was to serve as the executive authority, but the Revolutionary Council exercised supreme decision-making and legislative authority.

Differences quickly emerged between the cabinet and the Revolutionary Council over appointments, the role of the revolutionary courts and other revolutionary organizations, foreign policy, and the general direction of the Revolution. Bazargan and his cabinet colleagues were eager for a return to normalcy and rapid reassertion of central authority. Clerics of the Revolutionary Council, more responsive to the Islamic and popular temper of the mass of their followers, generally favored more radical economic and social measures. They mobilized the street crowds and the revolutionary organizations to achieve their ends. In July 1979, clerical members of the Revolutionary Council joined the government, and cabinet officers were given seats on the council, but this failed to ease tensions.

The revolutionaries quickly turned their attention to bringing to trial and punishing members of the former regime whom they considered responsible for political repression, corruption, damaging economic policies, and the foreign exploitation of Iran. A revolutionary court set to work almost immediately in Tehran. Revolutionary courts were established in provincial centers shortly thereafter. The Tehran court issued its first death sentences for four of the shah's generals on February 16, 1979; the four were executed by firing squad on the roof of the building housing Khomeini's headquarters. More executions, of military and police officers, SAVAK agents, cabinet ministers, Majlis deputies, and officials of the shah's regime, followed on an almost daily basis.

The activities of the revolutionary courts became a focus of intense controversy. Left-wing political groups and populist clerics pressed hard for "revolutionary justice" for miscreants of the former regime. But lawyers and human rights groups protested the arbitrary nature of the revolutionary courts, the vagueness of charges, and the absence of defense lawyers. Bazargan, too, was critical of the courts' activities. At the prime minister's insistence, the revolutionary courts suspended their activities on March 14, 1979; but new regulations issued on April 5 formalized the revolutionary courts and authorized them to try a variety of broadly defined crimes, such as "sowing corruption on earth," "crimes against the people," and "crimes against the Revolution." The courts resumed their work on April 6. The following day, despite international pleas for clem-

ency, Hoveyda, who had served as the shah's prime minister for 12 years, was put to death. Executions of other former regime officials resumed. Beginning in August 1979, the courts tried and passed death sentences on members of ethnic minorities involved in antigovernment movements. Some 550 persons had been executed by the time Bazargan resigned in November 1979, having failed to bring the revolutionary committees under his control. Despite abuses committed by the revolutionary committees, members of the Revolutionary Council wanted to control the committees rather than eliminate them. In February 1979, the council appointed a senior cleric as head of the Tehran revolutionary committee and charged him with supervising the committees countrywide. The revolutionary committees endured, serving as one of the coercive arms of the revolutionary government.

In May 1979, Khomeini authorized the establishment of the Islamic Revolutionary Guard Corps or Revolutionary Guards (Pasdaran; in full, Pasdaran-e Enghelab-e Islami). The Revolutionary Guards organization was conceived by the men around Khomeini as a military force loyal to the Revolution and to the clerical leaders, a counterbalance to the regular army, and a weapon against the guerrilla organizations of the left, which also were arming. The force expanded rapidly.

Two other important organizations were established in the regime's formative period. In March 1979, Khomeini established the Foundation of the Disinherited (Bonyad-e Mostazafin; see Welfare, ch. 2). The organization was to take charge of the assets of the shah's philanthropic Pahlavi Foundation and to use the proceeds from their liquidation to assist low-income groups. The new foundation eventually became one of the largest conglomerates in the country, controlling hundreds of expropriated and nationalized factories, trading firms, farms, and apartment and office buildings, as well as two large newspaper chains. Crusade for Reconstruction (Jihad-e Sazandegi or Jihad), established in June, recruited young people to build clinics, local roads, schools, and similar facilities in villages and rural areas. This organization also grew rapidly, assuming functions in rural areas that had previously been handled by the Planning and Budget Organization (which had replaced the Plan Organization in 1973) and the Ministry of Agriculture.

In March 1979, three different disputes broke out in different parts of Iran, concerning, respectively, the Turkmens, the Kurds, and the Arabic-speaking population of Khuzestan Prov-

ince (see Languages and Peoples, ch. 2). The disputes in the Turkmen region of Gorgan Province were over land rather than claims for Turkmen cultural identity or autonomy. In Khuzestan, the center of Iran's oil industry, members of the Arabic-speaking population demanded a larger share of oil revenues for the region, more jobs for local inhabitants, the use of Arabic as a semiofficial language, and a larger degree of local autonomy. Both these disturbances were put down by the use of troops and the arrest of leaders and activists.

The Kurdish uprising proved more persistent and deeply rooted. The Kurdish leaders were disappointed that the Revolution had not brought them local autonomy. Scattered fighting began in March 1979 between government and Kurdish forces; attempts at negotiation proved abortive. The Kurdistan Democratic Party, led by Abdol Rahman Qasemlu, and a more radical group led by Sheikh Ezz ad Din Husseini, demanded the enlargement of the Kurdistan region to include all Kurdish-speaking areas in Iran and considerable financial, administrative, linguistic, and law enforcement autonomy, with the central government limited to national defense, foreign affairs, and central banking functions. With the rejection of these demands, serious fighting broke out in August 1979. Khomeini used the army against other Iranians for the first time since the Revolution. No settlement was reached with the Kurds during Bazargan's tenure as prime minister.

With the Bazargan government powerless, control over security passed into the hands of clerics in the Revolutionary Council and the IRP, who ran the revolutionary courts and had influence with the Revolutionary Guards, the revolutionary committees, and the club-wielding *hezbollahis* (see Glossary), or "followers of the party of God." The clerics deployed these forces to curb rival political organizations. In June 1979, the Revolutionary Council promulgated a restrictive press law. More than 40 opposition newspapers were closed down in August. The Revolutionary Council proscribed the National Democratic Front, a newly organized left-of-center political movement, and issued a warrant for the arrest of its leader. *Hezbollahis* closed the Tehran headquarters of the Fedayan and the Mojahedin organizations. On September 8, the two largest newspaper enterprises in the country, *Kayhan* and *Ettelaat*, were expropriated, with control transferred to the Foundation for the Disinherited.

In June and July 1979, the Revolutionary Council also passed a number of major economic measures, whose effect was to transfer considerable private-sector assets to the state. It nationalized banks, insurance companies, major industries, and certain categories of urban land; expropriated the wealth of leading business and industrial families; and appointed state managers to run many private-sector industries and other private companies.

The New Constitution

Khomeini had charged the provisional government with the task of drawing up a draft constitution. A step in this direction was taken on March 30 and 31, 1979, when a national referendum was held to determine the country's political system. The only form of government on the ballot was an Islamic republic, and voting was not by secret ballot. The government reported more than 98 percent in favor; Khomeini proclaimed the establishment of the Islamic Republic of Iran on April 1, 1979.

The provisional government unveiled a draft constitution on June 18. Aside from substituting a president for the monarch, the draft did not differ substantially from the 1906 constitution and accorded no special role to the clerics in the new state. A 73-member Assembly of Experts, dominated by clerics and IRP supporters, convened on August 18 to consider the draft constitution. The majority rewrote the constitution to establish the basis for the clerical domination of the state and to vest ultimate authority in Khomeini as the *faqih*, the Islamic jurisprudent to be known as the Leader of the Revolution and as the heir to the mantle of the Prophet. Last-minute attempts by centrist and liberal groups, by Shariatmadari's followers, and by Bazargan and some cabinet members to stave off this eventuality failed. The Assembly of Experts completed its work on November 15. The constitution was approved in a national referendum on December 2 and 3, once again, according to government figures, by more than 98 percent of the voters. Shariatmadari's followers in Tabriz organized protest demonstrations and seized control of the radio station. A potentially serious challenge to the dominant clerical hierarchy floundered, however, when Shariatmadari wavered in his support for the protesters, and the pro-Khomeini forces organized massive counterdemonstrations in the city. Fearing reprisals, the IPRP announced its own dissolution in December.

Few foreign initiatives were possible in the early months of the Revolution. The Bazargan government attempted to maintain correct relations with the Persian Gulf states, despite harsh denunciations of the Gulf rulers by senior clerics and revolutionary leaders. Anti-American feeling was widespread and was fanned by Khomeini himself, populist preachers, and the left-wing parties. Bazargan, however, continued to seek military spare parts from Washington and asked for intelligence information on Soviet and Iraqi activities in Iran. Then, on October 22, 1979, the shah, who was seriously ill, was admitted to the United States for medical treatment. The revolutionaries feared that the shah would use this visit to the United States to secure U.S. support for an attempt to overthrow the Islamic Republic. On November 1, Bazargan met with President Carter's national security adviser, Zbigniew K. Brzezinski, in Algiers, where the two men were attending Independence Day celebrations. That same day, hundreds of thousands marched in Tehran to demand the shah's extradition, while the press denounced Bazargan for meeting with a key U.S. official. On November 4, young men who later designated themselves "students of the Imam's line" occupied the U.S. embassy compound and took U.S. diplomats hostage. Bazargan resigned two days later; no prime minister was named to replace him.

The Revolutionary Council took over the prime minister's functions, pending presidential and Majlis elections. The elections for a new president were held in January 1980. Abolhasan Bani Sadr, an independent associated with Khomeini who had written widely on the relationship of Islam to politics and economics, received 75 percent of the vote.

The Bani Sadr Presidency

Bani Sadr's program as president was to reestablish central authority, phase out the Revolutionary Guards and the revolutionary courts and committees and have other government organizations absorb their functions, reduce the influence of the clerical hierarchy, and launch a program for economic reform and development. Against the wishes of the IRP, Khomeini allowed Bani Sadr to be sworn in as president in January 1980, before the convening of the Majlis. Khomeini further bolstered Bani Sadr's position by appointing him chairman of the Revolutionary Council and delegating to the president his own powers as commander in chief of the armed forces. On the eve of the Iranian New Year on March 20,

Khomeini issued a message to the nation designating the coming year as "the year of order and security" and outlining a program reflecting Bani Sadr's own priorities.

However, like Bazargan before him, Bani Sadr found that he was competing for primacy with the clerics and activists of the IRP. Bani Sadr failed to secure the dissolution of the Revolutionary Guards and the revolutionary courts and committees. He also failed to establish control over the judiciary or the radio and television networks. Khomeini appointed IRP members Ayatollah Mohammad Beheshti as chief justice and Ayatollah Abdol Karim Musavi Ardabili as prosecutor general. Bani Sadr's appointees to head the state broadcasting services and the Revolutionary Guards were forced to resign within weeks of their appointments.

Parliamentary elections were held in two stages, in March and May 1980, amid charges of fraud. The official results gave the IRP and its supporters 130 of 241 seats decided; elections were not completed in all 270 constituencies. Candidates associated with Bani Sadr and with Bazargan's IFM each won a handful of seats; other left-of-center secular parties fared no better. The Majlis began its deliberations in June. Ali Akbar Hashemi Rafsanjani, a cleric and founding member of the IRP, was elected Majlis speaker. After a two-month deadlock between the president and the Majlis over the selection of a prime minister, Bani Sadr was forced to accept the IRP candidate, Mohammad Ali Rajai; after a long standoff, Bani Sadr was forced to accept IRP candidates for many key cabinet positions as well.

The president's inability to control the revolutionary courts and the persistence of revolutionary temper were both demonstrated in May 1980, when executions, which had become rare in the previous few months, began again on a large scale. Some 900 executions were carried out, most of them between May and September. Meanwhile, a remark by Khomeini in June 1980 that "royalists" were still to be found in government offices led to a new wave of purges. Some 4,000 civil servants and between 2,000 and 4,000 military officers lost their jobs before the purges ended. Around 8,000 military officers had been dismissed or retired in previous purges.

The Kurdish problem proved intractable. Renewed negotiations failed when Kurdish leaders refused to compromise on their demand for autonomy, and fighting resumed. Bani Sadr's various attempts to resolve the American hostage crisis also

Demonstrators outside the U.S. Embassy in Tehran in late 1979
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Voters cast their ballots
in the presidential election, January 1980.
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proved abortive. The "students of the Imam's line" were using the hostage issue and documents found in the embassy to radicalize the public temper, challenge the authority of the president, and undermine the reputations of moderate politicians and public figures. The crisis had shattered relations with the United States and was badly straining ties with West European countries. The shah, meantime, had made his home in Panama, but, fearing extradition, he abruptly left for Egypt in March 1980, where he died four months later.

In April 1980, the United States attempted unsuccessfully to rescue the hostages by landing aircraft and troops near Tabas in eastern Iran. Radical factions in the IRP and left-wing groups charged that Iranian officers opposed to the Revolution had secretly helped the U.S. aircraft to escape radar detection. Bani Sadr prevented another purge of the military but was forced to reshuffle the top military command. In June the chief judge of the Army Military Revolutionary Tribunal announced the discovery of an antigovernment plot centered on the military base in Piranshahr in Kurdistan Province. Twenty-seven junior and warrant officers were arrested. In July the authorities announced that they had uncovered a plot centered on the Shahrokhi Air Base in Hamadan Province. Ten of the alleged plotters were killed when members of the Revolutionary Guards broke into their headquarters. Approximately 300 officers, including two generals, were arrested. The government charged the accused with plotting to overthrow the state and seize power in the name of exiled former prime minister Bakhtiar. As many as 140 officers were shot on orders of the military tribunal; wider purges of the armed forces followed.

In September 1980, perhaps believing that the hostage crisis could serve no further diplomatic or political end, the Rajai government opened secret talks with U.S. representatives in West Germany. The talks continued for the next four months, with the Algerians acting as intermediaries. The hostages were released on January 20, 1981, concurrently with Ronald W. Reagan's inauguration as president of the United States. In return, the United States released more than US$11 billion in Iranian funds that had been frozen by presidential order. Iran also agreed to repay US$5.1 billion in syndicated and nonsyndicated loans owed to U.S. and foreign banks and to place another US$1 billion in an escrow account, pending the settlement of claims filed against Iran by U.S. firms and citizens. These claims, and Iranian claims against U.S. firms, were adju-

dicated by a special tribunal of the International Court of Justice at The Hague, established under the terms of what came to be known as the Algiers Agreement.

One incentive for Iran to settle the hostage crisis was the onset of full-scale hostilities with Iraq in September 1980. The conflict stemmed from Iraqi anxieties that the fever of the Iranian Revolution would infect Iraq's Shia Muslims, who constituted a majority of Iraq's population, The Iraqi president, Saddam Hussein, also desired to undo the 1975 Algiers Agreement (not to be confused with the agreement resulting from the 1980–81 United States–Iran negotiations) in order to bring about the overthrow of the Khomeini regime and to establish a more friendly government in Iran. On September 17, he abrogated the Algiers Agreement. Five days later, Iraqi troops and aircraft began a massive invasion of Iran (see fig. 4).

The war did nothing to moderate the friction between Bani Sadr and the Rajai government, with its clerical and IRP backers. Bani Sadr championed the cause of the army; his IRP rivals championed the cause of the Revolutionary Guards. Bani Sadr accused the Rajai government of hampering the war effort; the prime minister and his backers accused the president of planning to use the army to seize power. The prime minister also fought the president over control of foreign and domestic economic policy. In late 1980, Bani Sadr attempted to persuade Khomeini to dismiss the Rajai government and dissolve the Majlis, the Supreme Judicial Council, and the Guardians Council and to give him, as president, wide powers to run the country during the war emergency. Khomeini refused.

Supporters of Bani Sadr and others critical of the activities of the IRP and the revolutionary courts and committees organized rallies in November and December in Mashhad, Esfahan, Tehran, and Gilan. In December, merchants of the Tehran bazaar associated with the National Front called for the resignation of the Rajai government. In February 1981, Bazargan denounced the government at a mass rally. A group of 133 writers, journalists, and academics issued a letter protesting the suppression of basic freedoms. Senior clerics questioned the legitimacy of the revolutionary courts, widespread property confiscations, and the power exercised by Khomeini as *faqih.* The IRP retaliated by using its *hezbollahi* gangs to break up Bani Sadr rallies in various cities and to harass opposition organizations; the offices of Bani Sadr's newspaper, *Enqelab-e Islami,* and

Figure 4. Initial Iraqi Attack on Iran, September–November 1980

the IFM newspaper, *Mizan*, were smashed and the newspapers closed down; prominent Bani Sadr supporters were arrested.

Khomeini's various attempts to mediate the differences between Bani Sadr and the Rajai government and the IRP failed. In May 1981, the Majlis passed measures to permit the prime minister to appoint caretakers to ministries still lacking a minister, to deprive the president of his veto power, and to allow the prime minister rather than the president to appoint the governor of the Central Bank of Iran. Within days the governor was replaced by a Rajai appointee.

By the end of May, Bani Sadr appeared to be losing Khomeini's support as well. On June 10, Khomeini removed Bani Sadr from his post as the acting commander in chief of the military. On June 12, a motion for the impeachment of the

president was presented by 120 deputies. Soon afterward, fearing for his life, Bani Sadr went into hiding. When the Mojahedin called for "revolutionary resistance in all its forms," the government responded harshly. Twenty-three protesters were executed on June 20 and 21, as the Majlis debated the motion for impeachment. On June 21, with 30 deputies absenting themselves or abstaining, the Majlis decided for impeachment by a vote of 177 to one. The revolutionary movement had brought together a coalition of clerics, middle-class liberals, and secular radicals against the shah. The impeachment of Bani Sadr represented the triumph of the clerical party over the other members of this coalition.

Terror and Repression

Following the fall of Bani Sadr, opposition elements attempted to reorganize so as to overthrow the government by force. The regime responded with a policy of repression and terror. Bani Sadr remained in hiding for several weeks, formed an alliance with Mojahedin leader Masoud Rajavi, and in July 1981 escaped with Rajavi from Iran to France. In Paris Bani Sadr and Rajavi announced the establishment of the National Council of Resistance (NCR) and committed themselves to work for the overthrow of the Khomeini regime. The Kurdistan Democratic Party, the National Democratic Front, and a number of other small groups and individuals subsequently announced their association with the NCR.

Meanwhile, violent opposition to the government continued. On June 28, 1981, a powerful bomb exploded at the headquarters of the IRP while a meeting of party leaders was in progress. Seventy-three persons were killed, including the chief justice and party secretary general Mohammad Beheshti, four cabinet ministers, 27 Majlis deputies, and several other government officials. Elections for a new president were held on July 24, and Rajai, the prime minister, was elected to the post. On August 5, the Majlis approved Rajai's choice of Mohammad Javad Bahonar as prime minister.

Rajai and Bahonar, along with the chief of the Tehran police, lost their lives when a bomb went off during a meeting at the office of the prime minister on August 30. The Majlis named another cleric, Mohammad Reza Mahdavi Kani, as interim prime minister. In a new round of elections on October 2, Sayyid Ali Khamenei was elected president. On October 28, the Majlis elected Mir Hosain Musavi, a protégé of the late

Mohammad Beheshti, as prime minister. The Mojahedin claimed responsibility for a spate of other assassinations. Among those killed in the space of a few months were the Friday prayer leaders in the cities of Tabriz, Kerman, Shiraz, Yazd, and Bakhtaran; a provincial governor; the warden of the notorious Evin Prison in Tehran; the chief ideologue of the IRP; and several revolutionary court judges and Majlis deputies.

In September 1981, expecting to spark a general uprising, the Mojahedin sent their young followers into the streets to demonstrate against the government and deployed their very limited military units for armed attacks against the Revolutionary Guards. Smaller left-wing opposition groups, including the Fedayan, attempted similar guerrilla activities. In July 1981, members of the Union of Communists tried to seize control of the Caspian town of Amol. At least 70 guerrillas and Revolutionary Guards members were killed before the uprising was put down. The government responded to the armed challenge of the guerrilla groups with widespread arrests, jailings, and executions. Fifty executions a day became routine; there were days when more than 100 persons were executed. Amnesty International documented 2,946 executions in the 12 months following Bani Sadr's impeachment; this probably was a conservative figure. The pace of executions slackened considerably at the end of 1982, partly as a result of a deliberate government decision but primarily because, by then, the back of the armed resistance movement had largely been broken.

By the end of 1983, key leaders of the Fedayan, Peykar (a Marxist-oriented splinter group of the Mojahedin), the Union of Communists, and the Mojahedin in Iran had been killed; thousands of the rank and file had been executed or were in prison; and the organizational structure of these movements was gravely weakened. Only the Mojahedin managed to survive by moving its headquarters to Paris.

During this period, the government was also able to crush its other active and potential political opponents and armed groups. In June 1982, the authorities captured Khosrow Qashqai, who had returned to Iran after the Revolution and had led his Qashqai tribesmen in a local uprising (see Turkic-Speaking Groups, ch. 2). He was tried and publicly hanged in October. The government reasserted control over major towns in Kurdistan in 1982, and Kurdish armed resistance in the countryside came to an end in the following year.

In the fall of 1982, former Khomeini aide and foreign minister Sadeq Qotbzadeh and some 70 military officers were tried and executed for allegedly plotting to kill Khomeini and overthrow the state. The government implicated the respected religious leader Shariatmadari in the alleged plot. In an unprecedented move, members of the Association of the Seminary Teachers of Qom voted to strip Shariatmadari of his title of *marja-e taqlid* (a jurist who particularly merits emulation), and he was placed under virtual house arrest.

Moves to crush opposition gave freer rein to the Revolutionary Guards and the revolutionary committees. Members of these organizations entered homes, made arrests, conducted searches, and confiscated goods at will. The government organized "Mobile Units of God's Vengeance" to patrol the streets and to impose Islamic dress and Islamic codes of behavior. Instructions issued by Khomeini in December 1981 and in August 1982 admonishing the revolutionary organizations to exercise proper care in entering homes and making arrests were ignored. "Manpower renewal" and "placement" committees in government ministries and offices resumed large-scale purges in 1982.

By the end of 1982, the country was experiencing a reaction against the widespread executions and the arbitrary actions of the revolutionary organizations and purge committees. Also, the government realized that domestic insecurity was exacerbating economic difficulties. Accordingly, in December 1982 Khomeini issued an eight-point decree prohibiting the revolutionary organizations from entering homes, making arrests, conducting searches, and confiscating property without legal authorization. He also banned unauthorized tapping of telephones, interference with citizens in the privacy of their homes, and unauthorized dismissals from the civil service. He urged the courts to respect the life, property, and honor of citizens. Although the decree did not end repression, it led to a marked decrease in executions, tempered the worst abuses of the Revolutionary Guards and the revolutionary committees, and brought a measure of security to individuals not engaged in opposition activity.

However, the December decree implied no increased tolerance of the political opposition. For instance, the Tudeh initially had secured a measure of freedom by declaring loyalty to Khomeini and supporting the clerics against liberal and left-wing opposition groups. But the government began a crack-

down on the Tudeh in 1981, branding its members agents of a foreign power. In February 1983, the government arrested Tudeh leader Nureddin Kianuri, other members of the party central committee, and more than 1,000 party members. The party was proscribed, and Kianuri was produced on television to confess to spying for the Soviet Union and to "espionage, deceit, and treason."

Consolidation of the Revolution

As the government eliminated the political opposition and successfully prosecuted the war with Iraq, it also took further steps to consolidate and institutionalize its authority. It reorganized the Revolutionary Guards, the Crusade for Reconstruction, and the state security organization as full ministries (respectively, in 1982, 1983, and 1984); placed the revolutionary committees under the Ministry of Interior; and nominally incorporated the revolutionary courts into the regular court system. These measures met with only limited success in reducing the considerable autonomy and budgetary independence of the revolutionary organizations.

In 1985 the Assembly of Experts (not to be confused with the constituent assembly that went by the same name), a body charged under the constitution with electing Khomeini's successor, agreed to designate its choice, Ayatollah Hosain Ali Montazeri, merely as Khomeini's "deputy." This action placed Montazeri in line for the succession without actually naming him as the heir apparent.

Elections to the second Majlis were held in the spring of 1984 and were contested only by candidates of the IRP and other groups and individuals in the ruling hierarchy. The second Majlis, more radical in temper than the first, convened in May 1984. With some prodding from Khomeini, it gave Mir Hosain Musavi a renewed vote of confidence as prime minister. In 1985 Khamenei, who was virtually unchallenged, was elected to another four-year term as president.

Opposition to the ruling hierarchy was barely tolerated. Bazargan, as leader of the IFM, continued to protest the suppression of basic freedoms. He addressed a letter on these issues to Khomeini in August 1984; he also spoke out against the war with Iraq and urged a negotiated settlement. In retaliation, in February 1985 the *hezbollahis* smashed the offices of the party, and the party newspaper was once again shut down. Bazargan

was denounced from pulpits and was barred from running for president in the 1985 election.

There were, however, increasing signs of factionalism within the ruling group itself over questions of social justice, economic policy, the succession, and, to a lesser degree, foreign policy and the war with Iraq. The economic policy debate arose partly from disagreements over redistribution of wealth and partly from differences over the roles of the state and the private sector in the economy. Divisions also arose between the Majlis and the Guardians Council, a group composed of senior Islamic jurists and other experts in Islamic law that was empowered by the constitution to veto, or demand the revision of, any legislation it considered in violation of the constitution or of the precepts of Islam. In this dispute, the Guardians Council emerged as the collective champion of private-property rights. In the years 1982–85, the Guardians Council vetoed a law that would have nationalized foreign trade; the Law for the Expropriation of the Property of Fugitives, which would have allowed the state to seize the property of any Iranian living abroad who failed to return to Iran; a law for state takeover and distribution to farmers of large agricultural landholdings; and a measure for state control over the domestic distribution of goods. The Guardians Council forced the Majlis to substantially revise a law for the state takeover of urban land, giving landowners more protection; and in 1984 and 1985, it blocked attempts by the Majlis to revive measures for nationalization of foreign trade and for major land distribution. However, in 1984 the council approved a law, based on Article 49 of the constitution, that made all wealth obtained in a manner violating Islamic principles subject to confiscation. In 1986, after demanding revisions, it also approved a limited land-distribution law, under which less than 750,000 hectares of land, seized in the turmoil immediately following the Revolution and belonging to between 5,000 and 5,600 landowners, was distributed to approximately 120,000 cultivators.

The deadlock between the Majlis and the Guardians Council led to two significant developments. In an important letter addressed to President Khamenei in January 1988 in connection with another dispute on economic issues between the Majlis and the Guardians Council, Khomeini articulated an unusually broad—even unlimited—definition of the powers of the Islamic state. Such a state, he said, derives its authority from the vice regency entrusted by God to the Prophet and rules by

divine sanction. In the interests of the community, Islam, and the country, he said, an Islamic government can revoke contracts it makes with the people, prohibit commercial transactions considered lawful under Islamic law, and even suspend the exercise of the five pillars of the faith required of every Muslim. In February 1989, Khomeini appointed an Expediency Council (in full, Council for the Discernment of Expediency) composed of 12 ex-officio members and his own representative, with wide powers to resolve differences between the Majlis and the Guardians Council.

