Outcomes of Authoritarian Development Under Pahlavi II

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The 45th anniversary of the Iranian Revolution has prompted many questions and claims in the media in Iran and abroad about the economic and social conditions of Iran in the years leading up to the revolution. Some, especially those who are familiar with the social conditions before the collapse of the Pahlavi regime, including some of those who worked in the government or were in the moderate opposition or were active in the academic circles in Iran, believe that the policies of Mohammad Reza Shah fostered the revolutionary conditions and brought about the monarchy's collapse. Others, especially those who had benefited under the monarchy and who lost their privileged positions as a result of the revolution, including most of today's monarchists, claim that the revolution was the result of a foreign conspiracy to oust the Shah. According to their argument, Iran had become too independent, especially in determining international oil prices, and such independence did not sit well with the foreign powers. Some others, especially Iranians abroad as well as many young people in Iran today who do not have extensive knowledge of the socio-economic and political conditions before the revolution, believe that the revolution was a big mistake. They argue that conditions in Iran were quite favorable before the collapse of the former regime and that a relatively small misinformed and misled group, which they call the "fifty- seveners" (reference to 1357, the year of the revolution in the Iranian calendar), caused the overthrow of the Pahlavi regime. Some others even believe that opposition to the Pahlavi regime was a "disease" and that the current severe crisis under the Islamic Republic is the direct result of that "disease" and the mistakes of the "fifty-seveners."

For an analytical assessment of these claims, it is necessary to first consider the process that sometimes leads to revolution. In general, revolutionary conditions could arise when several key elements accumulate in society. The main cause of a revolution is the people's collective dissatisfaction, which could gradually lead to the emergence of group demands and spontaneous or organized protests, and eventually become a socio-political movement to overthrow the ruling political order. Moreover, the people's dissatisfaction is usually a combination of multiple factors, including the lack of social-political freedoms, poverty and inequality, government's dependence on foreign powers, extent of corruption in public and civic institutions, etc. If the ruling order is unable or unwilling to respond to those grievances and demands by the people in a timely and effective manner and manage them through appropriate and efficient policies, the society could enter a revolutionary process.

The main purpose of this paper is to analyze the development process during the rule of Pahlavi II, including the main achievements as well as the unintended consequences of the political, economic, social and military programs that were undertaken by the regime. This

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analysis could help to identify the possible key factors that contributed to the emergence of revolutionary conditions and the collapse of the monarchy in Iran. The approach is historical-analytical, multi-dimensional and based on documentary evidence. I present my analysis in five parts. In the first part, I explain the theoretical framework underpinning the concept of sustainable development. The second part deals with Iran's experience with development during the rule of Reza Shah and the government of Mohammad Mosaddegh as a background for the design and implementation of development programs under Mohammad Reza Shah's rule. The third part is an analysis of government's policies during the twenty-five years of Pahlavi II rule between the 1953 coup that overthrew the Mosaddegh government and the 1979 Revolution. The fourth part includes a summary of the key lessons, including the weaknesses and shortcomings of the development process under Pahlavi II. The final section offers some concluding remarks about the by-products of the development process and their impact on the political, economic and cultural conditions of the Iranian society, especially during the five years before the revolutionary upheaval. The main purpose is to provide a platform for answering three specific concluding questions: why did the revolution happen? Why was the revolution victorious? and, why did the revolution become Islamic?

I. What is sustainable development?

According to the 17 sustainable development indicators of the World Bank and the United Nations, the concept of development is very broad and its practical aspects are seen not only in the economic sphere, but also in health, education, environment, and even in the political spheres. At the same time, from a philosophical perspective, I would agree with Amartya Sen (Nobel Prize in Economics in 1998) where he imagines development as freedom.[1] In this thinking, development requires a set of inter-related freedoms: political freedoms and transparency; freedom of opportunity; freedom of creativity; and freedom from absolute poverty. In short, it can be argued that sustainable development is a hybrid concept consisting of four complementary dimensions of economic development, political development, social development and cultural development.[2]

To better clarify the concept of sustainable development, it is necessary to make a few other observations. First, development cannot be considered the same as building new infrastructure (or 'modernization' in common parlance). However, infrastructure building is an important element in the development process. The concept of 'modernization' itself needs to be distinguished between its infrastructure and institutional dimensions (i.e., the political, social, economic and cultural institutions within which infrastructure building takes place). In addition, the concept of sustainable development is much broader than modernization and could be considered more akin to modernity. In fact, modernization is a structural construct while modernity is an intellectual or mental concept that encompasses social values and ideals. Modernity includes key values such as an empowered citizenry, the people's right to free expression and dissent, etc. However, forcing or threatening people to change behaviors, even for the sake of modernization, does not necessarily lead to modernity. Therefore, one can pursue modernization without simultaneously evolving along the mental-values dimension that is a key to modernity. This state could be called pseudo-modernity. For sustainable development, and a real transformation of a society towards modernity, there is a need to understand and accept the key concepts of the modern world. It is not sufficient to just blindly

copy models from the outside and implement them in the local context without understanding the concepts that underpin that model. This issue becomes even more challenging when many segments of the society (e.g., the rural and urban poor, the more traditional middle classes, etc.), are completely or partially excluded from the participation process.

The second point is that despite the broad scope of the concept of development, its economic growth dimension is a necessary condition. In other words, in general, it can be argued that in the short term, economic growth is possible without development, but in the long term, sustainable development is impossible without sustainable growth. Here the argument is that capital accumulation is a necessary condition for the needed investments in different spheres of the society. Furthermore, in the long term, inclusive development requires inclusive growth and the participation of all citizens in various ways in the development process. Moreover, the quality and effectiveness of macroeconomic and sector policies is one of the key success factors in sustainable and inclusive economic growth. The third point is that for a not so destabilizing socio-psychological transition towards modernity, it is necessary that the speed of social change is proportional to the society's absorptive capacity. For example, very rapid social change, especially if imposed in an authoritarian manner, could lead to crises of identity among some social segments. Therefore, one of the key elements of an effective development process is the proper management of the phasing of reforms and the willingness of the country's leaders to listen to their citizens' voices at critical stages of the reform process in order to be able to adapt the scope and speed of change.

Designing an analytical framework to evaluate an inclusive and sustainable development process requires the identification of the key axes/indicators of the four complementary dimensions of development.[3] Some of the key axes/indicators outlined below are derived from the global development experience over the past century as well as the author's personal experience as a development practitioner in several countries in various regions of the world that were transitioning to the next stages of development:

i) Evaluation of performance on economic growth can be done along two key axes: sustainability and inclusiveness. The sustainability axis itself can be evaluated with the help of two specific indicators: growth trend over time; and the impact of economic activity on the environment. The following four indicators could be considered for evaluating the inclusiveness axis: balance of growth between different sectors of the economy;[4] balance of growth in geographical spaces (e.g., center versus periphery); balance of incomes between different social classes; and the extent of poverty and inequality in access to opportunities and public services.

ii) Political development can be assessed along three key axes: quality of political-civic institutions; extent of citizens' participation in the development process; and the extent of pluralism in the political culture. Importantly, citizens' participation or non-participation in the development process is an important indicator that points to the key difference between an authoritarian versus a participatory approach to development. In addition, modern institutions of democracy such as political parties, civic organizations and election laws and regulations that underpin free and fair elections, require the existence of several important behavioral characteristics in the body politic. These include a pluralistic political culture as well as an environment in which the majority respects the rights of the minority. In this context, Iran is a pluralistic country but without a strong pluralistic culture. Another important related point is

that the fate of freedom and sustainable development in Iran, like in other societies, depends on a delicate balance in an endless tension between "society" and "government," where "society" seeks freedom, but "government" strives for order. A recent global historical analysis entitled “The Narrow Corridor: States, Societies, and the Fate of Liberty” suggests that in the conflict between the people forces that tend to lead society towards disorder and the government forces that tend to lead it towards oppression, there is a space (a so-called "narrow corridor") that can accommodate a free, democratic and developed society. Reaching that corridor, as well as staying in it, requires a lot of effort, sensible policies and an evolved political culture.[5]

iii) Social development can also be assessed along several important axes, including the legal and regulatory environment, and citizen's responsibility. In order to promote social development, necessary transformations must take place along both axes. Importantly, the nature and quality of people's activism in solving social problems shows the extent of their social development.

iv) Cultural development can also be assessed along the following axes: education, traditions/customs, and the citizen's approach to dealing with social challenge. The scope of the education axis goes beyond reading and writing literacy, and includes the literacy of a social citizen in a modern society (i.e., dealing with social issues based on reason and modern values versus traditions and customs). Importantly, the Iranian culture is anchored mainly in passion, poetry and slogans (*shour, she’r, sho’ar*). In this context, cultural development could lead the society towards more logic instead of passion, programs instead of poetry, and strategy instead of slogans in dealing with social problems.

II. Development process under Reza Shah and Mosaddegh

During the rule of Reza Shah, successive governments undertook very important economic and social infrastructure and institution building programs. Significant progress was made in various dimensions of development that de facto transformed Iran from a backward society of the Qajar era towards a more modern society of the 20th Century. The most important achievements of Reza Shah's development programs included the construction of an extensive land transportation network (about 13,000 km), a major national railway (about 1,400 km) as well as the establishment of several modern governmental and cultural institutions (e.g., a modern judiciary, based on modern legal foundations; a modern central government administration; center for registration of deeds and contracts; Association of Lawyers; National Bank of Iran; University of Tehran; and other educational centers with a modern approach to education, etc.). Another very important achievement during Reza Shah's rule was the curbing of tribal rebellions and establishing public order and security, and strengthening the country's military and police forces along modern lines. Furthermore, although oil production was the main driver of economic growth during that period, primary manufacturing industries (such as tobacco) and traditional manufacturing (such as carpets, oil and soap) also expanded.

