing but the leap of the Shah's clique to more thoroughly absolutise and monarchise the Iranian bourgeoisie.

Rastakhiz was an attempt to respond to crisis, to demoralise the spontaneous movement of the toiling masses and neutralise the activities of the revolutionaries, and to eliminate any possibility that the streams of protest and wrath of the masses might burst through the cracks and fissures within the ruling classes. In fact, it is history's verdict that Rastakhiz was to become the death leap of the Shah Mohammed Reza Pahlavi regime.

The developments that the imperialists had unleashed in Iran for their own interests were now, in the overall conditions of world imperialism, turning into their explosive opposites.

### Already Too Late

The high oil prices which the U.S. imperialists had earlier tacitly supported became an impediment to the overall interests of the Western bloc, especially the interests of the U.S.'s European and Japanese partners. The Carter administration

supported a cut in oil prices to Iran's detriment in 1977.

Even Iran's pivotal role in the region was undermined by the U.S.'s promotion of Saudi Arabia, which, for a variety of reasons was able to fulfill certain tasks in the Mideast which the Shah could not.

The enforced "unity" that the Shah had tried to bring about with the creation of the Rastakhiz began to come unraveled. Articles appeared in the imperialist press calling into question the Shah's competence and value to the West and attention was focused on his violations of human rights. All of this had further repercussions in Iran itself; some circles of the national bourgeoisie and even different sections of the ruling classes became disenchanted with the Shah and emboldened in their criticisms.

By the time the U.S. imperialists realised to what degree the very survival of the throne of their arrogant servant was jeopardised it was too late to save the situation.

All of what we have examined were important factors which helped to make Iran into a weak link and plunge it into a period of revolutionary crisis, leading to the overthrow of the Shah of Iran by the masses of people in February 1979.

### Footnotes

1. *The Collapse of the Second International*, V.I. Lenin, *Collected Works*, Vol. 21, pp. 213-14.

2. *Foundations of Leninism*, J.V. Stalin, *Works*, Vol. 6, pp. 98-101.

3. The way in which the land reform was carried out was very much related to the political conditions of Iranian society at that time. For instance, the first village covered by the land reform, in the winter of 1951-52, was known as "the red village" because it was considered a rural stronghold of the Tudeh Party. Similarly, during the span of a single year (1960-1961), 217 villages were rushed through the land reform programme, while during the entire period from 1951 to 1963, only 517 villages—barely twice as many—were covered by the programme. This can only be attributed to the regime's attempt to respond to the sharpening of the crisis during the early 1960s. Thus economics and politics are highly intertwined, and the im-

perialists, though driven by underlying economic necessity, are nonetheless also conditioned by the previously mentioned political contradictions—and at times it is these that determine policy, including economic affairs.

4. One could take up a case study of how the post-coup d'état policies of the U.S. on Iran paved the way for the eruption of the crisis there in 1959-1963. Examining this in the international and regional context, one would have to analyse the interrelations between the fall of the monarchy in Iraq in 1958, the drop in oil prices between 1958 and 1960, the world monetary crisis in 1960, the heightening of East-West tension particularly just before the Cuban Missile crisis, and the changes in U.S. policy reflected in Kennedy's presidency.

5. For more on the U.S.'s permission to raise oil prices, read about Akins, the head of the U.S. Energy Department in the Nixon administration and later U.S. Ambassador to Saudi Arabia, cited in *Communist*, 14, organ of O.C.R. On the importance and necessity for the U.S. to use its oil leverage against other imperialists, refer to "U.S. Position in Oil Crisis," 1972, William Casey, cited in "The Dollar Empire," by Organisation of the People's Mojahadin of Iran.

6. During one of Kissinger's trips to Iran, a \$50 billion five-year contract was signed between Iran and the U.S. which obliged Iran to import \$34 billion of commodities and armaments from the U.S. during the first four years of the contract. This did not even include the exchange of several billion dollars of petroleum for armaments or the orders to purchase eight nuclear power plants from the U.S. It is interesting that from the beginning of the 1970s, with the exception of certain periods (including the Kissinger-Shah contract), West German exports to Iran were greater than U.S. non-military exports. In fact, Iran was the biggest West German client among the "third world" countries and still maintains this position. The volume of Japanese private investment in Iran surpassed that of the U.S. after 1974.

7. Johannes Wiltreen, head of the International Monetary Fund, proposed that one of the most effective methods for dealing with the deficit problem in the industrial and "developing" countries was to rechannel the surplus revenue of the oil-producing countries. ■