Khomeini's Last Years

In a series of offensives in the spring and summer of 1982, Iran had almost entirely expelled Iraqi forces from Iranian territory. Some in the senior leadership advocated crossing the border into Iraq and pursuing the war until the overthrow of Saddam Hussein; others argued for ending military action at Iran's borders. The advocates of going into Iraq won out, prolonging the war for another five years. Iranian forces secured slices of Iraqi territory in offensives in 1983, came close to cutting the strategic Basra–Baghdad Highway in 1985, and captured the Fao Peninsula along the strategic Shatt al Arab in February 1986. In January 1987, in Operation Karbala V, its largest, best-prepared offensive in five years, Iran seriously threatened the port city of Basra. But a decisive victory eluded the Iranians. Saddam Hussein retaliated by using aircraft and missiles acquired from the Soviet Union and France to renew the "tanker war," bomb oil facilities at Khark (Kharg) Island, and launch missile and bomb attacks against Iranian cities. He also used poison gas against Iranian forces.

Iran's January 1987 offensive was made possible by arms acquired not only from China and the Democratic People's Republic of Korea (North Korea) but also from the United States. In what came to be known as the Iran–Contra Affair, during 1985–86 the Reagan Administration sold to Iran more than 2,000 antitank missiles and parts for antiaircraft missile systems to fund anticommunist "contra" forces in Nicaragua. The arms-for-hostages deal led to contacts between senior Iranian and U.S. officials. Three U.S. hostages being held in Lebanon were released. But the clandestine agreement, leaked to a Lebanese weekly in November 1986, proved highly controversial in Iran and the United States and could not be sustained once it became public. In addition, fearing the disruptive

effects on Arab allies of an Iranian victory over Iraq, the Reagan Administration changed tack and began to assist Saddam Hussein with intelligence, financial assistance, some arms, and diplomatic support. In July 1987, the United States also agreed to reflag and provide escorts for Kuwaiti tankers in the Persian Gulf. Iran had begun to target these tankers in retaliation for Kuwaiti assistance to Iraq's war effort. The arrival of a large fleet of U.S. battleships and aircraft carriers, and Saddam Hussein's ability to rearm even while Iran was virtually shut out of the international arms market, helped tip the balance of the war against Iran. Between April and July 1988, with clandestine U.S. assistance, Iraqi forces expelled Iranian forces from Iraqi territory and went on to retake large swaths of Iranian territory. On July 18, 1988, Iran finally accepted UN Resolution 598, which called for a cease-fire in place. Khomeini described the decision as "more lethal to me than poison."

The war with Iraq had led the government to seek to repair its relations with the international community. As early as October 1984, Khomeini had endorsed such an initiative. The government subsequently took steps to improve ties with Turkey and Pakistan, Britain and other West European states, and also with the Soviet Union. Relations had been strained by the Soviet supply of arms to Iraq and the Soviet military presence in Afghanistan. But hard-liners in Iran repeatedly undermined these efforts. For example, relations with France were again disrupted when an Iranian embassy employee in Paris was implicated in bombings in the French capital; relations with Britain were damaged when a British diplomat in Tehran was abducted and badly beaten after an Iranian consular official was charged with shoplifting in Manchester. In February 1989, Khomeini wrecked months of careful fence-mending by Rafsanjani in Europe by issuing a death sentence against the British novelist Salman Rushdie, whose novel *The Satanic Verses* he deemed insulting to the Prophet.

In March 1989, Khomeini created another crisis by dismissing Ayatollah Montazeri as his successor designate, describing him as unsuitable for the role of Leader. The two men had been very close, but Montazeri had become publicly critical of restrictions on the press, the treatment of political prisoners, and prison conditions, which he described as "far worse than under the Shah." He accused Khomeini of stifling debate and losing touch with public opinion. Montazeri also refused Khomeini's demand that he disassociate himself from a rela-

tive, Mehdi Hashemi, who used his armed retainers to interfere in domestic and foreign affairs.

The dismissal of Montazeri and the necessity of making arrangements for the post-Khomeini period led to the convening of a constitutional assembly in May 1989 to consider amendments to the constitution. Khomeini named 20 leading officials and clerics to the council and invited the Majlis to name five others. The assembly made a number of major revisions to the 1979 constitution, aimed at the centralization of authority, enhancement of the powers of the Leader, and solidification of clerical control of the institutions of the state. The constitutional convention completed its work in mid-July. The amendments to the constitution were approved in a national referendum on July 28, when Rafsanjani also was elected president.

Khomeini died on June 3, 1989, before the assembly could complete its work, and he was buried two days later. The Assembly of Experts quickly convened and named Khamenei his successor.

The Post-Khomeini Era

The Rafsanjani Presidency

The end of the Iran–Iraq War in 1988, Khomeini's death in 1989, and the election of Ali Akbar Hashemi Rafsanjani to the presidency that same year permitted a turn toward more pragmatic policies. The end of the war allowed the government to redirect its resources and energies to the long-neglected economy. The death of Khomeini gave his lieutenants greater room to chart their own course. The amended constitution vested expanded powers in the president. As president, Rafsanjani emphasized the need to eschew sloganeering and to focus on postwar reconstruction, job creation, and economic rationalization. He eased social (though not political) controls at home. He also set about repairing Iran's international relations. Progress was made in each of these areas; but by Rafsanjani's second term, due to opposition inside the ruling group and institutional obstruction, each of these programs was in serious trouble.

The U.S.-led 1990–91 Gulf War to expel Iraq from Kuwait yielded Iran immediate benefits. Saddam Hussein was forced to evacuate Iranian territory that Iraq had occupied since the 1988 cease-fire. The Gulf War greatly weakened a better-armed

and menacing enemy. Iranian policy during and after the war reflected a new, more moderate strain in foreign policy. Rafsanjani skillfully kept Iran out of the war, in effect (if not in rhetoric) aligning Iran with the aims of the U.S.-led alliance. At the end of the war, Iran showed restraint in the limited aid it extended to fellow Shias when Saddam Hussein brutally crushed an uprising in southern Iraq.

Rafsanjani used the cover of the war to resume diplomatic relations with Morocco, Egypt, and Saudi Arabia. After the war, he used Iranian influence with Hizballah to secure the release of the remaining American hostages in Lebanon. Iran assiduously courted better relations with Turkey, Saudi Arabia, Kuwait, and the other Arab states of the Persian Gulf. It muted its criticism of the military basing agreement that Kuwait signed with the United States and the support that Arab states of the Persian Gulf gave to the Oslo peace process (which Iran strongly opposed). Iran did not attempt to stir up Islamic sentiments in the newly independent states of Central Asia and the Caucasus. Iran's relations with Turkey remained correct despite increased cooperation between the Turkish and Israeli militaries.

As a counterweight to the United States, with which relations remained strained, Iran deliberately set out to cultivate other major powers, including Russia, China, Japan, Germany, and France. This policy proved advantageous. Iran secured sources of arms, industrial goods, credits, and occasional diplomatic support, despite considerable U.S. pressure for comprehensive trade sanctions.

But Iran did not abandon its support for radical causes abroad or for policies that tended to exacerbate relations with the countries it was courting. Both pragmatic and ideological considerations characterized foreign policy. Iran adopted an uncompromisingly hostile stand toward the Oslo peace process and the 1993 Palestinian-Israeli agreement, labeling Israel an illegitimate state that should cease to exist. Along with Syria, Iran was a principal sponsor of Hizballah in Lebanon and supported Hizballah's military arm with money, arms, and training. Hizballah used these resources to shell Israeli settlements along the Israeli-Lebanese border and to attack Israel's military surrogates in southern Lebanon. Hizballah was also implicated in two bombings in Buenos Aires, of the Israeli embassy in 1992 and of a Jewish cultural center in 1995, in which a total of more than 100 persons were killed. Palestinian Islamic Jihad, another

Iran-supported group, was implicated in bombings in Tel Aviv in 1995 and Jerusalem in 1996 that took many Israeli lives. In the early 1990s, Iran moved with alacrity to support the new "Islamic" government in Sudan, although that move damaged Iran's fragile relations with Egypt.

These linkages in Iran's foreign policy, Iran's attempt to secure medium-range and long-range missile capabilities, and suspicions that Iran was seeking nuclear weapons exacerbated the already problematic United States–Iran relationship. The United States maintained extensive sanctions against Iran and pressured its allies to limit economic cooperation with the Islamic Republic. U.S. pressure played a large role in the German decision at the end of the Iran–Iraq War not to resume work on an Iranian nuclear power plant at Bushehr and in limiting World Bank loans to Iran, investment by international firms in Iran's oil and gas industry, and the transfer to Iran of dual-use nuclear technology.

For its part, Iran chafed at the sanctions, the large U.S. military presence in the Persian Gulf, and the "terrorist" label applied by the United States. Although Iran's military had been ravaged by eight years of war with Iraq and insecurity was endemic along the Iran–Iraq border, Iran continued to be denied Western weapons, even as Saudi Arabia, Kuwait, and other Persian Gulf states were heavily rearming. In 1995, however, Iran offered an American company, Conoco, a major contract to develop the offshore Pars gas field. This overture probably represented an attempt by Iran to uncouple U.S.-Iranian economic relations from the other issues between the two countries. The strategy did not work. President William J. Clinton responded by banning American companies from doing business in Iran. In 1996 the United States Congress passed the Iran–Libya Sanctions Act (ILSA), which imposed sanctions on foreign companies investing more than US$40 million (later reduced to US$20 million) in Iran's oil and gas sector. However, objections by the European Union (EU) prevented strict enforcement of ILSA-mandated sanctions.

The radical element in Iran's foreign policy served several purposes. Khamenei believed that uncompromising hostility to Israel and the United States enhanced his standing with important constituencies at home and with Islamic constituencies abroad. Opposition to Israel, for example, identified Iran with the Palestinian masses and the Palestinian diaspora and distinguished the Islamic Republic from the supposedly pliant Arab

states that had acquiesced in a United States–sponsored pro-Israeli peace plan. Support for Hizballah or Palestinian Islamic Jihad, not very costly in financial terms, enhanced Iran's weight and role in the region. By playing the role of spoiler in the Arab-Israeli peace process, Iran sought leverage against the United States and Israel. Such policies also satisfied the aspirations of the radical faction within the ruling group. Khomeini's fatwa sanctioning the killing of Salman Rushdie, for example, was a serious obstacle to improved relations with the EU countries. However, Rafsanjani's attempts to explain away the decree were repeatedly undermined by hard-line elements at home.

Before his death in 1989, Khomeini already had given his approval for a five-year economic development plan (see Glossary) that pointed to a more market-oriented economic program. The plan provided for a larger share in the economy for the domestic and foreign private sectors and allowed the government to borrow up to US$27 billion abroad for development projects—both controversial measures. Together with the technocrats he appointed to head key economic organizations such as the central bank, the Planning and Budget Organization, and the Ministry of Finance, President Rafsanjani began to move Iran away from a state-controlled war economy. In 1991 the government reduced the multiple exchange rates for the rial (for value of the rial—see Glossary) from seven to three and in 1993 declared full convertibility. Controls on imports, foreign currency, and prices were eased; state subsidies for essential goods were reduced; and prices for utilities and fuel were raised.

New regulations permitted foreign investors equity participation of up to 49 percent in joint ventures. Free-trade zones were established on the islands of Qeshm and Kish in the Persian Gulf. Several hundred government factories were slated for privatization. The government promised to reduce its own role in the economy—as much as 97 percent of all investments were being made by the public sector—although the five-year plan foresaw ambitious government investments in petrochemicals, gas, steel, and other industries. Real gross domestic product (GDP—see Glossary) grew by more than 10 percent per year in the early 1990s.

However, the liberalization program soon ran into difficulties. Privatization stalled in the face of resistance from the Foundation of the Disinherited, the parastatal organization

that controlled hundreds of nationalized and expropriated enterprises, and because of fear that privatization would lead to economic dislocation. Inefficient, overstaffed state enterprises could not be sold off until they were made profitable. Government efforts to persuade expatriate Iranian businessmen to return and invest in Iran were unsuccessful. The easing of import and currency restrictions led to a doubling of imports, which depleted foreign-exchange reserves and saddled the country with short-and medium-term foreign debts of nearly US$30 billion.

Severe retrenchment followed. Unable to meet its repayment obligations, the government had to reschedule about US$12 billion of debt, primarily with Germany, other European states, and Japan. At the same time, the open-market value of the rial dropped nearly 60 percent. Credit to the private sector was restricted. Imports were cut sharply, forcing many factories to operate at 50 percent of capacity because of scarcities of spare parts and raw materials. Continued deficit spending contributed to severe inflation. The start of the second five-year development plan was postponed for a year. The government re-imposed multiple exchange rates and import-export controls and threatened measures to control consumer prices.

In 1992 economic hardship led to severe riots in the cities of Mashad, Arak, and Shiraz and to angry protests over inadequate municipal services and higher bus fares in two working-class districts near Tehran in 1995. The government responded by strengthening the paramilitary forces and the secret police apparatus, while the Majlis approved a new security law that provided for lengthy prison sentences for even the most ordinary political activities deemed threatening to the stability of the state.

Despite economic crises and heightened political repression, the early years of the Rafsanjani presidency witnessed an easing of some social and cultural controls. Restrictions on women's dress and public intermixing between young men and women were relaxed. Rafsanjani's first minister of culture, Mohammad Khatami, pursued less restrictive policies toward the arts, theater, and book publishing. A number of intellectual and literary journals, such as *Kiyan*, *Goftegu*, *Gardun*, *Iran-e Farda*, and *Kelk*, were allowed to publish. These journals carried on a lively discussion on issues of civil society, the relationship between religion and state, and the role of clerics in government. *Kiyan* published the essays of the thinker and philoso-

pher Abdol Karim Soroush, who implicitly challenged the clerical monopoly on political power by arguing for an Islam that is pluralistic, tolerant, open to reinterpretation, and compatible with democracy. The newspaper *Salaam*, published by a clerical insider, was allowed to criticize the government from a leftist perspective.

The extent of this opening was limited, however, and did not extend to the political sphere. Factionalism among elite groups created some space for political competition within the ruling clerical establishment, but opposition political groups and newspapers were suppressed. Even the centrist IFM, which proclaimed loyalty to the Islamic Republic, was barely tolerated. Elections continued to be closely controlled. The judiciary remained an instrument of state policy. The role of the security agencies was pervasive and menacing.

The majority of the ruling clerics were grouped around two organizations, the Combatant Clerics Association and the Militant Clerics Association. The Combatant Clerics represented the right wing and the Militant Clerics the left wing of the clerical establishment. The conservatives used a kind of electoral gerrymandering to exclude the left wing from the Assembly of Experts in elections held in 1990 and from the Majlis in elections held in 1992. (The Militant Clerics reemerged to play a role in the 1997 presidential election, however.)

Although he assisted or acquiesced in these efforts to neutralize the radicals on the left, Rafsanjani proved unable or unwilling to stand up to conservatives on the right or to the security agencies, which grew increasingly assertive during his second presidential term (1993–97). The conservative majority in the Majlis forced the resignation of Rafsanjani's minister of culture and the head of national broadcasting on grounds of excessively liberal policies. In his role as Leader, Khamenei spearheaded a campaign against the Western "cultural onslaught," encouraging a crackdown on the press and the arts. The morals police reemerged in force to harass women and the young. Several newspapers were shut down. With clerical encouragement, attacks occurred in 1995–96 against the offices of the publisher of a novel considered hostile to Islam, cinemas, and a bookstore. Women cyclists in a Tehran park were beaten. Officially sanctioned, club-wielding thugs broke up public gatherings of which the government did not approve. In November 1994, the prominent writer Ali Akbar Saidi Sirjani died while in police custody. In 1996 Ahmad Mir

Alai, a writer and translator, was found dead on a street in his hometown, Esfahan. The essayist and translator Ghaffar Hosseini was found dead in his apartment in November 1996. The writer Farhad Sarkuhi was arrested repeatedly and badly tortured in 1996. Many observers suspected the complicity of the intelligence agencies in these acts of violence against intellectuals. Rafsanjani did nothing to investigate them, nor did he forthrightly condemn them.

Iran was also implicated in the assassination of Iranian dissidents abroad. Iranian opposition figures were killed in Paris, Berlin, Vienna, Istanbul, Geneva, and elsewhere. Among them were former prime minister Bakhtiar (in Paris); the leader of the Kurdistan Democratic Party, Abdol Rahman Qasemlu (in Vienna); and Qasemlu's successor, Sadeq Sharifkandi (in Berlin). German authorities eventually charged Iran's minister of intelligence (state security) and implicated Iran's highest officials in Sharifkandi's murder.

By the end of Rafsanjani's second term, the Majlis and—with rare exceptions—the press were quiescent. Political life, defined in terms of genuine competition and debate over ideas and policies, was virtually nonexistent, even within the ruling group. Rafsanjani's close association with Khamenei, his insider status, and the extensive business interests of his family meant that he would not risk an open split with the conservative faction. In his second term, Rafsanjani's centrist policies were in retreat, and the conservatives once again were in the ascendant.

Khatami and the Reform Movement

In 1996–97 two events sparked the second major attempt in the post-Khomeini decade to set the Revolution on a different course. First, on the eve of the 1996 Majlis elections, a small group of ministers and high-ranking officials closely associated with Rafsanjani broke away from the Combatant Clerics (with Rafsanjani's blessing) to form a new association, the Executives of Construction. They contested the elections on a separate slate, stressing their commitment to efficient management and to the industrial and entrepreneurial sector rather than to the bazaar, and won nearly 30 percent of the 270 Majlis seats. Thus, the elections unexpectedly led to a significant split within the dominant conservative clerical camp; indicated substantial public support for centrist, pragmatic politics; and made possi-

ble a debate on policy alternatives within the ruling establishment.

The second event was the surprise election of Mohammad Khatami to the presidency in 1997. Khatami, Rafsanjani's one-time minister of culture, was running against the Majlis speaker, Ali Akbar Nateq Nuri, who was the candidate of the Combatant Clerics. Nuri had been endorsed by the principal clerical organizations and personalities, by commanders of the Revolutionary Guards, and, implicitly, by Khamenei. Nuri was widely expected to win. But Khamenei and the ruling clerics desired a large turnout. Khamenei prevailed upon the left-leaning Militant Clerics, who had withdrawn in a huff from active politics after their exclusion from the 1992 Majlis elections, to contest the election.

The Militant Clerics named Khatami as their candidate, and he galvanized voters by running on a platform that emphasized the rule of law, expanded freedoms for Iranians, the need for a society-wide dialogue on problems of national concern, the idea of civil society, and dialogue rather than confrontation with the West. Khatami was further assisted by effective organization. The mayor of Tehran, Hussein Karbaschi, a Rafsanjani protégé, contributed the support of his widely read newspaper *Hamshsahri* and the considerable resources of the Tehran municipality. The Executives of Construction, who endorsed Khatami, proved effective organizers. The press, taking advantage of a small political opening, provided a forum for debate and discussion among competing political groups. Nearly 80 percent of eligible voters cast ballots; Khatami secured nearly 70 percent of the vote. Khatami's election reflected the widespread desire for change and helped launch a movement for wide-ranging reform and the expansion of civil society.

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The Cambridge History of Iran (seven volumes) provides learned and factual essays by specialists on history, literature, the sciences, and the arts for various periods of Iranian history from the earliest times to the end of the Pahlavi period. Gene Garthwaite's *The Persians* is a handy one-volume survey of Iranian history from the Achaemenians to the present.

For the history of ancient Iran and the period from the Achaemenians until the Islamic conquest, Roman Ghirshman's

Iran: From the Earliest Times to the Islamic Conquest and A. T. Olmstead's *History of the Persian Empire*, although somewhat dated, continue to be standard works. More recent books on the period are Richard Frye's *The Heritage of Persia* and its companion volume, *The Golden Age of Persia*. For the early Islamic period, few books are devoted specifically to Iran, and readers therefore must consult general works on early Islamic history. Recommended studies are Marshall G. S. Hodgson's three-volume work *The Venture of Islam* and Ira Lapidus's *A History of Islamic Societies*. Much useful information on the early as well as the later Islamic period can be culled from E. G. Browne's four-volume *A Literary History of Persia*. Ann K. S. Lambton's *Landlord and Peasant in Persia* is excellent for both administrative history and land administration up to the 1950s.

For the period of Reza Shah, *A History of Modern Iran* by Joseph M. Upton is both concise and incisive. *Iran and the Rise of Reza Shah* by Cyrus Ghani is a rich political history of the background to Reza Shah's rise and early years in power, covering the period up to 1925. Stephanie Cronin's *The Army and the Creation of the Pahlavi State in Iran, 1910–1926* examines the army Reza Shah built and its role as he rose to power. *Modern Iran* by L. P. Elwell-Sutton, although written in the 1940s, is still a useful factual study, and Amin Banani's *The Modernization of Iran, 1921–1941* offers similar coverage of that same period.

For the period of Mohammad Reza Shah's rule, *Iran: The Politics of Groups, Classes, and Modernization* by James A. Bill and *The Political Elite of Iran* by Marvin Zonis are studies of elite politics and elite structure. Fred Halliday's *Iran: Dictatorship and Development* is a critical account of the nature of the state and the shah's rule; Robert Graham's *Iran: The Illusion of Power* covers the last years of the shah's reign. A more sympathetic assessment can be found in George Lenczowski's *Iran under the Pahlavis*. Relations between the state and the religious establishment for the whole of the Pahlavi period are covered in Shahrough Akhavi's *Religion and Politics in Contemporary Iran*. Iran's foreign policy is surveyed in Ruhollah Ramazani's *Iran's Foreign Policy, 1941–1973*. The U.S.-Iranian relationship in the period 1941–80 is the focus of James Bill's *The Eagle and the Lion: The Tragedy of American-Iranian Relations* and of Barry Rubin's *Paved with Good Intentions: The American Experience and Iran*.

Books that examine the roots and causes of the Islamic Revolution of 1978–79 include Jahangir Amuzegar, *The Dynamics of the Iranian Revolution*; Misagh Parsa, *Social Origins of the Iranian*

Revolution; and Hossein Bashiriyeh, *The State and Revolution in Iran, 1962–1982.* The U.S.-Iranian relationship in the period preceding and immediately following the Islamic Revolution is covered in Gary Sick's *All Fall Down: America's Tragic Encounter with Iran.* The foreign policy of the Islamic Republic is covered in Ramazani's *Revolutionary Iran: Challenge and Response in the Middle East.* Shaul Bakhash's *Reign of the Ayatollahs: Iran and the Islamic Revolution,* in its second edition, is a political history of the Islamic Revolution up to 1990. In *Who Rules Iran: The Structure of Power in the Islamic Republic,* Wilfried Buchta looks at the institutional and personal power structures in the Islamic Republic. Bahman Bakhtiari's *Parliamentary Politics in Revolutionary Iran* covers the period up to 1994. Daniel Brumberg's *Reinventing Khomeini: The Struggle for Reform in Iran* is a rich interpretive essay on the conflicting ideas and ideologies that have fueled the Islamic Revolution. The economy in the post-revolution period is addressed in Jahangir Amuzegar's factual and analytical *The Iranian Economy under the Islamic Republic.* The Iran–Iraq War is covered in Dilip Hiro's *The Longest War: The Iran–Iraq Military Conflict* and in Shahram Chubin and Charles Tripp, *Iran and Iraq at War.* (For further information and complete citations, see Bibliography.)

Chapter 2. The Society and Its Environment

A fifth-century B.C. drinking vessel in the shape of a winged lion, from Hamadan

THE CREATION OF THE ISLAMIC REPUBLIC of Iran in 1979 resulted in the destruction of the power and influence of the predominantly secular and Western-oriented political elite that had ruled Iran since the early part of the twentieth century. The new political elite that replaced this group was composed of Shia (see Glossary) Muslim clergymen and lay technocrats of middle-class and lower-class origins. The programs that they implemented have had cultural consequences, specifically in the promotion of religious ideals and values in public life. The general trend of social changes since 1979 has been for lower-income groups to benefit considerably from broader access to educational facilities, health services, and welfare programs. However, large discrepancies in household income between the richest and poorest strata of the population have not been eliminated. Government investments in social programs have helped to stimulate a major rural-to-urban migration, which has led to a shift in the distribution of the population, from about 65 percent rural in 1976 to 68 percent urban by 2006.

From the outset, establishing an "ideal" religious society was a professed aim of the Islamic Republic. However, pursuit of this goal was impeded by the eight-year war with Iraq (1980–88), a conflict that, at least in its initial years, threatened the existence of both the regime and the country. Even during the war years, however, the government implemented several programs to benefit the *mostazafin* (literally, the disinherited, meaning the poor; see Glossary). For example, a nationwide literacy program targeted both men and women over the age of 15. A campaign to provide the country's villages with amenities comparable to those in the cities improved the rural road system and the delivery of electricity, piped water, and natural gas supplies to rural households. The government also invested amply in schools, public libraries, cultural centers, public parks, hospitals, and health clinics in both rural and urban areas. Although there was consensus among the revolutionary elite that the government should provide infrastructure for the *mostazafin*, there was also contention over the kinds of social welfare programs for which the government should assume responsibility.

Every major cultural and social group in Iran has been affected by the changes resulting from the establishment of the

Islamic Republic. One significant impact has been the government's ongoing effort to recast society according to religiously prescribed behavioral codes. The secularized, Western-educated upper and middle classes of the prerevolutionary period resent laws that impose standards of social behavior they disdained when they had elite status. In particular, they dislike *hejab* (see Glossary), a code that regulates strictly how women may dress, and the prohibition on the production and distribution of alcoholic beverages. Both the religious middle class, generally identified with the merchants and artisans of the bazaar (see Glossary), and the lower classes tend to support these laws because they reinforce the values of their generally conservative lifestyles. In turn, the clergy and lay political leaders have targeted secular groups for their "immoral" lifestyles.

Geography

Iran is one of the world's most mountainous countries, and its topography has helped to shape the political, economic, and social history of the country. The mountains enclose several broad elevated basins, or plateaus, on which major agricultural and urban settlements are located. Until the twentieth century, when major highways and railroads were constructed through the mountains to connect the population centers, these basins tended to be relatively isolated from one another. Historically, transportation was by means of caravans that followed routes traversing gaps and passes in the mountains. The mountains also impeded easy access to the Persian Gulf and the Caspian Sea.

Located in southwestern Asia between the Caspian Sea and the Persian Gulf, Iran has an area of 1,648,000 square kilometers, about one-fifth that of the continental United States. Iran is the seventeenth largest country in the world. It shares land borders with seven countries and marine boundaries with nine countries. To the north are Armenia, the Republic of Azerbaijan, and Turkmenistan; on the west are Turkey and Iraq; on the east are Afghanistan and Pakistan. Some 1,700 kilometers long, Iran's southern border consists entirely of the northern shorelines of the Persian Gulf and Gulf of Oman. Iran shares marine boundaries in the Persian Gulf with Bahrain, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates; its sea boundary in the Gulf of Oman is with the sultanate of Oman and the United Arab Emirates. Iran also has a 740-kilometer

coast along the Caspian Sea, whose waters it shares with the Republic of Azerbaijan, Kazakhstan, Russia, and Turkmenistan.