Despite large investments to modernize the country’s infrastructure and institutions, there were important shortcomings and weaknesses in the scope, speed and strategy of the development programs. First, Reza Shah's approach to development was mainly a top-down process based on imported models. As a result, in general, citizens did not have the opportunity

to participate in the development process and did develop agency. In addition, most of the society did not achieve modernity. Why? Because, as mentioned in the previous section, modernization is a structural construct, while modernity is a mental/ideas concept. For real transformation of a society towards modernity, there is a need to understand and accept the key concepts of the modern world, and not to blindly copy a foreign model and implement it in the society without understanding the concepts and values that underpin that model. A clear example of this phenomenon was Reza Shah edict for women to remove the hijab. This reform action may have been very progressive in terms of modernization because it made the society appear more modern. However, because there was no concomitant attempt to combat the strong patriarchal culture prevailing in the society of that time, those reforms were considered among many of the families of that time, especially in smaller cities and in villages, as an authoritarian imposition on people (especially among the religious and traditional families).[6]

The second weakness in Reza Shah's approach to development was the imbalance of reforms in various spheres of society. For example, in 1313-1320, about 2.5% of the budget was allocated to the agriculture sector and about 19% to the industry and trade sector. As a result, in the economic and social spheres, there were severe inequalities/imbalances between the city and the village and the center and the periphery. This phenomenon was one of the important factors that contributed to people's gradual dissatisfaction with the regime. In addition, not only was there no noticeable progress in the sphere of political development, in fact, in several cases, there was back-tracking from several important achievements of the Constitutional Revolution of 1906. This included the gradual reduction of freedoms of speech, press, parties and elections. In addition, the key institution of local councils - an important achievement of the constitutional revolution - was de facto suppressed and deformed (council members were mostly not from the locality and were mostly appointed by the central authorities). In addition, the Majlis - another key institutional achievement of the constitutional system - was de facto neutered during Reza Shah's rule (there is a legend that Reza Shah called the Majlis a "*Tavileh*" – stable). Moreover, the gradual suppression/elimination of political opponents by censorship, imprisonment and execution (even of ministers and close advisors of Reza Shah like Teimourtash, Firouz and others) created an atmosphere of political fear in the society.[7]

The third weakness was the general perception that the ruler was dependent on a foreign power. This perception was based on a narrative of how Reza Shah came to power. It was generally assumed that the 1299 coup that brought Reza Khan to power was supported by elements associated with Britain.[8] This perception played an important role in weakening Reza Shah's legitimacy in the eyes of the people. This perception was further magnified by leftist groups, especially among the intellectuals, and it helped form Reza Shah's reputation as a symbol of foreign dependence. The latter phenomenon ultimately became one of the main factors contributing to the people's growing dissatisfaction with the regime.

The fourth weakness was the extent of corruption in government. It became another factor driving people's dissatisfaction and further fed the perceptions of inequality in the development process. The main source of corruption was the use of oil rents and the use of political power to accumulate private wealth by the ruler and his associates. For example, Reza Khan had no wealth when he came to power, but during his rule, he was able to become one of the richest rulers in the world.[9] In summary, at the end of Reza Shah's rule, Iran was a

constitutional monarchy in appearance only, and, in practice, it was nothing more than arbitrary rule. In such a political environment, citizens were deprived of the right to play a role in the country's political affairs, and the process of sustainable development faced important challenges, including sharp class divisions, major gaps in living standards between city-rural and center-periphery, as well as widespread corruption among the ruling group and their companions.

After the occupation of Iran by the British, Soviet and American forces and the exile of Reza Shah in the Autumn of 1941, several governments came and went without undertaking any important development programs. With the beginning of the government of Mosaddegh in 1951, a new chapter was opened in the history of Iran's development. It included very important innovations in the political, economic and social spheres. Mosaddegh's vision of sustainable development was anchored in people as free citizens. This orientation was in sharp contrast with Reza Shah's authoritarian approach. During the Qajar era, the government looked at people as vassals. During the Reza Shah era, although the people of Iran enjoyed more social freedoms, the government's view of the people was similar to its approach to policy making and reforms, that is, an authoritarian orientation. In such an approach, people were mainly considered as passive objects, not subjects with agency. Mosaddegh tried to transform this traditional view of society and to consider people as free subjects with agency in the political, economic and cultural processes of the society. With this transformation in approach he sought to encourage the people's active participation in the development process. Two quotes from Mosaddegh distill his philosophy of governance and approach to reform: "Freedom is not possible without national sovereignty" and "Iran will not be reformed and governed by any other method except through democracy and social justice." To facilitate the rapid implementation of the government's comprehensive nine-point program of political, economic and social development that had been approved by the Majles, Mosaddegh requested, and was given, temporary legislative powers. During the thirteen months that he enjoyed these powers, Mosaddegh promulgated 203 legal bills in support of his program of transformation of the Iranian society. The most innovative and impactful of his reforms are briefly reviewed below.[10]

Democratization of political and civic institutions: Mosaddegh resurrected the local councils, an institution that had been practically 'extinguished' during Reza Shah's rule. By legislating and organizing elections at the local level and with local representatives for city and village councils, Mosaddegh took the first step in establishing the institutional foundations of popular democracy, creating a culture of citizenship, and moving some power from the center to the periphery. Moreover, the political independence of the Bar Association and the financial independence of Tehran University were two other important achievements in this field.

Political and social freedoms: During the 27 months of Mosaddegh's governance, the people of Iran certainly enjoyed more democratic freedoms and equality before the law than at any other period in contemporary history, and not even one of Mosaddegh's political opponents was executed! Immediately after becoming prime minister, Mosaddegh issued a directive to the police force that stated: "Newspapers can write whatever they want about me, and the person who writes it should not be insulted or prosecuted." In the same spirit, the government revised the country's press law and codified basic press freedoms in that bill. Furthermore, a fundamental issue at that time was whether all Iranian people should have citizenship rights and enjoy constitutional freedoms. In other words, did the government have

the right to discriminate between people or restrict their social freedoms? Mosaddegh's approach in this regard was very libertarian.[11] Finally, in the contemporary history of Iran, the best chance for the country to get close to the proverbial "narrow corridor" (mentioned in the previous section) was during Mosaddegh's governance.

Social democracy: Mosaddegh's long-term goal for Iran was to move the country towards an "Iranian social democracy" (the suffix "Iranian" used here is to better distinguish Mosaddegh's thought from the radical left of that time). In Mosaddegh's thinking, the key issue was citizen's rights, as well as the responsibility of the citizen and the government towards those rights. In this thinking, the state's responsibility was to create the conditions of freedom, equality of opportunities and justice within the framework of the rule of law and a free economy.

Women's right to vote: Mosaddegh was the first Iranian prime minister in history to try to formally include women in the country's development process and give them voting rights. In this regard, the government tried to amend the city council election law and officially remove women from the list of those that were ineligible to vote. Unfortunately, however, this valuable initiative was strongly opposed by the clerics and did not succeed at that time. Nevertheless, the sapling planted by Mosaddegh's initiative eventually grew in the next ten years. In 1341, women were given the right to vote in the framework of the "White Revolution" of Mohammad Reza Shah.

Empowering citizens: Another of Mosaddegh's innovative initiatives was to publish draft reform laws in newspapers to seek and receive feedback from citizens. At that time, this action was unprecedented not only in Iran but also in most developed countries. With this action, Mosaddegh wanted to teach people about modern citizenship; in other words, that you people have rights, free from any kind of discrimination, regardless of gender, ethnicity or religion; you have responsibilities, and you must participate in the affairs of this society; if I intend to implement reforms, I want to go forward by taking your opinion into consideration, and be accountable to you. Mosaddegh declared: "If you want to reform the country, society must enter into the reform process. Instead of saying, I will carry out the reforms whether you like it or not. And if you don't, I will arrest you."

Empowering peasants: The first decree that Mosaddeqh issued under his legislative authority was related to peasants' rights. This law abolished forced labor by landless peasants for the benefit of landlords. In addition, the decree established village council elections by secret ballot. Furthermore, it was decided that 20% of the landlord's share of agricultural production would be deducted and allocated to the specific benefit of the village (half would be distributed among farmers and the other half would be deposited in a newly established village social development fund).

Nationalization of the oil industry: the doctrine of negative equilibrium was the basis of Mosaddegh's policy to strengthen national sovereignty and reduce dependence on foreign powers. The essence of that doctrine was the negation of privileges to any of the great foreign powers of that time. Of course, Mosaddegh's approach to foreign relations was an 'open-door' approach. He was willing to talk with all countries, but without giving concessions to this or that power. Mosaddegh's most important achievement in upholding Iran's sovereignty was the nationalization of the oil industry and the expropriation (with adequate compensation) of the former Anglo-Iranian Oil Company (AIOC). The main issue that complicated the negotiations

between Iran and Britain was that the British did not respect Iran's right to sovereignty. They did not accept the reality of nationalization and wanted to maintain control over Iran's oil operations. In fact, even the World Bank (Bank) made a proposal that, if accepted by Iran, would have created a 'Trojan Horse' under its logo and returned control of Iranian oil to the oil cartel, under the guise of a 'neutral' international organization. Mosaddegh viewed the Bank's proposal as a perpetuation of the privilege of AIOC in a different guise, and did not accept it. He insisted on defending Iran's national sovereignty and was not willing to forsake that sovereignty with a paper deal and for a few extra shillings of income from each barrel of oil.[12]

Economy without oil: This innovative strategy was Mosaddegh's answer to four key development challenges facing Iran at that time: structural adjustment to deal with external shocks (British sanctions after the nationalization of the oil industry); reducing the effect of sanctions on low-income groups; creating more stability in the economy, especially in the private sector; and laying the groundwork for a sustainable path for economic growth through the diversification of an economy that was previously heavily dependent on oil. The basic idea was to ignore oil as the main source of foreign exchange earnings and government revenue, and to allocate oil export revenues exclusively to finance the country's development program. In fact, Mosaddegh's government was the only government in Iran for more than a century that was able to manage Iran's economy without relying on oil revenues. Finally, the economy without oil strategy achieved important results in the short term.[13]

Economic development initiatives: Mosaddegh's approach to development was anchored in the free market, and his government supported the expansion of investments in the private sector. For example, during Mosaddegh's governance, three private banks were established (Export and Mining Bank, Pars Bank and Bank of Tehran). After the nationalization of the oil industry, British sanction severely reduced Iran's foreign exchange income and the World Bank canceled a loan that it was considering in support of the implementation of Iran's first development program. As a result, the government could not implement most of the planned large infrastructure projects. Nevertheless, despite the severe financial constraints, the government started or completed several development projects in various sectors. The most important of these were: in the infrastructure sector, the completion of Tehran's clean water supply project, and a number of roads, tunnels, bridges and railways (e.g., Tehran-Mashhad and Miyaneh-Maragheh); in the housing sub-sector, establishing a construction bank and completing more than 150,000 residential units for low income people; in the export sphere, the establishment of an export development bank and provision of financial incentives to promote non-oil exports and increase the production capacity of the private sector in consumer goods (e.g., the newly established brand of 'Alee Nasab); and, in the agricultural sector, the policy of promoting non-oil exports led to a significant increase in agricultural production and its exports.[14]

Workers' Social Security Insurance: This newly founded institution was considered the crown jewel of Mosaddegh's social policy and was one of the most important achievements in Iran's social development in the 20th century. For the first time in Iran's history, workers and their families were provided with social protection against diseases, accidents, physical disabilities and retirement at the national level. At the time, this initiative was unprecedented not only in Iran but also in most developing countries. In general, it can be concluded that Mosaddegh's government had a comprehensive economic and social policy that, had the

government not been overthrown, it could have established the foundations of a welfare state in Iran.

Despite its very important initiatives in the economic, social and political spheres, the government's policies and approach to development had several weaknesses and shortcomings. First, although the nationalization of the oil industry was an important achievement in preserving national sovereignty, it also had important side effects. The sharp drop in foreign exchange earnings created serious financial problems that greatly reduced the government's ability to implement its development programs, and greatly constrained the growth of GDP. Second, public order is an important condition for creating a suitable environment for investment and activity in the private sector. However, during Mosaddegh's governance there were frequent demonstrations, marches, and clashes between supporters of the various political factions. In addition, conspiracies by local operatives of foreign security agencies added to the atmosphere of instability. It could be argued that perhaps Mosaddegh was too much of a democrat because he did not even prosecute coup plotters like General Zahedi, Colonel Nasiri and the Rashidian brothers. Mosaddegh's strict adherence to the rule of law and the protection of freedom of expression combined with the irresponsible actions of various political factions contributed to an atmosphere of public insecurity, and made it more difficult to advance towards the government's economic growth and development goals. Third, although Mosaddegh was obsessed with the ideals of justice and equality, and was completely in favor of land reform, his government did not develop a comprehensive land reform program for several reasons. Fundamentally, he believed that such reforms should be carried out with detailed planning and within a comprehensive framework. Mosaddegh's approach was based on three key principles: there should be an accurate cadaster survey of the properties to help better divide them for the benefit of all the village population and not only for the benefit of those who had the right to farm them (*nasaq* holders); distribution of ownership of irrigation resources must be implemented along with the distribution of land; and, provision of the important needs of farmers, including fertilizer, seeds, machinery and extension services necessary for modern agriculture, should be an integral part of the land distribution program. Designing such a comprehensive program during the short term of Mosaddegh's governance as well as the critical socio-political conditions of that time was a very difficult task and beyond the government's implementation capacity. Moreover, Mosaddegh's government did not have the ability to simultaneously fight the British over the nationalization of oil and Iran' landowners over the distribution of land.

III. Development process under Pahlavi II.

The development record of Pahlavi II in the last twenty-five years of his rule can be divided into three phases: consolidation period (1953-1962); reform period (1963-1972); and the period of super ambition (1973-1979). After his return to Iran following the August 28, 1953 coup, the Shah faced a deep crisis of legitimacy. The role of foreign security organizations in the overthrow of Mosaddegh's government and the Shah's return to power strengthened the perception among political parties, intellectuals, and at least part of the clergy about the Shah's dependence on foreign powers. Unlike Mosaddegh's national government, which had tried to anchor its legitimacy in the people, the Shah and Zahedi's government drew their power not from the people, but more from the army and the security apparatus. According to a senior

American official in Iran at that time, "The main source of the king's power is the army." The coup derailed Mosaddegh's attempt to establish the basis of the regime's power and legitimacy in the people, and as a result, the regime's power base returned to the three traditional elements that existed during Reza Shah's dictatorship - army, landlords and clerics. In this phase of the Shah's rule, the regime's three priorities were to consolidate power, resume oil exports, and implement the country's second development plan. Meanwhile, a new security organization (SAVAK) was created, the political activities of the regime's opponents, especially the National Front and the Tudeh party, were suppressed, an oil operation contract was signed with a consortium of foreign companies,[15] and the activities of the plan organization were revived with the help of revitalized oil income. One of the important features of this phase was the government's attempt to leverage the religious feelings of the masses to strengthen the legitimacy of the regime. This strategy included the promotion of religious leaders and their community activities, which began with the exchange of congratulatory telegrams between senior clerics (Ayatollahs Boroujerdi, Behbahani and Kashani) and the Shah on the occasion of the coup's success and the Shah's return to Iran. This orientation continued in the early years after the coup. Among the government's activities to obtain the clerics' support was the destruction of the Bahaii temple, which Mosaddegh never agreed to do, despite strong pressure from Ayatollah Boroujerdi.[16] The Shah's strategy of relying on the clerics to support his rule had positive results in the short term, but, as will be demonstrated in the following sections, this strategy failed in the long term.

The most important achievements of the first phase of the Shah's rule were four-fold: establishing security; resuming oil exports; implementing some development projects; and improving the general economic environment to help re-energize the economy. Nevertheless, the economic situation remained under stress and despite significant oil revenues, the government's financial situation remained difficult. The phenomenon of corruption arising in part from a rapid increase in oil revenues was one of the important concerns of that time, and the slogan *az koja avardid* (where did you get it from) became a popular theme. A noted scholar of Iran observed the following about the economic progress after the coup, "until (1960), almost nothing permanent and useful had been achieved and the country was bankrupt."[17] In addition, no noticeable progress was observed in the political development sphere. Although the government tried to create a two-party political atmosphere by establishing the Mellioun Party and the Mardom Party, those two parties were more cosmetic than real, and the parliamentary elections the followed remained a mere show. Finally, in the last years of the consolidation phase of the Shah's rule, the people's dissatisfactions accumulated and the society's demands for serious political, economic and social reforms increased again. With the start of John Kennedy's administration in America that was the Shah's main foreign supporter at the time, propitious conditions came together for the transformation of government policies in Iran.

The second phase (reforms) began with Prime Minister 'Ali Amini, who was the last relatively independent head of government in the Pahlavi regime. Amini declared that "the government's treasury is empty and the country is facing a crisis." Despite relatively significant oil revenues in the years after the coup, Iran's foreign debt increased from about $10 million after the coup to more than $500 million in the early 1960s. In the political sphere, Amini's government took some immediate steps to partially open the political space. As a result,

opposition political parties, especially the National Front, resumed their activities to some extent. In addition, the Amini government laid the foundations for structural transformation in the socio-economic sphere, including the formulation of a far-reaching land reform program, which was spearheaded by the then Minister of Agriculture, Hasan Arsanjani. Furthermore, Amini was determined to fight corruption among the military and civilian leaders. In his first speech after accepting the post of prime minister, Amini declared: "His Majesty should let me fulfill his wishes. So, don't interfere directly in the work of the government and trust me." Unfortunately, Amini's government did not last long because he was relatively independent and due to the Shah's interference in government affairs, Amini was forced to resign and Asadullah Alam replaced him. The most important policy event in the 1960s was the establishment of a series of economic and social reforms, some of which were formulated with the advice and pressure of John Kennedy's administration. The reform program included six principles that were voted in a referendum (February 1963) and approved by an overwhelming majority of the people. These reforms, which became known as the "White Revolution," were gradually expanded in the following years to encompass 19 principles. The population of Iran at that time was about 22 million people, and about 75% of them lived in villages and were mostly illiterate. Three of the most significant reforms from a developmental perspective are reviewed below:

• *Land reform*. The general goal was to fundamentally change the size and manner of ownership of agricultural land in order to increase the general productivity and reduce the gap in the living standards between the city dwellers and the countryside. The land reform program was implemented in three stages. The most important achievement of these reforms was the re-distribution of the lands of landlords to the farmers who had the right to till it (*nasaq* holders that represented about 60% of the rural population). This reform significantly changed the feudal system prevailing in the rural areas, and the people living in the rural areas were transformed from de facto serfs to citizens. For the first time in Iran's history, they had the opportunity to have agency.[18]

• *Literacy Corps*. In the early 1960s, about 70% of men and 90% of women of Iran over the age of fifteen were illiterate. In addition, the gap between the urban and rural areas regarding educational facilities was very noticeable (e.g., about 25% of the country's teachers taught in villages where 75% of the population lived). The Literacy Corps was modelled on John Kennedy's Peace Corps and it aimed to promote and spread literacy in the villages. The idea was to send young high school graduates (initially boys and later girls as well) to the villages for two years to teach illiterate children and adults in lieu of serving in the military. The role of the corps men and women went beyond simple teaching in class rooms, and, in fact, they became agents of social change and modern practices in the villages. In the 15 years of the Corps's operation, about 200 thousand young boys and girls served in the villages, thousands of schools were built and about 2 million children and 1 million adults became literate. The most impressive achievement of this reform program included reducing the illiteracy rate to about 44% for men and about 53% for women.[19]

• *Women's right to vote*. 'Alam's government included in its program Mosaddegh's unsuccessful attempt to give women the right to vote, but, once again, this idea faced strong opposition from the clerics. In the event, the sapling planted by Mosaddegh ten years earlier bloomed when in a referendum the voters approved the Shah's six-point reform program, and

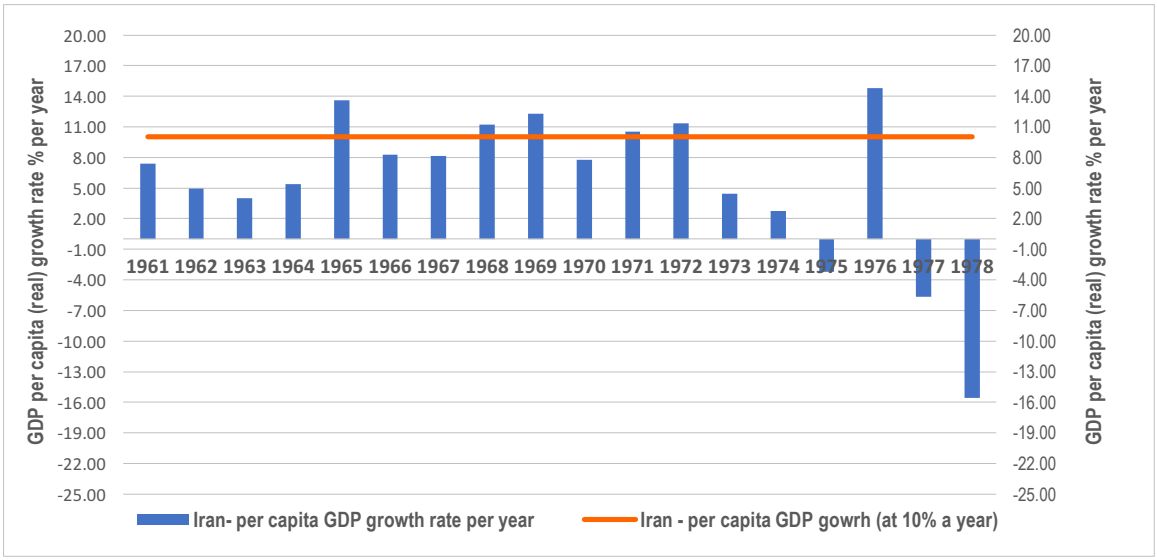
Iranian women finally received the right to vote. At that time, this development was considered one of the most important achievements in the citizen rights of Iran during the Shah's rule.