Topography

The topography of Iran consists of rugged mountains surrounding high interior basins. The main mountain chain is the Zagros Mountains, a series of parallel ridges interspersed with plains that bisect the country from northwest to southeast. Many peaks in the Zagros exceed 3,000 meters above sea level, and at least five peaks in the south-central region of the country are higher than 4,000 meters. As the Zagros chain continues into southeastern Iran, the average elevation declines dramatically, to less than 1,500 meters. A narrow but high range, the Alborz Mountains, rims the Caspian Sea littoral. Volcanic Mount Damavand (5,600 meters), located in the center of the Alborz, is the country's highest peak, and the highest mountain on the Eurasian landmass west of the Hindu Kush range (see fig. 5).

The center of Iran consists of several closed basins that collectively are referred to as the Central Plateau. The average elevation of this plateau is about 900 meters, but several of the mountains that tower over it exceed 3,000 meters. The eastern part of the plateau is covered by two deserts, the Dasht-e Kavir (Salt Desert) and the Dasht-e Lut (Desert of Emptiness). Except for some scattered oases, these deserts are uninhabited.

Iran has two notable expanses of lowlands: the Khuzestan Plain in the southwest and the Caspian Sea coastal plain in the north. The Khuzestan Plain is a flat, roughly triangular extension of the Mesopotamia Plain averaging about 160 kilometers in width. It extends about 120 kilometers inland, then meets abruptly with the first foothills of the Zagros. Much of the Khuzestan Plain is covered with marshes. The Caspian coastal plain is both longer and narrower. It extends about 640 kilometers along the Caspian shore, but its greatest width is less than 50 kilometers. South of Khuzestan, there are extensive stretches of the Persian Gulf and Gulf of Oman coasts where the Zagros Mountains meet the shore. There are fairly broad coastal lowlands to the east and west of the city of Bushehr and along the Strait of Hormuz, but annual precipitation in both regions is too low and unreliable to sustain the diverse agriculture that characterizes the Khuzestan Plain and the Caspian coastal plain.

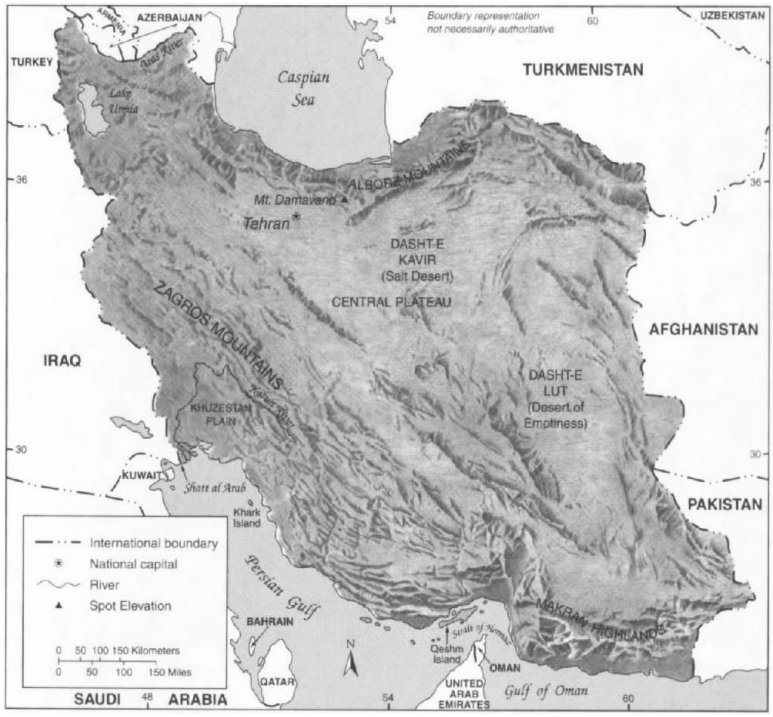


Figure 5. Physical Features

Iran has no major rivers. The only navigable river is the Karun, which shallow-draft boats can negotiate from Khorramshahr, where the Karun joins the Shatt al Arab (Arvand Rud in Persian; see Glossary), north to Ahvaz for about 180 kilometers. The Karun and several other permanent rivers and streams, such as the Dez and the Karkheh, originate in the southwestern Zagros Mountains. However, with the notable exception of the Karun and its main tributary the Dez, few of these watercourses reach the Persian Gulf. The Karkheh, for example, is a major feeder for the marshes that straddle the Iran–Iraq border. Farther north, most rivers drain into interior basins that form shallow salt lakes in the winter and spring but are dry beds in the summer months. Of the major permanent saltwater bodies, the largest is Lake Urmia (also cited as Orumiyeh or Urmiyeh) in the northwest, which is too briny to support fish or most other forms of aquatic life. Several connected salt lakes also exist along the Iran–Afghanistan border.

Climate

Iran has a variable climate. In the northwest and west, winters are cold, with heavy snowfall and subfreezing temperatures from December to February. Spring and fall are relatively mild, with rain in the early spring and late autumn. Summers are dry; days can be hot, but nights are mild to cool. In Tehran and the central part of the country, winters are less severe and summers warmer than in the west. Along the Caspian coastal plain, winters generally are mild, with rare frosts; summers are warm and humid. In the south, winters are mild and the summers very hot, with average daily temperatures in July exceeding 40° C along the Persian Gulf coast. On the Khuzestan Plain, summer heat is accompanied by high humidity.

In general, Iran's climate is arid; most of the relatively scant annual precipitation falls from October through April. In most of the country, yearly precipitation averages 250 millimeters or less. Some basins of the Central Plateau receive 100 millimeters or less. These dry conditions mean that agriculture in most areas of Iran must depend on irrigation.

Two regions enjoy relatively generous amounts of precipitation: the higher mountain valleys of the Zagros and the Caspian coastal plain. In both, precipitation averages at least 500 millimeters annually. In the western part of the Caspian coastal plain, rainfall exceeds 1,300 millimeters annually and is distributed relatively evenly throughout the year.

Environment

Iran's mountains are in an active earthquake zone, and several low-magnitude quakes that cause little destruction and few or no casualties occur annually. More powerful earthquakes, exceeding six on the open-ended Richter scale, also are frequent. A December 2003 earthquake centered under the city of Bam in the southeastern Zagros Mountains destroyed more than 12,000 homes and buildings and caused the deaths of 26,000 people. A 1990 earthquake in the western Alborz Mountains caused 40,000 deaths.

Various human activities have had adverse effects on the environment. Excessive use of fertilizers and pesticides in agriculture, for example, has contributed to soil degradation in many rural areas, while the drilling of deep wells has lowered water tables and caused some pastures to dry up. Industrialization and urbanization, ongoing since the 1960s, have caused

pollution of the water even as they have introduced competing demands for this scarce resource. Although environmental nongovernmental organizations (NGOs) and some political leaders have been advocating water conservation policies since at least the early 1990s, an effective national water consumption plan has not been developed.

The Environmental Protection Organization (EPO), which is headed by a vice president and thus has de facto cabinet rank, is the main governmental body that monitors and works to control atmospheric pollution. Since the early 1990s, it has cited air pollution, especially in Tehran, as the country's major environmental problem. According to the EPO, 94 percent of all urban air pollution is attributable to auto vehicle emissions. Air pollution generally is most severe in winter because low-pressure air masses—composed of dirty air—remain suspended for several days over the high-altitude basins in which are located major cities such as Esfahan, Mashhad, Shiraz, Tabriz, and Tehran. The EPO issues health alerts whenever its professional monitors deem the measured level of toxic pollutants in the air sufficiently high to pose a hazard if inhaled by vulnerable populations, including all children under age 14. The city of Tehran annually closes all public schools several days at a time each winter in response to these EPO alerts.

The EPO also monitors water pollution from both household and industrial waste. In certain areas, the illegal dumping of toxic wastes into water sources has made the affected water unfit for consumption and even killed aquatic life. The EPO has been moderately effective in prompting municipalities and private enterprises along the densely populated Caspian coast to limit the dumping of wastes into streams that empty into the Caspian Sea, where pollution has become a threat to undersea spawning areas for many fish species and has fouled nesting sites of migratory birds and the habitat of the endangered Caspian seal. Other major environmental problems are deforestation and the overgrazing and desertification of agricultural land.

Population

According to preliminary data from the October–November 2006 decennial census, Iran's total population was 70,049,262. This figure represents a 16.6 percent increase over the total population of 60,055,488 enumerated in the previous national census conducted in October 1996 or an average of 1.66 per-

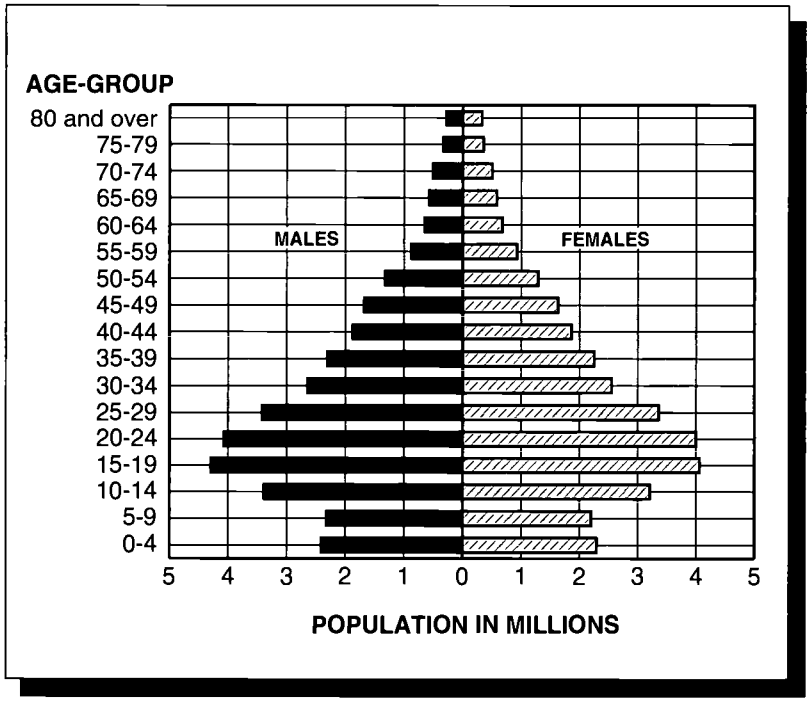
cent per year. Iran's population growth rate has been declining steadily since 1986, when it was at a twentieth-century high of 3.2 percent per annum. Because of a very active birth-control program promoted by the Ministry of Health since 1988, the growth rate had declined to 1.1 percent in 2006. The fertility rate dropped from about 7.0 to 1.7 children born per woman between 1979 and 2007. In 2007 the birthrate was 16.6 per 1,000 population, and the death rate was 5.6 per 1,000 population. Also in 2007, an estimated 23.2 percent of the population was 14 years of age or younger, 5.4 percent was 65 and older, and 71.4 percent was 15 to 64. In 2006 those percentages were 26.1, 4.9, and 69.0, respectively (see fig. 6). Males constituted 50.9 percent of the population and females 49.1 percent in the 2006 census.

According to the 2006 census, Iran has an average population density of 42 persons per square kilometer. However, in the provinces of East Azerbaijan in the northwest, Gilan and Mazandaran along the Caspian coast, and Tehran, the population density is significantly greater. Much of eastern Iran is more sparsely populated, with some areas having fewer than 10 persons per square kilometer.

Also according to the 2006 census, 68.4 percent of the population was living in urban areas, defined as incorporated places with a minimum population of 5,000. Tehran, the capital and largest city, had a total population of 7,160,094 in 2006, while six other cities—Mashhad, Esfahan, Tabriz, Karaj, Shiraz, and Qom—had populations in excess of 1 million (see table 2, Appendix). As of 1996, an additional 48 cities each had a population of more than 100,000 (see table 3, Appendix). The most populous province is Tehran, with a population of 13,328,011 according to preliminary 2006 census data. The least populous province is Ilam, with 543,729 inhabitants in 2006.

Emigration

During and immediately following the Iranian Revolution of 1978–79, an estimated 200,000 to 300,000 Iranians voluntarily left the country to resettle abroad, primarily in the United Kingdom, France, Germany, and the United States. Most emigrants were from the wealthiest families, who collectively took with them an estimated US$30 billion. During the conflict between the government and armed opposition groups in the early 1980s, several thousand Iranians fled the country clandestinely and obtained refugee status in various European Union



Source: Based on information from U.S. Census Bureau, International Data Base, "IDB Population Pyramids," www.census.gov/ipc/www/idbpyr.html.

Figure 6. Population Distribution by Age and Sex, 2006

(EU) countries, Australia, Canada, and the United States. Since the early 1990s, several hundred to several thousand Iranians, most with a college education, have emigrated annually. The largest community outside Iran lives in the United States, where 338,266 people claimed Iranian ancestry (i.e., were born in Iran or in the United States of Iran-born parents) in the 2000 census; half of this number resided in California. An estimated 300,000 more Iranians were living in Canada, the countries of the EU, and Turkey.

Refugees

During the 1980s, an estimated 2.5 million Afghans fled to Iran as refugees from the civil war between the Soviet-backed Afghan government and Afghan anti-Soviet militia groups

known collectively as the mujahedin. In addition, 300,000 Iraqis, primarily Shia Muslims, were registered as refugees in Iran; two-thirds of these refugees were Iraqis who were descendants of Iranian clergy and pilgrims who had settled in Iraq but whom the government of Saddam Hussein forcibly expelled during 1979–80. In March 1991, an estimated 1.8 million Iraqis fled to Iran following the Iraqi government's suppression of uprisings among the Iraqi Shias (who were Arabs) and Kurds. The International Committee of the Red Cross and Red Crescent Societies began repatriating Afghan and Iraqi Kurdish refugees from Iran in 1992. Nonetheless, the 1996 census identified 1.4 million Afghans and 400,000 Iraqis, primarily Arab Shias, living in Iran. Since the late 1990s, many Afghans have resisted repatriation, migrating from refugee camps in eastern Iran to large cities to find work and avoid detection by the authorities. During 2003 and 2004, an estimated 250,000 Iraqi refugees returned independently to Iraq.

Languages and Peoples

Iran has a heterogeneous population speaking a variety of Indo-Iranian, Semitic, and Turkic languages (see fig. 7; table 4, Appendix). The largest language group consists of speakers of Indo-Iranian languages, who in 1996 made up more than 75 percent of the population. Speakers of Indo-Iranian languages include speakers of Persian, the official language of the country, and its various dialects; speakers of a set of related dialects, called Kirmanji, spoken by the Kurds of western Iran; speakers of Luri, the language of the Bakhtiaris and Lurs, who live in the central Zagros; and Baluchi (also seen as Balochi), the language of the semitribal people of the same name who live in southeastern Iran (see Baluchis, this ch.). Approximately 20 percent of the population speaks various dialects of Turkish. Speakers of Semitic languages include Arabs and Assyrians.

The Persian Language and People

The official language of Iran is Persian (the Persian term for which is Farsi). It is the language of government and public instruction and is the native tongue of at least 65 percent of the population. A large proportion of the other 35 percent speak Persian as a second language. Many different dialects of Persian are spoken in various parts of the Central Plateau, and people from each city usually can be identified by their speech.

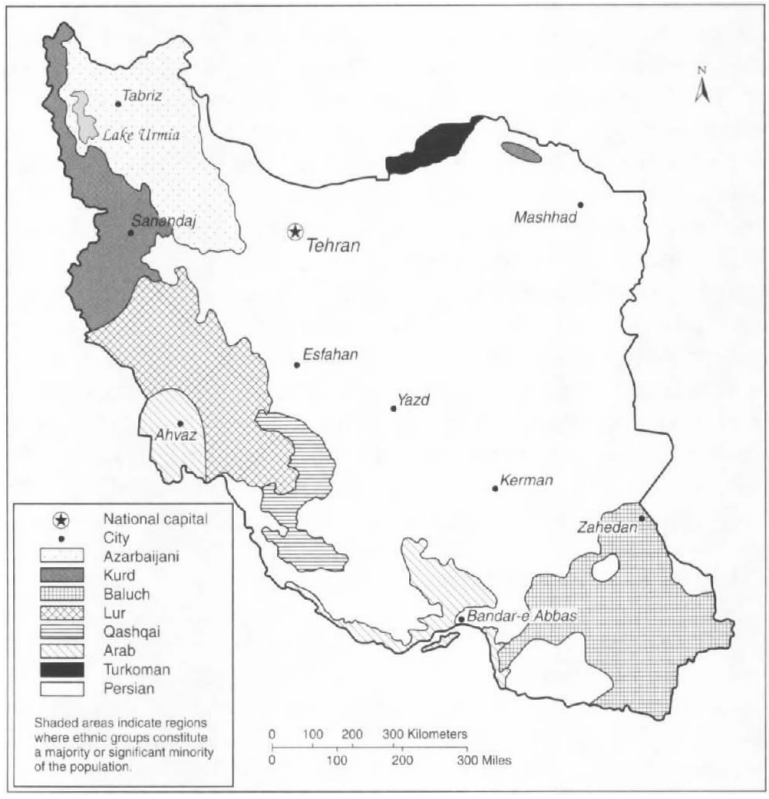


Figure 7. Major Ethnic Groups

Some dialects, such as Gilaki and Mazandarani, spoken along the Caspian coastal plain, are distinct enough to be virtually unintelligible to a Persian speaker from Tehran or Shiraz.

As part of the Indo-European family of languages, Persian is distantly related to Latin, Greek, the Slavic and Teutonic languages, and English. Persian is an ancient language that has developed through three historical stages: Old Persian, ca. 500 B.C. to ca. A.D. 250, was written in cuneiform and used exclusively for royal proclamations and announcements; Middle Persian, or Pahlavi, was in use from ca. 250 to ca. 900 and written in an ideographic script; modern Persian is written in a modified Arabic script. Modern Persian has a well-established literary tradition, especially in poetry, from as early as the thirteenth century. Persian speakers regard their language as

exceptionally beautiful, and they take great pleasure in listening to the verses of medieval poets such as Ferdowsi, Hafez, Rumi, and Sadi, as well as to contemporary poetry. The language is a living link with the past, and historically it has been important in binding the nation together.

The Persians are the largest ethnic group in Iran. They predominate in the major urban areas of central and eastern Iran—in the cities of Tehran, Esfahan, Mashhad, Shiraz, Arak, Kashan, Kerman, Qom, and Yazd; in the villages of the Central Plateau; and along the Caspian coast. Persians generally take great pride in their art and music, both of which have uninterrupted historical roots almost as old as Persian literature. The vast majority of Persians are Shia Muslims (see Shia Islam in Iran, this ch.). Since at least the beginning of the nineteenth century, Persians have dominated the higher ranks of the Shia clergy and have provided important clerical revolutionary leaders such as Ayatollah Sayyid Ruhollah Musavi Khomeini and former presidents Ali Akbar Hashemi Rafsanjani and Mohammad Khatami. Fewer than 3 percent of Persians adhere to other faiths. These include a community of Sunni (see Glossary) Muslim Persians in the Lar region of Fars Province, Baha'is, Jews, and members of the pre-Islamic Zoroastrian faith (see Sunni Muslims; Non-Muslim Minorities, this ch.).

Other Indo-Iranian–Speaking Groups

Kurds

In the early 2000s, an estimated 4.3 to 4.6 million Kurds lived in Iran, accounting for about 7 percent of the total population. They are the third-largest ethnic group in the country, after the Persians and Azerbaijanis (see Turkic-speaking Groups, this ch.). The Kurds are concentrated in the Zagros Mountains along the western frontiers with Turkey and Iraq, adjacent to the Kurdish populations of both those countries. The Kurdish area of Iran includes the southern counties of West Azarbaijan Province and all of Kurdistan and Kermanshah provinces. There are also Kurdish villages in Hamadan, Ilam, and Luristan provinces and a predominantly Kurdish area in North Khorasan Province.

Historically, Iran's Kurdish population has been both rural and urban. As late as the 1930s, some 80 percent of the Kurds lived in rural settings, and at one time as many as half of rural Kurds were nomads. Since the late 1950s, however, the Kurdish

population has been increasingly urbanized. According to the 1996 census, more than 50 percent of the population in the Kurdish provinces of Kermanshah and Kurdistan was urban and less than 2 percent was nomadic. Kermanshah (formerly Bakhtaran) historically has been the largest Kurdish city.

During the twentieth century, the gradual urbanization and education of Kurdish society aroused ethnic consciousness and a feeling of community with Kurds in other countries. The neighboring Iraqi Kurds' struggle for autonomy, which began in 1960, influenced the formation of two clandestine political parties, the Kurdistan Democratic Party (KDP) and the Komela. After supporting the Iranian Revolution of 1978–79, these parties, which, like the population of Kurdistan itself, were predominantly Sunni, undertook four years of ultimately unsuccessful regional guerrilla activity against the Islamic Republic in an effort to gain the autonomy that they had expected would result from the Revolution. The campaign found little support in the regions around Bakhtaran (now Kermanshah), where non-Sunni Kurds were integrated economically and politically with the rest of Iran. Since the guerrillas' suppression in 1984, the Sunni Kurd population has complained of discrimination by the central government in the distribution of development funds, the status of the Kurdish language, and access to employment and university admission.

Although Sunni Islam is the predominant religion among the Kurds, significant numbers practice Shia Islam and a heterodox version of Islam, Ahl-e Haqq (see Shia Islam in Iran, this ch.). Iran's Kurds also include small communities of Yazidis, another heterodox Islamic group, and Jews.

The Kurds' closely related dialects, known collectively in Iran as Kirmanji, are divided into northern and southern groups. All contain numerous Persian loanwords. Persians have used the proximity of Kurdish to Persian as an argument against the use of Kurdish in schools in majority-Kurdish areas. Because Persian has been the medium of instruction in schools for more than 50 years, educated Kurds tend to be bilingual.

Lurs

The Lurs are an ethnic group residing in the central and southern Zagros. They speak Luri, a language closely related to Persian and Kurdish. Like the Persians, the Lurs are predominantly Shia Muslims, although a minority adhere to Ahl-e Haqq. Luri is not a written language, but it has a rich oral cul-

ture of music and poetry. Since the 1980s, the lack of a literary tradition has contributed to a trend for Lur children, especially in urban areas, of using the Persian that they learn in school for everyday speech. A majority of the estimated 3.5 million Lurs live in Luristan Province, which in the early twentieth century was occupied by 60 distinct tribal groups. Tribal identities have weakened under the impact of steady urbanization. By 1996, more than 60 percent of the province's population lived in cities. Khorramabad and Borujerd are Luristan's main urban centers.

Historically, the Bakhtiari were the most famous and powerful of the Lur tribes. By the 1920s, their long and arduous nomadic treks had become the subject of Western travel lore and even cinema. The Bakhtiari tribal leaders, or *khans*, became involved in national politics and were considered part of the prerevolutionary elite. Detribalized Bakhtiaris, especially those who settled in urban areas, tend to become assimilated into Persian culture. Although small numbers of Bakhtiaris continue to practice nomadic livestock raising, by 2000 the overwhelming majority lived in towns and villages. The Bakhtiari Lurs have their own province, Chahar Mahall va Bakhtiari, southeast of Luristan.

Other Lurs live south of the Bakhtiari in Kohgiluyeh va Buyer Ahmadi Province and in Ilam Province. Once considered among the fiercest of Iranian tribes, the Lurs, like other nomadic tribes, were forcibly settled in the 1930s. After the Revolution, the Islamic Republic designated Ilam Province and Kohgiluyeh va Buyer Ahmadi Province especially "deprived," or underdeveloped, and targeted them for special infrastructure development projects.

Baluchis

The Baluchis, who live predominantly in Sistan va Baluchistan Province, numbered approximately 800,000 in Iran in the early 2000s. They are part of a larger group that forms the majority of the population of Balochistan Province in Pakistan and of adjacent areas in southwestern Afghanistan. In Iran the Baluchis are concentrated in the Makran Highlands, an area that stretches eastward along the Gulf of Oman to the Pakistan border and includes some of the most barren landscape in Iran. The Baluchis speak an Indo-Iranian language distantly related to Persian and more closely related to Pashtu (Pashto). Baluchi is solely an oral language in Iran. The majority of Bal-

uchis are Sunni rather than Shia Muslims. This religious difference has been a persistent source of tension, especially in the provincial capital, Zahedan.

About 10 percent of the Baluchis are seminomadic or nomadic; the remainder are settled farmers and town dwellers. Tribal organization remains intact among rural Baluchis. The Baluchis have been one of the most difficult tribal groups for the central government to control, in large part because of poor communications between Tehran and the province of Sistan va Baluchistan. Most of the principal Baluchi tribes live along the borders with Pakistan and Afghanistan.

With the exception of the city of Zahedan, neither the monarchy nor the Islamic republic has invested significant funds in local development projects. As a result, since the 1980s a major source of income for residents has been smuggling goods, especially illegal narcotics, into Iran from Afghanistan and Pakistan. In highland areas, limited agriculture is practiced where groundwater is sufficient for irrigation. In the late 1990s, a prolonged drought severely affected the entire province, prompting thousands of Baluchis to abandon their villages and resettle in Zahedan and elsewhere in Iran.

Other Indo-Iranian Groups

Scattered throughout central, southern, and eastern Iran are small groups, some nomadic or seminomadic, speaking many different Indo-Iranian languages. Some tribes in the provinces of North Khorasan, Razavi Khorasan, and South Khorasan are related to groups in neighboring Afghanistan and Turkmenistan. Also in those three provinces are an estimated 30,000 Tajiks, settled farmers related to the Tajiks of Afghanistan and Tajikistan. Several smaller Indo-Iranian–speaking minorities exist in tribally organized settled groups: the Hazarah, Barbai, Teimuri, Jamshidi, and Afghani in the provinces of North, Razavi, and South Khorasan; the Qadikolahi and Pahlavi in Mazandaran Province; and the Agajani in the Talesh region of Gilan Province.

Turkic-Speaking Groups

Turkic speakers constitute about 20 percent of Iran's total population. They are concentrated in northwestern Iran, where they form the overwhelming majority of the population of Ardabil and East Azarbaijan provinces and a majority in West Azarbaijan and Zanjan provinces. They also constitute a signifi-

cant minority in the provinces of Fars, Gilan, Hamadan, Mazandaran, North Khorasan, Qazvin, Razavi Khorasan, South Korasan, and Tehran. Except for the Azerbaijanis, most Turkic-speaking groups are tribally organized. Some Turkic-speaking tribes continue to lead a nomadic or seminomadic life. Educated Turkic speakers in the large cities also speak Persian.

The Turkic languages belong to the Ural-Altaic family, which includes many languages of Central Asia and western China, as well as Turkish, Hungarian, and Finnish. The various Turkic languages spoken in Iran tend to be mutually intelligible. Of these, only Azerbaijani is written to any extent. In Iran it is written in the Arabic script, in contrast to the practice in the Republic of Azerbaijan, where a modified Latin alphabet is used.