These multifaceted reforms in various spheres underpinned important structural changes in Iranian society. At the same time, the implementation of the Shah's reforms brought about several unintended consequences as well as fostered new needs and demands in the society. First, in the field of agrarian reforms, the way the land was distributed (i.e., targeting only that part of the rural population that had the right to till the land – *nasaq* holders), did not include more than one third of the rural population at that time, known as *Khoshneshinans*. As a result, most of this mass of people flocked to the cities seeking better job opportunities and living conditions. This process contributed to the rapid growth of urban marginal settlers (*hashiyeh neshinan*). Furthermore, the change in the ownership structure of agricultural land shook one of the regime's three pillars of power (landlords), and they gradually began to peel away their support from the regime. Moreover, the method used to divide the lands belonging to the religious endowments was not appreciated by the clerics (another pillar of the regime's power base) and contributed to that group's eventual estrangement from and opposition to the regime. Second, the Literacy Corps also created new realities and demands among the emerging literate rural population, including for more participation in social and political affairs affecting their communities. In addition, the first-hand experience of the members of the Corps with relative poverty and inequality in rural areas impacted their political sensitivity and eventually radicalized the political orientations of some members. In some cases, the corpsmen guided and assisted the rural communities in organizing for more demands from landowners and public institutions. Such unexpected consequences of this program, including the potential political impact of empowering people that could translate into increased political demands, was of concern to the Corps officials. In some instances, these concerns led to the institution of political control measures that were against the spirit and initial ideals of the program.[20] Third, after receiving the right to vote, women demanded a more conducive political environment to exercise that right in the form of meaningful elections. The common narrative at that time went like this: what is the use of the right to vote if that right can only be exercised in managed elections? Although women were very happy to receive the right to vote, their unfulfilled demands for meaningful elections further contributed to the accumulation of societal grievances. Fourth, the reforms and the economic progress that followed, created the foundations of a new middle class with more progressive mindsets. It was assumed that this 'new class' would in the medium term become a new pillar of the regime's power-base and compete with the three traditional pillars (army, landlords, clergy). Fifth, the breadth of reforms was so broad and the implementation speed so rapid that it exceeded the absorptive capacity of the country's infrastructure and civil institutions as well as the prevailing cultural parameters in the society. For example, many of the urban marginal settlers who had just flooded there from the villages had maintained their very traditional, conservative cultural values and norms. In addition to facing employment and livelihood challenges in the cities, this mass of conservative people came into contact and clashed with the modern lifestyles and extravagances of the more prosperous middle and upper classes in the urban areas. This phenomenon created a cultural-moral shock that eventually became the source of important identity challenges among the growing underprivileged segments of the urban population. And finally, the speed and scope of reforms along the path to modernization prompted a reaction

from some intellectuals and other strata with relatively traditional mindsets. As a result, new social ideas such as "returning to the past"(*bazgasht beh gozashteh*) or "returning to oneself" (*bazgasht beh khishtan*) became a popular cultural-political phenomenon at that time.[21] In the meantime, the clerics' negative reaction to the Shah's reform program, especially the women's voting right issue, led to large-scale demonstrations in 1963 (known as the 15 Khordad uprising). Those demonstrations were suppressed, some demonstrators were killed and a number of prominent clerics were arrested and/or exiled, including Mr. Ruhollah Khomeini.

In the economic sphere, a very important package of new policies was implemented under the leadership of the then Minister of Economy, 'Alinaqi 'Alikhani, with the aim of expanding the country's industrial production base. These policies, along with significant new infrastructure projects, helped change the shape of Iran's economy during the 1960s. Although the rapid increase in oil production and exports was the key factor of economic growth, the government's very significant investments in expanding heavy industrial production capacity (e.g., iron smelting, steel, petrochemicals) and supporting private sector investment, especially in light manufacturing, created a dynamic modern private sector, and built the foundations of a relatively more balanced economy than before. Clothing factories and other consumer goods and electronic products were among the new light industries of that era that were able to take the first steps in expanding the composition of exports beyond the traditional petroleum products. As a result, between 1965-1972, Iran's real per capita income growth reached more than 10% per year, which was considered one of the highest growth rates in the world (Chart 1).

Chart 1: Real annual growth rate of Iran's GDP per capita
(1961-1978)



Source: World Bank database

In the meantime, intellectual circles that were calling for comprehensive political reforms were often suppressed. In the fall of 1966, an article with a provocative title,

"*maqzhay-e motafaker ra daryadbid*" (disover the thinking brains), was published in *Negin* magazine. The article was soon reprinted in one of the prestigious magazines of that time (*Khandaniha*) under a more prophetic title: "*beh mardom haq-e ezhar-e vojoud bedahid*" (give people the right to express themselves). This article demonstrated the nature of the predicament facing Iran's young generation at that time. After pointing to the country's recent progress, the article's author claimed that there was a vacuum for "brains" (allusion to educated youth). "What have you done for these thinkers, anyway?" the author asked the target audience, a generic "you"—meaning the Shah—and then implored: "Educate the brains for the future. Brains that should run the country in a better, more modern and freer way. If you allow them to think freely, speak freely, and make decisions freely, you will leave a historical legacy of a prosperous and flourishing society."

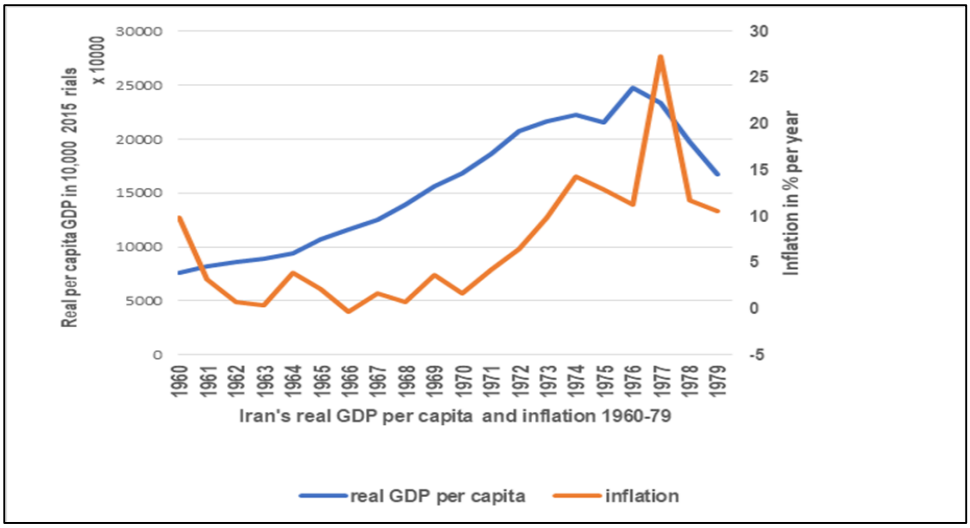
In the political domain, the signing of the so-called "capitulation agreement," ceding Iran's judicial sovereignty regarding American citizens operating in Iran was a very significant event. It angered many in the opposition, and led to the assassination of Hasan Ali Mansour (Prime Minister) in 1964 by Mohammad Bokharaei, one of the activists of the *Jam'iat-e Mu'talefe* (a radical Islamist group). After Mansour's assassination, Amir Abbas Hoveida became prime minister. Hoveida tried very hard to satisfy the Shah, and during his time in office the prime minister de facto played the role of a chief-of-staff and not a real head of government. According to a prominent Iranian historian, "In the nearly thirteen years of his premiership, (Hoveida) caused more harm to Iranian society than any single individual, except his master."[22]

Despite the accumulation of dissatisfactions, some of which had emerged from the way the Shah's reforms were implemented and others due to the shortcomings and weaknesses associated with their design, there was no appreciable change in the political development sphere. As a result, the government was unable to enhance the political system's capacity to manage or respond to the emerging needs of the population. This trend in the implementation of socio-economic reforms and the lack of meaningful structural reforms in the political sphere contributed to a general state of frustration in the society. In other words, with its admirable reforms, the Pahlavi regime increased the society's expectations that generally exceeded the government's capacity to respond to the emerging demands. Drawing lessons from that experience, it can be argued that in order to bring about the desired transformation, it is important that the development process should not only move forward in line with the absorptive capacity of the society, but should also to the extent possible be inclusive and balanced. In a nutshell, lack of political development along with financial corruption, which worsened with the rapid increase in oil prices, were the most important weaknesses of the development process in this phase of Pahlavi II's rule.

The third phase (supper ambition) began with the meetings of country leaders and government elites in two economic conferences in Gajereh and Ramsar in 1353 and ended with the overthrow of the monarchy in 1979. According to Pahlavi II, "The goal that I have set for my nation is undoubtedly a very ambitious goal."[23] During discussions about the scope of the prospective fifth development program, the country's top economic experts warned the Shah that the very ambitious plans he was contemplating were not compatible with the country's absorptive capacity. They added that if the trends of inequality and unbalanced growth continue as in the past, the country could witness a political, economic and social explosion in the very near future. In response to the experts' warnings, the Shah declared, "What are you

saying... Again, these economists are talking nonsense... Who told you to write these things?" In fact, the Shah was only concerned about the financial constraint to his development plans, and believed that by raising oil production and increasing the price of oil in the world markets Iran could overcome the challenges of the fifth development program. As the price of oil doubled, and despite the warnings of experts, the Shah ordered the budget of the fifth development program to be doubled. At the Ramsar conference, the experts continued to express their concerns with the direction chosen. Some of them used very expressive and prophetic words to communicate their warnings. At the end of his report, Alexander Majloumian, the deputy director of the Plan Organization, wrote: "This program smells of blood." But the Shah did not listen to the warnings of his economic advisers and even expelled one of them (Bahman Abadian, another deputy director of the Plan Organization) from the Ramsar conference.[24] In the event, large oil revenues enabled the implementation of very unstable economic development programs that eventually led to significant infrastructure bottlenecks, slowdown in economic growth and rapid inflation. Average per capita GDP growth in the 5 years before the revolution dropped to about zero (Chart 1). Meanwhile with strong growth in liquidity, the inflation rate rose from a very low and single-digit trend in the 1960s to more than 27% in 1957 (Chart 2). The important point is that in the two years before the revolution (1957-1958), the performance of Iran's economy was very negative: the cumulative GDP per capita growth reached about minus 20% (Chart 1) and the cumulative inflation rate reached about plus 50% (Chart 2). The sharp drop in purchasing power during the last two years before the revolution had a negative impact on the standard of living of even the emerging middle class and added to their dissatisfaction. These trends challenge many of the claims of today's supporters of the Pahlavi regime, especially that the economic situation before the revolution was "great."

Chart 2: Inflation rate and real GDP per capita in Rials 2015 (x10,000) (1960-1979)



Source: World Bank database

Although several additional principles were added to the Shah's reform program, important political, economic and social developments reduced the dynamism of the reform process and created new crises. Despite the high growth rates of the previous decade, at the beginning of the third phase of the Shah's rule, many social indicators (illiteracy level, birth and death rates) still showed a society that was facing a number of serious challenges.[25] After the "White Revolution," the shah gradually embarked on the path of increasingly arbitrary rule and pursuing his development programs at break neck speed without involving the people in the development process. It is possible that the diagnosis of lymphatic cancer (apparently in 1973) triggered this orientation in the Shah. Perhaps, he wanted to move as fast as possible with his prized military and development projects while he still had the energy to work "normally." In fact, Pahlavi II was so confident in his approach that he even conjured illusory ideas of a "great civilization" for Iran as well as becoming the fifth industrialized country in the world - a "Japan of the Middle East"! According to the Shah, the goal was to achieve the "highest level of material and spiritual life and maximum social security and moral enrichment" for the people of Iran. Interestingly, in the Shah's thinking and hopes for his country, the empowerment and freedom of citizens and their participation in the political arena did not have a special place.

In the military sphere, the Shah's armaments program was one of the key factors that led to the mismanagement of Iran's development efforts. In 1972, when the President of the United States (Richard Nixon) visited Iran, he and the Shah reached an agreement whereby the Shah would be free to purchase all the weapons and military equipment he deemed necessary, with the exception of nuclear weapons. Two important conditions were included in this agreement. First, Iran should pay for the purchase of the weapons from its oil revenues (made possible by increasing oil production and prices). Second, the Shah would remain a close ally of the United States.[26] The deal paved the way for massive spending in the military sector, and given the lack of transparency in arms procurement programs, helped foster corruption. Huge oil revenues not only led to a sharp increase in military expenditure, but also brought about a drastic increase in corruption, especially in the field of arms procurement and among the high ranks of the military, the government as well as members of the Royal Court - to the extent that some of them became known as "Mr. 5%" or "Mrs. 10%". Recalling the problems that Iran had faced at that time, one of the key ministers in the Shah's regime says: a) none of the cabinet members (even the prime minister) knew about the details of military purchases or even the country's defense budget; b) the lack of cement in Iran was caused by the non-transparent use of nearly 50% of the country's total production capacity for the construction of military infrastructure (including protective shelters for hundreds of newly purchased jet fighters); and c) on one of his visits to Israel, he had found that for each Phantom fighter jet, Israel would train three pilots before taking delivery of the aircraft. But in Iran, there were three fighter jets for every trained pilot![27]

In the field of political development, despite clear signs that the society wanted a more open political environment, the Shah dissolved all political parties in 1974 and announced the founding of the *Restakhiz* (resurrection) Party. Thus, Iran was de facto transformed into a one-party system similar to other totalitarian countries. The Shah's autocratic mentality went as far as threatening the people of Iran with prison or exile from the country, declaring: "Anyone who opposes the constitution, the monarchy, and the revolution of 6 Bahman should go to prison or

leave the country forever;" and that people were obliged "…to join the new party. No one has the right to stay out.''[28] In addition, in the 1970s, SAVAK intensified its suppression of political opponents, especially left-wing organizations; this added another element to people's dissatisfaction with the regime. Finally, the experts' warnings and predictions came true and the accumulation of grievances related to the phenomena of poverty, inequality, dependency, corruption, repression and identity crises created a combustible mix. In the year before the revolution, Ali Amini analyzed the problem as follows: "The dissatisfactions and unhappiness that we see in the society today are the result of wrong economic, social and political policies that were pursued by the governments that were in charge in the last fifteen years. The principle factor was the deprivation of freedom from individuals." Also, Asadullah Alam, the minister of court, who was one of the Shah's closest advisers, wrote in his memoires: "The situation is such that it would inevitably lead to a revolution."

IV. Overall evaluation of the development process under Pahlavi II.

Mohammad Reza Shah's approach to development was generally similar to his father's authoritarian approach, but combined with much more ambitious goals and ideals than the father. Pahlavi II would say, "I don't care what people say, I will do whatever I think is good for the country." Pahlavi II's approach to development and the record of the reforms that were implemented during the last 25 years of his rule contain important lessons, including several weaknesses and shortcomings that are briefly reviewed below.

First, the growth strategy in the industrial sector mainly emphasized import substitution. By contrast, leading emerging economies at that time such as South Korea had pursued an export-oriented growth strategy and with more impressive results.[29] One of the important weaknesses of Iran's growth model at that time was the blind substitution of imports without taking into account the country's comparative advantages. The discourse of Iran's leaders at the time spoke of an Iran that was undergoing widespread industrialization. In fact, economic growth was primarily underpinned by the oil and gas sector, whose share reached more than a third of the GDP in 1979, i.e., almost three times its share fifteen years earlier (in some years in the 1970s, this indicator had even reached about 50%).[30] On the other hand, the share of agriculture decreased from more than a quarter of the GDP in 1963 to less than 10% in the following fifteen years. Therefore, at the threshold of the gates of the Shah's imagined "great civilization", the production of all agricultural goods and industrial and mineral products together (that is, apart from oil and construction sector) constituted only about one fifth of the total national production of the "Japan of the Middle East." Another example demonstrates the weakness of the backbone of the industrial sector during the Pahlavi II era. Although in 1963, non-oil exports constituted about a quarter of Iran's total export earnings, in 1977, and despite significant growth of non-oil exports in absolute terms, the value of all non-oil exports was only about 2% of the total value of Iran's export earnings.[31]

As mentioned earlier, Iran, with easy access to foreign exchange earnings from oil exports, followed an import substitution development strategy. By contrast, South Korea and other emerging East Asian countries at that time that lacked easily exportable natural resources, followed a strategy of opening up to the world and encouraging export-driven growth.[32] The latter countries' outward-looking industrialization strategy promoted the production of goods for which the country had a comparative advantage. Cheap labor was the

most important production factor in which these countries had a relative advantage. In the decade following the country's shift to an export-oriented strategy, South Korea's per capita output doubled and the country became a semi-industrialized country: for example, from 1960 to 1975, the share of agriculture in GDP fell from 45% to 25%, while the share of industrial products increased from 9% to 27%. Meanwhile in Iran, which had followed an import substitution strategy, and despite the doubling of its GDP per capita, economic growth was mainly the result of growth in the oil and gas sector, since the structure of the economy had not experienced a major transformation towards extensive industrialization. For example, in Iran before the revolution, the total production of agriculture and industrial sectors, apart from oil and construction, was only 20% of GDP, while in Korea, industrial production alone accounted for 27% of the country's GDP.[33]

Second, in Iran's oil-dependent development model during the Pahlavi II era, large investments were mostly made in capital-intensive production and less in labor intensive or knowledge intensive operations. For example, in the 1960s and in the first half of the 1970s, the cost of creating a job in modern industrial production was about eight to twelve times the per capita income of that time because the development strategy and the chosen production techniques were predominantly capital intensive. With such an approach, the economy could not create the needed level of jobs within a framework of sustainable growth in the long term. For example, in 1976, Iran's emerging modern industrial production sub-sector employed only about 150,000 people or 6% of the total labor force in the industrial sector (about 2.5 million people). By contrast, the important feature of the strategy pursued by South Korea and other countries in Southeast Asia was the promotion of labor-intensive and not capital-intensive operations within a framework of sustainable growth. In general, pursuing a capital-intensive approach makes it difficult to achieve the goal of job creation. In addition, it tends to lower the possibility of competition in the export markets. In the event, the strategy that Iran followed failed to create sufficient jobs. This phenomenon, together with the sudden drop in oil income (the price of oil decreased between 1974-1976 due to the global recession) and the reduction in public spending to curb inflation by the Amouzgar government, caused widespread unemployment in the urban areas. In the end, the mass of people that had migrated from the rural areas to the urban centers and living in the urban outskirts, turned into the so-called infantry of the revolution.[34] From the perspective of sustainability, the development approach followed during the Pahlavi regime had a generally negative effect on the environment. For example, heavy industries such as iron and steel, which were established in dry climates with very limited water resources, had very serious and negative side effects on the environment in the long run. From the point of view of Iran's security this may have been a logical decision. However, in the long term, it turned out to be disastrous from an environmental point of view. It is today that one sees how those decisions and the continuation of that strategy during the Islamic Republic has led to the drilling of thousands of water wells that in turn has resulted in a severe drop in the level of underground water tables.

Third, Iran's development program had a strong urban bias and despite the comprehensive land reform program and other progressive initiatives such as the Literacy Corps and the Health Corps, it did not lead to widespread empowerment of the villages. As a result, the gap between urban and rural areas increased significantly.[35] For example, in the years just before the revolution, while about 80% of the urban population had access to clean

water, in the villages, despite an increase in services in the 1960s, only a little more than 10% of the rural population received such services. There was a similar trend regarding the access of urban and rural dwellers to electricity. Another important consequence of this strategy was the emergence of severe inequality in incomes and access to public services. For example, although the Gini index had declined somewhat in the 1960s, it still remained at about 0.50 in the years before the revolution. Furthermore, despite the opening of several prestigious universities, access to higher education was highly uneven. For example, in 1973, only about 3% of the students were from the urban working class and the rural class, while these social groups constituted more than 80% of the country's population. Also, according to research carried out at that time, it was estimated that about 15 million of Iran's population (i.e., more than 50%) were malnourished and about 4 million (about 13%) were severely malnourished.[36]

Fourth, in principle Iran's economy was market-oriented, and with the support of the government's economic policies in the 1960s, a relatively dynamic private sector had emerged. For example, according to Pahlavi II, in 1977, Iran Khodro (automobile manufacturer) produced more cars than South Korea's Hyundai. But in general, the emerging modern private sector space at that time was a combination of a "competitive" structure (a few innovative investors) and a "crony" structure, where collaboration with government elements was an important support mechanism for the investors.[37] Access to credit, commercial and trade incentives was very effective in promoting the new light manufacturing sub-sector. However, due to the way incentives were administered, most of the operations of the emerging modern private sector in Iran remained dependent on government support.[38] By comparison, in South Korea and other emerging countries of Southeast Asia, the government's policy on incentives for the private sector was carried out within a strategy of promoting competitive capacity in the context of penetrating global markets.[39]

Conclusions. Iran is one of the rare countries in the world with enormous natural resources, including large oil and gas reserves, as well as a large domestic market and a favorable geostrategic location, and that over the last century had great potential for development. Iran's development journey during the whole of the Pahlavi dynasty (both Shahs) prompts several observations. First, it is a story of missed opportunities. Imagine if Mosaddegh's efforts to put Iran on the path of sustainable development towards an Iranian social democracy were not interrupted by a coup. Would there have been a revolution? And where would Iran be today? Similarly, if Pahlavi II had heeded the advice of his economic experts, opened the political space and prevented corruption among government leaders and members of the Royal Court, Iran could have been put on the path of sustainable and inclusive development. The second point is that in order to better understand what led to the end of the reign of the Pahlavi dynasty, it is necessary to analyze three related questions: How did revolutionary conditions and collapse of the monarchy come about? Why did the revolution succeed relatively quickly and the Pahlavi regime collapse rather easily? And why did the revolution turn Islamic after the collapse of the Pahlavi regime?