Azerbaijanis

The Azerbaijanis account for 90 percent of all Turkic speakers in Iran. Most Azerbaijanis are concentrated in the northwestern corner of the country, where they form the majority population in an area between the Caspian Sea and Lake Urmia and the segment of the northern border formed by the Aras River south to the latitude of Tehran. Their language, Azerbaijani (also called Azeri or Turkish), is structurally similar to the Turkish spoken in Turkey. More than 65 percent of all Azerbaijanis live in urban areas. Major Azerbaijani cities include Tabriz, Ardabil, Khoi, Maragheh, and Zanjan. In addition, about 40 percent of the population of the region of Urmia in West Azarbaijan Province is Azerbaijani, as is one-third of Tehran's population. There are sizable Azerbaijani minorities in the major cities of northwestern Iran. The lifestyles of urban Azerbaijanis do not differ from those of Persians, and there is considerable intermarriage within the upper and middle classes in cities with mixed populations. Similarly, customs among Azerbaijani villagers do not appear to differ markedly from those of Persian villagers. The majority of Azerbaijanis, like the majority of Persians, are Shia Muslims, although some Azerbaijanis are Ahl-e Haqq Muslims or non-Muslim Baha'is.

Qashqais

The Qashqais are the second-largest Turkic-speaking group in Iran. Numbering about 600,000, they are a confederation of several Turkic-speaking tribes in Fars Province in south-central

Iran. Historically, the Qashqais were pastoral nomads who moved between summer pastures in the higher elevations of the Zagros Mountains north of Shiraz and winter pastures at low elevations south of Shiraz. Most Qashqais are Shia Muslims.

The Qashqai confederation emerged in the eighteenth century, and during the nineteenth century it became one of the best-organized and most powerful tribal groups in Iran. Reza Shah Pahlavi (r. 1925–41) forcibly settled the Qashqais in the early 1930s, but, like the Bakhtiaris and other forcibly settled tribes, they returned to nomadic life upon Reza Shah's exile in 1941. However, the reduction in numbers and disorganization they had suffered after their settlement kept the Qashqais from regaining their previous strength and independence. Since the mid-1960s, Qashqais have been settling in villages and towns. According to some estimates, up to 75 percent of all Qashqais had settled by the early 2000s. Both Qashqai and non-Qashqai Turkic speakers in Fars Province recognize a common ethnic identity in relation to non-Turks. All the Turkic-speaking groups of the region speak mutually intelligible dialects that are closely related to Azerbaijani.

Other Turkic-Speaking Groups

Many small Turkic-speaking groups are scattered throughout Iran, mainly in the northern tier of provinces. The largest of these are the Turkmens, divided into several tribes, some of which are sections of larger tribes living across the border in Turkmenistan. The Turkmens live to the northeast of the Caspian Sea, in a region of Golestan Province known as the Turkmen Sahra. Largely pastoral nomads before the 1930s, the Turkmens subsequently settled in permanent villages and engaged in agriculture, especially cotton cultivation. Since the 1980s, they have been migrating to regional urban centers. In 1996, of an estimated 500,000 Turkmens in Iran, about 20 percent lived in the city of Gonbad-e Kavus, while another 20 percent lived in other towns and the ethnically mixed provincial capital, Gorgan.

In the northeastern part of Ardabil Province live some 50 tribes collectively called the Ilsavan (formerly known as the Shahsavan). The Ilsavan, whose population in Iran is estimated at 75,000 to 100,000, are largely pastoral nomads who spend summer on the high slopes of Mount Sabalan and winter in the lowland Dasht-e Moghan, adjacent to the Aras River, which forms the frontier between Iran and the Republic of Azer-

A nomadic Qashqai family moving to new grazing ground
Courtesy United Nations (S. Jackson)

baijan. The Afshars, of approximately equal numbers as the Ilsavan, are scattered throughout Iran. A seminomadic people who speak a dialect akin to Azerbaijani, the Afshars are found along the shores of Lake Urmia, around the city of Zanjan, along the borders of Kurdistan, south of the city of Kerman, and in North, Razavi, and South Khorasan provinces. These separated groups are estimated to total 100,000, but they do not recognize a common identity or have any political unity. Nevertheless, they all refer to themselves as Afshars and differentiate themselves from other groups, both Turkic and non-Turkic, that surround them. Among several other very small Turkic-speaking groups, the Qajars are the most notable. The Qajars, who live in rural areas of Mazandaran Province, are the tribe of the royal family that Reza Shah dethroned in 1925.

Semitic Groups

Arabic and Assyrian are the two Semitic languages spoken in Iran. The Arabic dialects are spoken in Khuzestan Province and along the Persian Gulf coast. They are modern variants of the older Arabic that formed the base of the classical literary language and all the colloquial languages of the Arabic-speaking world. There is no linguistic relationship between Arabic and Persian, although Persian vocabulary has many loanwords

from Arabic. Arabic also continues to be the language of prayer of all Muslims in Iran. Children in school learn to read the Quran in Arabic. Persian- and Turkic-speaking Iranians who have commercial interests in the Persian Gulf area often learn Arabic for business purposes.

In 1996 an estimated 1.0 to 1.3 million Arabs lived in Iran. A majority lived in Khuzestan Province, where they constituted a significant ethnic minority. Most other Arabs lived along the Persian Gulf coast between Bushehr and Bandar-e Abbas, although there also were small scattered tribal groups living in central and eastern Iran. About 50 percent of Arabs are urban dwellers, concentrated in such cities as Abadan, Ahvaz, Bandar-e Abbas, Bushehr, and Khorramshahr. The majority of urban Arab adult males are unskilled workers, especially in the oil industry. Arabs also work in commerce and services, and a small group of Arab professionals has been emerging since the 1980s. Some urban Arabs and most rural Arabs are tribally organized. The rural Arabs of Khuzestan tend to be farmers and fishermen. Many Arabs who live along the Persian Gulf coast derive family incomes from fishing or from operating dhows (small boats) involved in the lucrative trade between Iran and the Arab states of the Persian Gulf. There are some Arab pastoral tribes.

Both the urban and rural Arabs of Khuzestan are intermingled with the Persians, Turks, and Lurs who also live in the province and collectively outnumber the Arabs. The Khuzestan Arabs are Shia Muslims, and this common religion facilitates intermarriage between Arabs and other Iranians. Nevertheless, the Arabs tend to regard themselves as separate from non-Arabs and usually are so regarded by other Iranians. Both before and after the Revolution, the government of neighboring Iraq claimed that the Khuzestan Arabs suffered discrimination and asserted its readiness to assist their "liberation" from Tehran. When Iraq invaded Iran in 1980, however, an anticipated uprising of the Arab population did not occur; most local Arabs fled the area together with the non-Arab population. The Arabs in the area stretching from Bushehr to Bandar-e Abbas are predominantly Sunni Muslims who differentiate themselves by religion from the Arabs in Khuzestan as well as from most non-Arab Iranians.

The other Semitic people of Iran are the Assyrians, a Christian group that speaks modern dialects of Assyrian, an Aramaic language that evolved from Old Syriac. Language and religion

provide a strong cohesive force and give the Assyrians a sense of identity with their coreligionists in Iraq, in other parts of the Middle East, and in the United States. Most Assyrians belong to the Assyrian Church of the East (sometimes referred to as the Nestorian Church); a smaller group of Roman Catholic Assyrians generally are referred to as Chaldeans (see Non-Muslim Minorities, this ch.).

The 1996 census identified about 32,000 Assyrians in Iran. More than 50 percent of Assyrians live in Tehran, which has been a magnet for this minority since the early 1950s. However, more than 15,000 Assyrians still live in and around Orumiyeh, which has been the traditional home of Assyrians in Iran for centuries. Since 1979, many Assyrians have emigrated, resettling primarily in the United States. As a result of this migration, the Assyrian population in Iran has not increased since the Revolution.

Armenians

The Armenians, a non-Muslim minority that traditionally has lived in northwestern Iran, speak an Indo-European language that is distantly related to Persian. Large numbers of Armenians have emigrated since the Revolution; in 2000 the Armenian population was estimated at 300,000, about 15 percent less than in 1979. Iran's Armenians are predominantly urban dwellers. An estimated 65 percent of them live in Tehran, which since the early 1970s has been the primary Armenian cultural center in Iran. Sizable Armenian communities also live in Esfahan, Tabriz, and Orumiyeh. Armenians in Iran tend to be relatively well educated, maintain their own schools, and support Armenian-language newspapers.

Most Armenians are Gregorian Christians, although some are Roman Catholic and Protestant as a result of European and American missionary work in Iran during the nineteenth and early twentieth centuries. Although Iranian Armenians welcomed the independence of Armenia in 1991, few of them have immigrated there; virtually all Armenian emigration from Iran has been to the United States.

Structure of Society

Iranians have a very strong sense of class structure. In the past, they referred to their society as being divided into three tiers, or *tabagheh*: the first, corresponding to the upper classes;

the second, to the middle classes; and the third, to the lower classes. Under the influence of revolutionary ideology, society is now perceived as being divided into the wealthy, a term generally having negative connotations; the middle class; and the *mostazafin.* In reality, Iranian society always has been more complex than the three-tier division implies because each of the three broad classes is subdivided into several social groups. These divisions have existed in both urban and rural areas.

Urban Society

Historically, towns in Iran have been administrative, commercial, and manufacturing centers. The traditional political elite consisted of the shah and his family as well as non-royal families, whose wealth was derived from land and/or trade and from which were recruited the official representatives of the central government. In larger cities, these families traced their power and influence back several generations. In the largest cities, the families of Shia clergy also were influential. The middle stratum included merchants and owners of artisan workshops. The lowest class of urban society included artisans, laborers, and providers of personal services such as barbers, bath attendants, shoemakers, tailors, and servants. Most artisans were organized into trade associations or guilds and worked in the covered bazaars, historically the heart of Iranian towns. Merchants also had their shops in the bazaars, which in the largest cities also contained warehouses, restaurants, baths, mosques, schools, and gardens.

The modernization policies of the Pahlavi shahs both preserved and transformed urban society. The extension of central government authority throughout the country fostered the expansion of administrative apparatuses in all major provincial centers. Parts of the traditional bazaars were demolished to create new streets lined with European-style stores. By the 1970s, modern factories had displaced numerous artisan workshops in the bazaars, and merchants were encouraged to locate retail shops along the new streets rather than in the bazaars. During the last years of the Pahlavi dynasty, the political elite described the bazaars as symbols of backwardness and advanced plans to replace them with modern shopping malls.

One consequence of the Revolution was the revitalization of the traditional bazaar, especially in larger cities. Another consequence was the intensive rural-to-urban migration of the 1980s. This population movement led to the development of sprawl-

Rooftops in Yazd, central Iran
Courtesy Nader Davoodi

ing cities with new suburban areas, or *shahraks* (literally, little towns), where European-style shopping streets and even American-style enclosed shopping malls were built rather than traditional bazaars. The growth of cities proceeded in tandem with the spread of education; the expansion of medical services, electrification, water delivery systems, communications, and highways; and the emergence of many new urban occupations in manufacturing and services. This job diversity has contributed to a greater differentiation of social groups.

The Revolution swept aside the old political elite—the shah, his family, and the official representatives of the monarchy in the capital and provincial centers. Although members of the old political elite were not physically removed, they were stripped of their power. The new elite consisted of the higher ranks of the Shia clergy and the nonclerical political leaders who had organized antigovernment demonstrations and work strikes over the course of several months. The most important administrative, military, and security positions were filled by these lay politicians who supported the rule of the clergy. Most members of the lay political elite had their origins in the prerevolutionary middle class, especially the bazaar families, but a significant minority were of rural origin.

Social Class in Contemporary Iran

In the postrevolutionary era, access to political power, an important basis for measuring influence and elite status in prerevolutionary Iran, has continued to be important for ascribing status, even though the composition of the political elite has changed. For 10 years after 1979, gaining entry to the political elite at the national or provincial level depended on having revolutionary credentials, that is, being able to provide evidence of having participated in the demonstrations and other revolutionary activities during 1978–79, and having a reputation for being a good Muslim, that is, attending public prayers and observing Islamic codes of conduct in one's private life. Revolutionary credentials became less significant for the generation that matured after the early 1990s. Education, especially a college degree, became an informal substitute for revolutionary credentials.

The Upper Class

The postrevolutionary upper class consisted of some of the same social groups as the old elite, such as large landowners, industrialists, financiers, and large-scale merchants. These groups had remained in Iran after 1979 and had retained much of their wealth. For the most part, however, such persons did not occupy positions of political influence, although they maintained various ties to politically influential people. Those with political influence comprised senior clergy, high-ranking bureaucrats, executive officers of public and private corporations and charitable foundations, and wealthy entrepreneurs; none had been part of the prerevolutionary economic and social elite. Although a reputation for piety and loyalty to the ideals of the Revolution initially was a more important attribute than family or wealth for participation in the postrevolutionary political elite, those who attained politically powerful positions received generous salaries that elevated them to the top income brackets and opened access to multiple legitimate opportunities for acquiring more wealth. The children of the new elite generally have been encouraged to get college educations, and postgraduate degrees from foreign universities have become status symbols since the mid-1990s. These social trends have gradually but informally altered the criteria for recruitment into the political elite: Possessing a university degree and having ties to a prominent religious or revolutionary family

have become advantageous in the competition for politically influential positions.

The Middle Class

After the Revolution, the composition of the middle class did not change significantly, but its size doubled from about 15 percent of the population in 1979 to more than 32 percent in 2000. Several prerevolutionary social groups still were identifiable, including entrepreneurs, bazaar merchants, physicians, engineers, university teachers, managers of private and public concerns, civil servants, teachers, medium-scale landowners, junior military officers, and the middle ranks of the Shia clergy. New groups also emerged, including technicians in specialized fields such as communications, computers, electronics, and medical services; owners of small-scale factories employing fewer than 50 workers; owners of construction firms and transport companies; and professional staff of broadcast and print media. Merchants, especially those with ties to bazaar-based organizations even though their stores were physically located outside the traditional covered bazaars, gained access to political power that they had lacked before the Revolution.

The prerevolutionary cultural divide between those middle-class individuals who had a secular outlook and those who valued a role for religion in both public and private life did not disappear. Since 1979, however, the political relationship between these two contrasting views has reversed. Whereas under the monarchy the state tried to restrict religion to the private sphere, under the Islamic Republic the state consciously has promoted religion in public life. Secularly oriented Iranians have tended to resent this dominant role of the religious outlook in politics and society, especially its manifestations in numerous laws and regulations that they perceive as interfering with their personal lives. Whereas the secular-religious divide cuts across all occupational groups, in general those who promote religious values and the public observance of prayers and religious rituals tend to be more heavily concentrated in the bazaar, security forces, and managerial positions in the bureaucracies than in other lines of work and other professions.

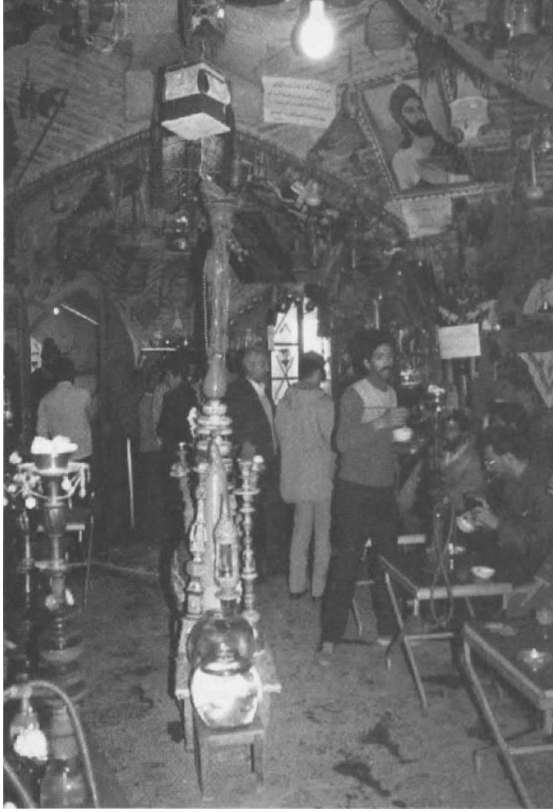
The Working Class

An urban industrial working class separate from the traditional artisan class of the towns has been in the process of for-

mation since the early twentieth century. The industrialization programs of the Pahlavi shahs provided the impetus for the expansion of this class. By the early 1970s, a distinct working-class identity, *kargar*, had emerged, although those who applied this term to themselves did not constitute a unified group. Rather, the working class was segmented by economic sectors: the oil industry, manufacturing, construction, and transportation; also, many members of the working class were employed as mechanics. The largest component, factory workers, numbered about 2.5 million on the eve of the Revolution, double the number in 1965, accounting for 25 percent of Iran's total labor force (see The Distribution of Employment, ch. 3).

Since 1979, the urban working class has continued to expand; by the early 2000s, it constituted more than 45 percent of the employed labor force. As was the situation before the Revolution, however, the workers within any one occupation did not share a common identity but rather were divided according to their perceived skills. For example, skilled construction workers, such as carpenters, electricians, and plumbers, earned significantly higher wages than the more numerous unskilled workers and tended to look down on them. Similar status differences were common among workers in the oil industry and manufacturing. An estimated 7 percent of all workers were Afghan refugees in the early 2000s. These workers were concentrated in unskilled jobs, especially in construction. Because most Afghan workers did not have work permits after 1992 and thus worked illegally, employers could pay them less than the daily minimum wage rates and not provide them with benefits required for Iranian workers.

Under both the monarchy and the republic, the government has strictly controlled union activity. After the Revolution, the Ministry of Labor established the Workers' House to sponsor Islamic unions in large manufacturing concerns. These unions discourage strikes through a combination of cooptation of workers through periodic raises and bonuses and cooperation with authorities to identify and discipline workers who exhibit tendencies toward independence. The Islamic unions generally have been effective in preventing major strikes by workers; a long history of factionalism among different working-class occupational groups and between skilled and unskilled workers within individual industries has contributed to this relative success. Nevertheless, since the early 1990s scattered strikes have defied union control. In some instances, the strikes have been



A provincial coffeeshop
Courtesy Nader Davoodi

resolved peacefully through negotiations, while in other cases they have been repressed violently by security forces.

The Lower Class

The working class is part of the overall urban lower class, or *mostazafin*, a social stratum that includes all families whose household incomes place them marginally above, at, or below the officially defined poverty line. In cities with populations greater than 250,000, the lower class makes up an average of 40 to 50 percent of the total population; the lower-class proportion generally is less in smaller cities (50,000 to 250,000 population) and towns.

The lower class can be divided into two groups: the marginally poor, who receive regular incomes on a weekly or monthly basis; and the very poor, whose incomes vary from month to month and who thus experience difficulty in paying for food, housing, and utilities. Recipients of regular incomes include pensioners, industrial and construction workers, and people employed in the diverse services sector, such as attendants in barbershops, beauty salons, and public bathhouses, bakery workers, sales clerks, domestic servants, gardeners, garbage and trash collectors, painters and plasterers (of homes), porters, street cleaners, peddlers, street vendors, office cleaners, and

laundry workers. These job categories, as well as others, also include at least 1 million workers who are employed only occasionally or seasonally, primarily as a result of the shortage of full-time positions in an economy that has had an official unemployment rate ranging between 10 and 15 percent of the labor force since the early 1990s. Although many government agencies and private charities provide assistance to the poor, a social stigma is associated with accepting such aid, especially among adult men, whom others judge according to their ability to support a family. Among some marginally poor people in the largest cites, especially families with female heads of household, there has been an increasing tendency since the mid-1990s to rely on begging to supplement income, A few poor neighborhoods in the largest cities, such as Khakh-e sefid in southeasten Tehran Province, have acquired negative reputations because gangs have established safe houses there for illegal activities such as prostitution, gambling, and drug trafficking.

Urban Migration

A main characteristic of the burgeoning urban lower class is its peasant origins. The rapid expansion of this class since the 1960s has been the result of migration from villages to cities. By the early 1970s, urban services no longer could keep pace with the population growth, and slum neighborhoods developed in Tehran and other large cities. Immediately after the Revolution, the government initiated two programs aimed at improving conditions in urban slums and villages. In the latter case, the programs also had the objective of stanching rural-to-urban migration. New *shahraks* replaced slum neighborhoods and offered low-income families affordable housing with electricity, piped water, and sewerage connections. Schools, libraries, cultural centers, health clinics, and sports facilities were integral parts of the new *shahraks.* These new neighborhoods could not eliminate poverty, but they improved the overall quality of life for most low-income residents in urban areas. The same also has been true for the villages, although the major improvement in the quality of rural life did not halt rural-to-urban migration, which continued at an even higher rate between 1980 and 1996 than in the prerevolutionary years.

Rural Society

At the time of the Revolution, Iran had 70,000 villages. Social organization in these villages was less stratified than in

urban areas, but a hierarchy of political and social relationships and patterns of interaction could be identified. At the top of the village social structure was the largest landowner or owners. In the middle stratum were peasants who owned medium-sized farms. In the larger villages, the middle stratum also included local merchants and artisans. The lowest level, which predominated in most villages, consisted of landless villagers and peasants who owned subsistence plots. Traditionally, the *kadkhoda* (see Glossary)—not to be confused with the head of the smallest tribal unit, a clan—was responsible for administering village affairs and for representing the village in relations with governmental authorities and other outsiders.

The land reform and various rural development programs undertaken prior to the Revolution did not help most villagers. Economic conditions for most village families stagnated or deteriorated at the same time as manufacturing and construction were experiencing an economic boom in urban areas. Consequently, there was a significant increase in rural-to-urban migration. Between the 1966 and the 1976 censuses, a period when the population of the country as a whole was growing at the rate of 2.7 percent per year, most villages actually lost population, and the rural population's overall growth rate was barely 0.5 percent annually. This migration was primarily of young villagers attracted to cities by the prospect of seasonal or permanent work opportunities. By the late 1970s, this migration had depleted the labor force of many villages. This was an important factor in the relative decline in production of such basic food crops as cereals because many farming families were forced to sow their agricultural land with less labor-intensive crops.

The problems of rural stagnation and agricultural decline had surfaced in public debate by the eve of the Revolution. During the immediate turmoil surrounding the fall of the monarchy, peasants in many villages took advantage of the unsettled conditions to expropriate the property of large landowners whom they accused of being un-Islamic. These actions forced the new republican government to tackle the land problem. This issue was hotly contested between officials who saw peasant expropriations as a solution to inequitable land distribution and others who opposed such expropriations on the ground that Islamic law protects private property. In the end, no national policy was formulated; local courts adjudicated the land disputes on a case-by-case basis, and less than 10 percent

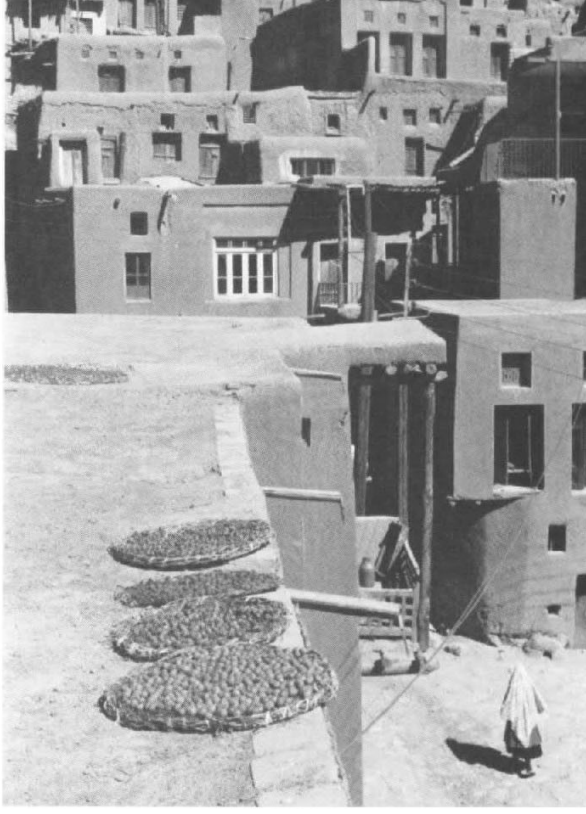
of cultivated land in Iran actually was transferred from large to smaller owners.

Unlike land redistribution, rural development was widely considered a high priority among the postrevolutionary political elite. A new organization for rebuilding villages, the Crusade for Reconstruction (Jihad-e Sazandegi, or Jihad), was created in 1979. At first it consisted of high-school-educated youth, largely from villages, who initiated such village improvement projects as providing electrification and piped water, building feeder roads, constructing mosques and bathhouses, and repairing irrigation networks. The operational approach was to involve the villagers in the projects, including their planning, construction, and even partial financing, although overall direction was from Tehran via the provincial Jihad offices. As a result of these activities, more than 90 percent of villages had electricity and piped water by 2000, as well as access to rural schools, health clinics, and improved secondary roads that connected to highways. This rural infrastructure significantly improved the overall quality of life in villages. However, because the prerevolutionary pattern of landownership was not altered—about 75 percent of farmers continued to cultivate the equivalent of subsistence plots—the majority of rural households remained poor.

Nomadic Society

The long-standing decline in the number of tribally organized, pastoral nomads continued after the Revolution. According to the 1996 census, about 1.2 million persons in 180,000 households continued to practice pastoral nomadism on a year-round basis. This represented a decrease of 40 percent from the mid-1960s, when 400,000 families (about 2 million persons) engaged in pastoral nomadism. The nomadic population practices a form of seasonal migration known as transhumance: one migration in the spring to upland summer pastures and a fall migration to lowland winter pastures. Each tribe claims the use of fixed territories for its pastures and the right to use a specified migration route between these areas, which can be separated by as much as 300 kilometers. In the past, each migration could take as much as two months, but since the early 1990s an increasing reliance on pickup trucks has shortened this process to a few days.

The movements of the tribes appear to be an adaptation to the ecology of the Zagros Mountains. In summer, when the low



Residential neighborhood in the village of Masooleh, northern Iran
Dates drying in the village of Abyaneh, central Iran
Courtesy Nader Davoodi

valleys are parched, the tribes are at the verdant higher elevations. When night frosts begin to limit pasture growth in the higher valleys, the tribes migrate to low-lying pastures that remain green throughout the winter because of the seasonal rainfall. The nomadic tribes keep large herds of sheep and goats, animals that traditionally have provided the main source of red meat for Iranians. During migrations the tribes trade their live animals, wool, hair, hides, dairy products, and various knotted and woven textiles with villagers and townspeople for manufactured and agricultural goods. This economic interdependence between the nomadic and settled populations of Iran has been an important characteristic of society for several centuries.

During the Qajar dynasty (1795–1925), when the central government was especially weak, the nomadic tribes formed tribal confederations and acquired a great deal of power and influence. In many areas, these confederations were virtually autonomous, negotiating with the local and national governments for extensive land rights. Reza Shah moved against the tribes with the new national army that he created. His tribal

policy had two objectives: to break the authority and power of the great tribal confederation leaders, whom he perceived as a threat to his goal of centralizing power, and to gain the allegiance of urban political leaders, who had historically resented the power of the tribes. In addition to military maneuvers against the tribes, Reza Shah used economic and administrative techniques such as confiscating tribal properties and holding chiefs' sons as hostages. Eventually, many nomads were subdued and placed under army control. Some were given government-built houses and forced to lead a sedentary life. Mohammad Reza Shah Pahlavi (r. 1941–79) continued the policy of weakening the political power of the nomadic tribes, but efforts to coerce them into settling were abandoned. Several tribal leaders were exiled, and the military was given greater authority to regulate tribal migrations. Tribal pastures were nationalized during the 1960s as a means of permitting the government to control access to grazing. In addition, various educational, health, and vocational training programs were implemented to encourage the tribes to settle voluntarily.