The experience of Pahlavi II's approach to development offers several key learnings that could help in answering the three questions posed above. First, over-reliance on the oil industry as the main driver of economic growth weakened the other sectors of the economy relative to what could have been achieved with a more balanced growth strategy. Second, the urban-

biased development strategy and neglect of the urban-rural divide and citizens' participation in the development process led to inequitable development between the center and the periphery. Third, the capital-intensive and consumption-oriented development strategy and its related inability to create sufficient jobs failed to absorb the millions of people who had moved from the villages to the cities, and as a result, further increased inequalities in the society. Fourth, the large expenditures to equip the army together with SAVAK's repressive activities as well as the lack of progress in political development were among the most important factors accounting for the accumulation of dissatisfactions, even among the emerging modern middle class that was expected to become the regime's new social power base. Fifth, although the Shah's authoritarian approach to development led to significant results in the short term, it could not in the medium term effectively manage the challenges of sustainable and inclusive development as well as the unintended consequences of the Shah's reforms.

The changes that Pahlavi II's economic and social reforms brought about in the society had a profound effect on the people's value systems. However, the various strata of the population reacted differently to these developments. In 1974, a comprehensive national survey was carried out within the framework of a "futures study," and which has recently been published as a book with the very suggestive title, "The voice that was not heard."[40] One of the most important objectives of that study was to survey the range of people's attitudes and values, or the so-called 'voice of the society' a few years before the revolution. The key point that emerged was that all groups in the society could not bear or react the same way to the cultural and social consequences of the Shah's reform programs. Furthermore, the survey identified a key issue, namely that the recent rapid and unbalanced growth had moved the society away from its traditional state based on agriculture, to a society with an industrial economy and modern values. However, the speed of change was so rapid that a large part of the population and even some of the elites and the emerging middle class could not fully empathize with the emerging new values environment. In a nutshell, most of the people were torn away from their familiar environment and were struggling to find a place in the new environment. The magnitude and speed of those changes had transformed Iran's psycho-social foundation, while most of the people were not ready or equipped to handle the transition. In other words, they could not go back to the past, nor could they see a safe place for themselves and their loved ones in the future. As a result, many, especially the underprivileged urban residents, experienced a severe identity crisis. This critical phenomenon was the main motivation behind the desire to "return to the past" or "return to self," that was reflected in various ways in the literature and movies of that era. Meanwhile, people's religious identity became an isomorphic space that could connect life's material values with spiritual values and, in the process, relieve the person from the prevailing contradictions in the opposing value systems. The return to religious identity was a widespread phenomenon among the majority of population, especially the strata with traditional cultural values. This phenomenon was seen even among a part of the emerging middle class of that time, who were the main beneficiaries of rapid economic growth and were expected to become the new social base of the Pahlavi regime. Traditional cultural values were valued relatively more than emerging new modern ones even among some within this emerging new middle class. The poll that was conducted in the framework of the "futures study" mentioned earlier, revealed a very important finding: the young generation of that era had a special affinity towards religious values.[41] Thus, on the

surface, the country was progressing towards modernity. However, important segments of the society could not absorb such extensive, rapid and unbalanced change that had shaken the foundations of their cultural and social identity and de facto pushed them into a suspended state. The internal conflict between modern and traditional identity could be seen even in the Royal Court, especially in Farah Pahlavi's office, a space where one dimension tended towards modernity (e.g., the center for children's intellectual development and the Shiraz art festival) and the other dimension was oriented towards traditional values and returning to self - e.g., the philosophy and activism of Seyyed Hossein Nasr, head of Farah's office.

In such a social atmosphere, although the political opposition, including the National Front, the leftists and the religious factions differed in their analysis of the country's challenges, they eventually coalesced around two issues in the years before the revolution. First, they viewed Iran's place in the region and the world through an anti-colonial and anti-imperialist lens. Second, they came to a consensus that the problems facing the Iranian society were directly linked to the nature of the regime itself. In the event, the opposition factions were able to unite around a broad narrative with the proposition that solving the society's accumulated problems will only be possible if the ruling regime were transformed or replaced. Such convergence of goals among the opposing political factions (both inside and outside the country) was rather rare in the contemporary history of Iran and played a major role in the ultimate success of the revolution. Nevertheless, the various opposition factions offered different solutions for how to deal with the regime as well as the desired nature of the successor regime. The National Front tended to carry out its struggle through peaceful, democratic means. The left was gradually radicalized and some of them eventually followed the path of armed struggle (*Cherikhay-e Fadaii Khalq* - people's devoted fighters). The religious factions focused more at expanding their organizational network and further penetrating the social strata with traditional cultural values. However, like the left, some religious formations also eventually became radicalized and turned to armed struggle (*Mojahedin-e Khalq*).[42]

In this context, the Shah eventually lost the battle of ideas, and the religious factions were relatively more successful in promoting their narrative due to their relatively more effective organizational network (mosques, seminaries, prayer events, funerals and mourning rituals, etc.). The expansion of this network was largely and indirectly due to the regime's strategy of repressing the other opposition forces. In fact, by suppressing the moderate and secular political formations, especially the National Front and the leftists, the regime de facto removed the political rivals of the religious factions from the scene. For example, while socialist pamphlets were banned, the number of religious books grew exponentially, and the number of mosques and *Hoseiniyehs* (religious 'clubs') multiplied, and a large number of mosques were constructed with government support.[43] In the vacuum that had arisen in the political space, the religious factions that enjoyed relatively more freedom became the dominant presence. And, although some of their leaders went to prison, the religious factions were better able to reach the relatively traditional segments of the population. From the first half of the 1340s to the years before the revolution, various groups with religious tendencies were formed among the traditional segments of the population, especially near the bazaars where the urban underclass frequented. During the revolution, militant clerics were able to mobilize the activists among those groups by organizing religious gatherings and promoting anti-regime ideas. Mr.

Khomeini, who had many supporters among these groups, eventually became the leader and the activists became the infantry of the revolution.[44]

In the event, the Shah's political-strategic mistakes and the paralysis of the decision-making within the ruling circles combined with the closing of the political space, the suppression of the opposition, the deprivation of political freedoms, and the inability of the political system to respond to the accumulation of people's demands, created the revolutionary conditions that eventually drove out the culprits of authoritarian development. While the economy was not the main cause of the revolution, the Shah's regime could no longer fulfill its implicit "contract" with the Iranian nation, that is, "We will take you to the gates of a great civilization. But you should not interfere in politics." Documentary evidence that was presented in the previous sections clearly shows that the regime's political-strategic mistakes, implementation inefficiencies, corruption and financial mismanagement, created the conditions that led to the accumulation of dissatisfactions and gradually revolutionized the social scene. In fact, it can be plausibly argued that the Shah himself was the so-called 'founder' of the revolution. Despite implementing significant economic and social reforms and creating new institutions, the Shah's arbitrary rule emptied those institutions of their democratic identity. By creating pseudo parties and conducting show elections, the regime prevented citizens from meaningfully participating in the country's affairs. As a result, the voice of the people could no longer reach the Shah's ears. Ultimately, however, it was the citizens who did not hear or did not want to hear the Shah's voice when he declared in November 1978, "I heard the voice of your revolution!" Six days before leaving Iran to never return again, the Shah received Houshang Nahavandi, the Minister of Science. According to Nahavandi's memoires, the Shah said to him: "Do you see this head (pointing to his own head)? It no longer works. Let me go. I want to go. The army can do whatever hell it wants. I can't do anything anymore."[45]

The religious movement that became so prominent in the political space in the last years before the revolution had several important factions, including *Nehzat-e Azadi* (freedom movement) led by Mehdi Bazergan, who believed in the principles of democracy. The latter faction's most important achievement was the drafting of a new constitution in Paris in the winter of 1978 (i.e., before the victory of the revolution). The draft constitution was modeled after the constitution of the Fifth Republic of France, and was democratic in content and spirit. Mr. Khomeini had approved and signed that draft constitution in Paris. In the meantime, as discussed in the earlier sections, the lack of balanced economic-political-social-cultural development led to the accumulation of severe dissatisfactions in the society. In this context, none of those mostly shell-like official political parties, nor those mostly ineffective institutions, nor the dreaded SAVAK, nor the army that cost billions of dollars to equip could or did not want to confront the people's anger. In the event, the Pahlavi regime collapsed like a house of cards in a relatively short period of time. In their memoires, the former regime's senior economic leaders point to six main factors that in their opinion led to the regime's collapse: Shah's tyranny and his interference in executive affairs; Shah's disregard for the planning system and advice and warnings of his advisors; rapid increases in oil revenues and financial indiscipline; government's inefficiency; corruption among the regime's political, military and economic elites; and neglect of the country's main priorities, including lack of attention to socio-cultural development and instead focusing on infrastructure development.[46]

Following the collapse of the Pahlavi regime and the victory of the revolution, the transition government of Bazargan took office. The cabinet was mostly composed of members of the relatively moderate political factions in the former opposition (Freedom Movement, National Front and the Movement for the Liberation of the Iranian People). The political atmosphere became relatively more open and political parties and formations resumed their activities.[47] Nevertheless, despite the efforts of the transition government to protect citizens' rights and freedoms, the realization of the hopes and ideals of the revolution faced important challenges. The lack of consensus among the revolutionary forces, the lack of intellectual homogeneity among the political leaders, and the existence of divergent outlooks combined with the country's revolutionary conditions made it difficult for the Bazargan team to govern effectively.

The new successor state (an Islamic Republic) was approved by the nation in a referendum, and provided a new basis for the country's development. Of course, in the referendum, citizens were asked to approve an "Islamic Republic." This term was the result of discussions among the transition government and the Revolutionary Council around three proposed options ("Democratic Republic", "Islamic Democratic Republic" and "Republic of Iran"). For example, the left was in favor of an "Iranian Republic", the Freedom Movement supported a "Democratic Republic," and the radical religious faction was in favor of an "Islamic Republic." Most factions, however, believed that before holding a referendum, there should be a comprehensive consultation among the people and civil society groups about the proposed ideals, development goals and structure of the new republic. In addition, most factions believed that ideally the draft constitution should be first approved by a Constituent Assembly, and then presented to the people for final approval in a referendum. In the event, the proposition of forming an "Islamic Republic" was approved in a referendum before the constitution had been finalized. In that context, Mr. Khomeini had declared, "Islamic Republic, not one word more, not one word less." At the time, most political factions in the revolutionary space believed that the idea of an "Islamic Republic" would get the majority of votes and, as a result, they agreed to include only one option ("Islamic Republic") in the referendum.[48] According to the statements of Mr. Khomeini's advisers in Paris (Messrs. Bani-Sadr and Yazdi), at that time, M. Khomeini was talking about an "Islamic Democratic Republic," which, as they understood it, meant people's sovereignty in governance.[49] Eventually, the issue of the constitution finally came up, but after the referendum. The drafters of the relatively democratic text that had been prepared in Paris wanted to consider that draft in a Constituent Assembly. In the event, however, Mr. Khomeini supported the establishment of a *Majles-e Khobregan* (council of experts) to decide on the constitution. The majority of the members of that body were individuals with strong religious orientations. It was at that time that the principle of *Velayat-e Faqih* (rule by jurist) was included in the constitution and completely changed the nature and spirit of the version that had been drafted in Paris.[50]

In conclusion, it can be argued that those who, according to some, surfed the so-called wave of the revolution (say, the 'fifty-seveners') may not have been fully aware of the realities on the ground as well as the goals of the less democratic factions of that time, or fell victim to the misguided propaganda of the radicals. In addition, the "fifty-sevener" may themselves have committed other mistakes in governance. But the key point is that they were not the main cause of the revolution. The main culprit was the Shah himself and his caravan of companions

that put the country on the illusory path to great civilization, without responding effectively to the growing demands for more political participation. In other words, it was the "fiftiers" (the generation that ruled before the revolution) that created the revolutionary conditions. In the event and unfortunately, the lessons learned during the Pahlavi II era were soon forgotten and the people of Iran gradually witnessed further policy mistakes and very serious inefficiencies in the development programs that were implemented after the revolution. As a result, the Iranian society today is facing very serious economic, political and social crises that have shaken the hopes and dreams of the young generation for freedom, equality and prosperity. The current crisis in Iran is much more serious than the crises in 1953 or 1979, because the country is not only facing very dire economic conditions, but is also caught in a highly combustible regional conflict that may explode at any moment. In the context of the analysis presented in this paper, is it fair, 45 years after the revolution, to assign the responsibility for all the country's current crises to the "fifty-seveners" and hold them responsible for all the political, social and economic problems of today? So, what about the responsibility of those (the 'fiftiers') who paved the path to the revolution and those (the 'sixtiers' – i.e., the generation that has ruled after the transition government) who in the following years moved away from the revolution's initial and lofty ideals?

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[1] Amartya Sen, Development as Freedom, Anchor, 2000.

[2] In general, these four dimensions are complimentary, and in the long term, the goal of efficient development is to progress along all four dimensions, although in reality, progress in different dimensions is not always simultaneous. In some countries, such as South Korea, in the first phases of the development process, authoritarian governments were able to impose growth-oriented economic policies on the society by keeping the political environment closed because it brought with it the promise of greater prosperity. Of course, after reaching middle-income level, the needs of the economic space generally require moving to a relatively more open political space and making the policy-making institutions more transparent, fairer, more inclusive and more responsive. This process is especially relevant in a knowledge-based economy. After reaching a relatively higher level of income in South Korea, the growing needs and pressures of the society forced the dictatorship to transform towards a more democratic form of government.

[3] Recently, there has been an interesting debate in Iran about whether inclusive development can be achieved without the existence of inclusive political institutions. Refer to: Ali Sadeghi Hamadani, "Political development precedes stable and balanced economic growth," *Sharq*, Mehr 7, 1402.

[4] In a single-product dominant economy (such as oil) it is generally more difficult to achieve this balance than in a multi-product economy.

[5] By Daron Acemoglu and James Robinson.

[6] Although Reza Shah's wife and daughters removed the hijab, they still had to get the permission of their husband or father to leave the country. Reza Shah's authoritarian approach can also be seen in the imposition of the "Pahlavi" hat for men, which was copied from the French military kepi model.

[7] Also, the army's attack on protesters' sit-in at the Goharshad Mosque in Mashhad had a similar political and social impact as the massacre in the Jaleh Square about 40 years later during Pahlavi II's reign.

[8] Documentary evidence suggests that although the British government may not officially have been involved in this affair, nevertheless, some British officials in Iran (e.g., Ardeshir Reporter, the British spy; General Ironside, the commander of the British forces in Iran; and Herman Norman, the charge d'affaires of the British Embassy) played a decisive role in the promotion of Reza Khan in the Cossak Brigade and the success of the 1299 coup. For details see Nicolas Gorjestani, *Mosaddegh*, pp. 14-16.

[9] At the time of Reza Shah's exile, his wealth included billions of dollars in today's value (more than 5,000 villages, and more than 40,000 pieces of property of the country's most fertile land, etc.). Most of these properties were mainly acquired by force. For documentary evidence on how this wealth was accumulated, including details of alleged 'extortion' schemes, see N. Jami, *Gozashteh cheraq rah-e ayandeh* (the past is a beacon for the future), Tehran, Qoqnous, 1362, pages 119-100; as well as the third chapter of the present author's book (*Mosaddegh*), p. 91.

[10] Mosaddegh's critics consider his legislative powers and many of his people-oriented policies to be examples of his alleged dictatorial and populist orientation. For evidence-based rebuttals of such claims and assertions, see: N. Gorjestani, "*Idehay-e hokoumatdari Mosaddegh*," (Mossadegh's governance ideas)," *Donyay-e Eqtesad*, 13 Esfand, 1402. In addition, regarding the details of the economic policies during Mosaddegh's governance, see: N. Gorjestani, "*Nahadsaziy-e asr-e Mosaddegh*," (Institution building during the Mosaddegh era", *Donyay-e Eqtesad*, 11 Khordad, 1401.

[11] A few examples illustrate this assessment. Mosaddegh's first act as prime minister was a directive that he issued to the police authorities in which he announced that the press can write whatever they want about him. Second, in response to Ayatollah Kashani and other clerics as well as the Fadaeiyan-e Islam (devotees of Islam) regarding their demands to limit social freedoms, Mosaddegh declared: "The government's duty is not to take people to heaven. The government's duty is to use the country's resources correctly to create the best comfort for its citizens! In fact, the government is the worker and the nation is the employer." Third, Mosaddegh announced: "Some clerics want me to establish a mandatory hijab and close the nightclubs. I will never do such a thing. Man is free and has the right to choose." Fourth, when Ayatollah Boroujerdi asked him to 'create trouble' for the Baha'is, Mosaddegh replied: "In my opinion, there is no difference between a Muslim and a Baha'i, both are Iranians and members of a single nation!"

[12] See, N. Gorjestani, "*Mozakerat baa bank-e jahani: daam ya shorouei dobareh*," (Oil negotiations with the World Bank: trap or a new beginning", *Donyay-e Eqtesad*, 28 Esfand, 1400; and chapter seven in the present author's book (*Mosaddegh*).

[13] Imports decreased by 20%, especially imports of luxury goods, which declined by about 50%; the volume of non-oil exports doubled; the balance of payments was stable (around 2% of GDP); the budget deficit was also at manageable levels (around 2% of GDP), and in general the government managed to balance the budget through relatively non-inflationary means; basic goods were generally available in the market; and although per capita income remained stagnant, hyperinflation was largely avoided. The government's program pursued five specific goals: promoting non-oil exports and replacing imported products with domestic production; limiting unnecessary imports; containing the government budget deficit; inflation control; and poverty reduction. The policy tools of this program included a flexible exchange rate, mobilization of non-oil tax revenues, financial incentives to domestic producer and exporters of non-oil products, supportive regulations and new institutional arrangements. For details see the author's book (*Mosaddegh*), especially chapter six. According to Mosaddegh's critics, his economy without oil strategy was unrealistic, at least in the short term. Also, the positive results of that policy were partially due to the difficult economic environment created by the British sanctions.

[14] For example, between 1332-1329, the average annual growth rates in production of products were: cotton (25%), beets (14%), wheat (7.5%), barley (5%), rice (4%), legumes (-4%). In addition, exports of non-oil products grew significantly: cotton (135%), dried fruit (140%), woolen products (320%) and nuts (400%). For details, see chapter six of the author's book (*Mosaddegh*).

[15] Although the consortium agreement de facto expropriated Iran's national sovereignty and left effective control of operations in the hands of foreign companies, in at least one respect (namely the 50-50 profit formula), this deal was better than the agreement in effect before the nationalization of the oil industry.

[16] The author was a seven-year-old child at that time. I remember one day my mother and I were riding the bus on a street near the Bahaii temple and I witnessed from a distance the scene where some bulldozers were destroying the temple.

[17] See, Homa Katouzian, The Political Economy of Modern Iran, MACMILLAN, 1981, p. 206.

[18] In the first stage, it was determined that no owner should have more than six dongs (a local measure of surface) of land. The government bought the surplus land of the owners (over the six-dong limit) from the proceeds of the sale of shares of state-owned factories. It then resold the land in installments to those farmers that had a

traditional right (*nasaq*) to use it. In the next stages, the leased lands of the landowners were also included in the land distribution program. The religious endowment properties were either leased to the farmers or divided among farmers. In addition, within the framework of these reforms, about 3,000 cooperatives and more than 100 agricultural joint-stock companies were established. See Mohammad Reza Pahlavi, Response to History, 1364. For a positive assessment of the land reform program, see: Fatemeh E. Moghadam, From Land Reform to Revolution: Political Economy of Agrarian Relations in Iran, Tauris, 1995. For a less favorable evaluation of this program, see: Eric Hooglund, Land and Revolution in Iran (1960-1980), University of Texas Press, 1982.

[19] See Farian Sabahi, Literacy Corps, Encyclopedia Iranica: https://www.iranicaonline.org/articles/literacy-corps-1

[20] One of the revisions in the process of selection and geographic allocation of corpsmen was the idea of sending two corpsmen to the so-called sensitive places so that one would 'keep an eye' on the activities of the other. In the event, the Literacy Corps (LC) did not escape from SAVAK's purview. Evidence for the latter assessment is based on the first-hand observations and conversations of the author, who had spent several months in the villages of Iran in 1351 conducting field research on the developmental role of the LC. See: Nicolas Gorjestani, "Urban Educated Youth as Agents of Rural Development: Iran's Education Corps as a Case Study," paper presented at the Seventh Annual Meeting of the Middle East Studies Association, November, 1973, Milwaukee, Wisconsin.