Following the Revolution, several former tribal leaders attempted to revitalize their tribes as major political and economic forces. But many factors worked against this effort, including the hostile attitude of the central government, the decline in size of the nomadic population as a result of the settlement of large numbers of tribal people in the 1960s and 1970s, and, as a consequence of settlement, a change in attitudes toward nomadic life, especially among tribal youth raised in villages and towns. By the mid-1980s, the nomadic tribes were no longer a political force in Iranian society. The central government had demonstrated its ability to control the migration routes, and the leadership of the tribes effectively was dispersed among a new generation of nonelite tribesmen who did not share the views of the old elite.

The Family

For most Iranians, the reciprocal obligations and privileges that define relations among kinfolk—from the parent-child bond to more distant connections—are more important than those associated with any other kind of social alignment. Economic, political, and other forms of institutional activity have been affected significantly by family ties. This is true not only for the nuclear family of parents and offspring but also for the

aggregate kinfolk, near and distant, who together represent the extended family.

Historically, an influential family was one whose members were distributed strategically throughout the most vital sectors of society, with each person prepared to support the others in order to ensure overall family prestige and status. Since the Revolution, this has meant that each of the elite families of Tehran and the major provincial centers includes a cadre of clergy, bureaucrats, and the Islamic Revolutionary Guard Corps or Revolutionary Guards (Pasdaran; in full, Pasdaran-e Enghelab-e Islami; see The Islamic Revolutionary Guard Corps (IRGC), ch. 5). Successful members are expected to help less successful ones get their start. Iranians view this inherent nepotism as a positive value, not as a form of corruption. Business operations continue to be family affairs; often, large government loans for business ventures are obtained simply because entrepreneurs are recognized as members of families with good Islamic and revolutionary credentials. Political activities also follow family lines. Several brothers or first cousins, for example, tend to be aligned with the same political faction. This is true even in the case of armed opposition groups, such as the Mojahedin-e Khalq (People's Fighters). A person without family ties has little status in the society at large.

The head of the household—the father and husband—traditionally expected obedience and respect from others in the family. In return, he was obligated to support them and to satisfy their spiritual, social, and material needs. In practice, family roles have been undergoing considerable change since the Revolution, and the father's role as a strict disciplinarian has been challenged by the postrevolutionary generation. The average age of first marriage has risen significantly for both men and women, which means that children—both daughters and sons—have been remaining in their parental home until they are in their 20s. Since the late 1980s, many fathers, especially in small towns and rural areas, have encouraged daughters to delay marriage in favor of obtaining a secondary school and even college education.

Religious law defines the conditions for marriage, divorce, inheritance, and guardianship. Additional laws have been passed by the parliament (Majlis—see Glossary) that reinforce and refine religious law and are designed to protect the integrity of the family. Marriage regulations are defined by Shia religious law, although non-Shias are permitted to follow their own

religious practices. Before the Revolution, the legal marriage age was 21 for males and 18 for females, although most couples married at a younger age. Immediately after the Revolution, the minimum legal age of marriage for males and females was lowered to 15 and 13 years, respectively. The average age of first marriage fell immediately, and by the mid-1980s an estimated 2.4 percent of girls younger than 15 were married. However, when the generation of youth who participated in the Revolution (aged 18–25 during 1978–79) began assuming positions of political authority in the early 1990s, they initiated various reforms, including enactment of a law that raised the legal marriage age to 18 for males and 15 for females. As a result, by 2002 the average age at first marriage had risen to 22 for men and 19 for women.

The selection of a marriage partner normally is determined by customary preference, economic circumstances, and geographic considerations. Traditionally, there was a distinct preference for marriage within extended kin networks, which accounted for a a high incidence of marriages among first and second cousins. An "ideal" marriage was between the children of two brothers, although this kind of consanguineous marriage was becoming less common among the old regime elite and secular middle class by the eve of the Revolution. In the early 2000s, although a majority of marriages were still between couples with some kinship relationship, surveys found that more than 60 percent of men and more than 40 percent of women disapproved of such marriages.

Marriage arrangements continue to follow traditional patterns. When a young man is ready for marriage, he asks his parents to visit the parents of a girl whom he would like to marry. If the girl's parents are agreeable, the two families negotiate the amount of the bride-price that will be given to the bride's family at the time of marriage. The exact sum varies according to the wealth, social position, and degree of kinship of the two families. Once they have agreed to the marriage, the prospective bride and groom are considered engaged. Generally, the engagement lasts less than 12 months. The actual marriage involves a contractual ceremony and a public celebration, or wedding. One significant feature of the marriage contract is the *mahriyeh* (see Glossary), a stipulated sum that the husband must give his wife in the event of divorce.

In the early 2000s, polygyny was still practiced in Iran. It is regulated by Islamic custom, which permits a man to have as

many as four wives simultaneously, provided that he treats them equally. During the 1990s, the Majlis enacted laws that required a man to provide evidence of his first wife's noncoerced agreement to his taking a second spouse and of adequate financial resources to support two households. The incidence of polygyny actually is very low because of widespread social disapproval, especially among men and women born after 1950.

Shia Islam, unlike Sunni Islam, also recognizes a form of temporary marriage called *muta.* In a *muta* marriage, the man and woman sign a contract agreeing to live together as husband and wife for a specified time, which can be as brief as several hours or as long as 99 years. The man agrees to pay a certain amount of money for the duration of the contract. Provision also is made for the support of any offspring. The number of *muta* marriages that a man may contract is not limited. Although *muta* marriages may be registered as legal contracts, there is widespread social disapproval of the practice; some women's groups openly condemn *muta* as legalized prostitution. In the early 2000s, the practice appeared to be limited to some members of the political and economic elite.

Traditionally, in Iran men could divorce their wives unilaterally according to the guidelines of Islamic law; women were permitted to leave their husbands only on narrowly defined grounds, such as insanity or impotence. Although the postrevolutionary government initially rescinded monarchy-era legislation that had liberalized access to divorce for women, by 1985 new laws permitted women to initiate divorce proceedings in certain limited circumstances. Women's right to divorce was strengthened in the 1990s, and by the end of the decade women actually were initiating more divorce petitions than men. The divorce rate in Iran is low in comparison with that in many European countries and the United States because of family and societal pressures on couples to work out their differences. By the early 2000s, the rate had risen to 0.7 divorces per 1,000 marriages.

Gender Issues

Traditional Attitudes Toward Segregation of the Sexes

With the exception of the Westernized and secularized upper and middle classes, Iranian society before the Revolution practiced public segregation of the sexes. Women generally wore the chador when in public and indoors when males

not related to them were present. The majority of Iranians envisioned an ideal society as one in which women stayed at home, performing domestic tasks associated with managing a household and rearing children. Men worked in the public sphere—fields, factories, bazaars, and offices. Deviations from this ideal, especially in the case of women, tended to reflect adversely on the reputation of the family. Gender segregation also was practiced in the public education system, which maintained separate schools for boys and girls at the elementary through secondary levels.

By the late 1960s, the majority attitudes on the segregation of women clashed sharply with the views and customs of the secularized upper and middle classes, especially in Tehran. For these latter groups, mixed gatherings, both public and private, became the norm. During the Pahlavi era, the government was the main promoter of change with respect to social attitudes toward gender segregation. It banned the wearing of the chador at official functions and encouraged mixed participation in a variety of public gatherings. One result was to bring the government into conflict with non-elite social values, which were defended by the Shia clergy.

Among the ideas imported into Iran from the West was the notion that women should participate in the public sphere. The Pahlavi government encouraged women's education and their participation in the labor force. After Reza Shah banned the chador in 1936, veiling came to be perceived among the elite and secular middle-class women, who were a minority among female Iranians, as a symbol of oppression. Before the Revolution, Iranian society already was polarized between the values of the majority of women and those of a minority who embraced American and European feminist values. Some of the latter had a genuine interest in improving the status of all women. As early as 1932, such women held a meeting of the Oriental Feminine Congress in Tehran at which they called for the right of women to vote, compulsory education for both boys and girls, equal salaries for men and women, and an end to polygyny. The White Revolution reforms of 1963 included granting women the right to vote and to hold public office (see The Post-Mossadeq Era and the Shah's White Revolution, ch. 1).

Female Participation in the Workforce

On the eve of the 1979 Revolution, only about 14 percent of women aged 10 years and older participated in the paid labor

force. Three patterns of work existed among women. Among the upper classes, women worked either as professionals or volunteers. Whereas secular middle-class women aspired to follow this model, traditional middle-class women worked outside the home only from dire necessity. Lower-class women frequently worked outside the home, especially in major cities, because their incomes were needed to support their households.

Women were active participants in the revolution that toppled the shah. Some activists were professional women of the secular middle class, among whom political antagonists to the regime had long been recruited. Like their male counterparts, such women had nationalist aspirations and denounced the shah's regime as a U.S. puppet. Some women also participated in guerrilla groups such as the Fedayan-e Khalq (People's Warriors) and the Mojahedin-e Khalq (People's Fighters). More significant, however, were the large numbers of lower-class women in the cities who participated in street demonstrations during the latter half of 1978 and early 1979. They responded to Khomeini's call for all Muslims to demonstrate opposition to the tyranny of the shah.

Following the Revolution, the new republican government called for the participation of women in an "Islamic society," because such a society would not be "morally corrupt" like the deposed monarchy. Observance of *hejab* would assure respect for women. *Hejab* eventually was defined as clothing that concealed the shape of a woman's figure, such as loose outer garments, and covered her hair and skin, leaving only her face and hands exposed. The requirement to observe *hejab* in public was controversial among the minority of secularized women who never had worn a chador. However, for the majority of women who always had worn the chador, *hejab* served to legitimate their presence in the public sphere, especially in work outside the home. Nevertheless, because so many professional women with jobs emigrated from Iran between 1979 and 1981 and because the postrevolutionary government compelled families to send underage girls to school rather than to work, the number of women in the paid labor force declined form 14 percent in 1976 to 9 percent in 1986; it rose gradually to 11 percent by 1996.

In the early 2000s, women made up 16 percent of the urban labor force and 14 percent of the rural labor force. The government was a major employer of women, especially the ministries of education and health. Moreover, the variety of jobs available

for women expanded in the private sector, including positions for women as bus and taxi drivers. The increasing numbers of employed women prompted interest in work-related discrimination against women. Several women deputies in the Majlis, for example, sponsored legislation that required employers to give women workers the same pay and fringe benefits received by their male counterparts. The monthly magazine *Zanan* regularly published articles dealing with issues of concern to working women. The magazine's periodic sample surveys documented positive developments in urban areas, such as declining fertility, the rise in the age of first marriage for women, and steadily increasing numbers of women entering college. However, the surveys also showed that few qualified women were promoted to managerial positions in either the public or private sector. In the late 1990s, women's rights groups began launching campaigns to sensitize the public to issues such as unequal pay, the lack of paid maternity leave, inadequate job-site nurseries and childcare facilities, and limited access for women employees to training programs. All these activities contributed to a heightened public awareness about the status of working women. Government responses included the establishment of women's affairs divisions in several government ministries and in the president's office, as well as financial support for women's studies centers in the public colleges and universities.

Religion

Shia Islam in Iran

The overwhelming majority of Iranians—at least 90 percent of the total population—are Muslims who adhere to Shia Islam. In contrast, the majority of Muslims throughout the world follow Sunni Islam. Of the several Shia sects, the Twelve Imam, or Twelver *(ithna-ashari)*, is dominant in Iran; most Shias in Bahrain, Iraq, and Lebanon are also members of this sect. All the Shia sects originated among early Muslim dissenters in the first three centuries following the death of the Prophet Muhammad in A.D. 632 (see Islamic Conquest, ch. 1).

The principal belief of Twelvers, but not of other Shias, is that the spiritual and temporal leadership of the Muslim community passed from Muhammad to his cousin and son-in-law Ali and then sequentially to 11 of Ali's direct male descendants. Sunnis reject this tenet. Over the centuries, various other theo-

logical differences have developed between Twelver Shias and Sunnis.

Distinctive Beliefs

Although Shias have lived in Iran since the earliest days of Islam, it is believed that most Iranians were Sunnis before the seventeenth century. The Safavi dynasty (1501–1722) made Shia Islam the official state religion in the sixteenth century. The early Safavi shahs imported Shia clergy from historical Shia centers in Bahrain, Iraq, and Lebanon and supported an aggressive proselytization campaign on behalf of the new religion. Historians believe that by the end of the sixteenth century most people in what is now Iran had become Shias.

All Twelver Shia Muslims share with all Sunni Muslims three basic principles of Islam: there is one God who is a unitary being, not, as Christians believe, a trinitarian being; Muhammad is the last of a line of prophets beginning with Abraham and including all the Old Testament prophets, as well as Jesus, and God chose Muhammad as his final messenger to humankind; and there is a resurrection of the body and soul on the last, or judgment, day. Shias also believe in two additional principles of Islam: that divine justice will reward or punish believers based on actions undertaken through their own free will, and that the Twelve Imams were successors to Muhammad. Among Shias, the term imam (see Glossary) traditionally has been applied only to Ali and his 11 descendants. In Sunni Islam, an imam is the leader of congregational prayer.

All Shia Muslims believe that there are seven pillars of faith, which detail the acts necessary to demonstrate and reinforce faith. The first five of these pillars are shared with Sunni Muslims. They are *shahada*, or the confession of faith; *namaz*, or ritual prayer; *zakat*, or almsgiving; *sawm*, fasting and contemplation during daylight hours during the lunar month of Ramazan (Ramadan); and hajj, or pilgrimage to the holy cities of Mecca and Medina once in one's lifetime if financially feasible. The other two pillars, which are not shared with Sunnis, are jihad, or personal struggle to protect Islamic lands, beliefs, and institutions; and the requirement to do good works and to avoid all evil thoughts, words, and deeds. In addition to the seven principal tenets of faith, traditional religious practices also are intimately associated with Shia Islam. These include the observance of the month of martyrdom, Moharram, and pilgrimages to the shrines of the Twelve Imams and

their various descendants. The Moharram observances commemorate the death of the Third Imam, Hussein, who was the son of Ali and Fatima and the grandson of Muhammad. Hussein was killed in battle near Karbala in present-day Iraq in A.D. 680. Hussein's death is commemorated by Shias with passion plays and is an intensely religious time.

The distinctive dogma and institution of Shia Islam is the Imamate, which includes the idea that the successor of Muhammad is not merely a political leader but also must be a spiritual leader. Thus, the imam must have the ability to interpret the inner mysteries of the Quran and sharia (Islamic law—see Glossary). Twelver Shias believe further that the Twelve Imams who succeeded the Prophet were sinless and free from error and had been chosen by God through Muhammad. The Imamate began with Ali, who also is accepted by Sunni Muslims as the fourth of the "rightly guided caliphs" to succeed the Prophet. Shias revere Ali as the First Imam, whose descendants continued the line of the imams until the Twelfth, who is believed to have ascended to a supernatural state and will return to earth on judgment day. Shias cite the close lifetime association of Muhammad with Ali as evidence for their beliefs. Shias believe that Ali was the first person to make the declaration of faith in Islam. He fought in all of Muhammad's battles except one, and the Prophet chose him to be the husband of his favorite daughter, Fatima.

The Shia doctrine of the Imamate was not elaborated fully until the tenth century. Other dogmas were developed still later. A characteristic of Shia Islam is the continual exposition and reinterpretation of doctrine. The most recent example is Ayatollah Khomeini's expounding of the doctrine of *velayat-e faqih* (see Glossary), or the political guardianship of the community of believers by scholars trained in religious law. This is an innovation rather than a traditional idea in Shia Islam. Its essential idea is that the clergy, by virtue of their superior knowledge of the laws of God, are the best qualified to rule the society of believers who are preparing themselves on earth to live eternally in heaven. The concept of *velayat-e faqih* thus provides the doctrinal basis for theocratic government, an experiment that Twelve Imam Shias had not attempted prior to the Iranian Revolution in 1978–79.

Religious Institutions and Organizations

Historically, the most important religious institution in Iran has been the mosque. In towns and cities, congregational prayers, as well as prayers and rites associated with religious observances and important phases in Muslim life, took place in mosques. Primarily an urban phenomenon, mosques did not exist in most Iranian villages. In the years preceding the Revolution, Iranian Shias generally attached diminishing significance to institutional religion, and by the 1970s there was little emphasis on mosque attendance, even for the Friday congregational prayers. During the Revolution, however, mosques in large cities played a prominent social role in organizing people for large demonstrations. Since that time, the mosques have continued to play important political and social roles, in addition to their traditional religious functions.

Another religious institution of major significance has been the *hoseiniyeh*, or Islamic center. Wealthy patrons financed construction of *hoseiniyehs* in urban areas to serve as sites for recitals and performances commemorating the martyrdom of Hussein, especially during the month of Moharram. In the 1970s, *hoseiniyehs* such as the Hoseiniyeh Irshad in Tehran became politicized as prominent clerical and lay preachers helped to lay the groundwork for the Revolution by referring to the symbolic deaths as martyrs of Hussein and the other imams in veiled but obvious criticism of Mohammad Reza Shah's regime.

Institutions providing religious education include madrassas, or seminaries, and *maktabs*, or primary schools run by the clergy. The madrassas historically were important settings for advanced training in Shia theology and jurisprudence. Each madrassa generally was associated with a noted Shia scholar who had attained the rank of ayatollah. Some older madrassas functioned like religious universities at which several scholars taught diverse religious and secular subjects. Students, or *talabehs*, lived on the grounds of the madrassas and received stipends for the duration of their studies, usually a minimum of seven years, during which they prepared for the examinations that qualify a seminary student to be a low-level preacher, or mullah (see Glossary). At the time of the Revolution, there were slightly more than 11,000 *talabehs* in Iran, approximately 60 percent of them at the madrassas in Qom. From 1979 to 1982, the number of *talabehs* in Qom more than tripled from 6,500. There were just under 25,000 *talabehs* at all levels of study

A prayer meeting at the University of Tehran
Courtesy United Nations (John Isaac)

in Qom seminaries in the early 2000s, as well as about 12,000 *talabehs* at seminaries in other Iranian cities.

Maktabs started to decline in number and importance in the first decades of the twentieth century, once the government began developing a national public school system. Nevertheless, *maktabs* continued to exist as private religious schools until the Revolution. Because the overall emphasis of public schools has remained secular subjects, since 1979 *maktabs* have continued to serve children whose parents want them to have a more religious education (see Education, this ch.).

Another major religious institution in Iran is the shrine. Pilgrimage to the shrines of imams is a specific Shia custom, undertaken because Shia pilgrims believe that the imams and their relatives have the power to intercede with God on behalf of petitioners. Of the more than 1,100 shrines in Iran, the most important are those for the Eighth Imam, Reza, in Mashhad, for Reza's sister Fatima in Qom, and for Khomeini in Tehran. Each of these is a huge complex that includes the mausoleum of the venerated one, tombs of various notables, mosques, madrassas, and libraries. Imam Reza's shrine is considered the holiest. In addition to the usual shrine accoutrements, it comprises hospitals, dispensaries, a museum, and several mosques located in a series of courtyards surrounding the imam's tomb. The shrine's endowments and gifts are the largest of all religious institutions in the country. Although there are no special times for visiting this or other shrines, it is customary for pilgrimage traffic to be heaviest during Shia holy periods. Visitors represent all socioeconomic levels. Whereas piety is a motivation for many, others come to seek the spiritual grace or general good fortune that a visit to the shrine is believed to ensure. Since the nineteenth century, it has been customary among the bazaar class and members of the lower classes to recognize those who have made a pilgrimage to Mashhad by prefixing their names with the title *mashti*. Shrine authorities have estimated that at least 4 million pilgrims visit the shrine annually in the early 2000s.

There are also important secondary shrines for other relatives of the Eighth Imam in Tehran and Shiraz. In virtually all towns and in many villages, there are numerous lesser shrines, known as *imamzadehs*, that commemorate descendants of the imams who are reputed to have led saintly lives. In Iraq the shrines at Karbala and An Najaf also are revered by Iranian Shias. Pilgrimages to these shrines and the hundreds of local

imamzadehs are undertaken to petition the saints to grant special favors or to help one through a period of troubles. The constant movement of pilgrims from all over Iran has helped bind together a linguistically heterogeneous population. Pilgrims serve as major sources of information about conditions in different parts of the country and thus help to mitigate the parochialism of the regions.

The *vaqf* is a traditional source of financial support for all religious institutions. It is a religious endowment by which land and other income-producing property is given in perpetuity for the maintenance of a shrine, mosque, madrassa, or charitable institution such as a hospital, library, or orphanage. A *mutavalli* administers a *vaqf* in accordance with the stipulations in the donor's bequest. In many *vaqf*s, the position of *mutavalli* is hereditary. Under the Pahlavis, the government attempted to exercise control over administration of the *vaqfs*, especially those of the larger shrines. This practice caused conflict with the clergy, who perceived the government's efforts as inimical to their influence and authority in traditional religious matters.

The government's interference with the administration of *vaqf*s during the Pahlavi era led to a sharp decline in the number of *vaqf* bequests. Instead, wealthy and pious Shias chose to give financial contributions directly to the leading ayatollahs in the form of *zakat*, or obligatory alms. The clergy, in turn, used the funds to administer their madrassas and to institute various educational and charitable programs, which indirectly provided them with more influence in society. The access of the clergy to a steady and independent source of funding was an important factor in their ability to resist state controls, and ultimately helped them direct the opposition to the shah.

Religious Hierarchy

From the time that Twelver Shia Islam emerged as a distinct religious denomination in the early ninth century, its clergy, or ulama, have played a prominent role in the development of its scholarly and legal tradition. However, the development of the present hierarchy among the Shia clergy dates only to the early nineteenth century. Since that time, the highest religious authority has been vested in the *mujtahid*s, scholars who, by virtue of their erudition in the science of religion (the Quran, the traditions of Muhammad and the imams, jurisprudence, and theology) and their attested ability to decide points of religious conduct, act as leaders of their community in matters concern-

ing the particulars of religious duties. Lay Shias and lesser members of the clergy who lack such proficiency are expected to follow a *mujtahid* in all matters pertaining to religion, but each believer is free to follow any *mujtahid* he or she chooses. Since the mid-nineteenth century, it has been common for several *mujtahids* concurrently to attain prominence and to attract large followings. During the twentieth century, such *mujtahids* were accorded the title of ayatollah. Occasionally, an ayatollah achieves almost universal authority among Shias and is given the title of *ayatollah ol ozma*, or grand ayatollah. Such authority was attained by as many as seven *mujtahids* simultaneously, including Ayatollah Khomeini, in the late 1970s.

To become a *mujtahid*, it is necessary to complete a rigorous and lengthy course of religious studies in a prestigious madrassa of Qom or Mashhad in Iran or An Najaf in Iraq and to receive an authorization from a qualified ayatollah. Of equal importance is either the explicit or tacit recognition of a cleric as a *mujtahid* by laymen and scholars in the Shia community. Most seminary students actually leave the madrassa after completing the primary level. They then can serve as prayer leaders, village mullahs, local shrine administrators, and other religious functionaries. Those who leave after completing the second level become preachers in town and city mosques. Students at the third level of study are those preparing to become *mujtahids*.

Unorthodox Shia Religious Movements

Sufism, or Islamic mysticism, has a long tradition in Iran. It developed there and in other areas of the Islamic empire during the ninth century among Muslims who believed that worldly pleasures distracted from true concern with the salvation of the soul. Sufis generally renounced materialism, which they believed supported and perpetuated political tyranny. Their name is derived from the Arabic word for wool, *suf*, and was applied to the early Sufis because of their habit of wearing rough wool next to their skin as a symbol of their asceticism. Over time various Sufi brotherhoods were formed, among them several militaristic orders such as the Safavis.

Although Sufis were associated with the early spread of Shia ideas in Iran, once the Shia clergy had consolidated authority over religion, by the early seventeenth century they tended to regard Sufis as deviant. Despite occasional persecution by the Shia clergy, Sufi orders continue to exist in Iran. During the

Pahlavi period, Sufi brotherhoods were revitalized as some members of the secular middle class were attracted to them. However, the orders appear to have had little lower-class following. The largest Sufi order is the Nimatollahi, which has teaching centers in several cities and has even established new centers in foreign countries. Sufi brotherhoods such as the Naqshbandi and the Qadiri also exist among Sunni Muslims in Kurdistan. There is no evidence of persecution of Sufis since the Revolution, but because individual political leaders and clergy in the governments of the Islamic Republic have regarded Sufi brotherhoods suspiciously, these groups have tended to keep a low profile.

Some Shia sects present in Iran are regarded as heretical by Twelver Shia clergy. The Ismailis have several thousand adherents in northeastern Iran and several million outside the country. The Ismailis trace their origins to the son of Ismail, who predeceased his father, the Sixth Imam. Very numerous and active in Iran from the eleventh to the thirteenth centuries, the Ismailis were forced into hiding by the Mongols. In the nineteenth century, their leader, the Agha Khan, fled to British-controlled India, where he supervised the revitalization of the sect.

Members of another Shia sect, the Ahl-e Haqq, are concentrated in Kurdish areas, especially the Kermanshah region. Smaller communities live in the provinces of East and West Azerbaijan, Luristan, Mazandaran, and in Tehran. The Ahl-e Haqq are believed to have originated in one of the medieval politicized Sufi orders. Although the Ahl-e Haqq generally revere the Twelve Imams, they do not observe many fundamental Islamic practices. Some orthodox Shias and Sunnis consider this sect heretical, and its members have been persecuted sporadically in the past. Immediately after the Revolution, some of the sect's leaders were imprisoned on the grounds of religious deviance, but since the late 1980s the government has not interfered with Ahl-e Haqq activities.

Sunni Muslims

Sunni Muslims constitute approximately 8 percent of the Iranian population. An estimated 40 percent of Iranian Kurds, virtually all Baluchis and Turkmens in Iran, and a minority of Iranian Arabs are Sunnis. There also are small communities of Persian-speaking Sunnis in the Lar region of southern Iran and in the provinces of North, Razavi, and South Khorasan. Generally speaking, Iranian Shias are inclined to recognize Sunnis as

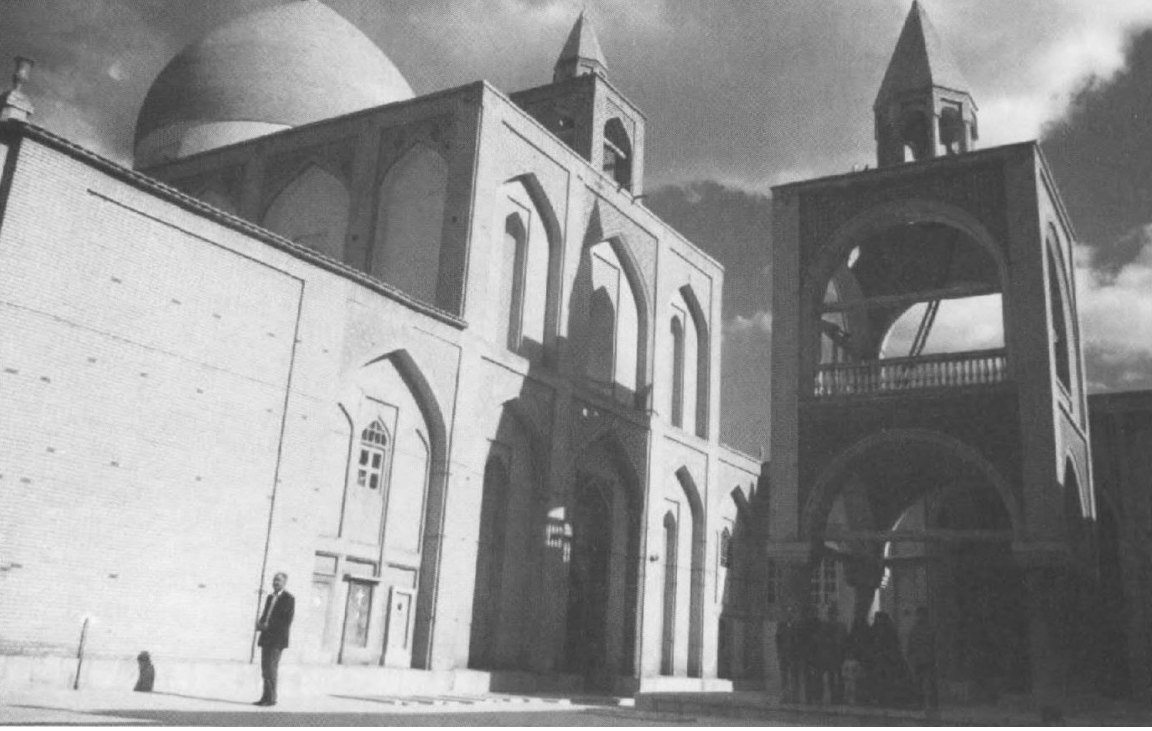
fellow Muslims whose religion is incomplete because they do not accept the doctrine of the Imamate. Shia clergy tend to ascribe value to missionary work to convert Sunnis to what Shias regard as true Islam. Because the Sunnis generally live in the border regions of the country, there has been limited Shia–Sunni tension or conflict in most of Iran. In towns with mixed populations in West Azerbaijan, the Persian Gulf region, and Sistan va Baluchistan, however, tensions between Shias and Sunnis have existed both before and after the Revolution. Religious tensions tend to be highest during major Shia observances, especially Moharram. Because most Sunnis are members of ethnic minorities, religious and ethnic identities sometimes become fused. This combination has fueled complaints of discrimination, especially among some Sunni Kurds and Sunni Baluchis.

Non-Muslim Minorities

Christians

Beginning in the twentieth century, Christians generally have been permitted to participate in the economic and social life of the country. Iran's indigenous Christians include an estimated 300,000 Armenians, some 32,000 Assyrians, and a small number of Iranians who have converted to Roman Catholicism and Protestant sects or who are the descendants of Iranians who converted to those religions in the nineteenth and twentieth centuries (see table 5, Appendix). The Armenians are predominantly urban and are concentrated in Tehran and Esfahan; smaller communities reside in Tabriz, Arak, and other cities. A majority of the Assyrians are also urban, although there are still several Assyrian villages in the Lake Urmia region. Although the Armenians and the Assyrians have encountered individual prejudice, they have not been subjected to persecution. The Armenians, especially, have achieved a relatively high standard of living and maintain several parochial primary and secondary schools.

The constitution of 1979 recognized the Armenians and Assyrians as official religious minorities. Armenians are entitled to elect two representatives to the Majlis and Assyrians, one. Both groups are permitted to follow their own religious laws in matters of marriage, divorce, and inheritance. Other Christians have not received any special recognition, and some Iranian Anglicans and Evangelicals have been persecuted. All Chris-



The Armenian Vank Church in the Jolfa quarter of Esfahan
Courtesy Nader Davoodi

tians are required to observe the laws relating to attire and gender segregation in public gatherings. However, Christians are permitted to make wine for use in religious services. Tensions have existed between the government and Armenians over the administration of the Armenian schools. The Ministry of Education insisted for a decade after the Revolution that the principals of these schools be Muslims, that courses on Islam be required in the curricula, that other religion courses be taught in Persian, and that all female students observe *hejab* inside the schools. Government supervision gradually lessened during the 1990s, although in the early 2000s Armenian schools still taught an approved course on Islam.

Baha'is

Although the Baha'is are Iran's second-largest non-Muslim minority, they do not enjoy constitutional protection as an official religious minority. There were an estimated 250,000 Baha'is in Iran in 2005 according to Iranian figures, but other estimates are as high as 350,000. The Baha'is are scattered in small communities throughout Iran, with heavy concentrations in larger cities. Most Baha'is are urban, but there are some

Baha'i villages. The majority of Baha'is are Persians, but there is a significant minority of Azerbaijani Baha'is, and Baha'is also are represented in other ethnic groups in Iran.

The Baha'i faith originated in Iran in the mid-1800s, based on the teachings of Mirza Ali Muhammad and his disciple, Mirza Hussein Ali Nur, or Baha'u'llah, the faith's prophet-founder. It initially attracted a wide following among dissident Shia clergy and others dissatisfied with society, but since its inception it has met with intense hostility from mainstream Shia clergy. Upholding many teachings of Islam and other world religions, the faith stresses the brotherhood of all peoples, the eradication of all forms of prejudice, and the establishment of world peace. By the early twentieth century, the faith had spread to North America, Europe, and Africa.

Because the Shia clergy, like many other Iranians, continued to regard their faith as heretical, Baha'is in Iran have encountered much prejudice and sometimes even persecution. Their situation generally improved under the Pahlavi shahs, as the government sought to secularize public life. Baha'is were permitted to hold government posts and allowed to open their own schools, and many were successful in business and the professions. The faith expanded significantly in the 1960s. However, major instances of discrimination occurred in 1955 and 1978, and the faith's status changed drastically in 1979. The Islamic Republic did not recognize the Baha'is as a religious minority, and adherents to the faith were officially persecuted. More than 1,000 Baha'is were imprisoned and several hundred killed. Most privileges of citizenship were revoked. Several thousand Baha'is fled the country during the 1980s. Their situation improved marginally during the 1990s. However, in the early 2000s the United Nations Commission on Human Rights reported that Baha'is faced restrictions in employment, education, and the practice of their religion. Media condemnation of the faith became more frequent in 2005, and Baha'is continue to be subject to arbitrary arrest and imprisonment.

Zoroastrians

In the early 2000s, there were an estimated 32,000 Zoroastrians in Iran. The Zoroastrians speak Persian and are concentrated in Tehran, Kerman, and Yazd provinces. Zoroastrianism initially developed in Iran during the seventh century B.C. Later, it became the official religion of the Sassanian dynasty, which ruled Iran for approximately four centuries before being

destroyed by the Arabs in the seventh century A.D. (see The Sassanians, A.D. 224–642, ch. 1). With Iran's incorporation into the Islamic empire, the majority of the Iranian population had converted from Zoroastrianism to Islam by the mid-tenth century.

During the Qajar dynasty, there was considerable prejudice against Zoroastrians. In the mid-nineteenth century, several thousand Zoroastrians emigrated from Iran to British-ruled India to improve their economic and social status. Many eventually acquired wealth in India and subsequently expended part of their fortunes on upgrading conditions in the Zoroastrian communities of Iran. The emphasis placed on Iran's pre-Islamic heritage by the Pahlavis also helped Zoroastrians achieve a more respected position in society. Many of them migrated from Kerman and Yazd to Tehran, where they accumulated significant wealth as merchants and in real estate. By the 1970s, younger Zoroastrians were entering the professions.

The Zoroastrians, like the Christians and Jews, are recognized as an official religious minority under the 1979 constitution. The constitution permits the Zoroastrians to elect one representative to the Majlis, and, like the other "legal" minorities, they may seek employment in the government. They maintain houses of worship, known as fire temples, and their own cemeteries. They generally enjoy the same civil liberties as Muslims. As a group, Zoroastrians have not been singled out for discrimination or persecution because of their religious beliefs.

Jews

In the early 2000s, there were an estimated 25,000 to 30,000 Jews in Iran, a decline from about 85,000 in 1978. The Iranian Jewish community is one of the oldest in the world, being descended from Jews who remained in the region following the Babylonian captivity, when the Achaemenian rulers of the first Iranian empire permitted Jews to return to Jerusalem (see The Achaemenian Empire, 550–330 B.C., ch. 1). Over the centuries, the Jews of Iran became physically, culturally, and linguistically indistinguishable from the non-Jewish population. The overwhelming majority of Jews speak Persian as their primary language. Iran's Jews are predominantly urban; by the 1970s, they were concentrated in Tehran, with smaller communities in other cities such as Shiraz, Esfahan, Hamadan, and Kashan.

Until the twentieth century, Jews were confined to their own quarters in the towns. In general, they were an impoverished,

occupationally restricted minority. Since the 1920s, Jews have had greater opportunities for economic and social mobility. They gradually gained increased prominence in the bazaars, and after World War II some educated Jews entered the professions. The Jews' legal position did not change as a result of the Revolution, and the constitution of 1979 recognized Jews as an official religious minority with the right to elect a representative to the Majlis. Like the Christians, the Jews generally have not been persecuted. They have maintained numerous synagogues, cemeteries, and private schools. In practice, however, the situation of the Jewish community has been affected by the intense hostility between Iran and Israel. The Islamic Republic does not recognize Israel and officially condemns Zionism, the ideology of Israel, as a racist creed justifying the occupation of a Muslim holy land, Palestine. Since the creation of Israel in 1948, about 45,000 Iranian Jews have emigrated there, and many Jews in Iran keep in regular contact with relatives in Israel. Although the leaders of Iran's Jewish community insist that no Iranian Jews subscribe to Zionism, the ties between Iranian Jews and their relatives in Israel have been used against them. These individual cases have not affected the status of the community as a whole, but they have contributed to a pervasive feeling of insecurity among Jews and have helped precipitate large-scale emigration.

Education

Prior to the mid-nineteenth century, education was associated with religious institutions. The clergy, both Muslim and non-Muslim, assumed responsibility for instructing youth in basic literacy and the fundamentals of religion. Knowledge of reading and writing was not considered necessary for all the population, and thus education generally was restricted to the sons of the economic and political elite. Typically, this involved a few years of study in a local school, or *maktab*. Those who desired to acquire more advanced knowledge could continue in a religious college, or madrassa, where all fields of religious science were taught. A perceived need to provide instruction in subjects that were not part of the traditional religious curriculum, such as accounting, European languages, military science, and technology, led to the establishment of the first government school in 1851. By the early twentieth century, several schools, including a few for girls, taught foreign languages and

Boys posing in a grocery store
Courtesy Nader Davoodi

sciences. These schools were run by foreign missionaries, private Iranians, and the government. Their function was to educate the children of the elite. During the Constitutional Revolution (1905–7), a number of reform-minded individuals proposed the establishment of a nationwide, public, primary school system (see The Constitutional Revolution, ch. 1). Progress in opening new schools was steady but slow, and by the end of the Qajar dynasty (1925) approximately 3,300 government schools were operating, with a total enrollment of about 110,000 students.

During the Pahlavi era (1925–79), the imperial government expanded the education system. Given responsibility for regulating all public and private schools, the Ministry of Education drafted a uniform curriculum for primary and secondary education. This entire public system was secular and was based on the French model. Its objective was to train Iranians for modern occupations in administration, management, science, and teaching. Although this education system was the single most important factor in the creation of the secular middle class, the goal of creating a nationwide education system was never achieved during the Pahlavi era. In 1940 only 10 percent of all elementary-age children were enrolled in school, and less than

1 percent of youths between the ages of 12 and 20 were in secondary school. These statistics did not change significantly until the early 1960s, when the government initiated programs to improve and expand the public school system. By 1978 approximately 75 percent of all elementary-age children were enrolled in primary schools, but fewer than half of teenagers were attending secondary schools.

Although by the 1920s the country had several institutes of higher education, modern college and university education developed under the Pahlavis. In 1934 the institutes associated with government ministries were combined to form the University of Tehran, which was coeducational from its inception. Following World War II, universities were founded in other major cities such as Tabriz, Esfahan, Mashhad, Shiraz, and Ahvaz. During the 1970s, these universities were expanded, and colleges and vocational institutes were set up in several cities.

One of the first measures adopted by the government after the Revolution was to "purify" the public school system of teachers deemed "counterrevolutionary" and of texts deemed antireligious. However, excepting the introduction of religion as a required class in the public school curriculum, the basic organization of the education system was not altered. Thus, students continued to attend primary school for five years, beginning in the first grade at age six. Then they spent three years in middle school. In high school, students aspiring to go on to college enrolled in humanities or science and mathematics programs; others enrolled in vocational programs. Students who completed the three-year cycle of the first two programs attended a fourth year of college preparatory classes.

The Ministry of Education announced that nearly 15 million students registered for elementary and secondary schools in September 2004. At the primary level, 97.8 percent of children ages six to 11 were enrolled. Attendance at secondary school is not compulsory, and consequently students begin to drop out as they reach their teen years. Nevertheless, in 2004 some 90 percent of children ages 12 to 14 were enrolled in middle school, and 70 percent of adolescents ages 15 to 18 years were enrolled in high schools. Girls and boys were enrolled in approximately equal numbers at the primary level; in 2004 girls made up 49 percent of middle-school students and 48 percent of high-school students.

In April 1980, the government closed the universities, most of which had become centers for political demonstrations by

both opponents and supporters of the revolutionary regime. Over the following two and one-half years, the universities were purged of "counterrevolutionary" faculty, and courses in some disciplines of the humanities were redesigned to better reflect the worldview of the Islamic Republic. Once the universities were reopened, they expanded rapidly in response to the rising demand for college education. By 2004, more than 200 public and 30 private institutions of higher education were dispersed throughout the country, enrolling a total of nearly 1.6 million students. The largest and most prestigious public university is the University of Tehran, which has enrolled a student body of about 32,000 graduates and undergraduates annually since 1998. Collectively, the university and 115 other major public institutions of higher education in Tehran enrolled more than 95,000 students in 2004. All of Iran's other major cities also have public universities. A popular experimental public university, Payam-e Nur, was established in 1987 to provide off-campus learning for working adults who wanted to complete undergraduate and graduate degrees by taking evening classes on flexible schedules. Payam-e Nur, which charges tuition, and the other, tuition-free, public colleges and universities collectively enrolled more than 550,000 students in 2004. The private system of higher education is dominated by the Islamic Free University, whose branches in 110 cities and towns enrolled more than 700,000 students in 2004. Some 33 other private colleges offering specialty degrees collectively enrolled more than 23,000 students in 2004. Of the country's total postsecondary student population in 2004, about 57 percent were females and 43 percent males. University male and female students are segregated by rows in classes, and in 2006 authorities sought to establish separate classes.

In 2003 Iran's overall literacy rate was 79.4 percent. The literacy rate by gender was 85.6 percent for males and 73 percent for females.

Health and Welfare

After the 1978–79 Revolution, one major faction, referred to as "radicals" in the early 1980s, then as "moderates" in the mid-1980s to early 1990s, and subsequently as "reformers," held that government ought to help the poor rise out of poverty by providing subsidies for basic foods and utilities and financial assistance to families with no regular income. This faction also felt that it was inappropriate for the government to monitor the

private or public behavior of its citizens. The conservative faction, in contrast, preferred private charitable efforts over public assistance as the means of helping the needy and thus encouraged religious institutions, especially mosques, to get more involved in social welfare programs. The conservatives' policies significantly enhanced the role of the mosque in society. However, while the radical/moderate faction dominated the Majlis from 1980 until 1992, it greatly expanded governmental health and welfare services, with particular emphasis on providing services for low-income populations in both rural and urban areas. The implementation of a relatively comprehensive national health insurance program, the construction of a network of nationwide primary health care clinics, and the subsidization of the cost of many common medical drugs all have been factors in a dramatic improvement in the general health of the population. Health indicators as of 2007 showed that average life expectancy had increased to 72.1 years for women and 69.1 years for men; the crude birthrate was 16.6 per 1,000 population; the crude death rate was 5.6 per 1,000 population.

Iran has a voluntary national health insurance program that delivers primary health care to more than 65 percent of the population. Individuals and families may enroll by paying a monthly fee; several levels of coverage, correlated to the amount of the monthly fee, are available. The Imam Khomeini Relief Committee and other charitable foundations pay the basic monthly enrollment fee for poor families; most factory workers and government employees pay through payroll deductions. The program covers routine health care services, including doctors' visits, but those who require specialized medical procedures generally must cover a portion of the costs. Private health insurance plans also are available; self-employed persons and those with the financial means generally prefer to enroll in private health plans and also use private hospitals and clinics.

Medical Personnel and Facilities

According to the Iranian Medical Association (IMA), an estimated 7,000 physicians—40 percent of medical doctors in Iran—emigrated during and immediately after the Revolution. This situation contributed to a critical shortage of medical personnel that lasted through the 1980s. The Ministry of Health sought to remedy this shortage by hiring doctors from other

Asian countries, a practice that continued until the early 1990s, and by expanding medical education facilities. By the early 2000s, Iran's nine major medical colleges were awarding more than 1,500 doctor of medicine degrees annually. The IMA had about 67,000 members, of whom 62,300 were practicing physicians and about 4,700 were dentists. On average, there were 0.9 physicians per 1,000 population. The IMA estimated that 46 percent of physicians were women, as were 38 percent of dentists. Nurses of all skill levels numbered more than 100,000; about 50 percent were women. There were 650 hospitals throughout the country, with a total of 73,700 beds, or an average of 1.1 hospital beds per 1,000 population.

The medical colleges provide free education for students who agree to practice for a stipulated number of years in small-town and rural clinics after obtaining their degree. This requirement has enabled the Ministry of Health to make primary health care generally available in rural areas. However, specialized health care services, including most surgical procedures, tend to be concentrated in Tehran and other large cities. Public facilities tend to have inadequate staff and equipment to treat special cases. This situation has contributed to a widespread popular perception that private clinics provide better care, although most private physicians also practice at public facilities.

Health Hazards and Preventative Medicine

For at least 100 years prior to the 1980s, the chief causes of death, apart from infant mortality, were gastrointestinal, respiratory, and parasitic diseases. However, with the gradual improvement of health in urban areas by the 1960s, the relative rate of deaths from cancer, diabetes, and heart disease began to increase. Contagious diseases, such as grippe and influenza, conjunctivitis, scarlet fever, whooping cough, pulmonary tuberculosis, and typhoid fever also were common. The improvement in overall health care after the Revolution led to dramatic declines in infant mortality and deaths from diseases and infections that can be cured with antibiotics. The infant mortality rate in 2006 was 40.3 deaths per 1,000 live births, and the maternal mortality rate was one in 370 births. The Ministry of Health has instituted preventive programs to inoculate primary- school-age children against diphtheria, measles, pertussis, poliomyelitis, and other diseases. Following earthquakes and other natural disasters, medical response measures, includ-

ing mass immunizations to prevent epidemics, have been relatively effective.

Illicit drug use has become a serious national health problem. In 2004 the Ministry of Health estimated that there were as many as 3 million drug addicts in a total adult population of 40 million. Opium is the most commonly used drug. The Shia clergy have tried to discourage opium use by declaring it religiously prohibited. Although the production, sale, and consumption of opium are illegal, an estimated 20 percent of males over age 18 are believed to use it at least occasionally. Users typically consume opium by smoking it, but since the late 1990s illegal processing laboratories have been extracting heroin from opium, and dealers have been selling it for intravenous injection. By 2002 the use of heroin may have surpassed opium use in Tehran and other large cities among males ages 18 to 25. The Ministry of Health operates a network of free drug rehabilitation centers in Tehran and other large cities. These facilities do not keep records on patients after they have been discharged, however, so it has not been possible to assess their long-term effectiveness.

Initially, the primary means of human immunodeficiency virus (HIV) infection was the transfusion of blood imported from Europe before HIV testing had become routine. Since the late 1990s, however, intravenous drug injection is the main source of HIV, accounting for 65 percent of new cases in Iran. The overall incidence of acquired immune deficiency syndrome (AIDS) has been very low. In 2005 the Ministry of Health estimated that about 9,800 Iranians were infected with the HIV virus. In the early 2000s, Iran established a national HIV treatment program, including voluntary treatment centers and a needle exchange system.

Another health hazard, especially in Tehran but increasingly in several other large cities, is air pollution, which has been linked to respiratory diseases, aggravated coronary conditions, and certain cancers, among other health problems (see Environment, this ch.).

Water Supply and Sanitation

All of Iran's urban areas and at least 95 percent of its villages had safe, piped drinking water by the end of the 1990s. Access to clean water reduced the once high incidence of waterborne gastrointestinal diseases to relatively insignificant levels. Municipal sewerage systems have been established in cities, and the

use of septic tanks has become common in villages (see Environment, this ch.).

Welfare

In 2005 the absolute poverty line was estimated at US$140 of income per month. Evaluations of poverty distribution have varied widely; according to a parliamentary report, 20 percent of the urban population and 50 percent of the rural population were living in poverty in 2004. This marks a significant decrease compared with the 1996 figure of 53 percent overall.

Religious and social traditions have influenced attitudes toward welfare. Most Iranians feel obligated to help the needy in accordance with religious tenets such as the giving of alms *(zakat)*, which is one of the obligations of the Islamic faith. Since the Revolution, the regime has espoused an ideological commitment to assisting the less fortunate, or *mostazafin*, the social group that had been neglected to a considerable degree under the shah. The largest charity in the country, the Bonyad-e Mostazafin (Foundation of the Disinherited), was established by the last shah as the Pahlavi Foundation to fund a variety of charitable programs. After the Revolution, the government took over its administration, renamed it, and redesigned its programs to emphasize assistance to poor families. Although this foundation and three smaller charitable ones may be considered semipublic because their directors are appointed by the Leader, no governmental body reviews their income sources or expenditures (see The Leader, or *Faqih*, ch. 4). The Bonyad-e Mostazafin undertakes a great variety of income-earning and grant-giving activities; one of its major charitable projects has been the construction of low-income housing for the poor, especially in Tehran and its suburbs. Another foundation, the Imam Khomeini Relief Committee, provides various kinds of assistance to the families of "martyrs," that is, those killed during the Revolution or the war with Iraq, and victims of natural disasters.

Aside from national health insurance, the most important form of government assistance is a pension program that is partially funded by employee contributions. The first public retirement program, set up during the Pahlavi era, initially benefited only government employees. Although it was extended gradually, by the time of the Revolution less than 10 percent of the total workforce was covered. During the 1980s, the Islamic Republic gradually extended coverage to all employed persons,

and in the 1990s all self-employed farmers also were covered. Female government employees may retire after 20 years of work, their male counterparts after 25 years; in other employment sectors, women may collect pensions as early as age 45 and all workers by age 60, depending on the number of years worked. Other forms of social welfare benefits, such as disability, widows' pensions, and payments for minor children of deceased heads of households, generally are provided by the Imam Khomeini Relief Committee and other semipublic foundations.

In 2005 unemployment insurance payments to eligible workers ranged from about US$140 to US$440 per month, but only about 131,000 unemployed workers received payments. Depending on family status and the insurance payments made by the worker, the program provides between six and 50 months of coverage.

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With respect to geography, Volume 1 of the *Cambridge History of Iran, The Land of Iran,* edited by W. B. Fisher, remains the most authoritative source for comprehensive articles about Iran's climate, environment, hydrology, mineralogy, and topography. On population, the Statistical Center of Iran is an indispensable resource for recent and historical census data; English summaries of its reports and latest statistics are available on its own and other government Web sites listed in the Bibliography. Iran's diverse languages and ethnic groups are the subjects of numerous useful books and articles, including Amir Hassanpour's *Nationalism and Language in Kurdistan, 1918–1985,* Sekandar Amanolahi's "The Lurs of Iran," Lois Beck's *The Qashqa'i of Iran* and *Nomad,* Brian Spooner's "Baluchestan," and Philip Salzman's *Black Tents of Baluchistan.*

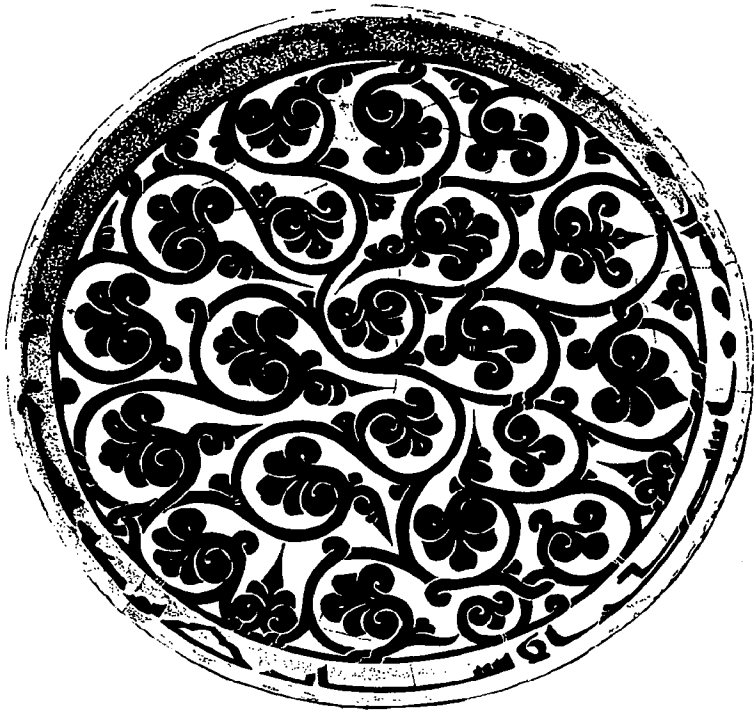
Although many books in Persian and French analyze social change in Iran since the Revolution, there is no equivalent text in English. Fariba Adelkhah's *Being Modern in Iran,* although not comprehensive, does provide insights into selected aspects of contemporary Iranian society from a cultural-anthropological perspective. *Twenty Years of Islamic Revolution,* edited by Eric Hooglund, is a collection of articles that examine social change relating to women, youth, and rural society. A special issue of

the journal *Critique*, "Sociological Research in Iran," also edited by Hooglund, provides valuable statistical data on changes affecting these and other social groups.