[21] For example, Jalal Al Ahmad's famous book (*Qarbzadegi* – Westoxication), the films of avant guarde directors such as Masoud Kimiyaii (*Qaiser*), and the less sophisticated films that were shown in cinemas in the more traditional neighborhoods, and where the heroes of those films were mainly the so-called knife-wielders, vodka drinkers and traditional night club singers.

[22] Homa Katouzian, (ibid.), p. 241.

[23] See, Mohammad Reza Pahlavi, Towards a great civilization, 3rd edition, 2007.

[24] After the Ramsar incident, Abadian left Iran and joined the World Bank. The author joined the Bank in 1973 and had a close friendship with Abadian. The author heard the story of the experts' confrontation with the Shah in several private conversations in 1974-1975 from Abadian at the World Bank. But a senior economic official who attended both conferences at that time does not remember anyone leaving the Ramsar conference. Also refer to Rasoul Ra'is Ja'fari (with an introduction by Farshad Mo'meni), Ravayat-e yek foroupashi: bombast-e nezam-e saltanati az negah-e kargozaran-e eqtesadiy-e aan (Story of a collapse: monarchy's dead end from the perspective of its economic executives), Nahadgara, 7th edition, 1402; and the oral history project of Iran at Harvard University.

[25] See, World Bank, unpublished internal report, Iran: Country Economic Memorandum, May 10, 1976, p.2.

[26] In the five years after that agreement, Iran bought or ordered billions of dollars in weapons, including 80 F14 warplanes, which were the most advanced warplanes in the world at the time. See: Stephen McGlinchey, US Arms Policies Towards the Shah's Iran, Routhledge, 2014.

[27] Alinaqi Alikhani's discussion with the Iranian Chapter of the World Bank Retirees Association, Washington, June 2015.

[28] Ettel'at and Keyhan newspapers, 12 Esfand, 1353.

[29] South Korea also followed a strict import substitution policy in the early stages, but this leverage was used mostly to help develop a diversified and dynamic export sector. In addition, South Korea allowed its currency to depreciate against the dollar to further encourage exports. In the case of Iran, most export earnings went to the non-commercial sector and the exchange rate was essentially pegged to the US dollar, which did not encourage non-oil exports.

[30] Operations in the construction and public and private infrastructure sectors also increased. In addition, the public sector dominated the heavy industry (steel factories, etc.), while the private sector focused on light, mostly consumer product industries with little added value, since many ingredient parts were imported for assembly in Iran, at least until the early 1350s.

[31] Homa Katouzian (ibid.), pages, 257, 325.

[32] In countries like Iran that have vast natural resources, relying on a natural resource that is in great demand in the global markets (such as oil) could be a reasonable orientation in the country's development strategy, provided that the foreign exchange earnings from the export of that natural resource are efficiently utilized and invested to produce additional assets, and not be wasted in financing pure consumption and feed corruption through rents.

[33] Refer to the World Bank data base. Indeed, if the Shah had followed South Korea's development strategy, he would not have to rely so much on increasing oil prices each year or pushing for higher levels of crude oil production.

[34] For example, in the 1960s, the cost of creating a new job in the emerging industrial production was about $4,000, while the per capita income of Iran at that time was about $500. In the 1970s, this indicator had reached about 20,000 dollars. See, Homa Katouzian (ibid.), pages 268 and 283.

[35] Over time, the social gaps in society widened. The widest gap that emerged at that time was the gap between modern and traditional mindsets that showed its effect in several areas, including popular books and movies. For example, in Tehran, films with 'modern' themes were seen in cinemas in the northern part of Pahlavi Avenue, but in the southern part of the same street, the films that were popular reflected the culture prevailing in the city's southern neighborhoods where the heroes were knife-wielders, drunks and cabaret singers. These two completely different trends were further indicators of the cultural gaps that existed among the urban population.

[36] See, Javad Salehi Isfahani, "Poverty and Income Inequality in the Islamic Republic of Iran," *Revue internationale des etudes du development*, No. 229, pp.113-13. A study on the extent of poverty in the early 1970s by Hosein Azimi showed that the malnutrition phenomenon was more common in the urban areas, and about 64% of people in the cities (probably mostly among the residents of marginal neighborhoods) were malnourished and 24% of them were severely malnourished. See, Homa Katouzian (ibid.), pages, 289, 271-272.

[37] The modern private sector that emerged with the development of light consumer goods manufacturing was not often formed by classical industrial capitalists. In fact, most of them were people who often acted as agents of the public sector with little or no capital of their own, and who benefited from financial support and other protections provided by public institutions.

[38] Also, due to great uncertainty about the outlook for government policies, the private sector had to stay close to the government and share some of its wealth with influential members of the Royal Court in order to be able to better "anticipate" sudden policy changes and hedge their investments.

[39] In this regard, three important dimensions played a major role, namely the level, scope and duration of incentives. Governments in the emerging economies of Southeast Asia generally offered very generous incentives to private sector producers at the beginning of production operations, but such protection was generally provided for a specific period and was conditional on export performance targets give to those companies. In addition, these indicators were generally adjusted over time and would disappear gradually over a predetermined time-frame with the aim that private investors could continue their operations independently without the need for further government incentives. In the early 1970s, the author worked in the Southeast Asia region of the World Bank. At that time, comparing the different strategies pursued by South Korea and Iran was frequently a topic of our technical discussions.

[40] In the 1350s, a research was carried out under the title of *Tarh-e aayandeh negary* (Futures Study). This research was one of the first national surveys in Iran that collected unique empirical information about people's attitudes towards society's problems. That research was led by Majid Tehranian and Ali Asadi. Refer to Ali Asadi and Majid Tehranian (with the efforts of Abbas Abdi and Mohsen Gudarzi), *Sedaii keh shenideh nashod* (The voice that was not heard), Nei Publishing House, 1395.

[41] In the "Futures Study" survey, several questions were asked from three social groups (young people, celebrities, and Iranian radio and television staffers). One of the questions was: Some people believe that the laws of Islam are the answer to all the needs of human life at the individual and social level, and, if everyone truly follows those laws, there will be no need to establish imperfect human laws to solve problems; what is your opinion? About 62% of 'young people' expressed a favorable opinion; whereas, only about 30% of the group of celebrities and TV staffers agreed with this statement. See, Enhesaar 'amel-e bohraan (monopoly is the cause of crisis), chapter one: the acceleration of the revolution from 1342-1357, page 38.

[42] The revolutionary coalition consisted of five broad factions: intellectuals (students, teachers, etc.); bazaaris; clerics; office workers; and manufacturing workers. The first three factions were present from the early stages of the revolution, the last two factions joined the revolution only in the later stages. Out of about 2,500 demonstrations that were reported during the revolution, about 64% of them were organized by the bazaari and clerics coalition and about 23% by the urban intellectuals. Furthermore, of the approximately 1,195 mass strikes that occurred in the fourth phase of the revolution, nearly half of them were by bazaari elements and the

intellectuals, and approximately two-fifths by civil servants, and about one-sixth took place in mainly state-owned factories. During the revolution, young intellectuals participated in protests and other revolutionary activities more than any other social group. Relative to their size in the country's population, members of this group were arrested, injured or killed more than any other group. Also, the rural population that had migrated to the cities eventually played the role of infantry in the marches and urban protests in the last phases of the revolution. See, Ahmad Ashraf and Ali Banuazizi, "The State, Classes and Modes of Mobilization in the Iranian Revolution," in *State, Culture and Society*, Volume I, Number 3, Spring 1985.

[43] During the decade of 1954-1963, among the books published in Iran, the number of religious books was in fourth place, but in 1974, the number of religious books took first place. In 1972, Mafatih al-Jannan sold 490,000 copies and was one of the most widely circulated books of that time. In 1962, the number of mosques in the country was about 3,600, but in 1975, it increased to more than 50,000. In addition to mosques, there were a large number of "Hoseiniyeh", "Mahdiyeh", "Haidariyeh" and "Fatimiyeh" in all cities. In 1974, there were more than 1350 chapters of religious delegations in Tehran, Khuzestan and Azerbaijan. In 1961, there were 6,000 students in Qom, but in 1975, the number reached 18,000 students. Also, in 1971-1975, 32 Qarz al-Hasane funds (Islamic banks) were established. Refer to Ali Asadi and Majid Tehranian (ibid.); And also, Enhesaar ‘amel-e bohraan, the first chapter: the acceleration of the revolution from ‘42 to ‘57, pages 31-39.

[44] Among them, the Hojjatiyeh Association (in the following years, some of the founding members of the People's Mojahedin Khalq emerge from this association), the Mahdiyeh-e Kafi movement (followers of Ahmad Kafi), the Hoseiniyeh-e Ershad movement (followers of Ali Shari’ati) and the Mu’talefeh movement, which was formed by the survivors of the Fadayian-e Islam (followers of Seyyed Ruhollah Khomeini). The author is grateful to Taqi Rahmani who provided me with the material and sources related to the religious groups.

[45] Houshang Navandi's memoires, Iran oral history project (Harvard University), Tape 13, interview date 7 April, 1365.

[46] See, Rasul Rais Jafari, Story of a Collapse (ibid.). Some factions (e.g., Fadayian Khalq) did not participate in the referendum because, according to them, the ideal, goal and content of the "Islamic Republic" were not clear.

[47] Out of 30 people who participated in Bazargan's government, 11 people were from the Freedom Movement, 11 people were from the National Front, 4 people were from Jama and 4 people were clerics.

[48] Some factions (such as the people's devotees) did not participate in the referendum because, according to them, the goal, ideal and content of the "Islamic Republic" were not clear. Also, voters had the option of write-in of an alternative to “Islamic Republic.”

[49] Hassan Nazieh, the head of the association of lawyers before the revolution, who had gone to Paris to meet with Mr. Khomeini, in an interview with French journalists in September 1357, said: "Islamic government is not what you write and what the followers of Ayatollah Khomeini mean Islamic government is the same as human rights." Also, Mr. Nazieh indicated that he had asked Mr. Khomeini: "Sir, today we are asked everywhere, will you cut off the hand of a thief?" Mr. Khomeini's answer was, "Never. You investigate; find more suitable regulations. We will implement it.'

[50] For more information on this topic, refer to the following research: "Islamic Republic: From the referendum on determining the type of government to the referendum on the constitution".
https://t.me/aminaryanrad/251; https://t.me/aminaryanrad/252