Insight into the social structure of urban Iran is provided by Azadeh Kian-Thiébaut in *Secularization of Iran: A Doomed Failure?* On the urban poor, see Assef Bayat's *Street Politics.* On the social structure of rural Iran, see Eric Hooglund's *Land and Revolution in Iran, 1960–1980* and Ali Shakoori's *The State and Rural Development in Post-Revolutionary Iran.* Books that are particularly valuable on women in Iran include Parvin Paydar's *Women and the Political Process in Twentieth Century Iran*, Mahnaz Kousha's *Voices from Iran*, Ziba Mir-Hosseini's *Islam and Gender*, and Faegheh Shirazi's *The Veil Unveiled.* Among the scores of articles about specific issues pertaining to women, those by Roksana Bahramitash, Homa Hoodfar, Azadeh Kian-Thiébaut, Ziba Mir-Hosseini, and Jaleh Shaditalab are especially useful.

On religion, Moojan Momen's *An Introduction to Shi'i Islam* is a comprehensive survey of the history, beliefs, and practices of Twelve Imam Shiism and contains information about all other Shia sects as well. It is an excellent reference for those with little or no prior knowledge about this denomination. For a more detailed analysis of Islam in Iran, Alessandro Bausani's *Religion in Iran* generally is considered the classic study. On non-Muslim minorities, see the *Encyclopedia Iranica* entries "Armenians of Modern Iran" (by Amurian and Kasheff) and "Assyrians in Iran" (by Rudolf Macuch), and Janet Kestenberg-Amighi's book *The Zoroastrians of Iran.* (For further information and complete citations, see Bibliography.)

Chapter 3. The Economy



A ninth-century ceramic plate from Neyshabur

SEVERAL MAJOR CHARACTERISTICS of the Iranian economy have remained remarkably untouched over the past century despite dramatic differences in the social and political structures of each of the three regimes (Qajar, Pahlavi, and Islamic) that ruled the country during this period. Each regime identified a relationship between the economic structure and the roots of the social, political, and economic problems of the country. Each regime also introduced its own socioeconomic agenda and claimed to bring about necessary structural changes, but all three failed to achieve significant change in the economy's structure. This is particularly evident in the comparison of the structure of the Iranian economy before and after the 1978–79 Revolution.

Iran's postrevolutionary economy retains several continuities with the prerevolutionary economy. Oil revenues remain the main source of government income, as they have been since the 1950s. In part because of oil's central role, the government has remained a dominant force in shaping the composition of national output, as well as its production and distribution. The public sector dominates the economic scene, and the subordination of the private sector is observed in all industries and commerce. Since 1948, with some disruptions, government development planning has implemented economic projects and budget outlays. Many government projects require multiyear budget planning. The budgetary process, the format of the annual budget, and the role of oil revenues in this process have remained the same over time.

Public-sector investments in transportation (highways and railroads), utilities, telecommunications, and other infrastructure have grown over time. Although infrastructure investments have had different impacts on rural and urban development over the period, government infrastructure investments have been one of the distinctive common features of pre- and postrevolutionary Iran. Similarly, the share of international trade in the economy has grown over time but without a significant change in structure. On the export side, Iran remains a major oil exporter, with some manufactured exports such as rugs and minimally processed items such as dried fruits. On the import side, Iran has remained an importer of raw

materials and spare parts, food and medicine, manufactured goods, and military equipment.

Historical Background

The Economy under the Pahlavis, 1925–79

Reza Shah Pahlavi (r. 1925–41) improved the country's overall infrastructure, implemented educational reform, campaigned against foreign influence, reformed the legal system, and introduced modern industries. During this time, Iran experienced a period of social change, economic development, and relative political stability.

In the interwar period, modern industries were introduced. Whereas fewer than 20 modern industrial plants existed in 1925, by 1941 more than 800 new plants had been established, with the intention of reducing the country's dependence on imports. The state encouraged industrialization by raising tariffs, financing modern industries, and imposing government monopolies. Changes in the legal system, tax structure, and trade policies attracted domestic financial resources and led to the emergence of a group of new, young entrepreneurs. The shah's court became the biggest investor in the new industries. Primarily by confiscating real estate, the shah himself became the country's richest man. Increased investment in mining, construction, and the manufacturing sector occurred, and infrastructure investment grew significantly. Iran had only 250 kilometers of railroads and 2,400 kilometers of gravel roads in 1925; by 1938 these totals had increased to 1,700 and 12,000 kilometers, respectively. Industrial growth was not balanced, however. Integration among sectors and industries was absent, and the new industries met only part of the growing domestic demand. Agriculture, from which 90 percent of the labor force made its living, did not benefit from economic reform. Furthermore, the expanding areas of the economy were not labor-intensive. Modern sectors (Caspian Sea fisheries, railroads, seaports, the oil industry, modern factories, and coal fields) absorbed a total of only about 170,000 workers, less than 4 percent of the labor force.

The government managed the expansion of international trade by techniques such as the foreign-exchange controls imposed in 1936. Many new items were among the imported goods required by industry, the military, railroads, and other areas of infrastructure investment. Traditional agricultural and

industrial export products were replaced by oil exports. Germany became Iran's primary trading partner by 1940, accounting for 42 percent of its foreign trade; the United States was second, with 23 percent. The Soviet Union also was a major trading partner in this period. Despite many advances in domestic and foreign economic policy, however, Iran remained an exporter of raw materials and traditional goods and an importer of both consumer and capital goods in the years before World War II.

Reza Shah Pahlavi, who abdicated in 1941, was succeeded by his son, Mohammad Reza Shah Pahlavi (r. 1941–79). No fundamental change occurred in the Iranian economy during World War II (1939–45) and the years immediately following. However, between 1954 and 1960 a rapid increase in oil revenues and sustained foreign aid led to greater investment and fast-paced economic growth, primarily in the government sector. Subsequently, inflation increased, the value of the national currency (the rial—see Glossary) depreciated, and a foreign-trade deficit developed. Economic policies implemented to combat these problems led to declines in the rates of nominal economic growth and per capita income by 1961.

In response to these setbacks, Iran initiated its third economic development plan (1962–68; see Glossary) with an emphasis on industrialization. New economic policies significantly altered the role of the private sector. The expansion of private and public banks, as well as the establishment of two specialized banks, provided reliable credit markets for medium- and large-scale private manufacturing enterprises. Not limited to cheap credit, government programs also included a wide range of incentives to encourage investment in new industries by both Iranian and foreign businesses. Most new investment was a joint effort between either the public sector and foreign investors or private businesses and foreign corporations. Investment in roads, highways, dams, bridges, and seaports also increased. With government support, part of the agricultural sector also attracted significant investment. Many large-scale agricultural operations in meat, dairy products, and fruit production were established. Small-scale farmers, however, did not benefit from the new investment opportunities.

Under the fourth and the fifth economic development plans (1968–73; 1973–78), the Iranian economy became increasingly open to imports and foreign investment. A combination of oil revenues, public spending, and foreign and domestic invest-

ments enlarged the middle class in major cities, particularly Tehran. In the wake of the spike in crude oil prices that followed the 1973 war pitting Egypt and Syria against Israel, the process of industrialization and consumption grew rapidly. Between 1973 and 1977, the specialized banks provided more than 200 billion rials to the manufacturing sector, and the increase in investment averaged 56 percent per year. A flood of imported goods and raw materials overwhelmed the capacity of seaports and warehouses. The military was also a beneficiary of the new economic and social conditions. Military personnel, modern artillery and equipment, and military training absorbed a major part of the budget.

Between fiscal year (FY—see Glossary) 1964 and FY 1978, Iran's gross national product (GNP—see Glossary) grew at an annual rate of 13.2 percent at constant prices. The oil, gas, and construction industries expanded by almost 500 percent during this period, while the share of value-added manufacturing increased by 4 percent. Women's participation in the labor force in urban areas increased. Large numbers of urban Iranian women, from varying social strata, joined the semiskilled and skilled labor forces (see Female Participation in the Workforce, ch. 2). In addition, the number of women enrolling in higher education increased from 5,000 in FY 1967 to more than 74,000 in FY 1978.

Economic growth, however, became increasingly dependent on oil revenues in the 1970s. By 1977, oil revenues had reached US$20 billion per year (79 percent of total government revenues). Other sectors of the economy and regions of the country did not experience a uniform pattern of growth during this period. Agriculture, traditional and semi-traditional industries, and the services sector did not thrive to the same extent as the "modern" state-sponsored manufacturing industries, which accounted for only 6 percent of industrial employment. As employment opportunities in rural areas and traditional industries decreased, public employment in urban areas increased. The proportion of self-employed Iranians remained stable.

Accelerated development of the middle class was a major outcome of the 1960s and 1970s (see Social Class in Contemporary Iran, ch. 2). Among this class were the new professional intelligentsia, called *motekhassesin* (experts). Their common denominator was the professional, cultural, or administrative expertise acquired through modern education. Nevertheless, the patterns of economic growth and regional development

along with the political underdevelopment of the shah's regime in areas such as civil institutions, human rights, and property rights limited opportunities for the majority of Iranians to develop fully their social and economic potential. Economic and social polarization minimized competition among businesses and limited development to the part of the economy concerned with the interests of dominant groups closely tied to the shah's court and the state. Most Iranians were excluded from political and economic decision making.

The Economy after the Islamic Revolution, 1979–Present

The Iranian Revolution marked a turning point for the economy, which suffered from several fundamental problems. First, it was heavily dependent on foreign raw materials, spare parts, and management skills. On average, 57 percent of raw materials were imported from developed countries. Second, the banking system had collapsed, and capital flight had compounded the economic problems. As a result, manufacturing industries were able to utilize only 58 percent of available capacity after the Revolution. The West's economic blockade began after the occupation of the U.S. Embassy in Iran by radical Iranian students in November 1979. Under U.S. pressure, many Western countries halted exports of raw materials and spare parts to Iran, as well as imports from Iran. They also reduced or eliminated investment in Iran. In addition, the United States froze Iranian foreign assets, which were estimated at US$10 billion to US$15 billion. Iran's crude oil exports declined from 4.5 million barrels a day in FY 1978 to 780,000 barrels a day in FY 1981. Between 1980 and 1982, a credit crunch or "debt crisis" arose when domestic and foreign-owned banks decided to reduce the amount of credit to both business and the public. The major reason for the credit crunch was the outstanding debt of many manufacturing firms to the banking system, totaling an estimated US$8.5 billion to US$10.1 billion.

Following the Revolution, the Islamic Republic of Iran's primary objective was to transform the economy by rejecting both Eastern and Western economic philosophies. The government linked economic dependency with the Westernization of Iran and the existence of big businesses. This attitude was converted into an antibusiness sentiment that targeted both small-scale manufacturing establishments and big-business entities. These businesses were portrayed as pro-Western, antilabor, and anti-

Islam. The trade sector, consisting of small entities loosely connected with religious organizations and leaders, was not significantly influenced by this negative attitude. A large share of the business profits generated since the Revolution has been in trade, real estate, and construction rather than the manufacturing sector.

The Iran–Iraq War, which started in September 1980, compounded existing economic and financial difficulties and created major social problems. Managing the war forced the Iranian government to compete with the private sector in the labor, financial, and foreign-exchange markets, as well as in the markets for goods and services. The war absorbed up to 20 percent of total public expenditures as tax revenues declined throughout the 1980s. The period after the war brought greater stability to Iran along with an increase in oil revenues. The new regime's first economic development plan (1990–95; see Glossary), which resulted in an annual real economic growth rate of 7.2 percent, recognized the role of the private sector in the reconstruction of the war-damaged economy. Oil revenues accounted for 73 percent of government revenues during this period. The second and third development plans (1995–2000; 2000–2005) were enacted under similar conditions but were implemented on a broader scale. Both plans stimulated moderate economic growth. However, they failed to increase tax revenues and the role of the private sector in the Iranian economy.

The Role of Government

The government plays a significant role in Iran's economy, either directly through participation in the production and distribution of goods and services, or indirectly through policy intervention. In the 1990s and the early 2000s, Iranian governments have seen intervention as necessary to counter both the market inefficiencies frequently associated with developing countries and imbalances in the production and distribution of basic goods. Imbalances resulting from unfavorable income distribution, a lack of linkages among industries, and regional income and employment disparities seemingly increased in the recent economic history of Iran. Under the Pahlavis, the role of government expanded as oil revenues increased. The oil revenues made it possible to establish a modern army; invest in infrastructure, health, education, and new industries; and establish a complex government bureaucracy.

The economic problems of recent decades accelerated the process of government intervention in economic life. Article 44 of the Iranian constitution states that "The economic system... consists of three sectors: state, cooperative, and private. The state sector is to include all large-scale and major industries, foreign trade, major mineral resources, banking, insurance, energy, dams and large-scale irrigation networks, radio and television, post, telegraphic and telephone services, aviation, shipping, roads, railroads, and the like owned and administered by the state. The private sector consists of those activities... that supplement the economic activities of the state and the cooperative sector." Thus, the constitution treats the private sector as the means of furnishing the government's needs rather than responding to market requirements. By the end of FY 1981, under the Law of Protection and Development of National Industries, 580 large industrial enterprises had been nationalized and were operating under the control of the Ministry of Industry and the Ministry of Mining and Metals.

Beginning in the 1990s, the government's central role in Iran's economy has been formalized in a series of five-year national economic development plans. The economy is currently operating under the fourth plan, which began in March 2005. These plans set goals for national budget income and expenditures, for the allocation of resources, and for growth rates and priorities among the branches of the economy. Central themes in development planning have been the allocation of revenues between the petroleum and nonpetroleum sectors of the economy, adjustments in the relative importance of state and private enterprises, and the role of competition in the economy. In general, planners have sought a smaller role for petroleum and an expanded share for private enterprise. However, the statistical manifestations of these goals never have been met.

Influenced by policies of the International Monetary Fund (IMF) and the World Bank, as well as the economic burden of state economic enterprises (SEEs), since the end of the Iran–Iraq War the Iranian government has changed economic and industrial policy in favor of privatization and economic liberalization. This shift was apparent in the second and third economic development plans. One objective of these two development plans was to create a favorable environment for strong economic growth through increased participation by the private sector in investment and ownership. However,

results were mixed, and the government share of economic activities actually increased during this period. For example, in the 1990s the number of SEEs increased from 268 to 453, and the annual budget of SEEs ballooned from US$506 million to US$18 billion. Between FY 1995 and FY 2004, the funding of SEEs absorbed more than 60 percent of the annual government budget. The government's budget for FY 2004 included funding for 510 SEEs, budget allocations for which totaled about US$49 billion—65.5 percent of the total budget that year. The private sector's share of GNP that year was 20 to 25 percent, according to the Chamber of Commerce of Iran.

The SEEs also receive financial support from both domestic and foreign sources. They received about US$11 million in loans from domestic banks and foreign sources during FY 2003; 66 percent of this amount was financed through foreign loans. Thus, SEEs have had a substantial presence in money and labor markets. The government also paid about US$2 billion in subsidies to businesses and consumers for the production and consumption of household and business necessities in FY 2003, 246 times more than it paid in FY 1978. In part, the intent was to make products such as wheat, rice, milk, and sugar affordable for low-income families and farmers. The policy of subsidies was in conformity with Article 43 of the constitution, which emphasizes the role of the government in eradicating poverty and privation and in providing for the basic needs of the general population. The second goal of the subsidy program was to support the producers of certain goods such as paper, detergent, and pesticides. One of the primary objectives of the third development plan (2000–2005) was to reduce the size of the public sector and its presence in the economy and to increase competition. According to a report by the Management and Planning Organization (MPO), however, during that period the budget for SEEs grew by more than 231 percent, and the number of SEEs also increased from 504 to 519. Thus, the Iranian economy again moved toward bigger government during the third development plan.

Government enterprises and corporations (enterprises with more than 50 percent public ownership) have a large place in the government's total general budget. Since the Revolution, the budget for government enterprises has increased. For example, between FY 2002 and FY 2005, the nominal budget of government enterprises increased from about US$57 billion to about US$121 billion.

Following the parliamentary elections of 2004, new initiatives sought to reduce the role of government in the national economy. The privatization clauses of Article 44 of the constitution were liberalized by amendment in 2005. In mid-2006, a decree by the Leader, Sayyid Ali Khamenei (in power 1989–), called for about 80 percent of state enterprises to be privatized, with the aim of energizing private input into the economy and redistributing wealth. The oil industry, state banks, and enterprises of strategic importance were the main exceptions in the decree, which was strongly supported by President Mahmoud Ahmadinejad (in office 2005–).

Human Resources

Iran has natural resources and an educated labor force sufficient to feed and provide essential services and employment to its population, the growth of which slowed dramatically in the late 1990s and early 2000s (see Population, ch. 2). According to preliminary figures from the 2006 census, Iran's total population was estimated at about 70 million. Employment growth may become a major issue if Iran remains dependent on imports of raw materials, machinery, and other necessities (sources of employment and income) and on exports of oil, gas, and other mineral commodities (nonrenewable resources). In FY 2004 the share of labor resources in the gross domestic product (GDP—see Glossary) reportedly was 29 percent, compared with 75 percent in the United States. The contribution of labor to GDP is so small because in Iran the shares of natural resources (34 percent) and physical resources (37 percent) in national output are relatively very high. The high concentration of population in urban areas (68.4 percent in 2006) and the continued high rate of urban growth are additional concerns.

Labor Force Participation

Between 1956 and 2004, Iran's labor force (all persons aged 10 years and older, employed or unemployed during the last seven days preceding an enumeration) increased from 6.0 million to 22.4 million. During this period, the total labor force participation rate declined from 32 percent to 31 percent. Factors in the decline in labor market participation by both males and females include an increased tendency for those age 10 and older to remain in school (the share of students not in the

labor force increased from 10 percent in 1956 to 45 percent in 2004), a decline in the number of active job seekers among the unemployed, and an increase in the labor market's turnover rate. In 1956 the labor force's male participation rate was 57.0 percent; it increased to 63.3 percent by 2004. The female labor force participation rate increased from 6.2 percent to 11.2 percent (13.5 percent in rural areas) between 1956 and 2004. However, all of that growth occurred before 1979 and after 1996. In 2004 employed females accounted for 13.8 percent of the total employed population—an increase of only 3.1 percent over the previous 47 years. Thus, despite women's educational achievements over the half-century, their labor force participation rate and share of employment have remained relatively constant, at very low levels.

Unemployment

Iran's population is young and urbanized, with 60 percent under 30 years of age. For these reasons, in the early 2000s unemployment was one of the most challenging issues confronting the Iranian government. In the years following the 1996 census, the unemployment rate increased to 13.2 percent as large numbers of young people flooded the job market. The official unemployment rate was 12.5 percent in 2004. The unofficial rate in 2004 and subsequently was an estimated 14 percent. In 1996 female unemployment rates were estimated at 19.0 percent for the country as a whole and 14.3 percent for rural areas; during the 1976 and 1986 censuses, the rates were 25 percent and 21 percent, respectively. Between 2000 and 2004, an average of 705,000 new job seekers entered the labor market annually. Job growth, however, did not keep up. Only 2.28 million jobs were created in that period (570,000 each year)—only 78 percent of the third development plan's goal. Unemployment was highest among 15- to 19-year-olds (the largest portion of the labor force). Among 15- to 29-year-olds, the jobless rate was 14.8 percent in 1997; by 2001, the rate had increased to 27.5 percent. In 2004 the unemployment rate for this cohort reportedly was 34.0 percent, and it was estimated that if the annual unemployment rate of 13.2 percent persisted through 2007, the jobless rate among this age-group would reach 50 percent. In 2002 the parliament (Majlis—see Glossary) passed a resolution encouraging Iranian job seekers to work overseas (in other Persian Gulf countries and Southeast Asian countries) under the supervision of the government.

Since then, however, only a negligible number of Iranian blue-collar and professional workers have gained such employment.

The Distribution of Employment

In 2004 private-sector employment was 16.8 million, and public-sector employees numbered 5.6 million. The share of public-sector employment increased between 1965 and the early 2000s as oil and gas revenues grew. The private-sector share of total employment, which was 90 percent in 1956, declined to 75 percent in 2004 as the public-sector share increased from 10 percent to 25 percent—an average annual growth rate of 5.5 percent—during this period. By comparison, in the early 2000s overall employment grew at a rate of only 2.9 percent annually. Most of the public-sector job growth occurred after 1977. Meanwhile, between 1956 and 2004 private-sector employment increased at a moderate rate of 1.5 percent.

In 2004 self-employed individuals constituted the largest group within the private sector, totaling 5.3 million. The highest proportion of self-employed individuals was in the services sector (46 percent), followed by agriculture (42 percent). Wage and salary earners were the other major group in the private sector. Between 1956 and 2004, the number of employees in this group also increased, from 2.25 million to 5.06 million.

Predominant in the structure of the agricultural workforce are small farms that employ few workers and rely heavily on unpaid family members for labor (see Agriculture, Forestry, and Fishing, this ch.). In 2004 the agricultural sector had 687,000 wage and salary earners, of which the public sector (including cooperatives) accounted for only 13 percent. Some 61 percent of unpaid family workers were in agriculture that year.

Beginning in the mid-1950s, significant shifts occurred in the employment structure among the economic sectors. Between 1956 and 2004, agriculture's share of total employment declined from 56.3 percent to 21.7 percent (see table 6, Appendix). Concurrently, the services sector's share increased from 23.6 percent to 47.7 percent, at a pace corresponding to the growth of public-sector jobs in the labor market. Industry's share (including mining, manufacturing, construction, water, and energy) increased from 20.1 percent in 1956 to 34.2 percent in 1976, then declined to 25.3 percent by 1986 (see Industry and Construction, this ch.). During the 1990s and early

2000s, it again increased, reaching 30.7 percent in 1996 and 30.6 percent in 2004. The shares of manufacturing and construction employment have fluctuated less than those of the other sectors.

Organized Labor

Although Iran belongs to the International Labor Organization (ILO, which nominally guarantees workers the right to organize and negotiate with employers) and Iran's constitution guarantees the right to form unions, labor unions in Iran have suffered severe repression, particularly under the Ahmadinejad regime. In the first half of 2007, some 600 labor leaders reportedly were imprisoned, and thousands of workers have been imprisoned for activities deemed hostile to the regime. The government controls labor through the Workers' House, which is the only legal national labor organization, representing workers in labor negotiations with management representatives in Islamic labor councils. Those councils are the only forums sanctioned by the government for such negotiations. A particularly active labor organization has been the Bus Drivers' Union of Tehran, whose 17,000 members periodically have engaged anti-union regimes and staged protests in the postrevolutionary period.

National Output Measurements

Iran has systematically measured national output (the annual value of all final goods and services produced for market transaction) since 1960, when the newly established central bank (Bank Markazi) was given responsibility for collecting and computing national accounts data. Bank Markazi has employed procedures recommended by the United Nations to estimate GDP. However, reliable estimates of GDP have been hampered by a lack of trained personnel and the existence of a large proportion of nonmonetary transactions within the economy. Domestic output typically is estimated in three sectors: agriculture, industry and mining, and services. Estimates for the oil and gas sector are made separately because of that sector's importance in the economy (see table 7, Appendix).

Gross Domestic Product

The long-term growth trend of Iran's GDP between 1960 and the late 1970s was reversed during the Revolution and the

A copper artisan plies his trade on a street in Esfahan.
Courtesy United Nations

A young vegetable vendor
Courtesy Nader Davoodi

years immediately following. Both internal and external factors were responsible for this reversal, which was sharpest in the oil and gas sector. Between 1978 and 1989, GDP decreased at an average annual rate of 1.7 percent. During the same period, the agriculture sector grew at 4.5 percent annually. With reconstruction programs and a recovery in oil output, real economic growth rebounded between 1990 and 2004. GDP increased at an average rate of about 5.3 percent annually (in constant prices) during this period. Fluctuations in the GDP growth pattern during this period included a recovery period from 1989 to 1993 and a recession during 1993–94, when the economy experienced lower oil prices and economic sanctions. Between 2000 and 2004, because of increases in crude oil prices, above-average rainfall, growth in the manufacturing sector, and economic stability, the country's real GDP increased by 5.6 percent per year, its fastest rate since the Revolution. In 2006 GDP at market prices was US$194.8 billion, and GDP per capita at market prices was US$2,978, an increase of about 6 percent over 2005.

Because the country's population increased by 25 percent between 1989 and 2004, per capita GDP in constant prices remained below its 1978 level. Overall, real GDP growth in Iran averaged about 5.0 percent a year (about 2.4 percent in per capita terms) from 1960 to 2004. Nonhydrocarbon GDP grew at a faster pace of 5.8 percent, while hydrocarbon GDP grew by 2.2 percent during this period.

Although average per capita income increased substantially between 1990 and 2004, evidence suggests that the entire population did not benefit from this economic growth, and some subsets of the population remained untouched. Although overall income distribution improved, the growth primarily benefited the wealthiest 10 percent of the population, while the next 30 percent received a relatively smaller share. Reportedly, 15 percent of the population was in absolute poverty. In 2004 average annual income of an urban household (from all sources) was about US$4,500, and that of a rural household averaged about US$2,800. The average annual expenditure was US$4,822 in urban areas and US$3,021 in rural areas that year. For the average family, expenditures on housing, food, and utilities were the fastest growing.

Industry and mining was the economic sector with the highest growth rate in the early 2000s. Within this sector, between 2000 and 2004 manufacturing grew at an annual rate of 10.6

percent. At 4.8 and 4.4 percent, respectively, the growth rates for services and agriculture lagged behind the average annual GDP growth rate during this period.

Gross Domestic Expenditure

Gross domestic expenditure (GDE) figures suggest that spending for private consumption increased as GDP grew between 1960 and 2004, except during the Revolution. During this period, Iran's investment rate (average total investment divided by GDP) exceeded 30 percent—a level comparable to that in the high-growth East Asian countries. Gross investment in equipment and construction increased at a rate of 7.4 percent of GDE. However, the share of investment in equipment did not keep pace with capital formation, most of which occurred in the construction sector.

Equipment investment has been the most volatile portion of total domestic expenditures. The share of equipment investment surpassed construction investment for the first time in 1996 and continued to increase in the early 2000s. Between 1995 and 2004, the private sector's share of equipment investment increased steadily, as the second and third five-year development plans made more investment opportunities available to the private sector.

The Informal Sector

Informal-sector activities primarily engage small-scale merchants selling a variety of items. However, the informal sector of the economy also includes carpenters, masons, tailors, and other tradespeople, as well as private tutors, cooks, and taxi drivers, offering virtually the full range of basic skills needed to provide goods and services to large sections of the population. Thus, informal employment is not confined to the peripheries of the large cities, particular occupations, or even specific economic activities. Government largely ignores, rarely supports, and sometimes actively discourages informal-sector activities. Such activities are not regulated, and they operate largely outside the system of government benefits and regulations. Thus, the informal sector is not included in GDP measurements; it also does not pay its share of taxes. In the early 2000s, most experts believed that economic activity in the informal sector accounted for about 20 percent of the Iranian GDP.

The Petroleum Industry

In 2004 Iran produced 5.1 percent of the world's total crude oil (3.9 million barrels per day—bpd; see Glossary), which generated revenues of US$25 billion to US$30 billion and was the country's primary source of foreign currency and employment. At 2006 levels of production, oil proceeds represented about 18.7 percent of GDP. However, the importance of the hydrocarbon sector to Iran's economy has been far greater. The oil and gas industry has been the engine of economic growth, directly affecting public development projects, the government's annual budget, and most foreign-exchange sources. In FY 2004, for example, the sector accounted for 25 percent of total government revenues and 85 percent of the total annual value of both exports and foreign currency earnings. However, oil and gas revenues are affected by the value of crude oil on the international market. It has been estimated that at the Organization of the Petroleum Exporting Countries (OPEC—see Glossary) quota level (December 2004), a one-dollar change in the price of crude oil on the international market would alter Iran's oil revenues by US$1 billion.

Historical Overview

The Era of International Control, 1901–79

The history of Iran's oil industry began in 1901, when British speculator William D'Arcy received a concession to explore and develop southern Iran's oil resources. The discovery of oil in 1908 led to the formation in 1909 of the London-based Anglo-Persian Oil Company (APOC). By purchasing a majority of the company's shares in 1914, the British government gained direct control of the Iranian oil industry, which it would not relinquish for 37 years. After 1935 the APOC was called the Anglo-Iranian Oil Company (AIOC). A 60-year agreement signed in 1933 established a flat payment to Iran of four British pounds for every ton of crude oil exported and denied Iran any right to control oil exports.

In 1950 ongoing popular demand prompted a vote in the Majlis to nationalize the petroleum industry. A year later, the government of Prime Minister Mohammad Mossadeq formed the National Iranian Oil Company (NIOC). A 1953 coup d'état led by British and U.S. intelligence agencies ousted the Mossadeq government and paved the way for a new oil agreement

Petroleum is the engine that drives the Iranian economy. Courtesy United Nations (E. Adams)

(see Mossadeq and Oil Nationalization, ch. 1). In 1954 a new agreement divided profits equally between the NIOC and a multinational consortium that had replaced the AIOC. In 1973 Iran signed a new 20-year concession with the consortium.

Beginning in the late 1950s, many of Iran's international oil agreements did not produce the expected outcomes; even those oil companies that managed to extract oil in their designated areas contributed very little to the country's total oil production. By the time of the Islamic Revolution of 1978–79, the five largest international companies that had agreements with the NIOC accounted for only 10.4 percent of total oil production. During this period, Iran's oil industry remained disconnected from other industries, particularly manufacturing. This separation promoted inefficiencies in the country's overall industrial economy.

The Era of Nationalized Oil, 1979–

Following the Revolution, the NIOC took control of Iran's petroleum industry and cancelled Iran's international oil agreements. In 1980 the exploration, production, sale, and export of oil were delegated to the Ministry of Petroleum. Initially Iran's postrevolutionary oil policy was based on foreign

currency requirements and the long-term preservation of the natural resource. Following the Iran–Iraq War, however, this policy was replaced by a more aggressive approach: maximizing exports and accelerating economic growth. Prior to 1998, Iran did not sign any oil agreements with foreign oil companies. Early in the first administration of President Mohammad Khatami (in office 1997–2005), the government paid special attention to developing the country's oil and gas industry. Oil was defined as intergenerational capital and an indispensable foundation of economic development. Thus, between 1997 and 2004 Iran invested more than US$40 billion in expanding the capacity of existing oil fields and discovering and exploring new fields and deposits. These projects were financed either in the form of joint investments with foreign companies or domestic contractors or through direct investment by the NIOC. In accordance with the law, foreign investment in oil discovery was possible only in the form of buyback agreements under which the NIOC was required to reimburse expenses and retain complete ownership of an oil field. Marketing of crude oil to potential buyers was managed by the NIOC and by a government enterprise called Nicoo. Nicoo marketed Iranian oil to Africa, and the NIOC marketed to Asia and Europe.

Oil Production and Reserves

Total oil production reached a peak level of 6.6 million bpd in 1976. By 1978, Iran had become the second-largest OPEC producer and exporter of crude oil and the fourth-largest producer in the world. After a lengthy decline in the 1980s, production of crude oil began to increase steadily in 1987. In 2006 Iran produced 4.0 million bpd and exported 2.5 million bpd. Accounting for 5.1 percent of world production, it returned to its previous position as OPEC's second-largest producer. According to estimates, in 2005 Iran had the capacity to produce 4.5 million bpd; it was believed that production capacity could increase to 5 million bpd by 2010, but only with a substantial increase in foreign investment. Iran's long-term sustainable oil production rate is estimated at 3.8 million bpd.

In 2006 Iran reported crude oil reserves of 132.5 billion barrels, accounting for about 15 percent of OPEC's proven reserves and 11.4 percent of world proven reserves. While the estimate of world crude oil reserves remained nearly steady between 2001 and 2006, at 1,154 billion barrels, the estimate of Iran's oil reserves was revised upward by 32 percent when a new

field was discovered near Bushehr. In the early 2000s, leading international oil firms from China, France, India, Italy, the Netherlands, Norway, Russia, Spain, and the United Kingdom had agreements to develop Iran's oil and gas fields. In 2004 China signed a major agreement to buy oil and gas from Iran, as well as to develop Iran's Yavaran oil field. The value of this contract was estimated at US$150 billion to US$200 billion over 25 years. A more modest yet important agreement was signed with India to explore and produce oil and natural gas in southern Iran. In 2006 the rate of production decline was 8 percent for Iran's existing onshore oil fields (furnishing the majority of oil output) and 10 percent for existing offshore fields. Little exploration, upgrading, or establishment of new fields occurred in 2005–6.

Oil Refining and Consumption

In 2006 Iran's refineries had a combined capacity of 1.64 million bpd. The largest refineries have the following capacities: Abadan, 400,000 bpd; Esfahan, 265,000 bpd; Bandar-e Abbas, 232,000 bpd; Tehran, 225,000 bpd; Arak, 150,000 bpd; and Tabriz, 112,000 bpd (see fig. 8). In 2004 pipelines conveyed 69 percent of total refined products; trucks, 20 percent; rail, 7 percent; and tankers, 4 percent. Oil refining produces a wide range of oil products, such as liquefied petroleum gas (LPG), gasoline, kerosene, fuel oil, and lubricants.

Between 1981 and 2004, domestic consumption of oil products increased from 0.6 million bpd to 1.1 million bpd—an average annual growth rate of 2.6 percent. Most of this growth in consumption occurred between 1980 and 2001. Between 1981 and 2004, consumption of gasoline grew by 6 percent annually, but domestic production met only 75 percent of demand for this product. In 2004 the country imported US$1.6 billion worth of gasoline. By 2006 it imported 41 percent of its gasoline. Most imported gasoline is purchased at very high prices from the Middle East and Venezuela. Iran had invested between US$100 million and US$150 million to expand gasoline production to 8 million liters per day by 2007.

Trade in Oil and Oil Products

In 2006 exports of crude oil totaled 2.5 million bpd, or about 62.5 percent of the country's crude oil production. The direction of crude oil exports changed after the Revolution because of the U.S. trade embargo on Iran and the marketing

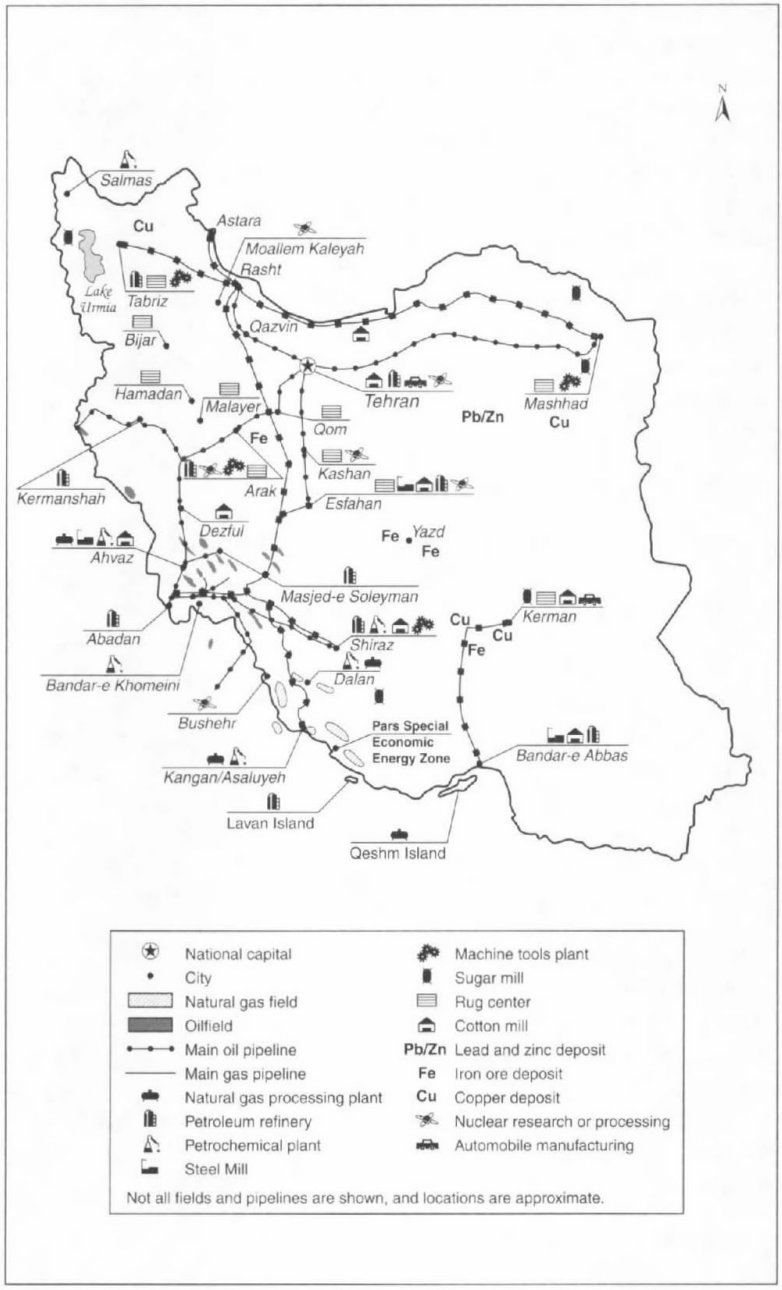


Figure 8. Industry and Mining, 2005

strategy of the NIOC. Initially, Iran's postrevolutionary crude oil export policy was based on foreign currency requirements and the need for long-term preservation of the natural resource. In addition, the government expanded oil trade with other developing countries. While the shares of Europe, Japan, and the United States declined from an average of 87 percent of oil exports before the Revolution to 52 percent in the early 2000s, the share of exports to East Asia (excluding Japan) increased significantly (see table 8, Appendix). In addition to crude oil exports, Iran exports oil products. In 2006 it exported 282,000 barrels of oil products, or about 21 percent of its total oil product output.

Natural Gas

In addition to the natural gas associated with oil exploration and extraction, an estimated 62 percent of Iran's 32.3 trillion cubic meters of proven natural gas reserves in 2006 were located in independent natural gas fields, an amount second only to those of Russia. In 2006 annual production reached 105 billion cubic meters, with fastest growth occurring over the previous 15 years. In 2006 natural gas accounted for abut 50 percent of domestic energy consumption, in part because domestic gas prices were heavily subsidized.

Since 1979, infrastructure investment by Iranian and foreign oil firms has increased pipeline capacity to support the Iranian gas industry. Between 1979 and 2003, pipelines to transport natural gas to refineries and to domestic consumers increased from 2,000 kilometers to 12,000 kilometers. In the same period, natural gas distribution pipelines increased from 2,000 kilometers to 45,000 kilometers in response to growing domestic consumption. Gas processing plants are located at Ahvaz, Dalan, Kangan, and Marun, in a corridor along the northern Persian Gulf close to the major gas fields. South Pars, Iran's largest natural gas field, has received substantial foreign investment. With its output intended for both export and domestic consumption, South Pars is expected to reach full production in 2015. The output of South Pars is the basis of the Pars Special Economic Energy Zone, a complex of petrochemical and natural gas processing plants and port facilities established in 1998 on the Persian Gulf south of Kangan.

In the 1980s, Iran began to replace oil, coal, charcoal, and other fossil-fuel energy sources with natural gas, which is environmentally safer. The share of natural gas in household

energy consumption, which averaged 54 percent in 2004, was projected to increase to 69 percent by 2009. Overall, natural gas consumption in Iran was expected to grow by more than 10 percent per annum between 2005 and 2009.

With international oil prices increasing and projected to continue increasing, international demand for natural gas and investment in production and transportation of natural gas to consumer markets both increased in the early 2000s. Iran set a goal of increasing its natural gas production capacity to 300 billion cubic meters by 2015 while keeping oil production stable. To achieve this capacity, the government has planned a joint investment worth US$100 billion in the oil and gas industry through 2015. In 2004 Iran signed a contract with France and Malaysia for production and export of natural gas and another agreement with European and Asian companies for expansion and marketing of its natural gas resources. In 2005 Iran exported natural gas to Turkey and was expected to expand its market to Armenia, China, Japan, other East Asian countries, India, Pakistan, and Europe. The first section of a new line to Armenia opened in spring 2007, as a much-discussed major pipeline to India and Pakistan remained in the negotiation stage.

Petrochemicals

In the early 2000s, an ambitious state petrochemicals project called for expansion of annual output in that industry from 9 million tons in 2001 to 27 million tons in 2013. Output capacity in 2006 was estimated at 15 million tons. The goal of this expansion is to increase the percentage of Iran's processed petroleum-based exports, which are more profitable than raw materials. In 2005 Iran exported US$1.8 billion of petrochemical products (about one-third of total nonoil exports in that year). Receiving 30 percent of Iran's petrochemical exports between them, China and India were the major trading partners in this industry. Iran's domestic resource base gives it a unique comparative advantage in producing petrochemicals when international crude oil prices rise. The gain has been greatest in those plants that use liquid gas as their main input. For FY 2006, the petrochemical industry's share of GDP was projected to be about 2 percent.

Iran's petrochemical industries have absorbed a large amount of private and public investment. In the early 2000s, 43 percent of these investments was financed by Iran's National

Petrochemical Company, a subsidiary of the Ministry of Petroleum, which administers the entire petrochemical sector. Another 53 percent is owned by foreign creditors (more than 100 foreign banks and foreign companies), 3 percent by banks, and 1 percent by the capital market. Most of the petrochemical industry's physical capital is imported, and the industry does not have strong backward linkages to manufacturing industries. In 2006 new petrochemical plants came online at Marun and Asaluyeh, and construction began on three others.

Mining

In 2006 Iran produced more than 15 different nonradioactive metals and 27 nonmetal minerals. The mined products yielding the greatest value were iron ore, decorative stones, gravel and sand, coal, copper ore, and limestone. In 2003 active mines produced 99 million tons of minerals worth an estimated US$729 million. The fastest-growing nonpetroleum extraction industry is copper. An estimated 4 percent of the world's copper is in Iran, whose Sar Cheshnah deposit in the southeast is the second largest in the world. A 1997 agreement with the Svedala Company of Sweden has upgraded the copper mines and established new processing plants. Between 2001 and 2005, the industry's annual capacity increased from 173,000 tons to 300,000 tons. In 2006 copper accounted for 4 percent of total exports.

Since the Revolution, the government has retained monopoly rights to the extraction, processing, and sales of minerals from large and strategic mines. The private sector has been allowed limited access to a particular class of small mines with the approval of relevant government agencies. Since 1998, however, the private sector's role has increased. A more flexible interpretation of the constitutional definitions of state and private ownership by the Expediency Council in 2004 and a 2005 amendment to Article 44 of the constitution, which specifies conditions for privatization, were expected to increase the role of the private sector in mining.

In 2003 a total of 2,955 mines were operating. Of these, 332 were managed by the public sector (ministries, government organizations, Islamic Revolution foundations, banks, and municipalities), and 2,623 were run by the private sector (individuals or private institutions). From 2003 to 2004, the mining industry had the second-highest growth rate (12.7 percent) in value added, after oil and gas, among all industries. In 2004

total employment in the sector was estimated at more than 88,000.

Adjusted for inflation, capital formation in the mining industries increased more than eightfold between 1986 and 2003. During the fourth economic development plan, initiated in March 2005, the government planned to invest US$17 billion in mining and related industries, US$8.5 billion of which would be allocated to importing tools and intermediate goods.

Because of inefficient linkages with the manufacturing sector, most of the necessary physical capital for mining (tools, machinery, and parts) is imported at relatively high prices. Given the country's extensive metal and nonmetal mineral reserves, vertical integration of mining with other industries would provide important employment opportunities for the country's rapidly growing labor force. The rise in transportation costs is a major obstacle to further development of the mining industry. Transportation costs quadrupled from 2001 to 2005 and were expected to escalate further because of a lack of infrastructure (highways, railroads, warehouses, and seaport facilities) and oil price increases. Also, mining operations have not been able to extract sufficient metals such as copper, zinc, coke, and gold to satisfy the needs of domestic industries.

Agriculture, Forestry, and Fishing

Agriculture traditionally was Iran's primary source of food, raw materials, foreign exchange, employment, and income. In 1960 it accounted for 23.5 percent of GDP and employed 54 percent of the labor force. By 2006, however, the share of GDP had declined to 11.2 percent, and agriculture employed less than 20 percent of the labor force.

Of Iran's total area of 1.65 million square kilometers, about 11 percent is arable; the remainder is covered with mountains, rivers, lakes, roads, and residential and industrial areas or is otherwise not suitable for agriculture. The most productive agricultural land, bordering the Caspian Sea, makes up only 5.5 percent of the country's total land. The rugged mountains in the north and west are used as pastureland for meat and dairy livestock. Because of uneven rainfall distribution, only 10 percent of the country receives sufficient moisture to support agriculture without irrigation. Iran has the requisite conditions (land, water, tools, and labor) to produce sufficient agricultural products to satisfy domestic demand. It has adequate arable land and water, farm tools, and experienced and knowledge-

able farmers. Obstacles to the application of these resources include inefficient water distribution, land erosion, low levels of productivity, underutilization or misuse of fertilizers, inadequate investment and technology, insufficient use of improved seed, land deterioration, domination by middlemen, and a shortage of management expertise.

Since the early twentieth century, most of the sector's public and private investments have encouraged farmers to favor cash crops for export. As a result, in some years the country has experienced shortages of staple crops, particularly wheat. Nevertheless, Iran has remained an exporter of agricultural products throughout history. In the early 1980s, the revolutionary government focused on establishing agricultural self-sufficiency and building farm communities. Since the introduction of the Islamic Republic's first five-year economic development plan, preference has been given to large-scale farming, modern production methods, a more centralized administrative approach, and relatively scaled-down government investment. Although agricultural production's share of GDP declined from 16.4 percent to 11.2 percent between 1992 and 2006, per capita food production almost doubled. Iran's state-run Agricultural Products Insurance Fund, which provides producers security against risks of low production and price fluctuation, is the only such plan in the region.

Crops and Livestock

Iran's primary crops are wheat, barley, rice, pistachios, sugar beets, sugarcane, seed cotton, potatoes, legumes, tea, tomatoes, saffron, and onions (see table 9, Appendix). Some 85.5 percent of Iran's cultivated agricultural land is allocated to crops—particularly wheat, barley, and rice. These crops are grown in several areas of the country; rice is the only crop grown exclusively under irrigation. In 2004 about 62.7 million tons of crops were produced in an area of 122,000 square kilometers. Significant gains in yield and productivity occurred in the early 2000s. During that period, the total area under cultivation remained relatively constant, but the distribution of crops changed. Between 1998 and 2003, for example, the area of wheat cultivation declined by 12 percent, and the area of barley cultivation by 56 percent, while the area of pistachio cultivation increased by 148 percent, and the area of legumes cultivation by 239 percent.

Except for declines in cotton, the production of other major crops grew significantly between 1988 and 2003. Despite its relatively small tonnage, the pistachio crop returns very high value to Iran; production reached a high of 310,000 tons in 2003.

Iran's main livestock products are mutton, lamb, beef, veal, eggs, chicken, and milk from cows, goats, and sheep. According to the Ministry of Agriculture, the output of poultry and livestock (red meat, chicken, milk, and eggs) increased from 7.2 million tons in 1987 to 8.8 million tons in 2004. During the same period, the relative contribution of livestock products (red meat and milk) increased significantly, from 4.0 million tons to 7.1 million tons. In 2004 the total number of livestock was 63.6 million head (58 percent sheep, 32 percent goats, 9 percent cattle, and 1 percent buffaloes and camels). Total milk production was 6 million tons. Although livestock and poultry raising techniques have become more sophisticated in recent years, traditional free grazing still predominates.

Government Agricultural Policy

In theory, Iranian agricultural policy is intended to support farmers and encourage the production of strategically important crops. The policy is twofold: first, to purchase certain crops at guaranteed prices and second, to encourage the production of specific crops through farm subsidies. The policy of purchasing agricultural crops from farmers at guaranteed prices was put in place in the 1989 crop year. On average, the guaranteed prices increased at the rate of inflation over the past 15 years. Individual subsidy levels for major crops, however, vary annually.

In the 1990s and early 2000s, government agricultural planning was only marginally successful. According to government figures, during the 1990s—coincident with the first two Islamic Republic economic plans—only 40.5 percent of the agricultural modernization projected by those plans was accomplished, and only 40.2 percent of government and private-sector financial commitments materialized.

Because wheat is considered Iran's most strategically important crop, it received the largest subsidies, and its production grew at the fastest rate between 1990 and 2005. From FY 2003 to FY 2004, wheat subsidies increased by 17.2 percent, reaching a record of US$1.5 billion. Between 1981 and 2004, the area cultivated with wheat remained stable at 5 million hectares, but

Siphon irrigation being used in a sugar-beet field near Qazvin
Courtesy United Nations

Women planting rice in the Caspian Sea region
Courtesy Nader Davoodi

wheat production increased from 5.7 million to more than 11 million tons.

Beginning in 1990, the government expanded its agricultural support programs to include a guaranteed purchase price for major agricultural crops, subsidies, favorable interest rates, government investment, and favorable foreign-trade policies. Primarily because of government support for domestic agriculture, between 1989 and 2003 the import volumes of wheat, sugar, and red meat declined by 77.7 percent, 39.6 percent, and 88.2 percent, respectively. Concurrently, the value of agricultural exports increased from US$461.5 million in 1989 to US$1.7 billion in 2004. However, over the same period total food and live animal imports increased from US$1.37 billion to US$2.65 billion.

Forestry

In 2005 Iran's forest area totaled about 11 million hectares, approximately 7 percent of the country's surface area. Adequate rainfall and a favorable climate have created 1.5 million hectares of dense forest in the Caspian region. The remainder is distributed among western forests (3.6 million hectares), southern forests (434,000 hectares), desert forests (620,000 hectares), and forests scattered in other locations. Supervised by the Department of Natural Resources, the Caspian forests produced 820,000 cubic meters of timber products in 2004, more than 90 percent of which was for industrial use. Although forests and pastures are nationalized and 12 percent of forested land is nominally protected, forest destruction by the private sector is routine. Limited forest areas, mismanagement, and destruction have compelled Iran to import lumber and wood products. In addition, forest fires destroy 20,000 hectares of forest area each year. Between 1954 and 2004, an estimated 41 percent of Iran's forest land was lost.

Fishing

Access to the Caspian Sea, the Persian Gulf, the Gulf of Oman, and many river basins provides Iran the potential to develop excellent fisheries. The government assumed control of commercial fishing in 1952. One government-owned enterprise, the Northern Sheelat Company, was established in 1952, and a second, the Southern Sheelat Company, was established in 1961. In recent years, illegal and off-season fishing, discharge of industrial and agricultural pollutants, overfishing by

other Caspian littoral states, and other unfavorable conditions have endangered Caspian fish resources. Between 1990 and 2004, Iran's total annual Caspian Sea catch declined from 98,000 tons to 32,533 tons, including 463 tons of sturgeon, which yields high-quality caviar.

Iran has 1,786 kilometers of coastline on the Persian Gulf and the Gulf of Oman. These southern waters are rich in fish and other marine resources. In 2004 the catch off the southern coast totaled 299,000 tons. This represented an average annual increase of 12.6 percent since 1976. The southern catch either is used directly by households and restaurants or processed and preserved by industry. Expansion of the fishery infrastructure would enable the country to harvest an estimated 700,000 tons of fish annually from the southern waters. However, increased pollution from the oil industry and other enterprises poses a serious threat to this area's fishing industry.

Since the Revolution, increased attention has been focused on producing fish from inland waters. Between 1976 and 2004, the combined take from inland waters by the state and private sectors increased from 1,100 tons to 110,175 tons.

Industry and Construction

Iran's industries include indigenous small businesses (producers of handicrafts, carpets, and other light goods) and large-scale manufacturers of consumer or intermediate goods. While smaller industries rely on domestic sources of labor, raw materials, and tools, larger ones depend primarily on imported raw materials and investment. Introduced into the Iranian economy during the reign of Reza Shah Pahlavi (1925–41), large-scale and "modern" industries have not grown in response to the needs of the economy, but rather in response to political goals, economic concessions, regional pressures, and, most importantly, the ebb and flow of oil revenues.

Handicrafts

Throughout history, Iranians have been involved in handicraft activities that evolved in response to available resources and markets in various parts of the country. These industries include the manufacture of glassware, pottery, tile and other construction materials; architecture; jade; the working of metal and wood; and the production of leather products, textiles, apparel, paintings and sculpture, and, most notably, carpets.

Handicraft activities serve the needs of agriculture, construction, transportation, defense, households, businesses, and other sectors of the economy. These industries are complementary to the farm sector and obtain 90 percent of their resources domestically. In addition, handicrafts are a major source of employment, export revenue, and foreign exchange. Through the middle of the Qajar era (1795–1925), handicraft industries were dynamic, diversified, and competitive. These industries lost their economic standing, however, as competing manufactured goods, particularly textiles and apparel, were imported more freely, and Iran began to export more raw materials such as silk and cotton to Europe and India. Growth occurred only in handicrafts that had large domestic or international markets, such as carpets and rugs, and those that were more competitive, such as leather products.

Iranians were the earliest carpet weavers among the ancient civilizations; through centuries of creativity and ingenuity, their carpets achieved a unique degree of excellence. Persian carpets and rugs always have been an intrinsic part of Iranian culture and daily life. The craft holds a unique position in industrial production, sales, and exports. It is complementary to both agriculture and rural industries. During the Pahlavi dynasty (1925–79), the craft of carpet making was encouraged both directly, through orders for the court and government, and indirectly, through facilitated export and trade. Carpet making has played a pivotal role in rural development. In FY 1997, 1.81 million Iranians (85 percent of them female), working in a total of about 901,000 households, were engaged in cottage industries that manufactured about US$400 million of carpets and rugs. In addition, cooperatives employing a total of 114,931 workers were producing handwoven carpets. Although official statistics are not available, it has been reported that between 4 and 7 million individuals in rural and urban areas were directly and indirectly engaged in this industry in FY 2004.

After a sharp reduction in the early 1980s, carpet exports surged to a record high of US$600 million in the 1990s. Despite stagnation and intense international competition, Iran held a 20 percent market share in FY 2004, exporting carpets valued at a total of US$600 million. That year the industry directly employed 1.8 million laborers, 90 percent of whom were in rural areas.